

Edgar Filing: PENTON MEDIA INC - Form 10-Q

PENTON MEDIA INC
Form 10-Q
November 13, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549-1004

FORM 10-Q

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

For the quarterly period ended September 30, 2003

OR

[] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

COMMISSION FILE NUMBER 1-14337

PENTON MEDIA, INC.

(Exact Name of Registrant as Specified in its Charter)

DELAWARE

(State of Incorporation)

36-2875386

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

1300 East Ninth Street, Cleveland, OH

(Address of Principal Executive Offices)

44114

(Zip Code)

216-696-7000

(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
--- ---

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

Indicate the number of shares outstanding of each of the issuer's classes
of common stock, as of the latest practicable date (November 4, 2003).

Common Stock: 33,203,470 shares

Edgar Filing: PENTON MEDIA INC - Form 10-Q

PENTON MEDIA, INC.
FORM 10-Q

INDEX

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Consolidated Balance Sheets at September 30, 2003 and December 31, 2002

Consolidated Statements of Operations for the Three and Nine Months Ended
September 30, 2003 and 2002

Condensed Consolidated Statements of Cash Flows for the Nine Months Ended
September 30, 2003 and 2002

Notes to Consolidated Financial Statements

Item 2. Management's Discussion and Analysis of Financial Condition and Results
of Operations

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Item 4. Controls and Procedures

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

Signature

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PENTON MEDIA, INC.
CONSOLIDATED BALANCE SHEETS
(DOLLARS IN THOUSANDS)

September 30,

Edgar Filing: PENTON MEDIA INC - Form 10-Q

	2003

	(unaudited)
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 42,034
Restricted cash	183
Accounts receivable, less allowance for doubtful accounts of \$3,725 and \$4,323 in 2003 and 2002, respectively	31,948
Income taxes receivable	289
Notes receivable	465
Inventories	949
Prepayments, deposits and other	8,392
Current assets of discontinued operations	-

Total current assets	84,260

Property, plant and equipment:	
Land, buildings and improvements	8,586
Machinery and equipment	62,188

	70,774
Less: accumulated depreciation	51,312

	19,462

Other assets:	
Goodwill, net	214,411
Other intangibles, less accumulated amortization of \$14,899 and \$13,137 in 2003 and 2002, respectively	20,113
Other	438

	234,962

	\$ 338,684
	=====

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

Edgar Filing: PENTON MEDIA INC - Form 10-Q

2003

(unaudited)

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current liabilities:

Senior secured credit facility	\$ -
Accounts payable	6,409
Accrued compensation and benefits	7,609
Other accrued expenses	28,067
Unearned income, principally trade show and conference deposits	20,129
Current liabilities of discontinued operations	-

Total current liabilities	62,214

Long-term liabilities and deferred credits:

Senior secured notes, net of discount	156,884
Senior subordinated notes, net of discount	171,628
Note payable	-
Net deferred pension	14,506
Other accrued expenses	12,105

	355,123

Commitments and contingencies

Mandatorily redeemable convertible preferred stock, par value \$0.01 per share; 50,000 shares authorized, issued and outstanding; redeemable at \$1,000 per share	50,669
---	--------

Redeemable common stock, par value \$0.01 per share; 13,518 and 1,068,343 shares issued and outstanding at September 30, 2003 and December 31, 2002, respectively	10
---	----

Stockholders' deficit:

Preferred stock, par value \$0.01 per share; 1,950,000 shares authorized; none issued or outstanding	-
Common stock, par value \$0.01 per share; 155,000,000 shares authorized; 33,166,286 and 31,687,194 shares issued and outstanding at September 30, 2003 and December 31, 2002, respectively	332
Capital in excess of par value	230,372
Retained deficit	(355,443)
Notes receivable officers, less reserve of \$7,600 at September 30, 2003	(1,887)
Accumulated other comprehensive loss	(2,706)

	(129,332)

	\$ 338,684
	=====

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

Edgar Filing: PENTON MEDIA INC - Form 10-Q

4

PENTON MEDIA, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED; DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE DATA)

	Three Months Ended September 30,	
	2003	2002
	-----	-----
Revenues	\$ 54,119	\$ 47,194
	-----	-----
Operating expenses:		
Editorial, production and circulation	23,500	23,158
Selling, general and administrative	22,372	25,306
Impairment of assets	45,797	223,288
Provision for loan impairment	-	-
Restructuring charges and other expenses	1,519	3,340
Depreciation and amortization	3,320	5,156
	-----	-----
	96,508	280,248
	-----	-----
Operating loss	(42,389)	(233,054)
Other income (expense):		
Interest expense	(10,480)	(9,532)
Interest income	102	133
Gain on extinguishment of debt	-	-
Gain on sale of investments	-	-
Miscellaneous, net	38	163
	-----	-----
	(10,340)	(9,236)
	-----	-----
Loss from continuing operations before income taxes and cumulative effect of accounting change	(52,729)	(242,290)
Benefit (provision) for income taxes	236	(172)
	-----	-----
Loss from continuing operations before cumulative effect of accounting change	(52,493)	(242,462)
Discontinued operations:		
Income (loss) from operations of discontinued components (including gain on disposal of \$1,200 in 2003), net of taxes	99	(702)
	-----	-----
Loss before cumulative effect of accounting change	(52,394)	(243,164)
Cumulative effect of accounting change, net of taxes	-	-
	-----	-----
Net loss	(52,394)	(243,164)
Amortization of deemed dividend and accretion of preferred stock	(1,980)	(652)
	-----	-----
Net loss applicable to common stockholders	\$ (54,374)	\$ (243,816)

Edgar Filing: PENTON MEDIA INC - Form 10-Q

	=====	=====
Net loss per common share - basic and diluted:		
Loss from continuing operations applicable to common stockholders	\$ (1.63)	\$ (7.47)
Discontinued operations, net of taxes	-	(0.02)
Cumulative effect of accounting change, net of taxes	-	-
	-----	-----
Net loss applicable to common stockholders	\$ (1.63)	\$ (7.49)
	=====	=====
Weighted-average number of shares outstanding:		
Basic and diluted	33,358	32,548
	=====	=====

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

5

PENTON MEDIA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED; DOLLARS IN THOUSANDS)

	Nine Months September 2003

NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 39,311

CASH FLOWS FROM INVESTING ACTIVITIES:	
Capital expenditures	(2,323)
Earnouts paid	(7)
Proceeds from sale of Jupitermedia Corporation stock	-
Proceeds from sale of discontinued operations	3,250

Net cash provided by (used for) investing activities	920

CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from issuance of mandatorily redeemable convertible preferred stock	-
Proceeds from senior secured notes	-
Repurchase of senior subordinated notes	-
Repayment of senior secured credit facility	(4,500)
Proceeds from note receivable, net	1,659
Payment of notes payable	(417)
Employee stock purchase plan payments	(113)
Proceeds from repayment of officers loans	250
Payment of financing costs	(1,917)

Net cash provided by (used for) financing activities	(5,038)

Edgar Filing: PENTON MEDIA INC - Form 10-Q

Effect of exchange rate changes on cash	70
Net increase in cash and cash equivalents	35,263
Cash and cash equivalents at beginning of period	6,771
Cash and cash equivalents at end of period	\$ 42,034

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

6

PENTON MEDIA, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1 - BASIS OF PRESENTATION

These financial statements have been prepared by management in accordance with generally accepted accounting principles ("GAAP") for interim financial information and the applicable rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all information and footnotes required by GAAP for complete financial statements. However, in the opinion of management, the interim financial statements reflect all adjustments, which are of a normal recurring nature, necessary for a fair presentation of the results of the periods presented. The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for the full year.

The accompanying unaudited interim consolidated financial statements should be read together with the Company's Annual Report on Form 10-K for the year ended December 31, 2002.

RECLASSIFICATIONS

Certain reclassifications have been made to the 2002 financial statements to conform to the 2003 presentation. These reclassifications did not change previously reported net income (loss), cash flows or stockholders' deficit.

USE OF ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

NEW ACCOUNTING PRONOUNCEMENTS

In October 2003, the Financial Accounting Standards Board ("FASB") Staff issued

Edgar Filing: PENTON MEDIA INC - Form 10-Q

a FASB Staff Position ("FSP") on Interpretation 46, "Consolidation of Variable Interest Entities" ("FIN 46"), FSP FIN 46-6, "Effective Date of FASB Interpretation No. 46, Consolidation of Variable Interest Entities" ("FSP 46-6"). FSP 46-6 delays the effective date of FIN 46 to December 31, 2003 for companies with a year-end of December 31 for (1) interests held by public entities in variable interest entities or potential variable interest entities created before February 1, 2003 and (2) non-registered investments. Certain disclosures required by FIN 46 were not deferred by FSP 46-6. In May 2000, Penton acquired a 50% interest in Penton Media Germany ("PM Germany"). PM Germany may potentially qualify as a variable interest entity under FIN 46. The Company currently consolidates PM Germany, which produces trade shows, publications, and Web sites. Included in Penton's consolidated statements of operations for the nine months ended September 30, 2003, are revenues of \$1.9 million and a net loss of \$2.8 million related to PM Germany. At September 30, 2003, Penton's consolidated balance sheets include assets of \$1.8 million, liabilities of \$6.0 million and minority interest of \$2.3 million related to PM Germany. Penton estimates that its maximum exposure to loss would be approximately \$0.4 million.

In April 2003, the FASB issued Statement of Financial Accounting Standard ("SFAS") No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" ("SFAS 149"). This statement amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 149 is effective for contracts entered into or modified after June 30, 2003. The adoption of SFAS 149 did not have a significant effect on the Company's results of operations or its financial condition.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("SFAS 150"). SFAS 150 changes the accounting for certain financial instruments with characteristics of both liabilities and equity and requires that those instruments be classified as liabilities in the statement of financial position. Previously, many of those financial instruments were classified as equity. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003 and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS 150 did not have any impact on the Company's financial condition or results of operations.

In May 2003, the Emerging Issues Task Force ("EITF") reached a consensus on EITF Issue 01-8, "Determining Whether an Arrangement is a Lease" ("EITF 01-8"). EITF 01-8 provides guidance on how to determine whether an arrangement contains a

PENTON MEDIA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

lease that is within the scope of SFAS No. 13, "Accounting For Leases" and is effective for arrangements entered into or modified after June 30, 2003. The adoption of EITF 01-8 did not have a significant effect on the Company's results of operations or its financial condition.

NOTE 2 - GOODWILL AND OTHER INTANGIBLES

Edgar Filing: PENTON MEDIA INC - Form 10-Q

During the third quarter of 2003, Penton completed its annual impairment test of goodwill and other intangible assets under the provisions of SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142") and recorded a non-cash charge of \$37.6 million related to the reduction of the carrying value of goodwill in three of the seven identified reporting units. Penton utilized a third-party valuation company to determine the fair value of the reporting units. Two of the reporting units are part of the Company's Technology Media segment and one of the reporting units is part of the Retail Media segment. The charge is reflected as an impairment of assets in the accompanying consolidated statements of operations. The fair value of the reporting units for the impairment test was determined using the income approach, which is similar to the discounted cash flows approach.

During the third quarter of 2002, Penton completed its transitional goodwill impairment test for January 1, 2002, under the provisions of SFAS 142 and recorded a non-cash charge of \$39.7 million to reduce the carrying value of goodwill in two of the seven identified reporting units. Both of these reporting units are part of the Technology Media segment. The charge is reflected as a cumulative effect of accounting change in the accompanying consolidated statements of operations for the nine months ended September 30, 2002.

During the third quarter of 2002, a number of events occurred that indicated an additional possible impairment of goodwill might exist. These events included our determination in July of lower-than-expected revenues and adjusted EBITDA results for the year; a letter from the New York Stock Exchange indicating that the Company had fallen below minimum listing standards; a significant decline in the Company's stock price; and the decision by management to potentially sell or dispose of certain non-core assets. As a result of these triggering events and circumstances, the Company completed an additional SFAS 142 impairment review at September 30, 2002. This review resulted in a non-cash charge of approximately \$203.3 million to further reduce the carrying value of goodwill for these two reporting units in the Technology Media segment. This charge is reflected as an impairment of assets in the accompanying consolidated statements of operations. The fair value of the reporting units for the initial and interim impairment tests in 2002 was determined using the income approach, which is similar to the discounted cash flows approach.

A summary of changes in the Company's goodwill by business segment during the first nine months of 2003 is as follows (in thousands):

	GOODWILL		
	DECEMBER 31, 2002	EARNOUTS	IMPAIRMENTS
Industry Media	\$ 36,278	\$ -	\$ -
Technology Media	96,580	7	(29,202)
Lifestyle Media	84,924	-	-
Retail Media	34,190	-	(8,366)
Total	\$ 251,972	\$ 7	\$ (37,568)

Identifiable intangible assets, exclusive of goodwill, as of September 30, 2003, are recorded in other intangibles in the consolidated balance sheets and are comprised of (in thousands):

Edgar Filing: PENTON MEDIA INC - Form 10-Q

	GROSS CARRYING VALUE	ACCUMULATED AMORTIZATION	
	-----	-----	
Trade names	\$ 5,261	\$ (3,637)	\$
Mailing/exhibitor lists	9,350	(4,782)	
Advertiser relationships	7,200	(3,089)	
Subscriber relationships	2,100	(870)	
Noncompete agreements	176	(160)	
	-----	-----	
Balance at September 30, 2003	\$ 24,087	\$ (12,538)	\$
	=====	=====	=====

8

PENTON MEDIA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Total amortization expense for identifiable intangible assets was \$3.2 million and \$7.7 million for the nine months ended September 30, 2003 and 2002, respectively. Estimated amortization expense for these intangible assets for 2003 and each of the four succeeding years is as follows (in thousands):

YEAR ENDED DECEMBER 31,	AMOUNT
-----	-----
2003	\$ 3,426
2004	\$ 2,473
2005	\$ 2,418
2006	\$ 2,114
2007	\$ 1,282

Due to the impairment of goodwill in three of the seven reporting units in the third quarter of 2003 and because of the events in the third quarter of 2002 as discussed above, the Company also completed an assessment in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144") at September 30, 2003 and 2002, respectively, and recorded non-cash charges of \$8.2 million and \$20.0 million, respectively. These charges are reflected as an impairment of assets in the accompanying consolidated statements of operations, and relate primarily to the write-off of trade names and advertiser relationships for properties in our Technology Media segment. The fair value of the asset groups was determined using the income approach, which is similar to the discounted cash flows approach.

At December 31, 2002, the net assets of our Professional Trade Show group ("PTS") were classified as held for sale and as such were reflected as discontinued operations on the consolidated balance sheets (see Note 3 - Disposals). Approximately \$1.0 million of goodwill related to PTS was written-off as part of the sale in January 2003.

Edgar Filing: PENTON MEDIA INC - Form 10-Q

NOTE 3 - DISPOSALS

At December 31, 2002, the net assets of PTS were classified as held for sale. The assets were sold in January 2003 for approximately \$3.8 million, including an earnout of \$0.6 million based on reaching certain performance objectives in 2003. The sale resulted in a gain of \$1.2 million, which was recorded as part of discontinued operations on the consolidated statements of operations. The results of PTS are reported as discontinued operations for all periods presented. PTS was part of our Industry Media segment.

In December 2002, the Company sold the net assets of Penton Media Australia ("PM Australia"), which was part of our Technology Media segment. The results of PM Australia are reported as discontinued operations for all periods presented. The \$0.8 million of income recognized for the nine months ended September 30, 2003, is primarily due to a gain of approximately \$1.2 million associated with the sale of PTS, offset by one month of operations for PTS, and settlement costs for certain pending lawsuits related to PM Australia.

Operating results for the discontinued operations, which include PM Australia and PTS, for the three and nine months ended September 30, 2003 and 2002 are as follows (in thousands):

	THREE MONTHS ENDED SEPTEMBER 30,	
	2003	2002
Revenues	\$ -	\$ 1,416
Income (loss) from operations before income taxes	\$ 99	\$ (702)
Gain on sale of properties	-	-
Income (loss) from discontinued operations	\$ 99	\$ (702)

In addition, the Company sold four other properties in December 2002. Three of these properties, Streaming Media, Boardwatch and ISPCON, were part of our Technology Media segment. The other property, A/E/C, was part of our Industry Media segment.

PENTON MEDIA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine months ended September 30, 2002, there is approximately \$0.5 million and \$5.8 million, respectively, included in revenues and \$19.9 million and \$27.6 million, respectively, included in operating expenses associated with these properties, as they did not qualify for discontinued operations treatment.

At December 31, 2002, assets and liabilities related to PTS were classified

Edgar Filing: PENTON MEDIA INC - Form 10-Q

separately on the consolidated balance sheets as current assets of discontinued operations and current liabilities of discontinued operations, respectively. The carrying amounts of the major classes of assets and liabilities included in these balances are as follows:

	DECEMBER 31, 2002
Goodwill, net	\$ 959
Other intangibles, net	759
Other assets	331
Current assets of discontinued operations	\$ 2,049
Unearned revenue	\$ 1,050
Current liabilities of discontinued operations	\$ 1,050

NOTE 4 - DEBT

SENIOR SECURED CREDIT FACILITY

In August 2003, the Company replaced its senior secured credit facility with a new four-year loan and security agreement. Pursuant to the terms of the revolving loan and security agreement, the Company can borrow up to the lesser of (i) \$40.0 million; (ii) 2.5x the Company's last twelve months adjusted EBITDA measured monthly during the first year, 2.25x during the second year and 2.0x thereafter; (iii) 40% of the Company's last six months of revenues; or (iv) 25% of the Company's enterprise value, as determined annually by a third party. The revolving credit facility bears interest at LIBOR plus 5.0% subject to a LIBOR minimum of 1.5%. The Company must comply with a quarterly financial covenant limiting the ratio of maximum bank debt to the last twelve months adjusted EBITDA to 2.5x through March 31, 2004, 2.25x from June 30, 2004 through March 31, 2005 and 2.0x thereafter. The loan agreement permits the Company to sell assets of up to \$12.0 million in the aggregate during the term or \$5.0 million in any single asset sale; and complete acquisitions of up to \$5.0 million per year. Included in the loan agreement is a stand-by letter of credit of \$0.1 million required by one of the Company's facility leases. The amount of the letter of credit reduces the availability under the credit facility. As of September 30, 2003, no amounts were drawn under the stand-by letter of credit. Costs representing bank fees and other professional fees of \$1.8 million are being amortized over the life of the loan agreement. As of September 30, 2003, \$39.9 million was available under the loan agreement. There were no amounts outstanding.

During the third quarter of 2003, approximately \$1.0 million of unamortized financing fees related to the previous credit facility were written off. This charge has been classified as part of interest expense in the consolidated statements of operations.

In January 2003, the Company amended its senior secured credit facility. The amended agreement, which was replaced in August 2003, as noted above, permitted the Company to sell certain properties in excess of the \$5.0 million aggregate limit required by the original amended agreement. In return, the revolving commitment was reduced from \$40.0 million to \$32.0 million. At the end of

Edgar Filing: PENTON MEDIA INC - Form 10-Q

January 2003, when the aggregate sum of Penton's cash and cash equivalents exceeded \$40.0 million, an additional one-time reduction of \$10.0 million was required under the amended credit facility. Furthermore, upon the sale of PTS (see Note 3 - Disposals), the revolving commitment was further reduced by 50% of the aggregate gross proceeds, as defined, from this sale, or approximately \$1.9 million. The amended facility also increased the maximum commitment fee from 0.50% to 0.75%. The commitment under the credit facility was scheduled to decrease by 15% in 2003, 30% in 2004, 35% in 2005 and 20% in 2006.

The reduction of the revolver from \$40.0 million to \$20.1 million in January 2003 and the reduction of the revolver from \$185.0 million to \$40.0 million in March 2002 resulted in the write-off of unamortized financing fees of \$0.9 million and \$0.7 million, respectively. These charges have been classified as part of interest expense on the consolidated statements of operations.

The repayment of the credit facility term loan A and term loan B in March 2002 resulted in a non-cash extraordinary charge of \$0.7 million, net of \$0.5 million in taxes, relating to the write-off of unamortized deferred financing costs. In addition, in March 2002,

10

PENTON MEDIA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

the Company repurchased \$10.0 million of its 10 3/8% Senior Subordinated Notes ("Subordinated Notes") with \$8.7 million of the proceeds from the 11 7/8% Senior Secured Notes ("Secured Notes") offering completed in March 2002, resulting in an extraordinary gain of \$0.8 million, net of \$0.6 million in taxes. In the first quarter 2003, these 2002 extraordinary charges were reclassified to gain on extinguishment of debt in the consolidated statements of operations in accordance with the provisions of SFAS No. 145, "Rescission of SFAS Nos. 4, 44, and 64, Amendment of SFAS 13, and Technical Corrections as of April 2002."

In March 2002, the Company discontinued hedge accounting for its cash flow hedges as the Company paid down its outstanding variable rate debt. As a result of the hedge discontinuation, the Company included in interest expense a net deferred loss on cash flow hedges of \$1.4 million for the nine months ended September 30, 2002. Also included in interest expense for the three and nine months ended September 30, 2002 is \$0.4 million and \$0.1 million, respectively, related to net gains and losses on interest rate swaps that did not qualify as hedges under SFAS 133.

For the nine months ended September 30, 2003 and 2002, cash paid for interest was \$18.5 million and \$11.3 million, respectively.

NOTE PAYABLE

In the second quarter 2003, the Company paid off the \$0.4 million Loan note B related to the acquisition of Hillgate Communications Ltd. in February 2001. There are no other notes payable outstanding.

NOTE 5 - MANDATORILY REDEEMABLE CONVERTIBLE PREFERRED STOCK

At September 30, 2003, an event of non-compliance continues to exist under our Series B Convertible Preferred Stock because the Company's leverage ratio (defined as debt less cash balances in excess of \$5.0 million plus the liquidation value of the preferred stock and unpaid dividends divided by

Edgar Filing: PENTON MEDIA INC - Form 10-Q

adjusted EBITDA) exceeds 7.5. When the event of non-compliance initially occurred on April 1, 2003, the holders of a majority of the preferred stock were able to nominate two additional members to our Board of Directors. Since the event of non-compliance was not cured by June 30, 2003, the holders of a majority of the preferred stock then outstanding had the right to elect one less than a minimum majority of our Board of Directors. As the holders of the preferred stock already maintained one less than a minimum majority of our board, no change was necessary. In addition, upon the occurrence of this event of non-compliance, the 5% dividend rate on the preferred stock increased by one percentage point as of April 1, July 1, and October 1, 2003 and the rate may increase by one percentage point each subsequent quarter, up to a maximum rate of 10%. The dividend rate is currently 8%. The conversion price on the preferred stock decreased by \$0.76 as of April 1, July 1, and October 1, 2003 and may decrease by \$0.76 each subsequent quarter up to a maximum reduction of \$3.80. The conversion price is currently \$5.33. The conversion price will adjust to what it would have been absent such event (to the extent of any preferred shares still outstanding) once the leverage ratio is less than 7.5. Furthermore, the dividend rate will adjust back to 5% as of the date on which the leverage ratio is less than 7.5. Under the preferred stock agreement, if the leverage ratio exceeds 7.5 for four consecutive quarters, the preferred stockholders will have the right to cause the Company to seek a buyer for all of the assets or issued and outstanding capital stock of the Company. The Company is not expected to be able to correct the event of non-compliance before the maximum dividend rate and conversion price reductions are reached. The leverage ratio event of non-compliance does not represent an event of default or violation under any of the Company's outstanding notes or the loan agreement. As such, there will not be an acceleration of any outstanding indebtedness as a result of this event. In addition, this event of non-compliance and the resulting consequences do not result in any cash outflow from the Company.

Under the conversion terms of the preferred stock, each holder has a right to convert dividends into additional shares of common stock. At September 30, 2003, no dividends have been declared. However, in light of each holder's conversion right and considering the increase in the dividend rate and the concurrent reduction of the conversion price as noted above, the Company has recognized a deemed dividend for the beneficial conversion feature inherent in the accumulated dividend based on the original commitment date(s). All such accruals have been reported as an increase in the carrying value of the preferred stock and a charge to additional paid in capital in light of the stockholders' deficit.

NOTE 6 - COMMON STOCK AND COMMON STOCK AWARD PROGRAMS

In June 2003, the Company was notified by the New York Stock Exchange ("NYSE") that it would begin delisting procedures of the Company's common stock. The NYSE reached its decision because Penton had been unable to comply with the NYSE's continued listing criteria, which include minimum levels for stock price, market capitalization, and stockholders' equity. The NYSE took this action at this time because Penton was not expected to be able to increase its book equity to the minimum listing

Edgar Filing: PENTON MEDIA INC - Form 10-Q

began trading on the Over-the-Counter Bulletin Board under the symbol PTON.

In February 2003, Penton's Board of Directors approved a proposal to effect a reverse stock split to be submitted for stockholder approval at the Company's annual meeting on June 12, 2003. This corrective share action was part of a plan submitted by Penton to the NYSE to meet the Exchange's \$1.00 stock price listing requirement. At its annual meeting, stockholders voted to approve the reverse stock split which gave the Company's Board of Directors the authority to effect a reverse split at one of three ratios within one year. Due to the Company's delisting, as noted above, the Board of Directors does not currently expect to act on its authority to effect the reverse split in the near term.

REDEEMABLE COMMON STOCK

Redeemable common stock relates to common stock that may be subject to rescissionary rights. The purchase of common stock by certain employees in the Company's 401(k) plan from May 2001 through March 2003 was not registered under the federal securities laws (the "unregistered purchases"). As a result, such purchasers of our common stock during that period have the right to rescind their purchases for an amount equal to the purchase price paid for the shares, plus interest from the date of purchase, unless the employee has released the Company from such obligation as noted below. Any rescissionary rights will lapse one year from the date of any such purchase. The Company may also be subject to civil and other penalties by regulatory authorities. The unregistered purchases did not cause an event of default under the Subordinated Notes, the Secured Notes or the senior secured credit facility. However, an event of default could occur as an indirect result of the unregistered purchases, if for instance, such unregistered purchases lead to restricted payments under the indentures and/or the loan agreement. On March 31, 2003, the Company filed a Form S-8 registration and registered 6.0 million additional shares to be offered under the 401(k) plan.

In April 2003, the Company offered to reimburse employees who had purchased Penton common stock through the Company's 401(k) plan between March 25, 2002 and March 25, 2003. Employees who signed a release were reimbursed the amount by which the price they paid for the common stock exceeded the closing price of the stock on the date they executed the release, or if the stock had been sold, the amount by which the price paid by the employee exceeded the sales price. Employees who did not sign the release by May 22, 2003, retain any rights they may have under the Federal securities laws. Over eighty percent of the employees who were offered the reimbursement have accepted the terms of the release, representing a liability of approximately \$0.6 million at June 30, 2003, which was deposited into each individual's 401(k) account in July 2003. This amount is included in restructuring charges and other expenses in the consolidated statements of operations.

At September 30, 2003, the Company has classified 13,518 shares, related to the potential rescissionary rights, outside of stockholders' deficit because the redemption of the stock is not within the control of the Company.

EMPLOYEE STOCK PURCHASE PLAN

In the first quarter of 2003, 65,711 shares were purchased for employees under the Company's Employee Stock Purchase Plan for employees who participated in the plan during the fourth quarter of 2002. With this purchase, the maximum number of shares available to employees under the plan of 750,000 shares was reached. The plan was subsequently terminated by the Company.

MANAGEMENT STOCK PURCHASE PLAN

For the nine months ended September 30, 2003 and 2002, respectively, an immaterial amount of expense was recognized related to the Management Stock

Edgar Filing: PENTON MEDIA INC - Form 10-Q

Purchase Plan. In February 2003, a total of 99,876 restricted stock units ("RSUs") were granted at \$0.34 per share, which represents 80% of fair market value on the date of grant. At September 30, 2003, 134,938 RSUs were outstanding. During the first nine months of 2003, 20,835 shares of the Company's common stock were issued under this plan.

EXECUTIVE LOAN PROGRAM

The Company has an executive loan program, which allowed it to issue shares of Company common stock at fair market value to seven key executives, in exchange for full recourse notes. In December 2001, the loan notes were amended to cease interest charges and to extend the maturity date from the fifth anniversary of the first loan date to six months following the seventh anniversary of the first loan date. No payments are required until maturity, at which time all outstanding amounts are due.

12

PENTON MEDIA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

At September 30, 2003, the outstanding balance under the executive loan program was approximately \$9.5 million (including \$1.1 million of accrued interest). For the nine months ended September 30, 2003 and 2002, executive loans of \$0.3 million and \$1.1 million, respectively, were repaid. The loan balance is classified in the stockholders' deficit section of the consolidated balance sheets as notes receivable officers.

The Company's ability to collect amounts due from each executive is largely dependent on the fair market value of assets held by each executive, including Company stock. Factors such as the length of time before the loans are due; the value of the executives' assets, including Company stock; the continued employment by the executives with the Company, and other relevant factors, are considered in assessing the collectibility of these loans.

During the second quarter of 2003, the Company determined that the executives would probably be unable to repay a significant portion of the outstanding balance due under their loans without a significant recovery in the Company's stock price. Consequently, the Company recorded a provision for loan impairment in the amount of \$7.6 million during the second quarter of 2003, reflecting the amount by which the carrying value of each individual's loan exceeded the underlying estimated fair value of the assets available to repay the loan. The Company will recognize any recoveries of amounts reserved only upon payment of the loans. The notes are full recourse loans and the Company intends to pursue collection of all amounts when due. In addition to the factors noted above, additional considerations in determining whether a reserve was necessary included the continued low price of the Company's stock, the delisting of the Company's stock from the NYSE in the second quarter, and the continued uncertainty of an economic recovery in the markets served by the Company. The Company continues to monitor the collectibility of the notes to determine if additional reserves are required.

EQUITY AND PERFORMANCE INCENTIVE PLAN

Stock Options

In July 2002, Penton filed a Tender Offer Statement related to the exchange by eligible employees of outstanding options to purchase shares of Penton's common

Edgar Filing: PENTON MEDIA INC - Form 10-Q

stock issued under the Penton Media, Inc. 1998 Equity and Performance Incentive Plan with exercise prices greater than or equal to \$16.225 per share for new options to purchase shares of common stock to be issued under the Option Plan ("New Options"). Each eligible employee received a New Option to acquire one share of Penton's common stock for every two shares of Penton's common stock subject to an eligible option. In February 2003, 334,850 New Options were granted at an exercise price of \$0.37 per share. No compensation expense was recorded by the Company as a result of the Tender Offer Statement.

In addition, in February 2003, 264,000 options were granted to certain executives and other eligible employees and 20,000 options were granted to Penton's Directors under the 1998 Director Stock Option Plan at an exercise price of \$0.37 per share. As of September 30, 2003, a total of 1,995,305 options were outstanding. No compensation expense was recorded by the Company due to these grants. No options were exercised in the first nine months of 2003.

Deferred Shares

For the nine months ended September 30, 2003 and 2002, approximately \$1.3 million and \$3.1 million, respectively, were recognized as expense related to deferred shares. In February 2003, 391,360 deferred shares were granted to certain executives. In April 2003, 372,916 shares of the Company's common stock were issued under this plan. As of September 30, 2003, 400,056 deferred shares remain outstanding.

Performance Shares

For the nine months ended September 30, 2002, approximately \$1.4 million was credited to compensation expense related to performance shares. For the nine months ended September 30, 2003, the amount charged to expense was not material. During the first nine months of 2003, 30,516 shares of common stock were issued under this plan. At September 30, 2003, a total of 471,487 performance shares remain outstanding. Performance shares are not issuable until earned.

13

PENTON MEDIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Performance Units

In the second quarter of 2003, the Company granted 490,155 performance units to certain key executives. Subject to the attainment of certain performance goals over a three-year period from January 1, 2003 through December 31, 2005, each grantee can earn a cash award in respect to each performance unit. For the nine months ended September 30, 2003, approximately \$0.2 million was recognized as expense related to these performance units.

ACCOUNTING FOR STOCK-BASED COMPENSATION

The Company accounts for stock-based compensation plans under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." Pro forma information regarding net income (loss) and earnings per share is required by SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), as amended by SFAS No. 148, "Accounting for Stock-Based Compensation Transition and Disclosure," and has been determined as if Penton had accounted for its employee stock options under SFAS 123.

Had compensation cost for Penton's stock-based compensation plans been

Edgar Filing: PENTON MEDIA INC - Form 10-Q

determined based on the fair value methodologies pursuant to SFAS 123, Penton's net loss and earnings per share for the three and nine months ended September 30, 2003 and 2002 would have been as follows (in thousands, except per share data):

	THREE MONTHS ENDED SEPTEMBER 30,	
	2003	2002
	----	----
Net loss applicable to common stockholders:		
As reported	\$ (54,374)	\$ (243,816)
Add: Compensation expense included in net loss, net of related tax effects	55	139
Less: Total stock-based compensation expense determined under fair value based methods for all awards, net of related tax effects...	(591)	(1,293)
	-----	-----
Pro forma.....	\$ (54,910)	\$ (244,970)
	=====	=====
Basic and diluted earnings per share:		
As reported.....	\$ (1.63)	\$ (7.49)
Pro forma.....	\$ (1.65)	\$ (7.53)

NOTE 7 - EARNINGS PER SHARE

Earnings per share have been computed pursuant to the provisions of SFAS No. 128, "Earnings Per Share." Computations of basic and diluted earnings per share for the three and nine months ended September 30, 2003 and 2002 are as follows (in thousands, except per share amounts):

	THREE MONTHS ENDED SEPTEMBER 30,	
	2003	2002
	----	----
Net loss applicable to common stockholders	\$ (54,374)	\$ (243,816)
	=====	=====
Number of shares:		
Weighted average shares outstanding - basic and diluted	33,358	32,548
	=====	=====
Per share amount:		
Loss applicable to common stockholders - basic and diluted	\$ (1.63)	\$ (7.49)
	=====	=====

The preferred stock and RSUs are participating securities, such that in the event a dividend is declared or paid on the common stock, the Company must simultaneously declare and pay a dividend on the preferred stock and the RSUs as if the preferred stock and the

Edgar Filing: PENTON MEDIA INC - Form 10-Q

PENTON MEDIA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

RSUs had been converted into common stock. Topic D-95, "Effect of Participating Convertible Securities on the Computation of Basic Earnings per Share" requires that the participating securities be included in the computation of basic earnings per share if the effect of inclusion is dilutive. Vested RSUs are always included in the computation of basic earnings per share as they are considered equivalent to common stock. For all other participating securities, the Company's accounting policy requires the use of the two-class method to determine whether the inclusion of such securities is dilutive or not. For the three and nine months ended September 30, 2003 and 2002, preferred stock and non-vested RSUs were excluded from the calculation of basic earnings per share as the results were anti-dilutive.

For the three and nine months ended September 30, 2003, 1,995,305 stock options, 471,487 performance shares, 235,704 non-vested deferred shares, 120,329 non-vested RSUs, 50,000 redeemable preferred shares and 1,600,000 warrants were excluded from the calculation of diluted earnings per share, as the result would have been anti-dilutive. Due to the loss from continuing operations before cumulative effect of accounting change and after amortization of deemed dividend and accretion of preferred stock for the three and nine months ended September 30, 2002, 1,686,555 stock options, 603,003 performance shares, 552,639 non-vested deferred shares, 47,677 non-vested RSUs, 50,000 redeemable preferred shares, and 1,600,000 warrants were excluded from the calculation of diluted earnings per share as the result would have been anti-dilutive.

NOTE 8 - COMPREHENSIVE LOSS

The after-tax component of comprehensive loss for the three and nine months ended September 30, 2003 and 2002 are as follows (in thousands):

	THREE MONTHS ENDED SEPTEMBER 30,	
	2003	2002
	----	----
Net loss	\$ (52,394)	\$ (243,164)
Other comprehensive loss:		
Reclassification adjustment for realized gain on securities sold, net of taxes of \$0.3 million	-	-
Reclassification adjustment for cash flow hedges, net of taxes of \$0.6 million	-	-
Change in accumulated translation adjustment	43	(263)
	-----	-----
Total comprehensive loss	\$ (52,351)	\$ (243,427)
	=====	=====

NOTE 9 - RELATED PARTY TRANSACTIONS

In January 2003, the Company sold PTS to Cygnus Expositions, a division of Cygnus Business Media, Inc., (see Note 3 - Disposals) which is owned by ABRY Partners IV, L.P. ABRY Partners, LLC and its affiliates hold a significant portion of our preferred stock and currently have two partners who are on the

Edgar Filing: PENTON MEDIA INC - Form 10-Q

Company's Board of Directors.

At September 30, 2003, PM Germany has a note receivable from Neue Medien Ulm Holdings GmbH ("Neue Medien") of \$0.4 million. Neue Medien has ownership interests in PM Germany. This amount is included in the notes receivable balance on the consolidated balance sheets.

NOTE 10 - RESTRUCTURING CHARGES

THIRD QUARTER 2003 CHARGES AND ADJUSTMENTS

In the third quarter of 2003, the Company recorded a restructuring charge of \$1.5 million, net of adjustments of \$0.8 million. The charge includes \$1.0 million of employee termination costs, primarily severance and benefit costs. In addition, the Company recorded facility closing costs of \$1.3 million, net of estimated sublease rentals, related to the partial closure of office space at one location under a long term lease expiring in 2010. The related operations were relocated to a different floor at the same location where the Company leases only part of the floor. This partial floor had been previously vacated by the Company as part of its

15

PENTON MEDIA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

second quarter 2002 restructuring efforts. As a result, the restructuring accrual, net of estimated sub-lease rentals, related to the partial floor that was re-occupied was reversed in the amount of approximately \$0.8 million.

SECOND QUARTER 2003 CHARGES AND ADJUSTMENTS

In the second quarter of 2003, the Company recorded a restructuring charge of \$0.8 million. The charge includes \$0.4 million of employee termination costs, primarily severance and benefits costs. The charge also includes \$0.3 million of facility closing costs associated with the partial closure of office space at one location under a long term lease expiring in 2009, net of estimated sublease rentals. Charges for other exit costs of \$0.1 million include costs associated with the cancellation of certain contractual obligations.

In the second quarter 2003, the Company made an adjustment of \$0.5 million to the restructuring charge for an office lease originally recorded in the second quarter 2002 resulting primarily from the bankruptcy filing by the sublessee of the property.

2002 AND 2001 CHARGES

As of September 30, 2003, a majority of the restructuring initiatives undertaken in 2002 and 2001, including the elimination of nearly 716 positions, the closure of nearly 30 Penton offices worldwide and the cancellation of other contractual obligations, primarily trade show venue contracts, hotel contracts and service agreements, have been completed. As of September 30, 2003, all employees whose positions were eliminated have left the Company. The Company has vacated the offices for which a restructuring charge has been recorded. However, Penton remains ultimately liable for all lease payments, which are expected to continue through 2013.

SUMMARY OF 2003 RESTRUCTURING ACTIVITIES

Edgar Filing: PENTON MEDIA INC - Form 10-Q

The following table summarizes quarterly charges, adjustments, cash amounts paid and the ending accrual balance at September 30, 2003 for all restructuring activities during the first nine months of 2003 (in thousands):

DESCRIPTION -----	SEVERANCE AND OTHER PERSONNEL COSTS -----	FACILITY CLOSING COSTS -----	OTHER EXIT COSTS -----	-----
Accrual at December 31, 2002	\$ 5,123	\$ 10,786	\$ 1,015	\$
First quarter adjustments	(9)	48	(112)	
Second quarter charges	428	322	99	
Second quarter adjustments	2	474	(2)	
Third quarter charges	956	1,292	38	
Third quarter adjustments	19	(1,082)	233	
Cash payments	(5,227)	(2,376)	(946)	
	-----	-----	-----	-----
Accrual at September 30, 2003	\$ 1,292	\$ 9,464	\$ 325	\$
	=====	=====	=====	=====

The majority of severance costs are expected to be fully paid by the first quarter of 2005. Facility closing costs include long-term leases and are expected to be paid through 2013, while the balance of other exist costs are expected to be paid by the end of 2004.

16

PENTON MEDIA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Restructuring charges by segment, net of adjustments, for the nine months ended September 30, 2003, are as follows:

	FIRST QUARTER ADJUSTMENTS -----	SECOND QUARTER CHARGES, NET -----	THIRD QUARTER CHARGES, NET -----	TOTAL -----
Industry Media	\$ (48)	\$ 216	\$ 475	\$ 643
Technology Media	45	1,103	282	1,430
Lifestyle Media	-	45	-	45
Retail Media	-	-	633	633
Corporate	(70)	(41)	66	(45)
	-----	-----	-----	-----
Total	\$ (73)	\$ 1,323	\$ 1,456	\$ 2,706
	=====	=====	=====	=====

These amounts are included in restructuring charges and other expenses in the accompanying consolidated statements of operations.

NOTE 11 - SEGMENT INFORMATION

Edgar Filing: PENTON MEDIA INC - Form 10-Q

Penton has four segments, which derive their revenues from the production of publications, trade shows, and conferences and online media products, including Web sites serving customers in 12 industry sectors. Penton measures segment profitability using adjusted segment EBITDA. Adjusted segment EBITDA is defined as operating income (loss) before depreciation and amortization, provision for loan impairment, restructuring charges and other expenses, non-cash compensation, impairment of assets and corporate and shared service general and administrative costs. Corporate and shared service general and administrative costs include functions such as finance, accounting, human resources, and information systems, which are not allocated to each segment. Previously, certain of these shared service costs were allocated to segments. In 2003, management decided to evaluate the performance of the segments before such costs. Adjusted segment EBITDA for the three and nine months ended September 30, 2002 has been restated to conform to the current year presentation, which does not allocate these costs. Management believes that this is a more meaningful presentation.

Summary information by segment for the three months ended September 30, 2003 and 2002, adjusted for discontinued operations, is as follows (in thousands):

	INDUSTRY MEDIA -----	TECHNOLOGY MEDIA -----	LIFESTYLE MEDIA -----	RETAIL MEDIA -----
2003				
Revenues	\$ 20,634	\$ 14,256	\$ 10,340	\$ 8,889
Adjusted EBITDA	\$ 4,249	\$ 811	\$ 4,800	\$ 2,917
2002				
Revenues	\$ 22,584	\$ 15,794	\$ 3,256	\$ 5,560
Adjusted EBITDA	\$ 4,295	\$ (3,014)	\$ (82)	\$ 1,361

Summary information by segment for the nine months ended September 30, 2003 and 2002, adjusted for discontinued operations, is as follows (in thousands):

	INDUSTRY MEDIA -----	TECHNOLOGY MEDIA -----	LIFESTYLE MEDIA -----	RETAIL MEDIA -----
2003				
Revenues	\$ 60,994	\$ 49,532	\$ 28,751	\$ 19,700
Adjusted EBITDA	\$ 12,313	\$ 4,876	\$ 13,435	\$ 5,099
2002				
Revenues	\$ 67,746	\$ 67,007	\$ 22,010	\$ 14,506
Adjusted EBITDA	\$ 11,895	\$ 754	\$ 8,452	\$ 2,585

Edgar Filing: PENTON MEDIA INC - Form 10-Q

Segment revenues, all of which are realized from external customers, equal Penton's consolidated revenues. The following is a reconciliation of Penton's total adjusted segment EBITDA to loss from continuing operations before income taxes and cumulative effect of accounting change (in thousands):

	THREE MONTHS ENDED SEPTEMBER 30,		
	2003	2002	
	----	----	
Total adjusted segment EBITDA	\$ 12,777	\$ 2,560	\$
Depreciation and amortization	(3,320)	(5,156)	(
Provision for loan impairment	-	-	
Restructuring charges and other expenses	(1,519)	(3,340)	
Impairment of assets	(45,797)	(223,288)	(
Non cash compensation	(48)	(231)	
Gain on sale of investments	-	-	
Interest expense	(10,480)	(9,532)	(
Interest income	102	133	
Gain on extinguishment of debt	-	-	
Miscellaneous, net	38	163	
General and administrative costs	(4,482)	(3,599)	(
	-----	-----	-----
Loss from continuing operations before income taxes and cumulative effect of accounting change	\$ (52,729)	\$ (242,290)	\$ (
	=====	=====	=====

NOTE 12 - GUARANTOR AND NON-GUARANTOR SUBSIDIARIES

The following schedules set forth condensed consolidating balance sheets as of September 30, 2003, and December 31, 2002, and condensed consolidating statements of operations for the three and nine months ended September 30, 2003 and 2002, and condensed consolidating statements of cash flows for the nine months ended September 30, 2003 and 2002. In the following schedules, "Parent" refers to Penton Media, Inc., "Guarantor Subsidiaries" refers to Penton's wholly owned domestic subsidiaries, and "Non-guarantor Subsidiaries" refers to Penton's foreign subsidiaries. "Eliminations" represent the adjustments necessary to (a) eliminate intercompany transactions and (b) eliminate the investments in Penton's subsidiaries.

18

PENTON MEDIA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 12 -- GUARANTOR AND NON-GUARANTOR SUBSIDIARIES (CONTINUED)

PENTON MEDIA, INC.
CONDENSED CONSOLIDATING BALANCE SHEETS
AS OF SEPTEMBER 30, 2003

Edgar Filing: PENTON MEDIA INC - Form 10-Q

	PARENT	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ELIM
	(DOLLARS IN THOUSANDS)			
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 38,967	\$ 167	\$ 2,900	\$
Restricted cash	-	-	183	
Accounts receivable, net	20,766	6,517	4,665	
Income taxes receivable	72	-	217	
Notes receivable	-	-	465	
Inventories	579	365	5	
Prepayments, deposits and other	5,369	217	2,806	
	65,753	7,266	11,241	
Property, plant and equipment, net	15,541	2,521	1,400	
Goodwill, net	122,290	90,754	1,367	
Other intangibles, net	13,814	6,099	200	
Other	-	-	438	
Investments (1)	(170,747)	-	-	
	(19,102)	99,374	3,405	
	\$ 46,651	\$ 106,640	\$ 14,646	\$
LIABILITIES AND STOCKHOLDERS' DEFICIT				
Current liabilities:				
Accounts payable and accrued expenses	\$ 28,618	\$ 3,571	\$ 2,287	\$
Accrued compensation and benefits	6,349	1,133	127	
Unearned income	9,683	3,680	6,766	
	44,650	8,384	9,180	
Long-term liabilities and deferred credits:				
Senior secured notes, net of discount	80,011	76,873	-	
Senior subordinated notes, net of discount	87,530	84,098	-	
Net deferred pension credits	14,506	-	-	
Intercompany advances	(106,520)	67,396	32,766	
Other accrued expenses	5,127	2,675	4,303	
	80,654	231,042	37,069	
Mandatorily redeemable convertible preferred stock	50,669	-	-	
Redeemable common stock	10	-	-	
Stockholders' deficit:				
Common stock and capital in excess of par value	230,704	209,653	16,615	
Retained deficit	(355,443)	(342,439)	(45,512)	
Notes receivable officers, net	(1,887)	-	-	
Accumulated other comprehensive loss	(2,706)	-	(2,706)	
	(129,332)	(132,786)	(31,603)	
	\$ 46,651	\$ 106,640	\$ 14,646	\$

Edgar Filing: PENTON MEDIA INC - Form 10-Q

(1) Reflects investments in subsidiaries utilizing the equity method.

19

PENTON MEDIA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 12-- GUARANTOR AND NON-GUARANTOR SUBSIDIARIES (CONTINUED)

PENTON MEDIA, INC.
CONDENSED CONSOLIDATING BALANCE SHEETS
AS OF DECEMBER 31, 2002

	PARENT	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ELIM
	-----	-----	-----	-----
	(DOLLARS IN THOUSANDS)			
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 5,165	\$ 460	\$ 1,146	\$
Restricted cash	241	-	436	
Accounts receivable, net	21,120	8,784	4,938	
Income taxes receivable	33,470	19,895	182	
Notes receivable	-	-	2,124	
Inventories	757	262	6	
Prepayments, deposits and other	2,299	821	1,974	
Current assets of discontinued operations	2,049	-	-	
	-----	-----	-----	-----
	65,101	30,222	10,806	
	-----	-----	-----	-----
Property, plant and equipment, net	18,717	3,116	2,084	
Goodwill, net	122,651	124,891	4,430	
Other intangibles, net	15,742	13,339	3,673	
Investment in subsidiaries (1)	(98,098)	-	-	
	-----	-----	-----	-----
	59,012	141,346	10,187	
	-----	-----	-----	-----
	\$ 124,113	\$ 171,568	\$ 20,993	\$
	=====	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' DEFICIT				
Current liabilities:				
Senior secured credit facility	\$ 4,500	\$ -	\$ -	\$
Accounts payable and accrued expenses	25,504	5,388	2,927	
Accrued compensation and benefits	10,713	1,031	91	
Unearned income	13,619	5,296	4,111	
Current liabilities of discontinued operations	1,050	-	-	
	-----	-----	-----	-----
	55,386	11,715	7,129	
	-----	-----	-----	-----

Edgar Filing: PENTON MEDIA INC - Form 10-Q

Long-term liabilities and deferred credits:				
Senior secured notes, net of discount	79,966	76,831	-	
Senior subordinated notes, net of discount	87,426	83,997	-	
Note payable	-	-	417	
Net deferred pension credits	13,762	-	-	
Intercompany advances	(102,694)	65,062	31,545	
Other accrued expenses	5,176	2,934	4,942	
	-----	-----	-----	-----
	83,636	228,824	36,904	
	-----	-----	-----	-----
Mandatorily redeemable convertible				
preferred stock	46,174	-	-	
Redeemable common stock	1,118	-	-	
Stockholders' deficit:				
Common stock and capital in excess				
of par value	230,096	209,653	16,614	
Retained deficit	(279,600)	(278,624)	(36,677)	
Notes receivable officers	(9,720)	-	-	
Accumulated other comprehensive loss	(2,977)	-	(2,977)	
	-----	-----	-----	-----
	(62,201)	(68,971)	(23,040)	
	-----	-----	-----	-----
	\$ 124,113	\$ 171,568	\$ 20,993	\$
	=====	=====	=====	=====

(1) Reflects investments in subsidiaries utilizing the equity method.

20

PENTON MEDIA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 12-- GUARANTOR AND NON-GUARANTOR SUBSIDIARIES (CONTINUED)

PENTON MEDIA, INC.
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2003

	PARENT	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ELIM
	-----	-----	-----	-----
	(DOLLARS IN THOUSANDS)			
REVENUES	\$ 38,236	\$ 10,240	\$ 5,643	\$
	-----	-----	-----	-----
OPERATING EXPENSES:				
Editorial, production and circulation	16,530	4,806	2,164	
Selling, general and administrative	12,204	7,106	3,062	
Impairment of assets	363	39,550	5,884	
Restructuring charges and other expenses	659	716	144	
Depreciation and amortization	2,048	815	457	
	-----	-----	-----	-----
	31,804	52,993	11,711	

Edgar Filing: PENTON MEDIA INC - Form 10-Q

OPERATING INCOME (LOSS)	5,542	(210,266)	(28,330)	
OTHER INCOME (EXPENSE):				
Interest expense, net of income earned	(5,439)	(3,888)	(72)	
Equity in losses of subsidiaries	(241,896)	-	-	
Miscellaneous, net	(106)	-	269	
	(247,441)	(3,888)	197	
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(241,899)	(214,154)	(28,133)	
Benefit (provision) for income taxes	(563)	-	391	
LOSS FROM CONTINUING OPERATIONS	(242,462)	(214,154)	(27,742)	
Loss from operations of discontinued components	(702)	-	-	
NET LOSS	\$ (243,164)	\$ (214,154)	\$ (27,742)	\$

22

PENTON MEDIA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 12-- GUARANTOR AND NON-GUARANTOR SUBSIDIARIES (CONTINUED)

PENTON MEDIA, INC.
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2003

	PARENT	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ELIM
	(DOLLARS IN THOUSANDS)			
REVENUES	\$ 112,066	\$ 33,257	\$ 13,654	\$
OPERATING EXPENSES:				
Editorial, production and circulation	47,642	15,992	5,686	
Selling, general and administrative	36,834	22,809	8,962	
Impairment of assets	363	39,550	5,884	
Provision for loan impairment	7,600	-	-	
Restructuring charges and other expenses	1,328	1,323	685	
Depreciation and amortization	6,725	2,764	1,334	
	100,492	82,438	22,551	

Edgar Filing: PENTON MEDIA INC - Form 10-Q

OPERATING INCOME (LOSS)	11,574	(49,181)	(8,897)	
	-----	-----	-----	-----
OTHER INCOME (EXPENSE):				
Interest expense, net of income earned	(15,176)	(14,482)	(233)	
Equity in losses of subsidiaries	(72,649)	-	-	
Miscellaneous, net	(391)	(146)	267	
	-----	-----	-----	-----
	(88,216)	(14,628)	34	
	-----	-----	-----	-----
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(76,642)	(63,809)	(8,863)	
Benefit (provision) for income taxes	(134)	(15)	194	
	-----	-----	-----	-----
LOSS FROM CONTINUING OPERATIONS	(76,776)	(63,824)	(8,669)	
Income (loss) from operations of discontinued components	933	9	(165)	
	-----	-----	-----	-----
NET LOSS	\$ (75,843)	\$ (63,815)	\$ (8,834)	\$
	=====	=====	=====	=====

23

PENTON MEDIA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 12-- GUARANTOR AND NON-GUARANTOR SUBSIDIARIES (CONTINUED)

PENTON MEDIA, INC.
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002

	PARENT	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ELIM
	-----	-----	-----	-----
	(DOLLARS IN THOUSANDS)			
REVENUES	\$ 112,013	\$ 45,928	\$ 13,328	\$
	-----	-----	-----	-----
OPERATING EXPENSES				
Editorial, production and circulation	49,810	20,739	5,152	
Selling, general and administrative	43,546	34,867	9,684	
Impairment of assets	136	196,638	26,650	
Restructuring charges	9,095	401	1,286	
Depreciation and amortization	6,458	7,316	1,072	

Edgar Filing: PENTON MEDIA INC - Form 10-Q

	109,045	259,961	43,844	
OPERATING INCOME (LOSS)	2,968	(214,033)	(30,516)	
OTHER INCOME (EXPENSE):				
Interest expense, net of interest earned	(16,022)	(11,624)	(220)	
Gain on extinguishment of debt	277	-	-	
Gain on sale of investments	1,491	-	-	
Equity in losses of subsidiaries	(295,308)	-	-	
Miscellaneous, net	(467)	-	290	
	(310,029)	(11,624)	70	
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND CUMULATIVE EFFECTS OF ACCOUNTING CHANGE	(307,061)	(225,657)	(30,446)	
Benefit (provision) for income taxes	9,236	-	495	
LOSS FROM CONTINUING OPERATIONS BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	(297,825)	(225,657)	(29,951)	
Loss from operations of discontinued components	(1,330)	-	-	
Cumulative effect of accounting change	-	(34,572)	(5,128)	
NET LOSS	\$ (299,155)	\$ (260,229)	\$ (35,079)	\$

24

PENTON MEDIA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 12-- GUARANTOR AND NON-GUARANTOR SUBSIDIARIES (CONTINUED)

PENTON MEDIA, INC.
CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOW
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2003

PARENT	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES
-----	-----	-----

(DOLLARS IN THOUSANDS)

Edgar Filing: PENTON MEDIA INC - Form 10-Q

CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	\$	38,557	\$	142	\$	612
CASH FLOWS FROM INVESTING ACTIVITIES:						
Capital expenditures		(1,801)		(428)		(94)
Earnouts paid		-		(7)		-
Proceeds from sale of discontinued components		3,250		-		-
		-----		-----		-----
Net cash provided by (used for) investing activities		1,449		(435)		(94)
		-----		-----		-----
CASH FLOWS FROM FINANCING ACTIVITIES:						
Repayment of senior secured credit facility		(4,500)		-		-
Proceeds from note receivable, net		-		-		1,659
Payment of note payable		-		-		(417)
Employee stock purchase plan payments		(107)		-		(6)
Proceeds from repayment of officers loans		250		-		-
Payment of financing costs		(1,917)		-		-
		-----		-----		-----
Net cash provided by (used for) financing activities		(6,274)		-		1,236
		-----		-----		-----
Effect of exchange rate changes on cash		70		-		-
		-----		-----		-----
Net increase (decrease) in cash and equivalents		33,802		(293)		1,754
Cash and equivalents at beginning of period		5,165		460		1,146
		-----		-----		-----
Cash and equivalents at end of period	\$	38,967	\$	167	\$	2,900
		=====		=====		=====

25

PENTON MEDIA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 12-- GUARANTOR AND NON-GUARANTOR SUBSIDIARIES (CONTINUED)

PENTON MEDIA, INC.
CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOW
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002

	PARENT	GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES			
	-----	-----	-----			
CASH FLOWS PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$	1,483	\$	(7,380)	\$	7,022
		-----		-----		-----

(DOLLARS IN THOUSANDS)

Edgar Filing: PENTON MEDIA INC - Form 10-Q

CASH FLOWS FROM INVESTING ACTIVITIES:

Capital expenditures	(2,418)	(102)	(380)
Earnouts paid	(687)	(41)	(4,792)
Proceeds from sale of Jupitermedia Corporation stock	-	5,801	-
	-----	-----	-----
Net cash provided by (used for) investing activities	(3,105)	5,658	(5,172)
	-----	-----	-----

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from issuance of mandatorily redeemable convertible preferred stock	46,111	-	-
Proceeds from issuance of senior secured notes	79,926	76,791	-
Repayment of senior subordinated notes	(4,271)	(4,104)	-
Repayment of senior credit facility	(180,587)	-	-
Payment of short term note payable	-	-	(2,804)
Employee stock purchase plan	(351)	-	(8)
Payment of financing costs	(9,450)	-	-
Proceeds from repayment of officers/directors loans	703	-	-
	-----	-----	-----
Net cash provided by (used for) financing activities	(67,919)	72,687	(2,812)
	-----	-----	-----
Effect of exchange rate	21	-	-
	-----	-----	-----
Net increase (decrease) in cash and equivalents	(69,520)	70,965	(962)
Cash and equivalents at beginning of period	14,518	1,993	3,680
	-----	-----	-----
Cash and equivalents at end of period	\$ (55,002)	\$ 72,958	\$ 2,718
	=====	=====	=====

26

PENTON MEDIA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 13 - SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES

The following transactions did not provide for or require the use of cash and accordingly, are not reflected in the condensed consolidated statements of cash flows.

For the nine months ended September 30, 2003, Penton issued 20,835 shares under the Management Stock Purchase Plan, 372,916 deferred shares and 30,516 performance shares to several officers and other key employees. In addition, in February 2003, 618,850 stock options, 99,876 RSUs and 391,360 deferred shares were granted. Furthermore, for the nine months ended September 30, 2003, Penton recorded amortization of deemed dividend and accretion on preferred stock of \$4.5 million.

For the nine months ended September 30, 2002, Penton issued 527,951 common shares as contingent consideration, 17,472 shares under the Management Stock

Edgar Filing: PENTON MEDIA INC - Form 10-Q

Purchase Plan, 37,100 shares under the Deferred Shares Plan and 50,000 shares under the Performance Share Plan to certain officers and other key employees. In addition, three executives returned a total of 115,712 shares to the Company to pay down a portion of the executive loan balance and to cover taxes for shares issued under the Performance Share Plan. The returned shares were recorded as treasury stock. Furthermore, for the nine months ended September 30, 2002, Penton recorded amortization of deemed dividend and accretion on preferred stock of \$45.5 million.

NOTE 14 - INCOME TAXES

The Company assesses the recoverability of its deferred tax assets in accordance with the provisions of SFAS No. 109, "Accounting for Income Taxes" ("SFAS 109"). As of December 31, 2002 and September 30, 2003 the valuation allowance for its net deferred tax assets and net operating loss carryforwards totaled \$36.2 million and \$49.7 million, respectively.

In January 2003, the Company received a tax refund of \$52.7 million and in February 2002, the Company received a tax refund of \$12.2 million. These amounts are included in net cash provided by operating activities in the condensed consolidated statements of cash flows.

NOTE 15 - CONTINGENCIES

In connection with the acquisition of Mecklermedia Corporation on December 1, 1998, a lawsuit was brought against the Company by Ariff Alidina (the "Plaintiff"), a former stockholder of Mecklermedia Corporation, in the United States Federal District Court in the Southern District of New York for an unspecified amount, as well as other relief. The Plaintiff has claimed that the Company violated the federal securities laws by selling Mr. Meckler, a beneficial owner of approximately 26% of the shares of Mecklermedia, an 80.1% interest in Jupitermedia Corporation for what the Plaintiff alleges was a below-market price, thereby giving to Mr. Meckler more consideration for his common stock in Mecklermedia Corporation than was paid to other stockholders of Mecklermedia Corporation. The Company intends to vigorously defend this suit.

In the normal course of business, Penton is subject to a number of lawsuits and claims, both actual and potential in nature. While management believes that resolution of existing claims and lawsuits will not have a material adverse effect on Penton's financial statements, management is unable to estimate the magnitude or financial impact of claims and lawsuits that may be filed in the future.

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

The following discussion should be read in conjunction with the consolidated financial statements and the notes thereto. Historical results and percentage relationships set forth in the consolidated financial statements, including trends that might appear, should not be taken as indicative of future results. Penton considers portions of this information to be 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, both as amended, with respect to

Edgar Filing: PENTON MEDIA INC - Form 10-Q

expectations for future periods. Although Penton believes that the expectations reflected in such forward-looking statements are based upon reasonable assumptions, it can give no assurance that its expectations will be achieved. For this purpose, 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," "seeks," "estimates" and similar expressions are intended to identify forward-looking statements. A number of important factors could cause Penton's results to differ materially from those indicated by such forward-looking statements, including, among other factors, fluctuations in advertising revenue with general economic cycles; economic uncertainty exacerbated by potential terrorist attacks on the United States or the impact of the war with Iraq, and related geopolitical events; the performance of our natural products industry trade shows; the seasonality of revenue from trade shows and conferences; our ability to launch new products that fit strategically with and add value to our business; our ability to penetrate new markets internationally; increases in paper and postage costs; the effectiveness of our cost-saving efforts; the infringement or invalidation of Penton's intellectual property rights; pending litigation; government regulation; competition; technological change; and international operations.

Except as expressly required by the federal securities laws, Penton does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances, or any other reason.

OVERVIEW

We are a diversified business-to-business media company. We provide media products that deliver proprietary business information to owners, operators, managers and professionals in the industries we serve. Through these products, we offer industry suppliers multiple ways to reach their customers and prospects as part of their sales and marketing efforts. We publish specialized trade magazines, produce trade shows and conferences, and maintain a variety of online media products, including Web businesses and electronic newsletters. Our products serve 12 industry sectors, which we group into four segments:

INDUSTRY MEDIA

Manufacturing
Design/Engineering
Mechanical Systems/Construction
Supply Chain
Government/Compliance
Aviation

TECHNOLOGY MEDIA

Internet Technologies
Information Technology
Electronics

RETAIL MEDIA

Food/Retail
Leisure/Hospitality

LIFESTYLE MEDIA

Natural Products

We believe we have leading media products in most of the industry sectors we serve. We are structured along segment and industry lines rather than by product lines. This enables us to promote our related group of products, including publications, trade shows and conferences, and online media products to our customers.

RECENT DEVELOPMENTS

NEW CREDIT FACILITY

In August 2003, the Company replaced its senior secured credit facility with a

Edgar Filing: PENTON MEDIA INC - Form 10-Q

new four-year loan and security agreement. Pursuant to the terms of the revolving loan and security agreement, the Company can borrow up to the lesser of (i) \$40.0 million; (ii) 2.5x the Company's last 12 months adjusted EBITDA measured monthly during the first year, 2.25x during the second year and 2.0x thereafter; (iii) 40% of the Company's last six months of revenues; or (iv) 25% of the Company's enterprise value, as determined annually by a third party. The revolving credit facility bears interest at LIBOR plus 5.0% subject to a LIBOR minimum of 1.5%.

28

The Company must comply with a quarterly financial covenant limiting the ratio of maximum bank debt to the last twelve months EBITDA to 2.5x through March 31, 2004, 2.25x from June 30, 2004 through March 31, 2005 and 2.0x thereafter. The loan agreement permits the Company to sell assets of up to \$12.0 million in the aggregate during the term or \$5.0 million in any single asset sale; and complete acquisitions of up to \$5.0 million per year. Included in the loan agreement is a stand-by letter of credit of \$0.1 million required by one of the Company's facility leases. The amount of the letter of credit reduces the availability under the credit facility. As of September 30, 2003, no amounts were drawn under the stand-by letter of credit. Costs representing bank fees and other professional fees of \$1.8 million are being amortized over the life of the loan agreement. As of September 30, 2003, \$39.9 million was available under the loan agreement. There were no amounts outstanding.

During the third quarter of 2003, approximately \$1.0 million of unamortized financing fees related to the previous credit facility were written off. This charge has been classified as part of interest expense in the consolidated statements of operations.

DELISTING

On June 11, 2003, the Company received notice from the New York Stock Exchange ("NYSE") that it would begin delisting procedures related to the Company's common stock. The NYSE reached its decision because the Company was unable to comply with the NYSE's continued listing criteria, which included minimal levels for stock price, market capitalization, and stockholders' equity. On June 17, 2003, trading of the Company's common stock was transferred from the NYSE to the Over-the-Counter Bulletin Board, and is currently traded under the symbol PTON.

DISPOSITIONS

In January 2003, we completed the sale of the assets of our Professional Trade Show group ("PTS"), which was part of our Industry Media segment, to Cygnus Expositions, a division of Cygnus Business Media, Inc., for total consideration of approximately \$3.8 million, including a potential earnout of \$0.6 million based on reaching certain performance objectives in 2003. The cash received from the sale was used to pay down the amounts outstanding under the Company's credit facility. The Company recognized a gain of approximately \$1.2 million on the sale, which is included as a component of discontinued operations in the accompanying consolidated statements of operations.

AMENDED CREDIT FACILITY

In January 2003, the Company amended its senior secured credit facility, which was replaced in August 2003, as discussed above. The amended agreement permitted the Company to sell certain properties in excess of the \$5.0 million aggregate limit required by the original amended agreement. In return, the revolving commitment was reduced from \$40.0 million to \$32.0 million. At the end of

Edgar Filing: PENTON MEDIA INC - Form 10-Q

January 2003, when the aggregate sum of Penton's cash and cash equivalents exceeded \$40.0 million, an additional one-time reduction of \$10.0 million was required under the amended credit facility. Furthermore, upon the sale of PTS, as discussed above, the revolving commitment was further reduced by 50% of the aggregate gross proceeds, as defined, from this sale, or approximately \$1.9 million. The amended facility allowed for additional asset sales, transfers, leases, and other dispositions and the issuance of equity interests by our subsidiaries up to a maximum of approximately \$3.6 million. The amended facility also increased the maximum commitment fee from 0.50% to 0.75%. The commitment under the credit facility was scheduled to decrease by 15% in 2003, 30% in 2004, 35% in 2005 and 20% in 2006.

The reduction of the revolver from \$40.0 million to \$20.1 million in January 2003 resulted in the write-off of unamortized financing fees of \$0.9 million. This charge has been classified as part of interest expense in the consolidated statements of operations.

TAX REFUND

In January 2003, the Company received a tax refund of \$52.7 million.

REVERSE STOCK SPLIT

In February 2003, Penton's Board of Directors approved a proposal to effect a reverse stock split to be submitted for stockholder approval at the Company's annual meeting on June 12, 2003. This corrective share action was part of a plan submitted by Penton to the NYSE to meet the Exchange's \$1.00 stock price listing requirement. At its annual meeting, stockholders voted to approve the

29

reverse stock split, which gave the Company's Board of Directors the authority to effect a reverse split at one of three ratios within one year. Due to the Company's delisting, as noted above, the Board of Directors does not expect to act on its authority to effect the reverse split in the near term.

PREFERRED STOCK LEVERAGE RATIO EVENT OF NON-COMPLIANCE

An event of non-compliance continues to exist under our Series B Convertible Preferred Stock because the Company's leverage ratio (defined as debt less cash balances in excess of \$5.0 million plus the liquidation value of the preferred stock and unpaid dividends divided by adjusted EBITDA) exceeds 7.5. When the event of non-compliance initially occurred on April 1, 2003, the holders of a majority of the preferred stock were able to nominate two additional members to our Board of Directors. Since the event of non-compliance was not cured by June 30, 2003, the holders of a majority of the preferred stock then outstanding had the right to elect one less than a minimum majority of our Board of Directors. As the holders of the preferred stock already maintained one less than a minimum majority of our board, no change was necessary. In addition, upon the occurrence of this event of non-compliance, the 5% dividend rate on the preferred stock increased by one percentage point as of April 1, July 1, and October 1, 2003 and the rate may increase by one percentage point each subsequent quarter, up to a maximum rate of 10%. The dividend rate is currently 8%. The conversion price on the preferred stock decreased by \$0.76 as of April 1, July 1, and October 1, 2003 and may decrease by \$0.76 each subsequent quarter up to a maximum reduction of \$3.80. The conversion price is currently \$5.33. The conversion price will adjust to what it would have been absent such event (to the extent of any preferred shares still outstanding) once the leverage ratio is less than 7.5.

Edgar Filing: PENTON MEDIA INC - Form 10-Q

Furthermore, the dividend rate will adjust back to 5% as of the date on which the leverage ratio is less than 7.5. Under the preferred stock agreement, if the leverage ratio exceeds 7.5 for four consecutive quarters, the preferred stockholders will have the right to cause the Company to seek a buyer for all of the assets or issued and outstanding capital stock of the Company. The Company is not expected to be able to correct the event of non-compliance before the maximum dividend rate and conversion price reductions are reached. The leverage ratio event of non-compliance does not represent an event of default or violation under any of the Company's outstanding notes or the loan agreement. As such, there will not be an acceleration of any outstanding indebtedness as a result of this event. In addition, this event of non-compliance and the resulting consequences do not result in any cash outflow from the Company.

Under the conversion terms of the preferred stock, each holder has a right to convert dividends into additional shares of common stock. At September 30, 2003, no dividends have been declared. However, in light of each holder's conversion right and considering the increase in the dividend rate and the concurrent reduction of the conversion price as noted above, the Company has recognized a deemed dividend for the beneficial conversion feature inherent in the accumulated dividend based on the original commitment date(s). All such accruals have been reported as an increase in the carrying value of the preferred stock and a charge to additional paid in capital in light of the stockholder's deficit.

REDEEMABLE COMMON STOCK

In March 2003, it was discovered that certain Company employees had purchased approximately 1.1 million shares of common stock in the Company's 401(k) plan, from May 2001 through March 2003, which were not registered under the federal securities laws (the "unregistered purchases"). As a result, such purchasers of our common stock during that period have the right to rescind their purchases for an amount equal to the purchase price paid for the shares, plus interest from the date of purchase, unless the employees have released the Company from such obligations as noted below. Any rescissionary rights will lapse one year from the date of any such purchase. The Company may also be subject to civil and other penalties by regulatory authorities. The unregistered purchases did not cause an event of default under the 10 3/8% Senior Subordinated Notes ("Subordinated Notes"), the 11 7/8% Senior Secured Notes ("Secured Notes") or the senior secured credit facility. However, an event of default could occur as an indirect result of the unregistered purchases, if for instance, such unregistered purchases lead to restricted payments under the indentures and/or our loan agreement. On March 31, 2003, the Company filed a Form S-8 registration and registered 6.0 million additional shares to be offered under the 401(k) plan.

In April 2003, the Company offered to reimburse employees who had purchased Penton common stock through the Company's 401(k) plan between March 25, 2002 and March 25, 2003. Employees who signed the release were reimbursed the amount by which the price they paid for the common stock exceeded the closing price of the stock on the date they executed the release, or if the stock had been sold, the amount by which the price paid by the employee exceeded the sale price. Employees who did not sign the release by May 22, 2003, retain any rights they may have under the Federal securities laws. Over 80% of the employees who were offered the reimbursement have accepted the terms of the release, representing a liability of approximately \$0.6 million, which was deposited into each individual's 401(k) account in July 2003. This amount was included in restructuring charges and other expenses in the consolidated statements of operations in the second quarter of 2003.

Edgar Filing: PENTON MEDIA INC - Form 10-Q

At September 30, 2003, the Company classified 13,518 shares, related to the potential rescissionary rights, outside of stockholders' deficit because the redemption of the stock is not within the control of the Company.

RESULTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 2003 COMPARED WITH THE
THREE MONTHS ENDED SEPTEMBER 30, 2002

CONSOLIDATED RESULTS

The following table summarizes our results of operations for the three months ended September 30, 2003 and 2002 (in thousands, except per share data).

	2003 ----	2002 ----	VAR ----
Revenues	\$ 54,119 =====	\$ 47,194 =====	\$ =====
Operating expenses	\$ 96,508 =====	\$ 280,248 =====	\$ (1 =====
Loss from continuing operations	\$ (52,493)	\$ (242,462)	\$
Discontinued operations, net of taxes	99 -----	(702) -----	-----
Net loss	\$ (52,394) =====	\$ (243,164) =====	\$ =====
Net loss applicable to common stockholders	\$ (54,374) =====	\$ (243,816) =====	\$ =====
Net loss per diluted share applicable to common stockholders	\$ (1.63) =====	\$ (7.49) =====	\$ =====

REVENUES

Total revenues increased \$6.9 million, or 14.7%, from \$47.2 million for the three months ended September 30, 2002, to \$54.1 million for the same period in 2003. The increase was primarily due to an increase in trade show and conference revenues of \$11.3 million, from \$2.4 million for the three months ended September 30, 2002, to \$13.7 million for the same period in 2003, and to an increase in online media revenues of \$0.2 million, or 6.5%, from \$3.1 million for the three months ended September 30, 2002, to \$3.3 million for the same period in 2003. The increase was partially offset by a decrease in publishing revenues of \$4.5 million, or 10.9%, from \$41.7 million for the three months ended September 30, 2002, to \$37.2 million for the same period in 2003. Included in total revenues for the three months ended September 30, 2002, were revenues of \$0.5 million associated with properties sold in December 2002, which were not classified as discontinued operations.

Edgar Filing: PENTON MEDIA INC - Form 10-Q

The improvement in our trade show and conference revenues was due primarily to an increase of \$7.1 million in our Lifestyle Media segment due to the shift in timing of our Natural Products Expo East show from the fourth quarter in 2002 to the third quarter in 2003 and an increase of \$3.1 million in our Retail Media segment due to the shift in timing of our International Leisure Industry Week trade show from the fourth quarter of 2002 to the third quarter of 2003. The improvement was also due to an increase of approximately \$0.8 million in revenues from our Technology Media segment.

The decrease in publishing revenues was due primarily to a \$1.9 million decrease in our Industry Media segment and a \$2.6 million decrease in our Technology Media segment. Within these segments, our manufacturing, design/engineering, Internet Technologies and information technology markets accounted for nearly all of the decrease.

OPERATING EXPENSES

Operating expenses decreased \$183.7 million, or 65.6%, from \$280.2 million for the three months ended September 30, 2002, to \$96.5 million for the same period in 2003. Included in operating expenses for the three months ended September 30, 2003, are

31

restructuring charges of \$1.5 million, impairment of asset charges of \$45.8 million and depreciation and amortization charges of \$3.3 million. Included in operating expenses for the three months ended September 30, 2002, are restructuring charges of \$3.3 million, impairment of asset charges of \$223.3 million, and depreciation and amortization charges of \$5.2 million. The overall decrease in operating expenses was due primarily to the impairment of asset charges in the third quarter of 2003 of \$45.8 million compared with the impairment of asset charges in the same period last year of \$223.3 million, along with the effects of cost reduction initiatives and restructuring activities throughout 2002 and 2003.

EDITORIAL, PRODUCTION AND CIRCULATION

Editorial, production and circulation expenses increased to \$23.5 million for the three months ended September 30, 2003, compared to \$23.2 million for the same period in 2002, representing an increase of \$0.3 million, or 1.5%. The slight increase in expenses was primarily due to additional costs of \$2.3 million from the shift in timing of the two trade shows, as previously noted, from the fourth quarter in 2002 to the third quarter in 2003. These costs were partially offset by the elimination of editorial, production and circulation costs from the properties sold in December 2002, which were not classified as discontinued operations, and due to the cost reduction initiatives undertaken in 2002 and 2003.

Editorial, production and circulation expenses as a percentage of revenues decreased from 49.1% for the three months ended September 30, 2002, to 43.4% for the same period in 2003. The decrease was due to the increase in revenues for the three months ended September 30, 2003, as compared to the same period in 2002, primarily due to the timing of the two trade shows noted above.

SELLING, GENERAL AND ADMINISTRATIVE

Selling, general and administrative expenses declined \$2.9 million, or 11.6%,

Edgar Filing: PENTON MEDIA INC - Form 10-Q

from \$25.3 million for the three months ended September 30, 2002, to \$22.4 million for the same period in 2003. These decreases were due primarily to cost savings associated with office closings and staff reductions in 2002 and 2003, and the elimination of approximately \$1.0 million of such costs as a result of the sale of four properties in December 2002, which were not classified as discontinued operations. These decreases were partially offset by additional costs of nearly \$1.4 million from the two trade shows held this quarter instead of the fourth quarter in 2002, as previously noted.

Selling, general and administrative expenses as a percentage of revenues decreased from 53.6% for the three months ended September 30, 2002, to 41.3% for the same period in 2003 due primarily to the items noted above, as well as the increase in revenues in 2003 compared with the same 2002 period.

IMPAIRMENT OF ASSETS

The Company completed its annual goodwill impairment review in accordance with Statement of Financial Accounting Standard ("SFAS") SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142") as of September 30, 2003, which resulted in a non-cash charge of approximately \$37.6 million and reduced the carrying value of goodwill for two reporting units in the Technology Media segment and one reporting unit in the Retail Media segment. As a result of the impairment of goodwill for three of the seven reporting units, the Company also completed an assessment at September 30, 2003, of its other intangibles in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), and recorded a non-cash charge of \$8.2 million.

As a result of certain triggering events (see Note 2 - Goodwill and Other Intangibles) the Company completed an impairment review at September 30, 2002, and recorded a non-cash charge of approximately \$203.3 million to reduce the carrying value of goodwill for two reporting units in our Technology Media segment. The Company also completed an assessment at September 30, 2002, in accordance with SFAS 144, and recorded a non-cash charge of \$20.0 million.

RESTRUCTURING CHARGES AND OTHER EXPENSES

The Company recorded a restructuring charge of \$1.5 million, net of adjustments of \$0.8 million, in the third quarter 2003. The cost reduction initiatives include workforce reductions and the partial closure of one location. The charge includes \$1.0 million of employee severance and termination benefits and \$1.3 million, net of estimated sublease rentals, related to non-cancelable obligations under a continuing lease contract. See Note 10 - Restructuring Charges, for additional information. The following sets forth additional detail concerning the principal components of the charge:

32

- Personnel costs of \$1.0 million are associated with the elimination of 19 positions, all of which were in the United States. Payments for severance and benefits related to these positions are expected to be significantly completed by the end of the first quarter of 2005.
- The Company recorded facility closing costs of \$1.3 million, net of estimated sublease rentals, related to the partial closure of office space at one location under a long term lease expiring in 2010. The related operations were relocated to a different floor at the same location where the Company leases only part of the floor. This partial floor had been previously vacated by the Company as part of its second quarter 2002

Edgar Filing: PENTON MEDIA INC - Form 10-Q

restructuring efforts. As a result, the restructuring accrual, net of estimated sub-lease rentals, related to the partial floor that was re-occupied was reversed in the amount of approximately \$0.8 million. For properties that the Company no longer occupies, management makes assumptions, including the number of years a property will be subleased, square footage, market trends, the price per square foot, and considers where the property is located, to estimate sublease income. These assumptions involve significant judgments and estimations. Where possible, management bases its assumptions on discussions with real estate brokers and/or parties that have shown interest in the space. Actual and estimated future lease and sublease payments are recorded on a discounted basis.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization declined \$1.9 million, or 35.6%, from \$5.2 million for the three months ended September 30, 2002, to \$3.3 million for the same period in 2003, due to lower amortization expense related to intangible assets of properties sold in December 2002, and in January 2003, as well as the write-off of approximately \$20.0 million of intangibles in the third quarter of 2002, as previously noted.

OTHER INCOME (EXPENSE)

Interest expense increased \$1.0 million from \$9.5 million for the three months ended September 30, 2002, to \$10.5 million for the same period in 2003. Included in interest expense in 2003 is approximately \$1.0 million related to the write-off of unamortized financing fees associated with the replacement of our senior secured credit facility in August 2003 with a new four-year loan agreement (see Recent Developments and Note 4 - Debt).

EFFECTIVE TAX RATES

The effective tax rates were zero for the three months ended September 30, 2003 and 2002, respectively, due to the net operating loss available for carryforward being offset by a valuation allowance for the Company's net deferred tax assets and net operating loss carryforwards not expected to be utilized. The tax benefit (provision) for the three months ended September 30, 2003 and 2002, classified on the consolidated statements of operations, relates to state and foreign taxes.

DISCONTINUED OPERATIONS

Discontinued operations for all periods presented include the results of Penton Media Australia ("PM Australia"), which was sold in December 2002, and the results of PTS, which was sold in January 2003. PM Australia was part of our Technology Media segment and PTS was part of our Industry Media segment. Income for the three months ended September 30, 2003, primarily includes the reversal of specific estimated accruals that are not expected to be needed in the future. Revenues for these properties were approximately \$1.4 million for the three months ended September 30, 2002.

NET LOSS

Due to the factors noted above, the Company reported a net loss for the three months ended September 30, 2003, of \$52.4 million compared to a net loss of \$243.2 million for the same period in 2002.

NET LOSS APPLICABLE TO COMMON STOCKHOLDERS

The net loss applicable to common stockholders of \$54.4 million, or \$1.63 per diluted share, for the three months ended September 30, 2003, includes \$2.0 million of amortization of deemed dividends and accretion of preferred stock.

Edgar Filing: PENTON MEDIA INC - Form 10-Q

For the three months ended September 30, 2002, the net loss applicable to common stockholders of \$243.8 million, or \$7.49 per diluted share, includes \$0.7 million of amortization of deemed dividends and accretion of preferred stock.

33

SEGMENTS

We manage our business based on four operating segments: Industry Media, Technology Media, Lifestyle Media and Retail Media. All four segments derive their revenues from publications, trade shows and conferences, and online media products. See Note 11 - Segment Information, for the definition of adjusted segment EBITDA and a reconciliation of total adjusted segment EBITDA to loss from continuing operations before income taxes and cumulative effect of accounting change.

Financial information by segment for the three months ended September 30, 2003 and 2002, is summarized in the following table (in thousands):

	REVENUES		ADJUSTED SEGMENT EBITDA	
	2003 ----	2002 ----	2003 ----	2002 ----
Industry Media	\$ 20,634	\$ 22,584	\$ 4,249	\$ 4,295
Technology Media	14,256	15,794	811	(3,014)
Lifestyle Media	10,340	3,256	4,800	(82)
Retail Media	8,889	5,560	2,917	1,361
	-----	-----	-----	-----
Total	\$ 54,119	\$ 47,194	\$ 12,777	\$ 2,560
	=====	=====	=====	=====

INDUSTRY MEDIA

Our Industry Media segment, which represented 38.1% of total Company revenues for the three months ended September 30, 2003, serves customers in the manufacturing, design/engineering, mechanical systems/construction, government/compliance, supply chain and aviation industries. Revenues for this segment decreased \$2.0 million, or 8.6%, from \$22.6 million in the third quarter of 2002, to \$20.6 million for the same period in 2003. The decrease was due primarily to lower revenues from publications, which accounted for \$1.9 million of the decrease. Trade show and conference revenues and online media revenues for this segment were flat when compared to three months ended September 30, 2002.

The decrease in publication revenues was due primarily to year-on-year advertising declines in products serving the design/engineering and manufacturing sectors, which accounted for approximately \$1.5 million of the segment's publishing decrease. These two sectors continue to be impacted by the downturn in the U.S. economy.

Adjusted segment EBITDA for the Industry Media segment was flat for the three months ended September 30, 2003, when compared to the same period in 2002, due primarily to the impact of cost reduction measures implemented in 2002 and 2003.

Edgar Filing: PENTON MEDIA INC - Form 10-Q

TECHNOLOGY MEDIA

Our Technology Media segment, which represented 26.3% of total Company revenues for the third quarter of 2003, serves customers in the electronics, enterprise information technology and business technology markets. Revenues for this segment decreased \$1.5 million, or 9.7%, from \$15.8 million for the three months ended September 30, 2002, to \$14.3 million for the same period in 2003. The decrease was due primarily to lower revenues from publications of \$2.5 million, which were partially offset by an increase in trade show and conference revenues of \$0.8 million and an increase in online revenues of \$0.2 million.

The publishing decrease was mainly due to advertising weakness in our information technology and Internet technologies sectors, which accounted for \$1.7 million of the decrease when comparing third quarter 2003 to the same 2002 period. The elimination of revenues from properties sold in December 2002 accounted for an additional \$0.5 million of the decrease. The trade show and conference revenue increase was due primarily to our information technology sector.

Adjusted segment EBITDA for the Technology Media segment increased \$3.8 million from a loss of \$3.0 million for the three months ended September 30, 2002, to income of \$0.8 million for the same period in 2003. The increase was due primarily to an increase in trade shows and conferences of approximately \$3.8 million and an improvement of \$0.6 million in the segment's general and administrative costs due to the impact of cost reduction measures implemented in 2002 and 2003. These improvements were partially offset by adjusted EBITDA declines in publications and online media of approximately \$0.6 million.

34

The trade show and conference adjusted EBITDA increase was primarily due to the sale of unprofitable technology properties in December 2002, the elimination of trade shows that were held in 2002 but not held in 2003 due to market conditions, aggressive cost reductions efforts, and portfolio management initiatives.

LIFESTYLE MEDIA

Our Lifestyle Media segment, which represented 19.1% of total Company revenues for the third quarter of 2003, serves customers in the natural products industry sector. Revenues for this segment increased \$7.0 million, from \$3.3 million for the three months ended September 30, 2002, to \$10.3 million for the same period in 2003. The increase was due primarily to revenues from trade shows and conferences caused by the shift in timing of our Natural Products Expo East show from the fourth quarter in 2002 to the third quarter in 2003.

Adjusted segment EBITDA for the Lifestyle Media segment increased \$4.9 million, from a loss of \$0.1 million for the three months ended September 30, 2002, to income of \$4.8 million for the same period in 2003. The increase was due primarily to the change in timing of the Natural Products Expo East show, as noted previously.

RETAIL MEDIA

Our Retail Media segment, which represented 16.4% of total Company revenues for the third quarter of 2003, serves customers in the food/retail and leisure/hospitality sectors. Revenues for this segment increased \$3.3 million,

Edgar Filing: PENTON MEDIA INC - Form 10-Q

or 59.9%, from \$5.6 million for the three months ended September 30, 2002, to \$8.9 million for the same period in 2003. This increase was primarily due to an increase in trade show and conference revenues due to the change in timing of the International Leisure Industry Week trade show from the fourth quarter of 2002 to the third quarter of 2003, which accounted for \$3.0 million of the increase.

Adjusted segment EBITDA for the Retail Media segment increased \$1.6 million, or 114.3%, from \$1.4 million for the three months ended September 30, 2002, to \$2.9 million for the same period in 2003. The increase was due primarily to the change in timing of the trade show previously noted and to cost reduction efforts undertaken in 2002 and 2003.

PRODUCTS

We publish specialized trade magazines, produce trade shows and conferences, and maintain a variety of online media products, including Web businesses and electronic newsletters. Revenues by product line for the three months ended September 30, 2003 and 2002 were as follows (in thousands):

	THREE MONTHS ENDED SEPTEMBER 30,	
	2003	2002
	----	----
Publishing	\$ 37,187	\$ 41,723
Trade shows and conferences	13,680	2,417
Online media	3,252	3,054
	-----	-----
Total revenues	\$ 54,119	\$ 47,194
	=====	=====

Publishing revenues decreased by \$4.5 million, or 10.9%, from \$41.7 million for the three months ended September 30, 2002, to \$37.2 million for the same period in 2003. The decrease in publishing revenues was due primarily to year-over-year advertising declines in products serving the design/engineering and manufacturing sectors, which accounted for \$1.5 million of the decrease. These two markets continue to be impacted by the downturn in the U.S. economy. Advertising weakness in our information technology and Internet technologies sectors accounted for another \$1.7 million of the decrease.

Trade show and conference revenues increased by \$11.3 million from \$2.4 million for the three months ended September 30, 2002, to \$13.7 million for the same period in 2003. The increase in trade show and conference revenues was due primarily to the change in timing for our International Leisure Industry Week trade show and our Natural Products Expo East trade show from the fourth quarter of 2002 to the third quarter of 2003, which accounted for \$10.0 million of the increase.

Online media revenues increased \$0.2 million, or 6.5%, from \$3.1 million for the three months ended September 30, 2002, to \$3.3 million for the same period in 2003. The increase was due to the success of online products across several of our markets.

Edgar Filing: PENTON MEDIA INC - Form 10-Q

NINE MONTHS ENDED SEPTEMBER 30, 2003 COMPARED WITH
THE NINE MONTHS ENDED SEPTEMBER 30, 2002

CONSOLIDATED RESULTS

The following table summarizes our results of operations for the nine months ended September 30, 2003 and 2002 (in thousands, except per share data):

	2003 ----	2002 ----	VAR ----
Revenues	\$ 158,977 =====	\$ 171,269 =====	\$ () =====
Operating expenses	\$ 205,481 =====	\$ 412,850 =====	\$ (2) =====
Loss from continuing operations before cumulative effect of accounting change	\$ (76,620)	\$ (258,125)	\$
Discontinued operations, net of taxes	777	(1,330)	
Cumulative effect of accounting change, net of taxes	-	(39,700)	
Net loss	\$ (75,843) =====	\$ (299,155) =====	\$ =====
Net loss applicable to common stockholders	\$ (80,338) =====	\$ (344,668) =====	\$ =====
Net loss per diluted share applicable to common stockholders	\$ (2.42) =====	\$ (10.71) =====	\$ =====

REVENUES

Total revenues decreased \$12.3 million, or 7.2%, from \$171.3 million for the nine months ended September 30, 2002, to \$159.0 million for the same period in 2003. The decrease was due primarily to a decrease in publishing revenues of \$12.3 million, or 9.8%, from \$125.7 million for the nine months ended September 30, 2002, to \$113.4 million for the same period in 2003, and a decrease in trade show and conference revenues of \$1.0 million, or 2.6%, from \$36.3 million for the nine months ended September 30, 2002, to \$35.3 million for the same period in 2003. These decreases were partially offset by online media revenues, which increased \$1.0 million, or 10.8%, from \$9.2 million for the nine months ended September 30, 2002, to \$10.2 million for the same period in 2003. Included in total revenues for the nine months ended September 30, 2002 were revenues of \$5.8 million associated with properties sold in December 2002, which were not classified as discontinued operations.

The decrease in publishing revenues was due primarily to the decrease in our Industry Media and Technology Media segments. Our manufacturing,

Edgar Filing: PENTON MEDIA INC - Form 10-Q

design/engineering, Internet technologies and information technology sectors accounted for \$10.8 million of the decrease.

The decrease in our trade show and conference revenues was due primarily to a decrease of \$10.4 million in our Technology Media segment, and a decrease of \$1.2 million in our Industry Media segment. These declines were partially offset by revenue improvements in our Lifestyle Media segment of \$6.5 million and an increase in our Retail Media segment of \$4.1 million.

The increase in online media revenues was primarily due to an increase in our Technology Media segment of \$0.7 million.

OPERATING EXPENSES

Operating expenses decreased \$207.4 million, or 50.2%, from \$412.9 million for the nine months ended September 30, 2002, to \$205.5 million for the same period in 2003. Included in operating expenses for the nine months ended September 30, 2003, are

36

restructuring charges and other expenses of \$3.3 million, impairment of asset charges of \$45.8 million, depreciation and amortization of \$10.8 million, and a provision for loan impairment of \$7.6 million. Included in operating expenses for the nine months ended September 30, 2002 are restructuring charges of \$10.8 million, impairment of asset charges of \$223.4 million, and depreciation and amortization of \$14.8 million. The overall decrease in operating expenses was due primarily to the \$177.6 million decrease in the impairment of asset charge between 2002 and 2003, the effects of cost reduction initiatives and impact of restructuring activities throughout 2002 and 2003 and the effect of properties sold in December 2002 and in January 2003.

EDITORIAL, PRODUCTION AND CIRCULATION

Editorial, production and circulation expenses decreased \$6.4 million, or 8.4%, from \$75.7 million for the nine months ended September 30, 2002, to \$69.3 million for the same period in 2003. The decrease was due to the effects of our expense reduction initiatives, including the sale of properties sold in December 2002, which were not classified as discontinued operations, which accounted for \$2.5 million of the decrease; the elimination of unprofitable properties; reduction of production costs through process improvements and selective reduction in frequency and circulation levels; outsourcing of various functions in the organization; and staff reductions made in 2002 and 2003. These reductions were partially offset by increased expenses of \$2.3 million due to the previously noted shift in timing of the two trade shows.

Editorial, production and circulation expenses as a percentage of revenues decreased from 44.2% for the nine months ended September 30, 2002, to 43.6% for the same period in 2003. The slight decrease was due to the effects of our expense reduction initiatives and the trade show timing shifts previously noted, as well as due to the increase in revenues.

SELLING, GENERAL AND ADMINISTRATIVE

Selling, general and administrative expenses decreased \$19.5 million, or 22.1%, from \$88.1 million for the nine months ended September 30, 2002, to \$68.6 million in the same period in 2003. The decrease was due primarily to cost savings associated with office closings and staff reductions in 2002 and 2003

Edgar Filing: PENTON MEDIA INC - Form 10-Q

and the sale of properties in December 2002, which were not classified as discontinued operations, which accounted for \$3.9 million of the decrease. These decreases were partially offset by additional costs of nearly \$1.4 million associated with the shift in timing of the two trade shows, as previously noted.

Selling, general and administrative expenses as a percentage of revenues decreased from 51.4% for the nine months ended September 30, 2002, to 43.2% for the same period in 2003 due primarily to the items noted above, as well as the increase in revenues in 2003 compared with the same 2002 period.

IMPAIRMENT OF ASSETS

The Company completed its annual goodwill impairment review in accordance with SFAS 142, at September 30, 2003, which resulted in a non-cash charge of approximately \$37.6 million and reduced the carrying value of goodwill for two reporting units in our Technology Media segment and one reporting unit in our Retail Media segment. The Company also completed an assessment at September 30, 2003, of other intangibles in accordance with SFAS 144 and recorded a non-cash charge of \$8.2 million.

As a result of certain triggering events (see Note 2 - Goodwill and Other Intangibles) the Company completed an impairment review at September 30, 2002 and recorded a non-cash charge of approximately \$203.3 million to reduce the carrying value of goodwill for two reporting units in our Technology Media segment. The Company also completed an assessment at September 30, 2002 in accordance with SFAS 144, and recorded a non-cash charge of \$20.0 million.

PROVISION FOR LOAN IMPAIRMENT

At September 30, 2003, the outstanding balance under the executive loan program was approximately \$9.5 million (including \$1.1 million of accrued interest). For the nine months ended September 30, 2003 and 2002, executive loans of \$0.3 million and \$1.1 million, respectively, were repaid. The loan balance is classified in the stockholders' deficit section of the consolidated balance sheets as notes receivable officers.

The Company's ability to collect amounts due from each executive is largely dependent on the fair market value of assets held by each executive, including Company stock. Factors such as the length of time before the loans are due; the value of the executives'

37

assets, including Company stock; the continued employment by the executives with the Company, and other relevant factors, are considered in assessing the collectibility of these loans.

During the second quarter of 2003, the Company determined that the executives would probably be unable to repay a significant portion of the outstanding balance due under their loans without a significant recovery in the Company's stock price. Consequently, the Company recorded a provision for loan impairment in the amount of \$7.6 million during the second quarter of 2003, reflecting the amount by which the carrying value of each individual's loan exceeded the underlying estimated fair value of the assets available to repay the loan. The Company will recognize any recoveries of amounts reserved only upon payment of the loans. The notes are full recourse loans and the Company intends to pursue collection of all amounts when due. In addition to the factors noted above, additional considerations in determining whether a reserve was necessary

Edgar Filing: PENTON MEDIA INC - Form 10-Q

included the continued low price of the Company's stock, the delisting of the Company's stock from the NYSE in the second quarter, and the continued uncertainty of an economic recovery in the markets served by the Company. The Company continues to monitor the collectibility of the notes to determine if additional reserves are required.

RESTRUCTURING CHARGES AND OTHER EXPENSES

The Company has implemented several additional expense reduction and restructuring initiatives to align its cost structure with the prevailing business environment. In the first nine months of 2003, the Company recorded restructuring charges of \$2.7 million, net of adjustments of \$0.4 million, and other expenses of \$0.6 million as discussed below. The cost reduction initiatives include workforce reductions, the partial shutdown of two facilities and the cancellation of certain contractual obligations. The charge includes \$1.4 million of employee severance and termination benefits, \$1.6 million related to non-cancelable obligations under continuing lease contracts, net of estimated sublease income, and \$0.1 million related to other contractual obligations. The following sets forth additional detail concerning the principal components of the charge:

- Personnel costs of \$1.4 million are associated with the elimination of 45 positions, of which approximately 87% were in the United States and the remaining positions in the United Kingdom and Germany. Payments for severance and benefits related to these positions are expected to be significantly completed by the end of the first quarter 2005.
- Office closure costs of \$1.6 million, net of estimated sublease income of \$2.2 million, relate to the partial closure in 2003 of two offices in the United States and include costs associated with existing office space under lease. For properties that the Company no longer occupies, management makes assumptions including the number of years a property will be subleased, square footage, market trends, the price per square foot and considers where the property is located, to estimate sublease income. These assumptions involve significant judgments and estimations. Where possible, management bases its assumptions on discussions with real estate brokers and/or parties that have shown interest in the space. Actual and estimated future lease and sublease payments are recorded on a discounted basis.
- Other exit costs of \$0.1 million include costs associated with the cancellation of certain contractual obligations.

In addition, during the first nine months of 2003, the Company made net credit adjustments to the restructuring charge of \$0.4 million. Of this amount \$0.8 million is the reversal of a charge recorded in the second quarter of 2002. When we partially closed one office in the third quarter of 2003, the related operations were relocated to a different floor that had been previously vacated by the Company as part of its second quarter 2002 restructuring efforts. As a result, the remaining restructuring accrual related to the floor that was re-occupied of \$0.8 million, net of estimated sublease income, was reversed. In addition, \$0.5 million relates to an office lease originally recorded in the second quarter 2002 resulting from the bankruptcy filing by the sublessee of the property. Other adjustments include updated calculations related to estimated sublease rentals and an amendment to a sublease for one location in the United States.

Also included in expense for the nine months ended September 30, 2003 is approximately \$0.6 million relating to the settlement with employees with rescissionary rights under the Company's 401(k) plan. See Redeemable Common Stock in the Recent Development section of Management's Discussion and Analysis of Financial Condition and Results of Operations for additional details.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization declined \$4.0 million, or 27.1%, from \$14.8 million for the nine months ended September 30, 2002, to \$10.8 million for the same period in 2003 due to lower amortization expense related to intangible assets of properties sold in December 2002 and January 2003, as well as the write-off of approximately \$20.0 million of intangibles in the third quarter of 2002.

OTHER INCOME (EXPENSE)

Interest expense increased \$1.7 million from \$28.5 million for the nine months ended September 30, 2002, to \$30.2 million for the same period in 2003. Included in interest expense in 2003 is approximately \$0.9 million related to the write-off of unamortized financing fees associated with the commitment reduction of our credit facility revolver in January 2003 from \$40.0 million to \$20.1 million. Also included in interest expense in 2003 is approximately \$1.0 million related to the write-off of unamortized financing fees associated with the replacement of our senior secured credit facility in August 2003 with a new four-year loan agreement (see Recent Developments and Note 4 - Debt). Included in interest expense in 2002 is approximately \$0.7 million related to the write-off of unamortized finance fees associated with the commitment reduction of our credit facility revolver from \$185.0 million to \$40.0 million in March 2002 and approximately \$1.4 million related to hedging activities. The increase in interest expense also reflects the higher weighted-average interest rate in the first nine months of 2003 compared with the same period in 2002.

In 2002, the gain on extinguishment of debt of \$0.3 million was classified as an extraordinary item. In 2003, in accordance with the provisions of SFAS No. 145, "Rescission of SFAS Nos. 4, 44, and 64, Amendment of SFAS 13, and Technical Corrections as of April 2002" ("SFAS 145"), this gain was reclassified to gain on extinguishment of debt on the consolidated statements of operations. In March 2002, we purchased \$10.0 million face value of our Subordinated Notes at prevailing market prices, resulting in a gain of \$1.4 million. This gain was offset by the write-off of unamortized deferred financing costs of approximately \$1.1 million associated with the payoff of our term loan A and term loan B facilities, which also occurred in March 2002.

In January 2002, Penton sold its remaining 11.8% ownership interest in Jupitermedia Corporation for \$5.8 million and recognized a \$1.5 million gain from its sale.

EFFECTIVE TAX RATES

The effective tax rates for the nine months ended September 30, 2003 and 2002 were zero and a benefit of 3.7%, respectively. The effective tax rate for the nine months ended September 30, 2003, is due to the net operating loss available for carryforward being offset by a valuation allowance for the Company's net deferred tax assets and net operating loss carryforwards not expected to be utilized. The difference in the effective tax rate between the periods is due to the establishment of the valuation allowance in the third-quarter of 2002. The tax benefit for the nine months ended September 30, 2003 and 2002, classified on the consolidated statements of operations, relates to state and foreign taxes.

DISCONTINUED OPERATIONS

Edgar Filing: PENTON MEDIA INC - Form 10-Q

Discontinued operations for all periods presented include the results of PM Australia, which was sold in December 2002, and the results of PTS, which was sold in January 2003. PM Australia was part of our Technology Media segment and PTS was part of our Industry Media segment. The \$0.8 million of income recognized for the nine months ended September 30, 2003, was primarily due to a gain of approximately \$1.2 million associated with the sale of PTS, offset by one month of operations for PTS, and settlement costs for certain pending lawsuits related to PM Australia. Revenues for these properties were approximately \$6.5 million for the nine months ended September 30, 2002.

CUMULATIVE EFFECT OF ACCOUNTING CHANGE

During the third quarter of 2002, Penton completed its transitional goodwill impairment test for January 1, 2002, under the provisions of SFAS 142 and recorded a non-cash charge of \$39.7 million to reduce the carrying value of goodwill for two of our seven identified reporting units in our Technology Media segment. The charge is reflected as a cumulative effect of accounting change in the accompanying consolidated statements of operations.

39

NET LOSS

Due to the factors noted above, the Company reported a net loss for the nine months ended September 30, 2003, of \$75.8 million compared to a net loss of \$299.2 million for the same period in 2002.

NET LOSS APPLICABLE TO COMMON STOCKHOLDERS

The net loss applicable to common stockholders of \$80.3 million, or \$2.42 per diluted share, for the nine months ended September 30, 2003, includes \$4.5 million of amortization of deemed dividends and accretion of preferred stock. For the nine months ended September 30, 2002, the net loss applicable to common stockholders of \$344.7 million, or \$10.71 per diluted share, includes a \$42.1 million non-cash charge related to the immediate recognition in retained earnings of the unamortized beneficial conversion feature resulting from the stockholders' approval to remove Penton's preferred stock mandatory redemption date and \$3.4 million of amortization of deemed dividend and accretion of preferred stock.

SEGMENTS

We manage our business based on four operating segments: Industry Media, Technology Media, Lifestyle Media and Retail Media. All four segments derive their revenues from publications, trade shows and conferences, and online media products. See Note 11 - Segment Information, for the definition of adjusted segment EBITDA and a reconciliation of total adjusted segment EBITDA to loss from continuing operations before income taxes and cumulative effect of accounting change.

Financial information by segment for the nine months ended September 30, 2003 and 2002, adjusted for discontinued operations, is summarized in the following table (in thousands):

REVENUES		ADJUSTED SEGMENT EBITDA	
2003	2002	2003	2002

Edgar Filing: PENTON MEDIA INC - Form 10-Q

Industry Media	\$ 60,994	\$ 67,746	\$ 12,313	\$ 11,895
Technology Media	49,532	67,007	4,876	754
Lifestyle Media	28,751	22,010	13,435	8,452
Retail Media	19,700	14,506	5,099	2,585
	-----	-----	-----	-----
Total	\$ 158,977	\$ 171,269	\$ 35,723	\$ 23,686
	=====	=====	=====	=====

INDUSTRY MEDIA

Our Industry Media segment, which represented 38.4% of total Company revenues for the nine months ended September 30, 2003, serves customers in the manufacturing, design/engineering, mechanical systems/construction, government/compliance, supply chain and aviation industries. Revenues for this segment decreased \$6.7 million, or 10.0%, from \$67.7 million for the nine months ended September 30, 2002, to \$61.0 million for the same period in 2003. The decrease was due primarily to lower revenues from publications of \$5.8 million and lower revenues from trade shows and conferences of \$1.2 million. These decreases were partially offset by the increases in revenues of approximately \$0.3 million from online media products.

The decrease in publication revenues was due primarily to year-on-year advertising declines in products serving the design/engineering and manufacturing sectors, which accounted for approximately \$4.0 million of the segment's publishing decrease. These two sectors continue to be impacted by the downturn in the U.S. economy. The decrease in trade show and conference revenues was due primarily to the absence the A/E/C Spring show, which was held in the second quarter of 2002 but was sold in December 2002.

Adjusted segment EBITDA for Industry Media increased \$0.4 million, or 3.5%, from \$11.9 million for the nine months ended September 30, 2002, to \$12.3 million for the same period in 2003. Performance of online media products and trade shows and conferences accounted for \$0.5 million of the increase, while lower general and administrative costs accounted for an additional \$0.9 million of the increase. These increases were partially offset by a decrease in adjusted segment EBITDA of \$1.0 million from publications.

40

The decrease in the segment's general and administrative costs of \$0.9 million was due primarily to the effects of our 2002 and 2003 expense reduction initiatives, including the elimination of unprofitable properties and staff reductions. The decrease in the segment's publishing adjusted EBITDA was due primarily to the continued year-on-year advertising declines in products serving the design/engineering and manufacturing sectors.

TECHNOLOGY MEDIA

Our Technology Media segment, which represented 31.2% of total Company revenues for the nine months ended September 30, 2003, serves customers in the electronics, information technology and Internet technologies markets. Revenues for this segment decreased \$17.5 million, or 26.1%, from \$67.0 million for the nine months ended September 30, 2002, to \$49.5 million for the same period in 2003. The decrease was due primarily to lower revenues from publications of \$7.7

Edgar Filing: PENTON MEDIA INC - Form 10-Q

million and lower revenues from trade shows and conferences of \$10.5 million. These decreases were partially offset by an online revenue increase of \$0.7 million in the first nine months of 2003 compared with the same 2002 period.

Advertising decreases of \$5.5 million and the elimination of revenues from properties sold in December 2002 of approximately \$1.1 million accounted for the majority of the publishing decrease. Lower trade show and conference revenues were due primarily to the absence of revenues from trade shows that were held in the first nine months of 2002 but were sold in December 2002, which accounted for \$3.0 million of the decrease; the change in timing of the Internet World Berlin trade show from the second quarter of 2002 to the fourth quarter of 2003, which accounted for \$2.2 million of the decrease; lower revenues year-over-year from the Internet World Spring show, and the elimination of revenues from technology events that were held in the first nine months of 2002 but not repeated in the first nine months of 2003 due to unfavorable market conditions.

Adjusted segment EBITDA for Technology Media increased \$4.1 million from \$0.8 million for the nine months ended September 30, 2002, to \$4.9 million for the same period in 2003. The increase was due primarily to trade shows and conferences which increased \$2.6 million, publishing and online media products which increased by approximately \$0.1 million and lower general and administrative costs of \$1.4 million.

The trade show and conference adjusted segment EBITDA increase was due primarily to the sale of unprofitable technology properties in December 2002, shows that were held in 2002 but not held in 2003 due to market conditions, aggressive cost reduction efforts, and portfolio management initiatives. These improvements were partially offset by approximately \$1.0 million from the change in timing of the event previously noted from the second quarter of 2002 to the fourth quarter of 2003.

The lower segment general and administrative costs of \$1.4 million was due primarily to the impact of cost reduction measures implemented in 2002 and 2003.

LIFESTYLE MEDIA

Our Lifestyle Media segment, which represented 18.1% of total Company revenues for the nine months ended September 30, 2003, serves customers in the natural products industry sector. Revenues for this segment increased \$6.7 million, or 30.6%, from \$22.0 million for the nine months ended September 30, 2002, to \$28.8 million for the same period in 2003. The increase was due primarily to higher revenues from trade shows and conferences caused by the change in timing of the Natural Products Expo East show from the fourth quarter of 2002 to the third quarter of 2003, which accounted for \$6.2 million of the increase.

Adjusted segment EBITDA for the Lifestyle Media segment increased \$5.0 million, or 59.0%, from \$8.5 million for the nine months ended September 30, 2002, to \$13.4 million for the same period in 2003. The increase was primarily due to the trade show timing shift noted above.

RETAIL MEDIA

Our Retail Media segment, which represented 12.4% of total Company revenues for the nine months ended September 30, 2003, serves customers in the food/retail and leisure/hospitality sectors. Revenues for this segment increased \$5.2 million, or 35.8%, from \$14.5 million for the nine months ended September 30, 2002, to \$19.7 million for the same period in 2003. The increase was due primarily to an increase in trade show and conference revenues due to the change in timing of our International Leisure Industry Week trade show from the fourth quarter in 2002 to the third quarter in 2003, which accounted for \$3.0 million of the increase.

Edgar Filing: PENTON MEDIA INC - Form 10-Q

41

Adjusted segment EBITDA for the Retail Media segment increased \$2.5 million, or 97.3%, from \$2.6 million for the nine months ended September 30, 2002, to \$5.1 million for the same period in 2003. The increase was due primarily to the trade show timing shift noted above and cost reduction efforts undertaken in 2002 and 2003.

PRODUCTS

We publish specialized trade magazines, produce trade shows and conferences, and maintain a variety of online media products, including Web businesses and electronic newsletters. Revenues by product line for the nine months ended September 30, 2003 and 2002 were as follows (in thousands):

	NINE MONTHS ENDED SEPTEMBER 30,	
	2003	2002
	----	----
Publishing	\$ 113,389	\$ 125,737
Trade shows and conferences	35,348	36,286
Online media	10,240	9,246
	-----	-----
Total revenues	\$ 158,977	\$ 171,269
	=====	=====

Publishing revenues decreased \$12.3 million from \$125.7 million for the nine months ended September 30, 2002, to \$113.4 million for the same period in 2003. This decrease in publishing revenues was due primarily to a year-on-year advertising decline of \$5.2 million in products serving the design/engineering, manufacturing, and supply chain sectors, which continue to be impacted by the downturn in the U.S. economy; advertising weakness in our information technology, Internet technologies, and electronics sectors, which accounted for \$5.5 million of the decrease; the elimination of revenues from technology events that were held in the first nine months of 2002 but not repeated in the first nine months of 2003 due to unfavorable market conditions; and the elimination of revenues from properties sold in December 2002, which accounted for \$1.1 million of the decrease.

Trade show and conference revenues decreased by \$0.9 million, or 2.6%, from \$36.3 million for the nine months ended September 30, 2002, to \$35.3 million for the same period in 2003. The decrease in trade show and conference revenues was due primarily to a year-over-year decline of an event in the electronics market and an event in the Internet information market; the elimination of revenues from properties sold in December 2002, which accounted for \$4.3 million of the decrease; and the elimination of technology events that were held in the first nine months of 2002 but not repeated in the first nine months of 2003 due to unfavorable market conditions. These decreases were partially offset by the shift in timing of the two trade shows discussed previously.

Online media revenues increased \$1.0 million, or 10.8%, from \$9.2 million for the nine months ended September 30, 2002, to \$10.2 million for the same period in 2003. The increase was due to the success of online products across several

Edgar Filing: PENTON MEDIA INC - Form 10-Q

of our markets.

LIQUIDITY AND CAPITAL RESOURCES

ANALYSIS OF CASH FLOWS

Penton's total cash and cash equivalents was \$42.0 million at September 30, 2003, compared with \$6.8 million at December 31, 2002. Cash provided by operating activities was \$39.3 million for the nine months ended September 30, 2003, compared with \$1.1 million for the same period in 2002. Operating cash flows for the nine months ended September 30, 2003, reflected a net loss of \$75.8 million, offset by a net increase in working capital items (primarily due to a tax refund of \$52.7 million) of approximately \$43.4 million and non-cash charges (primarily impairment of asset charges, depreciation and amortization and provision for loan impairment) of approximately \$71.8 million. Operating cash flows for the nine months ended September 30, 2002, reflected a net loss of \$299.2 million, which was offset by a net working capital increase of approximately \$12.7 million and non-cash charges (primarily impairment of asset charges, cumulative effect of accounting change and depreciation and amortization) of approximately \$287.5 million.

The increase in operating cash flows for the nine months ended September 30, 2003, compared with the same 2002 period was due primarily to the tax refund received in January 2003 of approximately \$52.7 million, compared with a tax refund of \$12.2 million received in February of 2002.

42

Investing activities provided \$0.9 million of cash for the nine months ended September 30, 2003, and included proceeds of \$3.3 million from the sale of PTS in January 2003. These proceeds were partially offset by capital expenditures of approximately \$2.3 million. Investing activities used \$2.6 million of cash for the nine months ended September 30, 2002, primarily for earnout payments of approximately \$5.5 million and capital expenditures of \$2.9 million. These uses were partially offset by proceeds of \$5.8 million from the sale of approximately 3.0 million shares of Jupitermedia Corporation common stock.

Financing activities used \$5.0 million of cash for the nine months ended September 30, 2003, due primarily to the repayment of \$4.5 million of our senior secured credit facility, the payment of financing fees of approximately \$1.9 million, and the payoff of a note payable of \$0.4 million. These uses were partially offset by net proceeds of \$1.7 million received on notes receivable and proceeds of approximately \$0.3 million from the partial repayment of an officer's loan. Financing activities provided cash of \$2.0 million for the nine months ended September 30, 2002, due to the issuance of our Secured Notes and the sale of 50,000 shares of mandatorily redeemable convertible preferred stock. These proceeds were primarily offset by the paydown of the balance of our senior secured credit facility term loans; the purchase of \$10.0 million face value of our Subordinated Notes at prevailing market prices; the payment of financing fees associated with the amendment to our senior secured credit facility; and the pay down of our note payable.

Capital expenditures in the first nine months of 2003 were approximately \$2.3 million. We anticipate that we will spend approximately \$3.0 million to \$4.0 million on capital expenditures in 2003, primarily for expenditures related to computers and management information systems.

FINANCING ACTIVITIES

Edgar Filing: PENTON MEDIA INC - Form 10-Q

In June 2001, we issued \$185.0 million of 10 3/8% Subordinated Notes due June 2011. Interest on the notes is payable semiannually, on June 15 and December 15. The Subordinated Notes are fully and unconditionally, jointly and severally guaranteed, on a senior subordinated basis, by the assets of our domestic subsidiaries, which are 100% owned by the Company, and may be redeemed, in whole or in part, on or after June 15, 2006. In addition, we may redeem up to 35% of the aggregate principal amount of the Subordinated Notes before June 15, 2004 with the proceeds of certain equity offerings. The Subordinated Notes were offered at a discount of \$4.2 million. This discount is being amortized using the interest method, over the term of the Subordinated Notes. Costs representing underwriting fees and other professional fees of approximately \$1.7 million are being amortized over the term of the Subordinated Notes. The net proceeds of \$180.2 million were used to pay down the \$136.0 million outstanding balance of the revolving credit facility, \$12.8 million of the term loan A facility and \$7.2 million of the term loan B facility. The remaining proceeds were used for general corporate purposes. The Subordinated Notes are our unsecured senior subordinated obligations, subordinated in right of payment to all existing and future senior indebtedness, including the loan agreement and the Secured Notes discussed below.

In January 2002, we received \$5.8 million in net proceeds from the sale of our remaining investment in Jupitermedia Corporation common stock.

In March 2002, we entered into an agreement with a group of investors to sell 50,000 shares of Series B Convertible Preferred Stock and warrants to purchase 1.6 million shares of our common stock for \$50.0 million. We received gross proceeds of \$40.0 million from the sale of 40,000 shares of preferred stock and warrants to purchase 1,280,000 shares of our common stock on March 19, 2002, and gross proceeds of \$10.0 million from the sale of 10,000 shares of preferred stock and warrants to purchase 320,000 shares of our common stock on March 28, 2002. Net proceeds from the sale of the preferred stock, along with the net proceeds from the sale of our Jupitermedia Corporation common stock, and cash on hand from a tax refund were used to repay \$48.0 million of amounts outstanding under our term loans.

In March 2002, Penton issued \$157.5 million of 11 7/8% Secured Notes due in 2007. Interest is payable on the Secured Notes semiannually on April 1 and October 1. The Secured Notes are fully and unconditionally, jointly and severally guaranteed, on a senior basis, by all of our domestic subsidiaries, which are 100% owned by the Company, and also the stock of certain subsidiaries. We may redeem the Secured Notes, in whole or in part, during the period October 1, 2005 through October 1, 2006, and thereafter at redemption prices of 105.9375% and 100.0000% of the principal amount, respectively, together with accrued and unpaid interest to the date of redemption. In addition, at any time prior to October 1, 2005, upon certain public equity offerings of our common stock, up to 35% of the aggregate principal amount of the Secured Notes may be redeemed at our option, within 90 days of such public equity offering, with cash proceeds from the offering at a redemption price equal to 111.875% of the principal amount, together with accrued and unpaid interest to the date of redemption.

The Secured Notes were offered at a discount of \$0.8 million, which is being amortized, using the interest method, over the term of the Secured Notes. Costs representing underwriting fees and other professional fees of \$6.6 million are being amortized over the

Edgar Filing: PENTON MEDIA INC - Form 10-Q

term of the Secured Notes. Net proceeds of \$150.1 million were used to pay down \$83.6 million of term loan A and \$49.0 million of term loan B, and \$8.3 million were used to repurchase \$10.0 million of our Subordinated Notes. The remaining net proceeds of \$9.2 million were used for general corporate purposes. The Secured Notes rank senior in right to all of our senior subordinated indebtedness, including our Subordinated Notes. The guarantees are senior secured obligations of each of our subsidiary guarantors and rank senior in right of payment to all subordinated indebtedness of the subsidiary guarantors, including the guarantees of our Subordinated Notes. The notes and guarantees are secured by a lien on substantially all of our assets and those of our subsidiary guarantors, other than specified excluded assets.

In March 2002, we amended and restated our senior secured credit facility and repaid our term loan A facility and our term loan B facility under our credit facility from the proceeds received from the sale of preferred stock and the issuance of the Secured Notes, as noted above. The amended and restated facility provided for a revolving credit facility of up to a maximum amount of \$40.0 million. Availability under the revolving credit facility was subject to a borrowing base limited to 80% of eligible receivables. In order to access the revolver, Penton could not have more than \$7.5 million of cash and cash equivalents available, had to be in compliance with the loan documents and had to submit a borrowing base certificate immediately prior to each extension of credit showing compliance with the provisions of the borrowing base. Penton was required to prepay the revolver in the event that it had loans outstanding in excess of the borrowing base, or it had more than \$7.5 million in cash and cash equivalents available at the end of any month. The commitment under the amended and restated credit facility was scheduled to decrease by 15% in 2003, 30% in 2004, 35% in 2005, and 20% in 2006. Restrictions were placed on Penton's ability to make certain restricted payments, to make capital expenditures in excess of certain amounts, to incur additional debt and contingent obligations, make acquisitions and investments, and to sell assets. As noted below, the credit facility was further amended in January 2003 and replaced in August 2003.

The repayment of the term loans in March 2002 resulted in a non-cash extraordinary charge of \$0.7 million, net of \$0.5 million in taxes, relating to the write-off of unamortized deferred finance costs. In the first quarter of 2003, this extraordinary charge was reclassified to gain on extinguishment of debt in the consolidated statements of operations in accordance with the provisions of SFAS 145.

In September 2002, Moody's Investors Service took the following rating actions regarding Penton: (i) confirmed the B3 rating on the Company's Secured Notes, (ii) downgraded the Company's Subordinated Notes due 2011 from Caa2 to Ca, (iii) downgraded the Company's senior implied rating from B3 to Caa3, and (iv) downgraded the Company's senior unsecured issuer rating from Caal to Ca. These changes in the rating of our debt instruments by the outside rating agencies did not negatively impact our ability to use our revolver.

In December 2002, the Company sold four properties for approximately \$0.9 million, which was used to repay outstanding amounts under the Company's credit facility.

In January 2003, the Company amended its senior secured credit facility, which was replaced in August 2003, as discussed below. The amended agreement permitted the Company to sell certain properties in excess of the \$5.0 million aggregate limit required by the original amended agreement. In return, the revolving commitment was reduced from \$40.0 million to \$32.0 million. At the end of January 2003, when the aggregate sum of Penton's cash and cash equivalents exceeded \$40.0 million, an additional one-time reduction of \$10.0 million was required under the amended credit facility. Furthermore, upon the sale of PTS, the revolving commitment was further reduced by 50% of the aggregate gross proceeds, as defined, from this sale, or approximately \$1.9 million. The amended

Edgar Filing: PENTON MEDIA INC - Form 10-Q

facility allowed for additional asset sales, transfers, leases, and other dispositions and the issuance of equity interests by our subsidiaries up to a maximum of approximately \$3.6 million. The amended facility also increased the maximum commitment fee from 0.50% to 0.75%.

The reduction of the revolver from \$40.0 million to \$20.1 million in January 2003, and the reduction of the revolver from \$185.0 million to \$40.0 million in March 2002, resulted in the write-off of unamortized finance fees related to the revolver of \$0.9 million and \$0.7 million, respectively. These charges have been classified as part of interest expense on the consolidated statements of operations.

In January 2003, the Company paid down the \$4.5 million that was outstanding under the credit facility.

In January 2003, the Company also completed the sale of the assets of PTS for approximately \$3.8 million, including an earnout of \$0.6 million. The cash received from the sale was used to pay down the Company's outstanding credit facility.

44

In August 2003, the Company replaced its senior secured credit facility with a new four-year loan and security agreement. Pursuant to the terms of the revolving loan and security agreement, the Company can borrow up to the lesser of (i) \$40.0 million; (ii) 2.5x the Company's last twelve months EBITDA measured monthly during the first year, 2.25x during the second year and 2.0x thereafter; (iii) 40% of the Company's last six months of revenues; or (iv) 25% of the Company's enterprise value, as determined annually by a third party. The revolving credit facility bears interest at LIBOR plus 5.0% subject to a LIBOR minimum of 1.5%. The Company must comply with a quarterly financial covenant limiting the ratio of maximum bank debt to the last twelve months EBITDA to 2.5x through March 31, 2004, 2.25x from June 30, 2004 through March 31, 2005 and 2.0x thereafter. The loan agreement permits the Company to sell assets of up to \$12.0 million in the aggregate during the term or \$5.0 million in any single asset sale; and complete acquisitions of up to \$5.0 million per year. Included in the loan agreement is a stand-by letter of credit of \$0.1 million required by one of the Company's facility leases. The amount of the letter of credit reduces the availability under the credit facility. As of September 30, 2003, no amounts were drawn under the stand-by letter of credit. As of September 30, 2003, \$39.9 million was available under the loan agreement. There were no amounts outstanding.

During the third quarter, approximately \$1.0 million of unamortized financing fees related to the previous credit facility were written off. This charge has been classified as part of interest expense in the consolidated statements of operations.

The Company has no special purpose entities or off-balance sheet debt other than operating leases in the ordinary course of business.

CURRENT LIQUIDITY

Our primary future cash needs will be to fund working capital, debt service, capital expenditures, and our business restructuring charges and related expenses. We expect capital expenditures in 2003 to be approximately \$3.0 million to \$4.0 million, as we continue to review our spending as a result of continued economic and business uncertainty. We expect to make cash payments for the remainder of 2003 related to our business restructuring initiatives of

Edgar Filing: PENTON MEDIA INC - Form 10-Q

approximately \$0.9 million, which is comprised of \$0.4 million for employee separation costs and \$0.5 million for lease obligations.

The Company has implemented and continues to implement various cost reduction programs and cash conservation plans, which involve the limitation of capital expenditures and the control of working capital.

We anticipate adequate liquidity from operations and have available cash on hand to meet all interest payments on our bonds and our other obligations through 2003 of approximately \$18.4 million. We have no principal repayment requirements until maturity of our Secured Notes in October 2007. In addition, we have no bank debt and no maintenance covenants on our existing bond debt. As noted above, Penton does have access to a revolving credit facility of up to \$40.0 million.

Our ability to meet cash operating requirements depends upon our future performance, which is subject to general economic conditions and to financial, competitive, business and other factors, including factors beyond our control. If we are unable to meet our debt obligations or fund our other liquidity needs, we may be required to raise capital through additional financing arrangements or the issuance of private or public debt or equity securities. We cannot assure you that such additional financing will be available at acceptable terms. In addition, the terms of our convertible preferred stock and warrants, including the conversion price, dividend and liquidation adjustment provisions, the redemption price premiums, and board representation rights could negatively impact our ability to access the equity markets in the future.

We may from time to time seek to retire our outstanding debt through cash purchases on the open market, privately negotiated transactions or otherwise. Such repurchases, if any, will depend on the prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

Penton did not make any cash contributions to its defined benefit pension plan in 2001 or 2002. Based on the current value of the assets in our benefit plans, we will not be required to make any cash contributions during 2003. Future funding requirements are dependent upon factors such as interest rate levels, changes to pension plan benefits, funded status, regulatory requirements for funding purposes, and the level and timing of asset returns as compared with the level and timing of expected benefit disbursements. Based on current estimates the Company expects to make a contribution of approximately \$1.5 million in the third quarter of 2004 for calendar year 2003. In addition, quarterly estimated contributions must be made in 2004 based on 2003 calculations. Due to the presence of significant variables, actual future contributions may differ materially.

The purchase of common stock under the 401(k) plan from May 2001 through March 2003 in excess of the number of shares registered by the Company on Form S-8 with the Securities and Exchange Commission under the Securities Act of 1933 could have a material adverse impact on our financial condition. These unregistered purchases did not cause an event of default under the indentures governing our Subordinated Notes or Secured Notes or our senior secured credit facility. However, an event of default could occur as an indirect result of the unregistered purchases. For example, an event of default would occur under (a) the indentures if the unregistered purchases were to result in (i) unsatisfied judgments not covered by insurance aggregating in excess of \$5 million being rendered against the Company and not stayed, bonded or discharged within 60 days

Edgar Filing: PENTON MEDIA INC - Form 10-Q

after such judgment became final and nonappealable or (ii) the Company's failure to observe the covenant limiting the Company's ability to make restricted payments (as defined in the indentures) if, for example, the Company made a rescission offer and as a result repurchased shares, which could be considered the payment on account of the purchase, redemption or other acquisition or retirement for value of equity interest (as defined in the indentures) or (b) under certain provision of the loan agreement. The foregoing is not, and no inference should be drawn that the foregoing is, an exclusive list of circumstances that could result in an event of default under the indentures or the loan agreement as a consequence of the unregistered sales. If an event of default occurs, all our indebtedness would be immediately due and payable, and we cannot assure you that our business will generate sufficient cash flow to enable us to service our debt obligations. In addition, we cannot assure you that the Company will be able to obtain alternative sources of funding (see Risk Factors section of our 2002 Annual Report on Form 10-K).

In March 2003, we classified approximately 1.2 million shares of our common stock as redeemable common stock as a result of rescissionary rights that certain of our common stockholders may have in connection with the unregistered purchases from May 2001 through March 2003 noted above. A number of remedies may be available to regulatory authorities and the employees who purchased the common stock, including, without limitation, a right of rescission and other damages that could be imposed by regulatory authorities, unless the employees have released the Company from such obligation as noted below. Pursuant to the rescission rights, employees may be entitled to return their shares to the Company and receive back from us the full price they paid, plus interest. The rescission rights lapse one year from the date of any such purchase. Although the payments under the rescissionary rights are not anticipated to have a material adverse impact on our financial condition, we have no control over any civil or other damages that regulatory authorities could impose on the Company, the result of which could have a material adverse effect on our financial condition. See Note 6 - Common Stock and Common Stock Award Programs for further details.

In April 2003, the Company offered to reimburse employees who had purchased unregistered Penton common stock through the Company's 401(k) plan between March 25, 2002 and March 25, 2003. Employees who signed a release were reimbursed the amount by which the price they paid for the common stock exceeded the closing price of the stock on the date they executed the release, or if the stock had been sold, the amount by which the price paid by the employee exceeded the sales price. Employees who did not sign the release by May 22, 2003, retain any rights they may have under the Federal securities laws. Over eighty percent of the employees who were offered the reimbursement have accepted the terms of the release, resulting in a payment of approximately \$0.6 million, which was deposited into each individual's 401(k) account in July 2003. This amount is included in restructuring charges and other expenses in the consolidated statements of operations.

At September 30, 2003, the Company has classified 13,518 shares, and related amounts, related to the potential rescissionary rights, outside of stockholders' deficit because the redemption of the stock is not within the control of the Company.

NEW ACCOUNTING PRONOUNCEMENTS

In October 2003, the Financial Accounting Standards Board ("FASB") Staff issued a FASB Staff Position ("FSP") on Interpretation 46, "Consolidation of Variable Interest Entities" ("FIN 46"), FSP FIN 46-6, "Effective Date of FASB Interpretation No. 46, Consolidation of Variable Interest Entities" ("FSP 46-6"). FSP 46-6 delays the effective date of FIN 46 to December 31, 2003 for companies with a year-end of December 31 for (1) interests held by public entities in variable interest entities or potential variable interest entities

Edgar Filing: PENTON MEDIA INC - Form 10-Q

created before February 1, 2003 and (2) non-registered investments. Certain disclosures required by FIN 46 were not deferred by FSP 46-6. In May 2000, Penton acquired a 50% interest in Penton Media Germany ("PM Germany.") PM Germany may potentially qualify as a variable interest entity under FIN 46. The Company currently consolidates PM Germany, which produces trade shows, publications, and Web sites. Included in Penton's consolidated statements of operations for the nine months ended September 30, 2003, are revenues of \$1.9 million and a net loss of \$2.8 million related to PM Germany. At September 30, 2003, Penton's consolidated balance sheets include assets of \$1.8 million, liabilities of \$6.0 million and minority interest of \$2.3 million related to PM Germany. Penton estimates that its maximum exposure to loss would be approximately \$0.4 million.

46

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" ("SFAS 149"). This statement amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 149 is effective for contracts entered into or modified after June 30, 2003. The adoption of SFAS 149 did not have a significant effect on the Company's results of operations or its financial condition.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("SFAS 150"). SFAS 150 changes the accounting for certain financial instruments with characteristics of both liabilities and equity and requires that those instruments be classified as liabilities in the statement of financial position. Previously, many of those financial instruments were classified as equity. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003 and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS 150 did not have any impact on the Company's financial condition or results of operations.

In May 2003, the Emerging Issues Task Force ("EITF") reached a consensus on EITF Issue 01-8, "Determining Whether an Arrangement is a Lease" ("EITF 01-8"). EITF 01-8 provides guidance on how to determine whether an arrangement contains a lease that is within the scope of SFAS No. 13, "Accounting For Leases" and is effective for arrangements entered into or modified after June 30, 2003. The adoption of EITF 01-8 did not have a significant effect on the Company's results of operations or its financial condition.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Impairment of Long-Lived Assets

The Company completed its annual SFAS 142 impairment review at September 30, 2003. This review resulted in a non-cash impairment charge of approximately \$37.6 million to reduce the carrying value of goodwill for two reporting units, which are part of our Technology Media segment and one reporting unit which, is part of our Retail Media segment.

The Company's SFAS 142 evaluations were performed by an independent valuation firm, utilizing assumptions and projections we believe to be reasonable and supportable, and that reflect management's best estimate of projected future cash flows. Considerable judgment was required in selecting discount rates,

Edgar Filing: PENTON MEDIA INC - Form 10-Q

developing cash flow projections and developing balance sheets for each reporting unit. Slight changes in any of these assumptions could create a material impact on the impairment charge recorded by the Company.

We evaluate our long-lived assets for impairment whenever circumstances indicate that an impairment may exist pursuant to the provisions of SFAS 144. Factors indicating that an impairment may exist includes permanent declines in cash flows, continued decreases in utilization of a long-lived asset, or a change in business strategy. The process involves management determining if the cash flows expected to be generated from the use of a long-lived asset (group) and its eventual disposition (undiscounted and without interest charges) are less than the carrying amount of the asset (group). If the criteria is met, the fair value is determined using appropriate assumptions. The determination and calculation of impairment requires management's judgment and estimates, including among other items, establishing asset groupings and determining discount rates.

FOREIGN CURRENCY

The functional currency of our foreign operations is their local currency. Accordingly, assets and liabilities of foreign operations are translated to U.S. dollars at the rates of exchange on the balance sheet date; income and expense are translated at the average rates of exchange prevailing during the period. There were no significant foreign currency transaction gains or losses for the periods presented.

SEASONALITY

We may experience seasonal fluctuations as trade shows and conferences held in one period in the current year may be held in a different period in future years.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our long-term debt consists of senior notes with interest at fixed rates. Consequently, we do not have significant interest rate risk exposure related to our long-term debt. However, the fair value of our senior notes fluctuates with the market, as they are publicly traded. During the nine months ended September 30, 2003, the fair value of our Subordinated Notes and Secured Notes increased by \$36.1 million, or 48%, and \$18.1 million, or 14%, respectively, compared to December 31, 2002. At September 30, 2003, the fair value of the Subordinated Notes and the Secured Notes was \$111.6 million and \$149.0 million, respectively, compared to \$75.5 million and \$130.9 million, respectively, at December 31, 2002. The fair value of the notes is determined by the price investors in the open market are willing to pay. The Company currently does not manage the fair value risk related to its senior notes.

The table below provides information about the expected cash flows associated with our long-term debt obligations and their fair value at September 30, 2003 (in thousands):

	EXPECTED MATURITY DATE FOR THE YEARS ENDED DECEMBER 31,					
	2003	2004	2005	2006	2007	2008
	-----	-----	-----	-----	-----	-----
Long-Term Debt:						
Senior Subordinated Notes	-	-	-	-	-	\$175,
Interest rate	10-3/8%	10-3/8%	10-3/8%	10-3/8%	10-3/8%	10-3/8%

Edgar Filing: PENTON MEDIA INC - Form 10-Q

Senior Secured Notes	-	-	-	-	\$157,500	
Interest rate	11-7/8%	11-7/8%	11-7/8%	11-7/8%	11-7/8%	11-7

During the nine months ended September 30, 2003, there were no other significant changes related to the Company's market risk exposure.

ITEM 4. CONTROLS AND PROCEDURES

Based on their evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rule 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934, as amended) are effective as of the end of the quarterly period covered by this report on Form 10-Q. There have been no significant changes in internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses, except as follows: the Company's employees purchased common stock under the Company's 401(k) Retirement Savings Plan (the "Plan") in excess of the number of shares registered by the Company on Form S-8 with the Securities and Exchange Commission under the Securities Act of 1933 from May 2001 through March 2003. The Company took corrective actions immediately upon discovery, and filed an amendment to the Form S-8 on March 31, 2003, to register additional shares. For further details, see:

- Liquidity and Capital Resources section of the Management's Discussion and Analysis of Financial Condition and Results of Operations.
- Note 6 - Common Stock and Common Stock Award Programs of the consolidated financial statements.
- The Company's Annual Report on Form 10-K for the year ended December 31, 2002.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None

ITEM 3. DEFAULTS ON SENIOR SECURITIES

None

Edgar Filing: PENTON MEDIA INC - Form 10-Q

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

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

EXHIBIT NO.	DESCRIPTION OF DOCUMENT
-----	-----

10.1	Loan and security agreement by and among Penton Media, Inc. as borrower and the Lenders that are signatories hereto, as the Lenders, and Wells Fargo Foothill, Inc., as the arranger and administrative agent (filed as Exhibit 10.1 to the Company's Form 8-K on August 15, 2003, and incorporated herein by reference).
31.1	Principal executive officer's certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Principal financial officer's certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) REPORTS ON FORM 8-K

DATE OF REPORT	ITEMS REPORTED
-----	-----
August 7, 2003	Item 7. Financial Statements, Pro Forma Financial Information and Exhibits Item 12. Results of Operations and Financial Conditions
August 15, 2003	Item 5. Other Events Item 7. Financial Statements, Pro Forma Financial Information and Exhibits

49

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.

Penton Media, Inc.
(Registrant)

Edgar Filing: PENTON MEDIA INC - Form 10-Q

By: /s/ PRESTON L. VICE

Preston L. Vice

Chief Financial Officer
(Duly Authorized Officer
and Principal Financial
Officer)

Date: November 13, 2003

50

EXHIBIT INDEX

EXHIBIT NO. -----	DESCRIPTION OF DOCUMENT -----
10.1	Loan and security agreement by and among Penton Media, Inc. as borrower and the Lenders that are signatories hereto, as the Lenders, and Wells Fargo Foothill, Inc., as the arranger and administrative agent (filed as Exhibit 10.1 to the Company's Form 8-K on August 15, 2003, and incorporated herein by reference).
31.1	Principal executive officer's certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Principal financial officer's certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

51