PAXSON COMMUNICATIONS CORP
Form 10-Q
May 11, 2001

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FORM 10-Q

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

(MARK ONE)

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2001

OR

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

FOR THE TRANSITION PERIOD FROM ______________ TO ___________

Commission File Number 1-13452

PAXSON COMMUNICATIONS CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE	59-3212788
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

601 CLEARWATER PARK ROAD WEST PALM BEACH, FLORIDA	33401
(Address of principal executive offices)	(Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (561) 659-4122

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 Act of 1934 during the proceeding 12 months (or for 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 the number of shares outstanding of each of the issuer's classes of common stock, as of April 30, 2001:

CLASS OF STOCK	NUMBER OF SHARES
COMMON STOCK-CLASS A, $0.001 PAR VALUE PER SHARE	56,067,036
COMMON STOCK-CLASS B, $0.001 PAR VALUE PER SHARE	8,311,639

PAXSON COMMUNICATIONS CORPORATION

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PART I
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PAXSON COMMUNICATIONS CORPORATION
CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS EXCEPT SHARE DATA)

	MARCH 200
	(Unaudi
ASSETS:	
Current assets:	
Cash and cash equivalents	$ 20,80
Short-term investments	52,65
Restricted cash and short-term investments	13,92
Accounts receivable, less allowance for doubtful accounts of $4,525 and $4,167, respectively	33,55
Program rights	69,56
Prepaid expenses and other current assets	2,23
Total current assets	192,73
Property and equipment, net	172,12
Intangible assets, net	955,18
Program rights, net of current portion	112,43
Investments in broadcast properties	21,76
Other assets, net	12,18
Total assets	$ 1,466,43
LIABILITIES, MANDATORILY REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT:	
Current liabilities:	
Accounts payable and accrued liabilities	$ 23,81
Accrued interest	3,93
Obligations for cable distribution rights	17,58
Obligations for satellite distribution rights	5,12
Obligations for program rights	83,28
Current portion of bank financing	12,04
Total current liabilities	145,78
Obligations for cable distribution rights, net of current portion	1,38
Obligations for satellite distribution rights, net of current portion	13,82
Obligations for program rights, net of current portion	62,60
Senior subordinated notes and bank financing, net	393,71
Total liabilities	617,31
Mandatorily redeemable preferred stock	1,116,55
Commitments and contingencies	-
Stockholders' deficit:	
Class A common stock, $0.001 par value; one vote per share; 215,000,000 shares authorized, 56,041,786 and 55,872,152 shares issued and outstanding	5
Class B common stock, $0.001 par value; ten votes per share; 35,000,000 shares authorized and 8,311,639 shares issued and outstanding	
Common stock warrants and call option	68,38
Stock subscription notes receivable	(1,27
Additional paid-in capital	500,38
Deferred stock option compensation	(5,88

Accumulated deficit	(829,11
Total stockholders' deficit	(267,43
Total liabilities, mandatorily redeemable preferred stock, and stockholders' deficit	$ 1,466,43

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS.

PAXSON COMMUNICATIONS CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS EXCEPT SHARE AND PER SHARE DATA)

	FOR THE THREE MONTHS ENDED MARCH 31,	
	2001	2000
		(Unaudited)
REVENUES:		
Gross revenues	$ 80,214	$ 78,456
Less: agency commissions	(10,899)	(10,984)
Net revenues	69,315	67,472
EXPENSES:		
Programming and broadcast operations	9,950	8,974
Program rights amortization	24,433	27,761
Selling, general and administrative	31,610	33,398
Time brokerage and affiliation fees	939	1,878
Stock-based compensation	1,118	2,167
Adjustment of programming to net realizable value	--	24,400
Depreciation and amortization	23,996	21,180
Total operating expenses	92,046	119,758
Operating loss	(22,731)	(52,286)
OTHER INCOME (EXPENSE):		
Interest expense	(12,283)	(11,580)
Interest income	1,484	3,037
Other expenses, net	(331)	(3,135)
Gain on restructuring of program rights obligations	233	9,910

Loss before income taxes	(33,628)	(54,054)
Income tax provision	(44)	--
Net loss	(33,672)	(54,054)
Dividends and accretion on redeemable preferred stock	(36,166)	(33,582)
Net loss attributable to common stockholders	$ (69,838)	$ (87,636)
Basic and diluted loss per common share	$ (1.09)	$ (1.39)
Weighted average shares outstanding	64,288,943	63,043,758

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS.

PAXSON COMMUNICATIONS CORPORATION
CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT
FOR THE THREE MONTHS ENDED MARCH 31, 2001
(IN THOUSANDS)

	COMMON STOCK CLASS A	COMMON STOCK CLASS B	COMMON STOCK WARRANTS AND CALL OPTION	STOCK SUBSCRIPTION NOTES RECEIVABLE	ADDITION- AL PAID-IN CAPITAL	O CO
Balance, December 31, 2000	$56	$8	$68,384	$(1,270)	$499,304	$(
Stock-based compensation	--	-	--	--	--	
Stock options exercised	--	-	--	--	1,079	
Dividends on redeemable preferred stock	--	-	--	--	--	
Accretion on redeemable preferred stock	--	-	--	--	--	
Net loss	--	-	--	--	--	
Balance, March 31, 2001	$56	$8	$68,384	$(1,270)	$500,383	$(

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS.

PAXSON COMMUNICATIONS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	FOR THE THRE ENDED MARC
	2001
	(Unaudit
Cash flows from operating activities:	
Net loss	$(33,672)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	23,996
Stock-based compensation	1,118
Program rights amortization	24,433
Payments for cable distribution rights	(2,349)
Payments for program rights and deposits	(27,878)
Provision for doubtful accounts	769
Adjustment of programming to net realizable value	--
Loss on sale or disposal of assets	293
Loss on sale of broadcast assets	--
Gain on restructuring of program rights obligations	(233)
Changes in assets and liabilities:	
Increase in restricted cash and short-term investments	(193)
Decrease in accounts receivable	4,591
Increase in prepaid expenses and other current assets	(171)
Decrease in other assets	1,310
Increase in accounts payable and accrued liabilities	836
Decrease in accrued interest	(6,529)
Net cash used in operating activities	(13,679)
Cash flows from investing activities:	
Acquisitions of broadcasting properties	(9,551)
Decrease in deposits on broadcast properties	--
Decrease in investments in broadcast properties	--
(Increase) decrease in short-term investments	(2,655)
Purchases of property and equipment	(6,117)
Proceeds from sales of property and equipment	191
Net cash (used in) provided by investing activities	(18,132)
Cash flows from financing activities:	
Borrowings of long-term debt	679
Repayments of long-term debt	(510)
Proceeds from exercise of common stock options, net	1,079
Net cash provided by financing activities	1,248
(Decrease) increase in cash and cash equivalents	(30,563)
Cash and cash equivalents at beginning of period	51,363
Cash and cash equivalents at end of period	$ 20,800

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS.

PAXSON COMMUNICATIONS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

Paxson Communications Corporation's (the "Company") financial information contained in the financial statements and notes thereto as of March 31, 2001 and for the three month period ended March 31, 2001 and 2000, is unaudited. In the opinion of management, all adjustments necessary for the fair presentation of such financial information have been included. These adjustments are of a normal recurring nature. There have been no changes in accounting policies since the year ended December 31, 2000.

The consolidated financial statements include the accounts of the Company and its subsidiaries and those of DP Media, Inc. ("DP Media"), a company acquired in June 2000. Prior to acquisition, DP Media was beneficially owned by family members of Lowell W. Paxson, the Company's Chairman and principal stockholder. The financial position and results of operations of DP Media have been included in the Company's consolidated financial statements since September 1999. All significant intercompany balances and transactions have been eliminated.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. Certain reclassifications have been made to the prior year's financial statements to conform to the 2001 presentation. These financial statements, footnotes and discussions should be read in conjunction with the audited financial statements and related footnotes and discussions contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 and the definitive proxy statement for the annual meeting of stockholders held May 1, 2001.

2. JSA RESTRUCTURING

During the fourth quarter of 2000, the Company approved a plan to restructure its television station operations by entering into Joint Sales Agreements ("JSAs") primarily with NBC affiliate stations in each of the Company's remaining non-JSA markets. Under the JSA structure, the Company generally terminates its station sales staff. The JSA partner then provides local and national spot advertising sales management and representation to the Company station and integrates and co-locates the Company station operations. These restructuring activities resulted in a charge of approximately $5.8 million in the fourth quarter of 2000 consisting of $2.7 of termination benefits and $3.1 million of costs associated with exiting leased properties which will no longer be utilized upon implementation of the JSAs. During the three months ended March 31, 2001, the Company paid termination benefits to 33 employees totaling approximately $647,000 which were charged against the restructuring reserve. The Company expects to substantially complete the restructuring plan by the end of 2001; however, certain lease obligations may continue through mid-2002.

The following summarizes the activity in the Company's restructuring reserves for the three months ended March 31, 2001(in thousands):

	BALANCE DECEMBER 31, 2000	CASH DEDUCTIONS	BALANCE MARCH 31, 2001
Accrued Liabilities:			
Lease Costs ...	$ 3,091	$ (140)	$2,951
Severance	2,586	(647)	1,939
	$ 5,677	$ (787)	$4,890

3. MANDATORILY REDEEMABLE PREFERRED STOCK

The following represents a summary of the changes in the Company's mandatorily redeemable preferred stock during the three month period ended March 31, 2001(in thousands):

	JUNIOR PREFERRED STOCK 12%	EXCHANGEABLE PREFERRED STOCK 12-1/2%	JUNIOR EXCHANGEABLE PREFERRED STOCK 13-1/4%	CONVERTIBLE PREFERRED STOCK 9-3/4%	SER CONVE PREF ST
Balance at December 31, 2000 .	$56,855	$246,878	$270,854	$92,945	$4
Accretion	183	170	294	123	
Accrual of cumulative dividends	1,773	7,678	9,055	2,339	
Balance at March 31, 2001 (unaudited)	$58,811	$254,726	$280,203	$95,407	$4
Aggregate liquidation preference at March 31, 2001	$60,875	$258,511	$286,929	$98,291	$4
Shares authorized	33,000	440,000	72,000	17,500	
Shares issued and outstanding	33,000	245,706	27,335	9.829	
Accrued dividends	$27,875	$ 12,797	$ 13,582	$ --	$

4. INCOME TAXES

The Company has recorded a provision for income taxes based on its estimated annual state income tax liability. For the three months ended March 31, 2001, the Company recorded a valuation allowance related to its net deferred tax asset resulting from tax losses generated during the period. Management believes that it is more likely than not that the Company will be unable to realize such assets.

5. PER SHARE DATA

Basic and diluted loss per share from continuing operations was computed by dividing the loss from continuing operations less dividends and accretion on redeemable preferred stock by the weighted average number of common shares outstanding during the period. The effect of stock options and warrants is antidilutive. Accordingly, the Company's presentation of diluted earnings per share is the same as that of basic earnings per share.

The following securities, which could potentially dilute earnings per share in the future, were not included in the computation of earnings per share, because to do so would have been antidilutive for the periods presented (in thousands):

	FOR THE THREE MONTHS ENDED MARCH 31,	
	2001	2000
Stock options outstanding	10,722	11,663
Class A and B common stock warrants outstanding	32,428	32,428
Class A common stock reserved under convertible securities	38,039	37,475
	81,189	81,566

6. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental cash flow information and non-cash investing and financing activities are as follows (in thousands):

	FOR TH ENDE
	2001
	(U
Supplemental disclosures of cash flow information:	
Cash paid for interest	$17,613
Cash paid for income taxes	113
Non-cash operating and financing activities:	
Accretion of discount on senior subordinated notes	119
Dividends accrued on redeemable preferred stock	29,145

Discount accretion on redeemable securities	7,021

7. AMENDMENT TO EQUIPMENT CREDIT FACILITY

In March 2001, the Company and its lenders amended its equipment credit facility (the "Equipment Facility") to, among other things: (i) increase the maximum borrowing capacity from $65 million to $85 million with availability through June 30, 2002; and (ii) eliminate scheduled principal amortization and implement a requirement to repay amounts outstanding in full on June 30, 2002. In connection with the amendment, the interest rates were increased to an Index Rate (as defined therein) plus 2.75%, LIBOR plus 3.75% or a commercial paper rate plus 3.75%, at the Company's option. The Company paid a $200,000 fee in connection with the amendment.

8. ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT

On January 1, 2001, the Company adopted Financial Accounting Standards Board SFAS No. 133 as amended by SFAS No. 137 and SFAS No. 138, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). The adoption of SFAS 133 did not have a material impact on the Company's financial position or results of operations.

ITEM 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

The Company is a network television broadcasting company which owns and operates the largest broadcast television station group in the United States. The Company commenced its television operations in early 1994. In response to federal regulatory changes reducing restrictions on broadcast television station ownership and mandating cable carriage of local television stations, the Company has expanded rapidly through acquisitions and construction of television stations. Upon completion of pending transactions, the Company will own 65 television stations reaching all of the top 20 markets except Pittsburgh, and 42 of the top 50 markets.

The Company broadcasts PAX TV, its family programming network, which reaches U.S. television households through a distribution system consisting of owned and affiliated broadcast television stations, cable television systems in markets not served by a PAX TV station, and satellite television providers. According to Nielsen Television Index, as of April 2001, PAX TV reached 83% of U.S. prime time television households. Upon completion of pending transactions, the PAX TV network will include 124 broadcast television stations, consisting of 65 owned

and operated stations and 59 independently owned PAX TV affiliates.

In September 1999, the Company entered into a series of agreements with NBC under which NBC invested $415 million in the Company. Concurrently with these agreements, NBC also entered into an agreement with Lowell W. Paxson, the Company's Chairman and controlling stockholder ("Mr. Paxson") and entities controlled by Mr. Paxson under which NBC was granted the right to purchase all 8,311,639 shares of the Company's Class B common stock beneficially owned by Mr. Paxson, which shares are entitled to ten votes per share on all matters submitted to a vote of the Company's stockholders. Under these agreements, NBC has the ability to acquire control of the Company, subject to the satisfaction of various conditions, including compliance with applicable provisions of the Communications Act, and the approval of the FCC. The Company has also entered into agreements with NBC affecting its business operations, including agreements under which NBC provides network advertising sales, sales marketing and network research services for PAX TV, and Joint Sales Agreements ("JSAs") between Company stations and NBC owned and operated stations serving the same markets. Under the JSAs, the NBC stations sell all station spot advertising of Company stations and receive commission compensation for the sales, and some of the Company station operations, including sales operations, are integrated with the corresponding functions of the related NBC station. The Company reimburses NBC for the cost of performing these operations. During the three months ended March 31, 2001, the Company incurred amounts due to NBC totaling approximately $5.1 million for commission compensation and cost reimbursements under these agreements.

The Company's primary operating costs include employee salaries, administrative expenses, and payments with respect to syndicated program rights, cable distribution, ratings services and promotional advertising. The Company's business is subject to various risks and uncertainties, which may significantly reduce revenues and increase operating expenses. For example, a reduction in expenditures by television advertisers in the Company's markets may result in lower revenues. The Company may be unable to reduce expenses, including syndicated program rights fees and certain variable expenses, in an amount sufficient in the short term to offset lost revenues caused by poor market conditions. The broadcasting industry continues to undergo rapid technological change, which may increase competition within the Company's markets as new delivery systems, such as direct broadcast satellite and internet networks, attract customers.

This Report contains forward-looking statements that reflect the Company's current views with respect to future events. All statements in this Report other than those that are statements of historical facts are generally forward-looking statements. These statements are based on the Company's current assumptions and analysis, which management believes to be reasonable, but are subject to numerous risks and uncertainties that could cause actual results to differ materially from the Company's expectations. All forward-looking statements in this Report are made only as of the date of this Report, and the Company does not undertake any obligation to update these forward-looking statements, even though circumstances may change in the future. Factors to consider in evaluating any forward-looking statements and the other information contained herein and which could cause actual results to differ from those anticipated in the Company's forward-looking statements or could otherwise adversely affect the Company's business or financial condition include those set forth in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000, as filed with the US Securities and Exchange Commission.

RESULTS OF OPERATIONS

The following table sets forth net revenues, the components of operating expenses and other operating data for the three months ended March 31, 2001 and 2000 (in thousands):

	THREE MONTHS ENDED MARCH 31,	
	2001	2000
Revenues	$ 80,214	$ 78,456
Less: agency commissions	(10,899)	(10,984)
Net revenues	69,315	67,472
Expenses:		
Programming and broadcast operations	9,950	8,974
Program rights amortization	24,433	27,761
Selling, general and administrative	31,610	33,398
Time brokerage and affiliation fees	939	1,878
Stock-based compensation	1,118	2,167
Adjustment of programming to net realizable value	--	24,400
Depreciation and amortization	23,996	21,180
Total operating expenses	92,046	119,758
Operating loss	$(22,731)	$ (52,286)
Other Data:		
EBITDA (a)	$ 3,322	$ (2,661)
Program rights payments and deposits	27,878	27,844
Payments for cable distribution rights	2,349	534
Capital expenditures	6,117	5,543
Cash flows used in operating activities	(13,679)	(24,706)
Cash flows (used in) provided by investing activities	(18,132)	23,051
Cash flows provided by financing activities	1,248	3,469

(a) "EBITDA" is defined as operating loss plus depreciation, amortization, stock-based compensation, programming net realizable value adjustments, restructuring charges, and time brokerage and affiliation fees. EBITDA does not purport to represent cash provided by operating activities as reflected in the Company's consolidated statements of cash flows, is not a measure of financial performance under generally accepted accounting principles, and should not be considered in isolation. Management believes the presentation of EBITDA is relevant and useful because EBITDA is a measurement industry analysts utilize when evaluating the Company's operating performance.

THREE MONTHS ENDED MARCH 31, 2001 AND 2000

Net revenues increased 2.7% to $69.3 million for the three months ended March 31, 2001 from $67.5 million for the three months ended March 31, 2000. This increase is primarily attributed to higher advertising revenues from the PAX TV network offset by a decrease in revenue from the Company's television stations. The increase in PAX TV network advertising revenues resulted from increases in ratings and distribution of PAX TV, favorable results from the

Company's network sales agreement with NBC and increases in long-form programming rates. The decrease in television station revenues is primarily due to the softening of television spot advertising revenues in the Company's local markets.

Expenses decreased to $92.0 million for the three months ended March 31, 2001 from $119.8 million for the three months ended March 31, 2000, or 23.1%. The decrease in 2001 is primarily due to the programming rights adjustment to net realizable value of $24.4 million in the first quarter last year as well as decreases in programming rights amortization and selling, general and administrative expenses. Program rights amortization decreased $3.3 million, reflecting a greater mix of lower cost original programming this year compared to last year. Selling, general and administrative costs decreased $1.8 million which primarily reflects lower selling costs. Time brokerage and affiliation fees decreased by $0.9 million due to the completion of related acquisitions. Stock-based compensation decreased by $1.0 million due to a decrease in options vesting in 2001 compared to the same period in 2000. Depreciation and amortization increased $2.8 million primarily related to assets acquired as well as accelerated depreciation on assets to be disposed of in connection with the JSA restructuring plan described below.

During the fourth quarter of 2000, the Company approved a plan to restructure its television station operations by entering into JSAs with third party broadcast stations in the Company's remaining non-JSA markets. These restructuring activities resulted in a charge of approximately $5.8 million in fourth quarter of 2000 consisting of $2.7 million of termination benefits and $3.1 million of costs associated with exiting leased properties which will no longer be utilized upon implementation of the JSAs. During the three months ended March 31, 2001, the Company paid termination benefits to 33 employees totaling approximately $647,000 and paid lease termination costs of approximately $140,000 which were charged against the restructuring reserve. The Company expects to substantially complete the restructuring plan by the end of 2001; however, certain lease obligations may continue through mid-2002.

Interest expense for the three months ended March 31, 2001, increased 6.1% to $12.3 million from $11.6 million in the same period in 2000. The increase is primarily due to a greater level of senior debt and higher rates on the Company's debt throughout the period. At March 31, 2001, total long-term debt and senior subordinated notes were $405.8 million compared with $391.1 million as of March 31, 2000. Interest income for the three months ended March 31, 2001 decreased 51.1% to $1.5 million from $3.0 million in the same period in 2000. These decreases were primarily due to lower average cash and short term investment balances in 2001.

Gain on restructuring of program rights obligations during the first quarter of 2000 primarily reflects the Company's return of certain programming rights that it had written off during 1999, in exchange for cash of $4.9 million and the cancellation of the remaining payment obligations.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary capital requirements are for capital expenditures, syndicated programming rights payments, cable carriage and promotion payments, debt service payments, working capital and funds required for the completion of announced acquisitions. The Company's primary sources of liquidity are its net working capital and availability under the Equipment Facility for the funding of capital expenditures. As of March 31, 2001, the Company had $73.5 million in

cash and short-term investments and working capital of approximately $47.0 million. During the three months ended March 31, 2001, the Company's working capital decreased $27.3 million due to the use of $9.6 million to complete the acquisition of television stations, $17.6 million to pay interest due under certain of the Company's debt instruments, $6.1 million to fund capital expenditures offset by proceeds from the exercise of stock options and other operating activities of $6.0 million.

The terms of certain of the Company's preferred securities and the indenture relating to its Senior Subordinated Notes currently preclude the Company from incurring additional indebtedness except for incurrence of certain indebtedness related to the funding of capital expenditures. The Company has entered or intends to enter into agreements to sell certain of its assets and anticipates the proceeds from these transactions to be approximately $70 to $100 million. These assets include the Company's television stations serving markets in Puerto Rico, Honolulu, Boston/Merrimack, Phoenix/Flagstaff, St. Louis, and certain other LPTV stations as well as monetization of the Company's tower assets and accounts receivable. The Company expects to receive the proceeds related to these asset sales during 2001 and 2002. The Company believes that cash provided by future operations, net working capital, its availability under the Equipment Facility and the proceeds from the planned sale of assets will provide the liquidity necessary to meet its obligations and financial commitments through the end of the first quarter of 2002. Should the Company be unable to sell the identified assets on acceptable terms, it may be required to seek to sell additional assets in order to generate sufficient cash to meet its liquidity needs. As the Senior Credit Facility and the Equipment Facility mature on June 30, 2002, the Company will be required to refinance or extend these facilities on or before that date. Additionally, the Company will likely be required to refinance its $230 million Senior Subordinated Notes on or before the stated maturity on October 1, 2002. The Senior Subordinated Notes are currently redeemable at the option of the Company through September 30, 2001 at 102% of the face value plus accrued interest. Commencing October 1, 2001 through maturity, the Senior Subordinated Notes are redeemable at the option of the Company at 100% of the face value plus accrued interest.

Cash used in operating activities was approximately $13.7 million and $24.7 million for the three months ended March 31, 2001 and 2000, respectively. Such amounts primarily reflect the operating costs incurred in connection with the operation of PAX TV and the related cable distribution rights and programming rights payments and interest payments under the Company's debt facilities. The decrease in 2001 reflects improved operating performance and EBITDA.

Cash used in investing activities of approximately $18.1 million for the three months ended March 31, 2001 primarily reflects acquisitions of broadcast properties, capital expenditures, short term investment transactions and other transactions. Cash provided by investing activities of approximately $23.1

million for the three months ended March 31, 2000 primarily reflects proceeds from short term investment transactions and capital expenditures. As of March 31, 2001, the Company had agreements to purchase significant assets of, or to enter into time brokerage and financing arrangements with respect to broadcast properties totaling approximately $50.9 million, net of deposits and advances. The Company anticipates it will spend approximately $4 million to $6 million in the remainder of 2001 to satisfy certain of these commitments.

Capital expenditures were approximately $6.1 million and $5.5 million for the three months ended March 31, 2001 and 2000, respectively. The FCC has

mandated that each licensee of a full power broadcast TV station, which was allotted a second digital television channel in addition to the current analog channel, complete the build-out of its digital broadcast service by May 2002. Despite the current uncertainty that exists in the broadcasting industry with respect to standards for digital broadcast services, planned formats and usage, it is the Company's intention to comply with the FCC's timing requirements for the broadcast of digital television. The Company has already commenced migration to digital broadcasting in certain of its markets and will continue to do so throughout the required time period. Due to uncertainty with respect to standards, formats and usage, however, the Company cannot currently predict with reasonable certainty the amount it will likely have to spend in aggregate to complete the digital conversion of its stations, but does anticipate spending at least $70 million. It is likely that the capital necessary to complete the digital conversion will come from cash on hand as well as the monetization of certain non-core assets or other financing arrangements.

Cash provided by financing activities was $1.2 million and $3.5 million during the three months ended March 31, 2001 and 2000, respectively. Such amounts include the proceeds from long-term debt borrowings and the exercise of common stock options, net of repayments of long-term debt. The decrease in 2001 is due to reduced borrowings under the Company's Equipment Facility and principal amortization of $.5 million under the Company's Senior Credit Facility. In March 2001, the Company amended the Equipment Facility to, among other things: (1) increase the maximum borrowing capacity from $65 million to $85 million with availability through June 30, 2002; and (2) eliminate scheduled principal amortization and implement a requirement to repay amounts outstanding in full on June 30, 2002. In connection with the amendment, the interest rates were increased to the Index Rate (as defined therein) plus 2.75%, LIBOR plus 3.75% or a commercial paper rate plus 3.75%, at the Company's option. The Company paid a $200,000 fee in connection with the amendment. All borrowings under this facility are secured by the equipment purchased with the proceeds drawn. At March 31, 2001, the Company had borrowings of approximately $54.4 million outstanding under the Equipment Facility. The Company intends to utilize the Equipment Facility to fund the majority of its capital expenditure needs in 2001.

As of March 31, 2001, the Company's programming contracts require collective payments by the Company of approximately $200.7 million as follows (in thousands):

	OBLIGATIONS FOR PROGRAM RIGHTS	PROGRAM RIGHTS COMMITMENTS	TOTAL
2001 (April - December)................	$ 66,169	$ 22,445	$ 88,614
2002..................................	55,343	12,560	67,903
2003..................................	18,273	8,692	26,965
2004..................................	6,106	6,650	12,756
2005..................................	--	4,433	4,433
	$ 145,891	$ 54,780	$ 200,671

The Company has also committed to purchase at similar terms additional future series episodes of its licensed programs should they be made available.

As of March 31, 2001, obligations for cable distribution rights require collective payments by the Company of approximately $20.6 million as follows (in thousands):

2001 (April - December)........................	$ 17,582
2002..	2,567
2003..	260
2004..	108
	20,517
Less: Amount representing interest.............	(1,555)
Present value of cable rights payable...........	$ 18,962

PART II
OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) List of Exhibits:

EXHIBIT NUMBER	DESCRIPTION OF EXHIBITS
3.1.1	Certificate of Incorporation of the Company (1)
3.1.2	Certificate of Designation of the Company's Junior Cumulative Compounding Redeemable Preferred Stock (1)
3.1.4	Certificate of Designation of the Company's 12 1/2% Cumulative Exchangeable Preferred Stock (2)
3.1.6	Certificate of Designation of the Company's 9 3/4% Series A Convertible Preferred Stock (3)
3.1.7	Certificate of Designation of the Company's 13 1/4% Cumulative Junior Exchangeable Preferred Stock (3)
3.1.8	Certificate of Designation of the Company's 8% Series B Convertible Exchangeable Preferred Stock (4)
3.2	Bylaws of the Company

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(1) Filed with the Company's Annual Report on Form 10-K, for the year ended December 31, 1995, and incorporated herein by reference.

(2) Filed with the Company's Registration Statement on Form S-3, as amended, filed August 15, 1996, Registration No. 333-10267, and incorporated herein by reference.

(3) Filed with the Company's Registration Statement on Form S-4, as amended, filed July 23, 1998, Registration No. 333-59641, and incorporated herein by reference.

(4) Filed with the Company's Form 8-K dated September 15, 1999, and incorporated herein by reference.

(b) Reports on Form 8-K.

None.

PAXSON COMMUNICATIONS CORPORATION

SIGNATURES

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.

PAXSON COMMUNICATIONS CORPORATION

Date: May 11, 2001

By: /s/ RONALD L. RUBIN

Ronald L. Rubin
Vice President, Chief Accounting Officer and Corporate Controller (Principal Accounting Officer)