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AETHER SYSTEMS INC
Form 8-K/A
April 16, 2001

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A

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

Date of Report (Date of earliest event reported) February 3, 2000

Commission File Number 00

AETHER SYSTEMS, INC.
(Exact name of registrant)

Delaware
(State of organization)

52-2186634
(I.R.S. Employer Identification Number)

11460 Cronridge Drive, Owings Mills, Maryland 21117
(Address of principal executive offices and zip code)

(410) 654-6400
(Registrant's telephone Number)

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ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

- (a) Financial Statements. None.
- (b) Pro forma financial information.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The unaudited pro forma condensed consolidated financial information has been prepared by Aether's management and gives effect to the acquisitions of LocusOne Communications, Inc. completed on February 3, 2000, Riverbed Technologies, Inc. completed on March 6, 2000, NetSearch, LLC completed on April 20, 2000, IFX Group Plc completed on April 6, 2000 and the related formation of Sila Communications Limited completed on May 5, 2000, Cerulean Technology, Inc.

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completed on September 14, 2000, SunPro, Inc. completed on September 18, 2000, Motient's retail transportation business completed on December 1, 2000, and RTS Wireless, Inc. completed on December 22, 2000, which are collectively referred to in this "Unaudited Pro Forma Condensed Consolidated Financial Information" section as the "Completed Transactions." The unaudited pro forma condensed consolidated statement of operations for the year ended December 31, 2000 has been prepared to give effect to the Completed Transactions as if they had occurred on January 1, 2000.

The pro forma adjustments, which are based upon available information and certain assumptions that Aether believes are reasonable in the circumstances, are applied to the historical financial statements of LocusOne, Riverbed, NetSearch, IFX, Sila, Cerulean, SunPro, Motient's retail transportation business, and RTS. The acquisitions are accounted for under the purchase method of accounting. Aether's allocation of the purchase price is based upon the estimated fair value of assets acquired and liabilities assumed in accordance with Accounting Principles Board Opinion No. 16. Certain of the purchase price allocations reflected in the accompanying unaudited pro forma condensed consolidated financial statements are preliminary and may be different from the final allocation of the purchase price and any such differences may be material.

The unaudited pro forma condensed consolidated financial information is provided for informational purposes only and does not purport to represent what Aether's financial position or results of operations would actually have been had the acquisitions and investments occurred on such dates or to project Aether's results of operations or financial position for any future period. The unaudited pro forma consolidated financial data should be read in conjunction with:

- the historical financial statements of Aether included in Aether's Form 10-K for the year ended December 31, 2000;
- the historical financial statements and the notes thereto for LocusOne. included in Aether's Report on Form 8-K/A filed March 16, 2000;
- the historical financial statements and the notes thereto for Riverbed included in Aether's registration statement on Form S-1 (File No. 333-30852), as amended and incorporated herein by reference.

(c) Exhibits.

99.1 Unaudited Pro Forma Combined Financial Data

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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 hereunto duly authorized.

AETHER SYSTEMS, INC.

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BY: /s/ David C. Reymann

 David C. Reymann
 Chief Financial Officer

Dated: April 11, 2001

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AETHER SYSTEMS, INC.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
 (IN THOUSANDS, EXCEPT PER SHARE DATA)

| | FOR THE YEAR ENDED DECEMBER 31, 2000 | |
|---|--------------------------------------|---|
| | HISTORICAL AETHER | ADJUSTMENT COMPLETION TRANSACTION |
| | ===== | |
| Subscriber revenue | 31,160 | 23,138 |
| Engineering services revenue | 9,444 | - |
| Software revenue and related services | 17,550 | 26,520 |
| | ----- | |
| Total revenue | 58,154 | 49,658 |
| | ----- | |
| Cost of subscriber revenue | 18,412 | 10,070 |
| Cost of engineering services revenue | 5,693 | - |
| Cost of software revenue and related services | 5,911 | 6,340 |
| | ----- | |
| Total cost of revenue | 30,016 | 16,410 |
| | ----- | |
| Gross profit | 28,138 | 33,248 |
| | ----- | |
| Operating Expenses: | | |
| Research and development | 30,189 | 18,780 |
| General and administrative | 52,937 | 21,890 |
| In process research and development | 7,860 | - |
| Selling and marketing | 54,151 | 23,090 |
| Depreciation and amortization | 238,074 | 112,220 |
| Option and warrant expense | 14,345 | 6,460 |
| | ----- | |
| | 397,556 | 182,450 |
| | ----- | |
| Operating Loss: | (369,418) | (149,210) |
| Other Income (expense): | | |
| Interest income (expense), net | 42,351 | (58,000) |
| Other | - | 7,000 |

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| | | |
|--|-----------|---------|
| Minority interest | 10,692 | 6,61 |
| Equity in losses of investments | (47,886) | |
| | ----- | |
| (Loss) income before income tax provision | (364,261) | (143,10 |
| Income tax (provision) benefit | 1,561 | (68 |
| | ----- | |
| Net loss | (362,700) | (143,78 |
| | ===== | |
| | | |
| Net loss per share basic and diluted | (9.99) | |
| | ===== | |
| | | |
| Weighted average shares used in computing net loss per share -- basic and diluted | 36,310 | |
| | ===== | |
| | | |
| Pro forma net loss per share -- basic and diluted | | |
| | | |
| Pro forma weighted average shares used in per share computations - basic and diluted | | |

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AETHER SYSTEMS, INC.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
ADJUSTMENTS FOR COMPLETED TRANSACTIONS
(in thousands)

For the Year Ended December 31, 2000

| | ----- | | ----- |
|---|---|---|-----------|
| | Period from January 1, 2000 Through February 2, 2000 | | Peri |
| | ----- | | ----- |
| | Historical LocusOne (A) | Pro Forma Acquisition Adjustments | Hi Riv |
| | ----- | | ----- |
| Subscriber revenue | - | | |
| Engineering services revenue | - | | |
| Software revenue and related services | 84 | | |
| | ----- | | ----- |
| Total revenue | 84 | | |
| | ----- | | ----- |
| Cost of subscriber revenue | - | | |
| Cost of engineering services revenue | - | | |
| Cost of software revenue and related services | 79 | | |
| | ----- | | ----- |

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| | | | |
|---|-------|---------|-----|
| Total cost of revenue | 79 | | |
| Gross profit | 5 | | |
| Operating Expenses: | | | |
| Research and development | 11 | | |
| General and administrative | 122 | | |
| In process research and development | - | | |
| Selling and marketing | 26 | | |
| Depreciation and amortization | 8 | 730 | (I) |
| Option and warrant expense | 50 | 811 | (J) |
| | 217 | 1,541 | |
| Operating income (loss): | (212) | (1,541) | |
| Other Income (expense): | | | |
| Interest income (expense), net | (7) | 7 | (L) |
| Other | - | | |
| Minority interest | - | | |
| (Loss) income before income tax provision | (219) | (1,534) | |
| Income tax (provision) benefit | - | | |
| Net (loss) income | (219) | (1,534) | |

Period from January 1, 2000 Through April 5, 2000

| | Historical Sila/IFX (C) | Pro Forma Acquisition Adjustments | |
|---|----------------------------|---|-----|
| Subscriber revenue | 4,693 | | |
| Engineering services revenue | - | | |
| Software revenue and related services | - | | |
| Total revenue | 4,693 | | |
| Cost of subscriber revenue | 2,266 | | |
| Cost of engineering services revenue | - | | |
| Cost of software revenue and related services | - | | |
| Total cost of revenue | 2,266 | | |
| Gross profit | 2,427 | | |
| Operating Expenses: | | | |
| Research and development | 73 | | |
| General and administrative | 866 | | |
| In process research and development | - | | |
| Selling and marketing | 884 | | |
| Depreciation and amortization | 37 | 14,460 | (I) |
| Option and warrant expense | - | | |

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| | | | |
|---|-------|----------|-----|
| | 1,860 | 14,460 | |
| Operating income (loss): | 567 | (14,460) | |
| Other Income (expense): | | | |
| Interest income (expense), net | - | | |
| Other | - | | |
| Minority interest | - | 6,619 | (M) |
| (Loss) income before income tax provision | 567 | (7,841) | |
| Income tax (provision) benefit | (227) | (502) | (N) |
| Net (loss) income | 340 | (8,343) | |

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| | Period from January 1, 2000 Through September 13, 2000 | | Peri |
|---|---|---|------------|
| | Historical Cerulean (E) | Pro Forma Acquisition Adjustments | His Sun |
| Subscriber revenue | - | | |
| Engineering services revenue | - | | |
| Software revenue and related services | 10,938 | | |
| Total revenue | 10,938 | | |
| Cost of subscriber revenue | - | | |
| Cost of engineering services revenue | - | | |
| Cost of software revenue and related services | 3,423 | | |
| Total cost of revenue | 3,423 | | |
| Gross profit | 7,515 | | |
| Operating Expenses: | | | |
| Research and development | 3,556 | | |
| General and administrative | 1,677 | | |
| In process research and development | - | | |
| Selling and marketing | 7,550 | | |
| Depreciation and amortization | 525 | 15,299 | (I) |
| Option and warrant expense | - | 1,992 | (J) |
| | 13,308 | 17,291 | |
| Operating income (loss): | (5,793) | (17,291) | |
| Other Income (expense): | | | |
| Interest income (expense), net | (62) | | |
| Other | - | | |
| Minority interest | - | | |
| (Loss) income before income | | | |

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| | Period from January 1, 2000 Through November 30, 2000 | | Peri |
|---|--|---|-----------|
| | Historical Motient (G) | Pro Forma Acquisition Adjustments | His RT |
| tax provision | (5,855) | (17,291) | |
| Income tax (provision) benefit | - | | |
| Net (loss) income | (5,855) | (17,291) | |
| Subscriber revenue | 18,035 | | |
| Engineering services revenue | - | | |
| Software revenue and related services | - | | |
| Total revenue | 18,035 | - | |
| Cost of subscriber revenue | 7,693 | | |
| Cost of engineering services revenue | - | | |
| Cost of software revenue and related services | - | | |
| Total cost of revenue | 7,693 | - | |
| Gross profit | 10,342 | - | |
| Operating Expenses: | | | |
| Research and development | 2,782 | | |
| General and administrative | 4,092 | | |
| In process research and development | - | | |
| Selling and marketing | 3,627 | | |
| Depreciation and amortization | - | 9,351 (I) | |
| Option and warrant expense | - | | |
| | 10,501 | 9,351 | |
| Operating income (loss): | (159) | (9,351) | |
| Other Income (expense): | | | |
| Interest income (expense), net | - | | |
| Other | - | | |
| Minority interest | - | | |
| (Loss) income before income tax provision | (159) | (9,351) | |
| Income tax (provision) benefit | - | | |
| Net (loss) income | (159) | (9,351) | |

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| | Aether as Adjusted for Completed Transactions |
|---|--|
| | ----- |
| Subscriber revenue | 23,131 |
| Engineering services revenue | - |
| Software revenue and related services | 26,526 |
| | ----- |
| Total revenue | 49,657 |
| | ----- |
| Cost of subscriber revenue | 10,070 |
| Cost of engineering services revenue | - |
| Cost of software revenue and related services | 6,348 |
| | ----- |
| Total cost of revenue | 16,418 |
| | ----- |
| Gross profit | 33,239 |
| | ----- |
| Operating Expenses: | |
| Research and development | 18,786 |
| General and administrative | 21,892 |
| In process research and development | - |
| Selling and marketing | 23,090 |
| Depreciation and amortization | 112,222 |
| Option and warrant expense | 6,462 |
| | ----- |
| | 182,452 |
| | ----- |
| Operating income (loss): | (149,213) |
| Other Income (expense): | |
| Interest income (expense), net | (582) |
| Other | 76 |
| Minority interest | 6,619 |
| | ----- |
| (Loss) income before income tax provision | (143,100) |
| Income tax benefit | (680) |
| | ----- |
| Net (loss) income | (143,780) |
| | ===== |

-
- (A) Reflects the historical results of LocusOne for the period from January 1, 2000 to February 2, 2000. The results of LocusOne from February 3, 2000 to December 31, 2000 are included in Aether's historical results for the year ended December 31, 2000.
- (B) Reflects the historical results of Riverbed for the period from January 1, 2000 to March 5, 2000. The results of Riverbed from March 6, 2000 to December 31, 2000 are included in Aether's historical results for the year ended December 31, 2000.
- (C) Reflects the historical results of IFX Group Plc for the period from January 1, 2000 to April 5, 2000 and the historical results of Future Pagers Ltd. for the period from January 1, 2000 to May 6, 2000. The results of IFX from April 6, 2000 to December 31, 2000 and the results

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of Futures Pagers from May 7, 2000 to December 31, 2000 are included in Aether's historical results for the year ended December 31, 2000.

- (D) Reflects the historical results of NetSearch for the period from January 1, 2000 to April 19, 2000. The results of NetSearch from April 20, 2000 to December 31, 2000 are included in Aether's historical results for the year ended December 31, 2000.
- (E) Reflects the historical results of Cerulean for the period from January 1, 2000 to September 13, 2000. The results of Cerulean from September 14, 2000 to December 31, 2000 are included in Aether's historical results for the year ended December 31, 2000.
- (F) Reflects the historical results of SunPro for the period from January 1, 2000 to September 17, 2000. The results of SunPro from September 18, 2000 to December 31, 2000 are included in Aether's historical results for the year ended December 31, 2000.
- (G) Reflects the historical results of Motient's retail transportation business for the period from January 1, 2000 to November 30, 2000. The results of Motient's retail transportation business from December 1, 2000 to December 31, 2000 are included in Aether's historical results for the year ended December 31, 2000.
- (H) Reflects the historical results of RTS for the period from January 1, 2000 to December 21, 2000. The results of RTS from December 22, 2000 to December 31, 2000 are included in Aether's historical results for the year ended December 31, 2000.
- (I) Reflects the amortization of intangible assets, including goodwill, over two to seven year periods.
- (J) Reflects the amortization of the intrinsic value of options granted to employees of LocusOne, Cerulean and RTS over the three year vesting period.
- (K) Reflects the amortization of the intrinsic value of options granted to employees of NetSearch over the four year vesting period.
- (L) Reflects the elimination of interest expense, as LocusOne's outstanding debt was repaid by Aether as part of the acquisition.
- (M) Reflects the allocation of 40 percent of Sila's proforma net loss to the minority interest.
- (N) Reflects the recording of a deferred tax benefit related to the amortization of identifiable intangibles.
- (O) Reflects the elimination of income tax expense, as any operating profits generated by SunPro would be offset by Aether's consolidated net losses.