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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	9,444
Software revenue and related services	17,550	26,520

Total revenue	58,154	49,652

Cost of subscriber revenue	18,412	10,070
Cost of engineering services revenue	5,693	5,693
Cost of software revenue and related services	5,911	6,340

Total cost of revenue	30,016	16,413

Gross profit	28,138	33,239

Operating Expenses:		
Research and development	30,189	18,780
General and administrative	52,937	21,890
In process research and development	7,860	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

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	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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tax provision	(5,855)	(17,291)	
Income tax (provision) benefit	-		
Net (loss) income	(5,855)	(17,291)	

Period from January 1, 2000 Through November 30, 2000			

	Historical Motient (G)	Pro Forma Acquisition Adjustments	His RT

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)
	=====

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- (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.