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AETHER SYSTEMS INC  
Form 8-K  
May 11, 2001

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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported) May 8, 2000

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 5 OTHER EVENTS

The registrant reported preliminary financial results for the quarter ended March 31, 2001 on May 8, 2001. The results as reported are set forth below.

AETHER SYSTEMS, INC.  
CONDENSED CONSOLIDATED STATEMENTS  
OF OPERATIONS (Unaudited)

|                               | Three months ended<br>March 31,      |          |
|-------------------------------|--------------------------------------|----------|
|                               | 2001                                 | 2000     |
|                               | ----                                 | ----     |
|                               | (in thousands except per share data) |          |
| Subscriber revenue            | \$ 10,400                            | \$ 2,794 |
| Engineering services revenue  | 2,363                                | 1,403    |
| Software and related services | 11,797                               | 1,069    |
| Device sales                  | 6,099                                | 135      |
|                               | -----                                | -----    |
| Total revenue                 | 30,659                               | 5,401    |

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|  |               |            |
|--|---------------|------------|
| Cost of subscriber revenue   | 6,234         | 1,059      |
| Cost of engineering services revenue   | 1,300         | 614        |
| Cost of software and related services  | 4,082         | 678        |
| Cost of device sales   | 8,217         | 673        |
|  | -----         | -----      |
| Total cost of revenue  | 19,833        | 3,024      |
|  | -----         | -----      |
| Gross profit   | 10,826        | 2,377      |
| Operating expenses:  |               |            |
| Research and development   | 17,171        | 2,031      |
| General and administrative   | 25,804        | 4,931      |
| Selling and marketing  | 20,216        | 5,812      |
| In process research and development related to acquisitions  | --            | 2,100      |
| Depreciation and amortization  | 91,795        | 17,410     |
| Option and warrant expense   | 4,580         | 2,445      |
|  |               |            |
| Impairment of goodwill associated with acquisitions  | 959,369       | --         |
|  | -----         | -----      |
|  | 1,118,935     | 34,729     |
|  | -----         | -----      |
| 3  |               |            |
|  |               |            |
| Operating loss   | (1,108,109)   | (32,352)   |
| Other income (expense):  |               |            |
| Interest income (expense), net   | 6,406         | 2,189      |
| Equity in losses of investment   | (14,516)      | (3,107)    |
| Investment loss, including impairments   | (94,744)      | --         |
| Minority Interest  | 3,664         | --         |
|  | -----         | -----      |
| Loss before income taxes   | (1,207,299)   | (33,270)   |
| Income tax benefit   | 435           | --         |
|  | -----         | -----      |
| Net loss before cumulative effect of a change in accounting principle  | (\$1,206,864) | (\$33,270) |
| Cumulative effect of a change in accounting principle relating to adoption of SFAS 133, accounting for Derivatives | 6,564         | --         |
|  | -----         | -----      |
| Net loss   | (\$1,200,300) | (\$33,270) |
|  | =====         | =====      |
| Net loss per share - basic and diluted - before cumulative effect of a change in accounting principle              | (\$29.83)     | (\$1.13)   |
| Cumulative effect of a change in accounting principle relating to adoption of SFAS 133, accounting for Derivatives | 0.16          | --         |
|  | -----         | -----      |
| Net loss per share - basic and diluted   | (\$29.67)     | (\$1.13)   |
|  | =====         | =====      |
| Weighted average shares outstanding - basic and diluted  | 40,452        | 29,451     |
|  | =====         | =====      |

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CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

|   | MARCH 31,<br>2001    |
|---|----------------------|
|   | -----<br>(unaudited) |
| Current assets:                           |                      |
| Cash and cash equivalents                 | \$72                 |
| Short-term investments                    | 3                    |
| Trade accounts receivable                 | 3                    |
| Inventory                                 | 2                    |
| Prepaid expenses and other current assets | -----                |
| Total current assets                      | 81                   |
| Furniture, computers, and equipment, net  | 6                    |
| Intangibles and other assets              | 53                   |
|   | -----                |
|   | \$1,41               |
|   | =====                |

LIABILITIES AND STOCKHOLDERS' EQUITY

|  |        |
|--|--------|
| Current liabilities:   |        |
| Accounts payable   | \$1    |
| Accrued expenses   | 3      |
| Accrued employee compensation and benefits                     | 1      |
| Deferred revenue   | 1      |
| Notes payable  | -----  |
| Total current liabilities                                      | 8      |
| Long-term liabilities:   |        |
| Convertible subordinated notes payable and other notes payable | 32     |
| Deferred tax liability   | 1      |
| Minority interest in net assets of subsidiary                  | 5      |
| Stockholders' equity   | 95     |
|  | -----  |
| Commitments and contingencies                                  | \$1,41 |
|  | =====  |

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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

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David C. Reymann  
Chief Financial Officer