

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

Current report filing

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FILER

METROMEDIA FIBER NETWORK INC

CIK: **1043533** | IRS No.: **113168327** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **8-K** | Act: **34** | File No.: **000-23269** | Film No.: **99709497**
SIC: **4813** Telephone communications (no radiotelephone)

Mailing Address
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NETWORK SER INC
1 NORTH LEXINGTON AVE
WHITE PLAINS NY 10601

Business Address
C/O METROMEDIA FIBER
NETWORK SER INC
1 NORTH LEXINGTON AVE
WHITE PLAINS NY 10601
9144216700

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

September 8, 1999

(Date of earliest event reported)

METROMEDIA FIBER NETWORK, INC.

(Exact name of Registrant as specified in its charter)

Delaware	000-23269	11-3168327
-----	-----	-----
(State of Incorporation)	(Commission File No.)	(IRS Employer Identification No.)

One North Lexington Avenue,
White Plains, New York 10601

(Address of principal executive offices, including zip code)

(914) 421-6700

(Registrant's telephone number, including area code)

Not Applicable

(Former name or former address, if changed since last report)

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ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS

On September 8, 1999, Metromedia Fiber Network, Inc. (the "Company") completed its merger with AboveNet Communications Inc., a Delaware corporation ("AboveNet"), pursuant to the Agreement and Plan of Merger (the "Merger Agreement") among the Company, Magellan Acquisition, Inc. and AboveNet, dated as of June 22, 1999.

AboveNet is a leading provider of facilities-based, managed services for customer-owned web servers and related equipment, known as co-location, and high performance Internet connectivity solutions for electronic commerce and other business critical Internet operations. AboveNet has developed a network architecture based upon strategically located facilities. These facilities, known as Internet service exchanges, allow Internet content providers direct access to Internet service providers.

Pursuant to the Merger Agreement, the Company's wholly-owned subsidiary Magellan Acquisition, Inc. was merged with and into AboveNet and each share of AboveNet common stock was converted into the right to receive 1.175 shares of the Company's Class A Common Stock. Following consummation of the merger, AboveNet became a wholly-owned subsidiary of the Company. In connection with the consummation of this transaction, the Company, AboveNet and Magellan Acquisition, Inc. entered into an amendment and waiver to the Merger Agreement pursuant to which the parties agreed to waive and amend certain provisions of the Merger Agreement relating to certain filing obligations of the Company. A copy of the amendment and waiver is attached as Exhibit 99.1 hereto and is hereby incorporated by reference.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

(a) Financial Statements of Businesses Acquired.

Pursuant to Item 7(a)(4) of this Form 8-K, financial statements of AboveNet will be filed by the Company on a current report on Form 8-K no later than November 5, 1999.

METROMEDIA FIBER NETWORK, INC.

UNAUDITED PRO FORMA CONDENSED COMBINING FINANCIAL INFORMATION

The following unaudited pro forma condensed combining financial information illustrates the effect of the merger of AboveNet Communications, Inc. ("AboveNet") with a wholly-owned subsidiary of Metromedia Fiber Network, Inc. ("Metromedia") under the terms of the merger agreement. Under the terms of the merger agreement, the holders of AboveNet common stock will receive 1.175 shares of Metromedia class A common stock for each share of AboveNet common stock. The share price used to determine the acquisition cost was derived from taking the average of the closing price of Metromedia class A common stock for the two days prior to and subsequent to the announcement of the proposed merger, which was June 23, 1999.

On June 21, 1999, AboveNet acquired the assets and assumed obligations related to the Palo Alto Internet Exchange ("PAIX") from Compaq Computer Corporation ("Compaq") for approximately \$76.5 million, consisting of \$70 million in cash, an obligation to provide various services to Compaq with a value currently estimated to be approximately \$5 million and expenses of approximately \$1.5 million.

The unaudited pro forma condensed combining financial information presented herein gives effect to Metromedia's acquisition of AboveNet and AboveNet's acquisition of PAIX. The unaudited pro forma condensed combining financial information is based on the historical financial statements of Metromedia, AboveNet and PAIX.

AboveNet has a fiscal year end of June 30. The unaudited historical financial information for AboveNet for the year ended December 31, 1998 consists of the period from January 1, 1998 to June 30, 1998 combined with the period from July 1, 1998 to December 31, 1998 derived from AboveNet's historical unaudited financial statements.

The unaudited pro forma condensed combining statements of operations for the six months ended June 30, 1999 and for the year ended December 31, 1998 give effect to the above transactions as if they had been consummated on January 1, 1998. The unaudited pro forma condensed combining balance sheets, as of June 30, 1999, give effect to Metromedia's acquisition of AboveNet as if it had been consummated on June 30, 1999.

ACCOUNTING TREATMENT

Metromedia plans to record the acquisition of AboveNet using the purchase method of accounting. Accordingly, the assets acquired and liabilities assumed will be recorded at their estimated fair values, which are subject to further adjustment based upon appraisals and other analyses.

AboveNet recorded the acquisition of PAIX using the purchase method of accounting. Accordingly, the assets acquired and obligations assumed have been recorded at their estimated fair values, which are subject to further adjustments based upon appraisals and other analyses.

The pro forma adjustments are based upon available information and assumptions that we believe are reasonable at the time made. The unaudited pro forma condensed combining financial statements do not purport to present our financial position or results of operations had the acquisitions occurred on the dates specified, nor are they necessarily indicative of the financial position or results of operations that may be achieved in the future. The unaudited pro forma condensed combining statements of operations do not reflect any adjustments for synergies that we expect to realize following consummation of the acquisitions. No assurances can be made as to the amount of cost savings or revenue enhancements, if any, that may be realized.

The unaudited pro forma condensed combining financial statements should be read in conjunction with the consolidated financial statements and notes of Metromedia, AboveNet and PAIX.

METROMEDIA FIBER NETWORK, INC.
 PRO FORMA CONDENSED COMBINING STATEMENTS OF OPERATIONS
 (UNAUDITED)
 FOR THE SIX MONTHS ENDED JUNE 30, 1999
 (IN THOUSANDS, EXCEPT PER SHARE DATA)

<TABLE>

<S>	<CAPTION>			PRO FORMA FOR ACQUIRED ENTITIES		METROMEDIA HISTORICAL ADJUSTMENTS		METROMEDIA PRO FORMA
	ABOVENET HISTORICAL	PAIX HISTORICAL	ADJUSTMENTS	ACQUIRED ENTITIES	METROMEDIA HISTORICAL	ADJUSTMENTS	METROMEDIA PRO FORMA	
Revenue	\$ 9,522	\$ 3,171	\$ --	\$ 12,693	\$ 38,673	\$ --	\$ 51,366	
Expenses:								
Cost of sales	13,882	2,013	--	15,895	14,819	--	30,714	
Selling, general and administrative	12,309	301	--	12,610	13,786	--	26,396	
Consulting and employment incentives	519	--	--	519	--	--	519	
Depreciation and amortization	2,209	1,696	3,280 (1) (1,696) (1)	5,489	5,058	(3,280) (2) 38,335 (3)	45,602	
Income (loss) from operations	(19,397)	(839)	(1,584)	(21,820)	5,010	(35,055)	(51,865)	
Other income (expense):								
Interest income	2,665	--	--	2,665	13,512	--	16,177	
Interest expense	(1,080)	--	--	(1,080)	(30,407)	--	(31,487)	
Loss in joint venture	(200)	--	--	(200)	(393)	--	(593)	
Net loss before income taxes	(18,012)	(839)	(1,584)	(20,435)	(12,278)	(35,055)	(67,768)	
Income taxes	--	--	--	--	--	--	--	
Net loss	\$ (18,012)	\$ (839)	\$ (1,584)	\$ (20,435)	\$ (12,278)	\$ (35,055)	\$ (67,768)	
Net loss per share--basic					\$ (0.06)		\$ (0.29)	
Net loss per share--diluted					n/a		n/a	
Weighted average number of shares outstanding--basic (4)					189,098		230,692	
Weighted average number of shares outstanding--diluted					n/a		n/a	

See accompanying notes to unaudited pro forma condensed combining financial statements

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METROMEDIA FIBER NETWORK, INC.
PRO FORMA CONDENSED COMBINING STATEMENTS OF OPERATIONS
(UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 1998
(IN THOUSANDS, EXCEPT PER SHARE DATA)

<TABLE>
<CAPTION>

<S>	<CAPTION>			PROFORMA FOR ACQUIRED ENTITIES		METROMEDIA HISTORICAL	
	ABOVENET HISTORICAL	PAIX HISTORICAL	ADJUSTMENTS	ACQUIRED ENTITIES	METROMEDIA HISTORICAL	ADJUSTMENTS	METROMEDIA HISTORICAL
REVENUE	\$ 6,777	\$ 4,362	\$ --	\$ 11,139	\$ 36,436		
EXPENSES:							
COST OF SALES	7,551	2,583	--	10,134	13,937		
SELLING, GENERAL AND ADMINISTRATIVE	7,843	450	--	8,293	14,712		
CONSULTING AND EMPLOYMENT INCENTIVES	2,396	--	--	2,396	3,648		
DEPRECIATION AND AMORTIZATION	1,497	2,349	(1,944) (1) 7,313 (1)	9,215	1,532		
INCOME (LOSS) FROM OPERATIONS	(12,510)	(1,020)	(5,369)	(18,899)	2,607		
OTHER INCOME (EXPENSE):							
INTEREST INCOME	337	--	--	337	8,788		
INTEREST EXPENSE	(529)	--	--	(529)	(6,861)		
LOSS IN JOINT VENTURE	--	--	--	--	(146)		

NET INCOME (LOSS) BEFORE INCOME TAXES	(12,702)	(1,020)	(5,369)	(19,091)	4,388
INCOME TAXES.....	--	--	--	--	3,402
NET INCOME (LOSS).....	\$ (12,702)	\$ (1,020)	\$ (5,369)	\$ (19,091)	\$ 986
NET LOSS PER SHARE - BASIC.....					\$ 0.01
NET LOSS PER SHARE - DILUTED.....					0.00
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING BASIC.....					186,990
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - DILUTED.....					219,524

</TABLE>

<TABLE>
<CAPTION>

	ADJUSTMENTS	METROMEDIA PRO FORMA
<S>	<C>	<C>
REVENUE.....	--	47,575
EXPENSES:		
COST OF SALES.....	\$ --	\$ 24,071
SELLING, GENERAL AND ADMINISTRATIVE....	--	23,005
CONSULTING AND EMPLOYMENT INCENTIVES...	--	6,044
	(7,313) (2)	
DEPRECIATION AND AMORTIZATION.....	76,671 (3)	80,105
INCOME (LOSS) FROM OPERATIONS.....	(69,358)	(85,650)
OTHER INCOME (EXPENSE):		
INTEREST INCOME.....	--	9,125
INTEREST EXPENSE.....	--	(7,390)
LOSS IN JOINT VENTURE.....	--	(146)
NET INCOME (LOSS) BEFORE INCOME TAXES	(69,358)	(84,061)
INCOME TAXES.....	(3,402) (5)	--
NET INCOME (LOSS).....	\$ (65,956)	\$ (84,061)
NET LOSS PER SHARE - BASIC.....		\$ (0.37)
NET LOSS PER SHARE - DILUTED.....		n/a
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING-BASIC.....		228,584
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - DILUTED.....		n/a

</TABLE>

SEE ACCOMPANYING NOTES TO UNAUDITED PRO FORMA
CONDENSED COMBINING FINANCIAL STATEMENTS

<TABLE> <CAPTION>	ABOVENET HISTORICAL ----- <C>	METROMEDIA HISTORICAL ----- <C>	ADJUSTMENTS ----- <C>	METROMEDIA PRO FORMA ----- <C>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 220,871	\$ 341,897	\$ (25,000) (2)	\$ 537,768
Short-term investments	--	19,716	--	19,716
Pledged securities	--	63,142	--	63,142
Accounts receivable	3,355	86,258	--	89,613
Other current assets	3,850	2,761	--	6,611
	-----	-----	-----	-----
Total current assets	228,076	513,774	(25,000)	716,850
Fiber optic transmission network and related equipment, net	12,904	417,803	--	430,707
Property and equipment, net	46,591	3,909	--	50,500
Restricted cash	21,476	51,920	25,000 (2)	98,396
Other assets	5,378	47,288	--	52,666
Intangible assets	69,474	--	(69,474) (2)	1,533,414
	-----	-----	1,533,414 (2)	-----
Total assets	\$ 383,899	\$ 1,034,694	\$ 1,463,940	\$ 2,882,533
	=====	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	\$ 13,593	\$ 7,276	\$ --	\$ 20,869
Accrued expenses	2,122	134,736	--	136,858
Current portion of deferred revenue	2,511	8,106	--	10,617
Current portion of long-term obligations	5,985	55	--	6,040
	-----	-----	-----	-----
Total current liabilities	24,211	150,173	--	174,384
Notes payable	--	650,000	--	650,000
Capital lease obligation, net of current portion	5,173	23,202	--	28,375
Deferred revenue	4,375	68,530	--	72,905
Long-term obligations	16,416	--	--	16,416
Total stockholders' equity	333,724	142,789	1,463,940 (2)	1,940,453
	-----	-----	-----	-----
Total liabilities and stockholders' equity	\$ 383,899	\$ 1,034,694	\$ 1,463,940	\$ 2,882,533
	=====	=====	=====	=====

</TABLE>

See accompanying notes to unaudited pro forma
condensed combining financial statements

METROMEDIA FIBER NETWORK, INC.
NOTES TO UNAUDITED PRO FORMA COMBINING FINANCIAL STATEMENTS

(1) Reflects the acquisition by AboveNet of PAIX at January 1, 1998 for the income statements as follows:

- (i) the payment of cash for the acquisition of PAIX in the amount of \$70 million; and
- (ii) the excess of cost (currently estimated to be approximately \$69.7 million) over net tangible assets acquired of PAIX of \$1.8 million.

AboveNet has made a preliminary allocation to intangible assets of excess cost over estimated net tangible assets as PAIX's tangible assets and liabilities approximate fair value. However, there can be no assurance that the actual allocation will not differ significantly from the pro forma allocation.

(2) Reflects the acquisition by Metromedia of AboveNet at June 30, 1999 for the balance sheet and January 1, 1998 for the income statements as follows:

- (i) the issuance of approximately 41.6 million shares of Metromedia class A common stock in exchange for shares of AboveNet common stock at a ratio of 1.175;
- (ii) the placement of cash into a restricted account to secure AboveNet's renegotiated credit facility;

- (iii) the elimination of AboveNet's historical net tangible assets acquired; and
- (iv) issuance of shares of Metromedia class A common stock:

<u><S></u>	<u><C></u>	<u><C></u>
Number of shares issued to acquire AboveNet	41,594,140	
Per share price of stock	\$ 40.36	

Value of shares issued		\$ 1,678,739,000
Value of Metromedia options and warrants issued in exchange for AboveNet's options and warrants		98,925,000
Transaction costs		20,000,000

Total acquisition cost		1,797,664,000
AboveNet's net tangible assets acquired		264,250,000

Excess of cost over net tangible assets acquired		\$ 1,533,414,000
		=====

</TABLE>

Metromedia has made a preliminary allocation to intangible assets of excess cost over estimated net tangible assets acquired as AboveNet's tangible assets and liabilities are estimated to approximate fair value. However, there can be no assurance that the actual allocation will not differ significantly from the pro forma allocation.

- (3) Reflects amortization of the excess of cost over net tangible assets acquired in the merger by use of the straight-line method over 20 years.
- (4) The average common shares outstanding used in calculating pro forma loss per common share are calculated assuming that the estimated number of shares of Metromedia class A common stock to be issued in the merger were outstanding from the beginning of the periods presented.
- (5) Reflects the adjustment of the tax provision.

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(c) Exhibits

- 99.1 Amendment and Waiver, dated as of September 8, 1999, among the Company, AboveNet and Magellan Acquisition, Inc.

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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 hereunto duly authorized.

METROMEDIA FIBER NETWORK, INC.

By: /s/ Howard Finkelstein

Name: Howard Finkelstein
Title: President

Date: September 10, 1999

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EXHIBIT INDEX

Exhibit No.	Page in Sequential Numbering System
99.1	Amendment and Waiver, dated as of September 8, 1999, among the Company, AboveNet and Magellan Acquisition, Inc.

AMENDMENT AND WAIVER

AMENDMENT AND WAIVER (the "Amendment and Waiver"), dated September 8, 1999, to the Agreement and Plan of Merger, dated as of June 22, 1999 (the "Merger Agreement"), by and among AboveNet Communications Inc., a Delaware corporation (the "Company"), Metromedia Fiber Network, Inc., a Delaware corporation (the "Parent"), and Magellan Acquisition, Inc., a Delaware corporation and wholly owned subsidiary of the Parent ("Merger Sub").

WHEREAS, the parties to the Merger Agreement desire to amend and waive certain provisions of the Merger Agreement pursuant to and in accordance with the terms of Sections 7.3 and 7.4 of the Merger Agreement;

NOW THEREFORE, in consideration of the agreements contained herein, and intending to be legally bound hereby, the parties hereto agree as follows:

1. AMENDMENT. Section 5.21 of the Merger Agreement shall be amended and restated in its entirety pursuant to Section 7.3 of the Merger Agreement to read as follows:

"As soon as practicable following the Effective Time and in any event no later than September 10, 1999, the Parent shall file with the Commission a registration statement on an appropriate form or a post-effective amendment to a previously filed registration statement under the Securities Act with respect to the Parent Common Stock issuable in respect of Company Stock Options and Company Warrants and shall use its reasonable best efforts to maintain the current status of the prospectus contained therein, as well as comply with any applicable state securities or "blue sky" laws, for so long as such options or other stock based awards remain outstanding."

2. WAIVER. The parties hereby agree that this Amendment and Waiver shall constitute a waiver for purposes of Section 7.4 of the Merger Agreement of the covenant and the condition that the Parent comply with its covenant contained in Section 5.21 of the Merger Agreement at or prior to the Effective Time.
3. DEFINED TERMS. Defined terms used in this Amendment and Waiver and not otherwise defined shall have the meaning ascribed to those terms in the Merger Agreement.

IN WITNESS WHEREOF, this Amendment and Waiver has been duly executed and delivered by the duly authorized officers of the parties to this Amendment and Waiver as of the date first written above.

ABOVENET COMMUNICATIONS INC.

By: /s/ Sherman Tuan

Name: Sherman Tuan

Title: Chief Executive Officer

METROMEDIA FIBER NETWORK, INC.

By: /s/ Howard Finkelstein

Name: Howard Finkelstein

Title: President and Chief Operating Officer

MAGELLAN ACQUISITION, INC.

By: /s/ Howard Finkelstein

Name: Howard Finkelstein

Title: President and Chief Operating Officer