

CONEXANT SYSTEMS INC

Form 8-K/A

July 10, 2002

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K/A

Amendment No. 1 to

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (date of earliest event reported): July 10, 2002 (June 25, 2002)

CONEXANT SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State of Incorporation)

000-24923
(Commission File Number)

25-1799439
(I.R.S. Employer Identification No.)

4311 Jamboree Road
Newport Beach, California 92660-3095
(Address of principal executive offices) (Zip code)

(949) 483-4600
(Registrant's telephone number, including area code)

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This Amendment No. 1 to Current Report on Form 8-K/A amends Item 7 of the Registrant's Current Report on Form 8-K dated July 1, 2002 to include required pro forma financial information of Conexant.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits

(b) Pro Forma Financial Information

Unaudited Pro Forma Condensed Consolidated Financial Information of Conexant is included at pages F-1 through F-5 of this report.

(c) Exhibits

- 2.1 Agreement and Plan of Reorganization dated as of December 16, 2001, as amended as of April 12, 2002, by and among Conexant, Washington and Alpha (excluding exhibits), filed as Exhibit 2.1 to Conexant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002, is incorporated herein by reference.
- *2.2 Contribution and Distribution Agreement dated as of December 16, 2001, as amended as of June 25, 2002, by and between Conexant and Washington (excluding schedules).
- *2.3 Employee Matters Agreement dated as of June 25, 2002 by and among Conexant, Washington and Alpha (excluding schedules).
- *2.4 Tax Allocation Agreement dated as of June 25, 2002 by and among Conexant, Washington and Alpha (excluding schedules).
- *99.1 Mexican Stock Purchase Agreement dated as of June 25, 2002 by and between Conexant and Alpha (excluding exhibits and schedules).
- *99.2 Amended and Restated Mexican Asset Purchase Agreement dated as of June 25, 2002 by and between Conexant and Alpha (excluding exhibits and schedules).
- *99.3 U.S. Asset Purchase Agreement dated as of December 16, 2001, as amended as of June 25, 2002, by and between Conexant and Alpha (excluding exhibits and schedules).
- *99.4 Financing Agreement dated as of June 25, 2002 by and among Alpha, certain of its subsidiaries identified therein and Conexant (excluding certain exhibits and schedules).

* Previously filed.

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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.

CONEXANT SYSTEMS, INC.
(Registrant)

Date: July 10, 2002

By /s/ Balakrishnan S. Iyer

Balakrishnan S. Iyer
Senior Vice President and
Chief Financial Officer

Date: July 10, 2002

By /s/ J. Scott Blouin

J. Scott Blouin
Senior Vice President and
Chief Accounting Officer

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**Conexant Systems, Inc.
Unaudited Pro Forma Condensed Consolidated
Financial Information**

On June 25, 2002, Conexant Systems, Inc. (Conexant) completed the distribution to Conexant shareowners of outstanding shares of Washington Sub, Inc. (Washington), a wholly-owned subsidiary of Conexant to which Conexant, contributed its wireless communications business, other than certain assets and liabilities (together, the Spin-off Transaction). Immediately thereafter, Washington merged with and into Alpha Industries, Inc. (Alpha), with Alpha the surviving corporation (the Merger). As a result of the Spin-off Transaction and the Merger, Conexant shareowners received 0.351 of a share of Alpha common stock for each Conexant share held and continued to hold their Conexant shares.

Upon completion of the Merger, Alpha purchased Conexant 's semiconductor assembly, module manufacturing and test facility, located in Mexicali, Mexico and Conexant 's Package Design Team that supports the Mexicali facility for \$150 million. As consideration for the purchase, Alpha and a subsidiary of Alpha delivered to Conexant promissory notes for \$150 million guaranteed by Alpha and certain Alpha subsidiaries and secured by substantially all the assets of Alpha. For financial accounting purposes, the sale of the Mexicali operations by Conexant to Alpha will be treated as if Conexant had contributed the Mexicali operations to Washington as part of the Spin-off Transaction, and the \$150 million purchase price will be treated as a return of capital to Conexant.

Effective June 26, 2002, Alpha changed its name to Skyworks Solutions, Inc.

The following Unaudited Pro Forma Condensed Consolidated Financial Information of Conexant gives effect to the Spin-off Transaction and the Merger (including the sale of the Mexicali operations). The historical financial information of Conexant set forth below has been derived from the historical audited and unaudited consolidated financial statements of Conexant included in its annual report on Form 10-K for the year ended September 30, 2001 and its quarterly report on Form 10-Q for the quarter ended March 31, 2002. The Unaudited Pro Forma Condensed Consolidated Balance Sheet as of March 31, 2002 includes pro forma adjustments giving effect to the Spin-off Transaction and the Merger as if they had occurred on that date. The Unaudited Pro Forma Condensed Consolidated Statements of Operations for the year ended September 30, 2001 and for the six months ended March 31, 2002 include pro forma adjustments giving effect to the Spin-off Transaction and the Merger as if they had occurred as of October 1, 2000.

The Unaudited Pro Forma Condensed Consolidated Financial Information is provided for informational purposes only and does not purport to present the consolidated financial position or results of operations of Conexant had the Spin-off Transaction and the Merger occurred on the dates specified, nor is it necessarily indicative of the consolidated financial position or results of operations of Conexant that may be expected in the future. The Unaudited Pro Forma Condensed Consolidated Financial Information should be read in conjunction with Conexant 's Management 's Discussion and Analysis of Financial Condition and Results of Operations and Conexant 's consolidated financial statements and notes thereto included in its annual report on Form 10-K for the year ended September 30, 2001 and its quarterly report on Form 10-Q for the quarter ended March 31, 2002.

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Conexant Systems, Inc.
Unaudited Pro Forma Condensed Consolidated Balance Sheet
As of March 31, 2002
(in thousands)

	Historical Conexant	Pro forma adjustments	Pro forma Conexant
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 151,790	\$	\$ 151,790
Short-term investments	108,276		108,276
Refundable deposits	150,000		150,000
Receivables, net	107,811	(35,348)(2)	72,463
Notes receivable from Skyworks		150,000(3)	150,000
Inventories	99,423	(36,461)(1)	62,962
Deferred income taxes	68,368		68,368
Other current assets	57,426	(1,949)(1)	54,271
		(1,206)(2)	
Current assets of discontinued operations		36,554(2)	36,554
	743,094	111,590	854,684
Property, plant and equipment, net	298,737	(157,083)(1)	141,654
Goodwill and intangible assets, net	1,072,231	(51,585)(1)	1,020,646
Deferred income taxes	194,289		194,289
Other assets	149,549	(3,968)(1)	145,581
	\$ 2,457,900	\$(101,046)	\$ 2,356,854
LIABILITIES AND SHAREHOLDERS EQUITY			
Current liabilities:			
Accounts payable	\$ 121,709	\$ (4,236)(2)	\$ 117,473
Deferred revenue	17,042	(2)(1)	17,040
Accrued compensation and benefits	59,750	(16,511)(1)	43,239
Other current liabilities	89,350	(18,700)(1)	70,650
Current liabilities of discontinued operations		4,236(2)	4,236
	287,851	(35,213)	252,638
Convertible subordinated notes	709,849		709,849
Other long-term liabilities	49,793	(3,855)(1)	45,938
	1,047,493	(39,068)	1,008,425
Shareholders' equity:			
Preferred and junior preferred stock			
Common stock	257,998		257,998
Additional paid-in capital	3,156,230		3,156,230
Accumulated deficit	(1,971,401)	(212,573)(1)	(2,033,974)
		150,000(3)	
Accumulated other comprehensive loss	(27,226)	386(1)	(26,840)
Unearned compensation	(5,194)	209(1)	(4,985)
	1,410,407	(61,978)	1,348,429

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Total liabilities and shareholders' equity	\$ 2,457,900	\$(101,046)	\$ 2,356,854
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See accompanying Notes to Unaudited Pro Forma Condensed Consolidated Financial Information.

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Conexant Systems, Inc.
Unaudited Pro Forma Condensed Consolidated Statement of Operations
Six Months Ended March 31, 2002
(in thousands, except per share amounts)

	Historical Conexant	Pro forma adjustments(4)	Pro forma Conexant
Net revenues	\$ 470,550	\$ (180,689)	\$ 289,861
Cost of goods sold	319,468	(135,975)	183,493
Gross margin	151,082	(44,714)	106,368
Operating expenses:			
Research and development	226,483	(63,801)	162,682
Selling, general and administrative	109,662	(22,002)	87,660
Amortization of intangible assets	179,702	(8,240)	171,462
Special charges	22,384	(65)	22,319
Total operating expenses	538,231	(94,108)	444,123
Operating loss	(387,149)	49,394	(337,755)
Other expense, net	(15,919)	(59)	(15,978)
Loss before income taxes	(403,068)	49,335	(353,733)
Provision (benefit) for income taxes	2,124	(4,270)	(2,146)
Net loss	\$(405,192)	\$ 53,605	\$(351,587)
Net loss per share, basic and diluted	\$ (1.59)		\$ (1.38)
Number of shares used in per share computation	255,249		255,249

See accompanying Notes to Unaudited Pro Forma Condensed Consolidated Financial Information.

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Conexant Systems, Inc.
Unaudited Pro Forma Condensed Consolidated Statement of Operations
Year Ended September 30, 2001
(in thousands, except per share amounts)

	Historical Conexant	Pro forma adjustments(4)	Pro forma Conexant
Net revenues	\$ 1,062,558	\$ (215,502)	\$ 847,056
Cost of goods sold	1,020,303	(268,749)	751,554
Gross margin	42,255	53,247	95,502
Operating expenses:			
Research and development	482,995	(111,053)	371,942
Selling, general and administrative	302,075	(51,267)	250,808
Amortization of intangible assets	340,664	(15,859)	324,805
Special charges	478,492	(88,876)	389,616
Total operating expenses	1,604,226	(267,055)	1,337,171
Operating loss	(1,561,971)	320,302	(1,241,669)
Debt conversion costs	(42,584)		(42,584)
Other income, net	599	(210)	389
Loss before income taxes	(1,603,956)	320,092	(1,283,864)
Income tax benefit	(151,338)	45,028	(106,310)
Loss before extraordinary item	\$ (1,452,618)	\$ 275,064	\$ (1,177,554)
Loss before extraordinary item per share, basic and diluted	\$ (5.94)		\$ (4.81)
Number of shares used in per share computation	244,711		244,711

See accompanying Notes to Unaudited Pro Forma Condensed Consolidated Financial Information.

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Notes to Unaudited Pro Forma Condensed Consolidated Financial Information

Pro forma adjustments for the unaudited pro forma condensed consolidated financial information are as follows:

- (1) Reflects Conexant's contribution of the assets and liabilities of its wireless communications business (other than certain assets and liabilities) to its wholly-owned subsidiary Washington, the sale of the Mexicali operations and the distribution of outstanding shares of Washington to Conexant's shareholders.
- (2) Reflects the reclassification of certain assets and liabilities of the wireless communications business retained by Conexant as assets and liabilities of discontinued operations.
- (3) Reflects the receipt of short-term promissory notes for \$150 million from Skyworks (as consideration for the purchase of the Mexicali operations) as a return of capital to Conexant.
- (4) Reflects the historical results of operations of the wireless communications business contributed to Washington and the Mexicali operations. Such historical results of operations include allocations of certain operating expenses, determined on bases which management considers to be reasonable reflections of the utilization of services provided to, or the benefit received by, the wireless communications business and the Mexicali operations.

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