

VERTICALNET INC  
Form 8-K/A  
April 13, 2004

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# SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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## FORM 8-K/A

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### CURRENT REPORT

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

Date of Report (Date of earliest event reported): January 30, 2004

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## Verticalnet, Inc.

(Exact Name of Registrant as Specified in its Charter)

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**Pennsylvania**  
(State or Other Jurisdiction  
  
of Incorporation)

**000-25269**  
(Commission File Number)

**23-2815834**  
(IRS Employer  
  
Identification No.)

**400 Chester Field Parkway, Malvern, PA**  
(Address of Principal Executive Offices)

**19355**  
(Zip Code)

Registrant's telephone, including area code: (610) 240-0600

**Not Applicable**

**(Former Name or Former Address, if Changed Since Last Report)**

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This Form 8-K/A amends the current Report on Form 8-K filed by the Registrant on February 17, 2004.

**ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS.**

(a) On January 30, 2004, Verticalnet, Inc. ( Verticalnet or the Company ), through its direct, wholly-owned subsidiary, River Acquisition Co., Inc., a Delaware corporation ( Acquisition Co. ), acquired all of the outstanding capital stock (the Tigris Stock ) of Tigris Corp. ( Tigris ), a New York corporation, from Brent Habig (the Stockholder ). The acquisition of the Tigris Stock was made pursuant to an Agreement of Merger (the Tigris Merger Agreement ) dated January 30, 2004 by and among Verticalnet, Acquisition Co. and the Stockholder. Pursuant to the terms of the Tigris Merger Agreement, Tigris was merged with and into Acquisition Co. on January 30, 2004, with Acquisition Co. being the surviving corporation. Thereafter, Acquisition Co. changed its name to Tigris I Corp.

As a result of the purchase of the Tigris Stock, Tigris s wholly-owned subsidiary, Tigris Consulting UK, Ltd. ( Tigris UK ), is now an indirect, wholly-owned subsidiary of Verticalnet.

The purchase price paid in the transaction was \$12.1 million, including transaction costs of approximately \$298,000. The consideration included \$3.5 million in cash, 1,870,450 shares of Verticalnet s common stock valued on the date of closing at approximately \$5.7 million, the assumption of employee options to purchase 751,670 shares of Verticalnet s common stock valued on the date of closing at approximately \$2.2 million and assumed debt of approximately \$346,000. The cash portion of the purchase price was financed with a portion of the proceeds from a private placement of Verticalnet common stock and warrants consummated in January 2004.

A copy of the Tigris Merger Agreement is incorporated herein by reference. The above description is not intended as a substitute for reading the attached agreements.

(b) Tigris has its headquarters in New York, NY, and an office in Chicago, IL. Tigris is a specialized strategic sourcing and supply chain consultancy that uses technology to help companies analyze their data and information to make better business and spending decisions. Tigris UK is located in London, England, where it operates in the same line of business as Tigris. Following the acquisition, Verticalnet will continue to operate both businesses.

**ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.**

(a) Consolidated Financial Statements of Tigris:

Independent Auditor s Report

Consolidated Balance Sheets

Consolidated Statements of Operations

Consolidated Statements of Shareholder s Equity

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Consolidated Statements of Cash Flows

Notes to Consolidated Financial Statements

(b) Pro Forma Condensed Consolidated Financial Statements (unaudited):

Basis of Presentation

Pro Forma Condensed Consolidated Balance Sheet

Pro Forma Consolidated Statement of Operations

Notes to Pro Forma Condensed Consolidated Financial Statements

(c)

| <u>Exhibit No.</u> | <u>Exhibit</u>   |
|--------------------|--|
| 2.1                | Agreement of Merger, by and among Verticalnet, Inc., River Acquisition Co., Inc., Tigris Corp., and Brent Habig, dated January 30, 2004. (1)(2)  |
| 2.2                | Registration And Lock-Up Agreement, by and among Verticalnet, Inc., and Brent Habig, dated January 30, 2004. (2)   |
| 2.3                | Escrow Agreement, by and among Verticalnet, Inc., Brent Habig, and JP Morgan Trust Company, National Association, dated January 30, 2004. (2)  |
| 2.4                | Supplemental Agreement, effective as of January 30, 2004, made as of March 31, 2004, by and among Verticalnet, Inc., Tigris I Corp., formerly known as River Acquisition Co., Inc. and successor by merger to Tigris Corp., a New York corporation, and Brent Habig. (4) |
| 23.1               | Consent of Goldstein Golub Kessler LLP*  |
| 99.1               | Press Release dated February 2, 2004. (3)  |

\* Filed herewith

- (1) The schedules and exhibits to the Agreement of Merger have been omitted. Pursuant to Item 601(b)(2) of Regulation S-K, the Company agrees to furnish a copy of the exhibits and disclosure letters to the Securities and Exchange Commission upon request.
- (2) Filed as part of the Registrant's report on Form 8-K dated January 30, 2004 and filed February 17, 2004.
- (3) Filed as an exhibit to the Registrant's report on Form 8-K dated February 2, 2004 and filed February 5, 2004.
- (4) Filed as an exhibit to the Registrant's report on Form 8-K dated April 7, 2004.

**INDEPENDENT AUDITOR'S REPORT**

To the Shareholder of

Tigris Corp.

We have audited the accompanying consolidated balance sheets of Tigris Corp. and Subsidiary as of December 31, 2003 and 2002, and the related consolidated statements of operations, shareholder's equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tigris Corp. and Subsidiary as of December 31, 2003 and 2002, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 14, in January 2004, the Company was acquired by Verticalnet, Inc.

**GOLDSTEIN GOLUB KESSLER LLP**

New York, New York

March 8, 2004

## TIGRIS CORP. AND SUBSIDIARY

## CONSOLIDATED BALANCE SHEETS

| December 31,   | 2003                | 2002                |
|--|---------------------|---------------------|
| <b>ASSETS</b>  |                     |                     |
| Current assets:  |                     |                     |
| Cash   | \$ 231,260          | \$ 512,876          |
| Accounts receivable, net   | 2,623,556           | 1,920,832           |
| Costs in excess of billings  | 267,712             |                     |
| Prepaid expenses and other current assets  | 73,100              | 40,823              |
| <b>Total current assets</b>  | <b>3,195,628</b>    | <b>2,474,531</b>    |
| Property and equipment, net  | 1,059,395           | 1,286,344           |
| Other assets   | 300                 | 4,765               |
| <b>Total assets</b>  | <b>\$ 4,255,323</b> | <b>\$ 3,765,640</b> |
| <b>LIABILITIES AND SHAREHOLDER S EQUITY</b>  |                     |                     |
| Current liabilities:   |                     |                     |
| Current portion of long-term debt  | \$ 97,500           | \$ 97,500           |
| Current portion of obligations under capital leases  | 81,557              | 116,841             |
| Accounts payable and accrued expenses  | 718,266             | 417,765             |
| Billings in excess of costs  | 531,108             | 24,370              |
| Loan payable - shareholder   | 110,675             |                     |
| Deferred income taxes payable  | 35,000              | 54,000              |
| <b>Total current liabilities</b>   | <b>1,574,106</b>    | <b>710,476</b>      |
| Deferred rent  | 394,758             | 333,665             |
| Long-term debt   | 89,375              | 186,875             |
| Long-term obligations under capital leases   | 84,210              | 132,763             |
| <b>Total liabilities</b>   | <b>2,142,449</b>    | <b>1,363,779</b>    |
| Commitments and contingencies (Note 9)   |                     |                     |
| Shareholder s Equity:  |                     |                     |
| Common stock - \$.01 par value/voting; authorized 20,000,000 shares, 7,590,000 shares issued at December 31, 2003 and 8,000,000 shares issued at December 31, 2002 | 75,900              | 80,000              |
| Common stock - \$.01 par value/nonvoting; authorized 5,000,000 shares, none issued at December 31, 2003 and 2002   |                     |                     |
| Additional paid-in capital   | 1,078,929           | 943,263             |
| Retained earnings  | 958,045             | 1,378,598           |
| <b>Total shareholder s equity</b>  | <b>2,112,874</b>    | <b>2,401,861</b>    |
| <b>Total liabilities and shareholder s equity</b>  | <b>\$ 4,255,323</b> | <b>\$ 3,765,640</b> |

See accompanying notes to consolidated financial statements

## TIGRIS CORP. AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF OPERATIONS

| Year ended December 31,  | 2003         | 2002         |
|--|--------------|--------------|
| Revenues:  |              |              |
| Consulting   | \$ 8,539,227 | \$ 9,843,004 |
| Billable expenses  | 1,246,973    | 1,147,988    |
| Total revenues   | 9,786,200    | 10,990,992   |
| Cost of revenues:  |              |              |
| Cost of consulting   | 4,563,655    | 5,377,893    |
| Cost of client billed expenses   | 1,246,973    | 1,147,988    |
| Total cost of revenues   | 5,810,628    | 6,525,881    |
| Gross profit   | 3,975,572    | 4,465,111    |
| Selling, general and administrative expenses                                   | 4,379,759    | 4,455,988    |
| Income (loss) from operations  | (404,187)    | 9,123        |
| Interest expense - net of interest income of \$447 in 2003 and \$5,989 in 2002 | 33,917       | 39,906       |
| Loss before income tax (benefit) expense                                       | (438,104)    | (30,783)     |
| Income tax (benefit) expense   | (31,626)     | 5,915        |
| Net loss   | \$ (406,478) | \$ (36,698)  |
| Net loss per common share  | \$ (0.05)    | \$           |
| Weighted-average number of shares outstanding - basic                          | 7,848,301    | 8,000,000    |

See the accompanying notes to consolidated financial statements



## TIGRIS CORP. AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| Year ended December 31,  | 2003              | 2002              |
|--|-------------------|-------------------|
| <b>Cash flows from operating activities:</b>   |                   |                   |
| Net loss   | \$ (406,478)      | \$ (36,698)       |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities:      |                   |                   |
| Depreciation and amortization  | 313,977           | 389,991           |
| Bad debt expense   | 4,400             | 100,000           |
| Adjustment to variable stock-based compensation  | (6,380)           | 4,840             |
| Deferred income taxes  | (19,000)          | (6,000)           |
| Changes in operating assets and liabilities:   |                   |                   |
| (Increase) decrease in accounts receivable   | (707,124)         | 92,756            |
| (Increase) decrease in prepaid expenses and other current assets                               | (32,277)          | 32,262            |
| Increase in costs in excess of billings  | (267,712)         |                   |
| Decrease in other assets   | 4,465             | 89,004            |
| Increase (decrease) in accounts payable and accrued expenses                                   | 300,501           | (247,931)         |
| Increase in deferred revenue   | 506,738           | 24,370            |
| Increase in deferred rent  | 61,093            | 105,701           |
|  | <u>          </u> | <u>          </u> |
| <b>Net cash provided by (used in) operating activities</b>                                     | <b>(247,797)</b>  | <b>548,295</b>    |
|  | <u>          </u> | <u>          </u> |
| Cash flows used in investing activity - purchases of property and equipment                    | (48,360)          | (87,985)          |
|  | <u>          </u> | <u>          </u> |
| <b>Cash flows from financing activities:</b>   |                   |                   |
| Principal payments on capital lease obligations  | (122,505)         | (121,365)         |
| Principal payments on note payable   | (97,500)          | (97,899)          |
| Proceeds from (payments on) shareholder's loan   | 110,675           | (103,652)         |
| Capital contribution   | 137,946           |                   |
| Shareholder distribution   | (14,075)          | (348,169)         |
|  | <u>          </u> | <u>          </u> |
| <b>Net cash provided by (used in) financing activities</b>                                     | <b>14,541</b>     | <b>(671,085)</b>  |
|  | <u>          </u> | <u>          </u> |
| Net decrease in cash   | (281,616)         | (210,775)         |
| Cash at beginning of year  | 512,876           | 723,651           |
|  | <u>          </u> | <u>          </u> |
| Cash at end of year  | <b>\$ 231,260</b> | <b>\$ 512,876</b> |
|  | <u>          </u> | <u>          </u> |
| <b>Supplemental disclosures of cash flow information:</b>                                      |                   |                   |
| Cash paid during the year for:   |                   |                   |
| Interest   | \$ 34,888         | \$ 46,572         |
|  | <u>          </u> | <u>          </u> |
| Income taxes   | \$ 7,765          | \$ 8,503          |
|  | <u>          </u> | <u>          </u> |
| <b>Supplemental schedule of noncash financing activity:</b>                                    |                   |                   |
| Capital lease obligation incurred in connection with the acquisition of property and equipment | \$ 38,668         | \$ 49,348         |
|  | <u>          </u> | <u>          </u> |

See the accompanying notes to consolidated financial statements

## TIGRIS CORP. AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF SHAREHOLDER S EQUITY

Years ended December 31, 2003 and 2002

|   | Common Stock        |           | Additional<br>Paid-in<br>Capital | Retained<br>Earnings | Total<br>Shareholder s<br>Equity |
|---|---------------------|-----------|----------------------------------|----------------------|----------------------------------|
|   | Number of<br>Shares | Amount    |                                  |                      |                                  |
|   | Outstanding         |           |                                  |                      |                                  |
| Balance at January 1, 2002                      | 8,000,000           | \$ 80,000 | \$ 938,423                       | \$ 1,763,465         | \$ 2,781,888                     |
| Net loss  |                     |           |                                  | (36,698)             | (36,698)                         |
| Distributions to shareholder                    |                     |           |                                  | (348,169)            | (348,169)                        |
| Adjustment on variable stock-based compensation |                     |           | 4,840                            |                      | 4,840                            |
| Balance at December 31, 2002                    | 8,000,000           | 80,000    | 943,263                          | 1,378,598            | 2,401,861                        |
| Net loss  |                     |           |                                  | (406,478)            | (406,478)                        |
| Distributions to shareholder                    |                     |           |                                  | (14,075)             | (14,075)                         |
| Capital contribution by shareholder             |                     |           | 137,946                          |                      | 137,946                          |
| Cancelation of shares issued                    | (410,000)           | (4,100)   | 4,100                            |                      |                                  |
| Adjustment on variable stock-based compensation |                     |           | (6,380)                          |                      | (6,380)                          |
| Balance at December 31, 2003                    | 7,590,000           | \$ 75,900 | \$ 1,078,929                     | \$ 958,045           | \$ 2,112,874                     |

See the accompanying notes to consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**1. SUMMARY OF  
SIGNIFICANT  
ACCOUNTING  
POLICIES:**

*Description of Company*

Tigris Corp. provides consulting services, primarily to major corporations located throughout the United States. Services include evaluation of sourcing infrastructure, expenditure analysis, and data management.

*Basis of Presentation*