
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K/A

AMENDED CURRENT REPORT

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

September 20, 2002

Date of Report (Date of earliest event reported)

CORIO, INC.

(Exact name of Registrant as specified in its charter)

Delaware

(State of other jurisdiction of incorporation)

000-31003
(Commission File)

77-0492528
(IRS Employer Identification Number)

959 Skyway Road, Suite 100
San Carlos, CA 94070

(650) 232-3000
(Address of Principal Executive Offices)

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

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

On September 27, 2002, Corio, Inc. (Corio) filed a Current Report on Form 8-K to report its acquisition of the application service provider (ASP) business of Qwest Cyber.Solutions LLC (QCS), a subsidiary of Qwest Communications International Inc. on September 20, 2002. Pursuant to Item 7 of Form 8-K, Corio indicated that it would file certain financial information under Item 7 of Form 8-K no later than the date required. This Amendment is filed to provide the required financial information and to amend the language of sections (a), (b) and (c) of Item 7.

a) Financial Statements of Business Acquired

The required financial information of Qwest Cyber.Solutions LLC – ASP Division has been included hereto in exhibit 99.2.

b) Pro Forma Financial Information

The pro forma financial statements included in this Amended Current Report, Form 8-K/A are as follows:

| <u>Financial Statement Description</u> | <u>Page</u> |
|---|-------------|
| Unaudited Pro Forma Combined Condensed Balance Sheet as of June 30, 2002 | 4 |
| Unaudited Pro Forma Combined Condensed Statement of Operations for the six months ended June 30, 2002 | 5 |
| Unaudited Pro Forma Combined Condensed Statement of Operations for the year ended December 31, 2001 | 6 |
| Notes to Unaudited Pro Forma Combined Condensed Financial Statements | 7 |

c) Exhibits

23.1 Consent of Frank, Rimerman & Company LLP

99.1* Press Release dated September 23, 2002 of Corio, Inc.

99.2 Audited balance sheets of Qwest Cyber.Solutions LLC (a Delaware Limited Liability Company) – ASP Division as of December 31, 2000 and 2001, and the related statements of operations, members' equity and cash flows for the period from June 3, (Inception) through December 31, 1999 and for each of the years ended December 31, 2000 and 2001.

* Previously filed as an Exhibit to our Current Report on Form 8-K filed with the Commission on September 27, 2002

UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL STATEMENTS

The following unaudited pro forma combined condensed statements of operations give effect to our purchase of the assets and assumption of certain liabilities of the enterprise application service provider business of Qwest Cyber.Solutions LLC (QCS) at an assumed acquisition price of \$16.3 million payable in cash as if this transaction had occurred on the first day of the earliest period presented. The actual purchase price is subject to a maximum reduction of \$1.5 million if specified revenue levels are not met related to the customer contracts acquired. Accordingly, the total purchase price that we pay may be less than the amount assumed for purposes of the following unaudited pro forma combined condensed financial statements.

The unaudited pro forma combined condensed statement of operations for 2001 combines the historical results of operations of Corio, Inc. and the historical results of operations of QCS for their fiscal years ended December 31, 2001. The unaudited pro forma combined condensed statement of operations for the six months ended June 30, 2002 combines the historical results of operations of Corio, Inc. for that six-month period with the historical results of operations of QCS for that six month period. The unaudited pro forma combined condensed balance sheet as of June 30, 2002 combines the historical balance sheet of Corio, Inc. as of that date with the historical balance sheet of QCS as of that date and gives effect to the transaction described above as if that transaction had been completed as of that date.

The pro forma financial statements appearing below are based upon a number of assumptions (see accompanying notes to unaudited pro forma combined condensed financial statements for additional detail of our assumptions) and estimates and are subject to uncertainties, and do not purport to be indicative of the actual results of operations or financial condition that would have occurred had the transactions described above in fact occurred on the dates indicated, nor do they purport to be indicative of the results of operations or financial condition that the Company may achieve in the future.

The acquisition of QCS will be accounted for using the purchase method of accounting. The total purchase price will be allocated to the tangible and intangible assets and liabilities acquired based on their respective fair values. The allocation of the purchase price reflected in the following pro forma financial statements is preliminary and is subject to final adjustment.

UNAUDITED PRO FORMA COMBINED CONDENSED BALANCE SHEET
JUNE 30, 2002
(IN THOUSANDS)

| | <u>HISTORICAL</u> | | <u>ADJUSTMENTS</u> | | <u>COMBINED</u> |
|--|-------------------|---|--------------------|------------------|------------------|
| | <u>CORIO</u> | <u>QWEST CYBER.SOLUTIONS – ASP DIVISION</u> | <u>AMOUNT</u> | <u>REFERENCE</u> | |
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 37,297 | \$ — | \$(16,300) | (a) | \$ 20,997 |
| Short-term investments | 26,830 | — | — | | 26,830 |
| Restricted cash | 7,849 | — | — | | 7,849 |
| Accounts receivable, net | 3,971 | 8,727 | (3,427) | (a) | 9,271 |
| Prepaid expenses and other current assets | <u>1,218</u> | <u>6,213</u> | <u>(2,613)</u> | (a) | <u>4,818</u> |
| Total current assets | 77,165 | 14,940 | (22,340) | | 69,765 |
| Property and equipment, net | 15,297 | 9,186 | (3,086) | (a) | 21,397 |
| Related party receivable | — | 1,009 | (1,009) | (a) | — |
| Customer acquisition costs | — | 3,664 | (3,664) | (a) | — |
| Other assets | <u>653</u> | <u>—</u> | <u>2,700</u> | (b) | <u>3,353</u> |
| Total assets | <u>\$ 93,115</u> | <u>\$ 28,799</u> | <u>\$(27,399)</u> | | <u>\$ 94,515</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | | |
| Current liabilities: | | | | | |
| Accounts payable and accrued liabilities | \$ 14,626 | \$ 8,909 | \$ (8,409) | (a) | \$ 15,126 |
| Deferred revenue | 1,553 | 4,902 | (4,002) | (a) | 2,453 |
| Current portion of notes payable | 499 | — | — | | 499 |
| Current portion of capital lease obligations | <u>6,451</u> | <u>—</u> | <u>—</u> | | <u>6,451</u> |
| Total current liabilities | 23,129 | 13,811 | (12,411) | | 24,529 |
| Notes payable less current portion | 61 | — | — | | 61 |
| Capital lease obligations less current portion | 1,667 | — | — | | 1,667 |
| Related party payable | — | 13,307 | (13,307) | (a) | — |
| Impaired contracts | — | 988 | (988) | (a) | — |
| Other liabilities | <u>1,050</u> | <u>—</u> | <u>—</u> | | <u>1,050</u> |
| Total liabilities | <u>25,907</u> | <u>28,106</u> | <u>(26,706)</u> | | <u>27,307</u> |
| Commitments | | | | | |
| Stockholders' equity: | | | | | |
| Preferred stock | — | — | — | | — |
| Common stock | 56 | — | — | | 56 |
| Class A membership interests | — | 693 | (693) | (a) | — |
| Additional paid-in capital | 296,839 | — | — | | 296,839 |
| Unrealized gain on investments | 159 | — | — | | 159 |
| Deferred stock-based compensation | (2,207) | — | — | | (2,207) |
| Accumulated deficit | <u>(227,639)</u> | <u>—</u> | <u>—</u> | | <u>(227,639)</u> |
| Total stockholders' equity | <u>67,208</u> | <u>693</u> | <u>(693)</u> | | <u>67,208</u> |
| Total liabilities and stockholders' equity | <u>\$ 93,115</u> | <u>\$ 28,799</u> | <u>\$(27,399)</u> | | <u>\$ 94,515</u> |

See accompanying notes to unaudited pro forma combined condensed financial statements.

**UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2002
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)**

| | <u>HISTORICAL</u> | | <u>ADJUSTMENTS</u> | | <u>COMBINED</u> |
|--|-------------------|---|--------------------|------------------|-------------------|
| | <u>CORIO</u> | <u>QWEST CYBER.SOLUTIONS – ASP DIVISION</u> | <u>AMOUNT</u> | <u>REFERENCE</u> | |
| REVENUES: | | | | | |
| Application management services | \$ 18,534 | \$ 22,388 | \$ — | | \$ 40,922 |
| Professional services and other | 5,375 | — | — | | 5,375 |
| Related party | — | 1,494 | — | | 1,494 |
| Reimbursable expenses | <u>1,085</u> | <u>—</u> | <u>—</u> | | <u>1,085</u> |
| Total revenues | 24,994 | 23,882 | — | | \$ 48,876 |
| COSTS AND EXPENSES: | | | | | |
| Application management services | 16,837 | 16,201 | — | | 33,038 |
| Professional services and other | 6,273 | — | — | | 6,273 |
| Reimbursable expenses | 1,085 | — | — | | 1,085 |
| Research and development | 3,777 | — | — | | 3,777 |
| Sales and marketing | 6,239 | 4,516 | — | | 10,755 |
| General and administrative | 5,988 | 7,879 | 900 | (b) | 14,767 |
| Amortization of stock based compensation | 1,100 | — | — | | 1,100 |
| Related party services | — | 3,393 | — | | 3,393 |
| Impairment of assets | — | 30,816 | — | | 30,816 |
| Depreciation and amortization | <u>—</u> | <u>8,416</u> | <u>—</u> | | <u>8,416</u> |
| Total operating expenses | 41,299 | 71,221 | 900 | | 113,420 |
| Loss from operations | (16,305) | (47,339) | (900) | | (64,544) |
| Interest and other income | 1,115 | — | (245) | (c) | 870 |
| Interest and other expenses | <u>(550)</u> | <u>—</u> | <u>—</u> | | <u>(550)</u> |
| Net loss | <u>\$(15,740)</u> | <u>\$ (47,339)</u> | <u>\$(1,145)</u> | | <u>\$(64,224)</u> |
| Basic and diluted net loss per share | <u>\$ (0.30)</u> | <u>\$ —</u> | | | <u>\$ (1.24)</u> |
| Shares used in computation – basic and diluted | <u>51,991</u> | <u>—</u> | | | <u>51,991</u> |

See accompanying notes to unaudited pro forma combined condensed financial statements.

**UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2001
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)**

| | <u>HISTORICAL</u> | | <u>ADJUSTMENTS</u> | | <u>COMBINED</u> |
|--|-------------------|---|--------------------|------------------|--------------------|
| | <u>CORIO</u> | <u>QWEST CYBER.SOLUTIONS – ASP DIVISION</u> | <u>AMOUNT</u> | <u>REFERENCE</u> | |
| REVENUES: | | | | | |
| Application management services | \$ 35,712 | \$ 52,480 | \$ — | | \$ 88,192 |
| Professional services and other | <u>13,868</u> | <u>—</u> | <u>—</u> | | <u>13,868</u> |
| Total revenues | 49,580 | 52,480 | — | | 102,060 |
| COSTS AND EXPENSES: | | | | | |
| Application management services | 39,553 | 47,149 | — | | 86,702 |
| Professional services and other | 15,524 | — | — | | 15,524 |
| Research and development | 9,112 | — | — | | 9,112 |
| Sales and marketing | 21,783 | 9,073 | — | | 30,856 |
| General and administrative | 21,079 | 39,645 | 1,800 | (b) | 62,524 |
| Amortization of stock based compensation | 5,099 | — | — | | 5,099 |
| Restructuring and impairment charges | 3,837 | — | — | | 3,837 |
| Impairment loss | — | 8,535 | — | | 8,535 |
| Loss on disposal of assets | — | 280 | — | | 280 |
| Amortization of intangibles | 564 | — | — | | 564 |
| Depreciation and amortization | <u>—</u> | <u>14,204</u> | <u>—</u> | | <u>14,204</u> |
| Total operating expenses | 116,551 | 118,886 | 1,800 | | 237,237 |
| Loss from operations | (66,971) | (66,406) | (1,800) | | (135,177) |
| Interest and other income | 5,663 | — | (490) | (c) | 5,173 |
| Interest and other expenses | <u>(2,567)</u> | <u>—</u> | <u>—</u> | | <u>(2,567)</u> |
| Net loss | <u>\$(63,875)</u> | <u>\$(66,406)</u> | <u>\$(2,290)</u> | | <u>\$(132,571)</u> |
| Basic and diluted net loss per share | <u>\$(1.27)</u> | <u>\$ —</u> | | | <u>\$(2.64)</u> |
| Shares used in computation – basic and diluted | <u>50,296</u> | <u>—</u> | | | <u>50,296</u> |

See accompanying notes to unaudited pro forma combined condensed financial statements.

NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL STATEMENTS

(a) The pro forma adjustments assume that the Company will pay \$15.0 million in cash to acquire the enterprise application service provider business of Qwest Cyber.Solutions, LLC (QCS) and will pay \$1.3 million in direct acquisition costs. These pro forma adjustments also reflect the preliminary allocation of the total purchase price of \$16.3 million to the acquired assets and assumed liabilities of QCS, including the elimination of QCS' stockholders' equity of \$693,000 as of June 30, 2002.

The following table summarizes the Company's preliminary allocation of the total purchase price of \$16.3 million to the assets acquired and liabilities assumed from QCS at the date of acquisition. As the total purchase price exceeded the estimated fair values of the assets acquired and liabilities assumed, no goodwill was recorded as a result of this transaction. The allocation of the total purchase price is preliminary and subject to final adjustment.

| | |
|---|----------------------|
| Accounts receivable | \$ 5,300,000 |
| Prepaid expenses and other current assets | 3,600,000 |
| Property and equipment | 6,100,000 |
| Other assets | 2,700,000 |
| Accounts payable and accrued liabilities | (500,000) |
| Deferred revenue | (900,000) |
| Total | <u>\$ 16,300,000</u> |

(b) The Company recorded an identifiable intangible asset of approximately \$2.7 million for acquired customer contracts. This asset is being amortized over an estimated useful life of 18 months. The pro forma adjustments to the statements of operations reflect amortization expense of the identifiable intangible assets as if QCS had been acquired on the first day of the earliest period presented.

(c) The interest rate earned on the Company's cash and cash equivalents is assumed to be 3%. This rate approximates the rate earned on the Company's cash and cash equivalents during the periods presented. These pro forma adjustments reflect a reduction to interest income related to the \$16.3 million in cash paid to acquire QCS.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CORIO, INC.

June 14, 2004

By: /s/ Brett White
Brett White
Executive Vice President and
Chief Financial Officer