

Edgar Filing: COMPUTER TASK GROUP INC - Form 10-Q/A

COMPUTER TASK GROUP INC  
Form 10-Q/A  
November 12, 2002

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10-Q/A  
(Amendment No. 1)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE QUARTERLY PERIOD ENDED MARCH 29, 2002

Commission file number 1-9410

-----  
COMPUTER TASK GROUP, INCORPORATED

-----  
(Exact name of Registrant as specified in its charter)

New York

16-0912632

-----  
(State of incorporation)

-----  
(IRS Employer Identification No.)

800 Delaware Avenue, Buffalo, New York

14209

-----  
(Address of principal executive offices)

-----  
(Zip Code)

Registrant's telephone number, including area code (716) 882-8000

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No  
--- ---

Number of shares of common stock outstanding:

Title of Each Class -----	Shares outstanding At March 29, 2002 -----
Common stock, par value \$.01 per share	20,868,834

PARTS AND ITEMS AMENDED

The registrant hereby amends Part I. Financial Information, Items 1 and 2 and Part II. Other Information, Item 6, in the registrant's quarterly report on Form 10-Q for the quarterly period ended March 29, 2002 to reflect the adoption of Financial Accounting Standard (FAS) No. 142, "Goodwill and Other Intangible Assets," which requires the cumulative effect of the change in accounting principle to be recorded in the Company's financial results for the quarterly period ended March 29, 2002.

2

PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

COMPUTER TASK GROUP, INCORPORATED  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(UNAUDITED)

QUARTER END  
MARCH 29,  
2002

-----  
(amounts in t

Edgar Filing: COMPUTER TASK GROUP INC - Form 10-Q/A

except per sh

Revenue	\$ 69,894
Direct costs	50,149
Selling, general and administrative expenses	17,943
	-----
Operating income (loss)	1,802
Interest and other income	80
Interest and other expense	(1,140)
	-----
Income (loss) before income taxes and cumulative effect of change in accounting principle	742
Provision (benefit) for income taxes	293
	-----
Net income (loss) before cumulative effect of change accounting principle	449
Cumulative effect of change in accounting principle	(37,038)
	-----
Net loss	\$ (36,589)
	=====
Basic net income (loss) per share:	
Income (loss) before cumulative effect of change in accounting principle	\$ 0.03
Cumulative effect of change in accounting principle	(2.24)
	-----
Basic loss per share	\$ (2.21)
	=====
Diluted net income (loss) per share:	
Income (loss) before cumulative effect of change in accounting principle	\$ 0.03
Cumulative effect of change in accounting principle	(2.19)
	-----
Diluted loss per share	\$ (2.16)
Weighted average shares outstanding:	
Basic	16,533
Diluted	16,970

The accompanying notes are an integral part of these condensed consolidated financial statements.

Edgar Filing: COMPUTER TASK GROUP INC - Form 10-Q/A

MARCH 29,  
2002

(amounts

ASSETS

Current Assets:

Cash and temporary cash investments	\$ 2,103
Accounts receivable, net of allowances and reserves	53,034
Prepays and other	3,285
Deferred income taxes	1,045

-----  
Total current assets 59,467

Property and equipment, net of accumulated depreciation and amortization	11,081
Property held for sale	1,777
Goodwill, net of accumulated amortization	37,292
Deferred income taxes	2,578
Other assets	640

-----  
Total assets \$ 112,835  
=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities:

Accounts payable	\$ 9,094
Accrued compensation	19,742
Income taxes payable	753
Advance billings on contracts	452
Other current liabilities	6,289

-----  
Total current liabilities 36,330

Long-term debt	17,745
Deferred compensation benefits	8,855
Other long-term liabilities	537

-----  
Total liabilities 63,467

Shareholders' Equity:

Common stock, par value \$.01 per share, 150,000,000 shares authorized; 27,017,824 shares issued	270
Capital in excess of par value	111,507
Retained earnings	36,784
Less: Treasury stock of 6,148,990 and 6,147,810 shares at cost, respectively	(31,416)
Stock Trusts of 4,313,609 and 4,338,000 shares at cost, respectively	(59,135)
Other comprehensive income:	
Foreign currency adjustment	(8,059)
Minimum pension liability adjustment	(583)

-----  
Accumulated other comprehensive income (8,642)

-----  
Total shareholders' equity 49,368

-----  
Total liabilities and shareholders' equity \$ 112,835  
=====

Edgar Filing: COMPUTER TASK GROUP INC - Form 10-Q/A

The accompanying notes are an integral part of these condensed consolidated financial statements.

4

COMPUTER TASK GROUP, INCORPORATED  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

	QUARTER MARCH 29, 2002 ----- (amounts in
Cash flows from operating activities:	
Net loss	\$ (36,589)
Adjustments:	
Depreciation expense	992
Amortization expense	-
Change in accounting principle	37,038
Tax benefit on stock option exercises	-
Deferred income taxes	126
Deferred compensation expense	61
Gain on sale of fixed assets	-
Changes in assets and liabilities:	
Increase in accounts receivable	(2,079)
Increase in prepaids and other	(493)
Decrease in other assets	42
Increase (decrease) in accounts payable	945
Decrease in accrued compensation	(4,353)
Increase (decrease) in income taxes payable	905
Decrease in advance billings on contracts	(19)
Increase in other current liabilities	769
Decrease in other long-term liabilities	-
	-----
Net cash used in operating activities	(2,655)
-----	
Cash flows from investing activities:	
Additions to property and equipment	(795)
Proceeds from sales of fixed assets	-
-----	
Net cash used in investing activities	(795)
-----	
Cash flows from financing activities:	
Proceeds from long-term revolving debt, net	2,233
Proceeds from Employee Stock Purchase Plan	103
Purchase of stock for treasury	(6)
Proceeds from other stock plans	8
	-----

## Edgar Filing: COMPUTER TASK GROUP INC - Form 10-Q/A

Net cash provided by financing activities	2,338
-----	
Effect of exchange rate changes on cash and temporary cash investments	(147)
-----	
Net increase (decrease) in cash and temporary cash investments	(1,259)
Cash and temporary cash investments at beginning of quarter	3,362
-----	
Cash and temporary cash investments at end of quarter	\$ 2,103
	=====

The accompanying notes are an integral part of these condensed consolidated financial statements.

5

### COMPUTER TASK GROUP, INCORPORATED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

#### 1. Financial Statements

The condensed consolidated financial statements included herein reflect, in the opinion of the management of Computer Task Group, Incorporated ("CTG" or "the Company"), all normal recurring adjustments necessary to present fairly the condensed consolidated financial position, results of operations and cash flows for the periods presented.

#### 2. Basis of Presentation

The condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the SEC rules and regulations. Management believes that the information and disclosures provided herein are adequate to present fairly the consolidated financial position, results of operations and cash flows of the Company. It is suggested that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements and notes thereto included in the Company's latest Annual Report on Form 10-K filed with the SEC.

#### 3. Comprehensive Income

Accumulated other comprehensive income totaled \$(8,642,000) and \$(7,867,000) at March 29, 2002 and December 31, 2001, respectively. These

## Edgar Filing: COMPUTER TASK GROUP INC - Form 10-Q/A

balances included adjustments of \$(775,000) and \$(962,000) related to foreign currency translation made in the first quarter of 2002 and 2001, respectively. Total comprehensive loss for the quarters ended March 29, 2002 and March 30, 2001 was \$(37,364,000) and \$(2,342,000), respectively.

### 4. Accounting Standards Pronouncements

In July 2001, the Financial Accounting Standards Board (FASB) issued Financial Accounting Standard (FAS) No. 141, "Business Combinations," and FAS No. 142, "Goodwill and Other Intangible Assets." These standards make significant changes to the accounting for business combinations, goodwill, and intangible assets. FAS No. 141 eliminates the pooling-of-interests method of accounting for business combinations with limited exceptions for combinations initiated prior to July 1, 2001. In addition, it clarifies the criteria for recognition of intangible assets apart from goodwill. This statement is effective for business combinations completed after June 30, 2001.

FAS No. 142 discontinues the practice of amortizing goodwill and indefinite-lived intangible assets and initiates a review, at least annually, for impairment. Intangible assets with a determinable useful life will continue to be amortized over their useful lives. FAS No. 142 applies to existing goodwill and intangible assets, and such assets acquired after June 30, 2001. FAS No. 142 was effective for fiscal years beginning after December 15, 2001. Accordingly, the Company adopted this standard as of January 1, 2002, and no longer amortizes its existing goodwill after that date.

6

In conjunction with the adoption of FAS No. 142, the initial valuation of the business unit for which the Company's goodwill relates was completed by an independent appraisal company. Such valuation indicated that the carrying value of the business unit was greater than the determined fair value. The goodwill on the Company's balance sheet primarily relates to the acquisition in February 1999 of the healthcare information technology services provider Elumen Solutions, Inc. Although the revenues and profits for this unit dipped in 2000 and 2001, in 2002 the revenues and profits for that unit are similar to when the acquisition was completed in 1999. However, the valuation of technology companies in 1999 was relatively high as compared to the valuations at the beginning of 2002. Accordingly, as a result of the independent appraisal based upon the fair market values of similar companies and the subsequent independent valuation of the implied goodwill, the Company recorded a \$37.0 million non-cash charge for impairment of goodwill in that business unit in the Company's financial results for the quarterly period ended March 29, 2002. There was no tax associated with this impairment as the amortization of this goodwill was not deductible for tax purposes.

The effect of the amortization of the Company's existing goodwill on net income (loss), and basic and diluted net income (loss) per share for the quarters ended March 29, 2002 and March 30, 2001, respectively, is as follows:

For the quarter ended	
March 29,	March 30
2002	2001

Edgar Filing: COMPUTER TASK GROUP INC - Form 10-Q/A

	----	----
NET LOSS:		
Reported net loss	\$ (36,589)	\$ (1,389)
Goodwill amortization	-	99
	-----	-----
Adjusted net income (loss)	\$ (36,589)	\$ (389)
	=====	=====
BASIC NET LOSS PER SHARE:		
Reported basic net loss per share	\$ (2.21)	\$ (0.0)
Goodwill amortization	-	(0.0)
	-----	-----
Adjusted basic net loss per share	\$ (2.21)	\$ (0.0)
	=====	=====
DILUTED NET LOSS PER SHARE:		
Reported diluted net loss per share	\$ (2.16)	\$ (0.0)
Goodwill amortization	-	0.0
	-----	-----
Adjusted diluted net loss per share	\$ (2.16)	\$ (0.0)
	=====	=====

Included in the net loss for the quarter ended March 29, 2002 is the charge for the cumulative effect of a change in accounting principle related to the adoption of FAS No. 142 of \$37.0 million, or \$2.24 per basic share and \$2.19 per diluted share. Without this charge, reported net income in 2002 would have been \$0.4 million, or \$0.03 per basic and diluted share.

In August 2001, the FASB issued FAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which addresses the accounting and reporting for the impairment or disposal of long-lived assets. The Company adopted this standard effective January 1, 2002. During the first quarter of 2002, the Company began to actively market one of its owned properties for sale, and has classified this property as held for sale on its condensed consolidated balance sheet for March 29, 2002. As the Company does not anticipate a loss on the sale of this property, no adjustment was made to the carrying value of this asset in the first quarter of 2002.

7

During the first quarter of 2002, based upon new interpretive guidance issued for the accounting for billable expenses under Emerging Issues Task Force issue No. D-103, "Income Statement Characterization of Reimbursements Received for Out-of-Pocket Expenses Incurred," the Company began to record its billable expenses on a gross basis as both revenue and direct costs, rather than on a net basis. Such costs totaled \$1.9 million and \$2.0 million in the first quarter of 2002 and 2001, respectively. The first quarter 2001 revenue and direct cost balances on the condensed consolidated statement of operations have been restated by \$2.0 million from that which was previously reported.

ITEM 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS



# Edgar Filing: COMPUTER TASK GROUP INC - Form 10-Q/A

## OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION FOR THE QUARTER ENDED MARCH 29, 2002

### FORWARD-LOOKING STATEMENTS

Statements included in this Management's Discussion and Analysis of Results of Operations and Financial Condition and elsewhere in this document that do not relate to present or historical conditions are "forward-looking statements" within the meaning of that term in Section 27A of the Securities Act of 1933, as amended, and in Section 21F of the Securities Exchange Act of 1934, as amended. Additional oral or written forward-looking statements may be made by the Company from time to time, and such statements may be included in documents that are filed with the Securities and Exchange Commission. Such forward-looking statements involve risks and uncertainties that could cause results or outcomes to differ materially from those expressed in such forward-looking statements. Forward-looking statements may include, without limitation, statements relating to the Company's plans, strategies, objectives, expectations and intentions and are intended to be made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Words such as "believes," "forecasts," "intends," "possible," "expects," "estimates," "anticipates," or "plans" and similar expressions are intended to identify forward-looking statements. Among the important factors on which such statements are based are assumptions concerning the anticipated growth of the information technology industry, the continued need of current and prospective customers for the Company's services, the availability of qualified professional staff, and price and wage inflation.

### RESULTS OF OPERATIONS

To better understand the financial trends of the Company, the following table sets forth data as contained on the condensed consolidated statements of operations, with the percentage information calculated as a percentage of consolidated revenues.

Quarter ended:		March 29, 2002 -----		March 30, 2001 -----
Revenue	100.0%	\$ 69,894	100.0%	\$84,763
Direct costs	71.7%	50,149	72.2%	61,183
Selling, general, and administrative expenses	25.7%	17,943	31.6%	26,802
-----				
Operating income (loss)	2.6%	1,802	(3.8)%	(3,222)
Interest and other expense, net	(1.5)%	(1,060)	(0.9)%	(727)
-----				
Income (loss) before income taxes and cumulative effect of change in accounting principle	1.1%	742	(4.7)%	(3,949)
Provision (benefit) for income taxes	0.5%	293	(3.1)%	(2,569)
-----				
Net income (loss) before cumulative effect of change in accounting principle	0.6%	449	(1.6)%	(1,380)
Cumulative effect of change in accounting principle	(53.0)%	(37,038)	0.0%	-
-----				

## Edgar Filing: COMPUTER TASK GROUP INC - Form 10-Q/A

Net loss	(52.3)% =====	\$ (36,589) =====	(1.6)% =====	\$ (1,380) =====
----------	------------------	----------------------	-----------------	---------------------

8

CTG's first quarter 2002 revenue was \$69.9 million, a decrease of 17.6 percent when compared to first quarter 2001 revenue of \$84.8 million. The year-over-year revenue decrease is a result of the ongoing recession in the technology sector which has had a significant negative effect on customer spending for information technology services. First quarter 2002 revenue, however, approximated fourth quarter 2001 revenue of \$72.2 million. This nominal sequential decline is a reflection of improvements the Company continues to make in its operations, including improving its fulfillment rate on client requirements, which has largely offset the effects of the recession. North American revenue decreased by \$10.4 million or 14.6 percent in 2002 as compared to 2001, while revenue from European operations decreased by \$4.5 million, or 32.8 percent. The European decrease is also due to a general economic slowdown in the countries in which the Company operates.

The 2001 to 2002 quarter-to-quarter revenue decline was slightly impacted by the strengthening of the U.S. dollar as compared to the currencies of the Netherlands, Belgium, the United Kingdom, and Luxembourg. If there had been no change in these foreign currency exchange rates from the first quarter of 2001 to 2002, total consolidated revenues would have been \$0.4 million higher.

In November 2000, the Company signed a contract with IBM for three years as one of IBM's national technical service providers for the United States. In the first quarter of 2002, IBM continued to be the Company's largest customer, accounting for \$13.8 million or 19.7 percent of total revenue as compared to \$24.0 million or 28.3 percent of first quarter 2001 revenue. Although revenues from IBM have been constrained in 2002, the Company expects to continue to derive a significant portion of its revenue from IBM throughout the remainder of 2002 and in future years. While the decline in revenue from IBM has had an adverse effect on the Company's revenues and profits, the Company believes a simultaneous loss of all IBM business is unlikely to occur due to the diversity of the projects performed for IBM and the number of locations and divisions involved.

Direct costs, defined as costs for billable staff including billable out-of-pocket expenses, were 71.7 percent of revenue in the first quarter of 2002 as compared to 72.2 percent of first quarter 2001 revenue. The decrease in direct costs as a percentage of revenue in 2002 as compared to 2001 is primarily due to a concerted effort by the Company to increase the utilization of its billable employees.

Selling, general and administrative (SG&A) expenses were 25.7 percent of revenue in the first quarter of 2002 as compared to 31.6 percent of revenue in the first quarter of 2001. During 2002, due to the adoption of FAS No. 142, the Company discontinued the amortization of its existing goodwill. In the 2001 first quarter, such amortization totaled \$1.0 million. If this amortization expense was excluded from the 2001 balance, SG&A expense as a percentage of revenue would have been 30.4 percent in 2001. The significant decline in SG&A expense year-over-year is due to the Company continuing to align its cost structure to the current level of revenue.

## Edgar Filing: COMPUTER TASK GROUP INC - Form 10-Q/A

Operating income was 2.6 percent of revenue in 2002 compared to an operating loss of 3.8 percent of revenue in 2001. Without the amortization expense in 2001, the operating loss would have been 2.6 percent. The operating income from North American operations was \$3.0 million, while European operations recorded an operating loss of \$1.2 million.

Interest and other expense, net was 1.5 percent of revenue in 2002 and 0.9 percent in 2001. The increase as a percentage of revenue from 2001 to 2002 was primarily due to the revenue decline discussed above. The provision (benefit) for income taxes was 39.5 percent in 2002 and (65.1) percent in 2001. The provision (benefit) rate in each year is calculated based upon the estimated tax rate (benefit) for the entire year.

10

Excluding the cumulative effect of the change in accounting principle, the net income (loss) for the first quarter of 2002 was 0.6 percent of revenue or \$0.03 per diluted share, compared to a loss of (1.6) percent of revenue or \$(0.08) per diluted share in 2001. Without the amortization expense, the net loss in 2001 would have been (0.5) percent of revenue or \$(0.02) per diluted share. Diluted earnings per share were calculated using 17.0 million and 16.4 million equivalent shares outstanding in 2002 and 2001, respectively. The increase in equivalent shares outstanding in 2002 is due to the dilutive effect of outstanding stock options.

In July 2001, the Financial Accounting Standards Board (FASB) issued Financial Accounting Standard (FAS) No. 141, "Business Combinations," and FAS No. 142, "Goodwill and Other Intangible Assets." These standards make significant changes to the accounting for business combinations, goodwill, and intangible assets. FAS No. 141 eliminates the pooling-of-interests method of accounting for business combinations with limited exceptions for combinations initiated prior to July 1, 2001. In addition, it clarifies the criteria for recognition of intangible assets apart from goodwill. This statement is effective for business combinations completed after June 30, 2001.

FAS No. 142 discontinues the practice of amortizing goodwill and indefinite-lived intangible assets and initiates a review, at least annually, for impairment. Intangible assets with a determinable useful life will continue to be amortized over their useful lives. FAS No. 142 applies to existing goodwill and intangible assets, and such assets acquired after June 30, 2001. FAS No. 142 was effective for fiscal years beginning after December 15, 2001. Accordingly, the Company adopted this standard as of January 1, 2002, and no longer amortizes its existing goodwill after that date.

In conjunction with the adoption of FAS No. 142, the initial valuation of the business unit for which the Company's goodwill relates was completed by an independent appraisal company. Such valuation indicated that the carrying value of the business unit was greater than the determined fair value. The goodwill on the Company's balance sheet primarily relates to the acquisition in February 1999 of the healthcare information technology services provider Elumen Solutions, Inc. Although the revenues and profits for this unit dipped in 2000 and 2001, in 2002 the revenues and profits for that unit are similar to when the acquisition was completed in 1999. However, the valuation of technology companies in 1999 was relatively high as compared to the valuations at the

## Edgar Filing: COMPUTER TASK GROUP INC - Form 10-Q/A

beginning of 2002. Accordingly, as a result of the independent appraisal based upon the fair market values of similar companies and the subsequent independent valuation of the implied goodwill, the Company recorded a \$37.0 million non-cash charge for impairment of goodwill in that business unit in the Company's financial results for the quarterly period ended March 29, 2002. There was no tax associated with this impairment as the amortization of this goodwill was not deductible for tax purposes.

In August 2001, the FASB issued FAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which addresses the accounting and reporting for the impairment or disposal of long-lived assets. The Company adopted this standard effective January 1, 2002. During the first quarter of 2002, the Company began to actively market one of its owned properties for sale, and has classified this property as held for sale on its condensed consolidated balance sheet for March 29, 2002. As the Company does not anticipate a loss on the sale of this property, no adjustment was made to the carrying value of this asset in the first quarter of 2002.

During the first quarter of 2002, based upon new interpretive guidance issued for the accounting for billable expenses under Emerging Issues Task Force issue No. D-103, "Income Statement Characterization of Reimbursements Received for Out-of-Pocket Expenses Incurred," the Company began to record its billable expenses on a gross basis as both revenue and direct costs, rather than on a net basis. Such costs totaled \$1.9 million and \$2.0 million in the first quarter of 2002 and 2001, respectively. The first quarter 2001 revenue and direct cost balances on the condensed consolidated statement of operations have been restated by \$2.0 million from that which was previously reported.

11

### FINANCIAL CONDITION

Cash used in operating activities was \$2.7 million for the first quarter of 2002. Net loss totaled \$36.6 million, while the non-cash adjustment for the change in accounting principle totaled \$37.0 million, and other non-cash adjustments primarily consisting of depreciation expense and deferred income taxes totaled \$1.2 million. Accounts receivable increased by \$2.1 million as compared to December 31, 2001 due to the timing of the collection of outstanding balances in the first quarter of 2002. Prepaid and other assets increased \$0.5 million due to payments made in the first quarter of 2002 that will be amortized throughout the remainder of the year. Accounts payable increased \$0.9 million primarily due to the timing of certain payments. Accrued compensation decreased \$4.4 million due to the timing of the US bi-weekly payroll, and fewer total employees.

Net property and equipment and property held for sale decreased \$0.2 million. Additions to property and equipment were \$0.8 million, offset by depreciation expense of \$1.0. The Company has no material commitments for capital expenditures at March 29, 2002.

Financing activities provided \$2.3 million of cash in the first quarter of 2002. Net proceeds from long-term revolving debt totaled \$2.2 million, and the Company received \$0.1 million from employees for stock purchased under the Employee Stock Purchase Plan.

The Company is authorized to repurchase a total of 3.4 million shares of

## Edgar Filing: COMPUTER TASK GROUP INC - Form 10-Q/A

its common stock for treasury and the Company's stock trusts. At March 29, 2002, approximately 3.2 million shares have been repurchased under the authorizations, leaving 0.2 million shares authorized for future purchases. No share purchases were made in 2002.

The Company believes existing internally available funds, cash potentially generated by operations, and available borrowings under the Company's revolving line of credit will be sufficient to meet foreseeable working capital, capital expenditure, and possible stock repurchase requirements, and to allow for future internal growth and expansion.

12

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is nominally exposed to market risk in the normal course of its business operations. The Company has \$17.5 million of borrowings at March 29, 2002 under a revolving credit agreement, which expose the Company to risk of earnings or cash flow loss due to changes in market interest rates. Additionally, as the Company sells its services in North America and in Europe, financial results could be affected by weak economic conditions in those markets.

13

PART II. OTHER INFORMATION

## Edgar Filing: COMPUTER TASK GROUP INC - Form 10-Q/A

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The annual meeting of shareholders was held on May 1, 2002, at the Company's Headquarters, 800 Delaware Avenue, Buffalo, New York at 10:00 a.m.

The Company submitted for shareholder approval the election of two Class II directors and three Class III directors, and to approve and ratify an amendment to the Company's 2000 Equity Award Plan to increase the number of shares of the Company's common stock authorized for purchase under such plan by 1,000,000 shares.

#### Election of Directors

- Two Class II directors (George B. Beitzel and James R. Boldt) and three Class III directors (Randall L. Clark, John M. Palms, and Daniel J. Sullivan) were elected to hold office until the 2005 and 2003 annual meeting of shareholders, respectively, and until their successors are elected and qualified. The results of the voting are as follows:

Director -----	Total Vote for -----	Total Vote Withheld -----
George B. Beitzel (Class II)	17,813,703	1,375,930
James R. Boldt (Class II)	17,100,346	2,089,287
Randall L. Clark (Class III)	17,858,149	1,331,484
John M. Palms (Class III)	17,852,429	1,337,204
Daniel J. Sullivan (Class III)	17,880,035	1,309,598

- The Class I directors of the Company whose term of office extends until the 2004 annual meeting of shareholders and until their successors are elected and qualified are Randolph A. Marks and R. Keith Elliott.

#### Computer Task Group, Incorporated 2000 Equity Award Plan

Total Vote For	14,078,775
Total Vote Against	3,928,088
Total Votes Abstained	1,182,770

Edgar Filing: COMPUTER TASK GROUP INC - Form 10-Q/A

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

Exhibit -----	Description -----	Page ----
11.	Statement re: computation of earnings per share	18
99.1	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	19

Reports On Form 8-K  
-----

The following reports on Form 8-K were filed during the first quarter of 2002:

Date ----	Description -----
January 30, 2002	Press release entitled "CTG Announces 2001 Fourth Quarter Conference Call Information."
February 12, 2002	Press release entitled "CTG Reports 2001 Fourth Quarter and Annual Results."

\* \* \* \* \*

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 thereunto duly authorized.

COMPUTER TASK GROUP, INCORPORATED

By: /s/ Gregory M. Dearlove  
-----

Gregory M. Dearlove  
Principal Accounting and  
Financial Officer

Title: Vice President and  
Chief Financial Officer

Date: November 11, 2002

Edgar Filing: COMPUTER TASK GROUP INC - Form 10-Q/A

I, James R. Boldt, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Computer Task Group, Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

Date: November 11, 2002

/s/ James R. Boldt

-----  
James R. Boldt  
Chairman, President and CEO

16

CERTIFICATION

I, Gregory M. Dearlove, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Computer Task Group, Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

Date: November 11, 2002

/s/ Gregory M. Dearlove

-----  
Gregory M. Dearlove  
Vice President and CFO



