

PERFICIENT INC
Form 10QSB
May 09, 2003

U.S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

Form 10-QSB

ý Quarterly report under Section 13 or 15(d) of the Securities
Exchange Act of 1934

For the quarterly period ended March 31, 2003

o Transition report under Section 13 or 15(d) of the Exchange Act

Commission file number 001-15169

Perficient, Inc.

(exact name of small business issuer as specified in its charter)

Delaware
(state or other jurisdiction
of incorporation or organization)

74-2853258
(I.R.S. employer
identification no.)

1120 South Capital of Texas Highway, Suite 220, Bldg. 3
Austin, TX 78746
(address of principal executive offices)

(512) 531-6000
(Issuer's telephone number, including area code)

7600B. N. Capital of Texas Hwy. Suite 340,
Austin, Texas 78731
(former name, former address and former fiscal year, if changed
since last report)

Indicate by check mark whether the issuer (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:

(1) Yes ý No o

(2) Yes No

The number of shares of the Issuer's Common Stock outstanding as of March 31, 2003 was 10,749,258.

PERFICIENT, INC.

INDEX

**QUARTELY REPORT ON FORM 10-QSB
FOR QUARTERLY PERIOD ENDED MARCH 31, 2003**

Part I.

Consolidated Financial Information

Item 1.

Consolidated Balance Sheets as of December 31, 2002 and March 31, 2003 (unaudited)

Consolidated Statements of Operations for the three months ended March 31, 2002 and 2003 (unaudited)

Consolidated Statements of Cash Flows for the three months ended March 31, 2002 and 2003 (unaudited)

Notes to Unaudited Condensed Consolidated Financial Statements

Item 2.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Risk Factors

Item 3.

Controls and Procedures

Part II.

Other Information

Item 1.

Legal Proceedings

Item 4.

Submission of Matters to a Vote of Security Holders

Item 6.

Exhibits and Reports on Form 8-K

Signatures

PART I. CONSOLIDATED FINANCIAL INFORMATION

Item 1. Financial Statements

Perficient, Inc.**Consolidated Balance Sheets**

	December 31, 2002	March 31, 2003 (unaudited)
ASSETS		
Current assets:		
Cash	\$ 1,525,002	\$ 1,486,226
Accounts receivable, net	3,938,373	5,174,263
Other current assets	382,542	291,398
Total current assets	5,845,917	6,951,887
Net property and equipment	1,211,018	1,067,490
Net intangible assets	12,380,039	12,042,540
Other noncurrent assets	156,129	137,524
Total assets	\$ 19,593,103	\$ 20,199,441
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 426,686	\$ 642,633
Line of credit	540,011	706,293
Other current liabilities	2,304,433	2,673,587
Current portion of capital lease obligation	235,034	239,429
Current portion of note payable to related party	485,477	431,353
Total current liabilities	3,991,641	4,693,295
Capital lease obligation, less current portion	334,661	273,398
Note payable to related party, less current portion	745,318	759,380
Total liabilities	5,071,620	5,726,073
Commitments and contingencies		
Stockholders' equity:		
Preferred stock	3,095	2,885
Common stock	10,537	10,749
Additional paid-in capital	75,993,344	75,992,168
Unearned stock compensation	(164,773)	(121,730)
Accumulated other comprehensive loss	(35,366)	(39,970)
Retained deficit	(61,285,354)	(61,370,734)
Total stockholders' equity	14,521,483	14,473,368
Total liabilities and stockholders' equity	\$ 19,593,103	\$ 20,199,441

Edgar Filing: PERFICIENT INC - Form 10QSB

See accompanying notes to interim consolidated financial statements.

Perficient, Inc.

Consolidated Statements of Operations

(unaudited)

	Three Months Ended March 31,	
	2002	2003
Revenue		
Services	\$ 3,512,155	\$ 5,745,310
Software	10,410	1,397,835
Reimbursable expenses	367,426	462,592
Total revenue	3,889,991	7,605,737
Cost of revenue		
Project personnel costs	1,984,046	3,206,273
Software costs	8,758	1,196,750
Reimbursable expenses	367,426	462,592
Other project related expenses	90,678	73,196
Gross margin	1,439,083	2,666,926
Selling, general and administrative	1,457,208	1,962,226
Stock compensation	51,045	41,869
Restructuring, severance and other	42,674	
Depreciation	88,068	201,162
Intangibles amortization	287,499	337,500
Income (loss) from operations	(487,411)	124,169
Interest income	11,128	1,004
Interest expense	(23,486)	(74,588)
Other	(56)	(5,965)
Income (loss) before income taxes	(499,825)	44,620
Provision for income taxes		130,000
Net loss	\$ (499,825)	\$ (85,380)
Beneficial conversion charge on preferred stock	(1,180,480)	
Accretion of dividends on preferred stock	(29,216)	(46,830)
Net loss available to common stockholders	\$ (1,709,521)	\$ (132,210)
Basic and diluted net loss per share	\$ (0.27)	\$ (0.01)
Shares used in computing basic net loss per share	6,296,711	8,947,792

See accompanying notes to interim consolidated financial statements.

Perficient, Inc.

Consolidated Statements of Cash flows

(unaudited)

	Three Months Ended March 31,	
	2002	2003
OPERATING ACTIVITIES		
Net loss	\$ (499,825)	\$ (85,380)
Adjustments to reconcile net loss to net cash used in operations:		
Depreciation	88,068	201,162
Intangibles amortization	287,499	337,500
Non-cash stock compensation	51,045	41,869
Non-cash interest expense		22,438
Changes in operating assets and liabilities (net of the effect of acquisitions):		
Accounts receivable	(242,530)	(1,232,358)
Other assets	42,085	112,215
Accounts payable	55,303	215,820
Other liabilities	(396,928)	353,452
Net cash used in operating activities	(615,283)	(33,282)
INVESTING ACTIVITIES		
Purchase of property and equipment	(30,637)	(57,635)
Purchase of businesses, net of cash acquired		(62,500)
Advances to Vertecon	(100,000)	
Acquisition costs	(225,330)	
Net cash used in investing activities	(355,967)	(120,135)
FINANCING ACTIVITIES		
Payments on capital lease obligation	(14,063)	(56,868)
Proceeds from short-term borrowings		166,282
Payments on short-term borrowings	(448,567)	
Payments on long-term debt	(6,796)	
Proceeds from issuance of preferred stock	825,000	
Preferred stock issuance costs	(89,220)	
Proceeds from stock issuances, net	6,027	
Net cash provided by financing activities	272,381	109,414
Effect of exchange rate on cash and cash equivalents	(12,749)	5,227
Change in cash and cash equivalents	(711,618)	(38,776)
Cash and cash equivalents at beginning of period	1,412,238	1,525,002
Cash and cash equivalents at end of period	\$ 700,620	\$ 1,486,226

See accompanying notes to interim consolidated financial statements.

PERFICIENT, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The accompanying unaudited financial statements of Perficient, Inc. (the Company), have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2003 may not be indicative of the results for the full fiscal year ending December 31, 2003. These unaudited financial statements should be read in conjunction with the Company's financial statements filed with the United States Securities and Exchange Commission in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2002, as amended.

Certain amounts from prior periods have been reclassified to conform to the current period presentation.

2. Summary of Significant Accounting Policies

Stock-Based Compensation

SFAS No. 123, *Accounting for Stock-Based Compensation*, prescribes accounting and reporting standards for all stock-based compensation plans, including employee stock options. As allowed by SFAS No. 123, the Company has elected to account for its employee stock-based compensation in accordance with Accounting Principles Board Opinion No. 25, *Accounting For Stock Issued To Employees*, (APB 25), which allows the use of the intrinsic value method. The Company's basis for electing accounting treatment under APB 25 is principally due to the satisfactory incorporation of the dilutive effect of these shares in the reported earnings per share calculation and the presence of pro forma supplemental disclosure of the estimated fair value methodology prescribed by SFAS No. 123 and SFAS No. 148, *Accounting for Stock-Based Compensation - Transition and Disclosure*. The fair value of options was calculated at the date of grant using the Black-Scholes pricing model with the following weighted-average assumptions for the three months ended March 31, 2002 and 2003: risk free interest rate of 3.5%; dividend yield of 0%; weighted-average expected life of options of 5 years; and a volatility factor of 1.066.

Edgar Filing: PERFICIENT INC - Form 10QSB

The following table illustrates the effect on net loss and loss per share if the company had applied the fair value recognition provisions of SFAS 123:

	Three Months Ended March 31,	
	2002	2003
	(unaudited)	
Net loss available to common stockholders - as reported	\$ (1,709,521)	\$ (132,210)
Total stock-based compensation costs included in the determination of net loss available to common stockholders as reported	51,045	41,869
The stock-based employee compensation cost that would have been included in the determination of net loss available to common stockholders if the fair value based method had been applied to all awards	(642,545)	(605,905)
Pro forma net loss	\$ (2,301,021)	\$ (696,246)
Loss per share		
Basic and diluted - as reported	\$ (0.27)	\$ (0.01)
Basic and diluted - pro forma	\$ (0.37)	\$ (0.08)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. Segment Information

The Company follows the provisions of Statement of Financial Accounting Standards (SFAS) No. 131, *Disclosures about Segments of an Enterprise and Related Information*. SFAS No. 131 requires a business enterprise, based upon a management approach, to disclose financial and descriptive information about its operating segments. Operating segments are components of an enterprise about which separate financial information is available and regularly evaluated by the chief operating decision maker(s) of an enterprise. Under this definition, the Company operates as a single segment for all periods presented. The Company's chief operating decision maker is considered to be the Chief Executive Officer and Chairman of the Board. The chief operating decision maker allocates resources and assesses performance of the business and other activities at the consolidated level.

4. Net Loss Per Share

The Company follows the provisions of SFAS No. 128, *Earnings Per Share*. Basic earnings per share is computed by dividing net income (loss) available to common stockholders by the weighted-average number of common shares outstanding during the period. Diluted earnings per share includes the weighted average number of common shares outstanding and the number of equivalent shares which would be issued related to stock options, warrants, and contingently issuable common shares using the treasury method, unless such additional equivalent shares are anti-dilutive.

The computations of net loss per share are as follows:

	Three Months Ended March 31,	
	2002	2003
	(unaudited)	
Net loss available to common stockholders	\$ (1,709,521)	\$ (132,210)
Weighted-average shares of common stock outstanding	6,296,711	10,607,892
Less common stock subject to contingency		(1,660,100)
Shares used in computing basic net loss per share	6,296,711	8,947,792
Basic and diluted net loss per share	\$ (0.27)	\$ (0.01)

Diluted net loss per share is the same as basic net loss per share, as the effect of the assumed exercise of stock options and warrants, the issuance of contingently issuable shares issued in business combinations, and shares of common stock issuable upon the conversion of convertible preferred stock are antidilutive due to the Company's net loss for all periods presented. Diluted net loss per share for the three months ended March 31, 2002 and 2003 excludes common stock equivalents of 2,430,866 and 5,419,635, respectively.

5. Recent Accounting Pronouncements

In June 2002, the FASB issued SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*. SFAS No. 146 requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of commitment to an exit or disposal plan. This statement is effective for exit or disposal activities initiated after December 31, 2002. Management does not expect the adoption of SFAS No. 146 to have a material effect on the Company's consolidated financial position or results of operations.

In December 2002, the FASB issued SFAS No. 148, *Accounting for Stock-Based Compensation - Transition and Disclosure, an Amendment of FASB Statement No. 123*. This Statement amends SFAS No. 123, *Accounting for Stock-Based Compensation*, to provide alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation. It also amends the disclosure provisions of that Statement to require prominent disclosure about the effects on reported net income of an entity's accounting policy decisions with respect to stock-based employee compensation. Finally, this Statement amends APB Opinion No. 28, *Interim Financial Reporting*, to require disclosure about those effects in interim financial information. Since the Company is continuing to account for

Edgar Filing: PERFICIENT INC - Form 10QSB

stock-based compensation according to APB 25, adoption of SFAS No. 148 requires the Company to provide prominent disclosures about the affects of FAS 123 on reported income (loss) and will require the Company to disclose these affects in the interim financial statements as well. The Company adopted SFAS No. 148 as of December 31, 2002.

6. Balance Sheet Components

	December 31, 2002	March 31, 2003 (unaudited)
Accounts receivable:		
Accounts receivable	\$ 3,878,380	\$ 4,602,038
Unbilled revenue	721,241	1,175,761
Allowance for doubtful accounts	(661,248)	(603,536)
Total	\$ 3,938,373	\$ 5,174,263
Other current liabilities:		
Accrued bonus and commissions	\$ 634,286	\$ 511,173
Accrued restructuring and severance costs	228,145	76,481
Accrued vacation	241,857	154,453
Other payroll liabilities	268,630	174,323
Sales and use taxes	45,792	33,652
Other accrued expenses	609,535	809,573
Software cost of sales		662,648
Deferred revenue	276,188	251,284
Total	\$ 2,304,433	\$ 2,673,587

7. Comprehensive Loss

The components of comprehensive loss for the three months ended March 31 are as follows:

	2002	2003 (unaudited)
Net loss	\$ (499,825)	\$ (85,380)
Foreign currency translation adjustments	(18,173)	(4,604)
Total comprehensive net loss	\$ (517,998)	\$ (89,984)

8. Restructuring

During 2002, the Company implemented certain workforce reductions and office closures resulting in total charges of \$579,427 during the year ended December 31, 2002. As of December 31, 2002, accrued restructuring costs totaled approximately \$228,145. During the quarter ended March 31, 2003, the Company paid \$151,664 of these costs, leaving a remaining accrual of approximately \$76,481 as of March 31, 2003. The remaining accrued restructuring costs are expected to be paid as follows: \$55,086 in the second quarter of 2003 and \$21,395 during the third quarter of 2003.

Edgar Filing: PERFICIENT INC - Form 10QSB

During the quarter ended March 31, 2002, the Company reduced its workforce by a total of 12 technology professionals and recognized approximately \$43,000 of severance and related expenses, of which all amounts have been paid.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Statements made in this Report on Form 10-QSB, including without limitation this Management's Discussion and Analysis of Financial Condition and Operations, other than statements of historical information, are forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements may sometimes be identified by such words as may, will, expect, anticipate, believe, estimate and continue or similar words. We believe it is important to communicate our future expectations to investors. However, these forward-looking statements involve many risks and uncertainties. Our actual results could differ materially from those indicated in such forward-looking statements as a result of certain factors, including but not limited to, those set forth under Risk Factors and elsewhere in this Report on Form 10-QSB. We are under no duty to update any of the forward-looking statements after the date of this Report on Form 10-QSB to conform these statements to actual results.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our financial statements and notes thereto and the other financial information included elsewhere in this Report on Form 10-QSB.

We were incorporated in September 1997 and began generating revenue in February 1998. We generate revenues from professional services performed for our end-user customers, and the end-user customers of our software partners. Additionally we generate revenue from reselling software.

In October 2000 we entered into a services agreement with IBM under which we provide deployment, integration and training services to IBM's WebSphere™ customers. The agreement provides for us to render services over a three-year period, which began in October 2000. Through March 31, 2002, we have recognized approximately \$17 million of revenue in connection with this agreement. Revenue from IBM was approximately 34% of total revenue for the three months ended March 31, 2003. Accordingly, any deterioration in our relationship with IBM could have a material adverse effect on our consulting revenue. Our agreement with IBM provides generally that we receive four months notice of any termination. IBM may also reduce by up to one-third the minimum amount of our services contemplated by our agreement over a 60-day period. Our current agreement with IBM expires in August 2003. We are currently in discussions with IBM regarding our relationship and we expect that IBM will continue to be a significant customer for the foreseeable future. Our agreements generally do not obligate our customers to use our services for any minimum amount, or at all, and our customers may use the services of our competitors.

We derive most of our revenue from professional services that are provided primarily on a time and materials basis, with the remaining small percentage of revenue provided from fixed fee engagements and software sales. For time and material contracts, revenue is recognized and billed by multiplying the number of hours expended by our professionals in the performance of the contract by the established billing rates. For fixed fee projects, revenue is recognized on a percentage of completion basis. On many projects we are also reimbursed for direct expenses allocated to a project such as airfare, lodging and meals. These direct reimbursements are presented as a component of gross revenue. We have from time to time and expect to continue in the future to resell repackaged software to our customers.

Our revenue and operating results are subject to substantial variations based on our customers' expenditures and the frequency with which we are chosen to perform services for our customers. Revenue from any given customer will vary from period to period. We expect, however, that IBM will remain a significant customer for the foreseeable future. To the extent that IBM, or any other significant customer uses less of our services or terminates its relationship with us, our revenue could decline substantially.

Our gross margins are affected by trends in the utilization rate of our professionals (defined as the percentage of our professionals' time billed to customers, divided by the total available hours in a period), the salaries we pay our consulting professionals, and the average rate we receive from our customers. If a project ends earlier than scheduled or, as has been the case, we retain professionals in advance of receiving project assignments, our utilization rate will decline and adversely affect our gross margins.

During 2002, we implemented certain workforce reductions and office closures resulting in charges of approximately \$42,000 during the first quarter of 2002, \$345,000 during the second quarter of 2002, and \$192,000 during the fourth quarter of 2002, consisting of severance pay and related benefits for former employees in addition to the costs associated with the closure of the London office. During the second quarter of 2002, we recognized \$118,000 of restructuring expense related to management's plan to close our London office. This amount consisted of \$84,000 for severance and benefits, \$4,000 for lease commitments, and \$30,000 for expected losses on the disposal of fixed assets, attorney and accounting fees, and other costs. As part of these restructurings, we reduced our workforce by a total of 30 employees, of which 17 were technology professionals and 13 were involved in selling, general administration and marketing. As of March 31, 2003, approximately \$76,000 of restructuring costs is included in other current liabilities, of which \$55,000 we expect to pay in the second quarter of 2003 and \$21,000 in the third quarter of 2003. There was no restructuring expense for the three months ended March 31, 2003.

Results Of Operations

Three Months Ended March 31, 2002 Compared to Three Months Ended March 31, 2003

Revenue. Total gross revenue increased from \$3,890,000 for the three months ended March 31, 2002 to \$7,608,000 for the three months ended March 31, 2003. Services revenue increased from \$3,512,000 for the three months ended March 31, 2002 to \$5,745,000 for the three months ended March 31, 2003. The increase in services revenue resulted from an increase in headcount acquired in the acquisition of Vertecon and Javelin in April 2002. The average number of consultants performing services for us increased from 78 at March 31, 2002 to 120 at March 31, 2003. During the three month period ended March 31, 2003, 34% of our revenue was derived from IBM. Revenue from resold software increased from \$10,410 for the three months ended March 31, 2002 to \$1,398,000 for the three months ended March 31, 2003. Revenue from reselling software revenue is expected to fluctuate between quarters depending on our customers demand for such software. Generally we are reimbursed for our out-of-pocket expenses incurred in connection with our customers' consulting projects. Reimbursed expenses increased from \$367,000 for the three months ended March 31, 2002 to \$463,000 for the three months ended March 31, 2003. The aggregate amount of reimbursed expenses will fluctuate depending on the location of our customers, the general fluctuation of travel costs such as airfare, and the total number of our projects that require travel.

Cost of Revenue. Cost of revenue, consisting of salaries and benefits associated with our technology professionals, subcontractor, cost of resold software, and of reimbursed and project related expenses, increased from \$2,451,000 for

the three months ended March 31, 2002 to \$4,939,000 for the three months ended March 31, 2003. The increase in cost of revenue is attributable to an increase in salaries and the average number of technology professionals who performed services for us over the related periods as a result of the acquisitions of Vertecon and Javelin in April 2002. The average number of consultants performing services for us increased from 78 for the quarter ended March 31, 2002 to 120 for the quarter ended March 31, 2003. In addition, costs associated with resold software increased by \$1,188,000 in connection with the increased software revenue during the quarter ended March 31, 2003. Reimbursable expenses will fluctuate with the associated revenue as these costs are reimbursed by our customers. Other

project related expenses consist of travel and other out-of-pocket costs that are not reimbursed by our customers. These expenses will fluctuate depending generally on outside factors including the cost of travel and the location of our customers.

Gross Margin. Gross margin increased from \$1,439,000 for the three months ended March 31, 2002 to \$2,667,000 for the three months ended March 31, 2003. Gross margin as a percentage of revenue excluding reimbursed expenses was 41% for the three months ended March 31, 2002 and 37% for the three months ended March 31, 2003. The decrease in gross margin as a percentage of revenue excluding reimbursed expenses is primarily due to an increase in the amount of software revenue, which generally has a lower gross margin than our services. Gross margins can fluctuate depending upon a number of factors including our ability to manage successfully the utilization rates and salaries of our consultants, and the rates we can charge for our services.

Selling, General and Administrative. Selling, general and administrative expenses consist of salaries and benefits for sales, executive and administrative employees, training, marketing activities, investor relations, recruiting, non-reimbursable travel costs and expenses and miscellaneous expenses. Selling, general and administrative expenses increased from \$1,457,000 for the three months ended March 31, 2002 to \$1,962,000 for the three months ended March 31, 2003. The increase was the result of a \$177,000 increase in sales expenses consisting of salaries, benefits and commissions, an increase of \$194,000 in office rents, and changes in other miscellaneous expenses. Selling, general and administrative expenses as a percentage of revenue excluding reimbursed expenses decreased from 41% for the three months ended March 31, 2002 to 27% for the three months ended March 31, 2003. The decrease in selling, general and administrative expenses as a percent of revenue excluding reimbursed expenses is the result of an increase in software revenue for which there is generally less incremental costs associated with such revenue as well as a general reduction of costs in proportion to total revenue during the application periods.

Stock Compensation. Stock compensation expense consists of non-cash compensation arising from certain option grants to employees with exercise prices below fair market value at the date of grant, option grants made to outside consultants, compensation expense recognized as a result of certain modifications made to outstanding options, and compensation expense associated with unvested stock options assumed in business combinations. Stock compensation expense decreased from \$51,000 during the three months ended March 31, 2002 to \$42,000 during the three months ended March 31, 2003.

Depreciation. Depreciation expense increased from \$88,000 during the three months ended March 31, 2002 to \$201,000 during the three months ended March 31, 2003. The increase is related to additional depreciation expense associated with fixed assets recorded as part of the acquisitions of Vertecon and Javelin.

Restructuring. Restructuring expense consists of severance payments and related benefits. Restructuring expense was \$43,000 during the three months ended March 31, 2002. There was no workforce restructuring in the first quarter of 2003.

Intangibles Amortization. Intangibles amortization expense consists of amortization of goodwill and other intangibles arising from our acquisitions of Compete, Inc. in May 2000, Core Objective, Inc. in November 2000, and Vertecon and Javelin in April 2002. Amortization increased from \$287,500 during the three months ended March 31, 2002 to \$337,500 during the three months ended March 31, 2003. The increase in amortization expense is due to amortization of intangibles acquired in the acquisitions of Vertecon and Javelin in April 2002.

Interest Income (Expense). Interest income decreased from \$11,000 for the three months ended March 31, 2002 to \$1,000 for the three months ended March 31, 2003. Interest income during 2002 included approximately \$8,000 of interest recorded on advances made to Vertecon prior to that acquisition, of which there was none during 2003. The remaining decrease is the result of changes in average interest rates and cash balances during the applicable periods. Interest expense was approximately \$23,000 during the three months ended March 31, 2002 compared to \$75,000 during the three months ended March 31, 2003. The increase in interest expense is due to an increase of \$13,000 related to capital leases assumed in the Javelin acquisition, \$24,000 related to imputed interest expense on the notes issued to the Javelin

shareholders of which there was no such expense in 2002, and \$15,000 increase in associated collateral monitoring fees on our line of credit facility.

Liquidity And Capital Resources

We have a line of credit arrangement with Silicon Valley Bank that expires in December 2003. The agreement allows us to borrow up to 85% of eligible accounts receivable as defined in the agreement (up to a maximum of \$6,000,000). We are also required to comply with certain financial covenants under this agreement. Borrowings under the agreement bear interest at the bank's prime rate plus 1.5% (5.75% as of March 31, 2003). The agreement also provides for a minimum interest payment and early termination fee. As of March 31, 2003, there was \$706,293 outstanding and approximately \$2,743,000 remaining in availability under this line of credit.

In connection with the acquisitions of Javelin and Vertecon, we were required to establish various letters of credit totaling \$750,000 to serve as collateral for certain office space and equipment leases. These letters of credit reduce the borrowings available under our line of credit facility with Silicon Valley Bank. The letters of credit totaling \$500,000 will remain in effect through 2005, and the remaining letter of credit of \$250,000 will remain in effect through 2007.

Cash used in operations for the three months ended March 31, 2003 was \$33,000. As of March 31, 2003, we had \$1,486,000 in cash and working capital of \$2,282,000.

In connection with the acquisition of Javelin, we issued \$1.5 million in notes, of which \$1 million of the notes are payable in four equal annual installments on the anniversary of the closing date of the acquisition, and which we have paid the first installment of \$250,000 in April 2003. The other \$500,000 is payable in eight equal quarterly installments that commenced in July 2002. Accordingly, we have paid \$62,500 in July 2002, \$62,500 in October 2002, \$62,500 in January 2003, and \$62,500 in April 2003.

We expect to fund our operations during 2003 from cash generated from operations and short-term borrowings as necessary from our line of credit facility. The amount of borrowings available to us is based on a percentage of our receivables. If our capital is insufficient to fund our activities in either the short or long term, we may need to raise additional funds. In the ordinary course of business, we may engage in discussions with various persons in connection with additional financing. If we raise additional funds through the issuance of equity securities, our existing stockholders' percentage ownership will be diluted. These equity securities may also have rights superior to our common stock or outstanding preferred stock. Additional debt or equity financing may not be available when needed or on satisfactory terms. If adequate funds are not available on acceptable terms, we may be unable to expand our services, respond to competition, pursue acquisition opportunities or continue our operations.

Critical Accounting Policies

Consulting revenues are comprised of revenue from consulting fees recognized primarily on a time and material basis as performed. For fixed fee engagements, revenue is recognized on a percentage of completion method (based on the ratio of costs incurred to total estimated costs). Provisions for estimated losses on uncompleted contracts are made on a contract-by-contract basis and are recognized in the period in which

Edgar Filing: PERFICIENT INC - Form 10QSB

such losses are determined. Unbilled revenues on contracts are comprised of costs plus earnings on certain contracts in excess of contractual billings on such contracts. Billings in excess of costs plus earnings are classified as deferred revenues. Our normal payment terms are net 30 days. Our agreement with IBM provides for net 45 day payment terms. Reimbursements for out-of-pocket expenses are included in gross revenue. Revenue from software resale is recorded on a gross basis provided that we act as principal in the transaction. In the event we do not meet the requirements to be considered the principal in the software resale transaction we record the revenue on a net basis. We record an expense for the expected losses on uncollectible accounts receivable each period based on known facts and circumstances at each respective period.

We adopted Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* (Statement 142) on January 1, 2002. In accordance with Statement 142, we replaced the ratable amortization of goodwill and other indefinite-lived intangible assets with a periodic review and analysis of such intangibles for possible impairment.

Business acquisitions typically result in goodwill and other intangible assets, and the recorded values of those assets may become impaired in the future. The determination of the value of such intangible assets requires us to make estimates and assumptions that affect our consolidated financial statements. We assesses potential impairments to intangible assets when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset may not be recovered. Our judgments regarding the existence of impairment indicators and future cash flows related to intangible assets are based on operational performance of the acquired businesses, market conditions and other factors. Future events could cause us to conclude that impairment indicators exist and that goodwill associated with the acquired businesses is impaired. Any resulting impairment loss could have an adverse impact on our results of operations by increasing our net loss.

Recent Accounting Pronouncements

In June 2002, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*. SFAS No. 146 requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of commitment to an exit or disposal plan. This statement is effective for exit or disposal activities initiated after December 31, 2002. We do not believe that the adoption of SFAS No. 146 will have a material impact on our financial position or results of operations.

In December 2002, the FASB issued SFAS No. 148, *Accounting for Stock-Based Compensation Transition and Disclosure, an Amendment of FASB Statement No. 123*. This Statement amends FASB Statement No. 123, *Accounting for Stock-Based Compensation*, to provide alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation. It also amends the disclosure provisions of that Statement to require prominent disclosure about the effects on reported net income of an entity's accounting policy decisions with respect to stock-based employee compensation. Finally, this Statement amends APB Opinion No. 28, *Interim Financial Reporting*, to require disclosure about those effects in interim financial information. Since we are continuing to account for stock-based compensation according to APB 25, adoption of SFAS No. 148 requires us to provide prominent disclosures about the affects of FAS 123 on reported income (loss) and requires us to disclose these affects in the interim financial statements as well.

RISK FACTORS

Risks Specific to Our Business

We have incurred losses during most of the quarters during which we have been in business and we may incur losses in the future.

We have incurred operating losses in most of the quarters during which we have been in business, and as a result, we had a retained deficit of \$61,371,000 as of March 31, 2003. If we achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis in the future. We cannot assure you of any operating results. In future quarters, our operating results may not meet public market analysts and investors' expectations. If that happens, the price of our common stock will likely fall.

We have a limited number of customers and the loss of sales to IBM would materially reduce our revenue and net income.

We have arrangements with a limited number of customers. IBM accounted for 42% and 34% of our revenue during the quarter ended March 31, 2002 and 2003, respectively. Any termination of our relationship with, or significant reduction or modification of the services we perform for, IBM would materially reduce our revenue and net income.

The failure of IBM to pay our accounts receivable would materially impact our cash and working capital balances.

Amounts owed to us by IBM represented 35% of our accounts receivable, or \$2,023,000, as of March 31, 2003. Failure of IBM to pay that amount would have a material adverse effect on our working capital, cash position, business, operating results and financial condition. Failure of IBM to timely pay us could materially impact our cash and working capital balances.

IBM may terminate its agreement with us or reduce substantially its obligations to use our services which could materially reduce our revenue and net income.

IBM has the right to reduce by up to one-third the minimum amount of our services contemplated by our agreement over any 60-day period. In addition, IBM may terminate the agreement on four months notice. Any termination or expiration of our agreement with IBM or a reduction of the services performed pursuant to this agreement would have an adverse effect on our business, operating results and financial condition. Our agreement with IBM will expire in August 2003. In the event IBM does not renew its agreement with us or decides to not use our services, our revenue and net income could be materially reduced.

Our customers may not be obligated to use our services.

Our contracts with some of our customers do not obligate them to use our services. A customer may choose at any time to use another consulting firm or to perform the services we provide through internal resources. Termination of a relationship with certain customers, or the decision of such customers to employ other consulting firms or perform services in-house, could materially harm our business.

Our quarterly operating results may be volatile and may cause our stock price to fluctuate.

A high percentage of our operating expenses, particularly personnel and rent, are fixed in advance of any particular quarter. As a result, if we experience unanticipated changes in the number or nature of our projects or in our employee utilization rates, we could experience large variations in quarterly operating results and losses in any particular quarter. Due to these factors, we believe you should not use our historical quarter-to-quarter operating results to predict our future performance.

Our quarterly revenue, expenses and operating results have varied significantly in the past and are likely to vary significantly in the future. These quarterly fluctuations have been and may continue to be affected by a number of factors, including:

the loss of a significant customer or project;

the number and types of projects that we undertake;

our ability to attract, train and retain skilled management and technology professionals;

seasonal variations in spending patterns;

our employee utilization rates, including our ability to transition our technology professionals from one project to another;

changes in our pricing policies;

our ability to manage costs; and

costs related to acquisitions of other businesses.

In addition, many factors affecting our operating results are outside of our control, such as:

demand for Internet software;

end-user customer budget cycles;

changes in end-user customers' desire for our partners' products and our services;

pricing changes in our industry;

government regulation and legal developments regarding the use of the Internet; and

general economic conditions.

We expect that we may experience seasonal fluctuations in revenues. We expect that revenues in the quarter ending December 31 may typically be lower than in other quarters because there are fewer billable days in this quarter as a result of vacations and holidays. This seasonal trend may materially affect our quarter-to-quarter operating results.

Our revenues are difficult to predict because they are derived from project-based engagements.

Almost all of our revenues are from project-based client engagements, which vary in size and scope. As a result, our revenues are difficult to predict because a client that accounts for a significant portion of these revenues in one period may not generate a similar amount of revenues, if any, in subsequent periods. In addition, because many of our project-based client engagements involve sequential stages, each of which may represent a different contractual commitment, a client may not choose to retain us for subsequent stages of an engagement or for new service projects.

Our gross margins are subject to fluctuations as a result of variances in utilization rates.

Our gross margins are affected by trends in the utilization rate of our professionals, defined as the percentage of our professionals' time billed to customers divided by the total available hours in a period. Our operating expenses, including employee salaries, rent and administrative expenses are relatively fixed and cannot be reduced on short notice to compensate for unanticipated variations in the number or size of projects in process. If a project ends earlier than scheduled, we may need to redeploy our project personnel. Any resulting non-billable time may adversely affect our gross margins. The absence of long-term contracts and the need for new partners and business create an uncertain revenue stream, which could negatively affect our financial condition.

We may not grow, or we may be unable to manage our growth.

Our success will depend on our ability to increase the number of our partners, end-user customers and our teams of technology professionals. However, we may not grow as planned or at all. Many of our competitors have longer operating histories, more established reputations, more potential partner and end-user customer relationships and greater financial, technical and marketing resources than we do. If we experience growth, our growth will place significant strains on our management, personnel and other resources. If we are unable to grow or manage our growth effectively, this inability will adversely affect the quality of our services and our ability to retain key personnel, and could materially harm our business.

We may not be able to attract and retain technology professionals, which could affect our ability to compete effectively.

Our business is labor intensive. Accordingly, our success depends in large part upon our ability to attract, train, retain, motivate, manage and utilize highly skilled technology professionals. Additionally, our technology professionals are at-will employees. Any inability to attract, train and retain highly skilled technology professionals would impair our ability to adequately manage, staff and utilize our existing projects and to bid for or obtain new projects, which in turn would adversely affect our operating results.

Our success will depend on retaining our senior management team and key technical personnel.

We believe that our success will depend on retaining our senior management team and key technical personnel. This dependence is particularly important in our business, because personal relationships are a critical element of obtaining and maintaining our partners. If any of these people stop working for us, our level of management, technical, marketing and sales expertise could significantly diminish. These people would be difficult to replace, and losing them could seriously harm our business. We may not be able to prevent key personnel, who may leave our employ in the future, from disclosing or using our technical knowledge, practices or procedures. One or more of our key personnel may resign and join a competitor or form a competing company. As a result, we might lose existing or potential clients.

We face risks associated with finding and integrating acquisitions.

We made three acquisitions during 2000 and we completed the acquisitions of Vertecon and Javelin in April 2002. We may continue to expand our technological expertise and geographical presence through selective acquisitions. Any acquisitions or investments we make in the future will involve risks. We may not be able to make acquisitions or investments on commercially acceptable terms. If we do buy a company, we could have difficulty retaining and assimilating that company's personnel. In addition, we could have difficulty assimilating acquired products, services or technologies into our operations and retaining the customers of that company. Our operating results may be adversely affected by increased intangibles amortization, stock compensation expense and increased compensation expense attributable to newly hired employees. Furthermore, our management's attention may be diverted from other aspects of our business and our reputation may be harmed if an acquired company performs poorly. These difficulties could disrupt our ongoing business, distract our management and employees, increase our expenses and materially and adversely affect our results of operations. Furthermore, we may incur debt or issue equity securities to pay for any future acquisitions. If we issue equity securities, your ownership share of our common stock will be diluted.

We may face potential liability to customers if our customers' systems fail.

Edgar Filing: PERFICIENT INC - Form 10QSB

Our professional services and software are often critical to the operation of our customers' businesses and provide benefits that may be difficult to quantify. If one of our customers' systems fails, the customer could make a claim for substantial damages against us, regardless of our responsibility for that failure. The limitations of liability set forth in our contracts may not be enforceable in all instances and may not otherwise protect us from liability for damages. Our insurance coverage may not continue to be available on reasonable terms or in sufficient amounts to cover one or more large claims. In addition, a

given insurer might disclaim coverage as to any future claims. If we experience one or more large claims against us that exceed available insurance coverage or result in changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, our business and financial results could be hurt.

Risks Relating to Our Industry

The Internet services market demand is subject to uncertainty.

The market for Internet services is relatively new and is evolving rapidly. Our future growth is dependent upon our ability to provide strategic Internet services that are accepted by our end-user customers. Demand and market acceptance for recently introduced services are subject to a high level of uncertainty. The level of demand and acceptance of strategic Internet services is dependent upon a number of factors, including:

the growth in consumer access to and acceptance of new interactive technologies such as the Internet;

companies adopting Internet-based business models; and

the development of technologies that facilitate two-way communication between companies and targeted audiences.

Significant issues concerning the commercial use of these technologies include security, reliability, cost, ease of use and quality of service. These issues remain unresolved and may inhibit the growth of Internet business solutions providers that use these technologies.

The demand for Internet software and services has weakened significantly and demand will likely remain weak for some time due to the current economic climate.

The market for Internet software and services has changed rapidly over the last four years. The market for Internet software and services expanded dramatically during 1999 and most of 2000, but declined significantly in 2001 and 2002. Since the second half of 2000, many companies have experienced financial difficulties or uncertainty, and cancelled or delayed spending on technology initiatives as a result. Our future growth is dependent upon the demand for Internet software and services and our ability to provide strategic Internet services that are accepted by our end-user customers. Demand and market acceptance for Internet services are subject to a high level of uncertainty. If companies continue to cancel or delay their business and technology initiatives or choose to move these initiatives in-house because of the current economic climate, or for other reasons, our business, financial condition and results of operations could be materially and adversely affected.

Business may decrease or delay their use of advanced technologies as a means for conducting commerce.

Edgar Filing: PERFICIENT INC - Form 10QSB

Our future success depends heavily on the acceptance and use of advanced technologies as a means for conducting commerce and streamlining operations. We focus our services on the development and implementation of advanced technology strategies and solutions. If the use of these technologies does not grow, or such growth is delayed due to economic uncertainty or other conditions, our revenue could be less than we anticipate and our business, financial condition and results of operations could be materially adversely affected.

Our business will suffer if we do not keep up with rapid technological change, evolving industry standards or changing partner requirements.

Rapidly changing technology, evolving industry standards and changing partner needs are common in the Internet professional services market. Accordingly, our success will depend, in part, on our ability to:

- continue to develop our technology expertise;
- enhance our current services;
- develop new services that meet changing partner and end-user customer needs;
- advertise and market our services; and
- influence and respond to emerging industry standards and other technological changes.

We must accomplish all of these tasks in a timely and cost-effective manner. We might not succeed in effectively doing any of these tasks, and our failure to succeed could have a material and adverse effect on our business, financial condition or results of operations, including materially reducing our revenue and increased net losses.

We may also incur substantial costs to keep up with changes surrounding the Internet. Unresolved critical issues concerning the commercial use and government regulation of the Internet include the following:

- security;
- cost and ease of Internet access;
- intellectual property ownership;
- privacy;
- taxation; and
- liability issues.

Any costs we incur because of these factors could materially and adversely affect our business, financial condition and results of operations, including increased net losses.

Our market is highly competitive and has low barriers to entry.

Edgar Filing: PERFICIENT INC - Form 10QSB

The market for Internet professional services is relatively new, intensely competitive, rapidly evolving and subject to rapid technological change. In addition, there are relatively low barriers to entry into this market. Because of the rapid changes to, and volatility in, the Internet software and service industry, many well-capitalized companies that may have chosen sectors of the industry that are not competitive with our business, including some of our partners, may refocus their activities and resources. As a result, they could deploy their resources and enter into a business that is competitive with ours. In addition, with consolidation in the Internet software and service industry, many software developers that may have become our partners could acquire or develop the capability to perform our services for themselves or merge with our competitors.

Our current competitors include:

in-house information technology and professional services and support departments of software companies;

systems integrators, such as Sapient Corporation, and SBI and Company;

large consulting firms, such as Accenture, Bearing Point, Deloitte Consulting and Cap Gemini Ernst & Young;

information technology staffing firms, such as Keane, Inc., and Aquent (formerly Renaissance Worldwide) and;

other eBusiness solutions service providers engaged by IBM as subcontractors.

Many of our current and potential competitors have longer operating histories, more established reputations and potential partner relationships and greater financial, technical, industry and marketing resources than we do. This may place us at a disadvantage to our competitors, which may harm our ability to grow or maintain revenue or generate net income.

Risks Relating to Ownership of Our Stock

If our common stock is delisted from the NASDAQ SmallCap Market, it would make it more difficult to dispose of our common stock and to obtain accurate pricing information for our common stock.

We received notice from NASDAQ on March 18, 2003, indicating that for 30 consecutive trading days the bid price of our common stock had closed below the minimum \$1.00 per share required for continued listing on the NASDAQ SmallCap Market. NASDAQ has provided an extension through September 15, 2003 for us to achieve compliance with the \$1.00 minimum bid requirement. We may not be able to comply with the listing criteria discussed above within the period provided or we may not be able to comply with the listing requirements of the NASDAQ SmallCap Market in the future. In the event that our common stock is delisted from the NASDAQ SmallCap Market, it will be more difficult to dispose of our common stock and to obtain accurate pricing information for our common stock.

The trading volume of our common stock has been limited and, as a result, our stock price has been, and will likely continue to be, volatile.

Our common stock is traded on the NASDAQ SmallCap Market under the symbol PRFT. The trading volume of our common stock has been limited, and the stock prices have been volatile. Our common stock price may continue to be highly volatile and may fluctuate as a result of the limited trading volume.

Our officers, directors, and 5% and greater stockholders own a large percentage of our voting securities.

Our executive officers, directors and existing 5% and greater stockholders beneficially own or control greater than 50% of the voting power of our common stock. This concentration of ownership of our common stock may make it difficult for other Perficient stockholders to successfully approve or defeat matters that may be submitted for action by our stockholders. It may also have the effect of delaying, deterring or preventing a change in control of our company.

It may be difficult for another company to acquire us, and this could depress our stock price.

Provisions of our certificate of incorporation, by-laws and Delaware law could make it difficult for a third party to acquire us, even if doing so would be beneficial to our stockholders. In addition, under our agreement with IBM, we have granted IBM a right of first offer and a right to terminate its agreement with us with respect to any change of control transaction with a company that has a substantial portion of its business in

Edgar Filing: PERFICIENT INC - Form 10QSB

the web application server product and services market, other than a systems integrator or professional services firm. As a result, a potential acquirer may be discouraged from making an offer to buy us.

We may need additional capital in the future, which may not be available to us. The raising of any additional capital may dilute your ownership percentage in our stock.

We believe our existing line of credit and working capital should provide sufficient resources to satisfy our near term capital requirements. Our existing line of credit facility expires in December 2003. If we are unable to renew our line of credit, we may need to obtain an alternate debt financing facility. However, while we do not see an immediate need, in the future we may need to raise additional funds through public or private debt or equity financing in order to:

take advantage of opportunities, including more rapid expansion or acquisitions of, or investments in, businesses or technologies;

develop new services; or

respond to competitive pressures.

Any additional capital raised through the sale of equity will dilute your ownership percentage in our stock. Furthermore, we cannot assure you that any additional financing we may need will be available on terms favorable to us, or at all. In such case, our business results would suffer.

Item 3. Controls and Procedures

We performed an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, our management, including our CEO and CFO, concluded that our disclosure controls and procedures were effective as of March 31, 2003.

There have been no significant changes in our internal controls or other factors that could significantly affect internal controls subsequent to the date the Company carried out its evaluation.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

We are currently not a party to any material legal proceedings.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

Exhibit Number	Description
2.1##	Agreement and Plan of Merger, dated as of September 30, 2001, by and among Perficient, Inc., Perficient Vertecon, Inc., Primary Webworks, Inc. d/b/a Vertecon, Inc., and certain shareholders of Vertecon, Inc.
2.2##	Agreement and Plan of Merger, dated as of October 26, 2001, by and among Perficient, Inc., Perficient Javelin, Inc., Javelin Solutions, Inc. and the shareholders of Javelin Solutions, Inc.
3.1+	Certificate of Incorporation of Perficient, Inc.
3.2+	Bylaws of Perficient Inc.
4.1+	Specimen Certificate for shares of common stock.
4.2+	Warrant granted to Gilford Securities Incorporated.
4.3+++	Certificate of Designation, Rights and Preferences of Series A Preferred Stock.
4.4+++	Form of Common Stock Purchase Warrant.
4.5###	Certificate of Designation, Rights and Preferences of Series B Preferred Stock.

Edgar Filing: PERFICIENT INC - Form 10QSB

- 4.6### Form of Common Stock Purchase Warrant.
- 10.1** 1999 Stock Option/Stock Issuance Plan, including all amendments thereto.
- 10.2## Employment Agreement between the Company and John T. McDonald.
- 10.3+ Form of Indemnity Agreement between Perficient and its directors and officers.
- 10.4* Agreement and Plan of Merger, dated as of December 10, 1999, by and among the Registrant, Perficient Acquisition Corp., LoreData, Inc. and John Gillespie (including amendments thereto).
- 10.5** Agreement and Plan of Merger, dated as of February 16, 2000 by and among the Registrant, Perficient Compete, Inc., Compete Inc., and the Shareholders of Compete, Inc.
- 10.6*** Registration Rights Agreement, dated as of January 3, 2000 between Perficient and John Gillespie.

Edgar Filing: PERFICIENT INC - Form 10QSB

- 10.7++ Lease by and between HUB Properties Trust and Perficient.
- 10.8# Agreement dated October 10, 2000 between Perficient and International Business Machines, Inc.
- 10.9## Employment Agreement with Jeffrey Davis
- 10.10## Employment Agreement with Dale Klein
- 10.11## Form of Voting Agreement regarding Vertecon Stock Issuance
- 10.12## Form of Voting Agreement regarding Javelin Stock Issuance
- 10.13## Form of Voting Agreement regarding Series A Preferred Stock and Warrants
- 10.14+++ Convertible Stock Purchase Agreement, dated as of December 21, 2001 by and among Perficient and the Investors listed on Schedule 1 thereto
- 10.15### Convertible Stock Purchase Agreement, dated as of June 26, 2002 by and between Perficient and the Investor listed on Schedule 1 thereto.
- 10.16### First Amended and Restated Investor Rights Agreement dated as of June 26, 2002 by and between Perficient, Inc. and the Investors listed on Exhibits A and B thereto.
- 21.1## Subsidiaries.

+ Previously filed with the Securities and Exchange Commission as an Exhibit to the Company's Registration Statement on Form SB-2 (File No. 333-78337) declared effective on July 28, 1999 by the Securities and Exchange Commission and incorporated herein by reference.

++ Previously filed with the Securities and Exchange Commission as an Exhibit to the Company's Registration Statement on Form SB-2 (File No. 333-35948) declared effective on July 6, 2000 by the Securities and Exchange Commission and incorporated herein by reference.

+++ Previously filed with the Securities and Exchange Commission as an Exhibit to the Company's Current Report on Form 8-K filed on January 17, 2002 and incorporated herein by reference.

* Previously filed with the Securities and Exchange Commission as an Exhibit to the Company's Current Report on Form 8-K filed on January 14, 2000 and incorporated herein by reference.

Edgar Filing: PERFICIENT INC - Form 10QSB

** Previously filed with the Securities and Exchange Commission as an Appendix to the Company's Proxy Statement filed on April 7, 2000 and incorporated herein by reference.

*** Previously filed with the Securities and Exchange Commission as an Exhibit to the Company's Annual Report on Form 10-KSB filed on March 30, 2000 and incorporated herein by reference.

Previously filed with the Securities and Exchange Commission as an Exhibit to the Company's Annual Report on Form 10-KSB filed on April 2, 2001 and incorporated herein by reference.

Previously filed with the Securities and Exchange Commission as an Exhibit to the Company's Registration Statement on Form S-4 (File No. 333-73466) incorporated herein by reference.

Previously filed with the Securities and Exchange Commission as an Exhibit to the Company's Current Report on Form 8-K filed on July 18, 2002 and incorporated by reference herein.

(b) Reports on Form 8-K.

On January 21, 2003, we filed a Current Report on Form 8-K pursuant to Item 5 (Other Events) to report that we received notice from NASDAQ indicating that our common stock had been at \$1 per share or greater for at least 10 consecutive trading days, and as a result, we had regained compliance with the NASDAQ SmallCap Market listing requirements.

On March 20, 2003, we filed a Current Report on Form 8-K pursuant to Item 5 (Other Events) to report that we received notice from NASDAQ indicating that for 30 consecutive trading days, the bid price of our common stock closed below the minimum \$1.00 per share required for continued listing on the NASDAQ SmallCap Market.

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, as amended, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PERFICIENT, INC.

Dated: May 8, 2003

/s/ John T. McDonald

John T. McDonald, Chief Executive
Officer (Principal Executive Officer)

Dated: May 8, 2003

/s/ Mark D. Mauldin

Mark D. Mauldin, Chief Financial Officer
(Principal Financial and Accounting Officer)

Certification of Quarterly Report

I, John T. McDonald, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Perficient, Inc.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 8, 2003

/s/ John T. McDonald
John T. McDonald
Chairman and Chief Executive Officer
(Principal Executive Officer)

Certification of Quarterly Report

I, Mark D. Mauldin, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Perficient, Inc.;

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 8, 2003

/s/ Mark D. Mauldin
Mark D. Mauldin
Chief Financial Officer
(Principal Accounting Officer)