PERFICIENT INC
Form 10-K/A
August 14, 2007

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

**FORM 10-K/A**
**Amendment No. 2**

(Mark one)

x Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2006

o Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission file number 001-15169

**PERFICIENT, INC.**
(Exact Name of Registrant as Specified in Its Charter)

| | |
|---|---|
| **Delaware** | **No. 74-2853258** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

**1120 South Capital of Texas Highway, Building 3, Suite 220**
**Austin, Texas 78746**
(Address of principal executive offices)

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

Securities registered pursuant to Section 12(b) of the Act:
**Common Stock, $0.001 par value**
(Title of Class)

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

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 þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Sec.229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act.

Large accelerated filer o Accelerated filerþ Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o Noþ

The aggregate market value of the voting stock held by non-affiliates of the Company was approximately $275.5 million on June 30, 2006 based on the last reported sale price of the Company's common stock on the NASDAQ National Market on June 30, 2006.

As of February 26, 2007, there were 27,288,210 shares of Common Stock outstanding.

Portions of the definitive proxy statement in connection with the 2007 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission no later than April 30, 2007, are incorporated by reference in Part III of this Form 10-K.

**Perficient, Inc.**

**Form 10-K/A**
**Introductory Note**

This Amendment No. 2 to annual report on Form 10-K/A ("Form  10-K/A") is being filed to amend our annual report on Form 10-K for the year ended December 31, 2006, which was originally filed on March 5, 2007 and amended on March 7, 2007 (Original Form 10-K). Accordingly, pursuant to rule 12b-15 under the Securities Exchange Act of 1934, as amended, this Form 10-K/A contains the complete text of Items 7, 8 and 9A of Part II, Item 5 of Part IV and currently dated certificates are included as exhibits. Unaffected items have not been repeated in this Amendment No. 2.

In August 2007, it was determined that certain previously reported payments associated with our business acquisitions were incorrectly included as a component of cash flows provided by operating activities in the Company's Consolidated Statements of Cash Flows. As a result, we have restated our Consolidated Statement of Cash Flows for the years ended December 31, 2006 and 2005 to reclassify such payments from cash flows provided by operating activities to cash flows used in investing activities. We have also revised our Notes to Consolidated Financial Statements as necessary to reflect the adjustments.

The restatement adjustments had no impact on the previously issued Consolidated Balance Sheets, Consolidated Statements of Income and Consolidated Statements of Stockholders' Equity.

**This amendment does not reflect events occurring after the filing of the Original Form 10-K, and does not modify or update the disclosures therein in any way other than as required to reflect the adjustments described above. Such events include among others, the events described in our quarterly report on Form 10-Q for the quarter ended March 31, 2007, the quarterly report on Form 10-Q for the quarter and year-to-date period ended June 30, 2007, and the events described in our current reports on Form 8-K filed after the filing of the original Form 10-K. We will file with the Securities and Exchange Commission an amendment to our quarterly report on Form 10-Q for the quarter ended March 31, 2007 to reflect changes therein required as a consequence of the adjustments described above.**

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## PART II

### Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

*You should read the following summary together with the more detailed business information and consolidated financial statements and related notes that appear elsewhere in this annual report and in the documents that we incorporate by reference into this annual report. This annual report may contain certain "forward-looking" information within the meaning of the Private Securities Litigation Reform Act of 1995. This information involves risks and uncertainties. Our actual results may differ materially from the results discussed in the forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in "Risk Factors."*

### Overview

We are an information technology consulting firm serving Global 2000 and large enterprise companies throughout the United States and Canada. We help clients gain competitive advantage by using Internet-based technologies to make their businesses more responsive to market opportunities and threats, strengthen relationships with customers, suppliers and partners, improve productivity and reduce information technology costs. Our solutions enable these benefits by integrating, automating and extending business processes, technology infrastructure and software applications end-to-end within an organization and with key partners, suppliers and customers. This provides real-time access to critical business applications and information and a scalable, reliable, secure and cost-effective technology infrastructure.

*Services Revenues*

Services revenues are derived from professional services performed developing, implementing, integrating, automating and extending business processes, and technology infrastructure and software applications. Most of our projects are performed on a time and materials basis, and a smaller amount of revenues is derived from projects performed on a fixed fee basis. Fixed fee engagements represented approximately 9% of our services revenues for the year ended December 31, 2006. For time and material projects, revenues is recognized and billed by multiplying the number of hours our professionals expend in the performance of the project by the established billing rates. For fixed fee projects, revenues are generally recognized using the proportionate performance method. Revenues on uncompleted projects are recognized on a contract-by-contract basis in the period in which the portion of the fixed fee is complete. Amounts invoiced to clients in excess of revenues recognized are classified as deferred revenues. The Company's average bill rates increased slightly in 2006. The Company is anticipating modest additional increases in 2007. On most projects, we are also reimbursed for out-of-pocket expenses such as airfare, lodging and meals. These reimbursements are included as a component of revenues. The aggregate amount of reimbursed expenses will fluctuate depending on the location of our customers, the total number of our projects that require travel, and whether our arrangements with our clients provide for the reimbursement of travel and other project related expenses.

*Software Revenues*

Software revenues are derived from sales of third-party software. Revenues from sales of third-party software are recorded on a gross basis provided we act as a principal in the transaction. In the event we do not meet the requirements to be considered a principal in the software sale transaction and act as an agent, the revenues are recorded on a net basis. Software revenues are expected to fluctuate from quarter-to-quarter depending on our customers' demand for software products.

*Cost of revenues*

Cost of revenues consists primarily of cash and non-cash compensation and benefits associated with our technology professionals and subcontractors. Non-cash compensation includes stock compensation expenses arising from restricted stock and option grants to employees. Cost of revenues also includes third-party software costs, reimbursable expenses and other unreimbursed project related expenses. Project related expenses will fluctuate generally depending on outside factors including the cost and frequency of travel and the location of our customers. Cost of revenues does not include depreciation of assets used in the production of revenues.

*Gross Margins*

Our gross margins for services are affected by the utilization rates of our professionals, defined as the percentage of our professionals' time billed to customers divided by the total available hours in the respective period, the salaries we pay our consulting professionals and the average billing rate we receive from our customers. If a project ends earlier than scheduled or we retain professionals in advance of receiving project assignments, or if demand for our services declines, our utilization rate will decline and adversely affect our gross margins. Subject to fluctuations resulting from our acquisitions, we expect these key metrics of our services business to remain relatively constant for the foreseeable future assuming there are no further declines in the demand for information technology software and services. Gross margin percentages of third party software sales are typically lower than gross margin percentages for services and the mix of services and software for a particular period can significantly impact total combined gross margin percentage for such period. In addition, gross margin for software sales can fluctuate due to pricing and other competitive pressures.

*Selling, General and Administrative Expenses*

Selling, general and administrative expenses ("SG&A") consist of salaries, bonuses, non-cash compensation, office costs, recruiting, professional fees, sales and marketing activities, training, and other miscellaneous expenses. Non-cash compensation includes stock compensation expenses related to restricted stock and option grants to employees and non-employee directors. We work to minimize selling costs by focusing on repeat business with existing customers and by accessing sales leads generated by our software business partners, most notably IBM, whose products we use to design and implement solutions for our clients. These partnerships enable us to reduce our selling costs and sales cycle times and increase win rates through leveraging our partners' marketing efforts and endorsements. A substantial portion of our SG&A costs are relatively fixed. As a result, we expect SG&A costs as a percentage of revenue to decline as we continue to increase revenues in 2007.

*Plans for Growth and Acquisitions*

Our goal is to continue to build one of the leading independent information technology consulting firms in North America by expanding our relationships with existing and new clients, leveraging our operations to expand nationally and continuing to make disciplined acquisitions. We believe the United States represents an attractive market for growth, primarily through acquisitions. As demand for our services grows, we believe we will attempt to increase the number of professionals in our 15 North American offices and to add new offices throughout the United States, both organically and through acquisitions. In addition, we believe our track record for identifying acquisitions and our ability to integrate acquired businesses helps us complete acquisitions efficiently and productively, while continuing to offer quality services to our clients, including new clients resulting from the acquisitions.

Consistent with our strategy of growth through disciplined acquisitions, we consummated six acquisitions since January 1, 2005, including one in February 2007.

**Results of Operations**

The following table summarizes our results of operations as a percentage of total revenues:

| Revenues: | 2006 | 2005 | 2004 |
|---|---|---|---|
| Services revenues | 85.6% | 86.3% | 73.6% |
| Software revenues | 9.0 | 9.7 | 22.4 |
| Reimbursed expenses | 5.4 | 4.0 | 4.0 |
| Total revenues | 100.0 | 100.0 | 100.0 |
| Cost of revenues (exclusive of depreciation and amortization, shown separately below): | | | |
| Project personnel costs | 52.3 | 52.7 | 44.3 |
| Software costs | 7.5 | 8.0 | 19.3 |
| Reimbursable expenses | 5.4 | 4.0 | 4.0 |
| Other project related expenses | 1.3 | 1.9 | 0.5 |
| Total cost of revenues | 66.5 | 66.6 | 68.1 |
| Services gross margin | 37.4 | 36.7 | 39.2 |
| Software gross margin | 16.1 | 17.8 | 13.9 |
| Total gross margin | 35.3 | 34.8 | 33.3 |
| Selling, general and administrative | 20.1 | 18.5 | 18.8 |
| Depreciation and amortization | 2.7 | 2.3 | 2.1 |
| Income from operations | 10.7 | 12.6 | 11.0 |
| Interest expense, net | (0.2) | (0.7) | (0.2) |
| Income before income taxes | 10.5 | 11.9 | 10.8 |
| Provision for income taxes | 4.5 | 4.6 | 4.3 |
| Net income | 6.0% | 7.3% | 6.5% |

**Year Ended December 31, 2006 Compared to Year Ended December 31, 2005**

*Revenues*. Total revenues increased 66% to $160.9 million for the year ended December 31, 2006 from $97.0 million for the year ended December 31, 2005. Services revenues increased 65% to $137.7 million in 2006 from $83.7 million in 2005. These increases were attributable to increased demand for the Company's services and to the acquisitions of Bay Street Solutions Inc. (“Bay Street”), Insolexen Corp. (“Insolexen”), and the Energy, Government and General Business (“EGG”) division of Digital Consulting & Software Services, Inc. in 2006 and the full year impact of the acquisitions of iPath and Vivare in 2005. Services revenue increased 23% due to organic services revenue growth for the year ended December 31, 2006 compared to 14% for the year ended December 31, 2005. The Company calculates organic services revenue growth by measuring the trailing four quarters sequential quarterly services revenue growth for businesses that have been owned for at least two quarters.

Additionally, the increase in services revenues resulted from increases in the number of projects. The average utilization rate of our professionals, excluding subcontractors, remained consistent at 83% for the years ended December 31, 2006 and 2005. The Company believes utilization rates will be similar in 2007. Software revenues increased 54% to $14.4 million in 2006 from $9.4 million in 2004 mainly due to acquisitions and corresponding services revenue growth. Reimbursable expenses increased 127% to $8.8 million in 2006 from $3.9 million in 2005 due to acquisitions and an increased number of projects requiring consultant travel. We do not realize any profit on reimbursable expenses.

*Cost of revenues*. Cost of revenues increased 66% to $107.2 million for the year ended December 31, 2006 from $64.6 million for the year ended December 31, 2005. The increase in cost of revenues is attributable to an increase in the number of professionals as a result of organic growth in addition to the acquisitions of Bay Street, Insolexen, and EGG, an increase in bonus costs associated with strong operating performance, and stock compensation expense. The average number of professionals performing services, including subcontractors, increased to 686 for the year ended December 31, 2006 from 431 for the year ended December 31, 2005. Stock compensation expense included in cost of revenues for the year ended December 31, 2006 was nearly $1 million. No stock compensation expense was recognized in cost of revenues prior to January 1, 2006. The increase in stock compensation expense is the result of our adoption of Statement of Financial Accounting Standards No. 123 (revised) ("SFAS 123R"), *Share Based Payment,* on January 1, 2006. Costs associated with software sales increased 57% to $12.1 million in 2006 from $7.7 million in 2005 in connection with the increased software revenues in 2006 compared to 2005.

*Gross Margin*. Gross margin increased 66% to $53.8 million for the year ended December 31, 2006 from $32.4 million for the year ended December 31, 2005. Gross margin as a percentage of revenues remained consistent at 33.4% for the years ended December 31, 2006 and 2005. Services gross margin increased to 37.4% in 2006 from 36.7% in 2005 primarily due to an increase in average billing rates and improved project pricing. This increase was partially offset by $1 million of non-cash stock compensation expense recognized in cost of revenues during the year ended December 31, 2006, as discussed above. Excluding stock compensation expense, gross margin increased to 34% for the year ended December 31, 2006 from 33% for the year ended December 31, 2005. Software gross margin decreased to 16.1% in 2006 from 17.7% in 2005 primarily as a result of fluctuations in selling prices to customers due to fluctuations in vendor pricing based on market conditions at the time of the sales.

*Selling, General and Administrative*. Selling, general and administrative expenses increased 80% to $32.3 million for the year ended December 31, 2006 from $17.9 million for the year ended December 31, 2005 due primarily to an increase in bonus costs associated with strong operating performance of $3.5 million. We also experienced increases in sales related costs of $3.2 million, management personnel, support personnel and facilities related to our investment in our infrastructure, including improvements related to Sarbanes-Oxley of $2.3 million. The acquisitions of Bay Street, Insolexen, and EGG during 2006 also contributed to the increase. Stock compensation expense included in selling, general and administrative expenses for the year ended December 31, 2006 was $2.1 million compared to $264,000 for the year ended December 31, 2005. The increase in stock compensation expense is the result of our adoption of SFAS 123R on January 1, 2006. Selling, general and administrative expenses as a percentage of revenues, excluding stock compensation, increased to 19% for the year ended December 31, 2006 from 18% for the year ended December 31, 2005 due primarily to higher bonus and recruiting, partially offset by lower office costs, salaries, and professional fees. Stock compensation expense, as a percentage of services revenues, increased to 1.6% for the year ended December 31, 2006 compared to 0.3% for the year ended December 31, 2005.

*Depreciation*. Depreciation expense increased 54% to $948,000 during 2006 from approximately $615,000 during 2005. The increase in depreciation expense is due to the addition of software programs, servers, and other computer equipment to enhance our technology infrastructure and support our growth, both organic and acquisition-related. Depreciation expense as a percentage of total revenues was 0.6% for the years ended December 31, 2006 and 2005.

*Intangibles Amortization*. Intangibles amortization expenses increased 115% to $3.5 million for the year ended December 31, 2006 from approximately $1.6 million for the year ended December 31, 2005. The increase in amortization expense reflects the acquisition of intangibles acquired from Bay Street, Insolexen, and EGG and full year amortization of intangible assets acquired for iPath and Vivare.

*Interest Expense*. Interest expense decreased 23% to $509,000 for the year ended December 31, 2006 compared to approximately $658,000 during the year ended December 31, 2005. This decrease is primarily due to a lower average amount of debt outstanding during 2006 compared to 2005. As of December 31, 2006, there was approximately $1.3 million outstanding on the acquisition line of credit and no amounts outstanding on the accounts receivable line of credit. Our outstanding borrowings on the acquisition line of credit had an average interest rate of 7.0% for the year ended December 31, 2006 while the average interest rate on our accounts receivable line of credit borrowings for the year ended December 31, 2006 was 7.96%. During 2006, we drew down $34.9 million on the accounts receivable line of credit and repaid $38.9 million.

*Provision for Income Taxes*. We accrue a provision for federal, state and foreign income tax at the applicable statutory rates adjusted for non-deductible expenses. Our effective tax rate increased to 43.2% for the year ended December 31, 2006 from 38.5% for the year ended December 31, 2005 as a result of non-deductible stock compensation related to incentive stock options included in our statement of operations in 2006 as a result of the adoption of SFAS 123R on January 1, 2006 and certain non-deductible compensation required by Section 162(m) of the Internal Revenue Code, which imposes a limitation on the deductibility of certain compensation in excess of $1 million paid to covered employees .

**Year Ended December 31, 2005 Compared to Year Ended December 31, 2004**

*Revenues*. Total revenues increased 65% to $97.0 million for the year ended December 31, 2005 from $58.8 million for the year ended December 31, 2004. Services revenues increased 93% to $83.7 million in 2005 from $43.3 million in 2004. These increases were attributable to increased demand for the Company's services and to the acquisitions of iPath Solutions, Ltd. ("iPath") and Vivare, LP ("Vivare") in 2005 and the full year impact of the acquisitions of Genisys Consulting, Inc. ("Genisys"), Meritage Technologies, Inc. ("Meritage") and ZettaWorks LLC ("Zettaworks") in 2004.

Additionally, the increase in services revenues resulted from increases in average project size and quantity of projects. The average utilization rate of our professionals, excluding subcontractors, remained relatively stable at 83% for the year ended December 31, 2005. For the years ended December 31, 2005 and 2004, 9% and 17%, respectively, of our revenues was derived from sales to IBM. While the dollar amount of revenues from IBM has remained relatively constant over the past two years, the percentage of total revenues from IBM has decreased as a result of the Company's growth and corresponding customer diversification. Software revenues decreased 29% to $9.4 million in 2005 from $13.2 million in 2004 due to lower client demand in the fourth quarter of 2005 compared to 2004. Software revenues are generated from the sale of third party software except for approximately $282,000 from the sale of internally developed software recognized in 2005. Reimbursable expenses increased 65% to $3.9 million in 2005 from $2.3 million in 2004.

*Cost of revenues*. Cost of revenues increased 61% to $64.6 million for the year ended December 31, 2005 from $40.0 million for the year ended December 31, 2004. The increase in cost of revenues is attributable to an increase in the number of professionals due to hiring and the acquisitions of ZettaWorks, iPath, and Vivare. The average number of professionals performing services, including subcontractors, increased to 431 for the year ended December 31, 2005 from 220 for the year ended December 31, 2004. In addition, the Company changed its internal policy for the carry-over of billable employee's accrued vacation hours which we had allowed as of December 31, 2004, but discontinued this policy and allowed no more vacation hour carry-overs as of December 31, 2005. As a result, the Company had approximately $237,000 of billable employee's accrued vacation expense as of December 31, 2004 which was forfeited during 2005. Costs associated with software sales decreased 32% to $7.7 million in 2005 from $11.3 million in 2004 in connection with the decreased software revenues in 2005 compared to 2004.

*Gross Margin*. Gross margin increased 72% to $32.4 million for the year ended December 31, 2005 from $18.8 million for the year ended December 31, 2004. Gross margin as a percentage of total revenues increased to 33.4% in 2005 from 32.0% in 2004. The increase in gross margin as a percentage of total revenues is due to a mix of improved software margins off-set by lower services margins. Services gross margin decreased slightly to 36.7% in 2005 from 39.2% in 2004 primarily due to lower gross margins on consulting services contracts acquired in the acquisitions of ZettaWorks and iPath. These businesses are national practices rather than local practices and, as a result, they incur a greater amount of unreimbursed travel expenses for delivery of services outside of their local geographic market. Unreimbursed expenses negatively impact our services gross margins. Services gross margins have also been impacted by the acquisition of Vivare which has slightly lower services gross margins than our historical average. Software gross margin increased to 17.7% in 2005 from 13.9% in 2004 primarily as a result of fluctuations in selling prices to customers based on fluctuations in vendor pricing based on market conditions at the time of the sales and from the sale of internally developed software representing software revenues of approximately $282,000 for which there was no associated cost of revenues.

*Selling, General and Administrative*. Selling, general and administrative expenses increased 62% to $17.9 million for the year ended December 31, 2005 from $11.1 million for the year ended December 31, 2004 due primarily to increases in the cost of compliance with the Sarbanes-Oxley Act of 2002, professional service fees associated with external audits, and additions of sales personnel, management personnel, support personnel and facilities related to the acquisitions of iPath and Vivare in 2005 and the full year impact of the acquisitions of Genisys, Meritage and Zettaworks in 2004. However, selling, general and administrative expenses as a percentage of total revenues decreased to 18.5% for the year ended December 31, 2005 from 18.8% for the year ended December 31, 2004. The decrease in selling, general and administrative expenses as a percentage of services revenues is the result of operational efficiencies and economies of scale as the Company has grown. However, these cost efficiencies have been off-set by the cost of compliance with the Sarbanes-Oxley Act of 2002 and regular external audit costs which resulted in total costs to the Company during 2005 of approximately $837,000 compared to approximately $145,000 in 2004. In addition, the Company changed its internal policy for the carry-over of selling, general and administrative employee's accrued vacation hours which we had allowed as of December 31, 2004, but discontinued this policy and allowed no more vacation hour carry-overs as of December 31, 2005. As a result, the Company had approximately $48,000 of selling, general and administrative employee's accrued vacation expense as of December 31, 2004 which was forfeited during 2005. Also, during 2005, the Company reduced its allowance for doubtful accounts by approximately $104,000 as a result of improved collections on accounts receivable. Finally, during 2005, the Company realized approximately $300,000 in reduced organizational meeting expenses as compared to 2004.

*Depreciation.* Depreciation expense increased 20% to approximately $615,000 during 2005 from approximately $512,000 during 2004. The increase is due to a general increase in purchases of fixed assets to accommodate growth.

*Intangibles Amortization.* Intangibles amortization expenses, arising from acquisitions, increased 131% to approximately $1.6 million for the year ended December 31, 2005 from approximately $0.7 million for the year ended December 31, 2004. The increase in amortization expense is the result of increased acquisition activity.

*Interest Expense*. Interest expense increased 380% to approximately $659,000 for the year ended December 31, 2005 compared to approximately $137,000 during the year ended December 31, 2004. This increase in interest expense is due to the interest expense related to the acquisition line of credit which was drawn down in connection with the acquisitions of Meritage in June 2004 and ZettaWorks in December 2004, and on draws on the accounts receivable line of credit in connection with the acquisitions of iPath and Vivare. As of December 31, 2005, there was approximately $2.7 million outstanding on the acquisition line of credit and approximately $4.0 million outstanding on the accounts receivable line of credit. During 2005, we drew down $12 million on the accounts receivable line of credit and repaid $8 million.

*Provision for Income Taxes*. We accrue a provision for federal, state and foreign income tax at the applicable statutory rates adjusted for non-deductible expenses. Our effective tax rate decreased slightly to 38.5% for the year ended December 31, 2005 from 39.2% for the year ended December 31, 2004 as a result of a decrease in certain non-deductible expenses. We had deferred tax assets resulting from net operating and capital losses of acquired companies amounting to approximately $2.8 million for which we had a valuation allowance of approximately $2.3 million. We had additional deferred tax assets of approximately $0.4 million from temporary differences between book and tax valuations. These combined deferred tax assets of $0.9 million were off-set by deferred tax liabilities of $0.7 million related to identifiable intangibles, goodwill, and cash to accrual adjustments. Any reversal of the valuation allowance on the deferred tax assets will be adjusted against goodwill and will not have an impact on our statement of operations. All of the net operating and capital losses relate to acquired entities, and as such are subject to annual limitations on usage under the “change in control” provisions of the Internal Revenues Code.

**Liquidity and Capital Resources**

In August 2007, it was determined that the Consolidated Statement of Cash Flows should be restated to properly reflect certain transactions related to our business acquisitions that were incorrectly classified as operating cash flows. As a result of these errors and as more fully discussed in the Introductory Note to this Amendment No. 2, certain financial and other information contained herein have been restated to reflect adjustments described in Note 2 to the accompanying consolidated financial statements. Please read Note 2 for a discussion of the adjustments. The discussion of liquidity and capital resources below is based on the restated Consolidated Statements of Cash Flows.

Selected measures of liquidity and capital resources are as follows (in millions):

| | As of December 31, | |
|---|---|---|
| | 2006 | 2005 |
| Cash and cash equivalents | $ 4.5 | $ 5.1 |
| Working capital | 24.9 | 17.1 |

***Net Cash Provided By Operating Activities***

We expect to fund our operations from cash generated from operations and short-term borrowings as necessary from our credit facility. We believe that these capital resources will be sufficient to meet our needs for at least the next twelve months. Net cash generated by operations for the year ended December 31, 2006 was $13.1 million compared to $9.2 million for the year ended December 31, 2005. The primary components of operating cash flows for the year ended December 31, 2006 were net income after adding back non-cash expenses of $17.1 million offset by increases to accounts receivable of $5.8 million, decreases to accounts payable of $1.3 million, and decreases to other liabilities of $0.7 million. The increase in operating cash flow is due primarily to an increase in non-cash stock compensation of $2.9 million and intangibles amortization of $1.8 million. The increase in accounts receivable is primarily related to acquisitions. No significant changes occurred in the average days sales outstanding.

***Net Cash Used in Investing Activities***

For the year ended December 31, 2006, we used approximately $17.2 million in cash, net of cash acquired, primarily to acquire Bay Street, Insolexen, and EGG. In addition, we used approximately $1.5 million during 2006 to purchase equipment fixed assets and used approximately $136,000 for software capitalized for internal use to expand our information management systems. For the year ended December 31, 2005, we used approximately $11.2 million in cash, net of cash acquired, primarily to acquire iPath and Vivare. In addition, during 2005 we used approximately $691,000 to purchase equipment fixed assets and used approximately $599,000 for software capitalized for internal use to expand our information management systems.

***Net Cash from Financing Activities***

Our financing activities consisted primarily of net payments totaling $4.0 million on our accounts receivable line of credit and $1.3 million of payments on long term debt. During 2006, we received $4.2 million from exercises of stock options and warrants and sales of stock through the Company's Employee Stock Purchase Program. In addition, we realized tax benefits on stock option exercises of $6.6 million during 2006. Prior to the adoption of Statement of Financial Accounting Standards No. 123R (As Amended), *Share Based Payment* (“SFAS 123R”) in 2006, the tax benefit on stock option exercises was classified as an activity in operating cash flows.

***Availability of Funds from Bank Line of Credit Facilities***

We have a $51.3 million credit facility with Silicon Valley Bank and Key Bank National Association ("Key Bank") comprising a $25 million accounts receivable line of credit and a $26.3 million acquisition line of credit. Borrowings under the accounts receivable line of credit bear interest at the bank's prime rate, or 8.25%, as of December 31, 2006. As of December 31, 2006, there were no amounts outstanding under the accounts receivable line of credit and $25 million of available borrowing capacity, excluding $450,000 reserved for two outstanding letters of credit to secure facility leases. In January 2007, the letters of credit decreased $50,000. This accounts receivable line of credit matures in June 2008.

Our $26.3 million term acquisition line of credit with Silicon Valley Bank and Key Bank provides an additional source of financing for certain qualified acquisitions. As of December 31, 2006 the balance outstanding under this acquisition line of credit was $1.3 million. Borrowings under this acquisition line of credit bear interest equal to the four year U.S. Treasury note yield plus 3% based on the spot rate on the day the draw is processed (7.69% at December 31, 2006). Borrowings under this acquisition line are repayable in thirty-six equal monthly installments, after the initial interest only period which continues through June 29, 2007. Draws under this acquisition line may be made through June 29, 2008. We currently have $25 million of available borrowing capacity under this acquisition line of credit.

As of December 31, 2006, we were in compliance with all covenants under our credit facility and we expect to be in compliance during the next twelve months. Substantially all of our assets are pledged to secure the credit facility.

There were no material changes outside the ordinary course of our business in lease obligations or other contractual obligations in 2006. We believe that the current available funds, access to capital from our credit facilities, possible capital from registered placements of equity through the shelf registration, and cash flows generated from operations will be sufficient to meet our working capital requirements and meet our capital needs to finance acquisitions for the next twelve months.

We have filed a shelf registration statement with the Securities and Exchange Commission to allow for offers and sales of our common stock from time to time. Approximately 5 million shares of common stock may be sold under this registration statement if we choose to do so.

***Contractual Obligations***

In connection with certain of our acquisitions, we were required to establish various letters of credit totaling $450,000 to serve as collateral to secure facility leases. The letters of credit reduce the borrowings available under our accounts receivable line of credit. In January 2007, the letters of credit decreased $50,000.

In connection with the acquisition of Javelin, we issued $1.5 million in notes, which have been fully repaid since April 2006.

We have incurred commitments to make future payments under contracts such as leases and certain long-term liabilities. Maturities, including estimated interest, under these contracts are set forth in the following table as of December 31, 2006 (in thousands):

| | Payments Due by Period | | | | |
|---|---|---|---|---|---|
| **Contractual Obligations** | **Total** | **Less Than 1 Year** | **1-3 Years** | **3-5 Years** | **More Than 5 Years** |
| | $ 1,390 | $ 1,251 | $ 139 | $ -- | $ -- |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Long-term debt obligations, including estimated interest | | | | | | | | | | |
| Operating lease obligations | | 4,683 | | 1,355 | | 2,148 | | 1,119 | | 61 |
| Total | $ | 6,073 | $ | 2,606 | $ | 2,287 | $ | 1,119 | $ | 61 |

See Note 10 - "Income Taxes" in Notes to Consolidated Financial Statements for information related to the Company's obligations for taxes.

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. 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.

**Subsequent Event**

On February 20, 2007, the Company consummated the acquisition of E-Tech Solutions. The Company paid approximately $12.2 million consisting of approximately $6.1 million in cash and $6.1 million worth of the Company's common stock, subject to certain post-closing adjustments. As required, we will use the closing price of the Company's common stock at or near the close date in reporting the value of the stock consideration paid in the acquisition, which was $20.34. The Company issued 306,248 shares of its common stock in connection with the acquisition.

**Critical Accounting Policies**

The Company's accounting policies are described in Note 3 to the Consolidated Financial Statements. The Company believes its most critical accounting policies include revenue recognition, estimating the allowance for doubtful accounts, accounting for goodwill and intangible assets, purchase accounting allocation, accounting for stock-based compensation, deferred income taxes and estimating the related valuation allowances.

*Revenue Recognition and Allowance for Doubtful Accounts*

Consulting revenues are comprised of revenues from professional services fees recognized primarily on a time and materials basis as performed. For fixed fee engagements, revenues is recognized using the proportionate performance method based on the ratio of hours expended to total estimated hours. Revenues on uncompleted projects are recognized on a contract-by-contract basis in the period in which the portion of the fixed fee is complete. Billings in excess of costs plus earnings are classified as deferred revenues. Our normal payment terms are net 30 days. Reimbursements for out-of-pocket expenses are included in gross revenues. Revenues from the sale of third-party software are recorded on a gross basis provided that we act as the principal in the transaction. In the event we do not meet the requirements to be considered the principal in the software sale transaction, we record the revenues on a net basis. There is no effect on net income between recording the software sales on a gross basis versus a net basis.

Revenues are recognized when the following criteria are met: (1) persuasive evidence of the customer arrangement exists, (2) fees are fixed and determinable, (3) delivery and acceptance has occurred, and (4) collectibility is deemed probable. We consider a non-cancelable fully executed agreement or client purchase order to be persuasive evidence of an arrangement. We consider delivery to have occurred upon the rendering of services or delivery of software to the client. We consider the fee to be fixed or determinable if the fee is not subject to adjustment, or if we have not granted extended payment terms to the client. We consider collection to be probable if our internal credit analysis indicates that the client will be able to pay amounts as they become due under the arrangement.

For our sales arrangements that contain multiple revenue elements, such as software licenses, professional services and software maintenance, we first determine whether the arrangement is within the scope of Emerging Issues Task Force ("EITF") EITF No. 00-21 ("EITF 00-21"), "Revenue Arrangements with Multiple Deliverables" or Statement of Position ("SOP") 97-2 ("SOP 97-2"), "Software Revenue Recognition". Under EITF 00-21, separate contracts to provide services or for the sale of software to the same client must be evaluated as a multiple element arrangement if they are entered into in the same time frame. We recognize revenue on arrangements with multiple deliverables as separate units of accounting only if certain criteria are met. In general, a deliverable meets the separation criteria if the deliverable has standalone value to the client and if there is objective and reliable evidence of the fair value of all remaining undelivered elements in the arrangement. We allocate the total arrangement consideration to each separate unit of accounting based on the relative fair value of each separate unit of accounting. The amount of arrangement consideration that is allocated to a delivered unit of accounting is limited to the amount that is not contingent upon the delivery of another separate unit of accounting. All deliverables of the Company's multiple element arrangements meet these criteria.

We follow very specific and detailed guidelines, discussed above, in determining revenues; however, certain judgments and estimates are made and used to determine revenues recognized in any accounting period. Material differences may result in the amount and timing of revenues recognized for any period if different conditions were to prevail.

Revenues from internally developed software are allocated to maintenance and support and are recognized ratably over the maintenance term (typically one year).

Revenues allocated to training and consulting service elements is recognized as the services are performed. Our consulting services are not essential to the functionality of our products as such services are available from other vendors.

Our allowance for doubtful accounts is based upon specific identification of likely and probable losses. Each accounting period, we evaluate accounts receivable for risk associated with a client's inability to make contractual payments or unresolved issues with the adequacy of our services. Billed and unbilled receivables that are specifically identified as being at risk are provided for with a charge to revenue in the period the risk is identified. We use considerable judgment in assessing the ultimate realization of these receivables, including reviewing the financial stability of the client, evaluating the successful mitigation of service delivery disputes, and gauging current market conditions. If our evaluation of service delivery issues or a client's ability to pay is incorrect, we may incur future reductions to revenue.

*Goodwill, Other Intangible Assets and Impairment of Long-Lived Assets*

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. The Company follows Statement of Financial Accounting Standards ("SFAS") No. 142, *Goodwill and Other Intangible Assets.* In accordance with SFAS No. 142, we assess our goodwill on October 1 of each year or more frequently if events or changes in circumstances indicate that goodwill might be impaired. Our judgments regarding the existence of impairment indicators and future cash flows related to intangible assets are based on operational performance of the businesses, market conditions and other factors. Future events could cause us to conclude that impairment indicators exist and that goodwill is impaired. Any resulting impairment loss could have an adverse impact on our results of operations by decreasing net income. Management assessed goodwill for impairment at October 1, 2006. This analysis indicated that there was no impairment of the carrying values of goodwill.

We evaluate long-lived tangible assets and intangible assets other than goodwill in accordance with SFAS No. 144, *Accounting for the Impairment of Long-Lived Assets*. Long-lived assets held and used are reviewed for impairment whenever events or changes in circumstances indicate that their net book value may not be entirely recoverable. When such factors and circumstances exist, we compare the projected undiscounted future cash flows associated with the related asset or group of assets over their estimated useful lives against their respective carrying amounts. Impairment, if any, is based on the excess of the carrying amount over the fair value of those assets and is recorded in the period in which the determination was made.

*Purchase Price Allocation*

We allocate the purchase price of our acquisitions to the assets and liabilities acquired, including identifiable intangible assets, based on their respective fair values at the date of acquisition. Some of the items, including accounts receivable, property and equipment, other intangible assets, certain accrued liabilities, and other reserves require a high degree of management judgment. Certain estimates may change as additional information becomes available. Goodwill is assigned at the enterprise level and is deductible for tax purposes for certain types of acquisitions. The purchase price is allocated to intangibles based on management's estimate and an independent valuation. Management finalizes the purchase price allocation within twelve months of the acquisition date as certain initial accounting estimates are resolved.

*Accounting for Stock-Based Compensation*

We adopted SFAS No. 123R, *Share-Based Payment*, on January 1, 2006, using the modified prospective application transition method. SFAS No. 123R requires that the costs of employee share-based payments be measured at fair value on the awards' grant date and recognized in the financial statements over the requisite service period.

The Company estimates the fair value of stock option awards on the date of grant utilizing a modified Black-Scholes option pricing model. The Black-Scholes option valuation model was developed for use in estimating the fair value of short-term traded options that have no vesting restrictions and are fully transferable. However, certain assumptions used in the Black-Scholes model, such as expected term, can be adjusted to incorporate the unique characteristics of the Company's stock option awards. Option valuation models require the input of somewhat subjective assumptions including expected stock price volatility and expected term. The Company believes it is unlikely that materially different estimates for the assumptions used in estimating the fair value of stock options granted would be made based on the conditions suggested by actual historical experience and other data available at the time estimates were made. Restricted stock awards are valued at the price of our common stock on the date of the grant.

Prior to January 1, 2006, the Company accounted for share-based compensation using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* , and related interpretations and elected the disclosure option of SFAS No. 123 as amended by SFAS No. 148, *Accounting for Stock-Based Compensation - Transition and Disclosure* . SFAS No. 123 required that companies either recognize compensation expense for grants of stock, stock options and other equity instruments based on fair value, or provide pro forma disclosure of net income and earnings per share in the notes to the financial statements. Accordingly, the Company measured compensation expense for stock options as the excess, if any, of the estimated fair market value of the Company's stock at the date of grant over the exercise price. The Company provided pro forma effects of this measurement in a footnote to its financial statements.

*Income Taxes*

To record income tax expense, we are required to estimate our income taxes in each of the jurisdictions in which we operate. In addition, income tax expense at interim reporting dates requires us to estimate our expected effective tax rate for the entire year. This involves estimating our actual current tax liability together with assessing temporary differences that result in deferred tax assets and liabilities and expected future tax rates.

Management believes that our net deferred tax asset should continue to be reduced by a valuation allowance to an amount we believe is more likely than not to be realized. Future operating results and projections could alter this conclusion, potentially resulting in an increase or decrease in the valuation allowance. Since the valuation allowance relates solely to net operating and capital losses from acquired companies which are subject to usage limitations, any decrease in the valuation allowance will be applied first to reduce goodwill and then to reduce other acquisition related non-current intangible assets to zero. Any remaining decrease in the valuation allowance would be recognized as a reduction of income tax expense.

**Recent Accounting Pronouncements**

In September 2006, the SEC issued Staff Accounting Bulletin 108 (“SAB 108”), which expresses the Staff's views regarding the process of quantifying financial statement misstatements. The bulletin was effective at fiscal year end 2006. The implementation of this bulletin had no impact on the Company's results of operations, cash flows or financial position.

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements* ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. SFAS 157 will be applied prospectively and will be effective for periods beginning after November 15, 2007. The Company is currently evaluating the effect, if any, of SFAS 157 on the Company's consolidated financial statements.

In June 2006, the FASB issued FASB Interpretation ("FIN") No. 48, *Accounting for Uncertainty in Income Taxes-an interpretation of FASB Statement No. 109* ("FIN 48"). FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, treatment of interest and penalties, and disclosure of such positions. FIN 48 will be applied prospectively and will be effective for fiscal years beginning after December 31, 2006. The Company will adopt the provisions of FIN 48 in the first quarter of 2007 as required. The adoption of FIN 48 is not expected to have a material effect on the Company's consolidated financial statements.

In June 2006, the EITF ratified EITF Issue 06-3, *How Taxes Collected From Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross versus Net Presentation)* . A consensus was reached that entities may adopt a policy of presenting taxes in the income statement on either a gross or net basis. An entity should disclose its policy of presenting taxes and the amount of any taxes presented on a gross basis should be disclosed, if significant. The guidance is effective for periods beginning after December 15, 2006. We present revenues net of taxes. EITF 06-3 will not impact the method for recording these sales taxes in our consolidated financial statements.

**Off-Balance Sheet Arrangements**

The Company currently has no off-balance sheet arrangements, except operating lease commitments as disclosed in Footnote 11 to the consolidated financial statements.

**Item 8. Financial Statements and Supplementary Data.**

**PERFICIENT, INC.**

**CONSOLIDATED BALANCE SHEETS**
**AS OF DECEMBER 31, 2006 AND 2005**

| | December 31, | |
|---|---|---|
| | **2006** | **2005** |
| **ASSETS** | (In thousands, except share data) | |
| Current assets: | | |
| Cash and cash equivalents | $ 4,549 | $ 5,096 |
| Accounts receivable, net of allowance for doubtful accounts of $707 in 2006 and $367 in 2005 | 38,600 | 23,251 |
| Prepaid expenses | 1,171 | 887 |
| Other current assets | 2,799 | 1,530 |
| Total current assets | 47,119 | 30,764 |
| Property and equipment, net | 1,806 | 960 |
| Goodwill | 69,170 | 46,263 |
| Intangible assets, net | 11,886 | 5,768 |
| Other non-current assets | 1,019 | 1,180 |
| Total assets | $ 131,000 | $ 84,935 |
| | | |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 5,025 | $ 3,774 |
| Current portion of long-term debt | 1,201 | 1,337 |
| Other current liabilities | 16,034 | 8,331 |
| Note payable to related parties | -- | 244 |
| Total current liabilities | 22,260 | 13,686 |
| Long-term debt, less current portion | 137 | 5,338 |
| Deferred income taxes | 1,251 | -- |
| Total liabilities | 23,648 | 19,024 |
| | | |
| Commitments and contingencies (see Note 6 and 11) | | |
| | | |
| Stockholders' equity: | | |
| Common stock ($0.001 par value per share; 50,000,000 shares authorized and 26,699,974 shares issued and outstanding as of December 31, 2006; 23,294,509 shares issued and outstanding as of December 31, 2005) | 27 | 23 |
| Additional paid-in capital | 147,028 | 115,120 |
| Accumulated other comprehensive loss | (125) | (87) |
| Accumulated deficit | (39,578) | (49,145) |
| Total stockholders' equity | 107,352 | 65,911 |
| Total liabilities and stockholders' equity | $ 131,000 | $ 84,935 |

*See accompanying notes to consolidated financial statements.*

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**PERFICIENT, INC.**

**CONSOLIDATED STATEMENTS OF INCOME**
**FOR THE YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004**

| | Year Ended December 31, | | |
|---|---|---|---|
| | **2006** | **2005** | **2004** |
| Revenues | (In thousands, except share data) | | |
| Services | $ 137,722 | $ 83,740 | $ 43,331 |
| Software | 14,435 | 9,387 | 13,170 |
| Reimbursable expenses | 8,769 | 3,870 | 2,347 |
| Total revenues | 160,926 | 96,997 | 58,848 |
| Cost of revenues (exclusive of depreciation and amortization, shown separately below): | | | |
| Project personnel costs | 84,161 | 51,140 | 26,073 |
| Software costs | 12,118 | 7,723 | 11,341 |
| Reimbursable expenses | 8,769 | 3,870 | 2,347 |
| Other project related expenses | 2,122 | 1,846 | 267 |
| Total cost of revenues | 107,170 | 64,579 | 40,028 |
| Gross margin | 53,756 | 32,418 | 18,820 |
| Selling, general and administrative | 32,268 | 17,917 | 11,068 |
| Depreciation | 948 | 615 | 512 |
| Amortization of intangible assets | 3,458 | 1,611 | 697 |
| Income from operations | 17,082 | 12,275 | 6,543 |
| Interest income | 102 | 15 | 3 |
| Interest expense | (509) | (658) | (137) |
| Other income | 174 | 43 | 32 |
| Income before income taxes | 16,849 | 11,675 | 6,441 |
| Provision for income taxes | 7,282 | 4,498 | 2,528 |
| Net income | $ 9,567 | $ 7,177 | $ 3,913 |
| Basic net income per share | $ 0.38 | $ 0.33 | $ 0.22 |
| Diluted net income per share | $ 0.35 | $ 0.28 | $ 0.19 |
| Shares used in computing basic net income per share | 25,033,337 | 22,005,154 | 17,648,575 |
| Shares used in computing diluted net income per share | 27,587,449 | 25,242,496 | 20,680,507 |

*See accompanying notes to consolidated financial statements.*

**PERFICIENT, INC.**
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**
**FOR THE YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004**
(In thousands)

| | Common Stock Shares | Common Stock Amount | Additional Paid-in Capital | Accumulated Other Comprehensive Loss | Accumulated Deficit | Total Stockholders' Equity |
|---|---|---|---|---|---|---|
| Balance at January 1, 2004 | 14,039 | $ 14 | $ 76,289 | $ (52) | $ (60,235) | $ 16,016 |
| Warrants exercised | 1,277 | 1 | 2,539 | -- | -- | 2,540 |
| Stock options exercised | 492 | 1 | 656 | -- | -- | 657 |
| Issuance of stock for Genisys, Meritage, and ZettaWorks acquisitions | 4,049 | 4 | 18,770 | -- | -- | 18,774 |
| Issuance of stock for private placement | 800 | 1 | 2,359 | -- | -- | 2,360 |
| Tax benefit of stock option exercises | -- | -- | 342 | -- | -- | 342 |
| Stock compensation | -- | -- | 27 | -- | -- | 27 |
| Foreign currency translation adjustment | -- | -- | -- | (6) | -- | (6) |
| Net income | -- | -- | -- | -- | 3,913 | 3,913 |
| Total comprehensive income | -- | -- | -- | -- | -- | 3,907 |
| Balance at December 31, 2004 | 20,657 | 21 | 100,982 | (58) | (56,322) | 44,623 |
| Warrants exercised | 88 | -- | 157 | -- | -- | 157 |
| Stock options exercised | 1,354 | 1 | 2,703 | -- | -- | 2,704 |
| Issuance of stock for iPath and Vivare acquisitions | 1,196 | 1 | 8,708 | -- | -- | 8,709 |
| Tax benefit of stock option exercises | -- | -- | 2,306 | -- | -- | 2,306 |
| Stock compensation | -- | -- | 264 | -- | -- | 264 |
| Foreign currency translation adjustment | -- | -- | -- | (29) | -- | (29) |
| Net income | -- | -- | -- | -- | 7,177 | 7,177 |
| Total comprehensive income | -- | -- | -- | -- | -- | 7,148 |
| Balance at December 31, 2005 | 23,295 | 23 | 115,120 | (87) | (49,145) | 65,911 |
| Issuance of stock for Bay Street, Insolexen, and EGG acquisitions | 1,499 | 2 | 17,989 | -- | -- | 17,991 |
| Warrants exercised | 145 | -- | 146 | -- | -- | 146 |
| Stock options exercised | 1,672 | 2 | 4,001 | -- | -- | 4,003 |
| Purchases of stock from Employee Stock | 6 | -- | 86 | -- | -- | 86 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Purchase Plan | | | | | | |
| Tax benefit of stock option exercises | -- | -- | 6,554 | -- | -- | 6,554 |
| Stock compensation | -- | -- | 3,132 | -- | -- | 3,132 |
| Vested stock compensation | 83 | -- | -- | -- | -- | -- |
| Foreign currency translation adjustment | -- | -- | -- | (38) | -- | (38) |
| Net income | -- | -- | -- | -- | 9,567 | 9,567 |
| Total comprehensive income | -- | -- | -- | -- | -- | 9,529 |
| **Balance at December 31, 2006** | **26,700** | **$ 27** | **$ 147,028** | **$ (125)** | **$ (39,578)** | **$ 107,352** |

*See accompanying notes to consolidated financial statements.*

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**PERFICIENT, INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004**

| | Year Ended December 31, | | |
|---|---|---|---|
| | **2006** | **2005** | **2004** |
| | (As Restated) | (As Restated) | |
| **OPERATING ACTIVITIES** | | (In thousands) | |