

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2014

OR

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

For the transition period from to

Commission file number: 001-15169

PERFICIENT, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

No. 74-2853258

(I.R.S. Employer Identification No.)

555 Maryville University Drive

Suite 600

Saint Louis, Missouri 63141

(Address of principal executive offices)

(314) 529-3600

(Registrant's telephone number, including area code)

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 during the past 90 days. ☐ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☐ Yes ☐ No

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

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☐

As of November 3, 2014, there were 34,424,438 shares of Common Stock outstanding.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements contained in this Quarterly Report on Form 10-Q ("Form 10-Q") that are not purely historical statements discuss future expectations, contain projections of results of operations or financial condition, or state other forward-looking information. Those statements are subject to known and unknown risks, uncertainties, and other factors that could cause the actual results to differ materially from those contemplated by the statements. The "forward-looking" information is based on various factors and was derived using numerous assumptions. In some cases, you can identify these so-called forward-looking statements by words like "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," or "continue" or the negative of those words and other comparable words. You should be aware that those statements only reflect our predictions and are subject to risks and uncertainties. Actual events or results may differ substantially. Important factors that could cause our actual results to be materially different from the forward-looking statements include (but are not limited to) the following:

- (1) the impact of the general economy and economic uncertainty on our business;
- (2) risks associated with the operation of our business generally, including:
 - a. client demand for our services and solutions;
 - b. maintaining a balance of our supply of skills and resources with client demand;
 - c. effectively competing in a highly competitive market;
 - d. protecting our clients' and our data and information;
 - e. risks from international operations;
 - f. obtaining favorable pricing to reflect services provided;
 - g. adapting to changes in technologies and offerings;
 - h. risk of loss of one or more significant software vendors; and
 - i. the recent implementation of our new Enterprise Resource Planning system;
- (3) legal liabilities, including intellectual property protection and infringement or personally identifiable information;
- (4) risks associated with managing growth organically and through acquisitions; and
- (5) the risks detailed from time to time within our filings with the Securities and Exchange Commission (the "SEC").

This discussion is not exhaustive, but is designed to highlight important factors that may impact our forward-looking statements. Because the factors referred to above, as well as the statements included under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2013 and elsewhere in this Form 10-Q, including documents incorporated by reference therein and herein, could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement made by us or on our behalf, you should not place undue reliance on any forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. We are under no duty to update any of the forward-looking statements after the date of this Form 10-Q to conform such statements to actual results.

All forward-looking statements, express or implied, included in this report and the documents we incorporate by reference and that are attributable to Perficient, Inc. and its subsidiaries (collectively, "Perficient") are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that Perficient or any persons acting on our behalf may issue.

Item 1. Financial Statements

Perficient, Inc.
Condensed Consolidated Balance Sheets
(Unaudited)

	September 30, 2014	December 31, 2013
	(In thousands, except share and per share information)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,411	\$ 7,018
Accounts receivable, net	117,304	78,887
Prepaid expenses	2,651	2,569
Other current assets	7,131	6,759
Total current assets	132,497	95,233
Property and equipment, net	7,945	7,709
Goodwill	236,140	193,510
Intangible assets, net	49,525	25,487
Other non-current assets	3,842	3,810
Total assets	\$ 429,949	\$ 325,749
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 13,532	\$ 7,667
Other current liabilities	28,108	30,298
Total current liabilities	41,640	37,965
Long-term debt	74,800	19,000
Other non-current liabilities	13,084	9,294
Total liabilities	\$ 129,524	\$ 66,259
Stockholders' equity:		
Common stock (par value \$0.001 per share; 50,000,000 shares authorized; 42,789,411 shares issued and 32,820,961 shares outstanding as of September 30, 2014; 40,843,435 shares issued and 31,341,276 shares outstanding as of December 31, 2013)	\$ 43	\$ 41
Additional paid-in capital	330,670	297,997
Accumulated other comprehensive loss	(506)	(378)
Treasury stock, at cost (9,968,450 shares as of September 30, 2014; 9,512,545 shares as of December 31, 2013)	(89,401)	(81,051)
Retained earnings	59,619	42,881
Total stockholders' equity	300,425	259,490
Total liabilities and stockholders' equity	\$ 429,949	\$ 325,749

See accompanying notes to interim unaudited condensed consolidated financial statements.

Perficient, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(In thousands, except per share information)			
Revenues				
Services	\$ 99,975	\$ 86,568	\$ 286,780	\$ 240,549
Software and hardware	12,192	5,620	31,108	23,169
Reimbursable expenses	4,804	4,570	12,962	12,142
Total revenues	<u>116,971</u>	<u>96,758</u>	<u>330,850</u>	<u>275,860</u>
Cost of revenues (exclusive of depreciation and amortization, shown separately below)				
Project personnel costs	61,575	52,154	179,423	149,998
Software and hardware costs	10,438	4,919	27,333	20,471
Reimbursable expenses	4,804	4,570	12,962	12,142
Other project related expenses	617	1,252	2,289	3,274
Total cost of revenues	<u>77,434</u>	<u>62,895</u>	<u>222,007</u>	<u>185,885</u>
Gross margin	39,537	33,863	108,843	89,975
Selling, general and administrative	22,239	20,532	65,354	57,254
Depreciation	932	932	2,713	2,334
Amortization	4,045	1,955	10,511	5,750
Acquisition costs	(74)	29	2,495	1,443
Adjustment to fair value of contingent consideration	-	69	(1,463)	102
Income from operations	<u>12,395</u>	<u>10,346</u>	<u>29,233</u>	<u>23,092</u>
Net interest expense	(462)	(96)	(1,055)	(154)
Net other income (expense)	10	7	79	(30)
Income before income taxes	<u>11,943</u>	<u>10,257</u>	<u>28,257</u>	<u>22,908</u>
Provision for income taxes	<u>4,637</u>	<u>3,023</u>	<u>11,519</u>	<u>6,989</u>
Net income	<u>\$ 7,306</u>	<u>\$ 7,234</u>	<u>\$ 16,738</u>	<u>\$ 15,919</u>
Basic net income per share	\$ 0.23	\$ 0.24	\$ 0.53	\$ 0.53
Diluted net income per share	\$ 0.22	\$ 0.23	\$ 0.51	\$ 0.50
Shares used in computing basic net income per share	32,118	30,141	31,470	30,287
Shares used in computing diluted net income per share	33,329	31,808	33,076	31,692

See accompanying notes to interim unaudited condensed consolidated financial statements.

Perficient, Inc.
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
	(In thousands)		(In thousands)	
Net income	\$ 7,306	\$ 7,234	\$ 16,738	\$ 15,919
Other comprehensive income (loss), net of reclassification adjustments:				
Foreign currency translation adjustment	(99)	21	(128)	(33)
Comprehensive income	<u>\$ 7,207</u>	<u>\$ 7,255</u>	<u>\$ 16,610</u>	<u>\$ 15,886</u>

See accompanying notes to interim unaudited condensed consolidated financial statements.

Perficient, Inc.
Condensed Consolidated Statement of Stockholders' Equity
Nine Months Ended September 30, 2014
(Unaudited)
(In thousands)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Treasury Stock	Retained Earnings	Total Stockholders' Equity
Balance at December 31, 2013	31,341	\$ 41	\$ 297,997	\$ (378)	\$ (81,051)	\$ 42,881	\$ 259,490
Proceeds from the exercise of stock options and sales of stock through the Employee Stock Purchase Plan	205	--	1,373	--	--	--	1,373
Net tax benefit from stock option exercises and restricted stock vesting	--	--	1,965	--	--	--	1,965
Stock compensation related to restricted stock vesting and retirement savings plan contributions	580	--	9,433	--	--	--	9,433
Purchase of treasury stock and buyback of shares for taxes	(456)	--	--	--	(8,350)	--	(8,350)
Issuance of stock for acquisitions	1,150	2	19,902	--	--	--	19,904
Net income	--	--	--	--	--	16,738	16,738
Foreign currency translation adjustment	--	--	--	(128)	--	--	(128)
Balance at September 30, 2014	<u>32,820</u>	<u>\$ 43</u>	<u>\$ 330,670</u>	<u>\$ (506)</u>	<u>\$ (89,401)</u>	<u>\$ 59,619</u>	<u>\$ 300,425</u>

See accompanying notes to interim unaudited condensed consolidated financial statements.

Perficient, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30,	
	2014	2013
	(In thousands)	
OPERATING ACTIVITIES		
Net income	\$ 16,738	\$ 15,919
Adjustments to reconcile net income to net cash used in operations:		
Depreciation	2,713	2,334
Amortization	10,511	5,750
Deferred income taxes	1,957	918
Non-cash stock compensation and retirement savings plan contributions	9,433	8,158
Tax benefit from stock option exercises and restricted stock vesting	(2,052)	(1,698)
Adjustment to fair value of contingent consideration for purchase of business	(1,463)	102
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(30,713)	(5,351)
Other assets	3,996	1,532
Accounts payable	5,800	(1,875)
Other liabilities	(16,295)	(34)
Net cash provided by operating activities	625	25,755
INVESTING ACTIVITIES		
Purchase of property and equipment	(2,632)	(4,282)
Capitalization of software developed for internal use	(2,719)	(1,749)
Purchase of business, net of cash acquired	(46,534)	(19,779)
Net cash used in investing activities	(51,885)	(25,810)
FINANCING ACTIVITIES		
Proceeds from line of credit	210,600	128,150
Payments on line of credit	(154,800)	(114,950)
Payments for credit facility fees	-	(397)
Payment of contingent consideration for purchase of business	(1,197)	-
Tax benefit on stock option exercises and restricted stock vesting	2,052	1,698
Proceeds from the exercise of stock options and sales of stock through the Employee Stock Purchase Plan	1,373	180
Purchases of treasury stock	(3,195)	(13,116)
Remittance of taxes withheld as part of a net share settlement of restricted stock vesting	(5,155)	(1,966)
Net cash provided by (used in) financing activities	49,678	(401)
Effect of exchange rate on cash and cash equivalents	(25)	82
Change in cash and cash equivalents	(1,607)	(374)
Cash and cash equivalents at beginning of period	7,018	5,813
Cash and cash equivalents at end of period	\$ 5,411	\$ 5,439
Supplemental disclosures:		
Cash paid for income taxes	\$ 6,824	\$ 5,040
Cash paid for interest	\$ 833	\$ 163
Non-cash activity:		
Stock issued for purchase of business	\$ 19,174	\$ 5,370
Stock issued for settlement of contingent consideration for purchase of businesses	\$ 730	-
Estimated fair value of contingent consideration for purchase of business	\$ 127	\$ 1,534
Accrued additions to property and equipment	\$ -	\$ 1,488

See accompanying notes to interim unaudited condensed consolidated financial statements.

PERFICIENT, INC.
NOTES TO INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

1. Basis of Presentation

The accompanying interim unaudited condensed consolidated financial statements of Perficient, Inc. and its subsidiaries (collectively, the "Company") have been prepared in accordance with accounting principles generally accepted in the United States and are presented in accordance with the rules and regulations of the Securities and Exchange Commission (the "SEC") applicable to interim financial information. Accordingly, certain footnote disclosures have been condensed or omitted. In the opinion of management, the interim unaudited condensed consolidated financial statements reflect all adjustments (consisting of only normal recurring adjustments) necessary for a fair presentation of the Company's financial position, results of operations and cash flows for the periods presented. These financial statements should be read in conjunction with the Company's consolidated financial statements and notes thereto filed with the SEC in the Company's Annual Report on Form 10-K for the year ended December 31, 2013. Operating results for the three and nine months ended September 30, 2014 may not be indicative of the results for the full fiscal year ending December 31, 2014.

2. Summary of Significant Accounting Policies

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates, and such differences could be material to the financial statements.

Revenue Recognition

Revenues are primarily derived from professional services provided on a time and materials basis. For time and material contracts, revenues are recognized and billed by multiplying the number of hours expended in the performance of the contract by the established billing rates. For fixed fee projects, revenues are generally recognized using an input method based on the ratio of hours expended to total estimated hours. Amounts invoiced and collected in excess of revenues recognized are classified as deferred revenues. On many projects the Company is also reimbursed for out-of-pocket expenses such as airfare, lodging, and meals. These reimbursements are included as a component of revenues. Revenues from software and hardware sales are generally recorded on a gross basis considering the Company's role as a principal in the transaction. On rare occasions, the Company enters into a transaction where it is not the principal. In these cases, revenue is recorded on a net basis.

Unbilled revenues represent the project time and expenses that have been incurred, but not yet billed to the client, prior to the end of the fiscal period. For time and materials projects, the client is invoiced for the amount of hours worked multiplied by the billing rates as stated in the contract. For fixed fee arrangements, the client is invoiced according to the agreed-upon schedule detailing the amount and timing of payments in the contract. Clients are typically billed monthly for services provided during that month, but can be billed on a more or less frequent basis as determined by the contract. If the time and expenses are worked/incurred and approved at the end of a fiscal period and the invoice has not yet been sent to the client, the amount is recorded as unbilled revenue once the Company verifies all other revenue recognition criteria have been met.

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 have occurred; and (4) collectability is deemed probable. The Company's policy for revenue recognition in instances where multiple deliverables are sold contemporaneously to the same customer is in accordance with Financial Accounting Standards Board Accounting Standards Codification ("ASC") Subtopic 985-605, *Software – Revenue Recognition*, ASC Subtopic 605-25, *Revenue Recognition – Multiple-Element Arrangements*, and ASC Section 605-10-S99 (Staff Accounting Bulletin Topic 13, *Revenue Recognition*). Specifically, if the Company enters into contracts for the sale of services and software or hardware, then the Company evaluates whether each element should be accounted for separately by considering the following criteria: (1) whether the deliverables have value to the client on a stand-alone basis; and (2) whether delivery or performance of the undelivered item or items is considered probable and substantially in the control of the Company (only if the arrangement includes a general right of return related to the delivered item). Further, for sales of software and services, the Company also evaluates whether the services are essential to the functionality of the software and if it has fair value evidence for each deliverable. If the Company has concluded that the separation criteria are met, then it accounts for each deliverable in the transaction separately, based on the relevant revenue recognition policies. Generally, all deliverables of the Company's multiple element arrangements meet these criteria and are accounted for separately, with the arrangement consideration allocated among the deliverables using vendor-specific objective evidence of the selling price. As a result, the Company generally recognizes software and hardware sales upon delivery to the customer and services consistent with the policies described herein.

Further, delivery of software and hardware sales, when sold contemporaneously with services, can generally occur at varying times depending on the specific client project arrangement. Delivery of services generally occurs over a period of time consistent with the timeline as outlined in the client contract.

There are no significant cancellation or termination-type provisions for the Company's software and hardware sales. Contracts for professional services provide for a general right, to the client or the Company, to cancel or terminate the contract within a given period of time (generally 10 to 30 days' notice is required). The client is responsible for any time and expenses incurred up to the date of cancellation or termination of the contract.

The Company may provide multiple services under the terms of an arrangement and is required to assess whether one or more units of accounting are present. Service fees are typically accounted for as one unit of accounting, as fair value evidence for individual tasks or milestones is not available. The Company follows the guidelines discussed above in determining revenues; however, certain judgments and estimates are made and used to determine revenues recognized in any accounting period. If estimates are revised, material differences may result in the amount and timing of revenues recognized for a given period.

Revenues are presented net of taxes assessed by governmental authorities. Sales taxes are generally collected and subsequently remitted on all software and hardware sales and certain services transactions as appropriate.

3. Stock-Based Compensation

Stock-based compensation is accounted for in accordance with ASC Topic 718, *Compensation – Stock Compensation* ("ASC Topic 718"). Under this method, the Company recognizes share-based compensation ratably using the straight-line attribution method over the requisite service period. In addition, pursuant to ASC Topic 718, the Company is required to estimate the amount of expected forfeitures when calculating share-based compensation, instead of accounting for forfeitures as they occur.

Stock Award Plans

In May 2014, at the recommendation of the Company's Board of Directors, the Company's stockholders approved the Amended and Restated Perficient, Inc. 2012 Long Term Incentive Plan (as amended, the "Incentive Plan"). The Incentive Plan allows for the granting of various types of stock awards, not to exceed a total of 5.0 million shares, to eligible individuals. The Compensation Committee of the Board of Directors administers the Incentive Plan and determines the terms of all stock awards made under the Incentive Plan.

Stock-based compensation cost recognized for the three and nine months ended September 30, 2014 was approximately \$3.4 million and \$10.0 million, respectively, which included \$0.6 million and \$1.6 million, respectively, of expense for retirement savings plan contributions. The associated current and future income tax benefits recognized were \$1.0 million and \$3.1 million for the three and nine months ended September 30, 2014, respectively. Stock-based compensation cost recognized for the three and nine months ended September 30, 2013 was approximately \$2.8 million and \$8.2 million, respectively, which included \$0.4 and \$1.2 million, respectively, of expense for retirement savings plan contributions. The associated current and future income tax benefits recognized were \$1.0 million and \$2.7 million for the three and nine months ended September 30, 2013, respectively. As of September 30, 2014, there was \$14.1 million of total unrecognized compensation cost related to non-vested share-based awards. This cost is expected to be recognized over a weighted-average period of two years.

Stock option activity for the nine months ended September 30, 2014 was as follows (shares in thousands):

	Shares	Weighted-Average Exercise Price
Options outstanding at December 31, 2013	222	\$ 6.08
Options exercised	(194)	6.13
Options canceled	(14)	3.94
Options outstanding at September 30, 2014	14	7.48
Options vested at September 30, 2014	14	\$ 7.48

Restricted stock activity for the nine months ended September 30, 2014 was as follows (shares in thousands):

	Shares	Weighted-Average Grant Date Fair Value
Restricted stock awards outstanding at December 31, 2013	1,699	\$ 12.13
Awards granted	324	20.57
Awards vested	(493)	10.98
Awards forfeited	(79)	13.36
Restricted stock awards outstanding at September 30, 2014	1,451	\$ 14.21

4. Net Income per Share

The following table presents the calculation of basic and diluted net income per share (in thousands, except per share information):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net income	\$ 7,306	\$ 7,234	\$ 16,738	\$ 15,919
Basic:				
Weighted-average shares of common stock outstanding	32,118	30,141	31,470	30,287
Shares used in computing basic net income per share	32,118	30,141	31,470	30,287
Effect of dilutive securities:				
Stock options	8	154	78	156
Restricted stock subject to vesting	528	773	571	634
Contingently issuable shares (1)	14	-	17	-
Shares issuable for acquisition consideration (2)	661	740	940	615
Shares used in computing diluted net income per share	33,329	31,808	33,076	31,692
Basic net income per share	\$ 0.23	\$ 0.24	\$ 0.53	\$ 0.53
Diluted net income per share	\$ 0.22	\$ 0.23	\$ 0.51	\$ 0.50
Anti-dilutive options and restricted stock not included in the calculation of diluted net income per share	-	-	97	1

- (1) For the three and nine months ended September 30, 2014, this represents the Company's estimate of shares to be issued to Clear Task, Inc. ("Clear Task") pursuant to the Asset Purchase Agreement. Refer to Note 7 for further discussion.
- (2) For the three and nine months ended September 30, 2014, this represents the shares held in escrow pursuant to: (i) the Agreement and Plan of Merger with Northridge Systems, Inc. ("Northridge"); (ii) the Agreement and Plan of Merger with TriTek Solutions, Inc. ("TriTek"); (iii) the Asset Purchase Agreement with Clear Task; (iv) the Asset Purchase Agreement with CoreMatrix Systems, LLC ("CoreMatrix"); (v) the Agreement and Plan of Merger with ForwardThink Group Inc. ("ForwardThink"); (vi) the Asset Purchase Agreement with BioPharm Systems, Inc.; and (vii) the Asset Purchase Agreement with Trifecta Technologies, Inc. and Trifecta Technologies Canada, Limited as part of the consideration. For the three and nine months ended September 30, 2013, this represents the shares held in escrow pursuant to: (i) the Agreement and Plan of Merger with Northridge; (ii) the Asset Purchase Agreement with Nascent Systems, LP; (iii) the Agreement and Plan of Merger with TriTek; and (iv) the Asset Purchase Agreement with Clear Task as part of the consideration.

5. Commitments and Contingencies

The Company leases office space and certain equipment under various operating lease agreements. The Company has the option to extend the term of certain lease agreements. Future minimum commitments under these lease agreements as of September 30, 2014 were as follows (in thousands):

	Operating Leases
2014 remaining	\$ 1,133
2015	4,800
2016	4,453
2017	3,675
2018	2,248
Thereafter	3,768
Total minimum lease payments	<u>\$ 20,077</u>

6. Balance Sheet Components

	September 30, 2014	December 31, 2013
	(in thousands)	(in thousands)
Accounts receivable:		
Accounts receivable	\$ 78,361	\$ 56,376
Unbilled revenues	39,861	23,274
Allowance for doubtful accounts	(918)	(763)
Total	<u>\$ 117,304</u>	<u>\$ 78,887</u>

Property and equipment:

Computer hardware (useful life of 3 years)	\$ 9,709	\$ 8,104
Furniture and fixtures (useful life of 5 years)	2,297	1,891
Leasehold improvements (useful life of 5 years)	2,022	1,997
Software (useful life of 1 to 7 years)	6,495	6,042
Less: Accumulated depreciation	(12,578)	(10,325)
Total	<u>\$ 7,945</u>	<u>\$ 7,709</u>

Other current liabilities:

Accrued variable compensation	\$ 8,440	\$ 13,467
Deferred revenue	3,253	3,590
Payroll related costs	2,803	2,035
Accrued subcontractor fees	2,919	2,551
Accrued medical claims expense	1,480	1,296
Acquired liabilities	2,064	1,680
Estimated fair value of contingent consideration liability (1)	-	1,606
Other current liabilities	7,149	4,073
Total	<u>\$ 28,108</u>	<u>\$ 30,298</u>

(1) Represents the fair value estimate of additional earnings-based contingent consideration that may be realized by Clear Task's selling shareholders 12 months after the Clear Task acquisition.

7. Business Combinations

Acquisition of TriTek

On May 1, 2013, the Company acquired TriTek, pursuant to the terms of an Agreement and Plan of Merger. TriTek was an IBM-focused enterprise content management and business process management consulting firm. The acquisition of TriTek further enhanced the Company's existing capabilities and further positioned the Company as the IBM solution provider of choice for enterprises across North America.

The Company's total allocable purchase price consideration was \$21.1 million. The purchase price was comprised of \$17.0 million in cash paid and \$4.1 million of Company common stock issued at closing. The Company incurred approximately \$0.8 million in transaction costs, which were expensed when incurred.

The Company allocated the total purchase price consideration between tangible assets, identified intangible assets, liabilities, and goodwill as follows (in millions):

Acquired tangible assets	\$	11.9
Acquired intangible assets		6.2
Liabilities assumed		(6.1)
Goodwill		9.1
Total purchase price	\$	<u>21.1</u>

The Company estimated that the intangible assets acquired have useful lives of eight months to eight years.

Acquisition of Clear Task

On May 17, 2013, the Company acquired Clear Task, pursuant to the terms of an Asset Purchase Agreement. Clear Task provided salesforce.com implementations and customizations for enterprise customers. Clear Task's professionals helped clients implement Service Cloud, Sales Cloud, Chatter and platform engagement solutions to strengthen customer, employee and partner relationships, and maintain their competitive advantage. The acquisition of Clear Task further expanded the Company's cloud capabilities to include offerings from each of the world's leading cloud computing providers - IBM, Microsoft, Oracle and salesforce.com.

The Company's total allocable purchase price consideration was \$8.6 million. The purchase price was comprised of \$6.0 million in cash paid and \$1.2 million of Company common stock issued at closing increased by \$1.4 million representing the initial fair value estimate of additional earnings-based contingent consideration, which was realized by the Clear Task selling shareholders 12 months after the closing date of the acquisition. The contingency was achieved during 2014 and the Company paid \$3.6 million in contingent consideration, which represents the maximum cash and stock payout pursuant to the Asset Purchase Agreement. 80% of the earnings-based contingent consideration was paid in cash and 20% was issued in stock to the Clear Task selling shareholders. The Company incurred approximately \$0.6 million in transaction costs, which were expensed when incurred.

The Company has allocated the total purchase price consideration between tangible assets, identified intangible assets, liabilities, and goodwill as follows (in millions):

Acquired tangible assets	\$	2.1
Acquired intangible assets		1.6
Liabilities assumed		(0.8)
Goodwill		5.7
Total purchase price	\$	<u>8.6</u>

The Company estimated that the intangible assets acquired have useful lives of five months to five years.

Acquisition of CoreMatrix

On October 11, 2013, the Company acquired CoreMatrix, pursuant to the terms of an Asset Purchase Agreement. CoreMatrix was a salesforce.com cloud computing services and solutions firm. The acquisition of CoreMatrix provides the Company with the comprehensive capacity to sell and deliver salesforce.com solutions across North America.

The Company has initially estimated the total allocable purchase price consideration to be \$24.5 million. The purchase price was comprised of \$18.6 million in cash paid and \$2.5 million of Company common stock issued at closing increased by \$3.4 million representing the initial fair value estimate of additional earnings-based contingent consideration, which may be realized by the CoreMatrix selling shareholders 12 and 24 months after the closing date of the acquisition. If the first contingency is achieved, 60% of the earnings-based contingent consideration will be paid in cash and 40% will be issued in stock to the CoreMatrix selling shareholders. If the second contingency is achieved, 80% of the earnings-based contingent consideration will be paid in cash and 20% will be issued in stock to the CoreMatrix selling shareholders. As of September 30, 2014, the Company's best estimate of the fair value of the earnings-based contingent consideration is zero. The adjustment from the initial fair value estimate was recorded in "Adjustment to fair value of contingent consideration" on the Condensed Consolidated Statement of Operations (Unaudited) for the nine months ended September 30, 2014. The Company incurred approximately \$0.8 million in transaction costs, which were expensed when incurred.

The Company has estimated the allocation of the total purchase price consideration between tangible assets, identified intangible assets, liabilities, and goodwill as follows (in millions):

Acquired tangible assets	\$	3.6
Acquired intangible assets		4.8
Liabilities assumed		(1.5)
Goodwill		17.6
Total purchase price	\$	<u>24.5</u>

The Company estimated that the intangible assets acquired have useful lives of six months to ten years.

The amounts above represent the fair value estimates as of September 30, 2014, and are subject to subsequent adjustment as the Company obtains additional information during the measurement period and finalizes its fair value estimates. Any subsequent adjustments to these fair value estimates occurring during the measurement period will result in an adjustment to goodwill or income, as applicable.

Acquisition of ForwardThink

On February 10, 2014, the Company acquired ForwardThink, pursuant to the terms of an Agreement and Plan of Merger. ForwardThink was a financial services and solutions consulting firm. The acquisition of ForwardThink expanded the Company's financial services vertically, including the Company's presence in the New York area.

The Company has initially estimated the total allocable purchase price consideration to be \$40.1 million. The purchase price was comprised of \$26.9 million in cash paid (net of cash acquired) and \$13.2 million of Company common stock issued at closing. The Company incurred approximately \$1.3 million in transaction costs, which were expensed when incurred. The Company acquired certain equity awards which were replaced with a cash incentive plan pursuant to the Agreement and Plan of Merger. These awards are recognized separately from the acquisition of assets and assumptions of liabilities in the business combination and will be recognized as compensation expense within the Condensed Consolidated Statements of Operations. Approximately \$0.8 million of expense will be recorded over three years and will be recognized ratably over the awards service period.

The Company has estimated the allocation of the total purchase price consideration between tangible assets, identified intangible assets, liabilities, and goodwill as follows (in millions):

Acquired tangible assets	\$	4.5
Acquired intangible assets		18.0
Liabilities assumed		(11.9)
Goodwill		29.5
Total purchase price	\$	<u>40.1</u>

The Company estimated that the intangible assets acquired have useful lives of eleven months to six years.

The amounts above represent the fair value estimates as of September 30, 2014, and are subject to subsequent adjustment as the Company obtains additional information during the measurement period and finalizes its fair value estimates. Any subsequent adjustments to these fair value estimates occurring during the measurement period will result in an adjustment to goodwill or income, as applicable.

Acquisition of BioPharm

On April 1, 2014, the Company acquired substantially all of the assets of BioPharm Systems, Inc., a California corporation ("California BioPharm"), and all of the outstanding stock of BioPharm Systems, Inc., a Delaware corporation (together with California BioPharm, "BioPharm"), pursuant to the terms of an Asset Purchase Agreement and a Stock Purchase Agreement. BioPharm was a business and information technology consulting firm focused on the life sciences industry. The acquisition of BioPharm expanded the Company's industry vertical expertise with the addition of a dedicated life sciences vertical.

The Company has initially estimated the total allocable purchase price consideration to be \$16.3 million. The purchase price was comprised of \$11.2 million in cash paid (net of cash acquired) and \$5.1 million in Company common stock issued at closing. The Company incurred approximately \$0.7 million in transaction costs, which were expensed when incurred.

The Company has estimated the allocation of the total purchase price consideration between tangible assets, identified intangible assets, liabilities, and goodwill as follows (in millions):

Acquired tangible assets	\$	3.4
Acquired intangible assets		8.4
Liabilities assumed		(1.2)
Goodwill		5.7
Total purchase price	\$	<u>16.3</u>

The Company estimated that the intangible assets acquired have useful lives of nine months to ten years.

The amounts above represent the fair value estimates as of September 30, 2014, and are subject to subsequent adjustment as the Company obtains additional information during the measurement period and finalizes its fair value estimates. Any subsequent adjustments to these fair value estimates occurring during the measurement period will result in an adjustment to goodwill or income, as applicable.

Acquisition of Trifecta

On May 7, 2014, the Company acquired substantially all of the assets related to the eCommerce business of Trifecta Technologies, Inc. and Trifecta Technologies Canada, Limited (together, "Trifecta"), pursuant to the terms of an Asset Purchase Agreement. Trifecta was a business and information technology consulting firm focused on IBM WebSphere Commerce solutions. The acquisition of Trifecta expanded our ability to deliver larger, more powerful commerce solutions.

The Company has initially estimated the total allocable purchase price consideration to be \$13.6 million. Of the \$13.6 million in total allocable purchase price consideration, \$8.3 million was paid in cash and the remainder represents an assumption of liabilities. The Company incurred approximately \$0.6 million in transaction costs, which were expensed when incurred.

The Company has estimated the allocation of the total purchase price consideration between tangible assets, identified intangible assets, liabilities, and goodwill as follows (in millions):

Acquired tangible assets	\$	1.8
Acquired intangible assets		5.2
Liabilities assumed		(5.8)
Goodwill		7.1
Total cash purchase price	\$	<u>8.3</u>

The Company estimated that the intangible assets acquired have useful lives of eight months to five years.

The amounts above represent the fair value estimates as of September 30, 2014, and are subject to subsequent adjustment as the Company obtains additional information during the measurement period and finalizes its fair value estimates. Any subsequent adjustments to these fair value estimates occurring during the measurement period will result in an adjustment to goodwill or income, as applicable.

The results of the ForwardThink, BioPharm, and Trifecta operations have been included in the Company's condensed consolidated financial statements since the applicable acquisition dates.

The amounts of revenue and net income of ForwardThink, BioPharm, and Trifecta included in the Company's Condensed Consolidated Statements of Operations (Unaudited) from the applicable acquisition dates to September 30, 2014 are as follows (in thousands):

	Acquisition Dates to September 30, 2014
Revenues	\$ 31,762
Net income	\$ 3,059

Pro-forma Results of Operations

The following presents the unaudited pro-forma combined results of operations of the Company with ForwardThink, BioPharm, and Trifecta for the nine months ended September 30, 2014 and TriTek, Clear Task, CoreMatrix, ForwardThink, BioPharm, and Trifecta for the nine months ended September 30, 2013, after giving effect to certain pro-forma adjustments and assuming ForwardThink, BioPharm, and Trifecta were acquired as of the beginning of 2013 and TriTek, Clear Task, and CoreMatrix were acquired as of the beginning of 2012.

These unaudited pro-forma results are presented in compliance with the adoption of Accounting Standards Update ("ASU") 2010-29, Business Combinations (Topic 805), Disclosure of Supplementary Pro Forma Information for Business Combinations, and are not necessarily indicative of the actual consolidated results of operations had the acquisitions actually occurred on January 1, 2013 or January 1, 2012 or of future results of operations of the consolidated entities (in thousands, except per share information):

	Nine Months Ended September 30,	
	2014	2013
Revenues	\$ 341,983	\$ 339,194
Net income	\$ 20,298	\$ 19,780
Basic net income per share	\$ 0.62	\$ 0.62
Diluted net income per share	\$ 0.61	\$ 0.59
Shares used in computing basic net income per share	32,683	32,025
Shares used in computing diluted net income per share	33,332	33,303

8. Goodwill and Intangible Assets

Goodwill represents the excess purchase price over the fair value of net assets acquired, or net liabilities assumed, in a business combination. In accordance with ASC Topic 350, *Intangibles – Goodwill and Other*, the Company performs an annual impairment test of goodwill. The Company evaluates goodwill as of October 1 each year and more frequently if events or changes in circumstances indicate that goodwill might be impaired.

Other intangible assets include customer relationships, non-compete arrangements, customer backlog, trade names, and internally developed software, which are being amortized over the assets' estimated useful lives using the straight-line method. Estimated useful lives range from six months to ten years. Amortization of customer relationships, non-compete arrangements, customer backlog, trade names, and internally developed software is considered an operating expense and is included in "Amortization" in the accompanying Condensed Consolidated Statements of Operations (Unaudited). The Company periodically reviews the estimated useful lives of its identifiable intangible assets, taking into consideration any events or circumstances that might result in a lack of recoverability or revised useful life.

Goodwill

The changes in the carrying amount of goodwill for the nine months ended September 30, 2014 are as follows (in thousands):

Balance at December 31, 2013	\$ 193,510
Preliminary purchase price allocations for acquisitions (Note 7)	42,269
Purchase accounting adjustments	361
Balance at September 30, 2014	<u>\$ 236,140</u>

The following table presents a summary of the Company's intangible assets that are subject to amortization (in thousands):

	September 30, 2014			December 31, 2013		
	Gross Carrying Amounts	Accumulated Amortization	Net Carrying Amounts	Gross Carrying Amounts	Accumulated Amortization	Net Carrying Amounts
Customer relationships	\$ 56,932	\$ (16,593)	\$ 40,339	\$ 31,156	\$ (10,835)	\$ 20,321
Non-compete agreements	1,601	(785)	816	1,477	(715)	762
Customer backlog	2,977	(1,985)	992	402	(170)	232
Trade name	167	(106)	61	159	(83)	76
Internally developed software	8,397	(1,080)	7,317	4,604	(508)	4,096
Total	<u>\$ 70,074</u>	<u>\$ (20,549)</u>	<u>\$ 49,525</u>	<u>\$ 37,798</u>	<u>\$ (12,311)</u>	<u>\$ 25,487</u>

The estimated useful lives of identifiable intangible assets are as follows:

Customer relationships	3 – 10 years
Non-compete agreements	3 – 5 years
Internally developed software	1 – 7 years
Trade name	1 year
Customer backlog	8 – 11 months

9. Line of Credit

On July 31, 2013, the Company renewed and extended the term of its credit agreement with Silicon Valley Bank ("SVB"), U.S. Bank National Association, and Bank of America, N.A. (the "Lenders"). The credit agreement provided for revolving credit borrowings up to a maximum principal amount of \$75.0 million and provided for an aggregate commitment increase of up to \$25.0 million. The Company and the Lenders entered into Amendment No. 1 to the Second Amended and Restated Credit Agreement (as amended, the "Credit Agreement"), effective as of May 7, 2014, pursuant to which the Company and the Lenders increased the amount of available borrowing capacity under the Credit Agreement by \$15.0 million, thereby allowing for revolving credit borrowings up to a maximum principal amount of \$90.0 million.

The Credit Agreement also allows for the issuance of letters of credit in the aggregate amount of up to \$5.0 million at any one time. Outstanding letters of credit reduce the credit available for revolving credit borrowings. As of September 30, 2014, the Company had an outstanding letter of credit in the amount of \$0.2 million to secure an office space lease. Substantially all of the Company's assets are pledged to secure the credit facility.

All outstanding amounts owed under the Credit Agreement become due and payable no later than the final maturity date of July 31, 2017. Borrowings under the Credit Agreement bear interest at the Company's option of SVB's prime rate (4.00% on September 30, 2014) plus a margin ranging from 0.00% to 0.50% or one-month LIBOR (0.16% on September 30, 2014) plus a margin ranging from 2.00% to 2.50%. The additional margin amount is dependent on the level of outstanding borrowings. As of September 30, 2014, the Company had \$15.0 million of borrowing capacity. The Company incurs an annual commitment fee of 0.30% on the unused portion of the line of credit.

The Company is required to comply with various financial covenants under the Credit Agreement. Specifically, the Company is required to maintain a ratio of earnings before interest, taxes, depreciation, and amortization ("EBITDA") plus stock compensation and minus income taxes paid and capital expenditures to interest expense and scheduled payments due for borrowings on a trailing three months basis annualized of not less than 2.00 to 1.00 and a ratio of current maturities of long-term debt to EBITDA plus stock compensation and minus income taxes paid and capital expenditures of not more than 2.75 to 1.00.

At September 30, 2014, the Company was in compliance with all its covenants under the Credit Agreement.

10. Income Taxes

The Company files income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. The Internal Revenue Service (the "IRS") has completed examinations of the Company's U.S. income tax returns or the statute of limitations has passed on returns for the years through 2009. The Company's 2011 U.S. income tax return is currently under examination by the IRS.

Under the provisions of the ASC Subtopic 740-10-25, *Income Taxes - Recognition*, the Company had an unrecognized tax benefit of \$0.7 million as of September 30, 2014.

The Company's effective tax rate was 38.8% and 40.8% for the respective three and nine months ended September 30, 2014 compared to 29.5% and 30.5% for the respective three and nine months ended September 30, 2013. The increase in the effective rate is primarily due to the expiration of the research and development tax credit, which has not been re-enacted by Congress for 2014. In addition to the research and development tax credit and U.S. domestic production deduction, the difference between the Company's federal statutory rate of 35% and the effective tax rate relates primarily to state income taxes, net of the federal benefit, and permanent non-deductible items such as non-deductible executive compensation, 50% of meals and entertainment expenses, and transaction costs. As of September 30, 2014, the Company's net current deferred tax asset was \$0.4 million and its net non-current deferred tax liability was \$9.7 million. Generally, deferred tax assets are related to stock compensation, accruals and net operating losses of acquired companies. Deferred tax liabilities relate to goodwill, intangibles, fixed asset depreciation, and prepaid expenses. Net current deferred tax assets are recorded in "Other current assets" and net non-current deferred tax liabilities are recorded in "Other non-current liabilities" on the Condensed Consolidated Balance Sheet (Unaudited) as of September 30, 2014.

11. Recent Accounting Pronouncements

On May 28, 2014, the Financial Accounting Standards Board issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard is effective for the Company on January 1, 2017. Early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

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

Statements made in this Form 10-Q, including without limitation this Management's Discussion and Analysis of Financial Condition and Results of 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 (the "Exchange Act"). These forward-looking statements may sometimes be identified by such words as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," or "continue" or the negative of those words and other comparable words. We believe that 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" in our Annual Report on Form 10-K previously filed with the SEC and elsewhere in this Form 10-Q. We are under no duty to update any of the forward-looking statements after the date of this Form 10-Q to conform these statements to actual results. For additional information, see the "Special Note Regarding Forward-Looking Statements" contained in this Form 10-Q.

Overview

We are an information technology consulting firm serving Forbes Global 2000 and other large enterprise companies with a primary focus on the United States. We help our clients gain competitive advantage by using Internet-based technologies to make their businesses more responsive to market opportunities and threats, strengthen relationships with their customers, suppliers and partners, improve productivity, and reduce information technology costs. We design, build, and deliver business-driven technology solutions using third party software products. Our solutions include business analysis, portals and collaboration, business integration, user experience, enterprise content management, customer relationship management, interactive design, enterprise performance management, business process management, business intelligence, eCommerce, mobile platforms, custom applications, and technology platform implementations, among others. Our solutions enable our clients to operate a real-time enterprise that dynamically adapts business processes and the systems that support them to meet the changing demands of an increasingly global, Internet-driven, and competitive marketplace.

Services Revenues

Services revenues are derived from professional services that include developing, implementing, integrating, automating and extending business processes, technology infrastructure, and software applications. Most of our projects are performed on a time and materials basis, while a smaller portion of our revenues is derived from projects performed on a fixed fee basis. Fixed fee engagements represented approximately 10% of our services revenues for both the three and nine months ended September 30, 2014 compared to 10% for the three and nine months ended September 30, 2013. For time and material projects, revenues are 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 an input method based on the ratio of hours expended to total estimated hours. Amounts invoiced and collected in excess of revenues recognized are classified as deferred revenues. 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 clients, 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 and Hardware Revenues

Software and hardware revenues are derived from sales of third-party software and hardware. Revenues from sales of third-party software and hardware are generally recorded on a gross basis provided that we act as a principal in the transaction. On rare occasions, we do not meet the requirements to be considered a principal in the transaction and act as an agent. In these cases, revenues are recorded on a net basis. Software and hardware revenues are expected to fluctuate depending on our clients' demand for these products.

If we enter into contracts for the sale of services and software or hardware, management evaluates whether each element should be accounted for separately by considering the following criteria: (1) whether the deliverables have value to the client on a stand-alone basis; and (2) whether delivery or performance of the undelivered item or items is considered probable and substantially in our control (only if the arrangement includes a general right of return related to the delivered item). Further, for sales of software and services, management also evaluates whether the services are essential to the functionality of the software and has fair value evidence for each deliverable. If management concludes that the separation criteria are met, then it accounts for each deliverable in the transaction separately, based on the relevant revenue recognition policies. Generally, all deliverables of our multiple element arrangements meet these criteria and are accounted for separately, with the arrangement consideration allocated among the deliverables using vendor-specific objective evidence of the selling price. As a result, we generally recognize software and hardware sales upon delivery to the customer and services consistent with the policies described herein.

Further, delivery of software and hardware sales, when sold contemporaneously with services, can generally occur at varying times depending on the specific client project arrangement. Delivery of services generally occurs over a period of time consistent with the timeline as outlined in the client contract.

There are no significant cancellation or termination-type provisions for our software and hardware sales. Contracts for professional services provide for a general right, to the client or us, to cancel or terminate the contract within a given period of time (generally 10 to 30 days' notice is required). The client is responsible for any time and expenses incurred up to the date of cancellation or termination of the contract.

Cost of Revenues

Cost of revenues consists primarily of cash and non-cash compensation and benefits, including bonuses and non-cash compensation related to equity awards. Cost of revenues also includes the costs associated with subcontractors. Third-party software and hardware costs, reimbursable expenses and other unreimbursed project-related expenses are also included in cost of revenues. Project-related expenses will fluctuate generally depending on outside factors including the cost and frequency of travel and the location of our clients. Cost of revenues does not include depreciation of assets used in the production of revenues which are primarily personal computers, servers, and other information technology related equipment.

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 clients divided by the total available hours in the respective period), the salaries we pay our professionals, and the average billing rate we receive from our clients. If a project ends earlier than scheduled, 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. Gross margin percentages of third-party software and hardware sales are typically lower than gross margin percentages for services, and the mix of services and software and hardware for a particular period can significantly impact our total combined gross margin percentage for such period. In addition, gross margin for software and hardware sales can fluctuate due to pricing and other competitive pressures.

Selling, General, and Administrative Expenses

Selling, general and administrative ("SG&A") expenses are primarily composed of sales-related costs, general and administrative salaries, stock compensation expense, recruiting expense, office costs, bad debts, variable compensation costs, research and development costs, and other miscellaneous expenses. We work to minimize selling costs by focusing on repeat business with existing clients and by accessing sales leads generated by our software vendors, most notably IBM, Oracle and Microsoft, whose products we use to design and implement solutions for our clients. These relationships enable us to reduce our selling costs and sales cycle times and increase win rates through leveraging our partners' marketing efforts and endorsements.

Plans for Growth and Acquisitions

Our goal is to continue to build one of the leading independent information technology consulting firms by expanding our relationships with existing and new clients and through the continuation of our disciplined acquisition strategy. Our future growth plan includes expanding our business with a primary focus on customers in the United States, both organically and through acquisitions. We also intend to further leverage our existing offshore capabilities to support our future growth and provide our clients flexible options for project delivery.

When analyzing revenue growth by base business compared to acquired companies in the Results of Operations section below, revenue attributable to base business is defined as revenue from an acquired company that has been owned for a full four quarters after the date of acquisition.

Results of Operations

Three months ended September 30, 2014 compared to three months ended September 30, 2013

Revenues. Total revenues increased 21% to \$117.0 million for the three months ended September 30, 2014 from \$96.8 million for the three months ended September 30, 2013.

	Financial Results (in thousands)			Explanation for Increases Over Prior Year Period (in thousands)	
	For the Three Months Ended September 30, 2014	For the Three Months Ended September 30, 2013	Total Increase Over Prior Year Period	Increase (Decrease) Attributable to Acquired Companies	Increase (Decrease) Attributable to Base Business
Services revenues	\$ 99,975	\$ 86,568	\$ 13,407	\$ 10,529	\$ 2,878
Software and hardware revenues	12,192	5,620	6,572	288	6,284
Reimbursable expenses	4,804	4,570	234	409	(175)
Total revenues	\$ 116,971	\$ 96,758	\$ 20,213	\$ 11,226	\$ 8,987

Services revenues increased 15% to \$100.0 million for the three months ended September 30, 2014 from \$86.6 million for the three months ended September 30, 2013. Services revenues attributable to our base business increased by \$2.9 million while services revenues attributable to acquired companies increased by \$10.5 million, resulting in a total increase of \$13.4 million.

Software and hardware revenues increased 117% to \$12.2 million for the three months ended September 30, 2014 from \$5.6 million for the three months ended September 30, 2013, primarily due to an increase in initial and renewal software license sales. Reimbursable expenses increased 5% to \$4.8 million for the three months ended September 30, 2014 from \$4.6 million for the three months ended September 30, 2013. We do not realize any profit on reimbursable expenses.

Cost of Revenues. Cost of revenues increased 23% to \$77.4 million for the three months ended September 30, 2014 from \$62.9 million for the three months ended September 30, 2013. The increase in cost of revenues is primarily related to costs associated with services revenues which increased 16% to \$62.2 million for the three months ended September 30, 2014 from \$53.4 million due to an increase in revenue as noted above. Software and hardware costs increased 112% to \$10.4 million for the three months ended September 30, 2014 from \$4.9 million for the three months ended September 30, 2013, as a result of the increase in software license sales.

Gross Margin. Gross margin increased 17% to \$39.5 million for the three months ended September 30, 2014 from \$33.9 million for the three months ended September 30, 2013. Gross margin as a percentage of revenues decreased to 33.8% for the three months ended September 30, 2014 from 35.0% for the three months ended September 30, 2013, primarily due to the increased contribution of lower margin software and hardware sales. Services gross margin, excluding reimbursable expenses, decreased to 37.8% or \$37.8 million for the three months ended September 30, 2014 from 38.3% or \$33.2 million for the three months ended September 30, 2013 primarily driven by higher stock compensation costs. The average bill rate of our professionals excluding subcontractors and offshore resources, for the three months ended September 30, 2014, was \$150 per hour compared to \$137 per hour for the three months ended September 30, 2013.

Selling, General and Administrative. SG&A expenses increased 8% to \$22.2 million for the three months ended September 30, 2014 from \$20.5 million for the three months ended September 30, 2013, primarily due to an increase in sales, salaries, and marketing related costs. SG&A expenses, as a percentage of revenues, decreased to 19.0% for the three months ended September 30, 2014 from 21.2% for the three months ended September 30, 2013, primarily as a result of lower variable compensation.

Depreciation. Depreciation expense stayed consistent at \$0.9 million for the three months ended September 30, 2014 and the three months ended September 30, 2013. Depreciation expense as a percentage of revenues was 0.8% for the three months ended September 30, 2014 and 1.0% for the three months ended September 30, 2013.

Amortization. Amortization expense increased 107% to \$4.0 million for the three months ended September 30, 2014 from \$2.0 million for the three months ended September 30, 2013. The increase in amortization expense is due to the addition of intangible assets from acquisitions during 2013 and 2014. Amortization expense as a percentage of revenues was 3.5% for the three months ended September 30, 2014 and 2.0% for the three months ended September 30, 2013.

Acquisition Costs. Acquisition-related costs were immaterial in both the three months ended September 30, 2014 and three months ended September 30, 2013.

Adjustment to Fair Value of Contingent Consideration. There were no adjustments to the fair value of contingent consideration during the three months ended September 30, 2014. An adjustment of \$0.1 million was recorded during the three months ended September 30, 2013 for the accretion of the fair value estimate for the earnings-based contingent consideration related to the Clear Task acquisition.

Provision for Income Taxes. We provide for federal, state and foreign income taxes at the applicable statutory rates adjusted for non-deductible expenses. Our effective tax rate increased to 38.8% for the three months ended September 30, 2014 from 29.5% for the three months ended September 30, 2013. The increase in the effective rate is primarily due to the expiration of the research and development tax credit, which has not been re-enacted by Congress for 2014. Our effective rate for the three months ended September 30, 2013 included the impact of the research and development tax credit for 2013 and U.S. domestic production deduction for 2010, 2011, 2012 and 2013.

Nine months ended September 30, 2014 compared to nine months ended September 30, 2013

Revenues. Total revenues increased 20% to \$330.9 million for the nine months ended September 30, 2014 from \$275.9 million for the nine months ended September 30, 2013.

	Financial Results (in thousands)			Explanation for Increases Over Prior Year Period (in thousands)	
	For the Nine Months Ended September 30, 2014	For the Nine Months Ended September 30, 2013	Total Increase Over Prior Year Period	Increase (Decrease) Attributable to Acquired Companies	Increase (Decrease) Attributable to Base Business
Services revenues	\$ 286,780	\$ 240,549	\$ 46,231	\$ 36,259	\$ 9,972
Software and hardware revenues	31,108	23,169	7,939	798	7,141
Reimbursable expenses	12,962	12,142	820	738	82
Total revenues	\$ 330,850	\$ 275,860	\$ 54,990	\$ 37,795	\$ 17,195

Services revenues increased 19% to \$286.8 million for the nine months ended September 30, 2014 from \$240.5 million for the nine months ended September 30, 2013. Services revenues attributable to our base business increased by \$10.0 million while services revenues attributable to acquired companies increased by \$36.2 million, resulting in a total increase of \$46.2 million.

Software and hardware revenues increased 34% to \$31.1 million for the nine months ended September 30, 2014 from \$23.2 million for the nine months ended September 30, 2013, primarily due to an increase in initial and renewal software license sales. Reimbursable expenses increased 7% to \$13.0 million for the nine months ended September 30, 2014 from \$12.1 million for the nine months ended September 30, 2013. We do not realize any profit on reimbursable expenses.

Cost of Revenues. Cost of revenues increased 19% to \$222.0 million for the nine months ended September 30, 2014 from \$185.9 million for the nine months ended September 30, 2013. The increase in cost of revenues is primarily related to costs associated with services revenues which increased 19% to \$181.7 million for the nine months ended September 30, 2014 from \$153.3 million due to an increase in revenue as noted above. Software and hardware costs increased 34% to \$27.3 million for the nine months ended September 30, 2014 from \$20.5 million for the nine months ended September 30, 2013, as a result of the increase in software license sales.

Gross Margin. Gross margin increased 21% to \$108.8 million for the nine months ended September 30, 2014 from \$90.0 million for the nine months ended September 30, 2013. Gross margin as a percentage of revenues increased to 32.9% for the nine months ended September 30, 2014 from 32.6% for the nine months ended September 30, 2013. Services gross margin, excluding reimbursable expenses, increased to 36.6% or \$105.1 million for the nine months ended September 30, 2014 from 36.3% or \$87.3 million for the nine months ended September 30, 2013. The increase in services gross margin is primarily a result of a higher average bill rate. The average bill rate for our professionals, excluding subcontractors, increased to \$134 per hour for the nine months ended September 30, 2014 from \$119 per hour for the nine months ended September 30, 2013, primarily due to improved pricing opportunities. The average bill rate of our professionals excluding subcontractors and offshore resources, for the nine months ended September 30, 2014, was \$146 per hour compared to \$134 per hour for the nine months ended September 30, 2013.

Selling, General and Administrative. SG&A expenses increased 14% to \$65.4 million for the nine months ended September 30, 2014 from \$57.3 million for the nine months ended September 30, 2013, primarily due to an increase in sales, salaries, and marketing related costs. SG&A expenses, as a percentage of revenues, decreased to 19.8% for the nine months ended September 30, 2014 from 20.8% for the nine months ended September 30, 2013 as a result of lower variable compensation.

Depreciation. Depreciation expense increased 16% to \$2.7 million for the nine months ended September 30, 2014 from \$2.3 million for the nine months ended September 30, 2013. The increase in depreciation expense is primarily attributable to an increase in capital expenditures to support our growth. Depreciation expense as a percentage of revenues was 0.8% for both the nine months ended September 30, 2014 and the nine months ended September 30, 2013.

Amortization. Amortization expense increased 83% to \$10.5 million for the nine months ended September 30, 2014 from \$5.8 million for the nine months ended September 30, 2013. The increase in amortization expense is due to the addition of intangible assets from acquisitions during 2013 and 2014. Amortization expense as a percentage of revenues was 3.2% for the nine months ended September 30, 2014 and 2.1% for the nine months ended September 30, 2013.

Acquisition Costs. Acquisition-related costs were \$2.5 million for the nine months ended September 30, 2014 and were related to the acquisitions of ForwardThink, BioPharm, and Trifecta. Acquisition-related costs were \$1.4 million for the nine months ended September 30, 2013 and were related to the acquisitions of TriTek and Clear Task. These acquisition-related costs were incurred for legal, advisory, accounting, and valuation services performed by third parties.

Adjustment to Fair Value of Contingent Consideration. An adjustment of \$1.5 million was recorded during the nine months ended September 30, 2014 which represents the net impact of the fair market value adjustments to the contingent consideration of the CoreMatrix and Clear Task acquisitions. An adjustment of \$0.1 million was recorded during the nine months ended September 30, 2013 for the accretion of the fair value estimate for the earnings-based contingent consideration related to the Clear Task acquisition.

Provision for Income Taxes. We provide for federal, state and foreign income taxes at the applicable statutory rates adjusted for non-deductible expenses. Our effective tax rate increased to 40.8% for the nine months ended September 30, 2014 from 30.5% for the nine months ended September 30, 2013. The increase in the effective rate is primarily due to the expiration of the research and development tax credit, which has not been re-enacted by Congress for 2014. Our effective rate for the nine months ended September 30, 2013 included the impact of the research and development tax credit for 2012 and 2013 which was enacted for both years in January 2013 and U.S. domestic production deduction for 2010, 2011, 2012 and 2013.

Liquidity and Capital Resources

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

	As of September 30, 2014	As of December 31, 2013
Cash, cash equivalents and investments	\$ 5.4	\$ 7.0
Working capital (including cash and cash equivalents) (1)	\$ 90.9	\$ 57.3
Amounts available under credit facilities	\$ 15.0	\$ 55.8

(1) Working capital is total current assets less total current liabilities

Net Cash Provided By Operating Activities

Net cash provided by operating activities for the nine months ended September 30, 2014 was \$0.6 million compared to \$25.8 million for the nine months ended September 30, 2013. For the nine months ended September 30, 2014, the primary components of operating cash flows were net income of \$16.7 million plus non-cash charges of \$21.1 million, offset by working capital investments of \$37.2 million. The Company's accounts receivable balance increased during the three months ended September 30, 2014 due to the timing of invoicing during the Enterprise Resource Planning system implementation and \$8.6 million in software sales that were billed late in the third quarter 2014. Accounts receivable are expected to decrease and return to historical levels in the first half of 2015. The primary components of operating cash flows for the nine months ended September 30, 2013 were net income of \$15.9 million plus non-cash charges of \$15.6 million, offset by working capital investments of \$5.7 million.

Net Cash Used In Investing Activities

During the nine months ended September 30, 2014, we used \$46.5 million for acquisition purchases and \$5.4 million to purchase property and equipment and to develop certain software for internal use. During the nine months ended September 30, 2013, we used \$19.8 million for acquisition purchases and \$6.0 million for purchases of equipment and to develop certain software for internal use.

Net Cash Provided By (Used In) Financing Activities

During the nine months ended September 30, 2014, we drew down \$210.6 million from our line of credit and we realized a tax benefit related to vesting of stock awards and stock option exercises plus proceeds from the exercise of stock options and sales of stock through the Employee Stock Purchase Plan of \$3.4 million. We repaid \$154.8 million on our line of credit, used \$3.2 million to repurchase shares of our common stock through the stock repurchase program, used \$1.2 million to settle the contingent consideration for the purchase of Clear Task, and \$5.2 million to remit taxes withheld as part of a net share settlement of restricted stock vesting. For the nine months ended September 30, 2013, we borrowed \$128.2 million on our line of credit and we realized a tax benefit related to vesting of stock awards and stock option exercises plus proceeds from the exercise of stock options and sales of stock through the Employee Stock Purchase Plan of \$1.9 million. We repaid \$115.0 million on our line of credit, incurred \$0.4 million in credit facility fees, used \$13.1 million to repurchase shares of our common stock through the stock repurchase program and \$2.0 million to remit taxes withheld as part of a net share settlement of restricted stock vesting.

Availability of Funds from Bank Line of Credit Facility

On July 31, 2013, the Company renewed and extended the term of its credit agreement with Silicon Valley Bank ("SVB"), U.S. Bank National Association, and Bank of America, N.A. (the "Lenders"). The credit agreement provided for revolving credit borrowings up to a maximum principal amount of \$75.0 million and provided for an aggregate commitment increase of up to \$25.0 million. The Company and the Lenders entered into Amendment No. 1 to the Second Amended and Restated Credit Agreement as amended, the "Credit Agreement"), effective as of May 7, 2014, pursuant to which the Company and the Lenders increased the amount of available borrowing capacity under the Credit Agreement by \$15.0 million, thereby allowing for revolving credit borrowings up to a maximum principal amount of \$90.0 million.

The Credit Agreement also allows for the issuance of letters of credit in the aggregate amount of up to \$5.0 million at any one time. Outstanding letters of credit reduce the credit available for revolving credit borrowings. As of September 30, 2014, the Company had an outstanding letter of credit in the amount of \$0.2 million to secure an office space lease. Substantially all of the Company's assets are pledged to secure the credit facility.

All outstanding amounts owed under the Credit Agreement become due and payable no later than the final maturity date of July 31, 2017. Borrowings under the Credit Agreement bear interest at the Company's option of SVB's prime rate (4.00% on September 30, 2014) plus a margin ranging from 0.00% to 0.50% or one-month LIBOR (0.16% on September 30, 2014) plus a margin ranging from 2.00% to 2.50%. The additional margin amount is dependent on the level of outstanding borrowings. As of September 30, 2014, the Company had \$15.0 million of borrowing capacity. The Company incurs an annual commitment fee of 0.30% on the unused portion of the line of credit.

At September 30, 2014, the Company was in compliance with all its covenants under the Credit Agreement.

Stock Repurchase Program

Prior to 2014, our Board of Directors authorized the repurchase of up to \$90.0 million of our common stock. On November 4, 2014, our Board of Directors authorized the expansion of our stock repurchase program by authorizing the repurchase of up to an additional \$10.0 million of our common stock for a total repurchase program of \$100.0 million and extended the expiration date of the program from December 31, 2014 to June 30, 2016.

From time to time, we establish a written trading plan in accordance with Rule 10b5-1 of the Exchange Act, pursuant to which we make a portion of our stock repurchases. Additional repurchases will be at times and in amounts as the Company deems appropriate and will be made through open market transactions in compliance with Rule 10b-18 of the Exchange Act, subject to market conditions, applicable legal requirements, and other factors.

Since the program's inception on August 11, 2008, we have repurchased approximately \$77.0 million (9.1 million shares) of our outstanding common stock through September 30, 2014.

Contractual Obligations

There were no material changes outside the ordinary course of our business in lease obligations in the first six months of 2014.

As of September 30, 2014, there was \$74.8 million outstanding under the Credit Agreement as compared to \$19.0 million as of December 31, 2013. The amounts are classified as "Long-term debt" within the Condensed Consolidated Balance Sheets (Unaudited) as of September 30, 2014 and December 31, 2013 and will become due and payable no later than the final maturity date of July 31, 2017.

Off Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Conclusion

Of the total cash and cash equivalents reported on the Condensed Consolidated Balance Sheet (Unaudited) as of September 30, 2014 of \$5.4 million, approximately \$4.7 million was held by the Company's Chinese operations and is considered to be indefinitely reinvested in those operations. The Company has no intention of repatriating cash from its Chinese operations in the foreseeable future.

We believe that the currently available funds, access to capital from our credit facility, and cash flows generated from operations will be sufficient to meet our working capital requirements and other capital needs for the next 12 months.

Critical Accounting Policies

Our accounting policies are fully described in Note 2, *Summary of Significant Accounting Policies*, to our Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2013. We believe our most critical accounting policies include revenue recognition, accounting for goodwill and intangible assets, purchase accounting, accounting for stock-based compensation, and income taxes.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Exchange Rate Sensitivity

We are exposed to market risks associated with changes in foreign currency exchange rates because we generate a portion of our revenues and incur a portion of our expenses in currencies other than the U.S. dollar. As of September 30, 2014, we were exposed to changes in exchange rates between the U.S. Dollar and the Canadian Dollar, Chinese Yuan, Indian Rupee, British Pound, and Euro. We have not hedged foreign currency exposures related to transactions denominated in currencies other than U.S. Dollars. Our exposure to foreign currency risk is not significant.

Interest Rate Sensitivity

As of September 30, 2014, there was \$74.8 million outstanding and \$15.0 million of available borrowing capacity under our Credit Agreement. Our interest expense will fluctuate as the interest rate for the line of credit floats based, at our option, on our lead lender's prime rate plus a margin or the one-month LIBOR rate plus a margin. Based on the \$74.8 million outstanding on the line of credit as of September 30, 2014, an increase in the interest rate of 100 basis points would add \$748,000 of interest expense per year, which is not considered material to our financial position or results of operations.

We had unrestricted cash and cash equivalents totaling \$5.4 million at September 30, 2014 and \$7.0 million at December 31, 2013. The unrestricted cash and cash equivalents are held for working capital purposes. We do not enter into investments for trading or speculative purposes. Due to the short-term nature of these investments, we believe that we do not have any material exposure to changes in the fair value of our investment portfolio as a result of changes in interest rates. Declines in interest rates, however, will reduce future interest income.

Item 4. Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of the disclosure controls and procedures as of the end of the period covered by this Form 10-Q. Based on that evaluation, our management, with the participation of our principal executive officer and principal financial officer, concluded that these disclosure controls and procedures were effective.

There was no change in our internal control over financial reporting as defined in Exchange Act Rule 13a-15(f) during the three months ended September 30, 2014, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting except for the system implementation described below.

Effective as of July 1, 2014, the Company implemented an Enterprise Resource Planning ("ERP") system to support the Company's future growth plan and to integrate significant processes. Implementing an ERP system on a widespread basis involves significant changes in business processes and extensive organizational training. The Company believes it has taken and will continue to take the necessary steps to implement, monitor and maintain appropriate internal controls during this transition period. These steps include deploying resources to mitigate internal control risks, and performing additional verifications and testing to ensure data integrity. In connection with the ERP system implementation, the Company expects there will be a significant redesign of its business processes, some of which relate to internal control over financial reporting and disclosure controls and procedures.

PART II. OTHER INFORMATION

Item 1A. Risk Factors

In evaluating all forward-looking statements, you should specifically consider various risk factors that may cause actual results to vary from those contained in the forward-looking statements. Our risk factors are included in our Annual Report on Form 10-K for the year ended December 31, 2013, as filed with the SEC on March 6, 2014 and available at www.sec.gov, as updated by our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2014. There have been no other material changes to such risk factors since the filing of such reports.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Unregistered Sales of Securities

Our acquisition of Clear Task on May 17, 2013 included an earnings-based contingency, pursuant to which additional consideration could be realized by Clear Task if certain earnings-based requirements were met. The contingency was achieved and, as such, we paid the additional consideration on August 4, 2014. In connection with this payment, we issued 37,932 unregistered shares of our common stock to Clear Task.

We relied on Section 4(a)(2) of the Securities Act of 1933, as amended, as the basis for exemption from registration for this issuance. These shares were issued in a privately negotiated transaction and not pursuant to a public solicitation.

Issuer Purchases of Securities

Stock Repurchase Program

Prior to 2014, our Board of Directors authorized the repurchase of up to \$90.0 million of our common stock. On November 4, 2014, our Board of Directors authorized the expansion of our stock repurchase program by authorizing the repurchase of up to an additional \$10.0 million of our common stock for a total repurchase program of \$100.0 million and extended the expiration date of the program from December 31, 2014 to June 30, 2016.

The program could be suspended or discontinued at any time, based on market, economic, or business conditions. The timing and amount of repurchase transactions will be determined by our management based on its evaluation of market conditions, share price, and other factors.

Since the program's inception on August 11, 2008, we have repurchased approximately \$77.0 million of our outstanding common stock through September 30, 2014.

Period	Total Number of Shares Purchased	Average Price Paid Per Share (1)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
Beginning balance as of June 30, 2014	9,145,890	\$ 8.42	9,145,890	\$ 12,989,281
July 1-31, 2014	-	-	-	\$ 12,989,281
August 1-31, 2014	-	-	-	\$ 12,989,281
September 1-30, 2014	-	-	-	\$ 12,989,281
Ending balance as of September 30, 2014	9,145,890	\$ 8.42	9,145,890	

(1) Average price paid per share includes commission.

Item 5. Other Information

Davis Employment Agreement.

On November 4, 2014, we entered into an amended and restated employment agreement with Jeffrey S. Davis, our President and Chief Executive Officer (the "Davis Employment Agreement"), which amended and restated his previous employment agreement with certain changes. The Davis Employment Agreement is effective as of January 1, 2015 and will expire on December 31, 2017. Our previous employment agreement with Mr. Davis was effective January 1, 2012 and was set to expire on December 31, 2014. The Davis Employment Agreement has the following terms:

- an annual salary of \$500,000 that may be increased by the Board of Directors from time to time;
- an annual performance bonus of up to 200% of Mr. Davis's annual salary in the event we achieve certain performance targets;
- entitlement to participate in such insurance, disability, health, and medical benefits and retirement plans or programs as are from time to time generally made available to our executive employees, pursuant to our policies and subject to the conditions and terms applicable to such benefits, plans or programs;
- death, disability, severance, and change of control benefits upon Mr. Davis's termination of employment or change of control of the Company, including a severance payment of two years' base salary, one year's target bonus, and one year of benefits (and vesting of all unvested options and restricted shares) if Mr. Davis is terminated without cause or under a constructive termination, as defined in the Davis Employment Agreement; and
- 100% of all unvested options and restricted shares vest upon a change in control.

Mr. Davis has agreed to refrain from competing with the Company for a period of three years following the termination of his employment. Mr. Davis's compensation is subject to review and adjustment on an annual basis in accordance with our compensation policies as in effect from time to time.

The foregoing is a summary of the material terms of the Davis Employment Agreement only, and is qualified in its entirety by the complete terms of the Davis Employment Agreement, filed as an exhibit to this Report on Form 10-Q.

Martin Employment Agreement.

On November 4, 2014, we entered into an amended and restated employment agreement with Paul E. Martin, our Chief Financial Officer (the "Martin Employment Agreement"), which amended and restated his previous employment agreement with certain changes. The Martin Employment Agreement is effective as of January 1, 2015 and will expire on December 31, 2017. Our previous employment agreement with Mr. Martin was effective January 1, 2012 and was set to expire on December 31, 2014. The Martin Employment Agreement has the following terms:

- an annual salary of \$310,000 that may be increased by the Chief Executive Officer, with approval by the Board of Directors or its Compensation Committee, from time to time;
- an annual performance bonus of up to 80% of Mr. Martin's annual salary in the event we achieve certain performance targets;
- entitlement to participate in such insurance, disability, health, and medical benefits and retirement plans or programs as are from time to time generally made available to our executive employees, pursuant to our policies and subject to the conditions and terms applicable to such benefits, plans or programs;
- death, disability, severance, and change of control benefits upon Mr. Martin's termination of employment or change of control of the Company, including a severance payment of one year's base salary, one year of benefits and one year of vesting of options and restricted stock if Mr. Martin is terminated without cause or under a constructive termination, as defined in the Martin Employment Agreement; and
- 50% of all unvested options and restricted shares vest upon a change in control.

Mr. Martin has agreed to refrain from competing with the Company for a period of three years following the termination of his employment. Mr. Davis's compensation is subject to review and adjustment on an annual basis in accordance with our compensation policies as in effect from time to time.

The foregoing is a summary of the material terms of the Martin Employment Agreement only, and is qualified in its entirety by the complete terms of the Martin Employment Agreement, filed as an exhibit to this Report on Form 10-Q.

Item 6. Exhibits

The exhibits filed as part of this Report on Form 10-Q are listed in the Exhibit Index immediately preceding the exhibits.

SIGNATURES

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

PERFICIENT, INC.

Date: November 6, 2014

By: /s/ Jeffrey S. Davis
Jeffrey S. Davis
Chief Executive Officer (*Principal Executive Officer*)

Date: November 6, 2014

By: /s/ Paul E. Martin
Paul E. Martin
Chief Financial Officer (*Principal Financial Officer*)

EXHIBITS INDEX

Exhibit Number	Description
3.1	Certificate of Incorporation of Perficient, Inc., previously filed with the Securities and Exchange Commission as an Exhibit to our 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
3.2	Certificate of Amendment to Certificate of Incorporation of Perficient, Inc., previously filed with the Securities and Exchange Commission as an Exhibit to our Form 8-A (File No. 000-51167) filed with the Securities and Exchange Commission pursuant to Section 12(g) of the Securities Exchange Act of 1934 on February 15, 2005 and incorporated herein by reference
3.3	Certificate of Amendment to Certificate of Incorporation of Perficient, Inc., previously filed with the Securities and Exchange Commission as an Exhibit to our Registration Statement on form S-8 (File No. 333-130624) filed on December 22, 2005 and incorporated herein by reference
3.4	Amended and Restated Bylaws of Perficient, Inc., previously filed with the Securities and Exchange Commission as an Exhibit to our Annual Report on Form 10-K for the year ended December 31, 2012 (File No. 001-15169) filed March 7, 2013 and incorporated herein by reference
4.1	Specimen Certificate for shares of Perficient, Inc. common stock, previously filed with the Securities and Exchange Commission as an Exhibit to our Quarterly Report on Form 10-Q (File No. 001-15169) filed May 7, 2009 and incorporated herein by reference
10.1*	Amended and Restated Employment Agreement with Chief Executive Officer of Perficient, Inc., effective as of January 1, 2015
10.2*	Amended and Restated Employment Agreement with Chief Financial Officer of Perficient, Inc., effective as of January 1, 2015
31.1*	Certification by the Chief Executive Officer of Perficient, Inc. as required by Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification by the Chief Financial Officer of Perficient, Inc. as required by Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification by the Chief Executive Officer and Chief Financial Officer of Perficient, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101*	The following financial information from Perficient, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2014, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets as of September 30, 2014 (Unaudited) and December 31, 2013, (ii) Condensed Consolidated Statements of Operations (Unaudited) for the three and nine months ended September 30, 2014 and 2013, (iii) Condensed Consolidated Statements of Comprehensive Income (Unaudited) for the three and nine months ended September 30, 2014 and 2013, (iv) Condensed Consolidated Statement of Shareholders' Equity (Unaudited) for the nine months ended September 30, 2014, (v) Condensed Consolidated Statements of Cash Flows (Unaudited) for the nine months ended September 30, 2014 and 2013, and (vi) the Notes to Interim Unaudited Condensed Consolidated Financial Statements
*	Filed herewith.
**	Included but not to be considered "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section.

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (this "Agreement"), dated November 4, 2014 and effective as of January 1, 2015, between Perficient, Inc. a Delaware corporation (the "Company"), and Jeffrey S. Davis ("Employee").

WITNESSETH:

WHEREAS, the Company desires that Employee continue to be employed by it and render services to it, and Employee is willing to be so employed and to render such services to the Company, all upon the terms and subject to the conditions contained herein in consideration for, among other things, the Company's agreement to provide Employee with Confidential Information pursuant to the terms of this Agreement, and Employee's receipt of Confidential Information pursuant to a relationship of trust and confidence and under conditions of confidentiality and non-use and non-disclosure.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. EMPLOYMENT. Subject to and upon the terms and conditions contained in this Agreement, the Company hereby agrees to continue to employ Employee and Employee agrees to continue in the employ of the Company, for the period set forth in paragraph 2 hereof, to render to the Company, its affiliates and/or subsidiaries the services described in paragraph 3 hereof.

2. TERM. Employee's term of employment under this Agreement shall be three years, commencing as of the date hereof and continuing through and ending December 31, 2017, unless extended in writing by mutual agreement of the parties or earlier terminated pursuant to the terms and conditions set forth herein (the "Employment Term").

3. DUTIES.

(a) Employee shall serve as the President and Chief Executive Officer of the Company, reporting directly to the Board of Directors (the "Board") and its Chairman. Employee shall perform all duties and services incident to these positions.

(b) Employee shall abide by all By-laws and policies of the Company promulgated from time to time by the Company.

4. BEST EFFORTS. Employee shall devote his full business time and attention, as well as his best efforts, energies and skill to the discharge of the duties and responsibilities attributable to his position.

5. COMPENSATION.

(a) As compensation for his services and covenants hereunder, Employee shall receive a base salary ("Base Salary"), payable pursuant to the Company's normal payroll procedures in place from time to time, at the rate of \$500,000 per annum, less all necessary and required federal, state and local payroll deductions. The Board may decide, in its sole discretion, to increase Employee's Base Salary from time to time during the term of this Agreement, in which case any such Base Salary as so adjusted shall thereafter constitute the Base Salary.

(b) For each calendar year, Employee shall be eligible to receive a bonus of up to two-hundred percent (200%) of his Base Salary ("Target Bonus"), less all necessary and required federal, state and local payroll deductions. The criteria for determining the amount of the bonus, and the conditions that must be satisfied to entitle Employee to receive the bonus for any year during the term of this Agreement shall be determined by the Board of Directors, in its sole discretion but in a manner consistent with that used to determine Employee's bonus in prior years. Payment of any bonus to Employee shall be in accordance with bonus policies established from time to time by the Company. Such bonus will be paid not later than the March 15 immediately following the end of the calendar year to which the bonus relates.

6. EXPENSES. Employee shall be reimbursed for business expenses incurred by him which are reasonable and necessary for Employee to perform his duties under this Agreement in accordance with policies established from time to time by the Company. Employee shall receive reimbursement for other expenses consistent with past practice and as approved by the Compensation Committee of the Board. The reimbursement of any such expense that is includible in gross income for federal income tax purposes shall be paid no later than the end of the calendar year following the calendar year in which the expense was incurred.

7. EMPLOYEE BENEFITS.

(a) During the Employment Term (and, subject to the provisions and conditions of subparagraph 9(e), in the case of a Termination Without Cause or a Constructive Termination, the one year period immediately following termination of employment), Employee shall be entitled to participate in such group term insurance, disability insurance, health and medical insurance benefits and retirement plans or programs as are from time to time generally made available to executive employees of the Company pursuant to the policies of the Company; provided that Employee shall be required to comply with the conditions attendant to coverage by such plans and shall comply with and be entitled to benefits only to the extent former employees are eligible to participate in such arrangements pursuant to the terms of the arrangement, any insurance policy associated therewith and applicable law, and, further, shall be entitled to benefits only in accordance with the terms and conditions of such plans. The Company may withhold from any benefits payable to Employee all federal, state, local and other taxes and amounts as shall be permitted or required to be withheld pursuant to any applicable law, rule or regulation.

(b) Employee shall be entitled to vacation in accordance with the Company's policies as may be established from time to time by the Company for its executive staff, which shall be taken at such time or times as shall be mutually agreed upon with the Company.

8. DEATH AND DISABILITY.

(a) The Employment Term shall terminate on the date of Employee's death, in which event the Company shall, within 30 days of the date of death, pay to his estate, Employee's Base Salary, any unpaid bonus awards, reimbursable expenses and benefits owing to Employee through the date of Employee's death together with a lump-sum equal to one year's Base Salary and Target Bonus and any benefits payable under any life insurance program in which Employee is a participant. Except as otherwise contemplated by this Agreement, Employee's estate will not be entitled to any other compensation upon termination of this Agreement pursuant to this subparagraph 8(a).

(b) The Employment Term shall terminate upon Employee's Disability. For purposes of this Agreement, "Disability" shall mean that Employee is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months. For purposes of determining Employee's Disability, the Board may rely on a determination by the Social Security Administration that Employee is totally disabled or a determination by the Company's disability insurance carrier that Employee has satisfied the above definition of Disability. In case of such termination, Employee shall be entitled to receive his Base Salary, any unpaid bonus awards (including any bonus award for a plan year that has ended prior to the time employment terminated where the award was scheduled to be paid after the date employment terminated), reimbursable expenses and benefits owing to Employee through the date of termination within 30 days of the date of the Company's determination of Employee's Disability. In addition, the Company shall pay to Employee an amount equal to one year's Base Salary and Target Bonus, payable in installments through regular payroll over the one year period commencing on the date of the Company's determination of Employee's Disability, together with any benefits payable under any disability insurance program in which Employee is a participant. Except as otherwise contemplated by this Agreement, Employee will not be entitled to any other compensation upon termination of his employment pursuant to this subparagraph 8(b).

(c) In no event will the Employee or his estate have the discretion to determine the calendar year of payment.

9. TERMINATION OF EMPLOYMENT.

(a) The Company shall have the right, upon delivery of written notice to the Employee, to terminate the Employee's employment hereunder prior to the expiration of the Employment Term (i) pursuant to a Termination for Cause or (ii) pursuant to a Without Cause Termination. The Employee shall have the right, upon delivery of written notice to the Company, to terminate his employment hereunder prior to the expiration of the Employment Term pursuant to a Constructive Termination, or otherwise by providing the Company with not less than 30 days prior written notice.

(b) In the event that the Company terminates the Employee's employment pursuant to a Without Cause Termination, or if the Employee voluntarily terminates his employment pursuant to a Constructive Termination, then the Company shall be obligated to pay Employee (i) within 30 days of the date of Employee's termination, in a lump-sum, his Base Salary, any unpaid bonus awards, reimbursable expenses and benefits owing to Employee through the day on which Employee is terminated, and (ii) (subject to the provisions and conditions of subparagraph 9(e)) 60 days after the date Employee's employment terminates, a severance payment to the Employee in an amount equal to (A) two year's Base Salary and (B) Employee's Target Bonus for the year in which termination of employment occurs. Subject to the provisions and conditions of subparagraph 9(e), Employee shall also be entitled to benefits pursuant to paragraph 7 hereof for the one year period commencing on the termination date (with the cost of any medical coverage which is self-funded by the Company being included by Company in the taxable income of the Employee). No other cash payments shall be made, or benefits provided, by the Company under this Agreement in the event of a Without Cause Termination or a Constructive Termination; provided that all equity awards, including stock option grants and/or restricted stock grants, previously awarded to Employee shall immediately vest in their entirety, regardless of the satisfaction of any conditions contained therein, in the event of a Without Cause Termination or a Constructive Termination. Except as otherwise contemplated by this Agreement, Employee will not be entitled to any other compensation upon termination of this Agreement pursuant to this subparagraph 9(b).

Notwithstanding anything in this Agreement to the contrary (including but not limited to the provisions of Section 9 (b) or Section 10) if the Employee is a "specified employee," as defined in Code Section 409A and the regulations thereunder, on the date the Employee's employment is terminated, then amounts that constitute nonqualified deferred compensation subject to Code Section 409A that would otherwise have been paid during the six-month period immediately following the date the Employee's employment terminated shall be paid on the first regular payroll date immediately following the six-month anniversary of the date the Employee's employment terminates, with interest on each amount for the period of the delay at the rate of yield on U.S. Treasury Bills with the earliest maturity date that occurs at least six months after such date of termination of employment (as reported in the Wall Street Journal) from the such date of employment termination to the date of actual payment. Reimbursements or payments directly to the service provider for health care expenses incurred during such six month period, plus reimbursements and in kind benefits in an amount up to the applicable dollar limit on elective deferrals to a 401(k) plan under Section 402(g)(1)(B) of the Code (\$18,000 for 2015), and other amounts that do not constitute nonqualified deferred compensation subject to Section 409A, shall not be subject to this six month delay requirement.

(c) In the event that the Company terminates the Employee's employment hereunder due to a Termination for Cause or the Employee voluntarily terminates employment with the Company for any reason (other than a termination of employment by the Employee pursuant to a Constructive Termination), the Employee shall not be entitled to any severance, except that the Company shall be obligated to pay Employee his Base Salary, any unpaid bonus awards, reimbursable expenses and benefits owing to Employee through the day on which Employee is terminated in a lump sum payment within 30 days after the date of Employee's termination of employment. Except as otherwise contemplated by this Agreement, Employee will not be entitled to any other compensation upon termination of this Agreement pursuant to this subparagraph 9(c).

(d) For purposes of this Agreement, the following terms have the following meanings:

(i) The term "Termination for Cause" means, to the maximum extent permitted by applicable law, a termination of the Employee's employment by the Company attributed to (a) the repeated or willful failure of Employee to substantially perform his duties hereunder (other than any such failure due to physical or mental illness) that has not been cured reasonably promptly after a written demand for substantial performance is delivered to Employee by the Board of Directors, which demand identifies the manner in which the Board believes that Employee has not substantially performed his duties hereunder; (b) conviction of, or entering a plea of guilty or *nolo contendere* to a crime involving moral turpitude or dishonesty or to any other crime that constitutes a felony; (c) Employee's intentional misconduct, gross negligence or material misrepresentation in the performance of his duties to the Company; or (d) the material breach by Employee of any written covenant or agreement with the Company under this Agreement or otherwise, including, but not limited to, an agreement not to disclose any information pertaining to the Company or not to compete with the Company, including (without limitation) the covenants and agreements contained in paragraph 11 hereof.

(ii) The term "Without Cause Termination" means a termination of the Employee's employment by the Company other than due to (a) a Termination for Cause, (b) Disability, (c) the Employee's death, or (d) the expiration of this Agreement (subject to the provisions of paragraph 10(a)).

(iii) the term "Change in Control" shall mean:

(A) The acquisition by one person, or more than one person acting as a group, of ownership of stock of the Company that, together with stock held by such person or group, constitutes more than 50% of the total fair market value or total voting power of the stock of the Company;

(B) The acquisition by one person, or more than one person acting as a group, of ownership of stock of the Company, that together with stock of the Company acquired during the twelve-month period ending on the date of the most recent acquisition by such person or group, constitutes 30% or more of the total voting power of the stock of the Company;

(C) A majority of the members of the Company's board of directors is replaced during any twelve-month period by directors whose appointment or election is not endorsed by a majority of the members of the Company's board of directors before the date of the appointment or election;

(D) One person, or more than one person acting as a group, acquires (or has acquired during the twelve-month period ending on the date of the most recent acquisition by such person or group) assets from the Company that have a total gross fair market value (determined without regard to any liabilities associated with such assets) equal to or more than 40% of the total gross fair market value of all of the assets of the Company immediately before such acquisition or acquisitions.

Persons will not be considered to be acting as a group solely because they purchase or own stock of the same corporation at the same time, or as a result of the same public offering. However, persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company.

This definition of Change in Control shall be interpreted in accordance with, and in a manner that will bring the definition into compliance with, the regulations under Section 409A of the Internal Revenue Code ("Code").

(iv) The term "Constructive Termination" means Employee's voluntary termination of his employment with the Company following: (i) a material diminution in Employee's base compensation, (ii) a material reduction of Employee's performance-based target bonus or other incentive programs, (iii) a relocation of Employee's place of employment of more than 50 miles without Employee's consent, or (iv) a failure of Employer to renew the term of this Agreement following the expiration thereof, or to offer Employee employment under the terms and conditions of a replacement agreement, on terms and conditions no less favorable to Employee as under the then existing terms and conditions of this Agreement; in each case where the condition is not remedied / corrected by the Company within 30 days after the Employee sends notice to the Company in writing specifying the reason why the Employee claims there exists grounds for a Constructive Termination, and the Employee sends the notice within ninety days of discovering the existence of the condition that gives rise to a right to claim a Constructive Termination.

(v) the terms "termination of employment," or "terminate the Employee's employment," (or "termination" or "terminate" when used in the context of Employee's employment) shall mean a separation from service with the Company and its affiliates as defined in IRS regulations under Section 409A of the Code. An affiliate is any corporation or other business entity that is, along with the Company, a member of a controlled group of businesses, as defined in Code Sections 414(b) and 414(c), provided that the language: "at least 50 percent" shall be used instead of "at least 80 percent" each place it appears in such definition. A corporation or other business entity is an affiliate only while a member of such controlled group.

(e) To be eligible to receive the severance payment described in subparagraph 9 (b)(ii), and the post-termination benefits described in paragraph 7 and subparagraph 9 (b): (i) the Employee must execute and deliver to the Company within 45 days after the date Employee's employment terminates, a separation agreement ("Separation Agreement"), as described below, in form and substance satisfactory to the Company, and including a general release and waiver of claims, and (ii) all conditions to the effectiveness of the Separation Agreement and the release and waiver granted therein have been satisfied, including but not limited to the expiration of any applicable time period to consider signing the Separation Agreement and the failure to revoke acceptance of the Separation Agreement within seven days after it is signed and delivered to the Company. The Separation Agreement will be in a form satisfactory to the Company, include a release and waiver of all claims the Employee may have against the Company and its subsidiaries, shareholders, successors and affiliates (and each of their respective employees, officers, directors, plans and agents) arising out of or based upon any facts or conduct occurring prior to the date the Separation Agreement is signed, include non disparagement and confidentiality obligations on behalf of the Employee, and include a provision by the Employee reaffirming and agreeing to comply with the terms of this Agreement and any other agreement signed by the Employee in favor of the Company or any of its subsidiaries or affiliates. The release will not include the Employee's right to enforce any post-employment obligations to the Employee, including obligations of the Company under this Agreement, and any right to indemnification in the Employee's capacity as an officer, director or employee of the Company and its affiliates. The Separation Agreement will be prepared by the Company and provided to the Employee at the time the Employee's employment is terminated or as soon as administratively practicable thereafter, not to exceed seven days after the date employment terminates. The conditions to payment set out in this subparagraph 9 (e) shall not be required if the Company fails to provide some form of separation agreement to the Employee within seven days after employment terminates. The Company will have no obligations to make the severance payment specified in subparagraph 9 (b)(ii) or provide the post-termination benefits specified in subparagraph 9 (b) or paragraph 7, if the Employee does not sign and deliver the Separation Agreement to the Company within 45 days of its delivery to the Employee, or revokes acceptance of the Separation Agreement within a period of seven days after delivery of the signed Separation Agreement to the Company.

(f) In no event will the Employee have the discretion to determine the calendar year of payment.

10. CHANGE IN CONTROL - TERMINATION OF EMPLOYMENT AND COMPENSATION IN EVENT OF TERMINATION.

(a) Upon the occurrence of a Change in Control, 100% of all unvested stock option grants and/or restricted stock grants previously awarded to Employee shall immediately vest, regardless of the satisfaction of any conditions contained therein. In addition, if the Company (or any successor thereto) terminates Employee's employment with the Company pursuant to a Without Cause Termination in connection with or following a Change in Control, then (subject to the provisions and conditions of subparagraph 9(e)) the Employee shall be entitled to all other payments and benefits set forth in subparagraph 9 (b). For purposes of this paragraph 10(a), a termination of Employee's employment within one year following a Change in Control will constitute a Without Cause Termination even if employment terminates within such one year period but after or due to expiration of the term of this Agreement.

(b) In the event that any part of any payment or benefit received (including, without limitation, granting of and/or acceleration of vesting of stock options and restricted stock) pursuant to the terms of subparagraph 10(a) (the "Change in Control Payments") would be subject to the Excise Tax determined as provided below, then the Employee may elect, in the sole discretion of the Employee, to receive in-lieu of the amounts payable pursuant to paragraph 10(a) a lesser amount equal to \$100 less than 3.00 times the Employee's "Annualized Includable Compensation" (within the meaning of Section 280G(d)(1) of the Code) (such amount the "Cut-Back Amount") by eliminating the accelerated vesting to the extent necessary to reduce the payments and benefits under subparagraph 10(a) to the Cut-Back Amount. Any amounts paid as a result of an election by the Employee pursuant to this subparagraph 10(b) will be in full satisfaction of the amounts otherwise payable to the Employee pursuant to subparagraph 10(a) hereof. For purposes of determining whether any of the Change in Control Payments will be subject to the Excise Tax and the amounts of such Excise Tax; (1) the total amount of the Change in Control Payments shall be treated as "parachute payments" within the meaning of Section 280G(b)(2) of the Code, and all "excess parachute payments" within the meaning of Section 280G(b)(1) of the Code shall be treated as subject to Excise Tax, except to the extent that, in the opinion of independent counsel selected by the Company and reasonably acceptable to the Employee ("Independent Counsel"), a Change in Control Payment (in whole or in part) does not constitute a "parachute payment" within the meaning of Section 280G(b)(2) of the Code, or such "excess parachute payments" (in whole or in part) are not subject to the Excise Tax, (2) the amount of the Change in Control Payments that shall be treated as subject to the Excise Tax shall be equal to the lesser of (A) the total amount of the Change in Control Payments or (B) the amount of "excess parachute payments" within the meaning of Section 280G(b)(1) of the Code (after applying clause (1) hereof), and (3) the value of any noncash benefits or any deferred payment or benefit shall be determined by Independent Counsel in accordance with the principles of Sections 280G(d)(3) and (4) of the Code.

(c) In the event of any change in, or further interpretation of, Sections 280G or 4999 of the Code and the regulations promulgated thereunder, the Employee shall be entitled, by written notice to the Company, to request an opinion of Independent Counsel regarding the application of such change or interpretation to any of the foregoing, and the Company shall use its best efforts to cause such opinion to be rendered as promptly as practicable. Any fees and expenses of Independent Counsel incurred in connection with this Agreement shall be borne by the Employee.

11. DISCLOSURE OF TRADE SECRETS AND OTHER PROPRIETARY INFORMATION; RESTRICTIVE COVENANTS.

(a) Employee acknowledges that he is bound by and will continue to comply with the terms of the Company's Confidentiality and Intellectual Property Agreement (the "Confidentiality Agreement"). The Company will provide Employee with valuable confidential information belonging to the Company or its subsidiaries or its affiliates above and beyond any confidential information previously received by Employee and will associate Employee with the goodwill of the Company or its subsidiaries or its affiliates above and beyond any prior association of Employee with that goodwill. In return, Employee promises never to disclose or misuse such confidential information and never to misuse such goodwill. To enforce Employee's promises in this regard, Employee agrees to comply with the provisions of this paragraph 11 and the provisions of the Confidentiality Agreement.

(b) Employee will not, during the Employment Term, directly or indirectly, as an employee, employer, consultant, agent, principal, partner, manager, stockholder, officer, director, or in any other individual or representative capacity, engage in (or participate in any other business that is competitive with) the business of providing information technology software consulting services, providing the services of information technology professionals to other businesses, providing information technology services, and/or providing a customized / bundled IT software and services solution(s) (collectively herein sometimes called "Perficient Business"). The ownership by Employee of 5% or less of the issued and outstanding shares of a class of securities which is traded on a national securities exchange or in the over-the-counter market, shall not cause Employee to be deemed a stockholder under this subparagraph 11(b) or constitute a breach of this subparagraph 11(b).

(c) Employee will not, during the Employment Term and for a period of 36 months thereafter, directly or indirectly, work in the United States as an employee, employer, consultant, agent, principal, partner, manager, stockholder, officer, director, or in any other individual or representative capacity for any person or entity who is engaged in any part of the Perficient Business, or is competitive with any part of the Perficient Business. The ownership by Employee of 5% or less of the issued and outstanding shares of a class of securities which is traded on a national securities exchange or in the over-the-counter market, shall not cause Employee to be deemed a stockholder under this subparagraph 11(c) or constitute a breach of this subparagraph 11(c).

(d) Employee will not, during the Employment Term and for a period of 36 months thereafter, on his behalf or on behalf of any other business enterprise, directly or indirectly, under any circumstance other than at the direction and for the benefit of the Company, (i) solicit for employment or hire or recruit any person employed by the Company or any of its subsidiaries, or (ii) call on, solicit, or take away any person or entity who was a customer of the Company or any of its subsidiaries or affiliates during Employee's employment with the Company, in either case for a business that is engaged in or competitive with any part of the Perficient Business.

(e) It is expressly agreed by Employee that the nature and scope of each of the provisions set forth above in this paragraph 11 are reasonable and necessary. If, for any reason, any aspect of the above provisions as it applies to Employee is determined by a court of competent jurisdiction to be unreasonable or unenforceable under applicable law, the provisions shall be modified to the extent required to make the provisions enforceable. Employee acknowledges and agrees that his services are of unique character and expressly grants to the Company or any subsidiary or affiliate of the Company or any successor of any of them, the right to enforce the above provisions through the use of all remedies available at law or in equity, including, but not limited to, injunctive relief.

12. COMPANY PROPERTY.

(a) Any patents, inventions, discoveries, applications or processes designed, devised, planned, applied, created, discovered or invented by Employee during the Employment Term, regardless of when reduced to writing or practice, which pertain to any aspect of the Company's or its subsidiaries' or affiliates' business as described above shall be the sole and absolute property of the Company, and Employee shall promptly report the same to the Company and promptly execute any and all documents that may from time to time reasonably be requested by the Company to assure the Company the full and complete ownership thereof.

(b) All records, files, lists, including computer generated lists, drawings, documents, equipment and similar items relating to the Company's business which Employee shall prepare or receive from the Company shall remain the Company's sole and exclusive property. Upon termination of this Agreement, Employee shall promptly return to the Company all property of the Company in his possession. Employee further represents that he will not copy or cause to be copied, print out or cause to be printed out any software, documents or other materials originating with or belonging to the Company. Employee additionally represents that, upon termination of his employment with the Company, he will not retain in his possession any such software, documents or other materials.

13. **EQUITABLE RELIEF.** It is mutually understood and agreed that Employee's services are special, unique, unusual, extraordinary and of an intellectual character giving them a peculiar value, the loss of which cannot be reasonably or adequately compensated in damages in an action at law. Accordingly, in the event of any breach of this Agreement by Employee, including, but not limited to, the breach of any of the provisions of paragraphs 11 or 12 hereof, the Company shall be entitled to equitable relief by way of injunction or otherwise in addition to any damages which the Company may be entitled to recover.

14. **CONSENT TO MISSOURI JURISDICTION AND VENUE.** The Employee hereby consents and agrees that state courts located in St. Louis County, Missouri and the United States District Court for the Eastern District of Missouri each shall have personal jurisdiction and proper venue with respect to any dispute between the Employee and the Company. In any dispute with the Company, the Employee will not raise, and hereby expressly waives, any objection or defense to any such jurisdiction as an inconvenient forum.

15. **NOTICE.** Except as otherwise expressly provided, any notice, request, demand or other communication permitted or required to be given under this Agreement shall be in writing, shall be sent by one of the following means to the Employee at his address set forth on the signature page of this Agreement and to the Company at 555 Maryville University Drive, Suite 600, St. Louis, MO 63141, Attention: Chairman of the Board (or to such other address as shall be designated hereunder by notice to the other parties and persons receiving copies, effective upon actual receipt), and shall be deemed conclusively to have been given: (a) on the first business day following the day timely deposited with Federal Express (or other equivalent national overnight courier) or United States Express Mail, with the cost of delivery prepaid or for the account of the sender; (b) on the fifth business day following the day duly sent by certified or registered United States mail, postage prepaid and return receipt requested; or (c) when otherwise actually received by the addressee on a business day (or on the next business day if received after the close of normal business hours or on any non-business day).

16. INTERPRETATION; HEADINGS. The parties acknowledge and agree that the terms and provisions of this Agreement have been negotiated, shall be construed fairly as to all parties hereto, and shall not be construed in favor of or against any party. The paragraph headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

17. SUCCESSORS AND ASSIGNS; ASSIGNMENT; INTENDED BENEFICIARIES. Neither this Agreement, nor any of Employee's rights, powers, duties or obligations hereunder, may be assigned by Employee. This Agreement shall be binding upon and inure to the benefit of Employee and his heirs and legal representatives and the Company and its successors. Successors of the Company shall include, without limitation, any corporation or corporations acquiring, directly or indirectly, all or substantially all of the assets of the Company, whether by merger, consolidation, purchase, lease or otherwise, and such successor shall thereafter be deemed "the Company" for the purpose hereof.

18. NO WAIVER BY ACTION. Any waiver or consent from the Company respecting any term or provision of this Agreement or any other aspect of the Employee's conduct or employment shall be effective only in the specific instance and for the specific purpose for which given and shall not be deemed, regardless of frequency given, to be a further or continuing waiver or consent. The failure or delay of the Company at any time or times to require performance of, or to exercise any of its powers, rights or remedies with respect to, any term or provision of this Agreement or any other aspect of the Employee's conduct or employment in no manner (except as otherwise expressly provided herein) shall affect the Company's right at a later time to enforce any such term or provision.

19. COUNTERPARTS; MISSOURI GOVERNING LAW; AMENDMENTS; ENTIRE AGREEMENT; SURVIVAL OF TERMS. This Agreement amends and restates that certain Employment Agreement, effective January 1, 2012, between the Company and the Employee, and supersedes and replaces the terms thereof as of the effective date of this Agreement. This Agreement may be executed in two counterpart copies, each of which may be executed by one of the parties hereto, but all of which, when taken together, shall constitute a single agreement binding upon all of the parties hereto. This Agreement and all other aspects of the Employee's employment shall be governed by and construed in accordance with the applicable laws pertaining in the State of Missouri (other than those that would defer to the substantive laws of another jurisdiction). Each and every modification and amendment of this Agreement shall be in writing and signed by the parties hereto, and any waiver of, or consent to any departure from, any term or provision of this Agreement shall be in writing and signed by each affected party hereto. This Agreement, the Confidentiality Agreement, and any award agreement or restricted stock award agreement between the Company and Employee contains the entire agreement of the parties and supersedes all prior representations, agreements and understandings, oral or otherwise, between the parties with respect to the matters contained herein. In the event of any conflict between this Agreement and any award agreement or restricted stock award agreement, this Agreement shall control. Paragraphs 9 through 13 hereof (and paragraphs 14 through 19 hereof as they may apply to such paragraphs) shall survive the expiration or termination of this Agreement for any reason.

20. SECTION 409A COMPLIANCE. The parties intend that all provisions of this Agreement comply with the requirements of Internal Revenue Code Section 409A or an exemption therefrom. No provision of this Agreement shall be operative to the extent that it will result in the imposition of the additional tax described in Code Section 409A(a)(1)(B)(i)(II) and the parties agree to revise the Agreement as necessary to comply with Section 409A and fulfill the purpose of the voided provision. Nothing in this Agreement shall be interpreted to permit accelerated payment of nonqualified deferred compensation, as defined in Section 409A, or any other payment in violation of the requirements of Section 409A. With respect to reimbursements that constitute taxable income to Employee, no such reimbursements or expenses eligible for reimbursement in any calendar year shall in any way affect the expenses eligible for reimbursement in any other calendar year and Employee's right to reimbursement shall not be subject to liquidation in exchange for any other benefit. No provision of this Agreement shall be interpreted or construed to transfer any liability for failure to comply with the requirements of Section 409A from Employee or any other individual to the Company or any of its respective affiliates, employees or agents. All taxes associated with payments made to the Employee pursuant to this Agreement, including any liability imposed under Section 409A, shall be borne by the Employee.

[Signature page follows.]

IN WITNESS WHEREOF, the parties have executed this Amended And Restated Employment Agreement as of the date first above written.

PERFICIENT, INC.

By: /s/ James R. Kackley

Name: James R. Kackley

Title: Chairman of the Board

/s/ Jeffrey S. Davis

Jeffrey S. Davis, Individually

Address: 555 Maryville University Drive, Suite 600

St. Louis, MO 63141

Telephone: (314) 529-3550

Facsimile: (314) 529-3641

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (this "Agreement"), dated November 4, 2014 and effective as of January 1, 2015, between Perficient, Inc. a Delaware corporation (the "Company"), and Paul E. Martin ("Employee").

WITNESSETH:

WHEREAS, the Company desires that Employee continue to be employed by the Company, and render services to the Company, and Employee is willing to be so employed and to render such services to the Company, all upon the terms and subject to the conditions contained herein in consideration for, among other things, the Company's agreement to provide Employee with Confidential Information pursuant to the terms of this Agreement, and Employee's receipt of Confidential Information pursuant to a relationship of trust and confidence and under conditions of confidentiality and non-use and non-disclosure.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. EMPLOYMENT. Subject to and upon the terms and conditions contained in this Agreement, the Company hereby agrees to continue to employ Employee and Employee agrees to continue in the employ of the Company, for the period set forth in paragraph 2 hereof, to render to the Company, its affiliates and/or subsidiaries the services described in paragraph 3 hereof.

2. TERM. Employee's employment under this Agreement shall be three years, commencing as of the date hereof and continuing through and ending December 31, 2017, unless extended in writing by mutual agreement of the parties or earlier terminated pursuant to the terms and conditions set forth herein (the "Employment Term").

3. DUTIES.

(a) Employee shall serve as the Chief Financial Officer of the Company, reporting directly to the Chief Executive Officer of the Company (the "CEO"). Employee shall perform all duties and services incident to the positions held by him.

(b) Employee shall abide by all By-laws and policies of the Company promulgated from time to time by the Company.

4. BEST EFFORTS. Employee shall devote his full business time and attention, as well as his best efforts, energies and skill, to the discharge of the duties and responsibilities attributable to his position.

5. COMPENSATION.

(a) As compensation for his services and covenants hereunder, Employee shall receive a base salary ("Base Salary"), payable pursuant to the Company's normal payroll procedures in place from time to time, at the rate of \$310,000 per annum, less all necessary and required federal, state and local payroll deductions. The CEO may decide, in his sole discretion, to increase Employee's Base Salary from time to time during the term of this Agreement with the approval of the Board of Directors or its Compensation Committee, in which case any such Base Salary as so adjusted shall thereafter constitute the Base Salary.

(b) For each calendar year, Employee shall be eligible to participate in the Company's annual incentive plan for executives. Under this plan, Employee will be eligible to receive a bonus of up to 80 percent (80%) of his Base Salary (such 80% bonus shall be the "Target Bonus"), less all necessary and required federal, state and local payroll deductions. The criteria for determining the amount of the bonus, and the conditions that must be satisfied to entitle Employee to receive the bonus for any year during the term of this Agreement shall be determined by the CEO in his sole discretion with the approval of the Board of Directors or its Compensation Committee, but in a manner consistent with that used to determine Employee's bonus in prior years. The actual earned annual cash incentive, if any, payable to Employee for any performance period will depend upon the extent to which the applicable performance goals are achieved and will be decreased or increased for under or over performance. Payment of any incentive or bonus to Employee shall be in accordance with bonus policies established from time to time by the Company. Such incentive or bonus will be paid not later than the March 15 immediately following the end of the calendar year to which the incentive or bonus relates. The CEO may decide, in his sole discretion, to adjust Employee's Target Bonus during the term of this Agreement with the approval of the Board of Directors or its Compensation Committee, in which case any such Target Bonus as so adjusted shall thereafter constitute the Target Bonus.

6. EXPENSES. Employee shall be reimbursed for business expenses incurred by him which are reasonable and necessary for Employee to perform his duties under this Agreement in accordance with policies established from time to time by the Company. Employee shall receive reimbursement for other expenses consistent with past practice and as approved by the CEO. The reimbursement of any such expense that is includible in gross income for federal income tax purposes shall be paid no later than the end of the calendar year following the calendar year in which the expense was incurred.

7. EMPLOYEE BENEFITS.

(a) During the Employment Term and (subject to the provisions and conditions of subparagraph 9 (e)) any severance period hereunder provided for in subparagraph 9 (b), Employee shall be entitled to participate in such group term insurance, disability insurance, health and medical insurance benefits and retirement plans or programs as are from time to time generally made available to executive employees of the Company pursuant to the policies of the Company; provided that Employee shall be required to comply with the conditions attendant to coverage by such plans and shall comply with and be entitled to benefits only to the extent former employees are eligible to participate in such arrangements pursuant to the terms of the arrangement, any insurance policy associated therewith and applicable law, and, further, shall be entitled to benefits only in accordance with the terms and conditions of such plans. The Company may withhold from any benefits payable to Employee all federal, state, local and other taxes and amounts as shall be permitted or required to be withheld pursuant to any applicable law, rule or regulation.

(b) Employee shall be entitled to vacation in accordance with the Company's policies as may be established from time to time by the Company for its executive staff, which shall be taken at such time or times as shall be mutually agreed upon with the Company.

8. DEATH AND DISABILITY.

(a) The Employment Term shall terminate on the date of Employee's death, in which event the Company shall, within 30 days of the date of death, pay to his estate, Employee's Base Salary, any unpaid bonus awards (including any bonus award for a plan year that has ended prior to the time employment terminated where the award was scheduled to be paid after the date employment terminated), reimbursable expenses and benefits owing to Employee through the date of Employee's death together with any benefits payable under any life insurance program in which Employee is a participant. Except as otherwise contemplated by this Agreement, Employee's estate will not be entitled to any other compensation upon termination of this Agreement pursuant to this subparagraph 8(a).

(b) The Employment Term shall terminate upon Employee's Disability. For purposes of this Agreement, "Disability" shall mean that Employee is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months. For purposes of determining Employee's Disability, the CEO may rely on a determination by the Social Security Administration that Employee is totally disabled or a determination by the Company's disability insurance carrier that Employee has satisfied the above definition of Disability. In case of such termination, Employee shall be entitled to receive his Base Salary, any unpaid bonus awards (including any bonus award for a plan year that has ended prior to the time employment terminated where the award was scheduled to be paid after the date employment terminated), reimbursable expenses and benefits owing to Employee through the date of termination within 30 days of the date of the Company's determination of Employee's Disability, together with any benefits payable under any disability insurance program in which Employee is a participant. Except as otherwise contemplated by this Agreement, Employee will not be entitled to any other compensation upon termination of his employment pursuant to this subparagraph 8(b).

(c) In no event will the Employee or his estate have the discretion to determine the calendar year of payment.

9. TERMINATION OF EMPLOYMENT.

(a) The Company shall have the right, upon delivery of written notice to the Employee, to terminate the Employee's employment hereunder at any time prior to the expiration of the Employment Term (i) pursuant to a Termination for Cause or (ii) pursuant to a Without Cause Termination. The Employee shall have the right, upon delivery of written notice to the Company, to terminate his employment hereunder at any time prior to the expiration of the Employment Term pursuant to a Constructive Termination or otherwise by providing the Company with not less than 30 days prior written notice.

(b) In the event that the Company terminates the Employee's employment pursuant to a Without Cause Termination, or if the Employee voluntarily terminates his employment pursuant to a Constructive Termination, then the Company shall be obligated to pay Employee: (i) within 30 days of the date of Employee's termination, in a lump-sum, his Base Salary, any unpaid bonus awards (not including any bonus award for a plan year that has ended prior to the time employment terminated where the award was scheduled to be paid after the date employment terminated), reimbursable expenses and benefits owing to Employee through the day on which Employee's employment terminated, and (ii) (subject to the provisions and conditions of subparagraph 9 (e)) 60 days after the date Employee's employment terminates, a severance payment to the Employee in an amount equal to 12 months of Base Salary. Subject to the provisions and conditions of subparagraph 9 (e), Employee shall also be entitled to benefits pursuant to paragraph 7 hereof for the one year period commencing on the date of termination (with the cost of any medical coverage which is self-funded by the Company being included by Company in the taxable income of the Employee); provided that all equity awards, including stock option grants and/or restricted stock grants, that would otherwise vest during the severance period will vest, regardless of the satisfaction of any conditions contained therein, and the rest shall be forfeited. Except as otherwise contemplated by this Agreement, Employee will not be entitled to any other compensation upon termination of this Agreement pursuant to this subparagraph 9(b).

Notwithstanding anything in this Agreement to the contrary (including but not limited to the provisions of paragraph 9 (b) or paragraph 10) if the Employee is a "specified employee," as defined in Code Section 409A and the regulations thereunder, on the date the Employee's employment is terminated, then amounts that constitute nonqualified deferred compensation subject to Code Section 409A that would otherwise have been paid during the six-month period immediately following the date the Employee's employment terminated shall be paid on the first regular payroll date immediately following the six-month anniversary of the date the Employee's employment terminates, with interest on each amount for the period of the delay at the rate of yield on U.S. Treasury Bills with the earliest maturity date that occurs at least six months after such date of termination of employment (as reported in the Wall Street Journal) from the such date of employment termination to the date of actual payment. Reimbursements or payments directly to the service provider for health care expenses incurred during such six month period, plus reimbursements and in kind benefits in an amount up to the applicable dollar limit on elective deferrals to a 401(k) plan under Section 402(g)(1)(B) of the Code (\$18,000 for 2015), and other amounts that do not constitute nonqualified deferred compensation subject to Section 409A, shall not be subject to this six month delay requirement.

(c) In the event that the Company terminates the Employee's employment hereunder due to a Termination for Cause or the Employee voluntarily terminates employment with the Company for any reason (other than a termination of employment by the Employee pursuant to a Constructive Termination), the Employee shall not be entitled to any severance, except that the Company shall be obligated to pay Employee his Base Salary, any unpaid bonus awards (not including any bonus award for a plan year that has ended prior to the time employment terminated where the award was scheduled to be paid after the date employment terminated), reimbursable expenses and benefits owing to Employee through the day on which Employee is terminated in a lump sum payment within 30 days after the date of Employee's termination of employment. Except as otherwise contemplated by this Agreement, Employee will not be entitled to any other compensation upon termination of this Agreement pursuant to this subparagraph 9(c).

(d) For purposes of this Agreement, the following terms have the following meanings:

(i) The term "Termination for Cause" means, to the maximum extent permitted by applicable law, a termination of the Employee's employment by the Company attributed to (a) the repeated or willful failure of Employee to substantially perform his duties hereunder (other than any such failure due to physical or mental illness) that has not been cured reasonably promptly after a written demand for substantial performance is delivered to Employee by the CEO, which demand identifies the manner in which the CEO believes that Employee has not substantially performed his duties hereunder; (b) conviction of, or entering a plea of guilty or *nolo contendere* to a crime involving moral turpitude or dishonesty or to any other crime that constitutes a felony; (c) Employee's intentional misconduct, gross negligence or material misrepresentation in the performance of his duties to the Company; or (d) the material breach by Employee of any written covenant or agreement with the Company under this Agreement or otherwise, including, but not limited to, an agreement not to disclose any information pertaining to the Company or not to compete with the Company, including (without limitation) the covenants and agreements contained in paragraph 11 hereof.

(ii) The term "Without Cause Termination" means a termination of the Employee's employment by the Company other than due to (a) a Termination for Cause, (b) Disability, (c) the Employee's death, or (d) the expiration of this Agreement (subject to the provisions of paragraph 10 (a)).

(iii) the term "Change in Control" shall mean:

(A) The acquisition by one person, or more than one person acting as a group, of ownership of stock of the Company that, together with stock held by such person or group, constitutes more than 50% of the total fair market value or total voting power of the stock of the Company;

(B) The acquisition by one person, or more than one person acting as a group, of ownership of stock of the Company, that together with stock of the Company acquired during the twelve-month period ending on the date of the most recent acquisition by such person or group, constitutes 30% or more of the total voting power of the stock of the Company;

(C) A majority of the members of the Company's board of directors is replaced during any twelve-month period by directors whose appointment or election is not endorsed by a majority of the members of the Company's board of directors before the date of the appointment or election;

(D) One person, or more than one person acting as a group, acquires (or has acquired during the twelve-month period ending on the date of the most recent acquisition by such person or group) assets from the Company that have a total gross fair market value (determined without regard to any liabilities associated with such assets) equal to or more than 40% of the total gross fair market value of all of the assets of the Company immediately before such acquisition or acquisitions.

Persons will not be considered to be acting as a group solely because they purchase or own stock of the same corporation at the same time, or as a result of the same public offering. However, persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company.

This definition of Change in Control shall be interpreted in accordance with, and in a manner that will bring the definition into compliance with, the regulations under Section 409A of the Internal Revenue Code ("Code").

(iv) The term "Constructive Termination" means Employee's voluntary termination of his employment with the Company following (i) a material diminution in Employee's base compensation, (ii) a material reduction of Employee's performance-based target bonus or other incentive programs, (iii) a relocation of Employee's place of employment by more than 50 miles without Employee's consent, or (iv) a failure of Employer to renew the term of this Agreement following the expiration thereof, or to offer Employee employment under the terms and conditions of a replacement agreement, on terms and conditions no less favorable to Employee as under the then existing terms and conditions of this Agreement; in each case where the condition is not remedied / corrected by the Company within 30 days after the Employee sends notice to the Company in writing specifying the reason why the Employee claims there exists grounds for a Constructive Termination, and the Employee sends the notice within ninety days of discovering the existence of the condition that gives rise to a right to claim a Constructive Termination.

(v) the terms "termination of employment," or "terminate the Employee's employment," (or "termination" or "terminate" when used in the context of Employee's employment) shall mean a separation from service with the Company and its affiliates as defined in IRS regulations under Section 409A of the Code. An affiliate is any corporation or other business entity that is, along with the Company, a member of a controlled group of businesses, as defined in Code Sections 414(b) and 414(c), provided that the language: "at least 50 percent" shall be used instead of "at least 80 percent" each place it appears in such definition. A corporation or other business entity is an affiliate only while a member of such controlled group.

(e) To be eligible to receive the severance payment described in subparagraph 9 (b)(ii), and the post-termination benefits described in paragraph 7 and subparagraph 9 (b): (i) the Employee must execute and deliver to the Company within 45 days after the date Employee's employment terminates, a separation agreement ("Separation Agreement"), as described below, in form and substance satisfactory to the Company, and including a general release and waiver of claims, and (ii) all conditions to the effectiveness of the Separation Agreement and the release and waiver granted therein have been satisfied, including but not limited to the expiration of any applicable time period to consider signing the Separation Agreement and the failure to revoke acceptance of the Separation Agreement within seven days after it is signed and delivered to the Company. The Separation Agreement will be in a form and substance satisfactory to the Company, include a release and waiver of all claims the Employee may have against the Company and its subsidiaries, shareholders, successors and affiliates (and each of their respective employees, officers, directors, plans and agents) arising out of or based upon any facts or conduct occurring prior to the date the Separation Agreement is signed, include non disparagement and confidentiality obligations on behalf of the Employee, and include a provision by the Employee reaffirming and agreeing to comply with the terms of this Agreement and any other agreement signed by the Employee in favor of the Company or any of its subsidiaries or affiliates. The release will not include the Employee's right to enforce any post-employment obligations to the Employee, including obligations of the Company under this Agreement, and any right to indemnification in the Employee's capacity as an officer, director or employee of the Company and its affiliates. The Separation Agreement will be prepared by the Company and provided to the Employee at the time the Employee's employment is terminated or as soon as administratively practicable thereafter, not to exceed seven days after the date employment terminates. The conditions to payment set out in this subparagraph 9 (e) shall not be required if the Company fails to provide some form of separation agreement to the Employee within seven days after employment terminates. The Company will have no obligations to make the severance payment specified in subparagraph 9 (b)(ii) or provide the post-termination benefits specified in subparagraph 9 (b) or paragraph 7, if the Employee does not sign and deliver the Separation Agreement to the Company within 45 days of its delivery to the Employee, or revokes acceptance of the Separation Agreement within a period of seven days after delivery of the signed Separation Agreement to the Company.

(f) In no event will the Employee have the discretion to determine the calendar year of payment.

10. CHANGE IN CONTROL - TERMINATION OF EMPLOYMENT AND COMPENSATION IN EVENT OF TERMINATION.

(a) Upon the occurrence of a Corporate Transaction (as defined in the Restricted Stock Award Agreement ("Restricted Stock Agreement") between Employee and the Company), 50% of all unvested stock option grants and/or restricted stock grants previously awarded to Employee shall immediately vest, regardless of the satisfaction of any conditions contained therein. In addition, if the Company (or any successor thereto) terminates Employee's employment with the Company pursuant to a Without Cause Termination in connection with or within one year following a Change in Control, then all stock option grants and/or restricted stock grants previously awarded to Employee which are not yet vested shall immediately vest, and (subject to the provisions and conditions of subparagraph 9 (e)) the Employee shall be entitled to all other payments and benefits set forth in subparagraph 9 (b). For purposes of this paragraph 10(a), a termination of Employee's employment within one year following a Change in Control will constitute a Without Cause Termination even if employment terminates within such one year period but after or due to expiration of the term of this Agreement.

(b) In the event that any part of any payment or benefit received (including, without limitation, granting of and/or acceleration of vesting of stock options and restricted stock) pursuant to the terms of subparagraph 10(a) (the "Change in Control Payments") would be subject to the Excise Tax determined as provided below, then the Employee may elect, in the sole discretion of the Employee, to receive in-lieu of the amounts payable pursuant to paragraph 10(a) a lesser amount equal to \$100 less than 3.00 times the Employee's "Annualized Includable Compensation" (within the meaning of Section 280G(d)(1) of the Code) (such amount the "Cut-Back Amount") by eliminating the accelerated vesting to the extent necessary to reduce the payments and benefits under subparagraph 10(a) to the Cut-Back Amount. Any amounts paid as a result of an election by the Employee pursuant to this subparagraph 10(b) will be in full satisfaction of the amounts otherwise payable to the Employee pursuant to subparagraph 10(a) hereof. For purposes of determining whether any of the Change in Control Payments will be subject to the Excise Tax and the amounts of such Excise Tax; (1) the total amount of the Change in Control Payments shall be treated as "parachute payments" within the meaning of Section 280G(b)(2) of the Code, and all "excess parachute payments" within the meaning of Section 280G(b)(1) of the Code shall be treated as subject to Excise Tax, except to the extent that, in the opinion of independent counsel selected by the Company and reasonably acceptable to the Employee ("Independent Counsel"), a Change in Control Payment (in whole or in part) does not constitute a "parachute payment" within the meaning of Section 280G(b)(2) of the Code, or such "excess parachute payments" (in whole or in part) are not subject to the Excise Tax, (2) the amount of the Change in Control Payments that shall be treated as subject to the Excise Tax shall be equal to the lesser of (A) the total amount of the Change in Control Payments or (B) the amount of "excess parachute payments" within the meaning of Section 280G(b)(1) of the Code (after applying clause (1) hereof), and (3) the value of any noncash benefits or any deferred payment or benefit shall be determined by Independent Counsel in accordance with the principles of Sections 280G(d)(3) and (4) of the Code.

(c) In the event of any change in, or further interpretation of, Sections 280G or 4999 of the Code and the regulations promulgated thereunder, the Employee shall be entitled, by written notice to the Company, to request an opinion of Independent Counsel regarding the application of such change or interpretation to any of the foregoing, and the Company shall use its best efforts to cause such opinion to be rendered as promptly as practicable. Any fees and expenses of Independent Counsel incurred in connection with this Agreement shall be borne by the Employee.

11. DISCLOSURE OF TRADE SECRETS AND OTHER PROPRIETARY INFORMATION; RESTRICTIVE COVENANTS.

(a) Employee acknowledges that he is bound by and will continue to comply with the terms of the Company's Confidentiality and Intellectual Property Agreement ("Confidentiality Agreement"). The Company will provide Employee with valuable confidential information belonging to the Company or its subsidiaries or its affiliates above and beyond any confidential information previously received by Employee and will associate Employee with the goodwill of the Company or its subsidiaries or its affiliates above and beyond any prior association of Employee with that goodwill. In return, Employee promises never to disclose or misuse such confidential information and never to misuse such goodwill. To enforce Employee's promises in this regard, Employee agrees to comply with the provisions of this paragraph 11 and the provisions of the Confidentiality Agreement.

(b) Employee will not, during the Employment Term, directly or indirectly, as an employee, employer, consultant, agent, principal, partner, manager, stockholder, officer, director, or in any other individual or representative capacity, engage in (or participate in any other business that is competitive with) the business of providing information technology software consulting services, providing the services of information technology professionals to other businesses, providing information technology services, and/or providing a customized / bundled IT software and services solution(s) (collectively herein sometimes called "Perficient Business"). The ownership by Employee of 5% or less of the issued and outstanding shares of a class of securities which is traded on a national securities exchange or in the over-the-counter market, shall not cause Employee to be deemed a stockholder under this subparagraph 11(b) or constitute a breach of this subparagraph 11(b).

(c) Employee will not, during the Employment Term and for a period of 36 months thereafter, directly or indirectly, work in the United States as an employee, employer, consultant, agent, principal, partner, manager, stockholder, officer, director, or in any other individual or representative capacity for any person or entity who is engaged in any part of the Perficient Business, or is competitive with any part of the Perficient Business. The ownership by Employee of 5% or less of the issued and outstanding shares of a class of securities which is traded on a national securities exchange or in the over-the-counter market, shall not cause Employee to be deemed a stockholder under this subparagraph 11(c) or constitute a breach of this subparagraph 11(c).

(d) Employee will not, during the Employment Term and for a period of 36 months thereafter, on his behalf or on behalf of any other business enterprise, directly or indirectly, under any circumstance other than at the direction and for the benefit of the Company, (i) solicit for employment or hire or recruit any person employed by the Company or any of its subsidiaries, or (ii) call on, solicit, or take away any person or entity who was a customer of the Company or any of its subsidiaries or affiliates during Employee's employment with the Company, in either case for a business that is engaged in or competitive with any part of the Perficient Business.

(e) It is expressly agreed by Employee that the nature and scope of each of the provisions set forth above in this paragraph 11 are reasonable and necessary. If, for any reason, any aspect of the above provisions as it applies to Employee is determined by a court of competent jurisdiction to be unreasonable or unenforceable under applicable law, the provisions shall be modified to the extent required to make the provisions enforceable. Employee acknowledges and agrees that his services are of unique character and expressly grants to the Company or any subsidiary or affiliate of the Company or any successor of any of them, the right to enforce the above provisions through the use of all remedies available at law or in equity, including, but not limited to, injunctive relief.

12. COMPANY PROPERTY.

(a) Any patents, inventions, discoveries, applications or processes designed, devised, planned, applied, created, discovered or invented by Employee during the Employment Term, regardless of when reduced to writing or practice, which pertain to any aspect of the Company's or its subsidiaries' or affiliates' business as described above shall be the sole and absolute property of the Company, and Employee shall promptly report the same to the Company and promptly execute any and all documents that may from time to time reasonably be requested by the Company to assure the Company the full and complete ownership thereof.

(b) All records, files, lists, including computer generated lists, drawings, documents, equipment and similar items relating to the Company's business which Employee shall prepare or receive from the Company shall remain the Company's sole and exclusive property. Upon termination of this Agreement, Employee shall promptly return to the Company all property of the Company in his possession. Employee further represents that he will not copy or cause to be copied, print out or cause to be printed out any software, documents or other materials originating with or belonging to the Company. Employee additionally represents that, upon termination of his employment with the Company, he will not retain in his possession any such software, documents or other materials.

13. **EQUITABLE RELIEF.** It is mutually understood and agreed that Employee's services are special, unique, unusual, extraordinary and of an intellectual character giving them a peculiar value, the loss of which cannot be reasonably or adequately compensated in damages in an action at law. Accordingly, in the event of any breach of this Agreement by Employee, including, but not limited to, the breach of any of the provisions of paragraphs 11 or 12 hereof, the Company shall be entitled to equitable relief by way of injunction or otherwise in addition to any damages which the Company may be entitled to recover.

14. **CONSENT TO JURISDICTION AND VENUE.** The Employee hereby consents and agrees that state courts located in St. Louis County, Missouri and the United States District Court for the Eastern District of Missouri each shall have personal jurisdiction and proper venue with respect to any dispute between the Employee and the Company. In any dispute with the Company, the Employee will not raise, and hereby expressly waives, any objection or defense to any such jurisdiction as an inconvenient forum.

15. NOTICE. Except as otherwise expressly provided, any notice, request, demand or other communication permitted or required to be given under this Agreement shall be in writing, shall be sent by one of the following means to the Employee at his address set forth on the signature page of this Agreement and to the Company at 555 Maryville University Drive, Suite 600, St. Louis, MO 63141, Attention: Chief Executive Officer (or to such other address as shall be designated hereunder by notice to the other parties and persons receiving copies, effective upon actual receipt), and shall be deemed conclusively to have been given: (a) on the first business day following the day timely deposited with Federal Express (or other equivalent national overnight courier) or United States Express Mail, with the cost of delivery prepaid or for the account of the sender; (b) on the fifth business day following the day duly sent by certified or registered United States mail, postage prepaid and return receipt requested; or (c) when otherwise actually received by the addressee on a business day (or on the next business day if received after the close of normal business hours or on any non-business day).

16. INTERPRETATION; HEADINGS. The parties acknowledge and agree that the terms and provisions of this Agreement have been negotiated, shall be construed fairly as to all parties hereto, and shall not be construed in favor of or against any party. The paragraph headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

17. SUCCESSORS AND ASSIGNS; ASSIGNMENT; INTENDED BENEFICIARIES. Neither this Agreement, nor any of Employee's rights, powers, duties or obligations hereunder, may be assigned by Employee. This Agreement shall be binding upon and inure to the benefit of Employee and his heirs and legal representatives and the Company and its successors. Successors of the Company shall include, without limitation, any corporation or corporations acquiring, directly or indirectly, all or substantially all of the assets of the Company, whether by merger, consolidation, purchase, lease or otherwise, and such successor shall thereafter be deemed "the Company" for the purpose hereof.

18. NO WAIVER BY ACTION. Any waiver or consent from the Company respecting any term or provision of this Agreement or any other aspect of the Employee's conduct or employment shall be effective only in the specific instance and for the specific purpose for which given and shall not be deemed, regardless of frequency given, to be a further or continuing waiver or consent. The failure or delay of the Company at any time or times to require performance of, or to exercise any of its powers, rights or remedies with respect to, any term or provision of this Agreement or any other aspect of the Employee's conduct or employment in no manner (except as otherwise expressly provided herein) shall affect the Company's right at a later time to enforce any such term or provision.

19. COUNTERPARTS; MISSOURI GOVERNING LAW; AMENDMENTS; ENTIRE AGREEMENT; SURVIVAL OF TERMS. This Agreement amends and restates that certain Employment Agreement, effective January 1, 2012, between the Company and the Employee, and supersedes and replaces the terms thereof as of the effective date of this Agreement. This Agreement may be executed in two counterpart copies, each of which may be executed by one of the parties hereto, but all of which, when taken together, shall constitute a single agreement binding upon all of the parties hereto. This Agreement and all other aspects of the Employee's employment shall be governed by and construed in accordance with the applicable laws pertaining in the State of Missouri (other than those that would defer to the substantive laws of another jurisdiction). Each and every modification and amendment of this Agreement shall be in writing and signed by the parties hereto, and any waiver of, or consent to any departure from, any term or provision of this Agreement shall be in writing and signed by each affected party hereto. This Agreement, the Confidentiality Agreement, and any award agreement or restricted stock award agreement between the Company and Employee, contain the entire agreement of the parties and supersede all prior representations, agreements and understandings, oral or otherwise, between the parties with respect to the matters contained herein, including but not limited to any written offer letter or letter agreement concerning employment. In the event of any conflict between this Agreement and any award agreement or restricted stock award agreement, the terms of this Agreement shall control. Paragraphs 9 through 13 hereof (and paragraphs 14 through 19 hereof as they may apply to such paragraphs) shall survive the expiration or termination of this Agreement for any reason.

20. SECTION 409A COMPLIANCE. The parties intend that all provisions of this Agreement comply with the requirements of Internal Revenue Code Section 409A or an exemption therefrom. No provision of this Agreement shall be operative to the extent that it will result in the imposition of the additional tax described in Code Section 409A(a)(1)(B)(i)(II) and the parties agree to revise the Agreement as necessary to comply with Section 409A and fulfill the purpose of the voided provision. Nothing in this Agreement shall be interpreted to permit accelerated payment of nonqualified deferred compensation, as defined in Section 409A, or any other payment in violation of the requirements of Section 409A. With respect to reimbursements that constitute taxable income to Employee, no such reimbursements or expenses eligible for reimbursement in any calendar year shall in any way affect the expenses eligible for reimbursement in any other calendar year and Employee's right to reimbursement shall not be subject to liquidation in exchange for any other benefit. No provision of this Agreement shall be interpreted or construed to transfer any liability for failure to comply with the requirements of Section 409A from Employee or any other individual to the Company or any of its respective affiliates, employees or agents. All taxes associated with payments made to the Employee pursuant to this Agreement, including any liability imposed under Section 409A, shall be borne by the Employee.

[Signature page follows.]

IN WITNESS WHEREOF, the parties have executed this Amended And Restated Employment Agreement as of the date first above written.

PERFICIENT, INC.

By: /s/ Jeffrey S. Davis
Name: Jeffrey S. Davis
Title: Chief Executive Officer

/s/ Paul E. Martin
Paul E. Martin, Individually

Address:
555 Maryville University Drive, Suite 600
St. Louis, MO 63141
Telephone: (314) 529-3551
Facsimile: (314) 529-3641

CERTIFICATIONS

I, Jeffrey S. Davis, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2014

/s/ Jeffrey S. Davis
Jeffrey S. Davis
Chief Executive Officer

CERTIFICATIONS

I, Paul E. Martin, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2014

/s/ Paul E. Martin
Paul E. Martin,
Chief Financial Officer

**CERTIFICATION OF
CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER**

Pursuant to 18 U.S.C. Sec. 1350 and in connection with the accompanying report on Form 10-Q for the period ended September 30, 2014 that contains financial statements of Perficient, Inc. (the "Company") filed for such period and that is being filed concurrently with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company hereby certify that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 6, 2014

By: /s/ Jeffrey S. Davis
Jeffrey S. Davis
Chief Executive Officer (*Principal Executive Officer*)

Date: November 6, 2014

By: /s/ Paul E. Martin
Paul E. Martin
Chief Financial Officer (*Principal Financial Officer*)