

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-KSB

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

For the Fiscal Year Ended December 31, 2000
Commission File Number: 1-15169

PERFICIENT, INC.
(Name of Small Business Issuer in its Charter)

DELAWARE	74-2853258
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)

7600B North Capital of Texas Highway, Suite 340
Austin, Texas 78731
(Address of principal executive offices)

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

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of Class	Name of each exchange on which registered:
Common Stock, \$.001 par value	Boston Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

NONE
(Title of Class)

Check whether the registrant (1) has filed all reports required to be filed by
Section 13 or 15(d) of the Securities Exchange Act during the past 12 months (or
for such shorter period that the registrant was required to file such reports)
and (2) has been subject to such filing requirements for the past 90 days:

(1) Yes ☒ No ☐
(2) Yes ☒ No ☐

Check if disclosure of delinquent filers in response to Item 405 of Regulations
S-B is not contained in this filing, and no disclosure will be contained, to the
best of registrant's knowledge, in definitive proxy or information statements
incorporated by reference in Part III of this Form 10-KSB or any amendment to
this Form 10-KSB. ☐

State Registrant's revenues for its most recent fiscal year \$19,963,759

State the aggregate market value of the voting stock held by non-affiliates
computed by reference to the price at which the common equity was sold, or the
average bid and asked prices of such common equity as of a specified date within
the past 60 days.

\$30,089,353 AS OF MARCH 23, 2001

Number of shares of common stock outstanding as of March 23, 2001: 6,252,233

Transitional Small Business Disclosure Format: Yes ☐ No ☒

DOCUMENTS INCORPORATED BY REFERENCE

Parts of the Proxy Statement for Registrant's 2001 Annual Meeting of
Stockholders to be held June 14, 2001 which will be filed prior to April 30,
2001, are incorporated by reference in Part III of this Form 10-KSB Report

PERFICIENT, INC.
FORM 10-KSB ANNUAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2000

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PART I

ITEM 1. BUSINESS

The statements contained in this Report on Form 10-KSB and in the Annual Report that are not purely historical statements are forward looking statements within the meaning of Section 21E of the Securities and Exchange Act of 1934, including statements regarding our expectations, beliefs, hopes, intentions or strategies regarding the future. These forward-looking statements include, among other things, references to the market potential for Internet implementation, our competitive advantage over systems integrators and technology professionals, potential for demand for our services, and the benefits and advantages of our business model, and involve substantial risks and uncertainties. Actual results may differ materially from those indicated in such forward-looking statements. Please see "Risk Factors," "Special Cautionary Note Regarding Forward-Looking Statements" and the factors and risks discussed in other reports filed from time to time with the Securities and Exchange Commission.

Overview

Perficient is a software services firm that uses leading and emerging technologies to web-enable complex enterprise systems. We build deep expertise around a targeted set of core technologies and products through unique outsourcing partnerships with leading Internet software companies. Under these arrangements we provide customers and partners with teams of expert technology professionals that manage the implementation of their products for end-user customers. Our expertise and experience is based on our success integrating next-generation solutions with customers' previous-generation information technology (IT) assets. This provides the framework that allows Perficient to concentrate on three key solution segments: Web application servers, enterprise portal software and content management services.

Our business is structured around two relationship models, each based on providing dedicated teams of technology experts:

- o Virtual Services Organization (VSO). A team of Perficient IT professionals dedicated to a specific software company partner, which performs the deployments on behalf of the partner. The VSO model allows us to leverage our partners' sales channels and market presence, providing us a predictable and cost-effective method for sourcing new service engagements. This enables our partners to focus on their core business of developing and marketing software so that they need not make as significant a capital and management investment necessary to build and properly manage an internal professional services organization.
- o Direct. Our expertise in specific practice areas is used to manage implementation work through direct relationships with end-customers. Customer leads are generated by our sales and marketing organization as well as through recommendations from partners and customers.

To date, we have completed over 500 services engagements for more than 200 end-user customers. We currently employ approximately 150 technology professionals, in five offices in the United States, Canada and the United Kingdom.

We recently signed an outsourcing agreement with IBM Corporation under which we may provide up to \$73.5 Million in services over the next three years, including deployment, integration and training services for IBM's WebSphere(TM) customers, although IBM may terminate this agreement on four month's notice. In addition, we have previously entered into VSO agreements with Vignette Corporation, Calico Commerce Inc., and Plumtree Software, Inc.

Industry Overview

In the early stages of commercial use of the Internet, companies viewed the Internet primarily as a

means of advertising their business. Accordingly, many established a web presence consisting primarily of static promotional web pages. In order to develop and deploy these relatively simple front-end web projects, these companies used internal technology personnel or hired online advertising agencies and web design firms.

In the late 1990s, as web usage grew, companies sought to more fully harness the potential of the Internet to transform and enhance additional business initiatives, such as building on-line relationships with customers, suppliers and business partners, creating new revenue opportunities, improving operating efficiencies and improving internal and external communications. They have determined that critical business information needed for these business initiatives is primarily contained within their pre-existing applications, commonly referred to as legacy applications, that were not designed to be used with the Internet. In order to successfully align their business and e-commerce strategies, companies increasingly needed to find a way to integrate their back-end legacy applications with their more sophisticated Internet projects.

In response to these dynamics, software companies began to offer packaged software applications and middleware software platforms for enabling e-commerce initiatives and integrating them with back-end systems. Packaged software is a pre-built application designed to automate key business functions such as transaction processing or to enable new functionality such as content management. Middleware platforms function as a messaging layer, either enabling legacy applications to effectively communicate with web-based packaged applications or assisting users to create their own custom developed business applications. These new Internet software applications utilize enabling technologies such as JAVA and XML to facilitate the integration of disparate platforms, applications and data sources necessary to web-enable enterprise systems. By using either packaged or custom developed software applications and middleware software platforms, organizations can create sophisticated web-based e-commerce applications which are completely integrated with their existing business processes and legacy systems.

Substantial customization is required to integrate Internet software with each business user's own unique business processes, infrastructure and system requirements. Due to the complexity and strategic importance of these projects, there is increasing demand for Internet and implementation services to integrate legacy, back-end systems to web sites. International Data Corporation projects that the demand for Internet implementation services in the United States will grow from \$6.3 billion in 1999 to \$29.9 billion in 2004, representing a compound annual growth rate of approximately 36.3%. These Internet implementation services include project management, configuration services, custom software development, staging and prototyping, installation and migration services.

To address Internet implementation requirements, software companies and their end-user customers have the following options:

- o in-house professional services organizations;
- o small or regional systems integrators; and
- o large consulting firms.

These options present a variety of problems. For Internet software companies, recruiting, retaining, educating, training and managing an in-house staff of qualified technology professionals requires significant capital and management attention. In addition, demand fluctuations and the lack of experience and scale, may result in inefficient utilization of these internal service organizations, thereby adversely affecting operating results. The significant costs and resource requirements diminish resource availability for core areas of their businesses, such as research and development and additional marketing efforts for their products.

Small or regional systems integrators that may possess extensive expertise with select technologies, often lack the necessary scale to ensure a cost-effective, sustainable services delivery capability for national or international end-users. Finally, large consulting firms focus primarily on long, multi-faceted

engagements that include strategic consulting, technology and infrastructure design as well as the implementation of multiple technology vendors. These firms typically concentrate their efforts on developing long-term, end-user relationships, rather than rapid implementations for specific software applications.

Our Solution

We believe the growing market for Internet software, the increased complexity and shorter product cycles associated with these applications, coupled with the limitations of existing alternatives, create a significant market opportunity for our services. We believe that as Internet software companies compete for market share, they will look to establish relationships with solutions integration partners that have specific expertise in their applications. We believe our VSO model offers our partners and their end-user customers the following advantages, that give us a competitive edge over systems integrators and technology consultants:

Deep Technology Expertise. We develop technology expertise around a targeted set of core Internet and legacy products and technologies through focused VSO partnerships with leading Internet software companies. Leveraging our technology expertise, our consultants can rapidly and successfully integrate our partners' products and efficiently satisfy the specific needs of end-users. In addition, we assist partners' engineering and development teams with certain aspects of new product development as well as provide training and education services for their internal services organizations and third-party service providers.

Aligned Incentives. Our VSO model utilizes small dedicated teams of professionals focused exclusively on rapid implementations. We do not seek to extend our service engagements by cross-selling products or services once an engagement has been commenced. By improving the time-to-value for end-users, we may increase the number of referenceable customers for our partners, which helps to drive market acceptance of their products. Therefore, our model creates a synergistic relationship, helping drive market penetration of our partners' products and, in turn, motivates our partners to generate demand for our services.

Focus on Core Business/Reduced Costs. By leveraging our technology experts, our partners can focus on their core business of researching, developing and marketing software applications without the investment and diversion of management and capital resources necessary to properly manage a professional services organization. In addition, for end-user customers, shorter implementation times reduce their costs and risks associated with Internet software projects.

Our Strategy

Our objective is to be the leading technology expert for Internet software companies and their most demanding customers. To achieve this objective, our strategy is to:

Establish a Portfolio of VSO Partnerships with Leading Internet Software Companies. We target high-growth, services-rich segments of the Internet software market. In establishing VSO relationships, we seek to leverage our core technology expertise in delivering implementation services and expanding our existing partnership relations. Since we focus on identifying both established and emerging leaders, we believe that developing a diversified portfolio of virtual services organizations will enhance our competitive position, diminish the impact of a downturn in demand for any one partner's product and position us to benefit from the overall growth in the Internet software services market.

Deliver Rapid Successful Implementations. We deploy small teams of technology experts who leverage their focused experience and, using pre-built XML and JavaBeans(TM) -- based components, significantly reduce the time required to develop custom software applications that implement our partners' products.

Focus on Core Technologies. We attempt to attract new partners whose products are based upon core Internet technologies such as Java II Enterprise Edition (J2EE) and XML technologies. We have invested and expect to continue to invest significant resources to expand upon our technology expertise. We believe that by focusing on core technologies, we can:

- o leverage the shared experiences of our consultants,
- o rapidly assemble partner teams,
- o manage fluctuations in services demand for our partners' products, and
- o leverage infrastructure investments in training and personnel development.

Leverage our Partners' Sales Channels. We seek to leverage the existing sales channels of our partners by working closely with their sales, marketing and development departments to monitor and improve demand for their products. We believe that our VSO model provides a cost-effective method for sourcing our services engagements, resulting in lower fixed costs and enhanced operating leverage. While we market our services to customers, our VSO relationships also frequently generate lead flow such that we help our partner close business or deal with difficult implementations when resources and expertise are critically in short supply.

Recruit and Retain Highly-Skilled Professionals. We believe that our ability to recruit and retain highly skilled professionals is a critical factor for our continued success. We maintain a corporate culture that fosters expertise, continuing professional development, rapid advancement and teamwork, providing our consultants with the opportunity to become experts in leading Internet technologies.

Build Scale through Internal Growth and Selective Acquisitions. In order to serve the future demands of our partners and potential partners, we intend to continue to expand technological expertise and geographical presence as well as to improve operating efficiencies in the delivery of our services through internal growth and through selective acquisitions. In order to further expand our internal growth, we intend to capitalize on specific areas of our technology expertise to pursue strategic alliances with national and global consulting firms.

Our Services

We web-enable enterprise systems using our partners' technologies. Our dedicated teams manage and execute the installation and implementation of our software partners' software solutions. For our project engagements, we perform any or all of the following services:

- o analyze end-user customer goals and requirements;
- o define the scope of the implementation project;
- o design a project plan; and
- o custom develop solutions as well as install, configure, and integrate our partners' Internet software products.

Our goal is to reduce significantly the time required to implement our partners' products. This enables end-user customers to quickly realize the benefits associated with our partners' software products and our partners to more rapidly expand their market share. To accomplish this goal, we have established a JumpStart(TM) offering that can significantly reduce implementation timeframes. JumpStart(TM) is an example of our applications development framework, which leverages pre-built enterprise JavaBeans(TM) and XML based components developed by us, as well as our shared services expertise and our proven delivery methodology. By deploying small teams of technology experts, usually three to eight professionals, who utilize this framework, we can significantly reduce implementation timeframes and obtain repeatable results.

The following examples help illustrate the scope of the services that we have provided using software from our partners.

Hewlett Packard is one of the leading manufacturers of hardware and software solutions in the world. With hundreds of thousands of end users of Hewlett Packard (HP) products and technologies, HP has a tremendous amount of information that it must make available to both the general public as well as corporate clients. HP required a content management solution that would let it disseminate information to end users from their disparate back end legacy systems in the most efficient manner. HP chose Vignette's Story Server platform, a major undertaking for HP in the Enterprise Web arena. Faced with the challenge and uncertainty of planning and implementing this program, HP retained Perficient to architect and engineer their entire solution. The project called for a level of technical expertise in several key areas, including systems design (hardware, software, networking), training (on Story Server development and administration), customization of processes, as well as the phased implementation processes required to ensure flawless deployments to their "live" production site.

MCI WorldCom, with operations in more than 65 countries, is a premier provider of facilities-based and fully integrated local, long distance, international and Internet services. For MCI WorldCom, Perficient implemented an IBM WebSphere-based solution for multiple Web sites. These sites were designed to leverage enterprise JavaBeans and Java Servlets to allow flexibility and ease-of-use in harnessing multiple sources of data from all parts of MCI WorldCom's business domain. The ease-of-use and flexibility of Visual Age for Java and WebSphere provided the developers with the tools to quickly make changes and adapt to new site requirements on the fly. Perficient helped reduce the delivery cycle for a typical site from over three months to six to eight weeks. All sites developed are 24X7 production sites aimed at more than 25,000 MCI WorldCom employees, including their entire worldwide sales force. Perficient has been involved in multiple development efforts at MCI WorldCom for more than two years.

SBC Communications Inc., through its subsidiaries, Southwestern Bell, Ameritech, Pacific Bell, SBC Telecom, Nevada Bell, SNET and Cellular One, SBC provides local and long-distance phone service, wireless and data communications, paging, high-speed Internet access and messaging, cable and satellite television, security services and telecommunications equipment, as well as directory advertising and publishing. SBC sought to improve customer service and reduce costs by enabling customers of all of its United States holding companies to manage their telecommunications service options (such as three-way calling, call forwarding and caller ID) over the web. SBC was faced with the burden of developing a method for numerous divergent company systems using distinct hardware and software to have access to a common processing center. Using Vignette's StoryServer(TM) for personalization and management and IBM's WebSphere(TM) products for legacy integration, we developed a system that supports the provisioning needs for over 60 million access lines that currently processes over 30,000 orders per week.

Our Partners

We target value-added, service-rich segments of the Internet software market including Internet Relationship Management and personalization with Vignette, corporate portals with Plumtree Software and enabling "middleware" platforms with IBM.

In October 2000, we entered into a new services agreements with IBM under which we will provide deployment, integration and training services to IBM's WebSphere(TM) customers. The agreement provides for us to render services over a three-year period not to exceed \$73.5 million in total value. Under the agreement with IBM, we are paid for services rendered, subject to a guaranteed minimum utilization by IBM of a specified number of hours per consultant per year. The agreement may be terminated at any time by IBM on four month's notice.

Technology Leadership Council

Our technology leadership council, led by our chief technology officer and including the heads of each of our business development and emerging practice groups, performs a critical role in maintaining our technology leadership. Assisted by a technology team consisting of key members from each of our practice areas, the council frames our new partner strategies, conducts regular conferences on the Internet with our

technology professionals on specific partner and general technology issues and trends, conducts promotional activities, such as white paper publication and speaking engagements by our professionals, identifies services opportunities between and among our partners' products, oversees our quality assurance programs and assists in acquisition-related technology due diligence.

Sales and Marketing

We source most of our services engagements through our partners. As a result, our principal sales and marketing activity consists of establishing VSO relationships with Internet software companies and continuing to market our services with our partners' organizations after a relationship is established. We have a business development group that works with our technology leadership council to identify partner prospects and to engage those partners to develop a VSO partnership. We also market our services by establishing informal relationships with venture capital firms, and other service providers that work with emerging Internet software companies. These relationships help us identify and form partner relationships with emerging companies. Once a partnership is established, a managing director is responsible for coordinating projects and stimulating additional demand from that partner.

In addition to generating leads from our partners, we may also enter into services engagements directly with end-users. Our direct sales staff consists of five full-time professionals. We regularly receive referrals from our software vendor partners, end-users for which we have previously performed services and as a result of our education and training services. Our VSO relationships frequently generate lead flow such that we help our partners close business or resolve difficult implementations.

Technology Professionals

Recruiting. Our most valuable assets are our technology professionals. We are dedicated to hiring, developing and retaining technology professionals who combine a depth of understanding of current Internet and legacy technologies with the ability to implement our partners' complex solutions for their end-users.

Our recruiting efforts are an important element of our growth. We generally target technology professionals with extensive experience and demonstrated expertise. After initially identifying qualified candidates, we conduct an extensive screening process.

To attract technology professionals, we use a broad range of sources including internal referrals, other technology companies and technical associations, the Internet and advertising in technical periodicals.

We believe that our focus on a target set of core Internet technologies and our commitment to continuing training and advancement opportunities makes us an attractive career choice for experienced professionals. Because our partners are current and emerging market leaders, our technology professionals have an opportunity to work with cutting-edge information technology. We foster professional development by training our technology professionals in the skills critical to successful consulting engagements such as implementation methodology and project management.

Training. To ensure continued development of our technical staff, we place a high priority on training. We offer extensive training for our professionals around industry-leading technologies. We recently implemented an intensive three-week Java immersion "boot camp" for our newly hired technology professionals and a modified, refresher program for our existing professionals. Boot camp curriculum includes J2EE and JSP modules and offers integration strategies and technologies among our partners' products and technologies. In addition, we have established an on-line, Internet-based education and training program that offers over 200 topics, including CORBA, EJB architecture, HTML, J2EE, Linux, Network Security and XML fundamentals. This web-based education system is offered to all of our technology professionals to facilitate their ongoing professional development and increase their technical expertise.

The Perflcient Staffing Model. In contrast to the traditional staffing model that results in large numbers

of new recruits being overseen by a few experienced people, we utilize an "expert" model, in which small numbers of recruits gain experience and learn with a cadre of experienced technology professionals. Our focus on seasoned professionals allows us to deliver our solutions with speed and quality while developing high level skills in our partners' technologies.

The Perficient Promise. We continue to build our corporate culture around a common set of values based on expertise, honesty and teamwork. We hold semi-annual, off-site company meetings to foster training, teamwork and the Perficient culture.

We have codified our commitments to each other in The Perficient Promise, which consist of the following seven simple commitments our management and technology professionals make to each other:

- o We work with cutting-edge technologies and leading-edge clients;
- o We maintain an informal team culture;
- o We provide our technology professionals with high-quality infrastructure support services;
- o We offer rapid advancement opportunities;
- o We provide competitive incentives including equity ownership;
- o We reinvest in continuing training and education; and
- o We treat each other with respect.

We take these commitments extremely seriously, because we believe that we can succeed only if The Perficient Promise is kept.

MyPerficient.com -- The Corporate Portal. Our technology professionals are mobile. To ensure ubiquitous access to a wide range of information and tools, we have created a corporate portal, MyPerficient.com. It is a secure, centralized communication tool implemented using Plumtree Software's Corporate Portal product. It allows each technology professional unlimited access to the information, productivity tools, time and expense entry, benefits administration and quality management information directories and documentation.

Employees

As of March 23, 2001, we employed approximately 182 full-time employees. Of our total employees, 150 were technology professionals and 32 were involved in sales, general administration and marketing. Our employees are not represented by any collective bargaining unit, and we have never experienced a work stoppage.

Competition

We compete in the Internet professional services market, which is relatively new and intensely competitive. We expect competition to intensify as the market further develops and evolves. We believe that our competitors fall into several categories, including:

- o In-house information technology and professional services and support departments of software companies;
- o Systems integrators, such as Cambridge Technology Partners, Cysive Inc., marchFIRST, Proxicom, Inc., Sapient Corporation, Scient Corporation, Cbridge and Viant Corporation;
- o Large consulting firms, such as Accenture and the consulting arms of the large accounting firms; and

- o Information technology staffing firms, such as Keane, Inc. and Renaissance Worldwide.

We believe that the principal competitive factors affecting our market, and on which we focus our efforts, include experience of personnel, number of customers, the breadth and depth of a given solution, service quality and performance, core technologies, product scalability, reliability and product features and the ability to implement solutions quickly and respond timely to customer needs. In addition, there are relatively low barriers to entry into this market and we expect to face additional competition from new entrants.

Most of our competitors have longer operating histories, larger client bases, greater name recognition and possess significantly greater financial, technical and marketing resources than we do. As a result, our competitors may better be able to attract Internet software companies to which we market our services and adapt more quickly to new technologies or evolving customer or industry requirements. Many competitive factors are outside of our control, such as the ability of our competitors to hire, retain and motivate qualified technology professionals.

RISK FACTORS

An investment in our common stock involves a high degree of risk. Additional risks and uncertainties, including those generally affecting the market in which we operate or that we currently deem immaterial, may also significantly impair our business.

Risks Specific to Our Business

We have lost money during most of the quarters during which we have been in business and we expect to lose money in the future.

We have incurred operating losses in most of the quarters during which we have been in business and as a result, we have a retained deficit of \$15,004,000 as of December 31, 2000. As a result of the acquisitions that we recently completed, we recorded a substantial amount of goodwill. We will be required to amortize in excess of \$4,800,000 in goodwill per quarter over the next three years. We cannot assure you of any operating results. In future quarters, our operating results may not meet public market analysts' and investors' expectations. If that happens, the price of our common stock will likely fall.

We plan to continue to increase our expenditures on infrastructure development, personnel, marketing and business development and general and administrative expenses in connection with our efforts to expand our business. As a result, we will need to generate significant revenues to achieve profitability. Even if we achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis in the future. Although our revenues have grown in recent quarters, you should not view our historical growth rates as indicative of our future revenues.

We have a limited number of partners. The loss of sales to IBM, Vignette, or Plumtree would materially harm our business.

We have arrangements with a limited number of partners. IBM, Vignette, and Plumtree accounted, on a pro forma basis, for 25%, 26%, and 8% respectively, of our revenue during the year ended December 31, 2000. Any termination of our relationship with, or significant reduction or modification of the services we perform for, IBM, Vignette or Plumtree would have a material adverse effect on our business, operating results and financial condition. Each partner retains our services only on a case-by-case basis and may choose at any time to use any other firm or to provide the services that we perform for them. Therefore, any downturn in the business of one or more of our partners or any shift in their decisions to continue to use our services could also substantially reduce our revenues.

IBM may terminate its agreement with us or reduce substantially its obligations to use our services.

IBM has the right to reduce by up to one-third the minimum amount of our services contemplated by our agreement over any 60-day period. In addition, IBM may terminate the agreement on four month's notice. Any termination of our agreement with IBM or a reduction of the services performed pursuant to this agreement would have an adverse effect on our business, operating results and financial condition.

Our partners may not be obligated to use our services.

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

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

A high percentage of our operating expenses, particularly personnel and rent, are fixed in advance of any particular quarter. As a result, if we experience unanticipated changes in our projects or in our employee utilization rates, we could experience large variations in quarterly operating results and losses in

any particular quarter. Due to these factors, we believe you should not compare our quarter-to-quarter operating results to predict our future performance.

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

- o The loss of a significant partner or project;
- o The number and types of projects that we undertake;
- o Our ability to attract, train and retain skilled management and technology professionals;
- o Seasonal variations in spending patterns;
- o Our employee utilization rates, including our ability to transition our technology professionals from one project to another;
- o Changes in our pricing policies;
- o Our ability to manage costs; and
- o Costs related to acquisitions of other businesses.

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

- o Demand for Internet software;
- o End-user customer budget cycles;
- o Changes in end-user customers' desire for our partners' products and our services;
- o Pricing changes in our industry;
- o Government regulation and legal developments regarding the use of the Internet; and
- o General economic conditions.

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

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

Our business is labor intensive. Accordingly, our success depends in large part upon our ability to attract, train, retain, motivate, manage and utilize highly skilled technology professionals. Because of the recent rapid growth of the Internet and shortage of qualified Internet professional services personnel, competition for individuals who can perform the services we offer is intense and such individuals are likely to remain an expensive limited resource for the foreseeable future. Furthermore, there is a high rate of attrition among such personnel. This high turnover rate results in additional training expense, which in turn decreases our profitability. Additionally, our technology professionals are at-will employees with no restrictions on their ability to work for our competitors. Any inability to attract, train and retain highly skilled technology professionals would impair our ability to adequately manage, staff and utilize our existing projects and to bid for or obtain new projects, which in turn would adversely affect our operating

results.

We may align ourselves with partners that fail.

In selecting our partners, we seek to identify leading Internet software companies or companies that we believe will develop into leaders in their respective markets. However, our partners compete in new and rapidly changing markets. In certain of these markets, only a few companies will survive. If we align ourselves with companies that fail to become market leaders or whose products become obsolete, our business may suffer because our partners will not have significant demand for our services. We invest substantial resources to train our technology professionals regarding the use and features of our partners' software, and we will lose this investment if our partners fail.

We have agreed not to perform services for competitors of our partners, which limits our potential market penetration.

We have agreed with certain of our partners not to perform services for their competitors. These non-compete agreements substantially reduce the number of our prospective partners. In addition, these agreements increase the importance of our partner selection process, because many of our partners compete in markets where only a limited number of companies gain significant market share. If we agree not to perform services for a particular partner's competitors and our partner fails to gain meaningful market share, our potential revenues in that particular market will be limited.

Our limited operating history makes evaluating our business difficult.

We began our business in September 1997. We only began providing services on any significant basis in mid-1998. As a result, we have a limited operating history upon which you may evaluate our business and prospects. Companies in an early stage of development frequently encounter greater risks and unexpected expenses and difficulties.

These risks are further amplified by the fact that we are operating in the new and rapidly evolving Internet services market. These risks and uncertainties include the following:

- o our business model and strategy have evolved and are continually being renewed;
- o we may not be able to successfully implement our business model and strategy; and
- o our management has not worked together for very long.

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

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

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

We believe that our success will depend on retaining our senior management team, key technical personnel and our Chief Executive Officer, John T. McDonald. This dependence is particularly important in our business, because personal relationships are a critical element of obtaining and maintaining our partners. If any of these people stop working for us, our level of management, technical, marketing and

sales expertise could significantly diminish. These people would be difficult to replace, and losing them could seriously harm our business.

We may not be able to prevent key personnel, who may leave our employ in the future, from disclosing or using our technical knowledge, practices or procedures. One or more of our key personnel may resign and join a competitor or form a competing company. As a result, we might lose existing or potential clients.

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

Our success will depend on our ability to increase the number of our partners and our teams of technology professionals. However, we may not grow as planned or at all. Many of our competitors have longer operating histories, more established reputations and potential partner relationships and greater financial, technical and marketing resources than we do. If we do not experience sustained growth, this would place us at a disadvantage relative to our competitors. From December 31, 1999 to the present time, the number of technology professionals that we employ increased from 43 to approximately 150. However, if we continue to grow, our growth will place significant strains on our management, personnel and other resources. For example, it will be difficult to manage technology professionals who will be widely dispersed around the country. Additionally, our success may depend on the effective integration of acquired businesses. This integration, even if successful, may be expensive and time-consuming and could strain our resources. If we are unable to manage our growth effectively, this inability will adversely affect the quality of our services and our ability to retain key personnel, and could materially harm our business.

Our operations in Europe expose us to certain risks related to international operations.

In 1999, we opened an office in London. During the year ended December 31, 2000, on a pro forma basis, our revenues relating to our London operations have accounted for 7% of our revenues and we anticipate that foreign sales may account for a significant portion of our revenues in the foreseeable future. Risks inherent in our international business activities include the fluctuation of currency exchange rates, recessions in foreign economies, political and economic instability, reductions in business activity during the summer months in Europe, various and changing regulatory requirements, increased sales and marketing expenses, difficulty in staffing and managing foreign operations, potentially adverse taxes, complex foreign laws and treaties and the possibility of difficulty in accounts receivable collections. Further, we have only minimal experience in managing international offices and only limited experience in marketing services to international clients. Revenues from our international offices may prove inadequate to cover the expenses of such offices and marketing to international clients. There can be no assurance that any of these factors will not have a material adverse effect on our business, financial condition and results of operations.

We face risks associated with finding and integrating acquisitions.

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

Risks Relating to Our Industry

We focus solely on companies in the market for Internet software and could be harmed by any downturn in this industry.

Our business is dependent upon continued growth in the use of the Internet to fuel demand for the Internet software applications sold by our partners and prospective partners. If use of the Internet does not continue to grow, or grows more slowly than expected, our growth would decline and our business would be seriously harmed. Any downturn in the market for Internet software would harm our business, financial condition and operating results. The Internet market has recently been subject to declines in demand that have resulted in reduced demand for our services.

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

- o the growth in consumer access to and acceptance of new interactive technologies such as the Internet;
- o companies adopting Internet-based business models; and
- o the development of technologies that facilitate two-way communication between companies and targeted audiences.

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

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

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

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

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

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

- o security;
- o cost and ease of Internet access;
- o intellectual property ownership;

- o privacy;
- o taxation; and
- o liability issues.

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

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

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

Our current competitors include:

- o In-house information technology and professional services and support departments of software companies;
- o Systems integrators, such as Cambridge Technology Partners, Cysive Inc., marchFIRST, Proxicom, Inc., Sapient Corporation, Scient Corporation, CBridge, Viant Corporation;
- o Large consulting firms, such as Accenture and the consulting arms of the large accounting firms; and
- o Information technology staffing firms, such as Keane, Inc. and Renaissance Worldwide.

Many of our current and potential competitors have longer operating histories, more established reputations and potential partner relationships and greater financial, technical, industry and marketing resources than we do. This may place us at a disadvantage to our competitors.

Risks Relating to Ownership of Our Stock

We are, and will continue to be, controlled by our officers and directors, which could result in us taking actions that other stockholders do not approve.

Our executive officers, directors and existing 5% and greater stockholders beneficially own or control greater than 40% of the voting power of our common stock. This concentration of ownership of our common stock may make it difficult for other Perficiant stockholders to successfully approve or defeat matters which may be submitted for action by our stockholders. It may also have the effect of delaying, deterring or preventing a change in control of our company. In addition, sales of our common stock by the former Compete, Inc. stockholders to a third party may result in a change of control of our company.

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

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

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

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

We may need to raise additional funds through public or private debt or equity financing in order to:

- o take advantage of opportunities, including more rapid expansion or acquisitions of, or investments in, businesses or technologies;
- o develop new services; or
- o respond to competitive pressures.

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

SPECIAL CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains many forward-looking statements that involve substantial risks and uncertainties. You can identify these statements by forward-looking words such as "may", "will", "expect", "anticipate", "believe", "estimate", and "continue" or similar words. You should read statements that contain these words carefully because they discuss our future expectations, contain projections of our future operating results or of our financial condition or state other "forward-looking" information.

We believe that it is important to communicate our future expectations to our investors. However, we may be unable to accurately predict or control events in the future. The factors listed in the section captioned "Risk Factors" as well as any other cautionary language in this prospectus, provide examples of risks, uncertainties and events that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements. Before you invest in our common stock, you should be aware that the occurrence of the events described in the "Risk Factors" section and elsewhere in this prospectus could seriously harm our business.

ITEM 2. DESCRIPTION OF PROPERTY

We lease approximately 5,900 square feet of office space in Austin, Texas from HUB Properties Trust . The initial term of the lease is three years from April 2000 but we have the right to extend the lease for two additional periods of three years each. Annual fixed rent is \$10,314 per month in the first year of the initial term, \$10,560 per month in the second year of the initial term, and \$10,805 per month in the third year. We are also obligated to pay 5.77% of our landlord's taxes and operating costs associated with the building as additional rent, resulting in a total monthly rental payment of approximately \$15,000. During November 2000, we began subleasing approximately 2,900 square feet of office space in Austin, Texas from Powershift Ventures, LLC, under an agreement that terminates on the earlier of December 31, 2003 or the termination of Powershift Ventures, LLC's underlying lease. The rent is approximately \$4,800 per month plus operating expenses. Steven G. Papermaster, a member of our Board of Directors, is the president and a beneficial owner of Powershift Ventures, LLC. Mr. Papermaster also controls Powershift Ventures, L.P., one of our principal stockholders.

We lease approximately 1,100 square feet of office space in New London, Connecticut under an agreement with Columbus Park, which terminates on October 31, 2002. Annual rent is \$1,243 per month during the first year and \$1,280 per month during the second year. We lease approximately 4,320 square feet of office space in Lisle, Illinois from Chicago Title and Trust Company under a lease expiring on September 14, 2001. The rent is approximately \$6,900 per month. We began leasing office space in Maidenhead, England under a lease that expires in August 2001 for approximately \$9,500 per month. We previously leased office space in Maidenhead, England under a lease that expired in March 2001 for approximately \$3,200 per month. We lease approximately 2,400 square feet of office space in London, Ontario under an agreement that expires March 2004, for approximately \$3,200 per month.

ITEM 3. LEGAL PROCEEDINGS

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

We received a demand letter from a company claiming that our web site induces patent infringement by others and requesting that we enter into a license agreement with the company that could require us to pay up to \$150,000. We believe the claim is without merit and intend to continue to vigorously defend the claim.

ITEM 4. SUBMISSIONS OF MATTERS TO A VOTE OF SECURITY HOLDERS

We did not submit any matters to a vote of security holders during the fourth quarter of the fiscal year ending December 31, 2000.

ITEM 4A. EXECUTIVE OFFICERS

Our executive officers and directors, and their ages as of the date of this Prospectus are as follows:

Name	Age	Position with Perficient
John T. McDonald.....	37	Chief Executive Officer and Chairman of the Board of Directors
Sam J. Fatigato.....	40	President, Chief Operating Officer and Director
John A. Hinnners.....	44	Chief Financial Officer and Vice President
Steven G. Papermaster....	42	Director
David S. Lundeen.....	38	Director
Dr. W. Frank King(1)....	60	Director
Philip J. Rosenbaum(1)...	50	Director

(1) Indicates that the individual is a member of the compensation and audit committees.

Executive Officers and Directors

John T. McDonald joined Perficient in April 1999 as our Chief Executive Officer and was elected Chairman of the Board in March 2001. Since October 1998, Mr. McDonald has been the president of Beekman Ventures, Inc., a venture capital firm specializing in private equity investments in technology companies. From April 1996 to October 1998, Mr. McDonald was president of VideoSite, Inc., a multimedia software company that is currently a subsidiary of GTECH Corporation. GTECH acquired VideoSite in October 1997, 18 months after Mr. McDonald became VideoSite's president. From May 1995 to April 1996, Mr. McDonald was a Principal with Zilkha & Co., a New York-based merchant banking firm. From June 1993 to April 1996, Mr. McDonald served in various positions at Blockbuster Entertainment Group, including Director of Corporate Development and Vice President, Strategic Planning and Corporate Development of NewLeaf Entertainment Corporation, a joint venture between Blockbuster and IBM. From 1987 to 1993, Mr. McDonald was an attorney with Skadden, Arps, Slate, Meagher & Flom in New York focusing on mergers and acquisitions and corporate finance. Mr. McDonald received a B.A. in Economics from Fordham University in 1984 and a J.D. from Fordham Law School in 1987.

Steven G. Papermaster joined Perficient in April 1998 as a director and served as Chairman from May 1999 through February 2001. He is also the Chairman of Powershift Group, an Austin-based technology venture development firm, and the general partner of Powershift Ventures, L.P., one of our principal stockholders. Mr. Papermaster is also a co-founder and served as the Chief Executive Officer through November 2000. He currently serves as a member of the Board of Directors of Vignette Corporation and various privately-held companies. From 1987 to December 1997, Mr. Papermaster was the founder, chairman and Chief Executive Officer of BSG Corporation. Mr. Papermaster received a B.A. in Finance from the University of Texas at Austin in 1981 and began his career as a consultant with Arthur Andersen & Co. in the Management Information Consulting Division.

Sam J. Fatigato was appointed to our Board of Directors and was named President in March 2001 and has served as our Chief Operating Officer since May 1, 2000, upon the acquisition by way of merger of Compete, Inc. From 1996 until May 2000, Mr. Fatigato served as Chief Executive Officer of Compete, Inc. Prior to co-founding Compete, Mr. Fatigato was employed by IBM for 12 years, where he held various technical, sales and operational management positions. Mr. Fatigato received a B.A. from Northwestern University in 1983.

John A. Hinnners joined Perficient in April 1999 as Chief Financial Officer and Vice President. From March 1998 until joining Perficient, Mr. Hinnners independently provided financial consulting services primarily to start-up software companies. From October 1994 to February 1998, he was Managing Director-Finance and Administration of BSG Alliance/IT, Inc., a subsidiary of BSG Corporation. During this period, Mr. Hinnners was responsible for operational and financial management of international

subsidiaries and joint ventures, as well as financial review and management of acquisitions and significant transactions. From August 1988 through September 1994, he served as Chief Financial Officer of such subsidiary. Mr. Hinners received a B.B.A. in Finance in 1979 and an M.B.A. in Accounting in 1981 from the University of Texas at Austin.

David S. Lundeen joined Perficient in April 1998 as a director. Since March 1999, Mr. Lundeen has been a partner with Watershed Capital, a private equity firm based in Mountain View, California. From June 1997 to February 1999, Mr. Lundeen was self-employed, managed his personal investments and acted as a consultant and advisor to various businesses. From June 1995 to June 1997, he served as the Chief Financial Officer and Chief Operating Officer of BSG. From January 1990 until June 1995, Mr. Lundeen served as President of Blockbuster Technology and as Vice President of Finance of Blockbuster Entertainment Corporation. Prior to that time, Mr. Lundeen was an investment banker with Drexel Burnham Lambert in New York City. Mr. Lundeen received a B.S. in Engineering from the University of Michigan in 1984 and an M.B.A. from the University of Chicago in 1988.

Dr. W. Frank King became a member of our Board of Directors in June 1999. He has served as a Director of PSW Technologies, Inc., now known as Concerro Inc., a publicly-traded consulting services company, since October 1996. From 1992 to August 1998, Dr. King served as President and Chief Executive Officer of PSW. From 1988 to 1992, Dr. King was Senior Vice President of the Software Business group of Lotus, a software publishing company. Prior to joining Lotus, Dr. King was with IBM for 19 years, where his last position was Vice President of Development for the Personal Computing Division. Dr. King currently serves on the boards of directors of Allaire Corp., Aleri, Inc., Eon Communications, Inc., and Natural Microsystems Corporation. Dr. King earned a Ph.D. in electrical engineering from Princeton University, an M.S. in electrical engineering from Stanford University and a B.S. in electrical engineering from the University of Florida.

Philip J. Rosenbaum became a member of our Board of Directors in June 1999. Since May 1995, Mr. Rosenbaum has been a self-employed developer of new businesses, investor and consultant. From February 1993 to May 1995, Mr. Rosenbaum was Vice President of International Operations of Unify Corporation, a software development tool supplier. Mr. Rosenbaum also serves on the board of directors of a privately held software company. Mr. Rosenbaum received a B.S. from Rutgers in 1972.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock is traded on the Nasdaq SmallCap Market under the symbol "PRFT." Public trading of the common stock commenced on July 29, 1999. Prior to that, there was no public market for the common stock. The following table sets forth, for the periods indicated, the high and low sale price per share of the common stock on the Nasdaq SmallCap Market.

Year Ended December 31, 1999:	High	Low
	-----	-----
Third Quarter (from July 29, 1999)	\$12.00	\$ 6.25
Fourth Quarter	17.88	6.50

Year Ended December 31, 2000:		
First Quarter	\$27.13	\$10.06
Second Quarter	21.00	11.00
Third Quarter	18.13	8.94
Fourth Quarter	19.38	5.00

As of March 23, 2001, there were in excess of 400 beneficial holders of our common stock. On March 23, 2001, the last sale price reported on the Nasdaq SmallCap Market for our common stock was \$4.8125 per share.

We have never declared or paid any cash dividends on our common stock or other securities and do not anticipate paying cash dividends in the foreseeable future. Our line of credit currently prohibits the payment of cash dividends.

We received approximately \$6.3 million in July 1999 from an initial public offering of 1,000,000 shares of our common stock, net of underwriting discounts, commissions and expenses. The primary purposes of the initial public offering were to obtain additional equity capital, create a public market for our common stock and facilitate future access to public markets. Pending the use of proceeds, we had invested the net proceeds of the offering in investment grade, interest-bearing securities. Prior to the offering, we financed our operations primarily through equity financing and bank borrowings.

On February 7, 2000, we sold 400,000 shares of common stock at \$14 per share in a private placement for net proceeds of approximately \$5,258,000. We used the proceeds to fund the cash portion of the purchase price of Compete, the promissory note for the acquisition of Compete and for general corporate purposes.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our financial statements and notes thereto and the other financial information included elsewhere in this Report on Form 10-KSB. In addition to historical information, this management's discussion and analysis of financial condition and results of operations and other parts of this filing contain forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those indicated in such forward-looking information as a result of certain factors, including but not limited to, those set forth under "Risk Factors" and elsewhere in this filing. Please see the "Special Note Regarding Forward Looking Statements" elsewhere in this Report on Form 10-KSB.

We were incorporated in September 1997 and began generating revenue in February 1998. We generate revenues from professional services performed primarily for our software company partners and their end-user customers. To date, our partners have consisted of Internet software companies and we expect that Internet software companies will be important partners for the foreseeable future. The majority of our revenue is derived from our partners rather than from our end-user customers.

We established our first partner relationship with Vignette Corporation, an Internet relationship management software company, in February 1998. During 1999 and 2000, we have established partner relationships with several additional Internet software companies. In October 2000 we entered into a new services agreement with IBM under which we will provide deployment, integration and training services to IBM's WebSphere(TM) customers. The agreement provides for us to render services over a three-year period not to exceed \$73.5 million in total value. Revenues from Vignette, IBM, and Plumtree would have comprised approximately 26%, 25%, and 8%, respectively, of pro forma revenues for the year ended December 31, 2000 (after giving effect to the acquisition of Compete). Accordingly, any deterioration in our relationship with IBM, Vignette, or Plumtree could have a material adverse affect on our consulting revenue. Generally, our partner agreements may be terminated at any time by our partners or by us. Our agreement with IBM, however, provides generally that we receive four month's notice of any termination. These agreements generally do not obligate our partners to use our services for any minimum amount or at all, and our partners may use the services of our competitors. Under our agreement with Vignette, we are restricted, for as long as the agreement is in place, from performing services for their competitors.

We derive our revenues from professional services that are provided primarily on a time and materials basis. Revenues are recognized and billed monthly by multiplying the number of hours expended by our professionals in the performance of the contract by the established billing rates. We are reimbursed for direct expenses allocated to a project such as airfare, lodging and meals. Consequently, these direct reimbursements are excluded from revenues.

Our revenues and operating results are subject to substantial variations based on our partners' sales and expenditures and the frequency with which we are chosen to perform services for their end-user customers. Revenues from any given customer will vary from period to period. We expect, however, that significant customer concentration will continue for the foreseeable future. To the extent that any significant customer uses less of our services or terminates its relationship with us, our revenues may decline substantially.

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

The number of technology professionals who have agreed to perform services for the Company has increased from eight at December 31, 1998 to approximately 150 currently. We intend to increase the number of our technology professionals significantly. Our personnel costs represent a high percentage of our operating expenses and are relatively fixed in advance of each quarter. Accordingly, if revenues do not

increase at a rate equal to expenses, we will incur continuing losses and our business, financial condition, operating results and liquidity will be materially and adversely affected.

On May 1, 2000, we acquired all the outstanding shares and assumed all outstanding options of Compete, Inc. The aggregate purchase price of Compete consisted of (1) \$3,425,000 in cash, (2) \$2,527,500 in non-interest bearing promissory notes to be repaid within six months following the closing, (3) 2,003,866 shares of common stock, of which 1,001,933 shares are subject to adjustment or forfeiture and which are now being held in escrow, and (4) the assumption of Compete's outstanding employee options. The total cost of the acquisition, including the assumption of outstanding options and transaction costs, was approximately \$55.2 million. The acquisition was accounted for as a purchase business combination. Accordingly, the acquired net assets were recorded at their estimated fair values at the effective date of the acquisition and the results of operations of Compete will be included with ours for the periods subsequent to the acquisition date.

On January 3, 2000, we acquired LoreData, Inc. for an aggregate purchase price of approximately \$2.4 million, consisting of \$385,000 cash, 30,005 shares of common stock, and 131,709 shares of common stock that were held in escrow until being released in January 2001.

On February 7, 2000, we sold 400,000 shares of common stock in a private placement for net proceeds of approximately \$5,258,000.

Results Of Operations

Fiscal Year Ended December 31, 1999 Compared To December 31, 2000

Consulting Revenues. Revenues increased from \$2,648,000 in 1999 to \$19,964,000 in 2000. The increase in revenues reflected the increase in the number of partners, projects performed and in the number of technology professionals performing services. The acquisition of Compete on May 1, 2000 also contributed to the increase in revenues for 2000. On a pro forma basis, including the results of the acquisitions of Compete and Lore Data, revenues increased from \$9,711,000 in 1999 to \$23,111,000 in 2000. During 2000, 30% of our revenues was derived from Vignette and 25% from IBM (on a pro forma basis including the results of operations of Compete, Vignette accounted for 26% of total pro forma revenues and IBM accounted for 25% of total pro forma revenues).

Cost of Consulting Revenues. Cost of revenues, consisting of direct costs, primarily salaries and benefits for technology professionals assigned to projects, and of project related expenses, increased from \$1,034,000 in 1999 to \$9,931,000 in 2000. The increase in cost of consulting revenue is directly attributable to the increase in the number of technology professionals employed by us. The number of consultants employed by us increased from 43 at December 31, 1999 to approximately 150 at December 31, 2000.

Gross Margin. Gross margin increased from \$1,614,000 in 1999 to \$10,033,000 in 2000. Gross margin as a percentage of consulting revenues was 61% for 1999 and 50% for 2000. The decrease in gross margin as a percentage of consulting revenues is primarily due to the increased number of consultants during the period in anticipation of future projects, resulting in lower effective utilization rates during the period.

Selling, general and administrative. Selling, general and administrative expenses consist primarily of marketing activities to solicit partners, salaries and benefits and non-reimbursable travel costs and expenses. Selling, general and administrative expenses increased from \$2,197,000 in 1999 to \$10,580,000 in 2000. Selling, general and administrative expenses as a percentage of consulting revenues was 83% for 1999 and 53% for 2000. The increase in selling, general and administrative expenses and such expenses was related to our increased overhead, including recruiting, administrative activities and marketing to support the development of existing or new partnerships and the resulting growth in our workforce. We expect these expenses to increase in absolute dollar amounts in connection with our planned expansion.

Stock Compensation. Stock compensation expense consists of non-cash compensation arising from

certain sales of stock and option grants to officers, directors or other affiliated persons. We have recognized \$880,000 in non-cash compensation in connection with the sale of stock that occurred in January 1999. In addition, we have recorded in stockholders' equity on our balance sheet aggregate deferred stock compensation totaling \$228,000 in connection with stock options that were granted in January 1999. Quarterly stock compensation expense of approximately \$19,000 will be recognized over the three-year vesting period ending January 2002. We have recognized approximately \$152,000 in non-cash compensation expense during 1999 and 2000 relating to the vesting of these options.

Intangibles amortization. Intangibles amortization expense consists of amortization of goodwill arising from our acquisitions of LoreData, Inc. in January 2000, Compete, Inc. in May 2000, and Core Objective, Inc. in November 2000. We are amortizing the goodwill associated with these acquisitions over a three-year period. Total intangibles amortization expense for 2000 was \$12,942,000. We expect to amortize in excess of \$4,800,000 in goodwill per quarter through 2003. Goodwill net of accumulated amortization represented approximately 83% and 91% of total assets and stockholders' equity, respectively, at December 31, 2000.

Interest Income (Expense). Interest income (expense) consists of interest income of \$263,000 on cash and investments, imputed interest expense of \$108,000 associated with the non-interest bearing note issued in connection with the acquisition of Compete, and interest expense of \$43,000, mainly associated with borrowings under our line of credit. The increase in interest income for 2000 was due to interest income from cash and investment balances on hand as a result of our initial public offering in July 1999 and our private placement in February 2000. The increase in interest expense in 2000 is due to the \$2.5 million note payable related to the Compete acquisition and the borrowings under our line of credit during 2000.

Liquidity And Capital Resources

We received approximately \$6.3 million in July 1999 from an initial public offering of 1,000,000 shares of our common stock, net of underwriting discounts, commissions and expenses. The primary purposes of the initial public offering were to obtain additional equity capital, create a public market for our common stock and facilitate future access to public markets. Pending the use of proceeds, we had invested the net proceeds of the offering in investment grade, interest-bearing securities. Prior to the offering, we financed our operations primarily through equity financing and bank borrowings.

On February 7, 2000, we sold 400,000 shares of common stock at \$14 per share in a private placement for net proceeds of approximately \$5,258,000. We used the proceeds to fund the cash portion of the purchase price and the promissory note for the acquisition of Compete and for general corporate purposes.

In connection with the acquisition of Compete, which closed on May 1, 2000, we paid to the shareholders and vested option holders of Compete approximately \$3,425,000 in cash and we issued a \$2,527,500 promissory note that was paid on November 1, 2000. We used the proceeds of the private placement to fund the initial cash payment, and utilized the remaining private placement funds and certain proceeds from the line of credit to fund the November 1, 2000 note payment.

We have a line of credit facility with Silicon Valley Bank, which provides for us to borrow up to \$6,000,000, subject to certain borrowing base calculations as defined. Borrowings under this agreement, which expires June 29, 2001, bear interest at the bank's prime rate plus 0.85%. As of December 31, 2000, there was \$1,500,000 borrowed under this loan agreement. Prior to that, we had an agreement with the same bank, which allowed us to borrow up to \$1,000,000 against our qualifying accounts receivables. In connection with this bank agreement, we issued warrants to the Bank to acquire up to 3,750 shares of our common stock at \$8 per share.

In connection with the acquisition of Core Objective, Inc. in November 2000, we issued a \$162,000 promissory note payable in May 2001. Additionally, we assumed \$63,000 of notes payable to shareholders which were paid in February 2001.

Cash used in operations for the year ended December 31, 2000 was \$2,796,000. As of December 31, 2000, we had \$842,000 in cash and working capital of \$3,374,000, and \$4,500,000 available (\$3,700,000 available under the borrowing base calculation) under our line of credit facility discussed above.

If our capital is insufficient to fund our activities in either the short or long term, we may need to raise additional funds. If we raise additional funds through the issuance of equity securities, our existing stockholders' percentage ownership will be diluted. These equity securities may also have rights superior to our common stock. Additional debt or equity financing may not be available when needed or on satisfactory terms. If adequate funds are not available on acceptable terms, we may be unable to expand our services, respond to competition, pursue acquisition opportunities or continue our operations.

Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board (FASB) issued the Statement of Financial Accounting Standard (SFAS) No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended by SFAS No. 137, Deferral of the Effective Date of FASB Statement No. 133, which is effective for fiscal years beginning after June 15, 2000. This statement requires companies to record derivatives on the balance sheet as assets or liabilities measured at fair value. Gains or losses resulting from changes in the values of those derivatives would be accounted for depending on the use of the derivative and whether it qualifies for hedge accounting. SFAS No. 133 will be effective for our financial statements for the year ending December 31, 2001. We do not believe that this statement will have a material impact on our financial position or results of operations.

The FASB recently issued Interpretation No. 44, Accounting for Certain Transactions Involving Stock Compensation. This interpretation provides guidance related to the implementation of APB 25, Accounting for Stock Issued to Employees. This interpretation is to be applied prospectively to all new awards, modifications to outstanding awards and changes in employee status on or after July 1, 2000. For changes made after December 15, 1998 to awards that affect exercise prices of the awards, we must prospectively account for the impact of those changes. We do not believe the full adoption of this interpretation will have a material impact on our financial position or results of operations.

In December 1999, the Securities and Exchange Commission staff released Staff Accounting Bulletin No. 101, Revenue Recognition in Financial Statements, which provides guidance on the recognition, presentation, and disclosure of revenue in financial statements. We believe our current revenue recognition policies and practices are materially consistent with this statement, and accordingly, do not believe this statement will have a material impact on our financial position or results of operations.

Summary Unaudited Pro Forma Statements of Operations (including the effect of material acquisitions)

The following unaudited pro forma statements of operations (including the effect of material acquisitions) give effect to the acquisition of Lore Data, Inc. and the acquisition of Compete, Inc. as if these transactions had been consummated at the beginning of each period presented. The unaudited pro forma statements of operations exclude the impact of goodwill amortization, stock compensation, depreciation and one time acquisition related charges. The unaudited pro forma statements of operations do not purport to be indicative of the results of operations that would have been obtained had such acquisitions been completed as of the assumed dates and for the periods presented or of future results. The results do not include any information related to Core Objective, Inc. acquired in November 2000, which did not represent a material acquisition. You should read this information together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the notes relating to those statements included elsewhere in this Report on Form 10-KSB. These pro forma statements of operations are presented because management believes pro forma net income (loss) is a widely accepted indicator of a company's operating performance. Pro forma net income measures presented may not be comparable to similarly titled measures presented by other companies. Pro forma net income (loss) is not intended to be a performance measure that should be regarded as an alternative to, or more meaningful than, either operating income (loss) or net income (loss) as an indicator of operating performance or to the statement of cash flows as a measure of liquidity. Our historical GAAP basis cash used in operations, excluding the pro forma effects of material acquisitions, was approximately \$665,000 and \$2,796,000 during 1999 and 2000, respectively.

Perficient, Inc.
Pro Forma Consolidated Statements of Operations
Including the Effect of Significant Acquisitions

	Year December 31,	
	1999	2000
	(unaudited)	
Consulting revenues	\$ 9,710,818	\$23,110,578
Cost of consulting revenues	5,160,861	11,421,371
Gross margin	4,549,957	11,689,207
Selling, general and administrative	4,508,162	11,311,092
Total pro forma operating income (1)	41,795	378,115
Interest income (expense), net	(54,631)	94,239
Pro forma provision (benefit) for income taxes (2)	(4,749)	174,771
Pro forma net income (loss) (1)	\$ (8,087)	\$ 297,583
Pro forma net income (loss) per share(1):		
Basic	\$ --	\$ 0.06
Diluted	\$ --	\$ 0.04
Shares used in computing basic pro forma net income (loss) per share	4,032,494	4,940,260
Shares used in computing diluted pro forma net income (loss) per share	4,032,494	6,855,105

- (1) Pro forma operating income, pro forma net income (loss) and pro forma net income (loss) per share exclude the impact of goodwill amortization, depreciation, stock compensation, and one time acquisition related charges.
- (2) Pro forma net income (loss) and pro forma net income (loss) per share include a tax provision (benefit) at an assumed effective rate of 37%.

ITEM 7. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and supplementary data required by this Item 7 are listed in Item 13(a)(1) and begin at page F-1 of this report.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information regarding directors is incorporated herein by reference from the section entitled "Election of Directors" of our definitive Proxy Statement (the "Proxy Statement") to be filed pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended, for our Annual Meeting of Stockholders to be held on June 14, 2001. The Proxy Statement is anticipated to be filed within 120 days after the end of our fiscal year ended December 31, 2000. For information regarding executive officers, see the information appearing under the caption "Executive Officers of the Registrant" in Part I, Item 4a of this Report on Form 10-KSB.

ITEM 10. EXECUTIVE COMPENSATION

Information regarding executive compensation is incorporated herein by reference from the section entitled "Executive Compensation and Related Information" of the Proxy Statement.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information regarding security ownership of certain beneficial owners and management is incorporated herein by reference from the section entitled "Stock Ownership of Certain Beneficial Owners and Management" of the Proxy Statement.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information regarding certain relationships and related transactions is incorporated herein by reference from the section entitled "Certain Relationships and Related Information" of the Proxy Statement.

ITEM 13. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a)(1) Financial Statements

The following consolidated financial statements of the Company are filed as part of this Annual Report on Form 10-KSB as follows:

Report of Independent Auditors.....	F-2
Consolidated Balance Sheets at December 31, 1999 and 2000.....	F-3
Consolidated Statements of Operations for the years ended December 31, 1999 and 2000.....	F-4
Consolidated Statements of Changes in Stockholders' Equity.....	F-5
Consolidated Statements of Cash Flows for the years ended December 31, 1999 and 2000.....	F-6
Notes to Consolidated Financial Statements.....	F-7

(a)(2) Financial Statement Schedules

Not applicable.

(a) (3) Exhibits

Exhibit No.	Description

3.1+	Certificate of Incorporation of Registrant.
3.2+	Bylaws of Registrant.
4.1+	Specimen Certificate for shares of common stock.
4.2+	Warrant granted to Gilford Securities Incorporated.
10.2+	1999 Stock Option/Stock Issuance Plan.
10.3+	Employment Agreement between Registrant and John T. McDonald.
10.5+	Employment Agreement between Registrant and John A. Hinnners.
10.6+	Form of Indemnity Agreement between Registrant and its directors and officers
10.7+	Contractor Service Agreement, dated December 31, 1998, between Registrant and Vignette Corporation.
10.13*	Agreement and Plan of Merger, dated as of December 10, 1999, by and among the Registrant, Perficient Acquisition Corp., LoreData, Inc. and John Gillespie.
10.14*	Amendment to Agreement and Plan of Merger dated as of January 3, 2000 by and among the Registrant, Perficient Acquisition Corp, LoreData, Inc. and John Gillespie.
10.15**	Agreement and Plan of Merger, dated as of February 16, 2000 by and among the Registrant, Perficient Compete, Inc., Compete Inc., and the Shareholders of Compete, Inc.
10.16***	Registration Rights Agreement, dated as of January 3, 2000 between the Registrant and John Gillespie.
10.17***	Form of Registration Rights Agreement between the Registrant and certain purchasers of common stock.
10.18***	Subcontract Agreement, dated as of November 4, 1999 between the Registrant and Plumtree, Inc.
10.19++	Lease by and between HUB Properties Trust and the Registrant.
10.20	Agreement dated October 10, 2000 between the Registrant and International Business Machines, Inc.
10.21	Employment Agreement between Registrant and John T. McDonald, effective October 30, 2000
21	Subsidiaries
23.1	Consent of Ernst & Young LLP

+	Previously filed with the Securities and Exchange Commission as an Exhibit to the Company's Registration Statement on Form SB-2 (File No. 333-78337) declared effective on July 28, 1999 by the Securities and Exchange Commission and incorporated herein by reference.
++	Previously filed with the Securities and Exchange Commission as an Exhibit to the Company's Registration Statement on Form SB-2 (File No. 333-35948) declared effective on July 6, 2000 by the Securities and Exchange Commission and incorporated herein by reference.
*	Previously filed with the Securities and Exchange Commission as an Exhibit to the Company's Current Report on Form 8-K filed on January 14, 2000 and incorporated herein by reference.
**	Previously filed with the Securities and Exchange Commission as an Exhibit to the Company's Preliminary Proxy Statement filed on March 16, 2000 and incorporated herein by reference.
***	Previously filed with the Securities and Exchange Commission as an Exhibit to the Company's Annual Report on Form 10-KSB filed on March 30, 2000 and incorporated herein by reference.

(b) Reports on Form 8-K

None.

SIGNATURES

Pursuant to the requirements of the Securities and 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.
(Registrant)

/s/ John T. McDonald

John T. McDonald
Chief Executive Officer

March 30, 2001

Date

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been duly signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ JOHN T. MCDONALD	Chief Executive Officer and Chairman of the Board (Principal Executive Officer)	March 30, 2001
John T. McDonald		
/s/ SAM J. FATIGATO	President, Chief Operating Officer and Director	March 30, 2001
Sam J. Fatigato		
/s/ JOHN HINNERS	Vice President and Chief Financial Officer	March 30, 2001
John Hinnners		
/s/ STEVEN G. PAPERMASTER	Director	March 30, 2001
Steven G. Papermaster		
/s/ DAVID S. LUNDEEN	Director	March 30, 2001
David S. Lundeen		
/s/ Dr. W. FRANK KING	Director	March 30, 2001
Dr. W. Frank King		
/s/ PHILIP J. ROSENBAUM	Director	March 30, 2001
Philip J. Rosenbaum		

PERFICIENT, INC.
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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Perficient, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Perficient, Inc. and Subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Perficient, Inc. and Subsidiaries at December 31, 2000 and 1999, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

/s/ Ernst & Young LLP

Austin, Texas
January 25, 2001

PERFICIENT, INC.
CONSOLIDATED BALANCE SHEETS

	December 31,	
	1999	2000
<u>Assets</u>		
Current assets:		
Cash	\$ 5,818,918	\$ 842,481
Accounts receivable, net of allowance for doubtful accounts of \$68,058 in 1999 and \$563,357 in 2000	563,334	7,038,794
Income tax receivable	10,916	10,916
Other current assets	142,422	42,400
Total current assets	6,535,590	7,934,591
Property and equipment:		
Hardware	69,442	657,648
Furniture and fixtures	3,415	260,738
Leasehold improvements	--	106,688
Software	41,783	119,804
Accumulated depreciation	(33,813)	(340,472)
Net property and equipment	80,827	804,406
Intangible assets:		
Excess of cost over fair value of assets	--	58,499,743
Accumulated amortization	--	(12,941,570)
Net intangible assets	--	45,558,173
Other noncurrent assets	--	317,772
Total assets	\$ 6,616,417	\$ 54,614,942
	=====	=====
<u>Liabilities and stockholders' equity</u>		
Liabilities		
Current liabilities:		
Accounts payable	\$ 165,176	\$ 358,779
Note payable to related party	--	224,969
Line of credit	--	1,500,000
Current portion of note payable	--	3,338
Current portion of capital lease obligation	--	81,415
Other current liabilities	199,150	2,392,568
Total current liabilities	364,326	4,561,069
Note payable, less current portion	--	7,232
Capital lease obligation, less current portion	--	72,694
Total liabilities	364,326	4,640,995
Commitments and contingencies		
Stockholders' equity:		
Common Stock, \$.001 par value; 20,000,000 shares authorized; 3,503,333 shares in 1999 and 6,252,233 shares in 2000 issued and outstanding	3,503	6,252
Additional paid-in capital	7,777,392	65,049,514
Unearned stock compensation	(152,000)	(76,000)
Accumulated other comprehensive loss	--	(1,665)
Retained deficit	(1,376,804)	(15,004,154)
Total stockholders' equity	6,252,091	49,973,947
Total liabilities and stockholders' equity	\$ 6,616,417	\$ 54,614,942
	=====	=====

See accompanying notes.

PERFICIENT, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,	
	1999	2000
Consulting revenue	\$ 2,647,878	\$ 19,963,759
Cost of consulting revenue	1,034,331	9,931,064
Gross margin	1,613,547	10,032,695
Operating expenses:		
Selling, general and administrative	2,197,560	10,579,652
Stock compensation	956,000	76,000
Intangibles amortization	--	12,941,570
Total operating expenses	3,153,560	23,597,222
Loss from operations	(1,540,013)	(13,564,527)
Interest income	127,518	263,263
Interest expense	(13,380)	(151,086)
Loss before income taxes	(1,425,875)	(13,452,350)
Provision (benefit) for income taxes	(20,912)	175,000
Net loss	\$ (1,404,963)	\$ (13,627,350)
Basic and diluted net loss per share	\$ (0.47)	\$ (2.96)

See accompanying notes.

PERFICIENT, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Common Stock		Additional	Unearned	Other	Accumulated	Total
	Shares	Amount	Paid-in Capital	Stock Compensation	Comprehensive Loss	Retained Earnings (Deficit)	Stockholders' Equity
	-----	-----	-----	-----	-----	-----	-----
Balance at January 1, 1999	2,000,000	\$ 2,000	\$ 148,000	\$ --	\$ --	\$ 28,159	\$ 178,159
Issuance of common stock	1,503,333	1,503	7,401,392	--	--	--	7,402,895
Unearned compensation	--	--	228,000	(228,000)	--	--	--
Amortization of unearned compensation	--	--	--	76,000	--	--	76,000
Net loss	--	--	--	--	--	(1,404,963)	(1,404,963)
Balance at December 31, 1999	3,503,333	3,503	7,777,392	(152,000)	--	(1,376,804)	6,252,091
Issuance of common stock, net of issuance costs	400,000	400	5,257,691	--	--	--	5,258,091
Issuance of common stock and options in purchase of businesses	2,285,664	2,286	51,858,024	--	--	--	51,860,310
Stock options exercised	62,736	63	57,025	--	--	--	57,088
Other	500	--	99,382	--	--	--	99,382
Amortization of unearned compensation	--	--	--	76,000	--	--	76,000
Foreign currency translation adjustment	--	--	--	--	(1,665)	--	(1,665)
Net loss	--	--	--	--	--	(13,627,350)	(13,627,350)
Total comprehensive loss	--	--	--	--	--	--	(13,629,015)
Balance at December 31, 2000	6,252,233	\$ 6,252	\$65,049,514	\$ (76,000)	\$ (1,665)	\$ (15,004,154)	\$ 49,973,947
	=====	=====	=====	=====	=====	=====	=====

See accompanying notes.

PERFICIENT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	1999	2000
Operating Activities		
Net loss	\$ (1,404,963)	\$ (13,627,350)
Adjustments to reconcile net loss to cash used in operations:		
Depreciation	22,950	270,270
Intangibles amortization	--	12,941,570
Non-cash stock compensation	956,000	76,000
Non-cash interest expense	--	107,810
Loss from disposal of fixed assets	--	502
Deferred income taxes	(1,350)	--
Changes in operating assets and liabilities (net of the effect of acquisitions)		
Accounts receivable	(398,373)	(3,921,449)
Other assets	(142,422)	(187,890)
Income tax receivable	(10,916)	--
Accounts payable	146,536	152,810
Income tax payable	(19,219)	--
Accrued liabilities	186,511	1,391,286
Net cash used in operating activities	(665,246)	(2,796,441)
Investing activities		
Purchase of property and equipment	(61,727)	(610,373)
Purchase of businesses, net of cash acquired	--	(7,841,603)
Proceeds from disposal of fixed assets	--	204,977
Net cash used in investing activities	(61,727)	(8,246,999)
Financing activities		
Payments on capital lease obligation	--	(41,866)
Proceeds from short-term borrowings	802,673	1,543,531
Payments on short-term borrowings	(802,673)	(833,658)
Proceeds from stock issuances, net	6,522,895	5,405,560
Net cash provided by financing activities	6,522,895	6,073,567
Effect of exchange rate on cash and cash equivalents	--	(6,564)
Change in cash and cash equivalents	5,795,922	(4,976,437)
Cash and cash equivalents at beginning of year	22,996	5,818,918
Cash and cash equivalents at end of year	\$ 5,818,918	\$ 842,481
Supplemental disclosures:		
Interest paid	\$ 13,380	\$ 43,276
Non-cash activities:		
Common stock and options issued in purchase of businesses	\$ --	\$ 51,869,311
Issuance of note payable in purchase of business	\$ --	\$ 162,215
January 12, 1999 issuance of 500,000 common shares in exchange for shareholder receivable	\$ 250,000	\$ --

See accompanying notes.

PERFICIENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2000

1. Business Overview

Perficient, Inc. (the "Company") is a software services firm that uses emerging technologies to web-enable complex enterprise systems. The Company builds deep expertise around a targeted set of core technologies and products through unique outsourcing partnerships (called "Virtual Services Organizations" or "VSOs") with Internet software companies.

The Company was incorporated on September 17, 1997 in Texas. The Company began operations in 1997 and is structured as a "C" corporation. On May 3, 1999 the Company reincorporated in Delaware. The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation.

2. Summary of Significant Accounting Policies

Use of Estimates

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

Revenue Recognition

Consulting revenues are comprised of revenue from consulting fees recognized on a time and material basis as performed.

Cash Equivalents

Cash equivalents consist primarily of cash deposits and investments with original maturities of ninety days or less when purchased.

Advertising Expense

The cost of advertising is expensed as incurred. Advertising cost for the years ended December 31, 1999 and 2000 were not material.

Property and Equipment

Property and equipment are recorded at cost. Depreciation of property and equipment is computed using the straight-line method over the useful lives of the assets (generally 2 to 5 years). Leasehold improvements are amortized over the shorter of the life of the lease or the estimated useful life of the assets. Amortization of assets recorded under capital leases is computed using the straight-line method over the shorter of the asset's useful life or the term of the lease, and such amortization expense is included with depreciation expense.

Intangible Assets

Intangible assets, primarily resulting from purchase business combinations, are being amortized using the straight-line method over a three-year period for excess of cost over fair value of net assets acquired.

Impairment of Long-Lived Assets

The Company periodically reviews the carrying amounts of property and equipment, identifiable intangible assets and excess of cost over fair value of net assets acquired both purchased in the normal course of business and acquired through acquisition to determine whether current events or circumstances, as defined in Statement of Financial Accounting Standards No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of, warrant adjustments to such carrying amounts by considering, among other things, the future cash inflows expected to result from the use of the asset and its eventual disposition less the future cash outflows expected to be necessary to obtain those inflows. At this time, future cash inflows exceed future cash outflows; thus, no impairment loss has been recognized. Management reviews the valuation and amortization periods of excess of cost over fair value of net assets acquired on a periodic basis, taking into consideration any events and circumstances which might result in diminished fair value or revised useful life. No events or circumstances have occurred to warrant a diminished fair value or reduction in the useful life of excess of cost over fair value of net assets acquired.

Income Taxes

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes ("SFAS 109"). This Statement prescribes the use of the liability method whereby deferred tax asset and liability account balances are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Foreign Currency Transactions

For the Company's foreign subsidiaries, the functional currency has been determined to be the local currency, and therefore, assets and liabilities are translated at year end or period end exchange rates, and income statement items are translated at average exchange rates prevailing during the year or period. Such translation adjustments are recorded in aggregate as a component of stockholders' equity. Gains and losses from foreign currency denominated transactions are included in other income (expense), and were not material during 1999 and 2000.

Segments

The Company follows the provisions of the Statement of Financial Accounting Standards No. 131, Disclosures about Segments of an Enterprise and Related Information. Statement No. 131 requires a business enterprise, based upon a management approach, to disclose financial and descriptive information about its operating segments. Operating segments are components of an enterprise about which separate financial information is available and regularly evaluated by the chief operating decision maker(s) of an enterprise. Under this definition, the Company operates as a single segment for all periods presented.

Earnings Per Share

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

PERFICIENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Stock-Based Compensation

Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation ("SFAS 123"), prescribes accounting and reporting standards for all stock-based compensation plans, including employee stock options. As allowed by SFAS 123, the Company has elected to account for its employee stock-based compensation in accordance with Accounting Principles Board Opinion No. 25, Accounting For Stock Issued To Employees, ("APB 25").

Fair Value of Financial Instruments

Cash equivalents, accounts receivable, accounts payable, other accrued liabilities, and debt are stated at cost which approximates fair value due to the short-term maturity of these instruments.

Reclassification

Certain amounts from prior periods have been reclassified to conform to the current period presentation. Reimbursable expenses of \$507,000 during 1999 are included as a component of cost of consulting revenue in the current period presentation.

Recently Issued Accounting Standards

The Financial Accounting Standards Board issued Statement No. 133, Accounting For Derivative Instruments And Hedging Activities, as amended by Statement No. 137 and Statement No. 138, which is effective for the Company's fiscal year and quarters beginning January 1, 2001. This statement requires companies to record derivatives on the balance sheet as assets or liabilities measured at fair value. Gains or losses resulting from changes in the values of those derivatives would be accounted for depending on the use of the derivative and whether it qualifies for hedge accounting. Management believes that this statement will not have a material impact on the Company's financial position or results of operations because of the Company's minimal use of derivative financial instruments.

In December 1999, the Securities and Exchange Commission staff released Staff Accounting Bulletin No. 101, Revenue Recognition In Financial Statements ("SAB 101"), which provides guidance on the recognition, presentation and disclosure of revenue in financial statements. The adoption of SAB 101 did not have a material impact on the Company's financial position or results of operations.

In March 2000, the Financial Accounting Standards Board issued Interpretation No. 44, Accounting for Certain Transactions Involving Stock Compensation, which further clarifies APB 25. Management believes that this Interpretation will not have a material impact on the Company's financial position or results of operations.

3. Net Income (Loss) Per Share

Computations of the net loss per share are as follows:

	Year Ended December 31,	
	1999	2000
Net loss	\$ (1,404,963)	\$ (13,627,350)
Weighted-average shares of common stock outstanding	3,000,556	5,409,353
Less common stock subject to contingency	--	(803,070)
Shares used in computing basic net loss per share	3,000,556	4,606,283
	=====	=====
Basic and diluted net loss per share	\$ (0.47)	\$ (2.96)
	=====	=====

Diluted net loss per share is the same as basic net loss per share, as the effect of the assumed exercise of stock options and warrants and the issuance of contingently issuable shares issued in business combinations, are antidilutive due to the Company's net loss for all periods presented. Diluted net loss per share excludes common stock equivalents of 251,750 and 1,521,699 for 1999 and 2000, respectively.

4. Concentration of Credit Risk and Significant Customers

Cash and accounts receivable potentially expose the Company to concentrations of credit risk. Excess cash is placed with highly rated financial institutions. The Company provides credit, in the normal course of business, to its customers. The Company generally does not require collateral or up front payments. The Company performs ongoing credit evaluations of its customers and maintains allowances for potential credit losses. Customers can be denied access to services in the event of non-payment. One customer accounted for approximately 97% and 11% of accounts receivable and 96% and 30% of revenues at December 31, 1999 and 2000, and for the years then ended, respectively. A second customer accounted for approximately 35% of accounts receivable and 25% of revenues at December 31, 2000 and for the year then ended.

5. Employee Benefit Plan

The Company has a qualified 401(k) profit sharing plan available to full-time employees who meet the plan's eligibility requirements. This defined contribution plan permits employees to make contributions up to maximum limits allowed by the Internal Revenue Code. The Company, at its discretion, matches a portion of the employee's contribution under a predetermined formula based on the level of contribution and years of vesting services. The Company made matching contributions equal to 25% of the first 6% of employee contributions totaling \$109,000 during 2000, which vest over a three year period of service. The Company made no contributions to the plan during 1999. The Company's related costs for the plan during 2000 were approximately \$5,500 and were not significant during 1999.

6. Common Stock and Stock Options

During July 1999, the Company completed an initial public offering in which the Company sold 1,000,000 shares of common stock for net proceeds to the Company of approximately \$6,300,000, after deducting the underwriters' discount and other costs of the offering. The Company granted 100,000 fully exercisable warrants with an exercise price of \$12 per share to the underwriter of the initial public offering.

During February 2000, the Company completed a private placement of 400,000 shares of common stock for net proceeds to the Company of approximately \$5,258,000, after deducting costs of the offering. The Company received approximately \$90,000 of insider proceeds from certain selling shareholders participating in the private placement. The Company granted 25,000 fully exercisable warrants with an exercise price of \$21 per share to the underwriter of this private placement.

In May 1999, the Company's Board of Directors and stockholders approved the 1999 Stock Option/Stock Issuance Plan (the "1999 Plan"). The 1999 Plan contains programs for (i) the discretionary granting of stock options to employees, non-employee board members and consultants for the purchase of shares of the Company's common stock, (ii) the discretionary issuance of common stock directly to eligible individuals, and (iii) the automatic issuance of stock options to non-employee board members. The Compensation Committee of the Board of Directors administers the 1999 Plan, and determines the exercise price and vesting period for each grant. Options granted under the 1999 Plan have a maximum term of 10 years.

The Company has granted stock options to various employees under the terms of the respective employee agreements. The stock options generally vest over three years. The term of each option is ten years from the date of grant.

The Company recorded \$880,000 in non-cash compensation in connection with the sale of stock that occurred in January 1999. In addition, the Company has recorded deferred stock compensation totaling

PERFICIENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

\$228,000 in connection with stock options that were granted in January 1999, representing the difference between the exercise price and the fair value of common stock on the date of grant. Amortization of stock compensation expense related to these options will be recognized on a straight-line basis in the amount of approximately \$19,000 per quarter over the three year vesting period ending January 2002 for the related options. Stock compensation expense of \$956,000 and \$76,000 has been recorded during the years ended December 31, 1999 and 2000, respectively.

A summary of changes in common stock options during 1999 and 2000 is as follows:

	Shares	Range of Exercise Prices	Weighted- Average Exercise Price
	-----	-----	-----
Options outstanding at January 1, 1999	272,334	\$0.05 - \$0.60	\$ 0.40
Options granted	272,000	\$0.05 - \$8.12	\$ 4.25
Options exercised	(3,333)	\$0.20	\$ 0.20
Options canceled	(42,667)	\$0.20 - \$8.12	\$ 3.74
	-----	-----	-----
Options outstanding at December 31, 1999	498,334	\$0.05 - \$8.12	\$ 2.22
Options granted	1,553,214	\$0.02 - \$26.00	\$10.17
Options exercised	(62,736)	\$0.05 - \$8.13	\$ 0.91
Options canceled	(211,383)	\$0.05 - \$16.94	\$11.03
	-----	-----	-----
Options outstanding at December 31, 2000	1,777,429	\$0.02 - \$26.00	\$ 8.16
	=====	=====	=====
Options vested, December 31, 1999	197,667	\$0.05 - \$8.12	\$ 1.95
	=====	=====	=====
Options vested, December 31, 2000	602,715	\$0.02 - \$14.69	\$ 3.94
	=====	=====	=====

The following is additional information related to stock options outstanding at December 31, 2000:

Options Outstanding				Options Exercisable	
-----				-----	
Range of Exercise Prices	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Options	Weighted Average Exercise Price
-----	-----	-----	-----	-----	-----
\$0.02 - \$0.50	345,074	\$ 0.37	7.94	266,866	\$0.35
\$3.36 - \$4.00	430,229	\$ 3.40	9.29	199,182	\$3.39
\$7.50 - \$12.97	565,574	\$ 10.84	9.44	75,000	\$9.33
\$13.25 - \$26.00	436,552	\$ 15.55	9.20	61,667	\$14.69
	-----	-----	-----	-----	-----
\$0.02 - \$26.00	1,777,429	\$ 8.16	9.06	602,715	\$3.94
=====	=====	=====	=====	=====	=====

PERFICIENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Pro forma information regarding net income is required by SFAS 123, and has been determined as if the Company had accounted for its employee stock options granted under the fair value method prescribed by SFAS 123. The fair value for these options was estimated at the date of grant using the Black-Scholes pricing model with the following weighted-average assumptions:

	Year Ended December 31,	
	1999	2000
Risk-free interest rate	6.00%	6.00%
Dividend yield	0.00%	0.00%
Weighted-average expected life of options	5 years	5 years
Expected volatility	0.622	0.870

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's pro forma information follows:

	Year Ended December 31,	
	1999	2000
Pro forma compensation expense	\$ 63,748	\$ 1,098,153
Pro forma net loss	\$ (1,468,711)	\$ (14,725,503)
Pro forma net loss per share - basic and diluted	\$ (0.49)	\$ (3.20)

At December 31, 1999 and 2000, the weighted-average remaining contractual life of outstanding options was 8.92 and 9.06 years, respectively. The weighted-average grant-date fair value of options granted during 1999 and 2000 at market prices was approximately \$1.60 and \$9.13, respectively, and at below market prices was approximately \$5.40 during 1999.

At December 31, 1999 and 2000, 2,150,000 and 2,051,197 shares of common stock were reserved for future issuance (at December 31, 2000 1,922,447 shares were reserved for options and 128,750 shares were reserved for warrants) and 1,651,666 and 145,018 options were available for future grants, respectively.

7. Line of Credit and Long Term Debt

The Company has a line of credit facility providing up to \$6,000,000, subject to certain borrowing base calculations as defined. Borrowings under this agreement, which expires June 29, 2001, bear interest at the bank's prime rate plus 0.85%. (10.35% at December 31, 2000). The Company is required to maintain certain financial covenants under this agreement. The line of credit is collateralized by substantially all the assets of the Company. Commencing on December 31, 2000, the Company must pay a fee equal to .07% of the unused portion of the committed line of credit.

The Company amended the line of credit facility in December 2000 to provide for a \$750,000 maximum available equipment line of credit, subject to financial covenants and borrowing base calculations as defined. Draws on the equipment line of credit bear interest at prime rate plus 1.5%, and advances are payable in 36 equal monthly installments of principal plus accrued interest. No amounts had been borrowed under the equipment line of credit as of December 31, 2000.

On July 1, 1999, the Company had entered into an agreement with a bank to borrow up to \$1,000,000 against qualified accounts receivables with full recourse. Under the contract, the bank would purchase the accounts receivable under the following terms: 80% of the balance is remitted at the sale date, the rest is remitted upon receipt of the balance due from the customer less finance and administrative fees charged by the bank. The agreement had a one-year term and borrowings under the agreement bore interest at the bank's prime rate. In connection with this agreement, the Company issued warrants to the bank to purchase 3,750 shares at the initial public offering price of \$8 per share. As the effect of the warrants is not material to the financial statements, the Company has not discounted the line of credit to separately account for the

PERFICIENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

warrants. This agreement expired in June 2000.

Notes payable to related party consists of: a \$162,000 non interest bearing note payable to the shareholders of Core Objective, Inc. ("Core Objective") representing the note payable portion of the purchase consideration in the acquisition of Core Objective and is payable in May 2001; and \$63,000 of notes payable to certain shareholders of Core Objective, Inc. assumed in the purchase of Core Objective, which were paid in February 2001.

Notes payable consists of term debt with a bank for the purchase of equipment, assumed in the purchase of Core Objective. This note bears interest at the bank's prime rate plus 1.5%. The note is payable in monthly principal installments of approximately \$280 plus interest. The future annual principal payments are as follows: \$3,338 in 2001, \$3,338 in 2002, \$3,338 in 2003, and \$556 in 2004.

8. Income Taxes

As of December 31, 2000, the Company had tax net operating loss carry forwards of approximately \$571,000 that will begin to expire in 2019 if not utilized.

Utilization of net operating losses may be subject to an annual limitation due to the "change in ownership" provisions of the Internal Revenue Code of 1986. The annual limitation may result in the expiration of net operating losses before utilization.

Significant components of the provision for income taxes attributable to continuing operations are as follows:

	1999	2000
	-----	-----
Current:		
Federal	\$ (17,661)	\$ --
Foreign	--	175,000
State	(1,558)	--
	-----	-----
Total current	(19,219)	175,000
	-----	-----
Deferred:		
Federal	(1,583)	--
Foreign	--	--
State	(110)	--
	-----	-----
Total deferred	(1,693)	--
	-----	-----
	\$ (20,912)	\$ 175,000
	=====	=====

PERFICIENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred taxes as of December 31, 1999 and 2000 are as follows:

	1999	2000
	-----	-----
Deferred tax liabilities:		
Deferred income	\$ --	\$ (265,845)
Depreciable assets	(9,985)	--
	-----	-----
Total deferred tax liabilities	(9,985)	(265,845)
	-----	-----
Deferred tax assets:		
Depreciable assets	--	3,595
Tax carryforwards	101,265	211,125
Bad debt	25,181	215,475
Stock compensation	28,121	56,242
Accrued liabilities and other	17,364	49,404
	-----	-----
Total deferred tax assets	171,931	535,841
	-----	-----
Valuation allowance for deferred tax assets	(161,946)	(269,996)
	-----	-----
Net deferred tax assets	9,985	265,845
	-----	-----
Net deferred taxes	\$ --	\$ --
	=====	=====

The Company has established a valuation allowance equal to the net deferred tax assets due to uncertainties regarding the realization of deferred tax assets based on the Company's lack of earnings history. The valuation allowance increased by approximately \$162,000 and \$108,000 during 1999 and 2000, respectively. As of December 31, 2000, approximately \$175,000 of the valuation allowance relates to tax benefits for stock option deductions included in the net operating loss carryforward, which when realized, will be allocated directly to contributed capital to the extent the benefits exceed amounts attributable to deferred compensation expense.

PERFICIENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Undistributed earnings of the Company's foreign subsidiary are considered to be permanently reinvested and, accordingly, no provision for US federal and/or state income taxes has been provided thereon.

The Company's provision for income taxes differs from the expected tax expense (benefit) amount computed by applying the statutory federal income tax rate of 34% to income before income taxes as a result of the following:

	1999	2000
	-----	-----
Tax at statutory rate of 34%	\$ (472,897)	\$ (4,573,803)
State taxes, net of federal benefit	(14,798)	(21,676)
Goodwill	--	4,400,134
Effect of foreign operations	--	63,659
Stock based compensation	299,200	--
Permanent items	5,638	39,352
Change in deferred items	161,945	287,481
Other	--	(20,147)
	-----	-----
	\$ (20,912)	\$ 175,000
	=====	=====

9. Commitments And Contingencies

The Company leases its office facilities and equipment under various operating and capital lease agreements. The Company has the option to extend the term of certain of its office facilities leases. Future minimum commitments under these lease agreements are as follows:

	Capital Leases	Operating Leases
	-----	-----
2001	\$ 115,214	\$ 852,780
2002	44,347	465,359
2003	5,219	182,293
2004	--	10,473
	-----	-----
Total minimum lease payments	\$ 164,780	\$1,510,905
		=====
Less amount representing interest	(10,671)	

Present value of minimum lease payments	154,109	
Less current portion	81,415	

Long-term capital lease obligation	\$ 72,694	
	=====	

Rent expense for the years ended December 31, 1999 and 2000 was \$88,666 and \$798,000, respectively.

In addition, the Company has entered into a sublease with a related party for office rent. The lease agreement with the related party was on a month-to-month basis during 1999 and through March 2000, and in November 2000 a new agreement was entered into for a three period. During the years ended December 31, 1999 and 2000, the Company recorded combined rent expense of \$88,666 and \$24,000, respectively, under these agreements.

10. Business Combinations

On January 3, 2000, the Company acquired LoreData, Inc. ("LoreData"). The Company acquired LoreData for an aggregate purchase price of approximately \$2.4 million, subject to certain post-closing adjustments. The aggregate purchase price of \$2.4 million consisted of: (1) \$385,000 in cash that was paid at closing, (2) 30,005 shares of our common stock, also paid at closing, and (3) 131,709 shares of common stock that were held in escrow until January 2001. The acquisition was accounted for as a purchase business combination. The excess of purchase price over fair value of the net assets was recorded as goodwill (\$2.3 million), and is being amortized using the straight-line method over the estimated useful life of three years. As of December 31, 2000, accumulated amortization of goodwill related to the LoreData acquisition was approximately \$792,000.

On May 1, 2000, the Company acquired all the outstanding shares and assumed all outstanding options of Compete, Inc. ("Compete"). Compete provided specialized consulting services for IBM's WebSphere and Visual Age product lines. The aggregate purchase price of Compete consisted of (1) \$3,425,000 in cash, (2) \$2,527,500 in non interest bearing promissory notes to be repaid within six months following the closing, (3) 2,003,866 shares of common stock, of which 1,001,933 shares are subject to adjustment or forfeiture and which are being held in escrow, and (4) the assumption of Compete's outstanding employee options. The total cost of the acquisition, including the assumption of outstanding options and transaction costs, is as follows (in thousands):

Cash	\$ 3,425
Note (less imputed interest of \$107.5) ...	2,420
Common stock	40,077
Assumption of existing stock option plan .	8,278
Transaction broker fees	694
Transaction costs	325

Total purchase price	\$55,219
	=====

The acquisition was accounted for as a purchase business combination. Accordingly, the results of operations of Compete have been included with those of the Company for periods subsequent to the date of acquisition. The excess of purchase price over fair value of the net assets was recorded as goodwill (\$54.4 million), and is being amortized using the straight-line method over the estimated useful life of three years. As of December 31, 2000, accumulated amortization of goodwill related to the Compete acquisition was approximately \$12,054,000.

The unaudited pro forma combined results of operations of Perficient, LoreData, and Compete for the years ended December 31, 1999 and 2000 after giving effect to certain pro forma adjustments as if the transaction had occurred at the beginning of each period are as follows:

	For the year ended December 31,	
	1999	2000
Revenues	\$ 9,710,818	\$ 23,110,578
Operating loss	\$ (20,008,666)	\$ (18,996,278)
Net loss	\$ (20,045,520)	\$ (19,325,316)
Basic and diluted pro forma net loss per share	\$ (4.97)	\$ (3.91)

The unaudited pro forma results are not necessarily indicative of the actual results of operations that would have occurred had the acquisitions of Compete and LoreData occurred on January 1, 1999 or of future results.

PERFICIENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

On November 17, 2000, the Company acquired Core Objective, Inc. ("Core Objective"), a Canadian corporation. Core Objective was a consulting firm specializing in object oriented design and development of software for Fortune 2000 companies. The Company acquired Core Objective for an aggregate purchase price of approximately \$1,940,000, consisting of cash, a note payable due six months from the purchase date, 107,526 shares of common stock (of which 53,763 are being held in escrow for a one year period) and the assumption of outstanding options. The acquisition was accounted for as a purchase business combination. Accordingly, the results of operations of Core Objective have been included with those of the Company for periods subsequent to the date of acquisition. The excess of purchase price over fair value of the net assets was recorded as goodwill (\$1,820,000), and is being amortized using the straight-line method over the estimated useful life of three years. As of December 31, 2000, accumulated amortization of goodwill related to the Compete acquisition was approximately \$96,000.

PERFICIENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

11. Segments of Business and Geographic Area Information

The Company considers its business activities to constitute a single segment of business. A summary of the Company's operations by geographic area follows:

	Year ended December 31,	
	1999	2000
Revenue:		
United States	\$ 2,647,878	\$ 18,225,081
Canada	--	139,889
United Kingdom	--	1,598,789
Total revenue	\$ 2,647,878	\$ 19,963,759
	=====	=====
Net income (loss):		
United States	\$ (1,404,963)	\$ (13,655,040)
Canada	--	30,808
United Kingdom	--	(3,118)
Total net income (loss)	\$ (1,404,963)	\$ (13,627,350)
	=====	=====
Identifiable assets:		
United States	\$ 6,616,417	\$ 53,225,351
Canada	--	339,760
United Kingdom	--	1,049,831
Total identifiable assets	\$ 6,616,417	\$ 54,614,942
	=====	=====

STATEMENT OF WORK

AGREEMENT # 4900CS0965
SOW # 4900OP0312

This Statement of Work ("SOW") adopts and incorporates by reference the terms and conditions of Agreement # 4900CS0965 (the "Agreement") between Supplier and Buyer. Transactions performed under this SOW will be conducted in accordance with and be subject to the terms and conditions of this SOW, the Agreement and any applicable Work Authorizations ("WAs"). This SOW is not a WA. Capitalized terms used and not defined herein shall have the meanings specified in the Agreement.

1.0 SCOPE OF WORK

Supplier will provide, as directed by Buyer, expert consultants reasonably satisfactory to Buyer to provide the Deliverables and perform the Services for up to 420,000 hours over the term of this SOW for certain customers of the Buyer ("Buyer's Customers"). The number of consultants, and the mix of skill levels shall be determined by Buyer in Buyer's sole discretion as initially set forth on Exhibit VIII and adjusted as provided in this SOW. It is the intention of the parties that within 12 months of the date hereof, there will be up to 70 Supplier Personnel performing services for the Buyer under the terms of this SOW.

Buyer will be the sole interface to Buyer's Customer and be responsible for all correspondence, contracts, resource allocation and the like, provided however that Buyer shall consult with Supplier with regard to resource allocation and provided further that if Supplier's Personnel are providing services at Buyer's Customer's facility, Supplier's Personnel may have contact with Buyer's Customer in the course of providing services to Buyer's Customer at the facility of Buyer's Customer. Supplier will provide on site services to Buyer Customers in support of Buyer's WebSphere projects.

2.0 DESCRIPTION OF DELIVERABLES AND SERVICES

2.1 The Services shall include the services described in Exhibit I annexed to and made a part of this SOW. Exhibit I may be revised from time to time by the mutual written consent of the Buyer and Supplier.

2.2 The Deliverables under this SOW will be all documents, software and other intellectual capital created during the performance of the Services, including, without limitation, (1) any code, documentation, suggestions or recommendations provided to Buyer or any of Buyer's Customers during the term of this SOW; and (2) Consultant Activity Records, substantially in the form of Exhibit II annexed to and made a part of this SOW (each a "CAR"), detailing Supplier's activities under this SOW. All Deliverables provided under this SOW shall be considered Developed Works. Supplier's Preexisting Materials may be used in delivering services or included in deliverables under the SOW and nothing in this Agreement shall be interpreted so as to preclude Supplier from reusing such Preexisting Materials as part of a deliverable for other Buyer Customers or other customers of Supplier. No background materials or Program Products will be provided by Supplier under this SOW.

2.3 In order to perform the Services, certain information of Buyer's Customer's will be made available to Supplier, which information may include but is not limited to, requirements documents, system architecture, application architecture and application code ("Information"). Supplier's use of the Information shall be governed by the terms of the Agreement for Exchange of Confidential Information # 4900OP0257, by and between Buyer and Supplier.

3 EDUCATION AND TRAINING

3.1 Supplier shall cause Supplier Personnel to receive the training described in Exhibit III annexed to and made part of this SOW (the "Services Training"). The Skills and Experience as outlined in Exhibit V coupled with the Services Training or equivalent existing, demonstrated WebSphere Field Experience as outlined in Exhibit I is required for Supplier to perform the Services.

3.2 Buyer shall provide training to five (5) Supplier Personnel designated by Supplier (the "Supplier Instructors") to enable the Supplier Instructors to provide the Services Training to other Supplier Personnel engaged to perform the Services. This applies for those classes described in Exhibit III that begin with SW only. The other classes described in Exhibit III are not covered under this SOW. Supplier shall begin to deliver Services Training to Supplier Personnel through the Supplier Instructors as soon as reasonably practicable, but in no event later than January 1, 2001. Supplier shall not invoice Buyer for any time spent by any of Supplier Personnel receiving the Services Training nor for any time spent by any of the Supplier Instructors delivering the Serv-

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ices Training to Supplier's employees. Supplier shall pay Buyer \$___ for each student kit delivered to Supplier Personnel by Supplier Instructors. .

3.3 Until such time as the Supplier Instructors begin to deliver the Services Training to Supplier Personnel as set forth in Section 3.2., Buyer shall deliver the Services Training to Supplier Personnel at no charge to Supplier. Supplier shall not invoice Buyer for any of the time spent by Supplier Personnel receiving Supplier Training pursuant to this Section 3.3.

4 SUPPLIER RESPONSIBILITIES

4.1 During the term of this SOW and for a period of six months following the end of the term of this SOW Supplier will not, without the prior written consent of Buyer (1) perform services similar to the Services for any of Buyer's Customers for whom Supplier has performed Services pursuant to this SOW, or (2) solicit for employment any of Buyer's employees employed in Buyer's AIM unit. As used in this paragraph 4.1, the term "Buyer's Customer" does not include any business entities that Supplier had an independent relationship with prior to entering into this SOW.

4.2 During the term of this SOW, and subject to Section 6.1 and subject to Buyer fulfilling its obligations pursuant to Section 5.1. Supplier Personnel who have completed the Supplier Training and are listed on Exhibit VIII are for the exclusive use of Buyer and during such time cannot be utilized by Supplier for any other engagement without Buyer's prior written consent. In the event that any individual Supplier Personnel is being utilized at less than the 80% utilization rate, Buyer may temporarily release such Supplier Personnel from the exclusivity requirement set forth in this section to staff Supplier engagements. Such Supplier Personnel shall not be removed from Exhibit VIII except pursuant to Section 6 hereof and Buyer shall continue to have a Utilization Guarantee Payment obligation with respect to such temporarily released Supplier Personnel provided that the hours utilized by Supplier for such released Supplier Personnel will count as actual hours worked toward guaranteed utilization but Supplier will not be compensated for such hours by Buyer .

4.3 If Supplier is engaged in any activity on Buyer premises pursuant to this SOW, Supplier shall comply with the terms and conditions set forth in Exhibit IV.

4.4 The Supplier Coordinator set forth in Section 9 of this SOW shall act as Supplier's single point of contact with Buyer's Technical Coordinator set forth in Section 9 of this SOW to process work assignments and assist with placement of Supplier's employees in Supplier Training sessions.

4.5 Supplier represents and warrants to Buyer that the Supplier Personnel performing the Services shall possess the Skill and Experience described in Exhibit V annexed to and made a part of this SOW. Buyer may request that Supplier remove any of Supplier's Personnel that, in Buyer's sole reasonable discretion, do not possess the Skill and Experience described in Exhibit V. Supplier shall promptly remove such Supplier Personnel and provide to Buyer Supplier Personnel possessing such requisite Skill and Experience. At such time, Buyer may opt to remove from Exhibit VIII said personnel that do not possess Skill and Experience as described in Exhibit V. Removal of said personnel does not cause a breach of this SOW.

4.6 If during the Term of this Agreement the Supplier receives an offer to enter into a transaction which would result in or constitute a Change of Control (a "Change of Control Transaction") as such term is defined in Section 12.0 or commences discussions to enter into a Change of Control Transaction, the Supplier shall give notice to Buyer in writing (the "First Offer Notice") at least forty-five (45) calendar days prior to signing a definitive agreement for the Change of Control Transaction.

5 BUYER RESPONSIBILITIES

5.1 Effective as of January 1, 2001, Buyer will utilize the aggregate pool of Supplier Personnel (listed on Exhibit VIII) authorized to work under this SOW at no less than 80% of a full-time equivalent. For the purposes of this SOW, "full-time equivalent" shall mean Supplier Personnel working eight hours per day, five days per week, fifty weeks per year.

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5.2 Buyer will provide support to Supplier Personnel as may be reasonably necessary for Supplier to perform the Services including but not limited to hot line support for WebSphere, copies of beta code for WebSphere that might address software problems or issues, an annual meeting with the WebSphere Consulting Team and such other resources as Buyer determines are reasonably necessary.

5.3 During the term of this SOW and for a period of six months following the end of the term of this SOW, Buyer will not, without the prior written consent of Supplier solicit for employment any of Supplier's employees who perform work for Buyer or Buyer's Customers pursuant to this SOW, provided, however, in the event of a Change of Control of Supplier, involving a party (or any of the other parties, if more than one) who has a substantial portion of its business in the web application server product and services market and is not engaged in business primarily as a professional services/consulting firm or systems integrator, resulting in a termination of this SOW by Buyer, then the prohibition provided in this Section 5.3 shall cease immediately upon the effectiveness of such termination.

6 EXHIBIT VIII

6.1 (i) As soon as reasonably practicable upon the execution of this SOW by Buyer and Supplier, Buyer shall advise Supplier of the number of Supplier Personnel Buyer shall initially require to perform Services under this SOW. Supplier shall promptly provide Buyer with a list of Supplier Personnel that possess demonstrated WebSphere experience at least equivalent to Skills and Experience outlined in Exhibit V and the Services Training, and such other information substantially in the form of Exhibit VIII.

(ii) Buyer may from time to time request in writing that Supplier provide additional Supplier Personnel with the requisite Skills and Experience as outlined in Exhibit V and the Supplier Training or equivalent, existing, demonstrated WebSphere field experience to perform Services under this SOW, and Supplier shall use best efforts to provide such Supplier Personnel and add such Supplier Personnel to Exhibit VIII within thirty (30) days of Buyer's request.

(iii) Buyer may from time to time request, upon sixty (60) days prior written notice to Supplier, that Supplier remove any number of Supplier Personnel from performing Services under this SOW and remove such Supplier Personnel from Exhibit VIII, and Supplier shall comply with such request, provided however, reductions to Exhibit VIII may not exceed one-third (1/3) of Supplier Personnel on Exhibit VIII in any sixty (60) day period, unless Supplier advises Buyer that it has identified alternative assignments for the Supplier Personnel to be removed from Exhibit VIII.

(iv) Buyer may from time to time request that Supplier immediately remove any Supplier Personnel from performing Services under this SOW and remove such Supplier Personnel from Exhibit VIII who do not possess skills and experience as described in Exhibit V coupled with the completed Supplier Training or do not possess equivalent, demonstrated WebSphere field experience (subject to Supplier's right to replace such removed Supplier Personnel as provided in Section 4.5).

(v) Supplier and Buyer may at any time remove Supplier Personnel from performing Services under this SOW and remove such Supplier Personnel from Exhibit VIII by mutual written consent.

(vi) Supplier may from time to time remove from Exhibit VIII (a) Supplier Personnel that no longer are employed by Supplier, and (b) upon thirty (30) days prior written notice to Buyer, Supplier Personnel for which Supplier reasonably believes there is a significant risk that such Supplier Personnel will terminate his/her employment with Supplier because of dissatisfaction with his/her work assignments or (c) Supplier personnel that for whatever reason are not tracking at 80% utilization with the written consent of the Buyer.

7 SCHEDULE

7.1 The term of this SOW will commence on October 15, 2000 ("Commencement Date") and terminate on August 31, 2003 (the "Term"), subject to the provisions of Section 3.0 of the Agreement. During the Term, Buyer will pay Supplier only for actual hours worked, as documented by Supplier in a CAR and the Utilization Guarantee Payment, if due, as outlined under Section 7. Subject to the provisions of Section 3.0 of the Agreement, in the event that the aggregate pool of Supplier Personnel listed on Exhibit VIII actual hours worked each calendar

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year included in the Term are equal to or exceed 1600 hours multiplied by the number of Supplier Personnel in the pool (prorated for those in the pool less than the entire calendar year), no payments other than for actual hours worked shall be due to Supplier by Buyer. In the event Supplier's actual hours worked upon expiration of each calendar year included in the Term are less than 1600 hours multiplied by the number of Supplier Personnel in the pool (prorated for those in the pool less than the entire calendar year), Buyer shall pay Supplier the difference between the actual hours worked and 1600 hours multiplied by the number of Supplier Personnel in the pool (prorated for those in the pool less than the entire calendar year), at the hourly rate of \$___ per hour (subject to rate negotiation as outlined in Section 8.3) ("Utilization Guarantee Payment"), subject to the following:

- o Supplier will document and submit to Buyer a weekly CAR indicating actual hours worked and actual hours on-call, but not working.

- o Buyer may use consultants listed on Exhibit VIII for internal projects at the same rates outlined in Exhibit VI and any such hours worked shall be counted towards the utilization guarantee.

- o Supplier's assigned consultants are expected to work 5 days per week, 8 hours per day (or equivalent -- e.g. Supplier Personnel may, at Buyer's request, work four ten-hour days). In the event the consultant is unwilling or unable to accept an assignment, Supplier will not be compensated for those hours and such hours shall be counted as actual hours worked. After personnel are added to Exhibit VIII Training/Education time incurred, total vacation days exceeding two weeks will count as actual hours worked toward guaranteed utilization and will not be compensated for by Buyer. Upon mutual written agreement the consultant may work more than 40 billable hours in a week.

- o Beginning January 1, 2003 through end of the Term, the number of hours used to calculate payments as provided in this Section 7.1 shall be 1067 hours (and not 1600).

8 PAYMENTS

8.1 Buyer will pay Supplier for the Services described in this SOW as set forth in Exhibit VI annexed to and made a part of this SOW and otherwise in accordance with the terms of this SOW. Notwithstanding anything herein to the contrary, Buyer is obligated to make a Utilization Guarantee Payment with respect to each calendar year during the term, (i) whether or not a WA is issued and (ii) with respect to any applicable period during the term on a prorated basis through the effective date of the termination of the SOW, within 30 days after the effective date of termination of the SOW.

8.2 Buyer will reimburse Supplier for actual and reasonable travel and living expenses in accordance with the Exhibit VII: Exhibit for Travel Expenses annexed to and made a part of this SOW. The Buyer maximum reimbursable hotel and meal limit rates will be provided to Supplier by Buyer for each Buyer Customer location. Services performed by Supplier Personnel within 50 miles of the residence of such Supplier Personnel shall be considered local travel. Buyer shall not reimburse Supplier for local travel or living expenses.

8.3 The rates described in Exhibit VI shall apply for Services under this SOW through and including September 1, 2001. For Services performed thereafter, Buyer and Seller shall, in good faith, negotiate new rates for the next one year period. If Buyer and Supplier are unable to agree on such new rates by September 1, 2001, then either Buyer or Supplier may terminate this SOW in accordance with Section 11 of this SOW.

8.4 Total compensation under this SOW shall not exceed \$ 73.5 Million, plus actual and reasonable travel and living expenses.

8.5 Buyer will pay Supplier the Utilization Guarantee Payment (calculated in accordance with Section 7) attributable to each calendar year during the Term, at the end of such calendar year, within 45 days of receipt of an invoice from Supplier setting forth the calculation thereof.

STATEMENT OF WORK

AGREEMENT # 4900CS0965
SOW # 4900OP0312

9 COMMUNICATIONS

For purposes of this SOW:

Buyer Technical Coordinator:

Michael Curtin
IBM Corporation
4205 South Miami Blvd
RTP, NC 27709
Phone: 919-254-9600
Fax: 919-254-6753

Procurement Buyer

Bill Land
IBM Corporation
3039 Cornwallis Road
RTP, NC 27709
Phone 919-486-1821
Fax: 919-543-0784

Supplier Coordinator

Matt Clark
Perficiant Inc.
7600-B N. Capital of Texas Hwy, Suite 340
Austin, TX 78731
Phone: 512-531-6014
Fax: 512-531-6011

Buyer Financial Coordinator:

Jeannie Bond
IBM Corporation
4205 South Miami Blvd
RTP, NC 27709
Phone: 919-254-7967
Fax: 919-254-2322

10 INVOICING INSTRUCTIONS

10.1 ELECTRONIC COMMERCE Unless previously submitted by Supplier, in order to initiate electronic transfer of payments associated with this SOW, Supplier will complete the form entitled "Authorization for Electronic Funds Transfer" and fax the completed form to Accounts Payable at the number included on the form.

10.2 Supplier will invoice Buyer for the actual days/hours (as appropriate) of Services provided under this SOW on a monthly basis.

10.3 Supplier's invoices will include the dates and number of days/hours worked during the invoice period and any reimbursable expenses, as well as the information required in accordance with Section 2, "Required Documentation" of Exhibit VII. The purchase order number to reference on Supplier invoices will be provided. Buyer will pay Supplier 45 days after Buyer's Accounts Payable receives an invoice that meets the above requirements.

10.4 In addition, Supplier will fax copies of expense receipts and weekly CARs to the Buyer's Financial Coordinator identified in this SOW.

10.5 Work Authorizations shall be submitted to and accepted by the Supplier electronically in the form as outlined in Exhibit IX.

11 MODIFICATIONS TO AGREEMENT 4900CS0965

The following provisions modify and/or supersede the specified portions of Agreement 4900CS0965.

11.1 Section 3.3 of Agreement 4900CS0965 is deleted for the purposes of this SOW and replaced with the following: Buyer may terminate this SOW immediately with Cause or without Cause on four months prior written notice. Upon termination, in accordance with Buyer's written direction, Supplier will immediately, (i) cease work or fulfill existing work authorizations on Buyer's discretion; (ii) prepare and submit to buyer an itemization of all completed and partially completed Deliverables and Services (iii) deliver to Buyer, Deliverables satisfactorily completed up to the date of termination at the agreed upon Prices in the relevant SOW; and (iv) deliver upon request any work in progress. Buyer will compensate Supplier for the actual and reasonable expenses incurred

STATEMENT OF WORK

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by Supplier for work in progress up to and including the date of termination, as outlined in Exhibit VII and make all Utilization Guarantee Payments as required by Section 7.

11.2 Section 3.2 of Agreement 4900CS0965 is deleted for the purposes of this SOW and replaced with the following:

Either party may terminate this Agreement, without any cancellation charge, for a material breach of the Agreement by the other party, or if the other party becomes insolvent or files or has filed against it a petition in bankruptcy ("Cause"), to the extent permitted by law. Buyer may terminate this agreement, without any cancellation charge, in the event of a Change of Control of Supplier involving a party (or any of the other parties, if more than one) who has a substantial portion of its business in the web application server product and services market and is not engaged in business primarily as a professional services/consulting firm or systems integrator. Such termination will be effective at the end of a thirty (30) day written notice period if the Cause remains uncured. Either party may terminate this Agreement without Cause when there are no outstanding SOWs or WAs.

12 RIGHT OF FIRST OFFER

If (i) the Supplier has delivered to Buyer the notice required under Section 4.6, and (ii) the other party (or any of the other parties, if more than one) to the proposed Change of Control Transaction has a substantial portion of its business in the web application server product and service market and is not engaged in business primarily as a professional services/consulting firm or systems integrator, and provided that Buyer has not reduced the pool of Supplier Personnel by more than 1/3 during the term of this agreement, the Supplier shall give the Buyer the first opportunity to enter into such Change of Control Transaction with the Supplier (the "Right of First Offer") in the manner specified in this Section 12.

(i) The First Offer Notice shall specify the proposed price to be paid, the proposed terms of payment, and all other material terms and conditions upon which the Supplier proposes to enter into the Change of Control Transaction (the "First Offer Terms").

(ii) The First Offer Notice shall constitute an irrevocable offer to the Buyer to enter into such Change of Control Transaction with the Supplier on the First Offer Terms or on terms specified by the Buyer which include cash to the same extent as the First Offer Terms and in other respects are economically equivalent to the First Offer Terms (the "Buyer's Equivalent Terms"). Within 14 calendar days after the receipt of the First Offer Notice, the Buyer shall give notice (the "Exercise Notice") to the Supplier that (i) the Buyer has elected to exercise its Right of First Offer and set forth the terms of such acquisition or (ii) the Buyer does not wish to exercise its Right of First Offer. If the Buyer does not deliver an Exercise Notice to the Supplier within 14 calendar days after the receipt of the First Offer Notice, the Buyer shall be deemed to have delivered on the 14th calendar day an Exercise Notice stating that the Buyer does not wish to exercise its Right of First Offer.

(iii) If the Buyer exercises the Right of First Offer, then the Supplier shall enter into such Change of Control Transaction with the Buyer on the First Offer Terms or, if such terms are specified by the Buyer, the Buyer's Equivalent Terms. The closing of such Change of Control Transaction shall take place on the second business day after the Buyer and the Supplier shall have obtained or made all consents, approvals, orders, licenses, permits and authorizations of, and registrations, declarations and filings with, any governmental authority or any other person or entity required to be obtained or made in connection with the consummation of such Change of Control Transaction, or on such other date as shall be mutually acceptable to the Buyer and Supplier.

(iv) In the event of a dispute between the Buyer and the Supplier concerning the economic equivalence of the Buyer's Equivalent Terms and the First Offer Terms, the determination of the equivalence of such terms shall be made by an independent nationally recognized investment banking firm selected by the Buyer and consented to by the Supplier, which consent shall not be unreasonably withheld. The Buyer and the Supplier shall cooperate fully in assisting any such investment banking firm in making its determination. The Buyer and Supplier shall each bear one-half of the cost of such investment banking firm.

(v) If the Buyer does not exercise the Right of First Offer with respect to any Change of Control Transaction, the Supplier shall be entitled, within 90 calendar days following the expiration of the period for exercise of the Right of First Offer, to consummate such Change of Control Transaction with any third party upon terms and conditions no more favorable to such third party than the First Offer Terms.

STATEMENT OF WORK

AGREEMENT # 4900CS0965

SOW # 4900OP0312

For the purpose of Sections 4.6, 5.3, 11.2 and 12, a "Change of Control" shall be deemed to have occurred if (A) there shall be consummated (a) any consolidation or merger of Supplier in which Supplier is not the continuing or surviving corporation, or pursuant to which shares of Supplier's common stock would be converted into cash, securities or other property, other than a merger of Supplier in which the holders of Supplier's common stock immediately prior to the merger have substantially the same proportionate ownership of common stock of the surviving corporation immediately after the merger, or (b) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of Supplier, or (B) the stockholders of Supplier shall approve any plan or proposal for the liquidation or dissolution of Supplier, or (C) any person (as such term is used in section 13(d) and 14(d)(2) of the Securities Exchange Act of 1934 (the "Exchange Act") other than Supplier or any employee benefit plans sponsored by Supplier, shall become the beneficial owner (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the company representing 25% or more of voting securities having the voting power of the Supplier's then outstanding securities ordinarily (and apart from rights accruing in special circumstances) having the right to vote in the election of directors, as a result of a tender or exchange offer, open market purchases, privately negotiated purchases, or otherwise, or (D) at any time during a period of twelve consecutive months, individuals who at the beginning of such period constituted the Board of Directors of Supplier shall cease for any reason to constitute at least a majority thereof, unless the election of, or the nomination for election by Supplier's stockholders of each new director during such twelve-month period was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such twelve-month period.

Buyer and Supplier agree that the information contained in the First Offer Terms and the Exercise Notice shall be considered Information as that term is defined in the Agreement for Exchange of Confidential Information # 4900OP0257 between the Buyer and Supplier.

12.1 In the event of any inconsistency between this SOW and Agreement 4900CS0965, this SOW shall control.

ACCEPTED AND AGREED TO:

ACCEPTED AND AGREED TO:

IBM

Perficient Inc.

By: /s/ HENRY KEEGAN

By: /s/ SAM J. FATIGATO

Buyer Signature

Date

Supplier Signature

Date

Buyer's Name

Printed Name-----
Printed NameIBM Customer Solutions and
General Procurement-----
Title & Organization-----
Title & Organization-----
Buyer Address:3039 Cornwallis Road
RTP, NC 27709-----
Supplier Address:7600-B N. Capital of Texas Hwy
Suite 340,
Austin, TX 78731

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT dated January 3, 2001 and effective as of October 30, 2000, between Perficient, Inc., a Delaware corporation (the "Company"), and John T. McDonald ("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.

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 two years, commencing as of the date hereof and continuing through and including December 31, 2002, unless extended in writing as provided below or earlier terminated pursuant to the terms and conditions set forth herein (the "Employment Term").

3. DUTIES.

(a) Employee shall serve as Chief Executive Officer of the Company at the discretion of the Board of Directors of the Company. Employee shall perform all duties and services incident to the positions held by him.

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

4. EXCLUSIVE SERVICES AND BEST EFFORTS. Employee agrees to devote 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 salary ("Salary"), payable pursuant to the Company's normal payroll procedures in place from time to time, at the rate of \$189,000 per annum, less all necessary and required federal, state and local payroll deductions. Employee shall be entitled to receive salary increases as may be determined from time to time by the Board of Directors of the Company.

(b) Employee shall be entitled to a bonus of \$75,000 if net revenue for the year ending December 31, 2001 (on a pro forma basis, giving effect to acquisitions during the year as if they had occurred on January 1, 2001) is \$50 million or more and the Company has a net profit.

(c) In addition, Employee shall be entitled to receive such bonuses as may be determined from time to time by the Board of Directors of the Company and shall be eligible to receive stock options entitling Employee to acquire shares of Common Stock under the Company's 1999 Stock Option/Stock Issuance Plan, pursuant to the policies of the Company from time to time to generally make available stock options, to executive employees. As further consideration for the agreements and covenants hereunder, the Company shall, within 120 days of the effective date of this Agreement, grant to the Employee an option to purchase 100,000 shares of Common Stock of the Company, exercisable at the closing price of the Common Stock on the date immediately preceding the date of grant. Notwithstanding anything to the contrary in any stock option agreement between Employee and the Company, all stock options granted to Employee shall continue to vest in accordance with their schedule and shall not terminate if Employee ceases to be an employee of the Company as long as Employee continues to serve as an officer, director or consultant of the Company.

6. BUSINESS EXPENSES. Employee shall be reimbursed for, and entitled to advances (subject to repayment to the Company if not actually incurred by Employee) with respect to those 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.

7. EMPLOYEE BENEFITS.

(a) During the Employment Term, Employee shall be entitled to such insurance, disability and health and medical benefits and be entitled to participate in such 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 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 policy in effect for 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 Employee's Salary, reimbursable expenses and benefits owing to Employee through the date of Employee's death shall be paid to his estate. 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 a physical or mental disability or infirmity that prevents the material performance by Employee of his duties hereunder lasting for a continuous period of six months or longer. The reasoned and good faith judgment of the Company's Board of Directors as to Disability shall be based on such competent medical evidence as shall be presented to it by Employee or by any physician or group of physicians or other competent medical experts employed by Employee or the Company to advise the Company's Board of Directors. In case of such termination, Employee shall be entitled to receive his Salary, reimbursable expenses and benefits owing to Employee through the date of termination. In addition, the Company shall pay to Employee, within 60 days of the date of Employee's termination, in a lump-sum, an amount equal to Employee's then annual Salary. Employee will not be entitled to any other compensation upon termination of his employment pursuant to this subparagraph 8(b).

9. TERMINATION.

(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 (all as defined below). 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 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, the Company shall make a lump-sum payment to the Employee in an amount equal to the lesser of (i) three months Salary or (ii) the amount of Salary payable during the remaining term of this Agreement, and shall pay Employee his reimbursable expenses and benefits owing to Employee through the day on which Employee is terminated. No other payments shall be made, or benefits provided, by the Company under this Agreement in the event of a Without Cause Termination.

(c) In the event that the Company terminates the Employee's employment hereunder due to a Termination for Cause or the Employee terminates employment with the Company, the Company shall be released from any and all further obligations under this Agreement, except that the Company shall be obligated to pay Employee his Salary, reimbursable expenses and benefits owing to Employee through the day on which Employee is terminated. Employee will not be entitled to any other compensation upon termination of this Agreement pursuant to this Paragraph 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 willful failure of Employee substantially to 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 Company's Board of Directors, which demand identifies the manner in which the Company's Board of Directors believes that Employee has not substantially performed his duties hereunder; (b) conviction of, or entering a plea of nolo contendere to, a crime that constitutes a felony; (c) Employee's engaging in conduct that is intentional or grossly negligent that results in material injury 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.

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

(a) After a Change in Control (as defined below) of the Company has occurred, if either Employee terminates his employment within six (6) months after he has obtained actual knowledge of the Change in Control or the Company (or any successor thereto) terminates Employee's employment with the Company after the Change in Control, Employee shall be entitled to receive a lump-sum payment (the "Termination Compensation"), in cash, on the Termination Date, in an amount equal to three months of Employee's then annual Salary. In addition, and notwithstanding anything contained in any other agreement, including any stock option agreement between the Company and the Employee, immediately prior to a Change of Control, any and all options, agreements or rights to purchase securities of the Company granted to the Employee shall vest in their entirety, regardless of the satisfaction of any conditions contained therein.

(b) For purposes hereof, a "Change In Control" shall be deemed to have occurred if: (i) any "person" or "group" (as such terms are used in Sections 3(a)(9) and 13(d)(3) of the Securities Exchange Act of 1934, as amended (the "Act")) becomes a "beneficial owner" (as such term is used in Rule 13d-3 promulgated under the Act), after the date hereof, directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company's then outstanding securities; (ii) a change in "control" of the Company (as the term "control" is defined in Rule 12b-2 under the act or any successor rule promulgated under the Act) shall have occurred; (iii) the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets; or (iv) the stockholders of the Company approve a merger or consolidation of the Company with any other company, other than a merger or consolidation which would result in the combined voting power of the Company's voting securities outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 50% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation. Notwithstanding the foregoing, any transaction involving a leveraged buyout or other acquisition of the Company which would otherwise constitute a Change in Control, in which Employee participates in the surviving or successor entity (other than solely as an employee or consultant), shall not constitute a Change in Control.

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

(a) Employee acknowledges that he is bound by the terms of the Company's Confidentiality and Intellectual Property Agreement.

(b) Employee will not, during the term of this Agreement, 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 business that is competitive with the business of providing virtual professional services organizations to Internet service corporations. 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 shareholder under this subparagraph 11(b) or constitute a breach of this subparagraph 11(b). In addition, the ownership by Beekman Ventures, Inc. or any affiliate of Beekman Ventures, Inc. or any stockholder, officer, director or agent of Beekman Ventures, Inc. ("BV") in connection with the activities of BV as a venture capital firm, and the services provided by Employee to BV in connection with, any investment in any private or public company shall not be deemed to be a breach of any of the provisions of this Agreement and of this paragraph (b) of this Agreement .

(c) Employee will not, during the term of this Agreement and for a period of 24 months thereafter, directly or indirectly, work 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 or which was competitive with the business of providing virtual professional services organizations to Internet service corporations during the term of Employee's employment with the Company. 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 shareholder under this subparagraph 11(c) or constitute a breach of this subparagraph 11(c). Employee's participation as a director or advisor in a company or other business enterprise in which BV has an interest shall not be deemed to be a violation of this Agreement.

(d) Employee will not, during the term of this Agreement and for a period of 24 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 any person who was employed by the Company or any of its subsidiaries or affiliates during Employee's employment with the Company, or (ii) call on, solicit, or take away any person or entity who or which was a customer of the Company or any of its subsidiaries or affiliates during Employee's employment with the Company for a business that is competitive with the business of providing virtual professional services organizations to Internet service corporations..

(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, the provisions shall only be modified to the minimum extent required to make the provisions reasonable and/or enforceable, as the case may be. 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.

(f) This Paragraph 11 and Paragraphs 12 and 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.

12. COMPANY PROPERTY.

(a) Any patents, inventions, discoveries, applications or processes designed, devised, planned, applied, created, discovered or invented by Employee in the course of Employee's employment under this Agreement and 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. In addition, the Company shall be entitled to reimbursement from Employee, upon request, of any and all reasonable attorneys' fees and expenses incurred by it in enforcing any term or provision of this Agreement.

14. CONSENT TO TEXAS JURISDICTION AND VENUE. The Employee hereby consents and agrees that state courts located in Travis County, Texas and the United States District Court for the Western District of Texas 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 its address set forth on the signature page of this Agreement, Attention: John A. Hinnens (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 section 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; TEXAS GOVERNING LAW; AMENDMENTS; ENTIRE 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 Texas (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 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.

[Signature page follows.]

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

PERFICIENT, INC.

By: /s/ JOHN A. HINNERS

Name: John A. Hinnners

Title: Chief Financial Officer

/s/ JOHN T. MCDONALD

John T. McDonald, Individually

Exhibit 21
Subsidiaries

The following are the direct and indirect subsidiaries of Perficient, Inc.

Perficient LoreData, Inc.	Delaware
Perficient Compete, Inc.	Delaware
Perficient International, Ltd.	United Kingdom
Perficient Canada, Inc.	Canada
Core Objective, Inc.	Canada

Perficient LoreData, Inc. was merged and continued under Perficient, Inc. as of June 5, 2000. Perficient Compete, Inc. was merged and continued under Perficient, Inc. as of December 31, 2000.

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-44854) pertaining to the Perficient, Inc. 401(k) Employee Savings Plan, the Registration Statement (Form S-8 No. 333-42626) pertaining to the Perficient, Inc. 1999 Stock Option/Stock Issuance Plan and the Registration Statement (Form S-3 No. 333-42624) of our report dated January 25, 2001, with respect to the consolidated financial statements of Perficient, Inc. and Subsidiaries included in the Annual Report (Form 10-KSB) for the year ended December 31, 2000.

/s/ Ernst & Young LLP

Austin, Texas
March 28, 2001