MANAGEMENT NETWORK GROUP INC
Form 10-K
March 30, 2006

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

FORM 10-K

(MARK ONE)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

COMMISSION FILE NUMBER: 000-27617

THE MANAGEMENT NETWORK GROUP, INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	48-1129619
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)

7300 COLLEGE BOULEVARD,
SUITE 302, OVERLAND PARK, KANSAS 66210
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES) (ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (913) 345-9315

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
COMMON STOCK (.001 PAR VALUE)	NASDAQ NATIONAL MARKET

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT: NONE.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES [ ] NO [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES [ ] NO [X]

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES [X] NO [ ]

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. Large Accelerated Filer [ ] Accelerated Filer [ ] Non-accelerated Filer [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES [ ] NO [X]

The aggregate market value of the voting stock held by non-affiliates of the Registrant, as of July 2, 2005 was approximately $37.2 million. As of March 28, 2005 the Registrant had 35,790,286 shares of common stock, par value $0.001 per share (the Common Stock), issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The information required to be provided in Part III (Items 10, 11, 12, 13 and 14) of this Annual Report on Form 10-K is hereby incorporated by reference from our definitive 2006 proxy statement which will be filed with the Securities and Exchange Commission within 120 days of the end of our fiscal year ended December 31, 2005.

THE MANAGEMENT NETWORK GROUP, INC.

FORM 10-K

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DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

With the exception of historical information, this report on Form 10-K contains forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995 and identified by such words as "will be," "intend," "continue," "believe," "may," "expect," "hope," "anticipate," "goal," "forecast" or other comparable terms. Our actual financial condition, results of operations or business may vary materially from those contemplated by such forward-looking statements and involve various risks and uncertainties, including but not limited to those discussed in Item 1A, "Risk Factors." Investors are cautioned not to place undue reliance on any forward-looking statements.

WEBSITE ACCESS TO EXCHANGE ACTS REPORTS

Our internet website address is www.tmng.com. We make available free of charge through our website all of our filings with the Securities and Exchange Commission (SEC), including our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to the SEC. The charters of our audit, nominating and compensation committees and our Code of Business Conduct are also available on our website and in print to any shareholder who requests them.

ITEM 1. BUSINESS

When used in this report, the terms "TMNG," "we," "us," "our" or the "Company" refer to The Management Network Group, Inc. and its subsidiaries.

GENERAL

TMNG, a Delaware corporation, founded in 1990, is a leader in consulting to the communications industry. We have built a fully integrated suite of consulting offerings including strategy, management, marketing, operational, and technology consulting services (see "Services" in Item 1). Our clientele includes a variety of businesses whose products, services and interests are focused on the evolution of the communications industry, including wireless and traditional wireline communications service providers, as well as technology companies, media and entertainment companies, and financial services firms that invest in the communications industry. Our clients are located principally in the United States, however, the Company also provides services to customers in Europe and other foreign countries. We believe we are unique in our ability to provide a comprehensive business solution to the communications industry, including strategy consulting and business planning, product/service definition and launch, customer acquisition and retention, business model transformation, technical support and process modeling for business support systems (BSS) and operations support systems (OSS). We have consulting experience with almost all major aspects of managing a global communications company. In addition, we provide marketing consulting services to clients outside of the communications industry, primarily in the Eastern region of the United States (Mid-Atlantic).

We capitalize on our industry expertise by developing and enhancing new and existing proprietary toolsets that enable us to provide strategic, management, marketing, operational, and technology support to our clients. Our toolsets are consulting guidelines, processes and benchmarks created and updated by our consultants based on their experience over many consulting engagements. These toolsets assist clients to improve productivity, gain competitive advantage, reduce time to market and market entry risk, and increase revenues and profits. Our services are provided by teams comprised of senior professionals recruited from prestigious university campuses complemented by teams of consultants from the communications industry averaging 15 years of experience.

We have provided a unique technology agnostic and vendor neutral position to make unbiased evaluations and recommendations that are based on a thorough knowledge of each solution and each client's situation. Therefore, we are able to capitalize on extensive experience across complex multi-technology communications systems environments to provide what we believe are the most sound and practical recommendations to our clients.

Over the last six years, the Company has transformed from a provider of primarily management and operational consulting services to a provider of a fully integrated suite of offerings to the communications marketplace. This transformation has been accomplished through increasing the breadth of our employee work base, by hiring consultants of increasingly diverse backgrounds with various technical competencies, and implementing an acquisition strategy to acquire consulting companies whose offerings complemented, and expanded the offerings we historically provided. We believe these actions have expanded key client relationships, have uniquely positioned us in the market to effectively serve today's needs of large global communication service providers, and provided an expansion of our key direct distribution channel elements.

Recently, with the market dynamics changing (see "Market Overview" in Item 1) we have been focusing on the opportunity to expand our offerings through indirect channel partners. We believe partnering will better enable us to serve large clients in what has become a shrinking and consolidating marketplace. We provide our partners with contacts, strategic business analysis, business process outsourcing (BPO) solutions, and depth of knowledge and experience in serving the industry. The partnerships bring us technology solutions and systems integration capabilities which enable our partners and us to provide more comprehensive client offerings and solutions to effectively compete with other global consultancies.

During fiscal year 2005, we made strategic investments designed to position us in three key ways--growing our core management consulting offerings with emphasis in Internet Protocol (IP) and wireless solutions; maintaining a solid base of carrier relations and expanding into the cable, media, and content arenas; and launching managed services with partners that facilitate Mobile Virtual Network Operators (MVNO), IP transformation or convergence of offerings.

During fiscal year 2005, we launched our own non-commercial MVNO, TMNG Mobile, the first such service launch by a professional services company. This has positioned us to demonstrate to potential market entrants, that we can, with our partners, deliver an end-to-end solution. Through our strategy business group we are expanding engagements with high profile clients, and providing market assessments and business case development services. For those MVNOs electing to move forward, we have developed differentiated consulting capabilities to help the MVNO build its back-office facilities or to leverage, via TMNG Global and partners, a Mobile Virtual Network Enablement (MVNE) solution.

Another key achievement during fiscal year 2005 was the development of our managed services capability to support IP transformation. This capability is designed to support enterprises across multiple industries as they migrate their legacy communication network architectures to IP platforms. TMNG believes it has unique expertise, in particular, in helping enterprises understand, protect and migrate valuable customer data and processes to new technology platforms. To further the visibility of our services, we signed in 2005 a five-year exclusive economic relationship with S3 Matching Technologies Inc. (S3), through which we have jointly designed solutions for IP network migration for both communication service providers and global outsourcing firms. These solutions marry industry know-how with proven technology and are capable of doing so under an outsourced framework. We have already developed and validated our proprietary data management optimization (DMO) solution. DMO addresses one of the critical first steps in the migration from legacy to IP environments, as it provides the intelligence surrounding databases of network elements and enables accurate and efficient migration to IP.

Finally, in 2005 we began to design a management and operational consulting offering in support of media and communications convergence. We are working in partnership with network service platform provider, Personeta Inc., to develop a compelling offering for small-to-mid-sized carriers. These are carriers who need to support convergence of offerings to enterprise clients, utilizing existing legacy and IP, both wire line and wireless networks, in a cost-effective manner as an alternative to massive capital-intensive network investment. This is an initiative that we and our partner began implementing in late 2005 and will continue to be a key area of focus during fiscal year 2006.

As these and other industry trends develop, TMNG expects to utilize its long history of engagement experience with clients to continue modifying its toolsets, develop new methodologies, and expand selectively its base of employee consultants to support and extend its thought leadership and capabilities in the communications industry.

MARKET OVERVIEW

TMNG serves a global communications marketplace that is just now emerging from an approximately four-year period of retrenchment and restructuring. The macroeconomic forces that drove this environment destabilized the industry and depressed the market for outside consulting services, including ours. These circumstances resulted in a continued substantial decline in our revenue and profits during fiscal years 2001, 2002 and 2003. That trend leveled off during fiscal year 2004 and improved during fiscal year 2005 (see Item 1A, "Risk Factors" and Item 7, "Management's Discussion and Analysis").

Today, the global communications industry is in the midst of what we believe to be revolutionary change. The complements of regulatory decisions, new technologies and industry consolidation have begun to stimulate new investment in the sector. What we believe the future of the global communications industry will look like is beginning to take shape. A convergence of voice, data and video or content based communications is occurring. This is bringing both new competitors to the market, such as Yahoo! and Google, and consolidation of existing industry competitors. In addition, cable communications companies that historically offered video services are now positioning themselves as providers of voice and other data and content services.

Wireline, wireless and cable companies alike have their eye on convergence--where any type of content or application can be delivered seamlessly across fixed or mobile networks. For traditional telecom companies, convergence will ultimately come in the form of IP Multimedia Subsystems (IMS). IMS is expected to have profound influence on the communications industry through the emergence of new business models. IMS will allow network owners to derive value from their networks while simultaneously opening their networks to third parties to develop and offer their own customized and enhanced services and applications. IMS and convergence are costly and complicated; while the evolution is underway it will not occur without challenges.

The convergence of content providers and wireless distribution channels (i.e., carriers) has also opened new segments of the market through the MVNO model. MVNOs are mobile operators that do not own their own wireless spectrum or network infrastructure. Instead, MVNOs contract with existing wireless carriers to purchase wholesale access to wireless networks. We believe the MVNO model will move the market for wireless services from a voice-focused market to one focused on value-added non-voice services extending into media and entertainment. Players like ESPN and Disney aim to transform the way consumers view their wireless services. We expect this transformation of the wireless market to occur rapidly and present numerous challenges to the traditional carriers and MVNOs, alike.

We expect these profound changes to increase demand for consulting services, with increased focus on convergence and wireless and IP based offerings, outsourced BPO service opportunities, and the need for existing management consultancies to provide solutions to these new communications industry challenges. As discussed in Item 1, "Business - General," we have invested to enable us to provide such services.

It has been our experience that because the expertise needed by communications companies to address the market's needs is typically outside

their core competencies, they must ultimately either recruit and employ experts or retain outside specialists. Additionally, the convergence of the communications, media and technology industries has brought forth many non-communications companies who we believe do not possess the experience or skill sets needed to execute new business plans. We believe due to the range of expertise required and the time associated with hiring and training new personnel, bringing expertise in-house is often not a viable option. Although demand for consulting services has been down in recent years, we believe customers will need to contract with consultative firms or outsource some of the expertise required to adapt to new environments and capitalize on new technologies now emerging. When retaining outside specialists, we believe communications companies need experts that fully understand the communications industry and can provide timely and unbiased advice and recommendations. We intend to continue responding to that anticipated need.

BUSINESS STRATEGY

Our objective is to establish ourselves as the consulting company of choice to the converging communications, media and entertainment industry, which includes the service providers and technology companies that serve the industry, media and entertainment companies, and the financial services and investment banking firms that invest in the sector. The following are key strategies we have adopted to pursue this objective.

- Develop and evolve existing offerings/solutions and thought leadership

We plan to continue expanding our end-to-end solutions offerings, both by organic expansion and/or through acquisitions. Expanding our consulting solutions involves bundling or buying the capabilities that support change elements in the adoption of IP and wireless technology and support of convergence of communications with media and content, with emphasis on wireless. We plan to continue extending our product offerings to the communications industry. We believe wireline and wireless providers will be strategically focused on the following key initiatives, with priority depending upon present position and state of the company: bundling or convergence of services (i.e., wireline, wireless, high-speed data and video); continued consolidation and aggressive reduction of costs; reassessment of core competencies in order to leverage strengths and exit weak areas; and migration to new technologies--next generation wireless and IP. Our solutions will assist clients in redefining competitive position, launching new products and services and generating revenues through integrated offerings. Such offerings will also be focused on increasing clients' efficiencies in these transformations. We will also evaluate expanding our offerings to include managed services, with partners surrounding these initiatives.

- Continue to build the TMNG brand

We plan to continue building and communicating the TMNG brand, further positioning ourselves as the consultancy of choice for the global communications industry. In late 2005, TMNG was rebranded to TMNG Global, with our strategy group rebranded to Cambridge Strategic Management Group (CSMG). These changes were made to better represent the end-to-end capabilities we offer through our strategic consulting, management consulting and managed services practices. When acquired, the CSMG name was a powerful brand. We made the decision to reintroduce this brand to capitalize on that value and provide the separation between our strategy and management consulting practices, providing a level of independence and neutrality desired by clients. Direct marketing efforts and other marketing initiatives are underway to continue building awareness of TMNG and communicating our key strengths, including our uniquely high level of experienced consultants, focus on the global telecommunications industry, integrated end-to-end solution and commitment to bringing clients a positive return on their investment.

- Focused and effective retention and recruitment

We plan to further enhance our business model to accommodate the anticipated types of consulting services as a result of revolutionary change occurring within the communications sector. One key element of the business model we believe will be required is the attraction and retention of high quality, experienced consultants. In what we believe is a rebounding economic environment, our two primary challenges in the recruitment of new consulting personnel are the ability to recruit talented personnel with the skill sets necessary to capitalize on an industry undergoing revolutionary change and the ability to execute such recruitment with an appropriate compensation arrangement. The market for skilled consultants has become more competitive in the current industry environment.

We reinvigorate existing skill sets of our consultants with proprietary toolsets that provide methodologies they use to augment their experience and help analyze and solve clients' problems. We utilize a network of eRooms to serve as a knowledge base, enabling consultant collaboration on engagements and providing support information and updates of TMNG current toolsets and releases of next generation tools. Finally, we continue to manage our flexible and unique employee and independent subject matter expert model to maximize skill set offerings, while minimizing the effect of unbillable consultant time.

- Enhancing our global presence

We plan to further enhance our presence globally to deliver services and solution capabilities to client companies located around the world. Especially in Western Europe, we believe the competitive market expertise of our U.S. consultants can be a key factor for foreign companies facing the business issues associated with deregulation and competition.

- Leveraging knowledge and skills through partner channels

We are also focusing on managed service offerings and partnerships with select global technology, outsourcing and system integration firms as a complement to our consultancy offerings. We believe this will be a fast growing market segment which should allow us to leverage our intellectual capital while teaming with technology partners to bring BPO and managed services offerings to select clients. We believe we are uniquely positioned to capitalize on these anticipated market opportunities, particularly because of our vendor neutrality and proprietary productivity toolsets.

SERVICES

We provide a full range of strategic, marketing, operations and technology consulting services to the communications industry. Services provided include:

- Strategy and Business Case Development

We provide comprehensive strategic analysis to service providers, media/entertainment companies, equipment manufacturers and financial investors in the communications industry. Our approach combines rigorous qualitative and quantitative analyses with a detailed understanding of industry trends, technologies, and developments. We provide clients with specific solutions to their key strategic issues relating to their existing business as well as new product and service opportunities. Our services include business case development, data and content strategies, marketing spending optimization, service and brand diversification, enterprise and small business strategies, technology commercialization and operational strategies.

- Product Development and Management

We offer global communications service providers the benefit of our hands-on experience developing and launching new products and services for some of today's industry leaders. Our product development approach includes market assessments, product/service definition, business requirements definition, project management, testing and release. We also help communications clients by evaluating the profitability of existing product and service offerings to identify opportunities to consolidate, de-emphasize or decommission offerings to improve clients' overall profitability.

- Customer Acquisition and Retention

We have developed and implemented acquisition and retention strategies for clients in the communications industry. We have consultants skilled in the areas of target market segmentation, campaign management and sales-process management. Our strategies take into account the needs and preferences of the target market and include a mix of marketing communications, partner programs, e-marketing, direct sales, telemarketing, direct response and loyalty and retention programs.

- Revenue and Cost Management

We are dedicated to helping clients uncover and recover missed opportunities at every stage along the revenue life cycle and reduce the costs associated with managing business functions. Our approach to revenue and cost management centers around operational assessment, process improvement, organizational restructuring, and continuous improvement. Our consultants utilize their industry expertise and our proprietary TMNG QBC(R) (Quality Business Controls) toolset to deliver quantifiable benefits to clients.

- Business and Operations Process Redesign and Reengineering

We provide clients with efficient, integrated business and operational processes, supporting technology systems and web-centric interfaces across all OSS/BSS applications. We take clients from the point of customer acquisition to provisioning all the way through to billing, collections and accounts receivable management to cash and profits in the bank. We have modified our traditional toolsets, recruited consultants with relevant expertise and initiated marketing efforts in the burgeoning areas of the wireless enterprise and IP transformation. We believe that as these two market phenomena evolve we are well-positioned to bring business and technical solutions to existing clients and prospective clients alike.

- Corporate Investment Services

We provide a wide range of services to investment banking and private equity firms in connection with investments and mergers and acquisitions in the communications industry. Services include evaluation of management teams and business plans, identification of strengths and weakness of the company, and analyses of the company's financial models, systems, products and operational and business processes. Post-investment support is also provided to help customers in the optimization of their investment through our Operational Performance Appraisal (OPA(TM)) tool. OPA(TM) features an assessment of communications companies' revenue assurance, network inventory, network operations, order management and provisioning, disaster recovery planning and e-commerce operations and products. The OPA(TM) seeks to help companies optimize asset utilization, including network assets and inventory. In addition, OPA(TM) seeks to maximize revenue and minimize associated costs and determine if the provider's customers are being served effectively.

- TMNG Resources

TMNG Resources, a business unit of TMNG Marketing, focuses on providing subject matter experts utilizing a staff augmentation model. As the telecom industry starts to rebound, we believe service providers may, at least initially, be hesitant to make permanent hiring decisions and will seek temporary expert staff. We believe TMNG Resources is uniquely positioned to fill the recruiting needs of our clients.

COMPETITION

The market for communications consulting services is highly fragmented and changing rapidly. We face competition from major business and strategy consulting firms, large systems integration and major global outsourcing firms, offshore development firms from the Asian markets, equipment and software firms that have added service offerings, and customers' internal resources. Recently, there has been a significant increase in demand for firms that can bundle BPO with systems and technical integration. Many of our competitors are large organizations that provide a broad range of services to companies in many industries, including the communications industry. Many of these competitors have significantly greater financial, technical and marketing resources and greater name recognition than we do. We believe we have a competitive advantage due to our single focus on the communications industry, and the comprehensive offerings we provide to our customers. We also believe the complementary experience and expertise of our professionals represents a competitive advantage. With the communications industry experiencing consolidation and convergence with media and entertainment, we believe our principal competitive factor is our continual focus on the converging communications industry and the ability to develop and deliver solutions that enhance client revenue and asset utilization and provide return on investment. Our biggest competitor is normally the customer's internal resources. As a result, the most significant competitive advantage becomes long-lived relationships with key client executives that have developed over time from consistency in responsiveness to their needs, quality and reliability of consultants and deliverables, and an appropriate price/value formula.

We have faced, and expect to continue to face, additional competition from new entrants into the communications consulting markets. We have also experienced increased price competition, particularly from large Asian firms providing technical support and outsourcing and other large firms that have the financial resources to aggressively price engagements that they have a particular interest in obtaining. Increased competition could result in further price reductions, fewer client projects, underutilization of consultants, reduced operating margins, and loss of market share.

EMPLOYEES

Our ability to recruit and retain experienced, highly qualified and highly motivated personnel has contributed greatly to our performance and will be critical in the future. We offer a flexible recruiting model that enhances our ability to attract consultants and to effectively manage utilization. Our consultants may work as full time employees or as contingent employees. Contingent employees receive company-paid medical insurance, vacation and other employee benefits, but instead of receiving a regular salary, they are only paid for time spent working on consulting projects for customers or working on internal projects. Generally, we will offer contingent employment to personnel who are frequently utilized on consulting projects, and have a skill set/offering that is in high demand. We also have relationships with many independent contracting firms to assist in delivery of consulting solutions. Our current base of independent firms has specialized expertise in discrete areas of communications, and we typically deploy these firms only when their unique expertise/offering is required.

During fiscal year 2005, we utilized approximately 289 consultants, representing a combination of employee consultants and independent contracting firms. Of these, 74 were employee consultants and approximately 215 were working on engagements for us primarily through independent subcontracting firms. In addition to the consultants, we have an administrative staff of approximately 26 employees in the accounting and finance, marketing, recruiting, information technology, human resources and administrative areas.

BUSINESS SEGMENTS

Based on an analysis of the criteria in Statement of Financial Accounting Standards (SFAS) No. 131 "Disclosure about Segments of an Enterprise and Related Information," we have four operating segments, which are aggregated in one reportable segment, the Management Consulting Services segment. The Management Consulting Services segment includes business strategy and planning, marketing and customer relationship management, billing system support, operating system support, revenue assurance, corporate investment services, and network management.

MAJOR CUSTOMERS

Since our inception, we have provided services to more than 1,000 domestic and international customers, primarily communication service providers and large technology and applications firms serving the communications industry and private equity firms that invest in the sector. Most recently we have added to our base of customers with media and entertainment clients looking to leverage communications infrastructure to deliver offerings to the market. We depend on a small number of key customers for a significant portion of revenues. For fiscal year 2005, revenues from two significant customers each accounted for more than 10% of our revenues, and in the aggregate accounted for 41.4% of revenues. Also during fiscal year 2005, our top ten customers accounted for approximately 70.9% of total revenue. We generally provide discounted pricing for large projects on fixed commitments with long-term customers. Because our clients typically engage services on a project basis, their needs for services vary substantially from period to period. We continue to concentrate on large wireline and wireless global communications companies headquartered principally in North America and Western Europe, emerging MVNOs, large outsourcing firms as partners and most recently media and entertainment clients. We seek to offer broad and diversified services to these customers. We anticipate

that operating results will continue to depend on volume services to a relatively small number of communication service providers and technology vendors. We anticipate increased market demand for bundled business process and technical outsourcing which we and our partners have formalized agreements to provide.

INTELLECTUAL PROPERTY

Our success is dependent, in part, upon proprietary processes and methodologies. We rely upon a combination of copyright, trade secret, and trademark law to protect our intellectual property. Additionally, employees and consultants sign non-disclosure agreements to assist us in protecting our intellectual property.

We have not applied for patent protection for the proprietary methodologies used by our consultants. We do not currently anticipate applying for patent protection for these toolsets and methodologies.

SEASONALITY

In the past, we have experienced seasonal fluctuations in revenue in the fourth quarter due primarily to the fewer number of business days because of the holiday periods occurring in that quarter. We may continue to experience fluctuations in revenue in the fourth quarter and may experience fluctuations in summer months and other vacation periods.

FINANCIAL INFORMATION ABOUT FOREIGN AND DOMESTIC OPERATIONS

For information about foreign and domestic operations, see Item 8, "Consolidated Financial Statements," Note 4 "Major Customers and Significant Group Concentrations of Credit Risk."

ITEM 1A. RISK FACTORS

Our business, operating results, financial condition and stock price are subject to numerous risks, uncertainties, and contingencies, many of which are beyond our control. The following important factors, among others, could cause actual results to differ materially from those contemplated in forward-looking statements made in this annual report on Form 10-K or presented elsewhere by management from time to time. Investors are urged to consider these risk factors when evaluating an investment in TMNG.

RISK THAT MAY IMPACT OUR FINANCIAL PERFORMANCE

Factors outside of our control could cause companies to delay new product and new business initiatives and to seek to control expenses by reducing the use of outside consultants. The communications industry is in a period of consolidation, which could reduce our client base, eliminate future opportunities or create conflicts of interest among clients. As a result, current industry conditions may continue to harm our business, financial condition, results of operations, liquidity and ability to make acquisitions and raise investment capital. Future client financial difficulties and/or bankruptcies could require us to write-off receivables that are in excess bad debt reserves, which would harm our results of operations in future fiscal periods.

OUR BUSINESS IS COMPLETELY DEPENDENT ON CONDITIONS IN THE CONVERGING COMMUNICATIONS, MEDIA AND ENTERTAINMENT INDUSTRY

We focus almost exclusively on customers in the converging communications, media and entertainment industry and investment banking and private equity firms investing in that industry. We experienced significant growth in demand for our services throughout the 1990s. Between 2000 and 2004, the communications industry experienced a number of adverse conditions, including bankruptcies, layoffs, consolidation and contraction, declining market values, and in some cases financial scandals. These macro economic conditions substantially reduced the demand for our services and caused our revenues to decline, resulting in operating losses, negative cash flow and a decline in our stock price. If we are not able to capitalize on the opportunity created by the converging communications industry, we may continue to incur operating losses and negative cash flow, which may eventually adversely affect our liquidity.

WE ARE DEPENDENT ON A LIMITED NUMBER OF LARGE CUSTOMERS FOR A MAJOR PORTION OF OUR REVENUES, AND THE LOSS OF A MAJOR CUSTOMER COULD SUBSTANTIALLY REDUCE REVENUES AND HARM OUR BUSINESS AND LIQUIDITY

We derive a substantial portion of our revenues from a relatively limited number of clients (see Item 1, "Business-Major Customers"). This results in part from a conscious strategy to market our services to the largest and most stable companies in the industry, but our concentration of revenues with a small number of clients does expose us to risk. Our revenues and financial condition could be impaired if a major client stopped using our services. The services required by any one client may be affected by industry consolidation or adverse industry conditions, technological developments, economic slowdown or the client's internal strategy or budget constraints. As a result, the volume of work performed for specific clients varies from period to period, and a major client in one period may not use our services in a subsequent period.

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OUR REVENUES AND OPERATING RESULTS MAY FLUCTUATE SIGNIFICANTLY FROM QUARTER-TO-QUARTER, AND FLUCTUATIONS IN OUR OPERATING RESULTS COULD CAUSE OUR STOCK PRICE TO DECLINE

Our revenue and operating results may vary significantly from quarter-to-quarter due to a number of factors. In future quarters, our operating results may be below the expectations of public market analysts or investors, and the price of our common stock may decline. Factors that could cause quarterly fluctuations include:

- the beginning and ending of significant contracts during a quarter;
- the size and scope of assignments;
- the potential loss of key clients;
- the form of customer contracts changing primarily from time and materials to fixed price or contingent fee, based on project results;
- consultant turnover, utilization rates and billing rates;
- the loss of key consultants, which could cause clients to end their relationships with us;
- the ability of clients to terminate engagements without penalty;
- fluctuations in demand for our services resulting from budget cuts, project delays, industry consolidations or downturns or similar events;
- clients' decisions to divert resources to other projects, which may limit clients' resources that would otherwise be allocated to services we could provide;
- reductions in the prices of services offered by our competitors;
- developments in the communications market and economic conditions;
- seasonality during the summer, vacation and holiday periods;
- fluctuations in the value of foreign currencies versus the U.S. dollar; and
- global economic and political conditions and related risks, including acts of terrorism.

Because a significant portion of our non-consultant expenses are relatively fixed, a variation in the number of client assignments or the timing of the initiation or the completion of client assignments may cause significant variations in operating results from quarter-to-quarter and could result in continuing losses. To the extent the addition of consultant employees is not followed by corresponding increases in revenues, additional expenses would be incurred that would not be matched by corresponding revenues. Therefore, profitability would decline and we could potentially experience further losses and our stock price would likely decline.

THERE CAN BE NO ASSURANCE OUR INVESTMENT IN NEW OFFERINGS WILL YIELD THE INTENDED RESULTS

As discussed in Item 1 - "Business-General" and Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations - Executive Financial Overview" and "Operating Expenses," we have invested in proprietary toolsets designed to enable us to capitalize on industry convergence and the migration to wireless and IP platforms. We believe these investments had a positive impact on our 2005 revenues and will positively affect our revenues and profitability in 2006, but they did adversely impact our short-term profitability in 2005. There can be no assurance these investments, or others like them, will continue to produce increased revenues or enable us to become profitable and cash flow positive in 2006 or future years.

A SIGNIFICANT PORTION OF OUR BUSINESS IS REPRESENTED BY FIXED FEE CONTRACTS, WHICH EXPOSE US TO ADDITIONAL RISKS

Fixed fee contracts entail subjective judgments and estimates about revenue recognition and are subject to uncertainties and contingencies. For a more complete discussion of our accounting for revenue recognition, see "Critical Accounting Policies" included in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations." Fixed fee contracts expose us to the risk that our cost of performing the contract may be higher than expected, reducing or eliminating our profit margin from the contract.

WE HAVE MADE SEVERAL ACQUISITIONS AND MAY CONTINUE TO MAKE ACQUISITIONS, WHICH ENTAIL RISKS THAT COULD HARM OUR FINANCIAL PERFORMANCE OR STOCK PRICE

As part of our business strategy, we have made and may continue to make acquisitions. Any future acquisition would be accompanied by the risks commonly encountered in acquisitions. These risks include:

- the difficulty associated with assimilating the personnel and operations of acquired companies;

- the potential disruption of our existing business;

- further reductions in our cash reserves;

- adverse effects on our financial statements, including write-offs and assumption of liabilities of acquired businesses; and

- paying too much for an acquired company.

If we make acquisitions and any of these problems materialize, these acquisitions could negatively affect our operations, profitability and financial condition.

ANY FUTURE DECREASE IN REVENUES OF ACQUIRED BUSINESSES MAY RESULT IN ADDITIONAL ASSET IMPAIRMENTS AND ADVERSELY AFFECT OUR PROFITABLITY

We have made and may continue to make acquisitions. As a result, goodwill and intangible assets constitute a significant balance of the assets reported on our balance sheet. We have, in the past, been required to write down goodwill and intangible assets on our financial statements as a result of declining revenues and earnings of the businesses we acquire. We may continue to be required to take asset impairment charges in the future. Our earnings and profitability would be adversely affected by any further asset impairments.

WE HAVE REDUCED CONSULTANT HEADCOUNT WHICH COULD ADVERSELY AFFECT OUR ABILITY TO

OBTAIN AND PERFORM CONSULTING ENGAGEMENTS

Following the economic downturn of the first part of this decade, we undertook a series of cost-cutting measures to better align our operating costs with the reduced demand for communications consulting services. As part of these cost-cutting measures, we have reduced our employee consultant headcount. More recently we have begun to expand the skill sets of our consultant base by replacing existing consultants with professionals better suited to support our next generation offerings. Because the talents and skills of our consulting resources are limited in comparison to much larger firms, we may lose opportunities to obtain future consulting engagements or have difficulty performing engagements we do obtain, any of which could harm our business.

THE MARKET IN WHICH WE OPERATE IS INTENSELY COMPETITIVE, AND ACTIONS BY COMPETITORS COULD RENDER OUR SERVICES LESS COMPETITIVE, CAUSING REVENUES AND INCOME TO DECLINE

The market for consulting services to communications companies is intensely competitive, highly fragmented and subject to rapid change. Competitors include strategy and management consulting firms and major global outsourcing firms like IBM, Electronic Data Systems Corporation (EDS) and Computer Sciences Corporation, which have become more significant competitors recently due to the outsourcing of business support systems and operating support systems by communications companies. We are also subject to competition from large technical firms from the Asian markets, like Infosys Technologies, Ltd. that can provide significant cost advantages. Some of these competitors have also formed strategic alliances with communications and technology companies serving the industry. We also compete with internal resources of our clients. Although non-exhaustive, a partial list of our competitors includes:

- Accenture;

- Booz-Allen & Hamilton;

- Cap Gemini;

- DiamondCluster International, Inc.;

- IBM;

- EDS;

- Computer Sciences Corporation;

- Infosys Technologies, Ltd.; and

- McKinsey & Company.

Many information technology-consulting firms also maintain significant practice groups devoted to the communications industry. Many of these companies have a national and international presence and may have greater personnel, financial, technical and marketing resources than we do. We may not be able to compete successfully with our existing competitors or with any new competitors.

We also believe our ability to compete depends on a number of factors outside of our control, including:

- the prices at which others offer competitive services, including aggressive price competition and discounting on individual engagements which may become increasingly prevalent in the current industry environment;

- the ability and willingness of our competitors to finance customers' projects on favorable terms;

- the ability of our competitors to undertake more extensive marketing campaigns than we can;

- the extent, if any, to which our competitors develop proprietary tools that improve their ability to compete with us;

- the ability of our customers to perform the services themselves; and

- the extent of our competitors' responsiveness to customer needs.

We may not be able to compete effectively on these or other factors. If we are unable to compete effectively, our market position, and therefore our revenues and profitability, would decline.

WE MUST CONTINUALLY ENHANCE OUR SERVICES TO MEET THE CHANGING NEEDS OF THE CONVERENCE OF COMMUNICATIONS CUSTOMERS WITH MEDIA AND ENTERTAINMENT, OR WE MAY LOSE FUTURE BUSINESS TO OUR COMPETITORS

Our future success will depend upon our ability to enhance existing services and to introduce new services to meet the requirements of customers in a rapidly developing and evolving market, particularly in the areas of wireless communications and next-generation technologies supporting the convergence of communications, media and content. Present or future services may not satisfy the needs of the communications market. If we are unable to anticipate or respond adequately to customer needs, we may lose business and our financial performance will suffer.

IF WE ARE NOT ABLE TO EFFECTIVELY RECRUIT AND RETAIN MANAGEMENT AND CONSULTING PERSONNEL THAT PROVIDE US WITH NEW TALENT SETS ENABLING THE IMPLEMENTATION OF NEW STRATEGIC OFFERINGS IN A RAPIDLY CHANGING MARKET, OUR FINANCIAL PERFORMANCE MAY BE NEGATIVELY IMPACTED

Our ability to adapt to changing market conditions will depend on our ability to recruit and retain talented personnel, which cannot be assured. We may face two critical challenges in the recruitment of new management personnel. The first is the ability to recruit talented management personnel with the skill sets necessary to capitalize on an industry undergoing revolutionary change, and the second is the ability to execute such recruitment with an appropriate compensation arrangement. If we are unable to recruit and retain the people we need to perform our consulting engagements in a rapidly changing environment, our business may suffer.

We must attract new consultants to implement our strategic plans. The number of potential consultants that meet our hiring criteria is relatively small, and there is significant competition for these consultants from direct competitors and others in the communications industry. Competition for these consultants may result in significant increases in our costs to attract and retain the consultants, which could reduce margins and profitability. In addition, we will need to attract consultants in international locations, principally Europe, to support our international strategic plans. We have limited experience in recruiting internationally, and may not be able to do so. Any inability to recruit new consultants or retain existing consultants could impair our ability to service existing engagements or undertake new engagements. If we are unable to attract and retain quality consultants, our revenues and profitability would decline.

OUR ENGAGEMENTS WITH CLIENTS MAY NOT BE PROFITABLE OR MAY BE TERMINATED BY OUR CLIENTS ON SHORT NOTICE

Unexpected costs, delays or failure to achieve anticipated cost reductions could make our contracts unprofitable. We have many types of contracts, including time and materials contracts, fixed-price contracts and contingent fee contracts. When making proposals for engagements, we estimate the costs and timing for completing the projects. These estimates reflect our best judgment regarding our costs, as well as the efficiencies of our methodologies and professionals as we plan to deploy them on our projects. Any increased or unexpected costs, delays or failures to achieve anticipated cost reductions in connection with the performance of these engagements, including delays caused by factors outside our control, could make these contracts less profitable or unprofitable, which would have an adverse effect on our profit margin.

Under many of our contracts, the payment of some or all of our fees is conditioned upon our performance. We are increasingly moving away from contracts that are priced solely on a time and materials basis and toward contracts that also include incentives related to factors such as benefits produced. During fiscal year 2005, we estimate that approximately 28.1% of our contracts had some fixed-price, incentive-based or other pricing terms that conditioned some or all of our fees on our ability to deliver these defined goals. The trend to include greater incentives in our contracts may increase the variability in revenues and margins earned on such contracts, and may expose us to greater risk of loss on the contracts if we do not perform successfully. Additionally, the estimates required for revenue recognition on these contracts expose us to risk of misstatement of financial results if our estimates prove to be inaccurate.

A majority of our contracts can be terminated by our clients with short notice and without significant penalty. Our clients typically retain us on a non-exclusive, engagement-by-engagement basis, rather than under exclusive long-term contracts. A majority of our consulting engagements are less than 12 months in duration. The advance notice of termination required for contracts of shorter duration and lower revenues is typically 30 days. Longer-term, larger and more complex contracts generally require a longer notice period for termination and may include an early termination charge to be paid to us. Additionally, large client projects involve multiple engagements or stages, and there is a risk that a client may choose not to retain us for additional stages of a project or that a client will cancel or delay additional planned engagements. These terminations, cancellations or delays could result from factors unrelated to our work product or the project, such as business or financial conditions of the client, changes in client strategies or the economy in general. When contracts are terminated, we lose the associated revenues and we may not be able to eliminate associated costs in a timely manner. Consequently, our profit margins in subsequent periods may be lower than expected.

OUR PROFITABLITY WILL SUFFER IF WE ARE NOT ABLE TO MAINTAIN OUR PRICING AND UTILIZATION RATES AND CONTROL COSTS

Our profitability is largely a function of the rates we are able to obtain for our services and the utilization rate, or chargeability, of our professionals. If we do not maintain pricing for our services and an appropriate utilization rate for our professionals without corresponding cost reductions, our profitability will suffer. We are under increasing price competition from competitors, which could adversely affect our profitability.

IF INTERNATIONAL BUSINESS VOLUMES INCREASE, WE MAY BE EXPOSED TO A NUMBER OF BUSINESS AND ECONOMIC RISKS, WHICH COULD RESULT IN INCREASED EXPENSES AND DECLINING PROFITABILITY

If our international business volumes increase, we will face a number of business and economic risks, including:

- unfavorable foreign currency exchange rates or fluctuations;

- difficulties in staffing and managing foreign operations;

- seasonal reductions in business activity;

- competition from local and foreign-based consulting companies;

- ability to protect our intellectual property;

- unexpected changes in trading policies and regulatory requirements;

- legal uncertainties inherent in transnational operations such as export and import regulations, tariffs and other trade barriers;

- the impact of foreign laws, regulations and trade customs;

- U.S. and foreign taxation issues;

- operational issues such as longer customer payment cycles and greater difficulties in collecting accounts receivable;

- language and cultural differences;

- changes in foreign communications markets;

- increased cost of marketing and servicing international clients;

- potential limits on our ability to repatriate foreign profits;

- general political and economic trends, including the potential impact of terrorist attack or international hostilities; and

- expropriations of assets, including bank accounts, intellectual property and physical assets by foreign governments.

In addition, we may not be able to successfully execute our business plan in foreign markets. If we are unable to achieve anticipated levels of revenues from international operations, our overall revenues and profitability may decline.

WE ARE DEPENDENT ON A LIMITED NUMBER OF KEY PERSONNEL, AND THE LOSS OF THESE INDIVIDUALS COULD HARM OUR COMPETITIVE POSITION AND FINANCIAL PERFORMANCE

Our business consists primarily of the delivery of professional services and, accordingly, our success depends upon the efforts, abilities, business generation capabilities and project execution of our executive officers and key consultants. Our success is also dependent upon the

managerial, operational, marketing, and administrative skills of our executive officers, particularly Richard Nespola, TMNG's Chairman, President and Chief Executive Officer. The loss of any executive officer or key consultant or group of consultants, or the failure of these individuals to generate business or otherwise perform at or above historical levels, could result in a loss of customers or revenues, which could harm our financial performance.

IF WE FAIL TO PERFORM EFFECTIVELY ON PROJECT ENGAGEMENTS, OUR REPUTATION, AND THEREFORE OUR COMPETITIVE POSITION AND FINANCIAL PERFORMANCE, COULD BE HARMED

Many of our engagements come from existing clients or from referrals by existing clients. Therefore, our growth is dependent on our reputation and on client satisfaction. The failure to perform services that meet a client's expectations may damage our reputation and harm our ability to attract new business.

IF WE FAIL TO DEVELOP AND MAINTAIN LONG-TERM RELATIONSHIPS WITH OUR CUSTOMERS, OUR SUCCESS WOULD BE JEOPARDIZED

A substantial majority of our business is derived from repeat customers. Future success depends to a significant extent on our ability to develop long-term relationships with successful communications providers who will give us new and repeat business. Inability to build long-term customer relations would result in declines in our revenues and profitability. This may increasingly be the case with any further consolidation or contraction in the industry.

WE CLASSIFY A LARGE NUMBER OF SUBCONTRACTORS AS INDEPENDENT CONTRACTORS FOR TAX AND EMPLOYMENT LAW PURPOSES. IF THESE FIRMS OR PERSONNEL WERE TO BE RECLASSIFIED AS EMPLOYEES, WE COULD BE SUBJECT TO BACK TAXES, INTEREST, PENALTIES AND OTHER LEGAL CLAIMS

We provide a significant percentage of consulting services through independent contractors and, therefore, do not pay Federal or state employment taxes or withhold income taxes for such persons. We generally do not include these independent contractors in our benefit plans. In the future, the IRS or state authorities may challenge the status of consultants as independent contractors. Independent contractors may also initiate proceedings to seek reclassification as employees under state law. In either case, if persons engaged by us as independent contractors are determined to be employees by the IRS or any state taxation department, we would be required to pay applicable federal and state employment taxes and withhold income taxes with respect to such contractors, and could become liable for amounts required to be paid or withheld in prior periods along with interest and penalties. In addition, we could be required to include such contractors in benefit plans retroactively and going forward.

WE COULD BE SUBJECT TO CLAIMS FOR PROFESSIONAL LIABILITY, WHICH COULD HARM OUR FINANCIAL PERFORMANCE

As a provider of professional services, we face the risk of liability claims. A liability claim brought against us could harm our business. We may also be subject to claims by clients for the actions of our consultants and employees arising from damages to clients' business or otherwise, or clients may demand a reduction in fees because of dissatisfaction with our services.

OUR INABILITY TO PROTECT OUR INTELLECTUAL PROPERTY COULD HARM OUR COMPETITIVE POSITION AND FINANCIAL PERFORMANCE

Despite our efforts to protect proprietary rights from unauthorized use or disclosure, parties, including former employees or consultants, may attempt to disclose, obtain or use our solutions or technologies. The steps we have taken may not prevent misappropriation of our intellectual property, particularly in foreign countries where laws or law enforcement practices may not protect proprietary rights as fully as in the United States. Unauthorized disclosure of our proprietary information could make our solutions and methodologies available to others and harm our competitive position.

RISK THAT COULD AFFECT OUR STOCK PRICE

THE MARKET PRICE OF OUR COMMON STOCK IS VOLATILE, AND INVESTORS MAY EXPERIENCE INVESTMENT LOSSES

The market price of our common stock is volatile and has declined significantly from its initial public offering price. Our stock price could continue to decline or fluctuate in response to a variety of factors, including:

- variations in quarterly operating results;

- announcements of technological innovations that render talent outdated;

- future trends in the communications industry;

- acquisitions or strategic alliances by us or others in the industry;

- failure to achieve financial analysts' or other estimates of results of operations for any fiscal period;

- the relatively small public float and relatively low volume at which our stock trades;

- changes in estimates of performance or recommendations by financial analysts;

- any further reduction in our revenues or continued losses during 2006 and future years; and

- continuing adverse market conditions in the communications industry and the economy as a whole.

In addition, the stock market itself experiences significant price and volume fluctuations. These fluctuations particularly affect the market prices of the securities of many technology and communications companies. These broad market fluctuations could continue to harm the market price of our common stock. If the market price of our common stock falls below $1.00 per share for a period of 180 consecutive calendar days, we may risk being delisted from the NASDAQ Stock Market on which our stock trades. The recent decline in our overall market capitalization may also discourage analysts and investors from following us. Additionally, due to the limited public float of our common stock, investors may find their investment illiquid, and suffer losses.

PRINCIPAL STOCKHOLDERS, EXECUTIVE OFFICERS AND DIRECTORS HAVE SUBSTANTIAL CONTROL OVER OUR VOTING STOCK

Executive officers, directors and stockholders owning more than five percent of our outstanding common stock (and their affiliates) own a majority of our outstanding common stock. If all such persons acted together, they would have the ability to control all matters submitted to the stockholders for approval (including the election and removal of directors and any merger, consolidation or sale of all or substantially all of our assets) and to control our management and affairs. Concentration of ownership of our common stock may have the effect of delaying, deferring or preventing a change in control, impeding a merger, consolidation, takeover or other business combination involving us or discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of us, any of which could be beneficial to our shareholders.

WE MAY SEEK TO RAISE ADDITIONAL FUNDS, WHICH MAY BE DILUTIVE TO STOCKHOLDERS OR IMPOSE OPERATIONAL RESTRICTIONS

Although we have not been required to obtain new debt or equity financing to support our operations or complete acquisitions, we may decide or be required to raise new capital for these or other purposes in the future. There can be no assurances any such capital would be available to us on acceptable terms. Any additional equity financing, if available, may be dilutive to our stockholders and debt financing, if available, may involve restrictive covenants, which may limit our operating flexibility with respect to certain business matters. If additional funds are raised through the issuance of equity securities, our stockholders may experience dilution in the voting power or net book value per share of our stock, and any additional equity securities may have rights, preferences and privileges senior to those of the holders of our common stock.

ANTI-TAKEOVER PROVISIONS AND OUR RIGHT TO ISSUE PREFERRED STOCK COULD MAKE A THIRD PARTY ACQUISITION DIFFICULT

Our certificate of incorporation, bylaws, and anti-takeover provisions of Delaware law could make it more difficult for a third party to acquire control of our Company. In addition, our bylaws provide for a classified board, with board members serving staggered three-year terms. The Delaware anti-takeover provisions and the existence of a classified board, in addition to our relatively small public float, could make it more difficult for a third party to acquire us, even if such transaction were in the best interest of our shareholders.

ITEM 2. PROPERTY

Our principal executive offices are located in a 4,705 square foot facility in Overland Park, Kansas. This facility houses our executive, corporate and administrative offices and is under a lease, which expires in August 2010. In addition to the executive offices, we also lease a 7,575 square foot facility in McLean, Virginia, which lease expires in June 2009, and a 10,344 square foot facility in Boston, Massachusetts, which lease expires in 2011. The Boston and McLean locations are primarily utilized by management and consulting personnel.

In the fourth quarter of fiscal year 2004, the Company made the decision to consolidate office space. In connection with this decision, a sublease agreement for 11,366 square feet of unutilized office space in Boston, Massachusetts was entered into with a third party through the end of the original lease term in 2011.

ITEM 3. LEGAL PROCEEDINGS

We are involved in legal proceedings and litigation arising in the ordinary course of business. In addition, customer bankruptcies could result in a claim on collected balances for professional services near the bankruptcy filing date. While resolution of legal proceedings, claims and litigation may have an impact on our financial results for the period in which they are resolved, we believe that the ultimate disposition of these matters will not have a material adverse effect upon our consolidated results of operations, cash flows or financial position.

In June 1998, the bankruptcy trustee of a former client, Communications Network Corporation, sued TMNG for a total of $320,000 in the U.S. Bankruptcy Court in New York seeking recovery of $160,000 alleging an improper payment of consulting fees paid by the former client during the period from July 1, 1996, when an involuntary bankruptcy proceeding was initiated against the former client, through August 6, 1996, when the former client agreed to an order for relief in the bankruptcy proceeding, and $160,000 in consulting fees paid by the former client after August 6, 1996. The bankruptcy trustee also sued us for at least $1.85 million for breach of contract, breach of fiduciary duties and negligence. In March 2006, we reached a settlement agreement with the bankruptcy trustee whereby we agreed to pay the trustee $255,000 in exchange for being released from all potential liability under the suits discussed above.

Additionally, as of December 31, 2005 the Company has outstanding demands aggregating approximately $1.0 million by the bankruptcy trustees of several former clients in connection with collected balances near the customers' respective bankruptcy filing dates. Although we do not believe we received any preference payments from these former clients and plan to vigorously defend our position, we have established reserves of $727,000 as of December 31, 2005, which we believe are adequate.

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

No matters were submitted to a vote of security holders during the fourth quarter of 2005.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our Common Stock is quoted on the NASDAQ Stock Market under the symbol TMNG. The high and low closing price per share for the fiscal years ended December 31, 2005 and January 1, 2005 by quarter were as follows:

	High	Low
First quarter, fiscal year 2005	$ 2.57	$ 2.20
Second quarter, fiscal year 2005	$ 2.52	$ 1.83
Third quarter, fiscal year 2005	$ 2.59	$ 2.06
Fourth quarter, fiscal year 2005	$ 2.78	$ 2.24

	High	Low
First quarter, fiscal year 2004	$ 5.50	$ 3.19
Second quarter, fiscal year 2004	$ 3.75	$ 1.77
Third quarter, fiscal year 2004	$ 2.45	$ 1.62
Fourth quarter, fiscal year 2004	$ 2.40	$ 1.92

The above information reflects inter-dealer prices, without retail mark-up, markdown or commissions and may not necessarily represent actual transactions.

As of March 28, 2006 the closing price of our Common Stock was $2.24 per share. At such date, there were approximately 84 holders of record of our Common Stock.

Holders of Common Stock are entitled to receive ratably such dividends, if any, as may be declared by the Board of Directors out of funds legally available. To date, we have not paid any cash dividends on our Common Stock and do not expect to declare or pay any cash or other dividends in the foreseeable future.

EQUITY COMPENSATION PLAN INFORMATION

	(a) NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS OR VESTING OF RESTRICTED STOCK	(b) WEIGHTED AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS
APPROVED BY SECURITY HOLDERS		
- 1998 Equity Incentive Plan - Stock Options	5,052,405	$ 4.51
- 1998 Equity Incentive Plan - Restricted Stock	895,000	n/a
PLANS NOT APPROVED BY SECURITY HOLDERS		
- 2000 Supplemental Stock Plan	957,040	$ 4.63
TOTAL	6,904,445	

For an additional discussion of our equity compensation plans, see Item 8, "Consolidated Financial Statements," Note 9 "Stock Option Plan and Stock-Based Compensation."

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ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data presented below have been derived from our consolidated financial statements. The data presented below should be read in conjunction with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," Item 8, "Consolidated Financial Statements" and Notes thereto and other financial information appearing elsewhere in this annual report on Form 10-K.

	FISCAL YEAR		
	December 31, 2005	January 1, 2005	January 2004
		(IN THOUSANDS, EXCEPT	
CONSOLIDATED STATEMENTS OF OPERATIONS DATA:			
Revenues	$30,378	$23,704	$23,2
Cost of services:			
Direct cost of services (exclusive of amortization shown below)	14,834	12,319	11,9
Equity related charges (benefits).................	100	205	(
Total cost of services (exclusive of amortization shown below)................	14,934	12,524	11,8
	15,444	11,180	11,3
Operating expenses:			

Selling, general and administrative	18,462	16,037	19,3
Legal settlement	95	(1,294)	
Real estate restructuring	75	1,545	
Goodwill and intangible asset impairment			19,4
Goodwill and intangibles amortization	336	992	2,3
Equity related charges	618	958	1
Total operating expenses	19,586	18,238	41,3
	(4,142)	(7,058)	(29,9
Other income (expense):			
Interest income	1,632	718	6
Other, net	126	(30)	(
Total other income (expense)	1,758	688	5
Income (loss) from continuing operations before income tax (provision) benefit and cumulative effect of a change in accounting principle	(2,384)	(6,370)	(29,3
Income tax (provision) benefit	(36)	(49)	(12,9
Income (loss) from continuing operations before cumulative effect of a change in accounting principle	(2,420)	(6,419)	(42,3
Cumulative effect of a change in accounting principle, net of taxes			
Income (loss) from continuing operations	(2,420)	(6,419)	(42,3
Discontinued operations:			
Net income (loss) from discontinued operations		(2,276)	
Net income (loss)	$(2,420)	$(8,695)	$(42,3
Net income (loss) from continuing operations before cumulative effect of a change in accounting principle per common share			
Basic	$ (0.07)	$ (0.18)	$ (1.
Diluted	$ (0.07)	$ (0.18)	$ (1.
Cumulative effect of a change in accounting principle per common share			
Basic and Diluted			
Net income (loss) from discontinued operations per common share			
Basic and Diluted		$ (0.07)	
Net income (loss) per common share			
Basic	$ (0.07)	$ (0.25)	$ (1.
Diluted	$ (0.07)	$ (0.25)	$ (1.
Weighted average common shares outstanding			
Basic	35,175	34,619	33,5
Diluted	35,175	34,619	33,5

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	December 31, 2005	January 1, 2005	January 2004
			(IN THOUS
CONSOLIDATED BALANCE SHEET DATA:			
Net working capital	$ 52,497	$ 55,121	$ 57,2
Total assets	$ 73,549	$ 75,353	$ 81,5
Total capital lease obligations	$ 4	$ 200	$ 4
Total stockholders' equity	$ 66,048	$ 66,747	$ 73,3

On September 5, 2001, we completed our acquisition of Tri-Com Computer Services Inc., a Maryland corporation. The acquisition, recorded under the purchase method of accounting, included the purchase of all outstanding shares of Tri-Com, which resulted in a total purchase price of approximately $5.2 million for the equity and assumption of liabilities. Consideration consisted of $1.8 million cash and 490,417 shares of our common stock valued at $3.0 million. We incurred direct costs of approximately $180,000 related to the acquisition and recorded this amount as an increase to purchase price. In addition to the above-mentioned costs, we recorded approximately $216,000 as an increase to purchase price in connection with the exchange of our stock options for vested stock appreciation rights held by Tri-Com employees at the time of acquisition.

On March 6, 2002, we completed our acquisition of CSMG, a Delaware corporation. The acquisition resulted in a total purchase price of approximately $46.5 million consisting of $33.0 million cash and $13.5 million in common stock. Additionally, we incurred direct costs of $2.3 million related to the acquisition and recorded this amount as an increase to purchase price.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our Consolidated Financial Statements and Notes thereto included in this Annual Report on Form 10-K. The forward-looking statements included in this discussion and elsewhere in this Form 10-K involve risks and uncertainties, including anticipated financial performance, business prospects, industry trends, shareholder returns and other matters, which reflect management's best judgment based on factors currently known. Actual results and experience could differ materially from the anticipated results and other expectations expressed in our forward-looking statements and should be read in conjunction with the disclosures and information contained in the sections of this report entitled "Disclosures Regarding Forward-Looking Statements" and in Item 1A, " Risk Factors."

EXECUTIVE FINANCIAL OVERVIEW

Included in Item 1, "Business" and Item 1A, "Risk Factors", is discussion that includes a general overview of our Business, Market Overview, Business Strategy, Competition and Risk Factors. The purpose of this executive overview is to complement the qualitative discussion of the Business from Item 1.

As previously noted, the communications industry experienced a significant economic recession from 2001 through 2004. We are a consultancy to the industry, and as a result experienced a significant reduction in consulting business during that period primarily due to the recession. We experienced significant revenue declines and/or net losses from 2001 to 2004 (see Item 6, "Selected Consolidated Financial Data"). During this period we maintained relatively consistent gross margins through innovative pricing and high consultant utilization levels.

Beginning in late 2004 and continuing through fiscal year 2005, we have seen significant changes in the industry resulting from consolidation, technology transformation and the convergence of telecommunication, media and entertainment sectors. During 2005, our revenues increased 28% compared with 2004. Additionally, gross margins improved to nearly 51% in 2005 compared with 47% in 2004. We believe these improved operating results and margins are reflective of our efforts to identify, adapt to and capitalize on these change elements, combined with growth of wireless and IP initiatives within the communications sector.

As a result of a combination of significantly lower operating results of reporting units during fiscal year 2003, the resignation of certain key personnel and revised and reduced financial projections, our operating expenses include goodwill and intangible impairment losses of $19.5 million in fiscal year 2003. In fiscal year 2004, we recorded a goodwill impairment loss of $2.2 million in connection with the discontinuation of our hardware business. In fiscal years 2005, 2004, and 2003, we also recorded valuation reserves of $0.9 million, $2.6 million, and $24.0 million, respectively, in connection with deferred income tax assets, which were generated primarily by goodwill impairment and current operating losses.

Selling, general and administrative costs were $18.5 million, $16.0 million and $19.4 million in fiscal years 2005, 2004 and 2003, respectively. The increase from fiscal year 2004 to fiscal year 2005, primarily reflects non-capitalizable research & development (R&D) investments in intellectual property, including proprietary toolsets and methodologies to support new wireless and IP consultative offerings as well as increases in variable selling expenses to support the increase in revenues. Although these investments have impacted our short-term profitability, we believe they will better enable us to capitalize on the industry convergence and migration toward wireless and IP platforms. We are also focusing our marketing efforts on growth markets surrounding large and sustainable clients to maintain a portfolio of business that is high credit quality, thus reducing bad debt risks.

Our R&D investments have been partially offset by comprehensive cost containment efforts which have assisted us in maintaining strong levels of cash and short-term investments. Our short-term investments consist of money market funds and investment-grade auction rate securities. Returns on our short-term investments have increased over recent periods as a result of increasing interest rates.

OPERATIONAL OVERVIEW

We report our financial data on a 52/53-week fiscal year. Fiscal years 2005 and 2004 had 52 weeks. Fiscal year 2003 was a 53 week fiscal year. For further discussion of our fiscal year end see Item 8, "Consolidated Financial

Statements," Note 1 "Organization and Summary of Significant Accounting Policies," contained herein.

Revenues typically consist of consulting fees for professional services and related expense reimbursements. Our consulting services are typically contracted on a time and materials basis, a time and materials basis not to exceed contract price, a fixed fee basis, or contingent fee basis. Revenues on contracts with a not to exceed contract price or a fixed cost contract are recorded under the percentage of completion method, utilizing estimates of project completion under both of these types of contracts. Larger fixed price contracts have recently begun to represent a more significant component of our revenue mix. Contract revenues on contingent fee contracts are deferred until the revenue is realizable and earned.

Generally a client relationship begins with a short-term engagement utilizing a few consultants. Our sales strategy focuses on building long-term relationships with both new and existing clients to gain additional engagements within existing accounts and referrals for new clients. Strategic alliances with other companies are also used to sell services. We anticipate that we will continue to pursue these marketing strategies in the future. Because we are a consulting company, we experience fluctuations in revenues derived from clients during the course of a project lifecycle. As a result, the volume of work performed for specific clients varies from period to period and a major client from one period may

not use our services or the same volume of services in another period. In addition, clients generally may end their engagements with little or no penalty or notice. If a client engagement ends earlier than expected, we must re-deploy professional service personnel as any resulting unbillable time could harm margins.

Cost of services consists primarily of compensation for consultants who are employees and amortization of equity related non-cash charges incurred in connection with pre-initial public offering grants of equity securities and restricted stock awards primarily to consultants, as well as fees paid to independent contractor organizations and related expense reimbursements. Employee compensation includes certain unbillable time, training, vacation time, benefits and payroll taxes. Annual gross margins have ranged from 48.9% to 50.8% during the period from 2003 to 2005. Gross margins are primarily impacted by the type of consulting services provided; the size of service contracts and negotiated volume discounts; changes in our pricing policies and those of competitors; utilization rates of consultants and independent subject matter experts; and employee and independent contractor organization costs, which tend to be higher in a competitive labor market.

Operating expenses include selling, general and administrative, equity related charges, intangible asset amortization, and goodwill and intangible asset impairments, litigation settlements and real estate restructuring charges. Sales and marketing expenses consist primarily of personnel salaries, bonuses, and related costs for direct client sales efforts and marketing staff. We primarily use a relationship sales model in which partners, principals and senior consultants generate revenues. In addition, sales and marketing expenses include costs associated with marketing collateral, product development, trade shows and advertising. General and administrative expenses consist mainly of costs for accounting, recruiting and staffing, information technology, personnel, insurance, rent, and outside professional services incurred in the normal course of business. The equity related charges consist of non-cash amortization charges incurred in connection with pre-initial public offering grants of equity securities and restricted stock awards, primarily to principals and certain senior executives. Impairment relates to the write down of goodwill calculated in accordance with the provisions of SFAS No. 142, "Accounting for Goodwill and Intangible Assets" and write down of other intangibles calculated in accordance with the provisions of SFAS No. 144, "Accounting for the Impairment on Disposal of Long Lived Assets." Such impairments occur when the carrying amount of a long-lived asset (asset group) is not recoverable and exceeds its fair value. That assessment is based on the carrying amount of the asset (asset group) at the date it is tested for recoverability, whether in use or under development.

CRITICAL ACCOUNTING POLICIES

Our significant accounting policies are summarized in Note 1 to the consolidated financial statements included in Item 8 "Consolidated Financial Statements" of this report.

While the selection and application of any accounting policy may involve some level of subjective judgments and estimates, we believe the following accounting policies are the most critical to our consolidated financial statements, potentially involve the most subjective judgments in their selection and application, and are the most susceptible to uncertainties and changing conditions:

- Allowance for Doubtful Accounts;
- Impairment of Goodwill and Long-lived Intangible Assets;
- Revenue Recognition; and
- Deferred Income Tax Assets.

Allowances for Doubtful Accounts - Substantially all of our receivables are owed by companies in the communications industry. We typically bill customers for services after all or a portion of the services have been performed and require customers to pay within 30 days. We attempt to control credit risk by being diligent in credit approvals, limiting the amount of credit extended to customers and monitoring customers' payment record and credit status as work is being performed for them.

We recorded bad debt expense in the amounts of $399,000 and $575,000 for fiscal years 2004 and 2003, respectively. We recorded a credit to bad debt expense of $59,000 in fiscal year 2005 as recoveries offset our estimate of new uncollectible accounts. Our allowance for doubtful accounts totaled $296,000, $396,000 and $652,000 at the end of fiscal years 2005, 2004 and 2003, respectively. The calculation of these amounts is based on judgment about the anticipated default rate on receivables owed to us as of the end of the reporting period. That judgment was based on uncollected account experience in prior years and our ongoing evaluation of the credit status of our customers and the communications industry in general.

We have attempted to mitigate credit risk by concentrating our marketing efforts on the largest and most stable companies in the communications industry and by tightly controlling the amount of credit provided to customers. If we are unsuccessful in these efforts, or if our customers file for bankruptcy or experience financial difficulties, it is possible that the allowance for doubtful accounts will be insufficient and we will have a greater bad debt loss than the amount reserved, which would adversely affect our financial performance and cash flow.

Impairment of Goodwill and Long-lived Intangible Assets - Goodwill and other long-lived intangible assets arising from our acquisitions are subjected to periodic review for impairment. SFAS No. 142 requires an annual evaluation at the reporting unit level of the fair value of goodwill and compares the calculated fair value of the reporting unit to its book value to determine whether an impairment has been deemed to occur. Any impairment charge would be based on the most recent estimates of the recoverability of the recorded goodwill. If the remaining book value assigned to goodwill in an acquisition is higher than the estimated fair value of the reporting unit, there is a requirement to write down these assets. The determination of fair value requires management to make assumptions about future cash flows and discounted rates. These assumptions require significant judgment and estimations about future events and are thus subject to significant uncertainty. If actual

cash flows turn out to be less than projected, we may be required to take further write-downs, which could increase the variability and volatility of our future results.

Effective March 4, 2004, management and the Board of Directors elected to discontinue our hardware business. We concluded this segment of the business did not align well with our strategic focus. We incurred goodwill impairment charges of $2.2 million in the first quarter of fiscal year 2004, related to the discontinuation of the hardware business, in accordance with the provisions of SFAS No. 142.

Due to a combination of significantly lower operating results of reporting units during fiscal year 2003, the resignation of key personnel, and revised and reduced financial projections, we recorded a goodwill impairment loss of $15.8 million in 2003, in accordance with the provisions of SFAS No. 142. For an additional discussion see Item 8, "Consolidated Financial Statements," Note 2 "Goodwill and Other Intangible Assets."

In accordance with SFAS No. 144, we use our best estimates based upon reasonable and supportable assumptions and projections, reviews for impairment of long-lived assets and certain identifiable intangibles to be held and used whenever events or changes in circumstances indicate that the carrying amount of our assets might not be recoverable. During fiscal year 2003 we identified certain events, including a significant decrease in revenue from customers whose relationships were valued in purchase accounting. We performed an impairment test, and determined that the carrying value of customer relationships exceeded its fair market value and recorded an aggregate impairment loss of $3.7 million. Fair value was based on an analysis of projected future cash flows. The impairment loss has been reflected as a component of Loss from Operations in the Statement of Operations and Comprehensive Loss.

Revenue Recognition--We recognize revenue from time and material contracts in the period in which our services are performed. In addition to time and materials contracts, our other types of contracts include time and materials contracts not to exceed contract price, fixed fee contracts, and contingent fee contracts.

We recognize revenues on time and materials contracts not to exceed contract price and fixed fee contracts using the percentage of completion method. Percentage of completion accounting involves calculating the percentage of services provided during the reporting period compared with the total estimated services to be provided over the duration of the contract. For all contracts, estimates of total contract revenues and costs are continuously monitored during the term of the contract, and recorded revenues and costs are subject to revisions as the contract progresses. Such revisions may result in a material increase or decrease in revenues and income and are reflected in the financial statements in the periods in which they are first identified.

We also enter into fixed fee contracts in which revenue is based upon delivery of services or solutions, and contingent fee contracts, in which revenue is subject to achievement of savings or other agreed upon results, rather than time spent. Due to the nature of contingent fee contracts, we recognize costs as they are incurred on the project and defer revenue recognition until the revenue is realizable and earned as agreed to by our clients. Although these contracts can be very rewarding, the profitability of these contracts is dependent on our ability to deliver results for our clients and control the cost of providing these services. Both of these types of contracts are typically more results-oriented and are subject to greater risk associated with revenue recognition and overall project profitability than traditional time and materials contracts.

Deferred Income Tax Assets - We have generated substantial deferred income tax assets primarily from the accelerated financial statement write-off of goodwill, the charge to compensation expense taken for stock options and net operating loss carryforwards. For us to realize the income tax benefit of these assets, we must generate sufficient taxable income in future periods when such deductions are allowed for income tax purposes. In some cases where deferred taxes were the result of compensation expense recognized on stock options, our ability to realize the income tax benefit of these assets is also dependent on our share price increasing to a point where these options will be exercised. In assessing whether a valuation allowance is needed in connection with our deferred income tax assets, we have evaluated our ability to carry back tax losses to prior years that reported taxable income, and our ability to generate sufficient taxable income in future periods to utilize the benefit of the deferred income tax assets. Such projections of future taxable income require significant subjective judgments and estimates by us. As of December 31, 2005, cumulative valuation allowances in the amount of $27.5 million were recorded in connection with the deferred income tax assets. We continue to evaluate the recoverability of the recorded deferred income tax asset balances. If we continue to report net operating losses for financial reporting in future years, no additional tax benefit would be recognized for those losses, since we would be required to increase our valuation allowance to offset such amounts.

RECENT ACCOUNTING PRONOUNCEMENT

In December 2004, the FASB issued SFAS No. 123R which replaces SFAS No. 123 and supersedes APB No. 25. SFAS No. 123R requires compensation costs related to share-based payment transactions to be recognized in the financial statements based on the fair value on the grant date of the equity or liability instruments issued. Compensation cost will be recognized over the period that an employee provides service for that award, resulting in a decrease in net earnings. We will adopt the provisions of this Statement, as amended, using the modified prospective method beginning in fiscal year 2006. Compensation costs will be recognized for awards that are issued beginning in 2006 and for awards that have been granted prior to December 31, 2005 but have yet to reach the end of the requisite service period. The amount of expense to be recognized over the remaining service period as of December 31, 2005 is approximately $3.0 million to $3.5 million. We will begin expensing these costs over the shorter of the vesting period or the period from the date of grant to the date the employee becomes eligible for retirement. Based on currently outstanding options, we expect to record a total expense of approximately $2.0 million to $2.4 million during fiscal year 2006.

RESULTS OF OPERATIONS

On March 4, 2004, management and the Board of Directors elected to discontinue our hardware business. The Consolidated Statements of Operations and Comprehensive Loss have been adjusted for fiscal years 2004 and 2003 to report the income (loss) from discontinued operations, net of tax. For a further discussion see Item 1, "Notes to Consolidated Condensed Financial Statements," Note 3, "Discontinued Operations."

FISCAL 2005 COMPARED TO FISCAL 2004

REVENUES

Revenues increased 28.2% to $30.4 million for fiscal year 2005 from $23.7 million for fiscal year 2004. The increase in revenue in 2005 is attributable to an increased penetration of consulting services to our top 5 client relationships, with emphasis in growth areas of wireless and IP. During fiscal year 2005, we provided services on 231 customer projects, compared to 197 projects performed in fiscal year 2004. Average revenue per project was $132,000 in fiscal year 2005 compared to $120,000 in fiscal year 2004. The increase in average revenue per project was primarily attributable to a small number of large engagements in the mix in fiscal year 2005. Our international revenue base decreased to 3.9% of our revenues for fiscal year 2005, from 22.3% for fiscal year 2004, due primarily to the completion of multiple large projects in Western Europe at the end of fiscal year 2004, combined with an increase in our domestic project and revenue base.

Revenues recognized in connection with fixed price and contingent fee engagements totaled $8.5 million and $9.6 million in fiscal year 2005 and 2004, respectively, representing 28.1% and 40.5% of total revenue in fiscal year 2005 and 2004, respectively. The mix of contract engagement types will vary by year, depending on the type of engagement.

COST OF SERVICES

Direct costs of services increased to $14.8 million for fiscal year 2005 compared to $12.3 million for fiscal year 2004. As a percentage of revenues, our gross margin based on direct cost of services was 51.2% for fiscal year 2005 compared to 48.0% for fiscal year 2004. The increase in gross margin was primarily attributable to a shift in the mix of services to more strategy and management consultancy engagements which typically yield higher margins than staffing engagements, coupled with better utilization levels.

Non-cash equity related charges were $100,000 and $205,000 for fiscal year 2005 and 2004, respectively. The charges primarily relate to awards of restricted stock to select executives and key consultants which are being amortized on a graded vesting schedule over a period of two years from the date of grant.

OPERATING EXPENSES

In total, operating expenses increased by 7.4% to $19.6 million for fiscal year 2005, from $18.2 million for fiscal year 2004. Operating expenses include selling, general and administrative costs, legal settlement, real estate restructuring, equity related charges, and intangible asset amortization. The major components of the increase are discussed by category in the following paragraphs.

The increase in operating expenses includes $2.4 million related to selling, general and administrative expense increases in fiscal year 2005 compared to fiscal year 2004. The increase is primarily related to increased R&D in our initiative to develop our MVNE offerings and toolsets for IP transformations in fiscal year 2005 and increases in variable selling expenses to support the increase in revenues.

In fiscal year 2005 we recorded a charge of $95,000 to settle a preference claim legal dispute with the bankruptcy trustee of a former client. In fiscal year 2004 we entered into a mediated settlement agreement to settle pending litigation with a customer regarding a take or pay contract. As part of the settlement, we received a $2 million payment to settle all claims and disputes in the litigation. This payment was recorded as a $1.3 million reduction of operating expenses and $0.7 million reduction of existing receivables. We made the decision to consolidate office space resulting in a charge to earnings of $1.5 million in 2004 and an additional expense of $75,000 in fiscal year 2005.

Non-cash equity related charges were $0.6 million in fiscal year 2005 compared to $1.0 million for fiscal year 2004. The charges primarily relate to the award of restricted stock issued to select executives and key employees, which are being amortized on a grading vesting schedule over periods of two to four years from the date of grant. The decrease in equity related charges is the result of reversals of previously recognized compensation expense related to forfeitures of restricted stock.

Intangible asset amortization was $0.3 million in fiscal year 2005, compared to $1.0 million in fiscal year 2004. The decrease in intangible asset amortization was due to certain intangible assets becoming fully amortized during fiscal year 2004 and early fiscal year 2005.

OTHER INCOME AND EXPENSES

Interest income was $1.6 million and $0.7 million for fiscal years 2005 and 2004, respectively, and represented interest earned on invested balances. Interest income increased during fiscal year 2005 due primarily to increases in interest rates from 2004 to 2005. We primarily invest in money market funds and investment-grade auction rate securities as part of our overall investment policy.

INCOME TAXES

For fiscal years 2005 and 2004 we have fully reserved our deferred income tax benefits generated by our pre-tax losses from continuing operations of $2.4 million and $6.4 million, respectively. The fiscal years 2005 and 2004 income tax provisions of $36,000 and $49,000, respectively, relate to state income taxes. In fiscal years 2005 and 2004, we recorded valuation allowances in the amount of $0.9 million and $2.6 million, respectively, against deferred income tax assets. The valuation allowance was calculated utilizing the guidance of SFAS No. 109 "Accounting for Income Taxes" which requires an estimation of the recoverability of the recorded deferred income tax asset balances.

FISCAL 2004 COMPARED TO FISCAL 2003

REVENUES

Revenues increased 2.0% to $23.7 million for fiscal year 2004 from $23.2 million for fiscal year 2003. Included in revenues for fiscal year 2003 was $0.7 million related to a customer take or pay contract, representing the shortfall in consulting services utilized by a customer in connection with annual minimum usage requirements. The increase in revenue in 2004 is attributable to an increase in engagements in the wireless segment of the telecom industry, along with a slight increase in the average size of projects. During fiscal year 2004, we provided services on 197 customer projects, compared to 196 projects performed in fiscal year 2003. Average revenue per project was $120,000 in fiscal year 2004 compared to $119,000 in fiscal year 2003. International revenue base increased to 22.3% of our revenues for fiscal year 2004, from 10.0% for fiscal year 2003, due primarily to a significant increase in project activity with select large global wireline and wireless carriers located in Western Europe and Australia. Revenues recognized in connection with fixed price engagements totaled $9.6 million and $6.4 million in fiscal year 2004 and 2003, respectively, representing 40.5% and 27.4% of total revenue in fiscal year 2004 and 2003, respectively.

Effective March 4, 2004, management and the Board of Directors elected to discontinue our hardware business (previously reported as the separate business segment "All Other"). Operating results of the hardware business for fiscal years 2004 and 2003 have been included as a component of discontinued operations in the Consolidated Statements of Operations and Comprehensive Loss contained herein.

COST OF SERVICES

Direct costs of services increased to $12.3 million for fiscal year 2004 compared to $11.9 million for fiscal year 2003. As a percentage of revenues, our gross margin based on direct cost of services was 48.0% for fiscal year 2004 compared to 48.7% for fiscal year 2003. Included in fiscal year 2003 gross margin is the $0.7 million of revenue from the take or pay contract discussed above. Gross margin percentage is attributable to the mix of services, pricing of our projects and efficiency of delivery.

Non-cash equity related charges were $205,000 for fiscal year 2004. The charges relate to the award of restricted stock issued to select executives and key employees during the fourth quarter of fiscal year 2003, which are being amortized on a graded vesting schedule over a period of two years from the date of grant. The non-cash equity related benefit of $57,000 for fiscal year 2003, was primarily related to the cancellation and forfeiture of unvested stock options by employees.

OPERATING EXPENSES

In total, operating expenses decreased by 55.9% to $18.2 million for fiscal year 2004, from $41.3 million for fiscal year 2003. Operating expenses include selling, general and administrative costs, legal settlement, real estate restructuring, equity related charges, goodwill and intangible asset impairment, and intangible asset amortization. The major components of the decrease are discussed by category in the following paragraphs.

The decrease in operating expenses includes $3.3 million related to selling, general and administrative expense reductions in fiscal year 2004 compared to fiscal year 2003. Approximately $1.5 million of the reductions were associated with reductions in personnel levels and improvement in our utilization rates, as part of our ongoing effort to properly size the business to a lower revenue base. In fiscal year 2004 we incurred severance charges of $0.1 million compared to $0.4 million in fiscal year 2003 related to involuntary employee turnover. We also reduced outside professional service fees by $0.6 million in fiscal year 2004 from fiscal year 2003. Additionally, throughout fiscal year 2004, we implemented a number of cost reductions within sales and marketing, communications, insurance, and other administrative costs. We continue to examine cost-reduction measures to enhance our profitability and manage operating expenses to better align them with the size of the business.

We recorded a goodwill and intangible asset impairment charge of $19.5 million in fiscal year 2003. The goodwill impairment charge is attributable to a combination of the resignation of key executive personnel during fiscal year 2003 and lower than expected operating results of reporting units during fiscal year 2003, both of which adversely affected future projections of operating results utilized in the impairment analysis. The write down of goodwill and customer relationships was calculated in accordance with the provisions of SFAS No. 142 and SFAS No. 144, respectively.

In fiscal year 2004 we entered into a mediated settlement agreement to settle pending litigation with a customer regarding the take or pay contract discussed in "Revenues" above. As part of the settlement, we received a $2 million payment to settle all claims and disputes in the litigation. This payment was recorded as a $1.3 million reduction of operating expenses and $0.7 million reduction of existing receivables. Also during fiscal year 2004, we made the decision to consolidate office space resulting in a charge to earnings of $1.5 million.

Non-cash equity related charges were $1.0 million in fiscal year 2004 compared to $0.1 million for fiscal year 2003. The fiscal year 2004 charges relate to the award of restricted stock issued to select executives and key employees during the fourth quarter of fiscal year 2003, which are being amortized on a graded vesting schedule over a period of two years from the date of grant.

OTHER INCOME AND EXPENSES

Interest income was $0.7 million and $0.6 million for fiscal years 2004 and 2003, respectively, and represented interest earned on invested cash and cash equivalent balances and short-term investments. Interest income increased during fiscal year 2004 due to investing cash reserves at slightly higher interest rate returns in 2004 compared to 2003. We primarily invest in money market funds and investment-grade auction rate securities as part of our overall investment policy.

INCOME TAXES

For fiscal year 2004 we have fully reserved our deferred income tax benefits generated by our pre-tax losses of $6.4 million from continuing operations. The fiscal year 2004 income tax provision of $49,000 relates to state income taxes. In fiscal year 2003, we recorded a valuation allowance in the amount of $24.0 million against deferred income tax assets, offsetting the income tax benefit from current year operating losses and resulting in a net income tax provision of $13.0 million. The valuation allowance was calculated utilizing the guidance of SFAS No. 109, "Accounting for Income Taxes" which requires an estimation of the recoverability of the recorded deferred income tax asset balances.

SUMMARY OF QUARTERLY RESULTS OF OPERATIONS -- UNAUDITED

(In thousands, except per share data

	QUARTER ENDED			
	APRIL 2, 2005	JULY 2, 2005	OCTOBER 1, 2005	DE
Revenues	$ 7,067	$ 9,017	$ 8,057	

Gross profit	$ 3,638	$ 4,464	$ 4,199
Net income (loss)	$ (608)	$ 30	$ 24
Basic and diluted net income (loss) per common share	$ (0.02)	$ 0.00	$ 0.00

	QUARTER ENDED			
	APRIL 3, 2004	JULY 3, 2004	OCTOBER 2, 2004	J
Revenues	$ 5,779	$ 5,184	$ 6,546	
Gross profit	$ 2,812	$ 2,393	$ 3,054	
Net loss from discontinued operation	$ (2,276)			
Net loss	$ (4,251)	$ (2,117)	$ (1,119)	
Basic and diluted net loss from discontinued operation per common share	$ (0.07)			
Basic and diluted net loss per common share	$ (0.13)	$ (0.06)	$ (0.03)	

LIQUIDITY AND CAPITAL RESOURCES

Net cash used in operating activities was $0.8 million, $0.7 million and $0.9 million for fiscal years 2005, 2004, and 2003, respectively. We used cash in operating activities for fiscal years 2005, 2004 and 2003 primarily due to operating losses. These losses were substantially offset

by effective management of working capital and operating assets and liabilities and a favorable legal settlement during fiscal year 2004.

Net cash provided by (used in) investing activities was $0.6 million, $2.6 million and ($2.0 million) for fiscal year 2005, 2004, and 2003, respectively. This includes net proceeds (net purchases) from sales and reinvestments of auction rate securities of $2.6 million, $2.8 million and ($1.9 million) in fiscal years 2005, 2004, and 2003, respectively. In fiscal year 2005 net cash provided by investing activities was reduced by a $1.5 million investment in a five-year exclusive marketing license with S3 Matching Technologies. Net cash provided by (used in) investing activities also includes acquisitions of office equipment, software and computer equipment of $0.5 million, $0.2 million and $0.1 million in fiscal years 2005, 2004, and 2003, respectively.

Net cash provided by financing activities was $482,000, $22,000, and $94,000 for fiscal years 2005, 2004, and 2003, respectively, which related to proceeds from the exercise of employee stock options as well as common stock issued by us as part of our employee stock purchase program, partially offset by payments made on long-term obligations.

FINANCIAL COMMITMENTS

As of December 31, 2005, we have the following contractual obligations and commercial commitments by year (amounts in millions):

	2006	2007	2008	2009	2010	2011	Total
Operating leases	$1.9	$1.9	$1.9	$1.8	$1.6	$0.1	$9.2
Total	$1.9	$1.9	$1.9	$1.8	$1.6	$0.1	$9.2

We have met our cash requirements with a combination of operating revenues and the use of our cash reserves.

At December 31, 2005, we had approximately $49.7 million in cash, cash equivalents, and short-term investments. We believe we have sufficient cash and short-term investments to meet anticipated cash requirements, including anticipated capital expenditures, consideration for possible acquisitions, and any future operating losses that may be incurred, for at least the next 12 months. Should our cash and short-term investments prove insufficient we might need to obtain new debt or equity financing to support our operations or complete acquisitions. We have established a flexible model that provides a lower fixed cost structure than most consulting firms, enabling us to scale operating cost structures more quickly based on market conditions. Our strong cash position and absence of long-term debt have enabled us to weather adverse conditions in the telecommunications industry and to make investments in intellectual property we believe are enabling us to capitalize on the current recovery and transformation of the industry; however, if the industry and demand for our consulting services do not continue to rebound and we continue to experience negative cash flow, we could experience liquidity challenges at some future point.

TRANSACTIONS WITH RELATED PARTIES

During fiscal year 2004, we made payments of $55,000 to a legal firm in which a member of our Board of Directors owns an equity interest. Such payments were made in connection with matters arising in the normal course of business. Our Board of Directors has affirmatively determined that such payments do not constitute a material relationship between the director and the Company and concluded the director is independent as defined by the NASDAQ corporate governance rules.

As of December 31, 2005, there is one remaining line of credit between the Company and its Chief Financial Officer, Richard P. Nespola, which originated in fiscal year 2001. Aggregate borrowings outstanding against the line of credit at December 31, 2005 and January 1, 2005 totaled $300,000 and are due in 2011. These amounts are included in other assets in the non-current assets section of the balance sheet. In accordance with the loan provisions, the interest rate charged on the loans is equal to the Applicable Federal Rate (AFR), as announced by the Internal Revenue Service, for short-term obligations (with annual compounding) in effect for the month in which the advance is made, until fully paid. Pursuant to the Sarbanes-Oxley Act, no further loan agreements or draws against the line may be made by the Company to, or arranged by the Company for its executive officers. Interest payments on this loan are current as of December 31, 2005.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We do not invest excess funds in derivative financial instruments or other market rate sensitive instruments for the purpose of managing our foreign currency exchange rate risk. We invest excess funds in short-term investments, including auction rate securities, the yield of which is exposed to interest rate market risk. Auction rate securities are classified as available-for-sale and reported on the balance sheet at fair value, which equals market value, as the rate on such securities resets generally every 28 to 35 days. Consequently, interest rate movements do not materially affect the balance sheet valuation of the fixed income investments. Changes in the overall level of interest rates affect our interest income generated from investments.

We do not have material exposure to market related risks. Foreign currency exchange rate risk may become material given U.S. dollar to foreign currency exchange rate changes and significant increases in international engagements denominated in the local currency of our clients.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE BOARD OF DIRECTORS OF

The Management Network Group, Inc.
Overland Park, Kansas

We have audited the accompanying consolidated balance sheets of The Management Network Group, Inc. and subsidiaries (the "Company") as of December 31, 2005 and January 1, 2005 and the related consolidated statements of operations and comprehensive loss, stockholders' equity and cash flows for the fiscal years ended December 31, 2005, January 1, 2005 and January 3, 2004 (52, 52, and 53 weeks, respectively). 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 the standards of the Public Company Accounting Oversight Board (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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2005 and January 1, 2005, and the results of its operations and its cash flows for the fiscal years ended December 31, 2005, January 1, 2005 and January 3, 2004 in conformity with accounting principles generally accepted in the United States of America.

/S/ DELOITTE & TOUCHE LLP

KANSAS CITY, MISSOURI

March 29, 2006

THE MANAGEMENT NETWORK GROUP, INC.

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA)

ASSETS

	December 31, 2005	Jan
CURRENT ASSETS:		
Cash and cash equivalents	$ 10,951	$
Short-term investments	38,700	
Receivables:		
Accounts receivable	3,886	
Accounts receivable -- unbilled	2,559	
	6,445	
Less: Allowance for doubtful accounts	(296)	
	6,149	
Refundable income taxes	117	
Prepaid and other assets	1,262	

Total current assets	57,179	
Property and equipment, net	900	
Goodwill	13,365	
Intangible assets, net	1,651	
Other assets	454	
Total Assets	$ 73,549	$
CURRENT LIABILITIES:		
Trade accounts payable	$ 1,025	$
Accrued payroll, bonuses and related expenses	1,136	
Other accrued liabilities	1,893	
Unfavorable and capital lease obligations	628	
Total current liabilities	4,682	
Unfavorable and capital lease obligations	2,819	
STOCKHOLDERS' EQUITY:		
Common stock:		
Voting -- $.001 par value, 100,000,000 shares authorized; 35,705,520 and 34,750,562 shares issued and outstanding on January 1, 2005, and December 31, 2005, respectively	36	
Preferred stock -- $.001 par value, 10,000,000 shares authorized; no shares issued or outstanding		
Additional paid-in capital	159,586	1
Accumulated deficit	(93,305)	(
Accumulated other comprehensive income -- Foreign currency translation adjustment	147	
Unearned compensation	(416)	
Total stockholders' equity	66,048	
Total Liabilities and Stockholders' Equity	$ 73,549	$

See notes to consolidated financial statements.

THE MANAGEMENT NETWORK GROUP, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	FISCAL YEAR ENDED		
	December 31 2005	January 1, 2005	Janua 20
Revenues	$ 30,378	$ 23,704	$ 23
Cost of services:			

Direct cost of services (exclusive of amortization shown below)	14,834	12,319	11
Equity related charges (benefits)	100	205	
Total cost of services (exclusive of amortization shown below)	14,934	12,524	11
	15,444	11,180	11
Operating expenses:			
Selling, general and administrative	18,462	16,037	19
Legal settlement	95	(1,294)	
Real estate restructuring	75	1,545	
Goodwill and intangible asset impairment			19
Intangible asset amortization	336	992	2
Equity related charges	618	958	
Total operating expenses	19,586	18,238	41
	(4,142)	(7,058)	(29
Other income (expense):			
Interest income	1,632	718	
Other, net	126	(30)	
Total other income	1,758	688	
Loss from continuing operations before income tax provision	(2,384)	(6,370)	(29
Income tax provision	(36)	(49)	(12
Loss from continuing operations	(2,420)	(6,419)	(42
Discontinued operations:			
Net income (loss) from discontinued operations (including a charge for impairment of goodwill of $2,163 in fiscal year 2004 and income tax provision of $53 for fiscal 2003)		(2,276)	
Net loss	(2,420)	(8,695)	(42
Other comprehensive income (loss) -			
Foreign currency translation adjustment	(205)	176	
Comprehensive loss	$ (2,625)	$ (8,519)	$(42
Loss from continuing operations per common share			
Basic and diluted	$ (0.07)	$ (0.18)	$ (
Net income (loss) from discontinued operations per common share			
Basic and diluted		$ (0.07)	
Net loss per common share			
Basic and diluted	$ (0.07)	$ (0.25)	$ (
Shares used in calculation of loss from continuing operations, net income (loss) from discontinued operations, and net loss per common share			
Basic and diluted	35,175	34,619	33

See notes to consolidated financial statements.

THE MANAGEMENT NETWORK GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	FISCAL YEAR ENDED		
	December 31, 2005	January 1, 2005	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$ (2,420)	$ (8,695)	$
Adjust for			
(Income) loss from discontinued operations (includes non-cash goodwill impairment charge of $2,163 in fiscal year 2004)		2,276	
Loss from continuing operations	(2,420)	(6,419)	
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Goodwill and intangible asset impairment			
Real estate restructuring charge		1,545	
Depreciation and amortization	822	1,672	
Equity related charges	718	1,163	
Deferred income taxes			
Bad debt expense	(59)	399	
Loss on retirement of assets		39	
Income tax benefit realized upon exercise/ forfeiture of stock options			
Other changes in operating assets and liabilities:			
Accounts receivable	736	61	
Accounts receivable -- unbilled	(648)	229	
Refundable income taxes	652	1,437	
Prepaid and other assets	(239)	(364)	
Trade accounts payable	180	211	
Accrued liabilities	(559)	(563)	
Net cash used in operating activities from continuing operations	(817)	(590)	
Net cash used in operating activities	(817)	(703)	
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of short-term investments	(9,300)	(6,850)	
Proceeds from maturities/sales of short-term investments	11,900	9,600	
Investment in S3 license	(1,500)		
Acquisition of property and equipment, net	(491)	(188)	
Net cash provided by (used in) investing activities	609	2,562	
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issuance of common stock through employee stock purchase plan	158	131	

Payments made on lease obligations	(726)	(710)
Exercise of stock options	1,050	601
Net cash provided by financing activities	482	22
Effect of exchange rate on cash and cash equivalents	(205)	176
Net increase (decrease) in cash and cash equivalents	69	2,057
Cash and cash equivalents, beginning of period	10,882	8,825
Cash and cash equivalents, end of period	$ 10,951	$ 10,882
Supplemental disclosure of cash flow information:		
Cash paid during period for interest	$ 3	$ 30
Cash paid during period for taxes	$ 36	$ 49

See notes to consolidated financial statements.

THE MANAGEMENT NETWORK GROUP, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except share data)

	COMMON STOCK $.001 PAR VOTING		ADDITIONAL PAID-IN
	SHARES	AMOUNT	CAPITAL
Balance, December 28, 2002	33,347,228	$33	$155,509
Option grants			189
Exercise of options	245,304		416
Cancellation of options			(294)
Stock surrender	(8,702)		(12)
Employee stock purchase plan	67,238		70
Stock compensation			
Restricted stock grant	720,000	1	2,069
Other comprehensive income -			
Foreign currency translation adjustment			
Reduction of tax benefit due to exercise/forfeiture of stock options			(655)
Net loss			
Balance, January 3, 2004	34,371,068	34	157,292
Exercise of options	338,165	1	601
Employee stock purchase plan	98,529		131
Stock compensation			
Restricted stock grant	15,000		30

Restricted stock cancellation	(77,000)		(212)
Stock bonus	4,800		15
Other comprehensive income -			
Foreign currency translation adjustment			
Net loss			
Balance, January 1, 2005	34,750,562	35	157,857
Exercise of options	602,329	1	1,049
Employee stock purchase plan	115,629		158
Stock compensation			
Restricted stock grant	300,000		695
Restricted stock cancellation	(63,000)		(173)
Other comprehensive income -			
Foreign currency translation adjustment			
Net loss			
Balance, December 31, 2005	35,705,520	$ 36	$ 159,586

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	ACCUMULATED OTHER COMPREHENSIVE INCOME	UNEARNED COMPENSATION
Balance, December 28, 2002	$113	$(63
Option grants		(189
Exercise of options		
Cancellation of options		294
Stock surrender		
Employee stock purchase plan		
Stock compensation		85
Restricted stock grant		(2,070
Other comprehensive income -		
Foreign currency translation adjustment	63	
Reduction of tax benefit due to exercise/forfeiture of stock options		
Net loss		
Balance, January 3, 2004	176	(1,943
Exercise of options		
Employee stock purchase plan		
Stock compensation		1,149
Restricted stock grant		(30
Restricted stock cancellation		212
Stock bonus		
Other comprehensive income -		
Foreign currency translation adjustment	176	
Net loss		

Balance, January 1, 2005	352	(612
Exercise of options		
Employee stock purchase plan		
Stock compensation		718
Restricted stock grant		(695
Restricted stock cancellation		173
Other comprehensive income -		
Foreign currency translation adjustment	(205)	
Net loss		
Balance, December 31, 2005	$ 147	$ (4

See notes to consolidated financial statements.

THE MANAGEMENT NETWORK GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - The Management Network Group, Inc. ("TMNG" or the "Company") was founded in 1990 as a management consulting firm specializing in providing consulting services to the converging communications industry and the financial services firms that support it. A majority of the Company's revenues are from customers in the United States, however, the Company also provides services to customers in Europe and other foreign countries. TMNG's corporate offices are located in Overland Park, Kansas.

Principles of Consolidation - The consolidated statements include the accounts of TMNG and its wholly-owned subsidiaries, The Management Network Group Europe Ltd. (TMNG-Europe), formed on March 19, 1997, based in the United Kingdom; The Management Network Group Canada Ltd. (TMNG-Canada), formed on May 14, 1998, based in Toronto, Canada; TMNG.com, Inc., formed in June 1999; TMNG Marketing, Inc., acquired on September 5, 2000; TMNG Technologies, Inc., acquired on September 5, 2001; and TMNG Strategy, Inc., acquired on March 6, 2002. All significant intercompany accounts and transactions have been eliminated in consolidation.

Fiscal Year - The Company reports its operating results on a 52/53-week fiscal year basis. The fiscal year end is determined as the Saturday ending nearest December 31. The fiscal years ended December 31, 2005 and January 1, 2005 reported 52 weeks of operating results and consisted of four equal 13-week quarters. The fiscal year ended January 3, 2004 reported 53 weeks of operating results and consisted of three 13-week quarters and one 14-week quarter. The fiscal years ended December 31, 2005, January 1, 2005 and January 3, 2004 are referred to herein as fiscal year 2005, 2004 and 2003, respectively. TMNG Europe and TMNG Canada maintain year-end dates of December 31.

Revenue Recognition - The Company accounts for revenue and costs in connection with client service engagements under a time and materials contract in the period in which the service is performed. The Company generally records revenue in connection with fixed price contracts under a percentage of completion method. This method of accounting results in the ratable recognition of revenue in proportion to the related costs over the client service engagement. Estimates are prepared to monitor and assess the Company's progress on the engagement from the initial phase of the project to completion, and these estimates are utilized in recognizing revenue in the Company's financial statements. If the current estimates of total contract revenues and contract costs indicate a loss, the Company records a provision for the entire loss on the contract. The Company has no such loss contracts as of the end of fiscal years 2005 and 2004. Revenues and related costs of smaller fixed price contracts are generally recognized upon contract completion under the completed contract method, and generally involve immaterial amounts and are of a short duration.

On a more limited basis, the Company also enters into gain sharing contracts, where the Company's revenue is determined on a success-based revenue model. Revenues generated on such contracts result from financial success recognized by the client utilizing agreed upon contract measures and milestones between the two parties. Due to the contingent nature of these gain-sharing projects, the Company recognizes costs as they are incurred on the project and defers the revenue recognition until the revenue is realizable and earned.

Cash and Cash Equivalents - Cash and cash equivalents include cash on hand and short-term investments with original maturities of three months or less when purchased.

Short-Term Investments - Short-term investments, which consist of investment-grade auction rate securities, are classified as "available for sale" under the provisions of Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Accordingly, the short-term investments are reported at fair value, with any related unrealized gains and losses included as a separate component of stockholders' equity, net of applicable taxes, when applicable. Realized gains and losses and interest and dividends are included in interest income within the Consolidated Statements of Operations and Comprehensive Loss. Auction rate securities generally reset every 28 to 35 days; consequently, interest rate movements do not materially affect the fair value of these investments. At December 31, 2005 and January 1, 2005 there were no unrealized gains or losses on short-term investments.

Fair Value of Financial Instruments - The fair value of current financial instruments approximates the carrying value because of the short maturity of these instruments.

Property and Equipment - Property and equipment are stated at cost less accumulated depreciation and amortization. Maintenance and repairs are charged to expense as incurred. Depreciation is based on the estimated useful lives of the assets and is computed using the straight-line method, and capital leases are amortized on a straight-line basis over the life of the lease. Asset lives range from three to seven years for computers and equipment. Leasehold improvements are capitalized and amortized over the life of the lease or useful life of the asset, whichever is shorter.

Research and Development Costs - Expenditures relating to development of new offerings and services are expensed as incurred. Research and development costs (exclusive of associated sales and marketing related costs) were $1.0 million in fiscal year 2005, no research and development costs were incurred in fiscal years 2004 and 2003.

Goodwill - The Company accounts for goodwill in accordance with the provisions of SFAS No. 142, "Accounting for Goodwill and Intangible Assets." Goodwill represents the excess of purchase price over the fair value of net assets acquired in business combinations accounted for as purchases. The Company evaluates goodwill for impairment on an annual basis on the last day of the first fiscal month of the fourth quarter and whenever events or circumstances indicate that these assets may be impaired. The Company determines impairment by comparing the net assets of each reporting unit to its respective fair value. In the event a reporting unit's carrying value exceeds its fair value, an indication exists that the reporting unit goodwill may be impaired. In this situation, the Company must determine the implied fair value of goodwill by assigning the reporting unit's fair value to each asset and liability of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill. An impairment loss is measured by the difference between the goodwill carrying value and the implied fair value.

Intangible Assets - Intangible assets are stated at cost less accumulated amortization, and represent customer relationships and employment agreements acquired in the acquisition of Cambridge Strategic Management Group (CSMG) and Tri-Com Computer Services, Inc. (Tri-Com), and an investment in an exclusive marketing license with S3 Matching Technologies. Amortization is based on estimated useful lives of 3 to 62 months, depending on the nature of the intangible asset, and is recognized on a straight-line basis.

In connection with SFAS No. 144 "Accounting for the Impairment or Disposal of Long-lived Assets" the Company uses its best estimate, based on reasonable and supportable assumptions and projections, to review certain long-lived assets and identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets might not be recoverable.

Income Taxes - The Company recognizes a liability or asset for the deferred tax consequences of temporary differences between the tax basis of assets or liabilities and their reported amounts in the financial statements. A valuation allowance is provided when, in the opinion of management, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Foreign Currency Transactions and Translation - TMNG-Europe and TMNG-Canada both conduct business primarily denominated in their respective local currency. Assets and liabilities have been translated to U.S. dollars at the period-end exchange rate. Revenue and expenses have been translated at exchange rates which approximate the average of the rates prevailing during each period. Translation adjustments are reported as a separate component of other comprehensive income in the consolidated statements of stockholders' equity. Realized and unrealized exchange gains and losses included in results of operations were insignificant for all periods presented.

Stock-Based Compensation - The Company utilizes an intrinsic value methodology in accounting for stock based compensation for employees and certain non-employee directors in accordance with the provisions of Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees" and related Interpretations, and accounts for stock-based compensation for non-employees utilizing a fair value methodology in accordance with SFAS No. 123, "Accounting for Stock-Based Compensation," as amended by SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure."

For an additional discussion of the Company's stock-based compensation see Note 9 "Stock Option Plan and Stock Based Compensation." If compensation cost for the Company's APB No. 25 grants, restricted stock grants, and the employee stock purchase plan had been determined under SFAS No. 123, based upon the fair value at the grant date, consistent with the Black-Scholes pricing methodology, the Company's net loss for fiscal years 2005, 2004 and 2003 would have increased by $1.7 million, $2.8 million and $1.1 million, respectively. For purposes of pro forma disclosures required under the provisions of SFAS No. 123, as amended by SFAS No. 148, the estimated fair value of options and restricted stock are amortized to pro forma expense over the vesting period. The following table contains pro forma information for fiscal years 2005, 2004 and 2003 (in thousands, except per share amounts):

	FISCAL YEAR 2005	FISCAL YEAR 2004	FISCAL YEAR 2003
Net loss, as reported:	$ (2,420)	$ (8,695)	$(42,324)
Add: Stock-based employee compensation expense included in reported net loss, net of related tax effects	718	1,163	85
Deduct: Total stock-based compensation expense determined under fair value based method for all awards, net of related tax effects	(2,415)	(3,988)	(1,213)
Pro forma net loss	$ (4,117)	$(11,520)	$(43,452)
Loss per share			
Basic and diluted, as reported	$ (0.07)	$ (0.25)	$ (1.26)
Basic and diluted, pro forma	$ (0.12)	$ (0.33)	$ (1.30)

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Earnings (Loss) Per Share - The Company calculates and presents earnings (loss) per share using a dual presentation of basic and diluted earnings (loss) per share. Basic earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution of securities by adding common stock options and unvested restricted stock in the weighted average number of common shares outstanding for a period, if dilutive. In accordance with the provisions of SFAS No. 128, "Earnings Per Share", the Company has not included the effect of common stock options and unvested restricted stock for fiscal years 2005, 2004 and 2003 as the Company reported a loss from continuing operations for those periods. Had the Company reported income from continuing operations in fiscal years 2005, 2004 and 2003, the treasury stock method of calculating common stock equivalents would have resulted in approximately 426,000, 822,000 and 772,000 additional dilutive shares, respectively.

Recent Accounting Pronouncements - In December 2004, the FASB issued SFAS No. 123R which replaces SFAS No. 123 and supersedes APB No. 25. SFAS No. 123R requires compensation costs related to share-based payment transactions to be recognized in the financial statements based on the fair value on the grant date of the equity or liability instruments issued. Compensation cost will be recognized over the period that an employee provides service for that award, resulting in a decrease in net earnings. The Company will adopt the provisions of this Statement, as amended, using the modified prospective method beginning in fiscal year 2006. Compensation costs will be recognized for awards that are issued beginning in 2006 and for awards that have been granted prior to December 31, 2005 but have yet to reach the end of the requisite service period. The amount of expense to be recognized over the remaining service period as of December 31, 2005 is approximately $3.0 million to $3.5 million. The Company will begin expensing these costs over the shorter of the vesting period or the period from the date of grant to the date the employee becomes eligible for retirement. Based on currently outstanding options, the Company expects to record a total expense of approximately $2.0 million to $2.4 million during fiscal year 2006.

2. GOODWILL AND OTHER INTANGIBLE ASSETS

During the second quarter of fiscal year 2003, the Company performed an interim goodwill impairment test due to significantly lower than expected operating results of the CSMG reporting unit and the resignation of a key CSMG executive. Based on an analysis of projected future cash flows and utilizing the assistance of an outside valuation firm, the Company determined that the carrying value of goodwill acquired in the CSMG acquisition exceeded the fair market value and recorded an impairment loss related to the Management Consulting Segment of approximately $15.8 million in the second quarter of fiscal year 2003. The Company subsequently performed its annual impairment test in October 2003, and each year thereafter, and concluded there was no additional goodwill impairment as the calculated fair values of its reporting units were higher than their respective carrying values. The goodwill impairment loss related to fiscal year 2003 has been reflected as a component of Loss from Operations in the Statement of Operations and Comprehensive Loss for that year.

In the first quarter of fiscal year 2004 the Company recorded a $2.2 million goodwill impairment loss related to the discontinuation of the hardware segment and has reflected this amount in the Statement of Operations and Comprehensive Loss as a component of discontinued operations.

The changes in the carrying amount of goodwill as of December 31, 2005 and January 1, 2005 are as follows (amounts in thousands):

	Management Consulting Segment	All Other Segment	Total
Balance as of January 3, 2004	$ 13,365	$ 2,163	$ 15,528
2004 impairment loss on discontinued operations		(2,163)	(2,163)
Balance as of January 1, 2005 and December 31, 2005	$ 13,365		$ 13,365

Included in intangible assets, net are the following (amounts in thousands):

	December 31, 2005		January 1, 2005	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Customer relationships	$1,908	$(1,709)	$1,908	$(1,538)
Employment agreements	3,200	(3,200)	3,200	(3,083)
S3 license agreement	1,500	(48)		
Total	$6,608	$(4,957)	$5,108	$(4,621)

During fiscal year 2003, in accordance with the provisions of SFAS No. 144, the Company determined that the carrying value of customer relationships exceeded its fair market value and recorded an impairment loss related to the Management Consulting Segment and All Other Segment of approximately $3.4 million and $0.3 million, respectively. The impairment losses have been reflected as a component of Loss from Operations in the Statement of Operations and Comprehensive Loss for fiscal year 2003.

During fiscal year 2005, the Company entered into a five-year exclusive marketing license with S3 Matching Technologies Inc. to resell their products and solutions. The $1.5 million cost of this license has been capitalized as an intangible asset and is being amortized over the 62 month life of the agreement on a straight-line basis.

Intangible assets amortization expense for fiscal years 2005, 2004 and 2003 was $0.3 million, $1.0 million and $2.3 million, respectively. Intangible amortization expense is estimated to be approximately $0.5 million in fiscal year 2006 and $0.3 million in fiscal years 2007 through 2010.

3. DISCONTINUED OPERATIONS

On March 4, 2004, management and the Board of Directors elected to discontinue the hardware segment of the Company. The Company concluded that this segment of the business did not align well with the strategic focus of the Company. Charges related to the discontinuation of the hardware business were $2.2 million in fiscal year 2004 and relate primarily to goodwill impairment and severance charges. These charges are reported as a component of discontinued operations. The hardware segment's results of operations have been classified as discontinued operations and prior periods have been restated.

Revenue and income (loss) from discontinued operations are as follows (amounts in thousands):

	Fiscal Year 2004	Fiscal Year 2003
Revenue	$ 13	$ 231
Goodwill impairment and severance charge	$ (2,213)	

Operating income (loss)	$ (63)	$ 87
Income tax provision		$ 53
Income (loss) from discontinued operations	$ (2,276)	$ 34

4. MAJOR CUSTOMERS AND SIGNIFICANT GROUP CONCENTRATIONS OF CREDIT RISK

The Company identifies its segments based on the way management organizes the Company to assess performance and make operating decisions regarding the allocation of resources. In accordance with the criteria in SFAS No. 131 "Disclosure about Segments of an Enterprise and Related Information," the Company has concluded it has four operating segments: Operations, Strategy, Marketing and International, which are aggregated in one reportable segment, the Management Consulting Services segment. Management Consulting Services includes business strategy and planning, marketing and customer relationship management, billing system support, operating system support, revenue assurance, corporate investment services, and network management. The Company intends to continue to measure and report its activities using our current segment structure. However, as the services provided by the Company evolve, management will continue to evaluate its segment reporting structure.

Major customers in terms of significance to TMNG's revenues (i.e. in excess of 10% of revenues) for fiscal years 2005, 2004 and 2003, and accounts receivable as of December 31, 2005 and January 1, 2005 were as follows (amounts in thousands):

	REVENUES			ACCOUNTS RECEIVABLE	
	FISCAL YEAR 2005	FISCAL YEAR 2004	FISCAL YEAR 2003	December 31, 2005	January 1, 2005
Customer A	$ 6,098			$ 709	
Customer B		$2,894	$3,238		$ 438
Customer C	$ 6,469	$3,305	$2,692	$1,149	$ 906

Revenues from the Company's ten most significant customers accounted for approximately 71%, 67% and 67% of revenues for fiscal years 2005, 2004 and 2003, respectively.

Substantially all of TMNG's receivables are obligations of companies in the communications, media and entertainment industries. The

Company generally does not require collateral or other security on its accounts receivable. The credit risk on these accounts is controlled through credit approvals, limits and monitoring procedures. The Company records bad debt expense based on judgment about the anticipated default rate on receivables owed to TMNG at the end of the reporting period. That judgment is based on the Company's uncollected account experience in prior years and the ongoing evaluation of the credit status of TMNG's customers and the communications industry in general. The changes in the Company's allowance for doubtful accounts are as follows (amounts in thousands):

	FISCAL YEAR 2005	FISCAL YEAR 2004	FISCAL YEAR 2003
Beginning balance	$ 396	652	471
Bad debt expense (benefit)	(59)	399	575
Account write-offs	(41)	(655)	(394)
Ending balance	$ 296	$ 396	$ 652

Revenues earned in the United States and internationally based on the location where the services are performed are as follows (amounts in thousands):

	REVENUE			LOSS FROM CONTINUING O INCOME TAX (PROVISI	
	FY 2005	FY 2004	FY 2003	FY 2005	FY 2004
United States	$ 29,179	$ 18,427	$ 20,915	$ (2,290)	$ (4,95
International:					
The Netherlands	40	891	964	(3)	(23
Canada		245	95		(6
Belize		173	704		(4
Portugal		1,124	451		(30
Great Britain	1,153	2,296		(90)	(61
Australia		386			(10
Other	6	162	116	(1)	(4
Total	$ 30,378	$ 23,704	$ 23,245	$ (2,384)	$ (6,37

No significant long-lived assets are deployed outside the United States.

5. PROPERTY AND EQUIPMENT

	December 31, 2005	January 1, 2005
	(000'S)	
Furniture and fixtures...........................	$ 660	$ 823
Software and computer equipment..................	2,140	2,777
Leasehold improvements...........................	774	479
	3,574	4,079
Less: Accumulated depreciation and amortization....	2,674	3,183
	$ 900	$ 896

Depreciation and amortization expense on property and equipment was approximately $486,000, $680,000 and $854,000 for fiscal years 2005, 2004 and 2003, respectively.

6. INCOME TAXES

For fiscal years 2005, 2004 and 2003, the income tax provision (benefit), exclusive of the tax associated with the discontinued operations consists of the following (amounts in thousands):

	FISCAL YEAR 2005	FISCAL YEAR 2004	FISCAL YEAR 2003
Federal			
Current			$ (992)
Deferred tax benefit	$ (714)	$(1,992)	(8,698)
Change in valuation allowance.......	714	1,992	20,999
	0	0	11,309
State			
Current	36	49	
Deferred tax benefit	(213)	(700)	(1,244)
Change in valuation allowance	213	700	3,000
	36	49	1,756
Foreign			
Current			(87)
Deferred tax expense	14	99	
Change in valuation allowance	(14)	(99)	
	0	0	(87)
Total	$ 36	$ 49	$ 12,978

The Company has fully reserved its deferred tax assets with a valuation allowance as of December 31, 2005 and January 1, 2005, in accordance with the provisions of SFAS No. 109 "Accounting for Income Taxes." Realization of the deferred tax asset is dependent on generating sufficient income in future periods. In evaluating the ability to recover its deferred tax assets, the Company considers all positive and negative evidence including the Company's past operating results, the existence of cumulative losses in the most recent fiscal year and the Company's forecast of future income. In determining future income, the Company is responsible for assumptions utilized including the amount of state, federal and international operating income, the reversal of temporary differences and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts of future income and are consistent with the plans and estimates the Company is using to manage the underlying business.

In the fourth quarter of fiscal year 2003, the Company reassessed all significant estimates and judgments made in connection with its SFAS No. 109 analysis. In performing the updated analysis of the realizability of its deferred tax assets, the Company considered continuing market uncertainties and concluded that an increase to the valuation allowance for deferred tax assets was required. Accordingly, based upon the Company's best estimate, the Company recorded a non-cash charge in the fourth quarter of fiscal year 2003 of $18.0 million to increase the valuation allowance and fully reserve for all deferred tax assets.

The following is a reconciliation between the provision for income taxes and the amounts computed based on loss from continuing operations at the statutory federal income tax rate (amounts in thousands):

	FISCAL YEAR 2005		FISCAL YEAR 2004		FISCA 2
	AMOUNT	%	AMOUNT	%	AMOUNT
Computed expected federal income tax benefit	$ (835)	(35.0)	$ (2,229)	(35.0)	$(10,282
State income tax expense, net of federal benefit	(115)	(4.8)	(298)	(4.7)	(1,252
Goodwill impairment..................					217
Other	73	3.0	(17)	(0.2)	316
Valuation allowance	913	38.3	2,593	40.7	23,979
Total	$ 36	1.5	$ 49	0.8	$ 12,978

Items giving rise to the provision for deferred income taxes (benefit) are as follows (amounts in thousands):

	FISCAL YEAR 2005	FISCAL YEAR 2004	FISCAL YEAR 2003
Goodwill	$ 1,349	$ 1,402	$ (4,961)
Bad debt reserve	22	100	(97)
Stock compensation expense	497	(196)	45
Intangible assets	113	(156)	(1,831)
Valuation allowance	913	2,593	23,999
Net operating loss carryforward	(2,993)	(3,318)	(3,212)
Unfavorable lease liability	206	(359)	166
Other	(107)	(66)	2
Total	$ 0	$ 0	$ 14,111

The significant components of deferred income tax assets and the related balance sheet classifications, as of December 31, 2005, January 1, 2005 and January 3, 2004 are as follows (amounts in thousands):

	DECEMBER 31, 2005	JANUARY 1, 2005	JANUARY 3, 2004
Current deferred tax assets:			
Accounts receivable	$ 118	140	$ 240
Accrued expenses	118	147	296
Unfavorable lease liability	239	212	
Valuation allowance	(475)	(499)	(536)
Current deferred tax asset	$ 0	$ 0	$ 0
Non-current deferred tax assets:			
Goodwill	$ 10,530	11,879	$ 13,281
Stock compensation expense	1,838	2,335	2,193
Unfavorable lease liability	1,096	1,329	1,017
Net operating loss carryforward	10,301	7,308	3,944
Intangible assets	2,584	2,696	2,540
Reserves	395	365	415
Other	271	173	73
Valuation allowance	(27,015)	(26,085)	(23,463)
Non-current deferred tax asset	$ 0	$ 0	$ 0

The net operating loss carryforward as of December 31, 2005 is scheduled to expire as follows (amounts in thousands):

	Amount	Year
	$ 1,831	2016
	5,602	2023
	10,970	2024
	7,206	2025
Total	$25,609	

7. REAL ESTATE RESTRUCTURING

In the fourth quarter of fiscal year 2004, the Company made the decision to consolidate office space. In connection with this decision, a sublease agreement for unutilized space was entered into with a third party for the remainder of the original lease term. Due to current market conditions, the terms of the sublease require payments by the sublessee which are less than the payments the Company must make to the original lessor. In accordance with SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," the Company recognized a charge of $1.3 million for the present value of the total remaining lease payments less amounts to be received under the sublease. The decision to consolidate space also resulted in charges of $163,000 relating to impairment of fixed assets/leasehold improvements and $122,000 for brokerage commissions in connection with the sublease. The restructuring charge of $1.5 million has been reflected as a component of Loss from Operations in the Statement of Operations and Comprehensive Loss in the year ended January 1, 2005. Additional expenses totaling $75,000 associated with the space consolidation were incurred in the year ended December 31, 2005.

8. LEASE COMMITMENTS

The Company leases office facilities, computer equipment, office furniture, and an automobile under various operating leases expiring at various dates through May 2011.

Following is a summary of future minimum payments under operating leases that have initial or remaining noncancellable lease terms in excess of one year at December 31, 2005 (amounts in thousands):

FISCAL YEAR	OPERATING LEASES
2006	$ 1,887
2007	1,886
2008	1,891
2009	1,793
2010	1,640
Thereafter	131
Total minimum lease payments	9,219
Future minimum rentals to be received under noncancellable subleases	(1,444)
Minimum lease payments net of amounts to be received under subleases	$ 7,775

Operating lease minimum payments include the off-market portion of lease payments recorded through purchase accounting in connection with the Company's acquisition of CSMG and continuing lease commitments associated with the consolidation of office space. As of December 31, 2005 and January 1, 2005, the unamortized balance of these unfavorable lease liabilities was $3.3 million and $3.9 million, respectively.

At December 31, 2005 and January 1, 2005, future minimum payments under capitalized leases were $4,000 and $16,000, respectively. All existing capital leases expire during fiscal year 2006. Assets recorded under capital leases are included in property and equipment as follows (amounts in thousands):

	December 31, 2005	January 1, 2005
Furniture and fixtures	$	156
Software and computer equipment	476	$ 505
	476	661
Less: Accumulated depreciation	(472)	(534)

$ 4	$ 127

Total rental expense was approximately $946,000, $1,852,000 and $1,911,000 for fiscal years 2005, 2004 and 2003, respectively.

9. STOCK OPTION PLAN AND STOCK BASED COMPENSATION

The Company's 1998 Equity Incentive Plan (the 1998 Plan) is a shareholder approved plan, which provides for the granting of incentive stock options and nonqualified stock options to employees, and nonqualified stock options and restricted shares to employees, directors and

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consultants. The Company has 7,642,390 shares of the Company's common stock authorized for issuance as stock options under the 1998 Plan. Incentive stock options are granted at an exercise price of not less than fair value per share of the common stock on the date of grant as determined by the Board of Directors. Vesting and exercise provisions are determined by the Board of Directors. As of December 31, 2005, all options granted under the 1998 Plan were non-qualified stock options. Options granted under the 1998 Plan generally become exercisable over a three to four year period beginning on the date of grant. Options granted under the 1998 Plan have a maximum term of ten years.

A summary of the status of the Company's 1998 Plan as of December 31, 2005, January 1, 2005 and January 3, 2004 and changes during the years ending on those dates is presented below:

EXERCISE PRICE EQUALS FAIR MARKET VALUE AT GRANT DATE:

	DECEMBER 31, 2005		JANUARY 1, 2005	
	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at beginning of year	3,902,196	$ 5.54	4,233,696	$5.57
Granted	1,761,000	$ 2.45	405,500	$2.38
Exercised	(540,205)	$ 1.73	(258,831)	$1.57
Forfeited/cancelled	(560,711)	$ 6.21	(478,169)	$5.27
Outstanding at end of year	4,562,280	$ 4.72	3,902,196	$5.54
Options exercisable at year-end	2,322,761	$ 6.97	2,331,710	$7.66
Weighted average fair value of options granted during the year		$ 1.58		$1.76

The following table summarizes information about market value stock options outstanding as of December 31, 2005:

RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	NUMBER EXERCISABLE
$ 0.00 to $ 2.00	655,268	$ 1.63	7.12	478,426
$ 2.01 to $ 3.00	2,618,333	$ 2.40	9.05	568,656
$ 3.01 to $ 4.00	250,279	$ 3.89	5.59	237,279
$ 4.01 to $ 5.00	375,000	$ 4.82	5.52	375,000
$ 5.01 to $10.00	204,000	$ 6.75	5.39	204,000
$10.01 to $20.00	129,500	$15.12	4.62	129,500
$20.01 to $35.00	329,900	$24.41	4.23	329,900
TOTAL	4,562,280	$ 4.72		2,322,761

EXERCISE PRICE LESS THAN FAIR MARKET VALUE AT GRANT DATE:

	DECEMBER 31, 2005		JANUARY 1, 2005	
	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERA EXERCISE PRICE
Outstanding at beginning of year	553,189	$ 2.44	629,919	$ 2.51
Granted				
Exercised	(52,209)	$ 1.88	(34,167)	$ 1.94
Forfeited/cancelled	(10,855)	$ 1.84	(42,563)	$ 3.90
Outstanding at end of year	490,125	$ 2.51	553,189	$ 2.44
Options exercisable at year-end	473,458	$ 2.52	519,855	$ 2.45
Weighted average fair value of options granted during the year				

The following table summarizes information about below market value stock options outstanding at December 31, 2005:

RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING	WEIGHTED AVERAGE EXERCISE PRICE	REMAINING CONTRACTUAL LIFE	NUMBER EXERCISABLE	EX

$ 0.00 to $ 2.00	360,125	$1.88	3.42	360,125
$ 2.01 to $ 3.00	50,000	$2.31	7.96	33,333
$ 3.01 to $ 4.00	50,000	$4.00	3.87	50,000
$ 4.01 to $ 5.00				
$ 5.01 to $10.00	30,000	$8.00	3.81	30,000
$10.01 to $20.00				
$20.01 to $35.00				
TOTAL	490,125	$2.51		473,458

The Company has 305,000 shares of the Company's common stock authorized for issuance as restricted shares under the 1998 Plan for key management personnel. The shares are subject to restriction based upon a two year vesting schedule where 30% of the shares vest on the first anniversary of the grant date and the remaining 70% of the shares vest on the second anniversary.

A summary of the status of the restricted shares granted under the 1998 Plan as of December 31, 2005, January 1, 2005 and January 3, 2004 and changes during the years ending on those dates is presented below:

RESTRICTED STOCK:

	DECEMBER 31, 2005	JANUARY 1, 2005
	SHARES	SHARES
Outstanding at beginning of year	658,000	720,000
Granted	300,000	15,000
Forfeited/cancelled	(63,000)	(77,000)
Outstanding at end of year	895,000	658,000
Weighted average fair value of Shares granted during the year	$ 2.32	$ 2.01

The Company has 3,788,127 shares of the Company's common stock authorized for issuance under the 2000 Supplemental Stock Plan (the 2000 Plan). The plan provides the Company's common stock for the granting of nonqualified stock options to employees and is not subject to shareholder approval. Vesting and exercise provisions are determined by the Board of Directors. Options granted under the plan become exercisable over a period of up to four years beginning on the date of grant and have a maximum term of ten years.

A summary of the status of the Company's 2000 Plan as of December 31, 2005, January 1, 2005 and January 3, 2004, and changes during the years ending on those dates is presented below:

EXERCISE PRICE EQUALS FAIR MARKET VALUE AT GRANT DATE:

	DECEMBER 31, 2005		JANUARY 1, 2005	
	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at beginning of year	1,053,564	$4.71	1,175,160	$4.78
Granted	182,500	$2.45	117,500	$2.54
Exercised	(9,915)	$2.11	(45,167)	$3.04
Forfeited/cancelled	(269,109)	$3.55	(193,929)	$4.23
Outstanding at end of year	957,040	$4.63	1,053,564	$4.71
Options exercisable at year-end	672,225	$5.44	635,630	$5.60
Weighted average fair value of options granted during the year		$1.62		$2.38

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The following table summarizes information about stock options outstanding at December 31, 2005:

RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	NUMBER EXERCISA
$ 0.00 to $ 2.00	71,000	$ 1.88	7.40	40,16
$ 2.01 to $ 3.00	204,834	$ 2.45	9.62	
$ 3.01 to $ 4.00	456,706	$ 3.72	5.60	415,89
$ 4.01 to $ 5.00	11,000	$ 4.96	6.73	7,66
$ 5.01 to $10.00	160,000	$ 5.88	5.81	155,00
$10.01 to $20.00	3,500	$13.68	4.83	3,50
$20.01 to $35.00	50,000	$21.00	4.68	50,00
TOTAL	957,040	$ 4.63		672,22

EXERCISE PRICE LESS THAN FAIR MARKET VALUE AT GRANT DATE:

	JANUARY 1, 2005		JANUARY 3, 2004	
	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVER EXERCISE PR
Outstanding at beginning of year	8,125	$5.50	23,537	$5.50
Forfeited/cancelled	(8,125)	$5.50	(15,412)	$5.50
Outstanding at end of year	0		8,125	$5.50
Options exercisable at year-end	0		8,125	$5.50

At December 31, 2005, the Company had a total of 6,009,445 outstanding options to acquire shares with a weighted average exercise price of $4.52 and a weighted average remaining contractual life of 7.18 years. Of these options 3,468,444 were exercisable at December 31, 2005 with a weighted average exercise price of $6.08.

The Company follows APB Opinion No. 25 to account for the employee stock purchase plan and for employee and certain non-employee directors' stock options. In connection with stock option grants made in fiscal year 2003, the Company recorded unearned compensation of approximately $58,000, representing the difference between the exercise price and the fair value of the common stock on the dates such stock options were granted. Such amounts are being amortized by charges to operations on a graded vesting method over the corresponding vesting period of each respective option, generally three to four years. All option grants in 2005 and 2004 were issued with the exercise price of the option equal to the market price of the Company's stock as of the grant date.

The Company also follows APB Opinion No. 25 to account for restricted stock grants made to key management personnel. In connection with restricted stock granted during fiscal years 2005, 2004 and 2003 the Company recorded unearned compensation of approximately $695,000, $30,000, and $2,070,000, respectively, representing the fair value of the common stock on the date such restricted stock grants were made. The compensation cost associated with restricted stock is being amortized by charges to operations on a graded vesting schedule over a period of two years from the date of grant for the fiscal year 2003 grants and four years from the date of grant for the fiscal year 2005 grants.

The Company recognizes compensation cost over the vesting periods. These options and restricted shares have resulted in equity related charges to operations of approximately $0.7 million, $1.2 million, and $0.1 million for fiscal years 2005, 2004 and 2003, respectively. These expenses have been allocated among various expense categories.

During fiscal year 2000, the Company initiated an employee stock purchase plan for all eligible employees. Under the plan, shares of the Company's common stock may be purchased at six-month intervals at 85% of the lower of the fair market value on the first day of the enrollment period or on the last day of each six-month period. Employees may purchase shares through a payroll deduction program having a value not exceeding 15% of their gross compensation during an offering period. During fiscal years 2005, 2004 and 2003, 116,000, 99,000, and 67,000 shares were purchased under the plan, respectively. At December 31, 2005, 739,000 shares were reserved for future issuance. The employee stock purchase plan is classified as a non-compensatory plan under APB No. 25.

The Company follows APB Opinion No. 25 to account for its stock plans. In accordance with SFAS No. 123 the Company also calculates the pro forma impact of applying the fair value provisions of that standard. Those pro forma disclosures have been included in Note 1. The fair value of each option grant was estimated using the following assumptions:

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	FISCAL YEAR 2005	FISCAL YEAR 2004	FISCAL YEAR 2003
Expected volatility factor.....	83%	91%	104%
Risk-free interest rate........	3.58% - 4.55%	3.00% - 4.10%	1.04% - 3.44%
Expected life of options.......	5 years	5 years	5 years
Expected life of stock issued under employee stock purchase plan..........................	0.5 - 2.0 years	0.5 - 2.0 years	0.5 - 2.0 years
Expected dividend rate.........	0%	0%	0%

10. LOANS TO OFFICERS

As of December 31, 2005, there is one outstanding line of credit between the Company and its Chief Executive Officer, Richard P. Nespola, which originated in fiscal year 2001. Aggregate borrowings outstanding against the line of credit at December 31, 2005 and January 1, 2005 totaled $300,000 and are due in 2011. These amounts are included in other assets in the non-current assets section of the balance sheet. In accordance with the loan provisions, the interest rate charged on the loans is equal to the Applicable Federal Rate (AFR), as announced by the Internal Revenue Service, for short-term obligations (with annual compounding) in effect for the month in which the advance is made, until fully paid. Pursuant to the Sarbanes-Oxley Act, no further loan agreements or draws against the line may be made by the Company to, or arranged by the Company for its executive officers. Interest payments on this loan are current as of December 31, 2005.

11. LETTER OF CREDIT

In March 2002, the Company entered into a $1.0 million standby letter of credit (LOC) facility with a financial institution in connection with the CSMG acquisition. The LOC was required as part of the assignment of the leased office space from the seller to the Company. The Company originally collateralized the LOC with a $1.0 million cash deposit with reductions in this amount based on passage of time. As of December 31, 2005 and for the remainder of the term of the LOC, the collateral amount is $273,000. The collateral deposited for this LOC is included in "Cash and Cash Equivalents" on the Company's consolidated condensed balance sheet as of December 31, 2005 and January 1, 2005. The Company would be required to perform under the agreement in the event it was to default on balances due and owing the landlord on the leased office space. An obligation has not been recorded in connection with the LOC on the Company's consolidated condensed balance sheet as of December 31, 2005 and January 1, 2005.

12. RELATED PARTY TRANSACTIONS

During fiscal year 2004, the Company made payments of $55,000 to a legal firm in which a member of the Board of Directors owns an equity interest. Such payments were made in connection with matters arising in the normal course of business and were within the limitations set forth by NASDAQ rules.

13. SIGNIFICANT CUSTOMER CONTRACT SETTLEMENT

On December 10, 1999, the Company entered into a consulting services agreement with a significant customer under which the customer committed to $22 million of consulting fees over a three-year period commencing January 1, 2000. During fiscal year 2002 the agreement was extended for two additional years beyond the original term of the agreement, in exchange for an expanded preferred contractor relationship and immediate commitment to a significant consulting arrangement. The agreement provided for minimum annual usage requirements in connection with consulting services performed under the agreement, and as of January 3, 2004 a shortfall in minimum annual usage requirements of consulting services under the agreement was deemed to have occurred. The shortfall was not remedied by the customer during the first quarter of 2004, resulting in the customer's default on the contract.

On March 4, 2004, the Company filed suit against the customer for breach of the consulting agreement, seeking damages of approximately $5.7 million against the customer. The customer responded to the suit on March 26, 2004 with its answer and two counterclaims, neither of which sought money damages. The customer requested a declaration that the Company first breached the agreement and that the customer was therefore not liable for any damages. Additionally, during the first quarter of fiscal year 2004 the customer informed the Company of its decision to cancel the consulting agreement.

On August 25, 2004 the Company entered into a mediated settlement agreement to settle the pending litigation with the customer. Pursuant to the terms of the settlement agreement, each party was dismissed from any liability for the claims made against it and the customer agreed to make a settlement payment to the Company in the amount of $2 million to settle all claims and disputes arising under the consulting services agreement. The Company has no obligation to render further services to the customer. At October 11, 2004, the Company received the $2 million settlement from the customer and the parties dismissed one another from liability. This payment was recorded in the fourth quarter of fiscal year 2004 as a $1.3 million reduction of operating expenses, in the Consolidated Statement of Operations and Comprehensive Loss and $0.7 million reduction of existing receivables.

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14. CONTINGENCIES

In June 1998, the bankruptcy trustee of a former client, Communications Network Corporation, sued TMNG for a total of $320,000 in the U.S. Bankruptcy Court in New York seeking recovery of $160,000 alleging an improper payment of consulting fees paid by the former client during the period from July 1, 1996, when an involuntary bankruptcy proceeding was initiated against the former client, through August 6, 1996, when the former client agreed to an order for relief in the bankruptcy proceeding, and $160,000 in consulting fees paid by the former client after August 6, 1996. The bankruptcy trustee also sued TMNG for at least $1.85 million for breach of contract, breach of fiduciary duties and negligence. In March 2006, the Company reached a settlement agreement with the bankruptcy trustee whereby the Company agreed to pay the trustee $255,000 in exchange for being released from all potential liability under the suits discussed above. The Company has recognized a charge of $95,000 in fiscal year 2005 to fully accrue for this liability.

Additionally, as of December 31, 2005 the Company had outstanding demands aggregating approximately $1.0 million by the bankruptcy trustees of several former clients in connection with collected balances near the customers' respective bankruptcy filing dates. Although the Company does not believe it received any preference payments from these former clients and plans to vigorously defend its position, the Company has established reserves of $727,000 as of December 31, 2005 and January 1, 2005, which it believes are adequate in the event of loss or settlement on remaining outstanding claims.

The Company may become involved in various legal and administrative actions arising in the normal course of business. These could include actions brought by taxing authorities challenging the employment status of consultants utilized by the Company. In addition, future customer bankruptcies could result in additional claims on collected balances for professional services near the bankruptcy filing date. While the resolution of any of such actions, claims, or the matters described above may have an impact on the financial results for the period in which they occur, the Company believes that the ultimate disposition of these matters will not have a material adverse effect upon its consolidated results of operations, cash flows or financial position.

The Company establishes reserves for potential tax liabilities when, despite the belief that tax return positions are fully supported, certain positions are likely to be challenged and not be fully sustained. Such tax reserves are analyzed on a quarterly basis and adjusted based upon changes in facts and circumstances, such as the progress of federal and state audits, case law and emerging legislation. The Company's effective tax rate includes the impact of such tax reserves and changes to these reserves as considered appropriate by management. The Company establishes the reserves based upon its assessment of exposure associated with possible future assessments that may result from the examination of federal, state, or international tax returns. These tax reserves were $649,000 at December 31, 2005 and December 31, 2005. Management believes that it has established adequate reserves in the event of loss or settlement of any potential tax liabilities.

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15. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

In management's opinion, the interim financial data below reflect all adjustments necessary to fairly state the results of the interim periods presented. Adjustments are of a normal recurring nature necessary for a fair presentation of the information for the periods presented. Results of any one or more quarters are not necessarily indicative of annual results or continuing trends.

(AMOUNTS IN THOUSANDS) 2005 QUARTERS ENDED			
April 2,	July 2,	October 1,	Dece

Revenues	$ 7,067	$ 9,017	$ 8,057	$
Cost of Services:				
Direct cost of services (exclusive of amortization shown below)	3,394	4,519	3,846	
Equity related charges	35	34	12	
Total cost of services (exclusive of amortization shown below	3,429	4,553	3,858	
	3,638	4,464	4,199	
Operating Expenses:				
Selling, general and administrative	4,147	4,662	4,484	
Legal settlement				
Real estate restructuring	75			
Intangible asset amortization	160	43	42	
Equity related charges	188	200	60	
Total operating expenses	4,570	4,905	4,586	
	(932)	(441)	(387)	
Other Income:				
Interest income	324	379	424	
Other, net	15	95		
Total other income	339	474	424	
Income (loss) from continuing operations before income tax provision	(593)	33	37	
Income tax provision	(15)	(3)	(13)	
Net income (loss)	(608)	30	24	
Other comprehensive item - Foreign currency translation adjustment	(70)	(121)	26	
Comprehensive income (loss)	$ (678)	$ (91)	$ 50	$
Net income (loss) per common share Basic and diluted	$ (0.02)	$ 0.00	$ 0.00	$
Shares used in calculation of net income (loss) per common share				
Basic	34,977	35,104	35,156	
Diluted	34,977	35,461	35,525	

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(AMOUNTS IN THOUSANDS)

	2004 QUARTERS ENDED			
	April 3,	July 3,	October 2,	Jan
Revenues	$ 5,779	$ 5,184	$ 6,546	$
Cost of Services:				
Direct cost of services (exclusive of amortiztion shown below)	2,913	2,739	3,441	
Equity related charges	54	52	51	
Total cost of services (exclusive of amortization shown below)	2,967	2,791	3,492	
	2,812	2,393	3,054	
Operating Expenses:				
Selling, general and administrative	4,278	4,179	3,860	
Legal settlement				
Real estate restructuring				
Intangible asset amortization	339	218	218	
Equity related charges	283	232	261	
Total operating expenses	4,900	4,629	4,339	
	(2,088)	(2,236)	(1,285)	
Other Income:				
Interest income	136	145	189	
Other, net	(9)	(6)	(10)	
Total other income	127	139	179	
Loss from continuing operations before income tax (provision) benefit	(1,961)	(2,097)	(1,106)	
Income tax (provision) benefit	(14)	(20)	(13)	
Loss from continuing operations	(1,975)	(2,117)	(1,119)	
Discontinued operations:				
Net income (loss) from discontinued operations (including charge for impairment of goodwill of $2,163 for the first quarter ended April 3, 2004)	(2,276)			
Net loss	(4,251)	(2,117)	(1,119)	
Other comprehensive item -				
Foreign currency translation adjustment	(15)	11	(1)	
Comprehensive Loss	$ (4,266)	$ (2,106)	$ (1,120)	$
Loss from continuing operations per common share Basic and Diluted	$ (0.06)	$ (0.06)	$ (0.03)	$
Loss from discontinued operations per common share Basic and Diluted	$ (0.07)			
Loss per common share				

Basic and diluted	$ (0.13)	$ (0.06)	$ (0.03)	$
Basic and diluted weighted average shares outstanding...........................	34,503	34,625	34,631	

See Note 13 "Significant Customer Contract" for discussion of fourth quarter 2004 legal settlement.

See Note 7 "Real Estate Restructuring" for discussion of real estate restructuring charges.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

A review and evaluation was performed by the Company's management, including the Company's Chief Executive Officer (the "CEO") and Chief Financial Officer (the "CFO"), of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this annual report. Based upon that review and evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures, as designed and implemented, were effective. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect the Company's internal controls subsequent to the date of their evaluation. There were no significant material weaknesses identified in the course of such review and evaluation, and accordingly, the Company implemented no corrective measures.

ITEM 9B. OTHER INFORMATION

None

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The Company's definitive Proxy Statement for its Annual Meeting of Shareholders to be held on or about June 22, 2006 (the "Proxy Statement") contains, under the captions "Election of Directors," "Officers" and "Section 16(a) Beneficial Ownership Reporting Compliance" the information required by Item 10 of this Form 10-K, which information is incorporated herein by this reference.

ITEM 11. EXECUTIVE COMPENSATION

The Proxy Statement contains under the captions "Election of Directors" and "Executive Compensation," the information required by Item 11 of this Form 10-K, which information is incorporated herein by this reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The Proxy Statement contains under the caption "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" and "Equity Compensation Plan Information" the information required by Item 12 of this Form 10-K, which information is incorporated herein by this reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Proxy Statement contains under the caption "Certain Relationships and Transactions with Related Persons" the information required by Item 13 of this Form 10-K, which information is incorporated herein by this reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The Proxy Statement contains under the caption "Ratification of Appointment of Independent Registered Public Accounting Firm" the information required by Item 14 of this Form 10-K, which information is incorporated herein by this reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this Annual Report on Form 10-K:

(1) The response to this portion of Item 15 is set forth in Item 8 of Part II hereof.

(2) Schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

(3) Exhibits

See accompanying Index to Exhibits. The Company will furnish to any stockholder, upon written request, any exhibit listed in the accompanying Index to Exhibits upon payment by such stockholder of the Company's reasonable expenses in furnishing any such exhibit.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Overland Park, State of Kansas, on the 30th day of March 2006.

THE MANAGEMENT NETWORK GROUP, INC.

BY: /S/ RICHARD P. NESPOLA

RICHARD P. NESPOLA
CHAIRMAN OF THE BOARD,
PRESIDENT AND CHIEF
EXECUTIVE OFFICER

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Richard P. Nespola as his attorney-in-fact, with full power of substitution, for him or her in any and all capacities, to sign any and all amendments to this Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorney to any and all amendments to said Report.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report on Form 10-K has been signed by the following persons in the capacities and on the dates indicated:

SIGNATURE	TITLE	DATE
/s/ RICHARD P. NESPOLA Richard P. Nespola	Chairman of the Board, President and Chief Executive Officer (Principal executive officer)	March 30, 2006
/s/ DONALD E. KLUMB Donald E. Klumb	Chief Financial Officer and Treasurer (Principal financial officer and principal accounting officer)	March 30, 2006
/s/ MICKY K. WOO Micky K. Woo	Director	March 30, 2006
/s/ GRANT G. BEHRMAN Grant G. Behrman	Director	March 30, 2006
/s/ WILLIAM M. MATTHES William M. Matthes	Director	March 30, 2006
/s/ Robert J. Currey Robert J. Currey	Director	March 30, 2006
/s/ ANDREW LIPMAN Andrew Lipman	Director	March 30, 2006
/s/ ROY A. WILKENS Roy A. Wilkens	Director	March 30, 2006

SIGNATURE	TITLE	DATE
/s/ FRANK SISKOWSKI Frank Siskowski	Director	March 30, 2006

INDEX TO EXHIBITS

The following is a list of exhibits filed as part of this report.

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT
3.1*	Certificate of Incorporation of the registrant
3.2*	By-laws of the Registrant
4.1*	Specimen Common Stock Certificate
10.1*	Registration Rights Agreement dated January 7, 1998 among the registrant and certain investors
10.2*	Form of Indemnification Agreement between the registrant and each of its Directors and Officers
10.3*	1998 Equity Incentive Plan and form of agreements thereunder
10.4*	1999 Employee Stock Purchase Plan and form of agreements thereunder
10.5*	Consulting Services Agreement between the registrant and Williams Communications Group, Inc. dated November 5, 1997
10.6*	Credit Agreement, including revolving credit notes and term notes, dated February 12, 1998 among the registrant and certain guarantors, lenders and agents
10.7*	Lease between Lighton Plaza L.L.C. and the registrant dated April 23, 1998
10.8*	Noncompetition Agreement between the registrant and certain parties dated February 12, 1998.
10.9*	Employment Agreement between the registrant and Richard Nespola dated February 12, 1998.
10.10*	Employment Agreement between the registrant and Micky Woo dated February 12, 1998.
10.12*	Employment Agreement between the registrant and Donald Klumb dated September 9, 1999
10.13*	Amended Lease Agreement between Lighton Plaza L.L.C. and the registrant dated December 21, 2000
10.16*	2000 Supplemental Stock Plan and form of agreements thereunder
10.19*	Employment Agreement between the registrant and Richard Nespola dated January 5, 2004
10.20*	Employment Agreement between the registrant and Donald Klumb dated December 19, 2003

10.21*	Sublease between Best Doctors and the registrant dated December 30, 2004
21.1	List of subsidiaries of TMNG, Inc.
23.1	Consent of Independent Registered Public Accounting Firm.
24.1	Power of attorney (see signature page)
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes - Oxley Act
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes - Oxley Act
32.1	Certifications furnished pursuant to Section 906 of the Sarbanes - Oxley Act

* Previously filed