MANAGEMENT NETWORK GROUP INC
Form 10-Q
November 12, 2002

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] Quarterly report pursuant to
Section 13 or 15(d) of the
Securities Exchange Act of 1934

For the quarterly period ended September 28, 2002

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 No.)

7300 COLLEGE BLVD., SUITE 302, OVERLAND PARK, KS 66210
(Address of principal executive offices) (Zip Code)

913-345-9315
Registrant's telephone number, including area code

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

As of November 5, 2002 TMNG had outstanding 33,347,228 shares of common stock.

THE MANAGEMENT NETWORK GROUP, INC.

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PART I. FINANCIAL INFORMATION:

ITEM 1. CONSOLIDATED CONDENSED FINANCIAL STATEMENTS:

THE MANAGEMENT NETWORK GROUP, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS
(In thousands, except share data)

	December 29, 2001
CURRENT ASSETS:	
Cash and cash equivalents	$ 86,396
Receivables:	
Accounts receivable	8,518
Accounts receivable -- unbilled	2,962
	11,480
Less: Allowance for doubtful accounts	(517)
	10,963
Refundable and deferred income taxes	365
Other assets	1,706
Total current assets	99,430
Property and equipment, net	1,686
Goodwill, net	22,147
Intangibles, net	1,191
Deferred tax asset	4,080
Other assets	508
TOTAL ASSETS	$ 129,042
CURRENT LIABILITIES:	
Trade accounts payable	$ 210
Accrued payroll, bonuses and related expenses	1,393
Other accrued liabilities	3,258
Total current liabilities	4,861
Unfavorable lease liability and other	
Capital lease obligations and other	189
STOCKHOLDERS' EQUITY	
Common Stock:	
Voting -- $.001 par value, 100,000,000 shares authorized; 30,204,919 and 33,297,456 issued and outstanding on December 29, 2001 and September 28, 2002, respectively	30
Additional paid-in capital	141,451
Accumulated deficit	(16,463)
Accumulated other comprehensive income - Foreign currency translation adjustment	17
Unearned compensation	(1,043)
Total stockholders' equity	123,992
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 129,042

See notes to consolidated condensed financial statements.

THE MANAGEMENT NETWORK GROUP, INC.
CONSOLIDATED CONDENSED STATEMENTS OF INCOME (LOSS) AND
COMPREHENSIVE INCOME (LOSS)
(In thousands, except per share data)
(unaudited)

	For the thirteen weeks ended		For the week
	September 29, 2001	September 28, 2002	September 29, 2001
REVENUES	$ 12,231	$ 8,756	$ 44,256
COST OF SERVICES:			
Direct cost of services	5,774	4,372	22,210
Equity related charges	631	110	1,752
Total cost of services	6,405	4,482	23,962
GROSS PROFIT	5,826	4,274	20,294
OPERATING EXPENSES:			
Selling, general and administrative	4,023	5,015	12,837
Equity related charges	211	32	670
Goodwill and intangibles amortization	574	461	1,507
Total operating expenses	4,808	5,508	15,014
INCOME (LOSS) FROM OPERATIONS	1,018	(1,234)	5,280
OTHER INCOME			
Interest income	611	243	2,023
Other, net	(6)	(8)	(23)
Total other income	605	235	2,000
INCOME (LOSS) BEFORE INCOME TAX (PROVISION) BENEFIT AND CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE	1,623	(999)	7,280
INCOME TAX (PROVISION) BENEFIT	(492)	351	(2,385)
INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE	1,131	(648)	4,895
CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE, NET OF TAX BENEFIT OF $760			
NET INCOME (LOSS)	1,131	(648)	4,895
OTHER COMPREHENSIVE INCOME (LOSS) - Foreign currency translation adjustment	18	108	(30)
COMPREHENSIVE INCOME (LOSS)	$ 1,149	$ (540)	$ 4,865

INCOME (LOSS) BEFORE CUMULATIVE EFFECT

OF A CHANGE IN ACCOUNTING PRINCIPLE PER COMMON SHARE			
Basic	$ 0.04	$ (0.02)	$ 0.17
Diluted	$ 0.04	$ (0.02)	$ 0.16
CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE PER COMMON SHARE			
Basic	$	$	$
Diluted	$	$	$
NET INCOME (LOSS) PER COMMON SHARE			
Basic	$ 0.04	$ (0.02)	$ 0.17
Diluted	$ 0.04	$ (0.02)	$ 0.16
SHARES USED IN CALCULATION OF INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE AND NET INCOME (LOSS) PER COMMON SHARE			
Basic	29,736,625	33,297,086	29,595,790
Diluted	30,756,534	33,297,086	30,565,491

See notes to consolidated condensed financial statements.

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THE MANAGEMENT NETWORK GROUP, INC.
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(In thousands)
(unaudited)

	For the thirty-nine weeks ended	
	September 29, 2001	September 28, 2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 4,895	$ (5,276)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Cumulative change in accounting principle		1,140
Depreciation and amortization	1,894	2,309
Equity related charges	2,422	1,094
Income tax benefit realized upon exercise of stock options	33	22
Deferred income taxes	(244)	627

Loss on retirement of assets		141
Changes in operating assets and liabilities, net of business acquisitions:		
Accounts receivable	6,560	2,995
Accounts receivable -- unbilled	3,100	176
Other assets	(222)	530
Trade accounts payable	(975)	714
Accrued liabilities	(3,336)	(62)
Accrued (refundable) income taxes	1,121	(3,352)
Net cash provided by operating activities	15,248	1,058
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of business, net of cash acquired	(4,046)	(32,456)
Acquisition of property and equipment	(520)	(231)
Loans to officers, net	(200)	(100)
Net cash used in investing activities	(4,766)	(32,787)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Exercise of stock options	325	301
Issuance of common stock, net of expenses		107
Payments made on long-term obligations	(8)	(242)
Net cash provided by financing activities	317	166
Effect of exchange rate on cash and cash equivalents	(30)	90
Net increase (decrease) in cash and cash equivalents	10,769	(31,473)
Cash and cash equivalents, beginning of period	70,583	86,396
Cash and cash equivalents, end of period	$ 81,352	$ 54,923
Supplemental disclosure of cash flow information:		
Cash paid during period for taxes	$ 1,866	$ 180
Cash paid during period for interest	$ 6	$ 48
Supplemental disclosure of non-cash investing and financing activities: --		
Fair value of assets acquired	$ 2,355	$ 53,745
Liabilities incurred or assumed	$ (4,452)	$ (7,282)
Common stock issued	$ 3,000	$ 13,480

See notes to consolidated condensed financial statements.

THE MANAGEMENT NETWORK GROUP, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(unaudited)

1. Basis of Reporting

The accompanying consolidated condensed financial statements of The Management

Network Group, Inc. (the "Company") as of September 28, 2002, and for the thirteen and thirty-nine weeks ended September 28, 2002 and September 29, 2001, are unaudited and reflect all normal recurring adjustments which are, in the opinion of management, necessary for the fair presentation of the Company's consolidated condensed financial position, results of operations, and cash flows as of these dates and for the periods presented. The consolidated condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information. Consequently, these statements do not include all the disclosures normally required by accounting principles generally accepted in the United States of America for annual financial statements nor those normally made in the Company's Annual Report on Form 10-K. Accordingly, reference should be made to the Company's Annual Report on Form 10-K for additional disclosures, including a summary of the Company's accounting policies, which have not changed (with the exception of revenue recognition, see Note 2. "Significant Accounting Policies" below).

2. Significant Accounting Policies

Revenue Recognition - The Company has historically accounted for revenue in connection with client service engagements under primarily a time and materials revenue model, where time and materials service revenues and costs are recorded in the period in which the service is performed. In fiscal 2002, the Company began entering into large fixed price contracts of various durations, and expects this trend to continue into the future. The Company generally records revenue in connection with larger fixed price contracts under a percentage of completion method when it has the ability to make reasonably dependable estimates towards project completion. This method of accounting results in the ratable recognition of revenue and 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 and related expense 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. 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.

Additionally in fiscal year 2002, the Company began entering into gain sharing contracts, where the Company's revenues are 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 believes the appropriate method of accounting is to recognize consultant costs as they are incurred on the project and to defer the revenue recognition until the revenue is realizable and earned.

3. 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 in the weighted average number of common shares outstanding for a period, if dilutive. In accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 128 "Earnings Per Share", the Company has not included the effect of common stock options for the thirteen and thirty-nine weeks ended September 28, 2002, as the Company reported a loss from continuing operations for these respective periods. Had the Company reported net income, the treasury method of calculating common stock equivalents would have resulted in approximately 115,000 and 799,000 additional diluted shares for the thirteen and thirty-nine weeks ended September 28, 2002, respectively.

The reconciliation of weighted average common shares outstanding included in the computation of basic and diluted net income (loss) per common share for the periods indicated is as follows (amounts in thousands):

	FOR THE THIRTEEN WEEKS ENDED		FOR THE THIRTY-NINE WEEKS E	
	SEPTEMBER 29, 2001	SEPTEMBER 28, 2002	SEPTEMBER 29, 2001	SEPTEMBER 2002
Weighted average common shares outstanding for basic earnings (loss) per share	29,737	33,297	29,596	32,535
Effect of stock options	1,020		969	
Weighted average shares of common stock outstanding for diluted earnings (loss) per share	30,757	33,297	30,565	32,535

4. Business Combinations

On March 6, 2002, TMNG announced the purchase of the business and primary assets of Cambridge Strategic Management Group, Inc. ("CSMG") of Boston, Massachusetts. CSMG provides high-end advisory services to global communication service and equipment providers and investment firms that provide capital to the industry. CSMG's range of business strategy services include analyses of industry and competitive environments; product and distribution strategies; finance, including business case development, modeling, cost analysis and benchmarking; and due diligence and risk assessment.

The acquisition, recorded under the purchase method of accounting, resulted in a total purchase price of approximately $46.5 million. Consideration consisted of $33.0 million cash and 2,892,800 shares of TMNG Common Stock valued at approximately $13.5 million. Share consideration was calculated in accordance with the Asset Purchase Agreement at a fixed price of $4.66 per share. All shares are restricted from trading for one year from the closing. An escrow was established as part of the transaction, consisting of 566,502 shares and $4.0 million of cash (collectively, the "Escrowed Property"). The Escrowed Property is subject to certain claims as set forth in the Asset Purchase Agreement and is scheduled to be distributed to the Seller pro rata in four installments over a 24 month period. In accordance with the Escrow Agreement, the Company released the first pro rata installment to the Seller on September 6, 2002. On the date of announcement of the acquisition, the closing pricing of TMNG's Common Stock was $4.56 per share.

The transaction was structured as a taxable transaction for Federal income tax purposes, and included $5.4 million in cash consideration to the Seller representing a sharing of tax benefits and costs. The purchase price also included $5.2 million representing the working capital purchased from CSMG.

The initial purchase price will be subject to refinement based on the finalization of the balances of the working capital items and income tax sharing at the date of close, and the finalization of direct acquisition costs incurred in the transaction. The operating results of CSMG have been included in the Consolidated Condensed Statements of Income (Loss) and Comprehensive Income (Loss) from the date of the purchase.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed as of the date of acquisition. The allocation of the purchase price is based on preliminary estimates and is subject to further refinement, however, adjustments, if any, are not expected to be material. The preliminary allocation of the purchase price to identifiable intangible assets was determined by an independent price appraisal.

	AT MARCH 6, 2002 (AMOUNTS IN THOUSANDS)
Current assets	$ 6,081
Property, plant and equipment	1,548
Employment agreements	3,200
Customer backlog	420
Company tradename	350
Deferred taxes (non-current)	1,501
Goodwill	40,645
Total assets acquired	53,745
Current liabilities	3,333
Noncurrent liabilities	3,949
Total liabilities assumed	7,282
Net assets acquired	$46,463

Of the $420,000 assigned to the customer backlog, no residual value has been identified with this asset. The customer backlog had an estimated useful life of 3 months and was amortized on a straight-line basis. As of September 28, 2002, customer backlog was fully amortized by TMNG.

Of the $350,000 assigned to the company tradename, no residual value has been identified with this asset. The company tradename has an estimated useful life of 24 months and is amortized on a straight-line basis.

Of the $3,200,000 assigned to the employment agreements, no residual value has been identified with this asset. The employment agreements have a weighted average useful life of approximately 32 months and are amortized on a straight-line basis.

As part of the acquisition of CSMG, the Company assumed liabilities of approximately $889,000 related to capital leases.

The following reflects pro forma combined results of the Company and CSMG as if the acquisition had occurred as of December 30, 2001 and December 31, 2000. In management's opinion, this pro forma information does not necessarily reflect the actual results that would have occurred nor is it necessarily indicative of future results of operations of the combined entities.

(in thousands, except per share amounts)	FOR THE THIRTEEN WEEKS ENDED		FOR THE T
	SEPTEMBER 29, 2001	SEPTEMBER 28, 2002	SEPTEMB 2001
Total revenues	$ 16,642	$ 8,756	$ 61
Income (loss) before cumulative effect of accounting changes	$ 236	$ (648)	$ 4
Net income (loss)	$ 236	$ (648)	$ 4
Basic income (loss) before cumulative effect of accounting changes per common share	$ 0.01	$ (0.02)	$
Diluted income (loss) before cumulative effect of accounting changes per common share	$ 0.01	$ (0.02)	$
Basic net income (loss) per common share	$ 0.01	$ (0.02)	$
Diluted net income (loss) per common share	$ 0.01	$ (0.02)	$

Included in the pro forma information for the thirteen and thirty-nine weeks ended September 29, 2001 is approximately $1.4 million in one-time nonrecurring severance charges incurred by CSMG. Excluding these charges, pro forma basic and diluted net income per share would have been $0.04 and $0.03 for the thirteen weeks ended September 29, 2001, respectively, and $0.18 and $0.16, respectively for the thirty-nine weeks ended September 29, 2001.

5. Severance

During the thirty-nine weeks ended September 28, 2002, the Company recorded severance expense of approximately $1.9 million and had paid approximately $1.2 million. These charges are included in selling, general and administrative expense in the accompanying Consolidated Condensed Statement of Income (Loss) and Comprehensive Income (Loss).

6. Equity Related Charges

During the thirteen weeks ended September 28, 2002, the Company granted approximately 361,000 stock options to employees at a weighted average exercise price of $1.26 and recorded net compensation expense related to all stock options of $142,000. During the thirty-nine weeks ended September 28, 2002, approximately 1,805,000 stock options were provided to employees at a weighted average exercise price of $2.76. Of the 1,805,000 stock options granted during fiscal year 2002, approximately 1,434,000 stock options remain outstanding as of September 28, 2002. The Company recorded net compensation expense related to all stock options of $142,000 and $471,000 for the thirteen and thirty-nine weeks ended September 28, 2002, respectively. During the thirty-nine weeks ended September 28, 2002, the Company recorded equity related charges to cost of services associated with a warrant of $623,000. The warrant was fully amortized by the Company during the second quarter of 2002.

7. 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 to TMNG 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 has also sued TMNG for at least $1.85 million for breach of contract, breach of fiduciary duties and negligence. Although assurance cannot be given as to the ultimate outcome of this proceeding, TMNG believes that it has meritorious defenses to the claims made by the bankruptcy trustee, including particularly the claims for breach of contract, breach of fiduciary duty and negligence, and that the ultimate resolution of this matter will not materially harm our business.

The Company has and may become involved in various legal and administrative actions arising in the normal course of business. These could include actions raised by taxing authorities challenging the employment status of consultants utilized by the Company. In addition, customer bankruptcies could result in a claim against the Company on collected balances for professional services near the bankruptcy filing date. While the resolution of any of such actions, claims, or the matter described above may have an impact on the financial results for the period in which it is resolved, 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. A customer bankruptcy or impairment of a customer's financial condition could also jeopardize the Company's ability to collect receivables owed by that customer. In light of current adverse conditions in the telecommunications industry, the incidents of customer bankruptcies have increased and may continue to do so.

8. Loans to Officers

During the third quarter of fiscal year 2001, three executive officers of the Company received stock options at fair market value in lieu of receiving their cash base compensation, which subsequently resumed in the first quarter of fiscal year 2002. To assist in meeting the cash flow needs of the officers who reduced their compensation, the Company provided lines of credit, collateralized by Company common stock held by

such officers. In June 2002, one of the officers retired from the Company, and his line of credit was cancelled. The maximum available borrowings under the loan agreements between the two remaining officers and the Company are $1,050,000 in total. Borrowings against the line of credit at September 28, 2002 totaled $300,000. 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.

9. Business Segments

The Company has identified its segments based on the way management organizes the Company to assess performance and make operating decisions regarding the allocation of resources.

Based on the criteria of Statement of Financial Accounting Standards ("SFAS") No. 131, "Disclosure about Segments of an Enterprise and Related Information," the Company has two segments, only one of which is separately reportable: The Management Consulting Services segment, and All Other. Management Consulting

Services includes business strategy and planning, marketing and customer relationship management, operating system support, revenue assurance, corporate investment services, networks, and business model transformation. All Other consists of computer hardware commission and rebates received in connection with the procurement of hardware for third parties. Management evaluates performance based upon operating earnings before interest income (expense), foreign currency transaction gains (losses), extraordinary items, if any, and income tax effects excluding equity related charges and goodwill and intangibles amortization. Management also evaluates trade accounts receivable as part of its overall assessment of the segments' performance. There are no intersegment sales.

Summarized financial information concerning the Company's reportable segments is shown in the following table (amounts in thousands):

	Management Consulting Services	All Other	Not to S
For the thirteen weeks ended September 29, 2001:			
Net sales to external customers	$ 11,910	$ 321	
Income from operations	$ 2,122	$ 312	$
Total assets	$ 16,514	$ 32	$
For the thirteen weeks ended September 28, 2002:			
Net sales to external customers	$ 8,724	$ 32	
Income (loss) from operations	$ (614)	$ (17)	$
Total assets	$ 10,641	$ 3	$
For the thirty-nine weeks ended September 29, 2001:			
Net sales to external customers	$ 43,935	$ 321	
Income from operations	$ 8,897	$ 312	$
Total assets	$ 16,514	$ 32	$
For the thirty-nine weeks ended September 28, 2002:			
Net sales to external customers	$ 25,327	$ 625	
Income (loss) from operations	$ (5,137)	$ 295	$
Total assets	$ 10,641	$ 3	$

Segment assets include both billed and unbilled trade accounts receivable, net of allowances, and certain other assets. Assets not assigned to segments include cash and cash equivalents, property and equipment, goodwill and intangible assets and deferred tax assets, excluding deferred tax assets recognized on accounts receivable reserves, which are assigned to their respective segment.

Reconciling information between reportable segments and the Company's totals is shown in the following table (amounts in thousands):

FOR THE THIRTEEN WEEKS ENDED		FOR THE T
SEPTEMBER 29, 2001	SEPTEMBER 28, 2002	SEPTEMBER 29,

Total operating earnings (losses) for reportable segments	$ 2,434	$ (631)	$ 9,209
Equity related charges	(842)	(142)	(2,422
Goodwill and intangibles amortization	(574)	(461)	(1,507
Income (loss) from operations	$ 1,018	$(1,234)	$ 5,280

10. Goodwill and Other Intangibles

Effective for the start of fiscal year 2002, the Company adopted certain provisions of SFAS No. 142 "Accounting for Goodwill and Intangible Assets". In accordance with certain provisions of the Statement, goodwill has not been amortized in fiscal year 2002. This Statement requires

that goodwill be evaluated on an annual basis, or more frequently if necessary. This Statement also requires a transitional impairment test within six months of the date of adoption. The Company determines fair value using the present value method of measurement of future cash flows. The present value method includes the estimation of a cash flow stream, applying a discount rate. The Company's best estimate of future cash flows is determined using its internal budgets as the basis. The discount rate used is commensurate with the risks involved, including the nature of the business, the time value of money, expectations about the amount or timing of future cash flows, and factors affecting liquidity. Upon the adoption of SFAS No. 142, the Company recorded a preliminary goodwill impairment loss related to the Management Consulting Segment of approximately $1.9 million and has reflected this amount as a cumulative change in accounting principle, net of tax benefit, in the Statement of Income (Loss) and Comprehensive Income (Loss).

Included in intangible assets and other assets on the Company's consolidated condensed balance sheet as of the end of the third quarter, September 28, 2002, and as of the latest fiscal year end, December 29, 2001, are the following intangible assets (amounts in thousands):

	December 29, 2001		September 28, 2002	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Goodwill	$24,633	$(2,486)	$63,399	$(2,486)
Intangibles with finite lives	$ 1,503	$ (131)	$ 5,473	$(1,712)

Intangible amortization expense for the thirteen and thirty-nine weeks ended September 28, 2002 was $0.5 million and $1.6 million, respectively. Intangible amortization expense is estimated to be approximately $2.0 million for fiscal year 2002. Estimated intangible amortization expense is expected to total $1.8

million in fiscal year 2003, $1.1 million in fiscal year 2004, and $0.3 million in fiscal year 2005. As the Company's specifically identifiable intangible assets will be fully amortized as of the end of fiscal year 2005, the Company does not expect to record amortization expense in connection with intangible assets in fiscal years 2006 or 2007.

The changes in the carrying amount of goodwill as of September 28, 2002 are as follows (amounts in thousands):

	Management Consulting Segment	All Other Segment	Total
Balance as of December 30, 2001	$ 19,156	$ 2,991	$ 22,147
Goodwill acquired during fiscal year 2002	40,666		40,666
Impairment loss	(1,900)		(1,900)
Balance as of September 28, 2002	$ 57,922	$ 2,991	$ 60,913

The following pro forma information reconciles the net income (loss) and earnings (loss) per share reported for the thirteen and thirty-nine weeks ended September 28, 2002 to adjusted net income (loss) and earnings (loss) per share which reflect the adoption of SFAS No. 142 and compares the adjusted information to the current year results (amounts in thousands, except per share data):

	FOR THE THIRTEEN WEEKS ENDED		FOR TH
	SEPTEMBER 29, 2001	SEPTEMBER 28, 2002	SEPTEMBER
Reported income (loss) before cumulative effect of change in accounting principle	$ 1,131	$ (648)	$ 4,
Cumulative effect of change in accounting principle			
Reported net income (loss)	1,131	(648)	4,
Goodwill amortization, net of tax	280		
Net income (loss), as adjusted	$ 1,411	$ (648)	$
Basic income (loss) per share before cumulative effect of change in accounting principle	$ 0.04	$ (0.02)	$

Cumulative effect of change in accounting principle			
Reported net income (loss) per share	0.04	(0.02)	
Add back: Goodwill amortization, net of tax	0.01		
Basic income (loss) per share, as adjusted	$ 0.05	$ (0.02)	$
Diluted income (loss) per share before cumulative effect of change in accounting principle	$ 0.04	$ (0.02)	$
Cumulative effect of change in accounting principle			
Reported net income (loss) per share	0.04	(0.02)	
Add back: Goodwill amortization, net of tax	0.01		
Diluted income (loss) per share, as adjusted	$ 0.05	$ (0.02)	$

11. Significant Customer Contracts

On December 10, 1999, the Company entered into a consulting services agreement with a significant customer under which such customer committed to $22 million of consulting fees over a three-year period commencing January 1, 2000. Due to financial difficulties experienced by the customer in fiscal year 2001 and continuing into fiscal year 2002, the agreement was extended in April 2002 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. As of September 28, 2002, $16.1 million of consulting fees had been recognized in connection with the agreement from the commencement date.

In August 2002, the Company entered into a gain sharing consulting services agreement with a significant customer, under which the Company earns revenue based upon project success as contractually defined. Due to the contingent nature of this project, all project costs have been expensed as incurred, due to the lack of an indication that an economic resource has been created. Additionally, the Company has not recognized any revenue on the project as of September 28, 2002, as the revenue is not realizable or earned at this time. As of September 28, 2002, total project cost recognized in loss from operations on the Company's Consolidated Condensed Statement of Income (Loss) and Comprehensive Income (Loss) in connection with the project was approximately $128,000.

12. 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 CSMG to the Company. The LOC was collateralized by the Company with a $1.0 million cash deposit to the above financial institution. This amount is included in "Cash and Cash Equivalents" on the Company's consolidated condensed balance sheet as of September 28, 2002.

In August 2002, the Company entered into a $0.3 million standby LOC facility with a financial institution in connection with the procurement of computer hardware by the Company from a third-party vendor. The hardware represents a deliverable by the Company in connection with a customer engagement, for which the customer is contractually required to satisfy. The LOC was required by the third-party vendor in the event the customer does not satisfy the obligation. As part of the agreement, the Company holds a collateralized position on the hardware sold to the customer. The LOC was collateralized by the Company with a $0.3 million cash deposit to the above financial institution. This amount is included in "Cash and Cash Equivalents" on the Company's consolidated condensed balance sheet as of September 28, 2002.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In addition to historical information, this quarterly report contains forward-looking statements. Certain risks and uncertainties could cause actual results to differ materially from those reflected in such forward-looking statements. Factors that might cause a difference include, but are not limited to, those discussed in the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business - Risk Factors" in the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 2001 and in "Risk Factors" in this quarterly report. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's opinions only as of the date of this report. We undertake no obligation to revise, or publicly release the results of any revision to, these forward-looking statements. Readers should carefully review the risk factors described in our annual report and this quarterly report and in other documents that we file from time to time with the Securities and Exchange Commission.

The following should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and Critical Accounting Policies as presented in the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 2001.

OVERVIEW

Revenues typically consist of consulting fees for professional services and related expense reimbursements. A significant percentage of our consulting services are contracted on either a time and materials basis not to exceed a negotiated contract price or a fixed cost basis. Substantially all revenues are recognized in the period in which the service is performed on a 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.

RESULTS OF OPERATIONS

THIRTEEN WEEKS ENDED SEPTEMBER 28, 2002 COMPARED TO THIRTEEN WEEKS ENDED SEPTEMBER 29, 2001

REVENUES

Revenues decreased 28.4% to $8.8 million for the thirteen weeks ended September 28, 2002 from $12.2 million for the thirteen weeks ended September 29, 2001. The decrease in revenues was due primarily to a deferral or reduction of management consulting demand by the communications and technology industry resulting primarily from macroeconomic events in this sector during 2001 and 2002, including reductions in capital funding, business failures, and industry restructurings and reorganizations. Additionally, our international revenue base decreased to 9.1% of our revenues for the thirteen weeks ended September 28, 2002, from 14.4% for the corresponding period in fiscal year 2001, due primarily to the additional domestic revenue generated by our recently acquired subsidiaries, Cambridge Strategic Management Group, Inc. ("CSMG") in March 2002, and TMNG Technologies, Inc. ("TMNG Technologies") in September 2001, and the decline in services provided to international customers related to similar adverse macroeconomic events in those markets. CSMG revenues represented 33.7% of consolidated revenues for the thirteen weeks ended September 28, 2002. Non-consulting revenues recognized by TMNG Technologies represented less than 1% of consolidated revenues for the thirteen weeks ended September 28, 2002, and related to commissions on hardware sales. For the thirteen weeks ended September 28, 2002, revenues recognized by the Company in connection with fixed price engagements totaled approximately $1,221,000, and represented approximately 13.9% of consolidated revenues.

COSTS OF SERVICES

Direct costs of services decreased 24.3% to $4.4 million for the thirteen weeks ended September 28, 2002 compared to $5.8 million for the thirteen weeks ended September 29, 2001, and was attributable primarily to the decrease in consulting engagements and corresponding reductions in consulting personnel costs. As a percentage of revenues, our gross margin based on direct cost of services was 50.1% for the thirteen weeks ended September 28, 2002 compared to 52.8% for the thirteen weeks ended September 29, 2001. The decrease in gross margin was primarily attributable to a lower percentage of revenue with our technology offerings and the corresponding decrease in commission revenue related to the hardware component, partially offset by higher margins from an increase in strategy offerings for the thirteen weeks ended September 28, 2002.

Non-cash stock based compensation charges were $110,000 and $631,000 for the thirteen weeks ended September 28, 2002 and September 29, 2001, respectively. The primary reasons for the net decrease in non-cash stock based compensation charges for the thirteen weeks ended September 28, 2002 compared to the same period in fiscal year 2001 was a net reduction in amortization charges related to the pre-initial public offering grants of stock options and the reduction in amortization expense recognized on a warrant in the amount of $430,000. Non-cash stock based compensation charges are recognized by the Company over a period of three or four years, based on an accelerated vesting schedule. Substantially all of the options giving rise to the equity related charges are in their respective third of fourth year of vesting, and therefore continue to have less impact on the Company's Statement of Income (Loss) and Comprehensive Income (Loss). The above warrant was fully amortized during the second quarter of fiscal year 2002. These net charges increased costs of services as a percentage of revenue by 1.3% and 5.2% for the thirteen weeks ended September 28, 2002 and the corresponding period in fiscal year 2001, respectively.

OPERATING EXPENSES

In total, operating expenses increased to $5.5 million for the thirteen weeks ended September 28, 2002, or 14.6% from $4.8 million for the corresponding period in fiscal year 2001. The major component of the $0.7 million increase in operating expenses was an increase in the selling, general and administrative costs associated with our CSMG and TMNG Technologies acquisitions. As a percentage of revenues, selling, general and administrative expenses increased to 57.3% compared to 32.9% for the thirteen weeks ended September 28, 2002 and September 29, 2001, respectively. This percentage increase was primarily attributable to the decreased revenues. Selling, general and administrative expenses decreased by approximately $874,000 for the thirteen weeks ended September 28, 2002, compared to the thirteen weeks ended June 29, 2002, after excluding the effect of a one-time charge recorded in the second quarter of fiscal year 2002 related to severance costs. This decrease in selling, general and administrative expenses from the second to the third thirteen week period in 2002 was due to the cost-cutting initiatives adopted by the Company's executive management team. Management continues to examine cost-reduction measures to enhance the Company's profitability. Amortization expense decreased by $113,000 for the thirteen weeks ended September 28, 2002 compared to the same period in fiscal year 2001, due primarily to the Company no longer recording amortization expense on goodwill in accordance with SFAS No. 142 "Accounting for Goodwill and Intangible Assets," offset by the amortization of specifically identified intangibles acquired in the CSMG and TMNG Technologies acquisitions.

Non-cash stock based compensation charges of $32,000 and $211,000 were recorded for the thirteen weeks ended September 28, 2002 and

September 29, 2001, respectively. The $179,000 net decrease in non-cash stock based compensation charges for fiscal year 2002 compared to fiscal year 2001 was a result of the reduction in the amortization of the deferred compensation charges based on the accelerating vesting schedule discussed above in "Cost of Services". These charges increased operating expenses as a percentage of revenue by 0.4% and 1.7% for the thirteen weeks ended September 28, 2002 and September 29, 2001, respectively.

OTHER INCOME AND EXPENSES

Interest income was $243,000 and $611,000 for the thirteen weeks ended September 28, 2002 and September 29, 2001, respectively, and represented interest earned on invested balances. Interest income decreased during the thirteen weeks ended September 28, 2002 due to lower invested balances resulting from the reduction in cash reserves and lower interest rates from the third quarter of fiscal year 2001 to the third quarter of fiscal year 2002. We invest in short-term, high-grade investment instruments as part of our overall investment policy.

INCOME TAXES

Income tax benefit for the thirteen weeks ended September 28, 2002 as a percentage of pretax loss was 35.1% compared to a provision of 30.3% of pretax income for the thirteen weeks ended September 29, 2001. The decrease in income taxes as a percentage of pre-tax income in fiscal year 2001 was due primarily to the partial shift of investments by TMNG from taxable to tax-exempt securities that are not taxed at the federal income tax level.

THIRTY-NINE WEEKS ENDED SEPTEMBER 28, 2002 COMPARED TO THIRTY-NINE WEEKS ENDED SEPTEMBER 29, 2001

REVENUES

Revenues decreased 41.4% to $26.0 million for the thirty-nine weeks ended September 28, 2002 from $44.3 million for the thirty-nine weeks ended September 29, 2001. The decrease in revenues was due primarily to a deferral or reduction of management consulting demand by the communications and technology industry resulting primarily from adverse macroeconomic events in this sector during 2001 and 2002, including reductions in capital funding, business failures, and industry restructurings and reorganizations. Additionally, our international revenue base decreased to 7.4% of our revenues for the thirty-nine weeks ended September 28, 2002, down from 13.9% for the thirty-nine weeks ended September 29, 2001, due primarily to the additional domestic revenue generated by our recently acquired subsidiaries, CSMG and TMNG Technologies and the decline in services provided to international customers related to similar adverse macroeconomic events in those markets. CSMG revenues represented 33.5% of consolidated revenues for the thirty-nine weeks ended September 28, 2002. Non-consulting revenues recognized by TMNG Technologies represented 2.4% of consolidated revenues for the thirty-nine weeks ended September 28, 2002, and related primarily to commissions received on hardware sales. For the thirty-nine weeks ended September 28, 2002, revenues recognized by the Company in connection with fixed price engagements totaled $5.2 million, and represented 20.1% of consolidated revenue.

COST OF SERVICES

Direct costs of services decreased 44.6% to $12.3 million for the thirty-nine weeks ended September 28, 2002 compared to $22.2 million for the thirty-nine weeks ended September 29, 2001, and was attributable primarily to the decrease in consulting engagements and corresponding reductions in consulting personnel costs. As a percentage of revenues, our gross margin based on direct cost of services was 52.6% for the thirty-nine weeks ended September 28, 2002 compared to 49.8% for the thirty-nine weeks ended September 29, 2001. The increase in gross margin was primarily attributable to higher margins associated with the increase in strategy offerings provided during the thirty-nine weeks ended September 28, 2002 compared to the corresponding period in fiscal year 2001.

Non-cash stock based compensation charges were $782,000 and $1,752,000 for the thirty-nine weeks ended September 28, 2002 and September 29, 2001, respectively. The primary reasons for the net decrease in non-cash stock based compensation charges for the thirty-nine weeks ended September 28, 2002 compared to the same period in fiscal year 2001 was the net reduction in amortization charges related to the pre-initial public offering grants of stock options in the amount of $302,000, and the reduction in amortization expense recognized on the warrant in the amount of $668,000. Non-cash stock based compensation charges are recognized by the Company over a period of three or four years, based on an accelerated vesting schedule. Substantially all of the options giving rise to the equity related charges are in their respective third of fourth year of vesting, and therefore continue to have less impact on the Company's Statement of Income (Loss) and Comprehensive Income (Loss). The above warrant was fully amortized by the Company during the second quarter of fiscal year 2002. These net charges increased costs of services as a percentage of revenue by 3.0% and 4.0% for the thirty-nine weeks September 28, 2002 and September 29, 2001, respectively.

OPERATING EXPENSES

In total, operating expenses increased to $20.4 million for the thirty-nine weeks ended September 28, 2002, or 35.7% from $15.0 million for the thirty-nine weeks ended September 29, 2001. The major components of the $5.4 million increase in operating expenses was a $1.9 million one-time charge related to severance costs incurred by the Company as part of its overall cost-reduction initiatives, an $855,000 one-time charge related to the closing of our Lanham office into our Bethesda location in the first quarter of fiscal year 2002, and the additional selling, general and administrative costs associated with our CSMG and TMNG Technologies acquisitions. As a percentage of revenues, selling, general and administrative expenses increased to 71.2% compared to 29.0% for the thirty-nine weeks ended September 29, 2001.

This percentage increase was primarily attributable to the decreased revenues. Beginning in fiscal year 2001 and continuing into fiscal year 2002, management began implementing a number of cost reduction initiatives including the reduction of sales and marketing staff, minimization of consultant recruitment, and a reduction in the Company's accounting staff. Management continues to examine cost-reduction measures to enhance the Company's profitability. Amortization expense increased to $1.6 million for the thirty-nine weeks ended September 28, 2002, or 4.9% from $1.5 million for the thirty-nine weeks ended September 29, 2001. The net increase in amortization expense was due primarily to the amortization of specifically identified intangibles acquired in the CSMG and TMNG Technologies acquisitions, offset by the Company no longer recording amortization expense on goodwill in accordance with SFAS No. 142 "Accounting for Goodwill and Intangible Assets."

Non-cash stock based compensation charges of $312,000 and $670,000 for the thirty-nine weeks ended September 28, 2002 and September 29, 2001, respectively, were recorded in connection with stock options granted to our partners, principals and certain senior executives and non-employee directors. The net $358,000 decrease in non-cash stock based compensation charges for fiscal year 2002 compared to fiscal year 2001 was a result of the reduction in the amortization of the deferred compensation charges recorded in connection with pre-initial public offering grants of non-qualified stock options based on the accelerating vesting schedule discussed above in "Cost of Services". These charges increased operating expenses as a percentage of revenue by 1.2% and 1.5% for the thirty-nine weeks ended September 28, 2002 and September 29, 2001, respectively.

OTHER INCOME AND EXPENSES

Interest income was $766,000 and $2,023,000 for the thirty-nine weeks ended September 28, 2002 and September 29, 2001, respectively, and represented interest earned on invested balances. Interest income decreased during the thirty-nine weeks ended September 28, 2002 due to lower invested balances resulting from a reduction in cash reserves and lower interest rates from fiscal year 2001 to fiscal year 2002. We invest in short-term, high-grade investment instruments as part of our overall investment policy.

INCOME TAXES

Income tax benefit for the thirty-nine weeks ended September 28, 2002 as a percentage of pretax loss was 38.9% compared to a provision of 32.8% of pretax income for the thirty-nine weeks ended September 29, 2001. The increase in the income tax expense (benefit) as a percentage of pre-tax income (loss) was due primarily to a shift away from short-term investments in federally exempt income securities.

CUMULATIVE CHANGE IN ACCOUNTING PRINCIPLE

A cumulative change in accounting principle in the amount of $1.9 million was recorded in the thirty-nine weeks ended September 28, 2002 in connection with the Company's estimate of goodwill impairment. The impairment was calculated in accordance with the provisions of SFAS No. 142 "Accounting for Goodwill and Intangible Assets" and has been reported on the Company's Statement of Income (Loss) and Comprehensive Income (Loss), net of tax benefit in the amount of $1.1 million.

LIQUIDITY AND CAPITAL RESOURCES

At September 28, 2002, we had approximately $54.9 million in cash and cash equivalents. We believe the cash on hand will be sufficient to meet anticipated cash requirements, including anticipated capital expenditures, consideration for possible acquisitions, and to support operations, if necessary, for at least the next 12 months. The Company has established a flexible model that provides a lower fixed cost structure than most consulting firms, enabling TMNG to scale operating cost structures more quickly based on market conditions.

Net cash provided by operating activities was $1.1 million and $15.2 million for the thirty-nine weeks ended September 28, 2002 and September 29, 2001, respectively. The Company generated positive cash flow from its operating activities during fiscal 2002, primarily due to the reduction in accounts receivable balances, after giving impact to the CSMG acquisition, reflecting more focused billing and collection activities, and better management of working capital.

Net cash used in investing activities was $32.8 million and $4.8 million for the thirty-nine weeks ended September 28, 2002 and September 29, 2001, respectively. Cash used for acquisitions was $32.5 million for the thirty-nine weeks ended September 28, 2002, and related to the CSMG acquisition closed by the Company on

March 6, 2002. Cash used for acquisitions was $4.0 million for the thirty-nine weeks ended September 29, 2001, and related to the Tri-Com Computer Services, Inc. acquisition closed by the Company on September 5, 2001. Capital expenditures of $231,000 and $520,000 for the thirty-nine weeks ended September 28, 2002 and September 29, 2001, respectively, relate to the capitalization of leasehold improvements, computer equipment and software by the Company. Additionally, during fiscal 2002 the Company increased its loans to officers by $100,000, resulting in an aggregate borrowing of $300,000 by officers as of September 28, 2002. The maximum available borrowings under the loan agreements between the two officers and the Company are $1,050,000 in total.

Net cash provided by financing activities was $166,000 and $317,000 for the thirty-nine weeks ended September 28, 2002 and September 29, 2001, respectively. Cash provided by financing activities in fiscal 2002 related to proceeds from the exercise of stock options and the purchase of stock under the Company's employee stock purchase plan, partially offset from payments made by the Company on the current portion of its capital lease obligations and current portion of outstanding debt. Net cash provided by financing activities in fiscal 2001 related to proceeds from the exercise of stock options, partially offset from payments made by the Company on the current portion of its capital lease obligations.

RISK FACTORS

Our business, operating results, and financial condition 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 quarterly report on Form 10-Q or presented elsewhere by management from time to time. Investors are urged to consider these risk factors when evaluating an investment in the Company.

WE FOCUS ALMOST EXCLUSIVELY ON SERVING THE COMMUNICATIONS INDUSTRY, WHICH HAS RECENTLY EXPERIENCED DECLINING RESULTS OF OPERATIONS, BANKRUPTCIES, FUTURE UNCERTAINTIES AND A REDUCTION IN THE AVAILABILITY OF INVESTMENT CAPITAL. ADVERSE INDUSTRY CONDITIONS HAVE RESULTED IN DECLINING DEMAND FOR OUR SERVICES AND COULD CONTINUE TO HARM OUR BUSINESS

We have derived almost all of our revenues from consulting engagements within the communications industry. Much of our past growth arose from business opportunities presented by industry trends that included deregulation, increased competition, technological advances, the growth of e-business and the convergence of service offerings.

However, beginning in late 2000 and continuing throughout 2001 and into 2002, many communications companies, including carriers, equipment manufacturers and other industry participants have reported declining results of operations and liquidity, and there have been numerous bankruptcy filings. These events resulted in a substantial decline in our revenues and the incurrence of net losses through the third quarter of 2002. Our future operating results could continue to be affected by continuing declines in results of operations and continuing financial difficulties among communications companies. In addition to continuing decreases in demand for our services, future client financial difficulties and/or bankruptcies could require us to write-off receivables that are in excess of our bad debt reserves, which would harm our results of operations in future fiscal periods. Client bankruptcies could also create an at-risk situation on balances for professional services collected near the bankruptcy filing date. In addition, the worsening conditions in the communications sector could cause companies to delay new product and new business initiatives and to seek to control expenses by reducing use of outside consultants. Additionally, 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 and results of operations.

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. The services required by any one client may be affected by industry consolidation or adverse industry conditions, technological developments, economic slowdown or internal 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.

Our services are often sold under short-term engagements and most clients can reduce or cancel their contracts with little or no penalty or notice. Our operating results may suffer if we are unable to rapidly re-deploy consultants if a client defers, modifies or cancels a project. Consequently, you should not predict or anticipate our future revenue based on the number of clients we have or the number and scope of our existing engagements.

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. This is especially true under present economic conditions impacting the communications industry, a typical result being fewer opportunities and discounted pricing. Factors that could cause quarterly fluctuations include:

- the beginning and ending of significant contracts during a quarter;

- the size and scope of assignments;

- 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 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;

- fluctuations in the communications market and economic conditions;

- seasonality during the summer, vacation and holiday periods; and

- fluctuations in the value of foreign currencies versus the U.S. dollar.

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. In addition, our stock price would likely decline.

ANY CONTINUING DECREASE IN CURRENT AND PROJECTED REVENUES MAY RESULT IN ASSET IMPAIRMENTS AND WRITE-OFFS TO THE COMPANY

An increasing amount of the assets on our balance sheet derive their value from projections made by the Company of revenues and cash flows. These assets are primarily intangible assets and goodwill. If we are not able to maintain certain levels of revenues and cash flows, these assets may be impaired, and the resulting asset impairment would be charged to operating income.

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

As part of our business strategy, we have made and will likely 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 one-time 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 operations.

In addition, the Financial Accounting Standards Board (FASB) has issued Statement of Financial Accounting Standards ("SFAS") No. 142 "Accounting for Goodwill and Intangibles". The impact of SFAS 142 will require an annual evaluation of goodwill to determine if an impairment of goodwill has occurred. The Company will annually assess the impact of the Statement. If an impairment of goodwill is deemed to have occurred, this could negatively affect our consolidated results of operations. The Company recorded a charge of $1.9 million related to an impairment of goodwill in the first quarter of 2002 and is currently assessing what impact, if any, these accounting standards might have on the Company's consolidated financial statements for future periods.

IF CURRENT MARKET CONDITIONS WITHIN THE COMMUNICATIONS INDUSTRY CONTINUE, OUR FINANCIAL POSITION MAY CONTINUE TO BE DIMINISHED AND OUR LIQUIDITY COULD BECOME

IMPAIRED, AND FUNDING FROM THE CAPITAL MARKETS MAY NOT BE AVAILABLE.

The contraction of the communications industry negatively impacted the Company's revenues and profitability in 2001 and 2002. The Company believes it currently has sufficient cash resources to support operations; however, if existing funds are utilized in operations and acquisitions, it may be difficult to raise additional capital.

WE MUST CONTINUE TO ATTRACT AND RETAIN QUALITY CONSULTANTS, AND OUR INABILITY TO DO SO WOULD IMPAIR OUR ABILITY TO SERVICE EXISTING ENGAGEMENTS OR UNDERTAKE NEW ENGAGEMENTS, RESULTING IN A DECLINE IN OUR REVENUES AND INCOME

We must attract a significant number of new consultants to implement growth 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 our margins and profitability. In addition, we will need to attract consultants in international locations, principally Europe, to support

our international growth plans. We have limited experience in recruiting internationally, and we 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, revenues and profitability would decline.

WE HAVE REDUCED CONSULTANT HEADCOUNT DURING THE PAST FISCAL YEAR, AND THE TERMINATION OF CONSULTANTS COULD RESULT IN A DIMINISHMENT OF CONSULTATIVE OFFERINGS AVAILABLE TO THE CUSTOMERS

Beginning in fiscal year 2001 and continuing into fiscal year 2002, the Company began an initiative of cost-cutting measures, including the reduction in employee consultant headcount. As the talents and skillsets of these employee consultants are no longer available to the Company, TMNG could be adversely affected in its ability to provide various consultative offerings to customers, potentially resulting in a diminishment of revenue opportunities for the Company.

THE MARKET IN WHICH WE COMPETE 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 general management consulting firms, the consulting practices of "Big Four" accounting firms, most of which have practice groups focused on the communications industry, and local or regional firms specializing in communications services. In addition, major global outsourcing firms like International Business Machines Corporation (IBM), Electronic Data Systems Corporation (EDS) and Computer Sciences Corporation (CSC) have become more significant competitors recently due to the outsource of certain business support system (BSS) and operating support system (OSS) operations to them. 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:

- American Management Systems;

- Accenture;

- Booz-Allen & Hamilton;

- The Boston Consulting Group;

- Cap Gemini Ernst & Young;

- Bearing Point (formerly KPMG); 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. 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 due to worsening economic conditions;

- 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 EXPERIENCED RAPID ORGANIC GROWTH IN OUR BUSINESS PRIOR TO 2001 AND 2002, AND HAVE ACQUIRED SEVERAL COMPANIES IN RECENT FISCAL YEARS. IF OUR BUSINESS GROWS IN THE FUTURE AND OUR OPERATING RESULTS IMPROVE, OUR OPERATIONAL INFRASTRUCTURE MAY NOT BE ABLE TO SUPPORT GROWTH AND INTEGRATION

If industry conditions improve and we experience a period of rapid growth in the future, managerial and operational resources may be strained. Additionally, the consolidation of corporate and administrative functions in connection with acquisition integration may also strain leadership and resources. To support any future growth, our organizational infrastructure must grow accordingly.

To manage any future growth of our operations and personnel, we must:

- improve existing and implement new operational, financial and management controls, reporting systems and procedures;

- maintain and expand our financial management information systems; and

- effectively integrate operational, financial and management controls, report systems and procedures.

If we fail to address these issues, our operational infrastructure may be insufficient to support our levels of business activity. In this event, we could experience disruptions in our business and declining revenues or profitability.

IF WE DO NOT EFFECTIVELY MANAGE THE CONVERSION OF INDEPENDENT SUBJECT MATTER EXPERTS TO EMPLOYEES, WE COULD INCUR UNANTICIPATED COSTS WHICH WOULD HARM OUR FINANCIAL PERFORMANCE

We offer contingent employee or full-time employee status to certain of our independent subject matter experts. As independent subject matter experts are converted to consultant employees, we incur additional fixed costs for each such employee that we do not incur when retained as an independent subject matter expert. To effectively manage these additional fixed costs, we will need to continuously improve utilization management and minimize unbilled employee time. In addition, this change may cause other disruptions to our business. If we fail to effectively manage this transition, we could incur additional costs due to underutilization of full-time employees as well as other unanticipated costs.

WE MUST CONTINUALLY ENHANCE OUR SERVICES TO MEET THE CHANGING NEEDS OF OUR CUSTOMERS 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 our customers in a rapidly developing and evolving market, particularly in the areas of wireless communications and next generation technologies. 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, lost business may result and our financial performance will suffer.

PLANS FOR INTERNATIONAL EXPANSION MAY NOT SUCCEED, WHICH WOULD HARM OUR REVENUES AND PROFITABILITY

Future revenues depend to a large extent on expansion into international markets. International operations might not succeed for a number of reasons, including:

- difficulties in staffing and managing foreign operations;

- seasonal reductions in business activity;

- fluctuations in currency exchange rates or imposition of currency exchange controls;

- competition from local and foreign-based consulting companies;

- issues relating to uncertainties of laws and enforcement relating to the protection of 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;

- 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;
- general political and economic trends; and
- expropriations of assets, including bank accounts, intellectual property and physical assets by foreign governments.

Accordingly, 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.

IF INTERNATIONAL BUSINESS VOLUMES INCREASE, WE MAY BE EXPOSED TO GREATER FOREIGN CURRENCY EXCHANGE RISKS, WHICH COULD RESULT IN INCREASED EXPENSES AND DECLINING PROFITABILITY

Although revenues derived from our international engagements declined in 2002, they continue to represent a significant number of our engagements. Some international engagements are denominated in the local currency of the clients. Expenses incurred in delivering these services, consisting primarily of consultant compensation, are typically denominated in U.S. dollars. To the extent that the value of a currency in which billings are denominated decreases in relation to the U.S. dollar or another currency in which expenses are denominated, our operating results and financial condition could be harmed. We may hedge our foreign currency exposure from time to time, but hedging may not be effective.

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, our 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, and could therefore 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. Damage to our reputation arising from client dissatisfaction could therefore harm our financial performance.

IF WE FAIL TO DEVELOP 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 new and repeat business. Inability to build long-term customer relations would result in declines in our revenues and profitability.

A LARGE NUMBER OF PERSONNEL ARE CLASSIFIED AS INDEPENDENT CONTRACTORS FOR TAX AND EMPLOYMENT LAW PURPOSES, AND IF THESE 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 our consulting services through independent contractors and, therefore, do not pay federal or state employment taxes or withhold income taxes for such persons. Further, we generally do not include these independent contractors in our benefit plans. In the future, the IRS and state authorities may challenge the status of consultants as independent contractors. Independent subject matter experts may also initiate proceedings to seek reclassification as employees under state law. In either case, if persons engaged by us as independent subject matter experts 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 persons, 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 on a going-forward basis, to include such persons in our 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.

In particular, we are currently a defendant in litigation brought by the bankruptcy trustee of a former client. This litigation seeks to recover at least $1.85 million for breach of contract, breach of fiduciary duties and negligence. In addition, this litigation seeks to recover $320,000 in

consulting fees paid by the former client.

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 the Company or others in the industry;

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

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

- any further reduction in our revenues or profits during 2002 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 high technology and communications companies. Our stock price tends to track the stock price of communications companies, which declined substantially in 2001 and 2002 and may continue to do so. These broad market fluctuations could continue to harm the market price of our common stock. If the market price of our common stock continues to decline, the Company may risk being delisted from the NASDAQ National Stock market on which it trades. Additionally, due to the limited float of the Company's common stock, investors may find their investment illiquid, and suffer losses.

OUR INABILITY TO PROTECT OUR INTELLECTUAL PROPERTY COULD HARM OUR COMPETITIVE POSITION AND OUR 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 solutions or technologies, 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.

PRINCIPAL STOCKHOLDERS, EXECUTIVE OFFICERS AND DIRECTORS HAVE SUBSTANTIAL CONTROL OVER OUR VOTING STOCK AND MAY MAKE DECISIONS THAT ARE NOT IN THE BEST INTEREST OF OUR OTHER STOCKHOLDERS

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. As a result, such persons, acting together, have the ability to substantially influence 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, even if such a transaction would be beneficial to our other stockholders.

WE USED TO BE TAXED UNDER SUBCHAPTER "S" OF THE INTERNAL REVENUE CODE, AND CLAIMS OF TAXING AUTHORITIES RELATED TO PRIOR SUBCHAPTER "S" CORPORATION STATUS COULD HARM US

From 1993 through 1998, we were taxed as a "pass-through" entity under subchapter "S" of the Internal Revenue Code. Since February 1998, we have been taxed under subchapter "C" of the Internal Revenue Code, which is applicable to most corporations and treats the corporation as an entity that is separate and distinct from its stockholders. If our tax returns for the years in which we were a subchapter "S" corporation were to be audited by the Internal Revenue Service or another taxing authority and an adverse determination was made during the audit, we could be obligated to pay back taxes, interest and penalties. The stockholders of our predecessor entity agreed, at the time we acquired our predecessor, to indemnify us against negative tax consequences arising from our prior "S" corporation status. However, this indemnity may not be sufficient to cover claims made by the IRS or other taxing authorities, and any such claims could result in additional costs and harm our financial performance.

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

Any additional equity financing 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, the percentage ownership of stockholders will be reduced. Our stockholders may also experience additional dilution in net book value per share 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, even if a change in control would be beneficial to stockholders. 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 could make it more difficult for a third party to acquire us.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company does not invest excess funds in derivative financial instruments or other market rate sensitive instruments for the purpose of managing its foreign currency exchange rate risk. The Company invests excess funds in short-term investments, the yield of which is exposed to interest rate market risk.

The Company does 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. This would be especially true if we experience any significant increases in international engagements denominated in the local currency of the Company's clients.

ITEM 4. 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 a date within 90 days prior to the filing of this quarterly report. Based on that review and evaluation, the CEO and CFO have concluded that the Company's current 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, therefore, no corrective measures were taken by the Company.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

TMNG has not been subject to any material new litigation or claims against the Company since the time of TMNG's 10-K filing, dated March 29, 2002. For a summary of litigation in which TMNG is currently involved, refer to TMNG's 10-K, as filed with the Securities and Exchange Commission on March 29, 2002.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(b) Reports on Form 8-K

TMNG did not file any Reports on Form 8-K during the quarter ended September 28, 2002.

SIGNATURES

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

SIGNATURE	TITLE	DATE
/s/ RICHARD P. NESPOLA Richard P. Nespola	President, Chief Executive Officer and Director (Principal executive officer)	November 12, 2002
/s/ DONALD E. KLUMB Donald E. Klumb	Chief Financial Officer and Treasurer (Principal financial officer and principal accounting officer)	November 12, 2002

CERTIFICATIONS

I, Richard P. Nespola, President and Chief Executive Officer of The Management Network Group, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Management Network Group, Inc.;

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

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

material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

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

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

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

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

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

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

Date: November 12, 2002

By: /s/ Richard P. Nespola

President and Chief Executive Officer

I, Donald E. Klumb, Chief Financial Officer and Treasurer of The Management Network Group, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Management Network Group, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances

under which such statements were made, not misleading with respect to the period covered by this quarterly report;

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

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

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

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

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

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

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

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

Date: November 12, 2002

By: /s/ Donald E. Klumb

Chief Financial Officer and Treasurer

In connection with this quarterly report on Form 10-Q of The Management Network Group, Inc., I, Richard P. Nespola, President and Chief Executive Officer of the registrant certify that:

1. this quarterly report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in this quarterly report fairly presents, in all material respects, the financial condition and results of operations of the registrant for and as of the end of such quarter.

Date: November 12, 2002

By: /s/ Richard P. Nespola

President and Chief Executive Officer

In connection with this quarterly report on Form 10-Q of The Management Network Group, Inc., I, Donald E. Klumb, Chief Financial Officer and Treasurer of the registrant certify that:

1. this quarterly report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in this quarterly report fairly presents, in all material respects, the financial condition and results of operations of the registrant for and as of the end of such quarter.

Date: November 12, 2002

By: /s/ Donald E. Klumb

Chief Financial Officer and Treasurer