

TECHTEAM GLOBAL INC

Form 8-K/A

August 14, 2007

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 8-K/A**

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

**Date of Report (Date of earliest event reported): May 31, 2007**

**TECHTEAM GLOBAL, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation)

**0-16284**

(Commission File Number)

**38-2774613**

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

**27335 West 11 Mile Road, Southfield, MI**

(Address of principal executive offices)

**48033**

(Zip Code)

Registrant's telephone number, including area code: **(248) 357-2866**

(Former name or former address if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 1.01 Entry into a Material Definitive Agreement**

See discussion in Item 2.01.

**Item 2.01 Completion of Acquisition or Disposition of Assets**

As previously reported in the Current Report on Form 8-K filed on June 4, 2007, effective May 31, 2007, TechTeam Global, Inc. (the Company ), through its wholly-owned subsidiary TechTeam Government Solutions, Inc., closed on its acquisition of all of the outstanding membership interest in NewVectors LLC ( NewVectors ) from NewVectors Holding LLC. The Company is now submitting the financial statements of the business acquired.

**Item 9.01 Financial Statements and Exhibits**

- (a) Financial statements of businesses acquired.
- (b) Pro forma financial information.
- (c) Not applicable.
- (d) Exhibits.

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**Item 9.01 Financial Statements and Exhibits**

(a) Financial statements of business acquired.

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors

NewVectors LLC (Formerly Known as Enterprise

Solutions Division of Altarum Institute)

We have audited the accompanying balance sheets of NewVectors LLC (Formerly Known as Enterprise Solutions Division of Altarum Institute) as of September 30, 2006 and 2005, and the related statements of income, changes in equity, and cash flows for each of the three years in the period ended September 30, 2006. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit 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, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NewVectors LLC (Formerly Known as Enterprise Solutions Division of Altarum Institute) at September 30, 2006 and 2005, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2006, in conformity with accounting principles generally accepted in the United States.

/s/ ERNST & YOUNG LLP

June 11, 2007

Detroit, Michigan

**NEWVECTORS LLC**  
**(Formerly Known as Enterprise Solutions Division of Altarum Institute)**  
**BALANCE SHEETS**

|  | September 30,       |                     |
|--|---------------------|---------------------|
|  | 2006                | 2005                |
| <b>Assets</b>                                  |                     |                     |
| Current assets:                                |                     |                     |
| Cash   | \$ 3,774,126        | \$                  |
| Accounts receivable                            |                     | 5,571,965           |
| Accounts receivable from Altarum               | 5,221,723           |                     |
| Cost and fees not yet billed                   | 443,516             | 406,290             |
| Prepaid expenses                               | 63,230              | 71,045              |
| Other  | 6,717               | 13,385              |
| <b>Total current assets</b>                    | <b>9,509,312</b>    | <b>6,062,685</b>    |
| Equipment, net of accumulated depreciation     | 234,407             | 201,880             |
| Goodwill                                       | 7,561,745           | 8,304,908           |
| <b>Total long term assets</b>                  | <b>7,796,152</b>    | <b>8,506,788</b>    |
| <b>Total assets</b>                            | <b>\$17,305,464</b> | <b>\$14,569,473</b> |
| <b>Liabilities and equity</b>                  |                     |                     |
| Current liabilities:                           |                     |                     |
| Accounts payable                               | \$ 1,315,972        | \$ 1,255,276        |
| Accounts payable to Altarum                    | 436,692             |                     |
| Accrued wages and benefits                     | 2,573,260           | 2,071,479           |
| Deferred revenue                               | 220,588             | 140,928             |
| Current portion of capital lease obligation    | 26,118              | 75,569              |
| <b>Total current liabilities</b>               | <b>4,572,630</b>    | <b>3,543,252</b>    |
| Capital lease obligation, less current portion | 54,488              | 75,965              |
| <b>Total liabilities</b>                       | <b>4,627,118</b>    | <b>3,619,217</b>    |
| Equity:  |                     |                     |
| Paid-in capital                                | 10,540,985          |                     |
| Retained earnings                              | 2,137,361           | 10,950,256          |
| <b>Total equity</b>                            | <b>12,678,346</b>   | <b>10,950,256</b>   |
| <b>Total liabilities and equity</b>            | <b>\$17,305,464</b> | <b>\$14,569,473</b> |

*See accompanying notes.*



**NEWVECTORS LLC**  
**(Formerly Known as Enterprise Solutions Division of Altarum Institute)**  
**STATEMENTS OF INCOME**

|  | <b>Year Ended September 30,</b> |              |              |
|--|---------------------------------|--------------|--------------|
|  | <b>2006</b>                     | <b>2005</b>  | <b>2004</b>  |
| Revenue                                    | \$33,664,483                    | \$32,445,999 | \$30,784,470 |
| Expenses:                                  |                                 |              |              |
| Operating                                  | 19,797,698                      | 18,000,991   | 16,821,239   |
| General, administrative and indirect costs | 10,301,822                      | 10,714,796   | 9,818,173    |
| Depreciation                               | 86,730                          | 94,005       | 61,692       |
| Amortization of goodwill                   | 743,726                         | 1,487,452    | 1,487,452    |
| Total expenses                             | 30,929,976                      | 30,297,244   | 28,188,556   |
| Income before interest, net                | 2,734,507                       | 2,148,755    | 2,595,914    |
| Net interest (expense) income              | (1,086)                         | 410          | 9,241        |
| Net income                                 | \$ 2,733,421                    | \$ 2,149,165 | \$ 2,605,155 |

*See accompanying notes.*

**NEWVECTORS LLC**  
**(Formerly Known as Enterprise Solutions Division of Altarum Institute)**  
**STATEMENTS OF CHANGES IN EQUITY**

|                               | <b>Paid-in<br/>Capital</b> | <b>Retained<br/>Earnings</b> | <b>Total</b>  |
|-------------------------------|----------------------------|------------------------------|---------------|
| Balance at October 1, 2003    | \$                         | \$ 12,725,933                | \$ 12,725,933 |
| Distribution                  |                            | (2,783,770)                  | (2,783,770)   |
| Net income                    |                            | 2,605,155                    | 2,605,155     |
| Balance at September 30, 2004 |                            | 12,547,318                   | 12,547,318    |
| Distribution                  |                            | (3,746,227)                  | (3,746,227)   |
| Net income                    |                            | 2,149,165                    | 2,149,165     |
| Balance at September 30, 2005 |                            | 10,950,256                   | 10,950,256    |
| Paid-in capital               | 10,540,985                 | (10,540,985)                 |               |
| Distribution                  |                            | (1,005,331)                  | (1,005,331)   |
| Net income                    |                            | 2,733,421                    | 2,733,421     |
| Balance at September 30, 2006 | \$ 10,540,985              | \$ 2,137,361                 | \$ 12,678,346 |

*See accompanying notes.*



**NEWVECTORS LLC**  
**(Formerly Known as Enterprise Solutions Division of Altarum Institute)**  
**STATEMENTS OF CASH FLOWS**

|   | <b>Year Ended September 30,</b> |              |              |
|---|---------------------------------|--------------|--------------|
|   | <b>2006</b>                     | <b>2005</b>  | <b>2004</b>  |
| <b>Operating activities</b>   |                                 |              |              |
| Net income  | \$ 2,733,421                    | \$ 2,149,165 | \$ 2,605,155 |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                 |              |              |
| Depreciation  | 86,730                          | 94,005       | 61,692       |
| Amortization of goodwill  | 743,726                         | 1,487,452    | 1,487,452    |
| Changes in operating assets and liabilities:                                      |                                 |              |              |
| Accounts receivable and costs and fees not yet billed                             | 5,534,739                       | 1,164,931    | (2,517,691)  |
| Prepaid expenses and other  | 14,483                          | 4,798        | 26,216       |
| Accounts payable  | 60,696                          | (497,613)    | 1,165,123    |
| Accrued wages and benefits  | 501,781                         | (303,770)    | 482,574      |
| Due from Altarum, net   | (4,785,031)                     |              |              |
| Deferred revenue  | 79,660                          | (221,464)    | (320,671)    |
| Net cash provided by operating activities   | 4,970,205                       | 3,877,504    | 2,989,850    |
| <b>Investing activities</b>   |                                 |              |              |
| Purchases of equipment  | (142,794)                       | (5,677)      | (67,028)     |
| <b>Financing activities</b>   |                                 |              |              |
| Distributions   | (1,005,330)                     | (3,746,227)  | (2,783,770)  |
| Payments of capital lease obligation  | (47,955)                        | (125,600)    | (139,052)    |
| Net cash provided by financing activities   | (1,053,285)                     | (3,871,827)  | (2,922,822)  |
| Net increase in cash  | 3,774,126                       |              |              |
| Cash at beginning of year   |                                 |              |              |
| Cash at end of year   | \$ 3,774,126                    | \$           | \$           |
| <b>Supplemental disclosure of cash flow information</b>                           |                                 |              |              |
| Cash paid during the year for interest  | \$ 6,174                        | \$ 6,403     | \$ 3,656     |
| Cash paid during the year for state income taxes                                  | \$ 53,221                       | \$ 31,628    | \$ 22,665    |

**Supplemental disclosure of noncash investing and financing activities**

During 2006, 2005, and 2004, NewVectors LLC acquired certain equipment under capital lease agreements totaling \$83,733, \$91,641, and \$71,991, respectively.

*See accompanying notes.*



**NEWVECTORS LLC**  
**(Formerly Known as Enterprise Solutions Division of Altarum Institute)**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED SEPTEMBER 30, 2006, 2005 AND 2004**

**Note 1 Description of Business**

NewVectors LLC (formerly known as the Enterprise Solutions Division of Altarum Institute) (the Company) is a for-profit limited liability company (LLC), initially owned by its parent company, NewVectors Holding, which in turn is owned by Altarum Supporting Organization, Inc. (ASO) and Altarum Institute (Altarum). The Company was formed on April 1, 2006, as a spin-off from Altarum. Prior to its formation, the Company's employees comprised the former Enterprise Solutions Division of Altarum. With the transaction from a not-for-profit division of Altarum to a for-profit limited liability company, \$10,540,985 of net assets were transferred over as paid-in capital. The Company continues to serve as a long standing provider of independent research, analysis, and consulting services in the government marketplace.

In forming the Company, NewVectors Key Employee Equity LLC (KEE) was also formed. KEE does not have an equity interest in the Company, but does have an income interest. Eight key employees of the Company, Altarum, and ASO share in the income of the Company (the members).

On April 11, 2007, a letter of intent was entered into with TechTeam Government Solutions, Inc. for the sale of NewVectors LLC, which was completed on May 31, 2007.

**Note 2 Significant Accounting Policies**

***Basis of Presentation***

The financial statements have been prepared on the accrual basis of accounting.

***Revenue Recognition***

Contract revenue under fixed-fee and cost-plus-fixed-cost contracts is recognized using the percentage-of-completion method of accounting based on cost incurred to determine percentage of completion. Costs not recoverable under contracts are recognized in the period in which they become evident. Contract revenue under time-and-materials contracts is recognized as the services are performed.

Contract revenue and costs on government contracts are subject to audit by a designated agency of the United States government. Management anticipates no material adjustments for fiscal 2006, 2005, and 2004 for receivables, unbilled costs, and fees recorded.

***Contract Costs***

Contract costs include all direct expenses incurred in performing work under contracts and an allocation of direct fringe expenses.

***Allocation of Expenses***

Prior to April 1, 2006, the majority of general administrative and indirect costs were allocated to the Enterprise Solutions Division based on the percentage of total labor costs. The remaining costs included were direct costs associated to the Enterprise Solutions Division.

**NEWVECTORS LLC**  
**(Formerly Known as Enterprise Solutions Division of Altarum Institute)**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**YEARS ENDED SEPTEMBER 30, 2006, 2005 AND 2004**

**Note 2 Significant Accounting Policies (continued)**

***Taxes***

The Company is a single-member LLC formed under Michigan law and is taxed as a division of its parent, NewVectors Holding, LLC for federal and state income tax purposes. NewVectors Holding, LLC is recognized as a partnership for federal income tax purposes and, as such, income is generally recognized by the partners of the parent, income and taxes are paid by the partners and not by the Company. If the Company operated in any state which did not recognize the flow-through nature of federal partnership taxation, income taxes would be recorded. All states in which the Company currently operates require no company-level assessment of taxes against net income; therefore, no such provision has been made within the accompanying financial statements. The Company is subject to Michigan Single Business Taxes and other franchise taxes in certain states in which the Company operates, and provisions for those taxes have been made against the Company's operating income.

Prior to the formation of NewVectors LLC, the Enterprise Solutions Division, as part of Altarum, was recognized by the Internal Revenue Service as exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

***Due To and From Altarum***

At September 30, 2006, Altarum owes the Company \$5,221,723 for receivables billed to the government on the Company's behalf. The Company in turn owes Altarum for accounts payable payments made on its behalf of \$436,692 at September 30, 2006. In 2005, there were no intercompany receivables or payables as the Enterprise Solutions Division was part of Altarum.

***Costs and Fees Not Yet Billed***

Costs and fees not yet billed represent recoverable costs and include allocable indirect expenses to the extent that such costs will be reimbursed, together with fees earned thereon.

***Equipment***

Equipment is stated at cost, if purchased or at the estimated fair market value at date of acquisition, if donated. These assets are depreciated using the straight-line method over estimated useful lives generally ranging from three to seven years for equipment and computers. Capital lease amortization is included in depreciation expense.

Additions to equipment together with major renewals or betterments are capitalized. Maintenance, repairs and minor renewals and betterments are expensed as incurred. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation is removed and any resulting gain or loss is recognized.

**NEWVECTORS LLC**  
**(Formerly Known as Enterprise Solutions Division of Altarum Institute)**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**YEARS ENDED SEPTEMBER 30, 2006, 2005 AND 2004**

**Note 2 Significant Accounting Policies (continued)**

Equipment consists of the following components:

|  | <b>Year Ended September 30</b> |             |
|--|--------------------------------|-------------|
|  | <b>2006</b>                    | <b>2005</b> |
| Equipment                                      | <b>\$ 397,526</b>              | \$ 407,320  |
| Less accumulated depreciation and amortization | <b>(163,119)</b>               | (205,440)   |
|  | <b>\$ 234,407</b>              | \$ 201,880  |

***Goodwill***

On April 1, 2006, Altarum allocated \$7,561,745 of the goodwill acquired from Altarum's original purchase of Vector Research to the Company. The allocation was based on the Company's share of revenues. Goodwill is assessed for impairment at least annually or whenever events or circumstances indicate a condition of impairment may exist. No impairment issues existed at September 30, 2006. Prior to April 1, 2006, the Enterprise Solutions Division amortized goodwill as it was a not-for-profit entity. Goodwill was amortized using the straight-line method over a period of ten years. Accumulated amortization totaled \$6,414,560, and \$5,670,834, respectively, at September 30, 2006 and 2005, and amortization expense was approximately \$744,000, \$1,487,000, and \$1,487,000 for the years ended September 30, 2006, 2005, and 2004, respectively.

***Use of Estimates***

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

**NEWVECTORS LLC**  
**(Formerly Known as Enterprise Solutions Division of Altarum Institute)**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**YEARS ENDED SEPTEMBER 30, 2006, 2005 AND 2004**

**Note 3 Leases**

The Company leases certain buildings and equipment under operating lease agreements and certain computer equipment under a capital leases entered into during 2006 and 2005. The cost of computer equipment held under the capital leases at September 30, 2006 and 2005, was \$84,733 and \$237,320, respectively. Accumulated depreciation for the capital leases at September 30, 2006 and 2005, was \$4,707 and \$95,295, respectively. Rental expense under operating leases totaled \$1,124,747, \$1,382,704, and \$1,125,812 for the years ended September 30, 2006, 2005, and 2004, respectively. Future commitments under noncancelable operating leases and capital leases at September 30, 2006, are as follows:

|                       | <b>Operating<br/>Leases</b> | <b>Capital<br/>Lease</b> |
|-----------------------|-----------------------------|--------------------------|
| 2007                  | \$ 789,309                  | \$ 32,381                |
| 2008                  | 412,329                     | 32,382                   |
| 2009                  | 10,477                      | 26,985                   |
|                       | \$ 1,212,115                | 91,748                   |
| Less imputed interest |                             | (11,142)                 |
| Less current portion  |                             | (26,118)                 |
|                       |                             | \$ 54,488                |

**Note 4 Employee Retirement Benefits**

The Company supports defined contribution pension plans for substantially all of its employees whereby participants may contribute a portion of their salary to the Altarum Institute Employees Retirement and Savings Plan to be invested by the plan's trustee. Employer contributions are made to participant accounts equal to 5% of compensation. The Company contributed \$301,712 to this plan for the year ended September 30, 2006.

**Note 5 Related-Party Transactions**

The Company has agreed to pay Altarum an administrative fee for certain support services including human resources, accounting, contracts, facilities, and network support. During the year ended September 30, 2006, the amount paid for such services was \$864,944. Prior to April 1, 2006, the Enterprise Solutions Division was part of Altarum, and no such fee was paid.

Additionally, the Company leases its office space in Ann Arbor, Michigan from ASO and subleases space in Arlington, Virginia from Altarum. During the year ended September 30, 2006, the Company paid \$149,835 and \$199,322, respectively, in connection with the leased and subleased space.

The Company's Board of Managers also has two Board members that are employees and Board of Directors of Altarum, who are not compensated for their services.

**NEWVECTORS LLC**  
**(Formerly Known as Enterprise Solutions Division of Altarum Institute)**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**YEARS ENDED SEPTEMBER 30, 2006, 2005 AND 2004**

**Note 6 Contingent Liability**

On June 21, 2006, the Company entered into a Continuing Guaranty agreement whereby it has guaranteed all present and future indebtedness of Altarum with Fifth Third Bank (the Bank). The Company also entered into a Security Agreement with the Bank, which grants a lien on all balances of deposit accounts; all securities and other property in the custody, possession or control of the Bank; and all property or securities declared or acknowledged to constitute security for any past, present or future liability, direct or indirect from the Company to the Bank. At September 30, 2006, Altarum's outstanding debt was \$15,075,000.

**Note 7 Economic Dependency**

Sales to the U.S. government agencies or their contractors accounted for approximately 99% of the Company's total revenue for the years ended September 30, 2006, 2005 and 2004.

**Note 8 Subsequent Events**

On October 5, 2006, the Company made a distribution to its members of \$1,200,000.

(b) Pro forma financial information.

**PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION**

The unaudited pro forma condensed combined financial information for TechTeam Global, Inc. ( TechTeam ) set forth below gives effect to the acquisition of NewVectors LLC ( NewVectors ) using the purchase method of accounting, after giving effect to the adjustments described in the accompanying notes. The unaudited pro forma condensed combined statements of operations include only the results of ongoing operations and excludes such impacts as nonrecurring items related to the acquisition and synergies and related cost savings associated with the integration of the acquisition.

The unaudited pro forma condensed combined statement of financial position as of March 31, 2007 gives effect to the acquisition of NewVectors as if it occurred on that date. The unaudited pro forma condensed combined statements of operations for the three months ended March 31, 2007 and the year ended December 31, 2006 give effect to the acquisition as if it occurred on January 1, 2006 by combining the results for the three months ended March 31, 2007 of TechTeam with the results for the same period of NewVectors, and combining the results for the year ended December 31, 2006 of TechTeam with the results for the year ended September 30, 2006 of NewVectors. The unaudited pro forma condensed combined financial information reflects certain adjustments.

The pro forma condensed combined financial information is for informational purposes only and does not purport to represent what the consolidated financial position or results of operations of TechTeam would actually have been if the NewVectors acquisition, in fact, had occurred on March 31, 2007, or at the beginning of 2006, or to project the consolidated financial position or results of operations as of any future date or any future period. The unaudited pro forma financial information should be read together with (i) the TechTeam Global, Inc. consolidated financial statements as of December 31, 2006 and 2005, and for each of the three years in the period ended December 31, 2006, including the notes thereto, included in TechTeam s Annual Report on Form 10-K for the fiscal year ended December 31, 2006.



**TECHTEAM GLOBAL, INC. AND SUBSIDIARIES**  
**PRO FORMA CONDENSED COMBINED BALANCE SHEET**  
**AS OF MARCH 31, 2007**  
**(UNAUDITED)**

|   | <b>TechTeam<br/>Global</b> | <b>NewVectors</b> | <b>Pro Forma<br/>Adjustments</b><br>(In thousands) | <b>Pro<br/>Forma<br/>TechTeam<br/>Global</b> |
|---|----------------------------|-------------------|--|--|
| <b>ASSETS</b>                                   |                            |                   |  |  |
| Current assets                                  |                            |                   |  |  |
| Cash and cash equivalents                       | \$ 25,472                  | \$ 2,830          | \$ (8,422) <sup>(A)</sup>                          | \$ 19,880                                    |
| Accounts receivable, net                        | 44,449                     | 7,903             |  | 52,352                                       |
| Prepaid expenses and other                      | 5,746                      | 73                |  | 5,819  |
| Deferred income taxes                           | 136                        |                   |  | 136  |
| <b>Total current assets</b>                     | <b>75,803</b>              | <b>10,806</b>     | <b>(8,422)</b>                                     | <b>78,187</b>                                |
| Property, equipment and purchased software, net |                            |                   |  |  |
|   | 10,456                     | 312               |  | 10,768                                       |
| Goodwill and other intangible assets, net       | 35,906                     | 7,562             | 29,665 <sup>(A)</sup>                              | 73,133                                       |
| Other assets                                    | 588                        |                   |  | 588  |
| <b>Total assets</b>                             | <b>\$ 122,753</b>          | <b>\$ 18,680</b>  | <b>\$ 21,243</b>                                   | <b>\$ 162,676</b>                            |
| <b>LIABILITIES AND SHAREHOLDERS EQUITY</b>      |                            |                   |  |  |
| Current liabilities                             |                            |                   |  |  |
| Current portion of long-term debt               | \$ 95                      | \$ 41             | \$   | \$ 136                                       |
| Accounts payable                                | 11,948                     | 1,411             |  | 13,359                                       |
| Accrued payroll, related taxes and withholdings | 9,508                      | 2,945             |  | 12,453                                       |
| Accrued expenses and other                      | 7,575                      |                   |  | 7,575  |
| Deferred revenue                                | 1,623                      | 462               |  | 2,085  |
| <b>Total current liabilities</b>                | <b>30,749</b>              | <b>4,859</b>      |  | <b>35,608</b>                                |
| Long-term debt, less current portion            |                            |                   |  |  |
|   | 2,219                      | 64                | 35,000 <sup>(A)</sup>                              | 37,283                                       |
| Other long-term liabilities                     | 2,092                      |                   |  |  |
| <b>Total long-term liabilities</b>              | <b>4,311</b>               | <b>64</b>         | <b>35,000</b>                                      | <b>39,375</b>                                |
| Shareholders equity                             |                            |                   |  |  |
| Common stock                                    | 104                        |                   |  | 104  |
| Additional paid-in capital                      | 72,032                     | 10,541            | (10,541) <sup>(A)</sup>                            | 72,032                                       |
| Retained earnings                               | 12,999                     | 3,216             | (3,216) <sup>(A)</sup>                             | 12,999                                       |
| Accumulated other comprehensive income          | 2,558                      |                   |  | 2,558  |

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|   |            |           |           |            |
|---|------------|-----------|-----------|------------|
| Total shareholders equity                 | 87,693     | 13,757    | (13,757)  | 87,693     |
| Total liabilities and shareholders equity | \$ 122,753 | \$ 18,680 | \$ 21,243 | \$ 162,676 |

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**TECHTEAM GLOBAL, INC. AND SUBSIDIARIES**  
**PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2007**  
**(UNAUDITED)**

|  | <b>TechTeam<br/>Global</b>            | <b>NewVectors</b> | <b>Pro Forma<br/>Adjustments</b> | <b>Pro<br/>Forma<br/>TechTeam<br/>Global</b> |
|--|---------------------------------------|-------------------|----------------------------------|--|
|  | (In thousands, except per share data) |                   |                                  |  |
| Revenue  | \$ 46,194                             | \$ 8,524          | \$                               | \$ 54,718                                    |
| Cost of services delivered   | 34,618                                | 4,761             |                                  | 39,379                                       |
| <br>   |                                       |                   |                                  |  |
| Gross profit   | 11,576                                | 3,763             |                                  | 15,339                                       |
| Selling, general, and administrative expense   | 10,590                                | 2,123             | 552 <sup>(B)</sup>               | 13,265                                       |
| <br>   |                                       |                   |                                  |  |
| Operating income   | 986                                   | 1,640             | (552)                            | 2,074  |
| Other income (loss)  | 264                                   | 3                 | (549) <sup>(C)</sup>             | (282)  |
| <br>   |                                       |                   |                                  |  |
| Income before income taxes   | 1,250                                 | 1,643             | (1,101)                          | 1,792  |
| Income tax provision   | 346                                   | 52                | 159 <sup>(D)</sup>               | 557  |
| <br>   |                                       |                   |                                  |  |
| Net income   | \$ 904                                | \$ 1,591          | \$ (1,260)                       | \$ 1,235                                     |
| <br>   |                                       |                   |                                  |  |
| Basic earnings per share   | \$ 0.09                               |                   |                                  | \$ 0.12                                      |
| <br>   |                                       |                   |                                  |  |
| Diluted earnings per share   | \$ 0.09                               |                   |                                  | \$ 0.12                                      |
| <br>   |                                       |                   |                                  |  |
| Weighted average number of common shares<br>and common share equivalents outstanding |                                       |                   |                                  |  |
| Basic  | 10,290                                |                   |                                  | 10,290                                       |
| Diluted  | 10,424                                |                   |                                  | 10,424                                       |

**TECHTEAM GLOBAL, INC. AND SUBSIDIARIES**  
**PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**  
**(UNAUDITED)**

|  | <b>TechTeam<br/>Global</b> | <b>NewVectors</b>                     | <b>Pro Forma<br/>Adjustments</b> | <b>Pro<br/>Forma<br/>TechTeam<br/>Global</b> |
|--|----------------------------|---------------------------------------|----------------------------------|--|
|  |                            |                                       |                                  |  |
|  |                            | (In thousands, except per share data) |                                  |  |
| Revenue                                      | \$ 167,364                 | \$ 33,664                             | \$                               | \$ 201,028                                   |
| Cost of services delivered                   | 125,987                    | 19,798                                |                                  | 145,785                                      |
| <br>   |                            |                                       |                                  |  |
| Gross profit                                 | 41,377                     | 13,866                                |                                  | 55,243                                       |
| Selling, general, and administrative expense | 39,217                     | 11,132                                | 1,464 <sup>(B)</sup>             | 51,813                                       |