PRENTISS PROPERTIES TRUST/MD
Form 425
October 31, 2005

Filed by Brandywine Operating Partnership pursuant to

Rule 425 under the Securities Act of 1933 and deemed filed pursuant to Rule 14a-12

Under the Securities Exchange Act of 1934

Subject Company: Prentiss Properties Trust

Commission File No.:1-14516

This filing relates to a proposed acquisition (the Acquisition) by Brandywine Realty Trust (Brandywine) of Prentiss Properties Trust (Prentiss) pursuant to the terms of an Agreement and Plan of Merger, dated as of October 3, 2005 (the Merger Agreement), by and among Brandywine and Prentiss. The Merger Agreement is on file with the Securities and Exchange Commission (the Commission) as an exhibit to the Current Report on Form 8-K filed by Brandywine on October 3, 2005. The Merger Agreement is incorporated by reference into this filing.

The following is a series of slides presented as additional information by Brandywine on its website on
October 31, 2005 regarding the Acquisition and related matters.

October 31, 2005

Accelerated Growth . . .

The Post-Merger Brandywine Story

Safe Harbor

In addition to historical information, this presentation contains forward-looking statements under the federal securities laws. Because these statements are based on current expectations, estimates and projections about the industry and markets in which Brandywine and Prentiss operate, management s beliefs and assumptions made by management, they involve uncertainties that could significantly impact financial results. Forward-looking statements are not guarantees of future performance, involve certain risks, uncertainties and assumptions that are difficult to predict. Actual operating results may be affected by changes in general economic conditions; increased or unanticipated competitive market conditions; changes in financial markets, interest rates and foreign currency exchange rates that could adversely affect cost of capital, ability to meet financing needs and obligations and results of operations; the availability of private capital; geopolitical concerns and uncertainties and therefore, may differ materially from what is expressed or forecasted in this presentation.

Combined Company Growth Driven by Opportunities in Place at Closing

The Growth Drivers:

Significantly higher same-store growth

$180 million incremental developmental pipeline

Staging in during 2007

Cira Centre execution

Radnor Financial Center lease up

Execution of market penetration strategy in key sub-markets with high transaction velocity (both developments and acquisitions)

Internal capital availability

1

Market Growth Comparisons

Philadelphia is steady and solid

New markets add depth, higher growth, greater cyclicality and economic diversity

Blending of markets creates higher annual growth, core stability, and cyclical opportunity

2.60%

2.44%

1.41%

0.24%

CAGR

16.65%

15.53%

8.77%

1.44%

% Change

OAK

AUS

N-VA

PHL

Projected Population Growth*

2.56%

3.04%

3.06%

2.28%

CAGR

16.4%

19.7%

19.8%

14.5%

% Change

OAK

AUS

N-VA

PHL

Projected Rental Rate Growth*

1.39%

3.36%

2.50%

0.96%

CAGR

8.66%

21.90%

16.0%

5.90%

% Change

OAK

AUS

N-VA

PHL

Projected Office Employment Growth*

2

* Source: REIS Data 2004-2009

Combined Company Long-term
Growth Summary

Combined Company s Business Strategy Creates Net Operating
Income Combined Annual Growth in Excess of 11%*

2006	2007	2008

Same Store Growth

BDN + PP

Cira Centre

Radnor Financial

Incremental Investment

Same Store Growth

BDN + PP

Cira Centre

Radnor Financial

Incremental Investment

Development Contribution

Same Store Growth

BDN + PP

Increased Development
Contribution

Increased Acquisition
Contribution

3

* CAGR 2005-2008

Short Term Outlook (2006-2008)

Growth rate in excess of Brandywine stand-alone with
Cira and Radnor

Fully funded business plan

Higher blended same store NOI

The Same-Store Comparison

4

3.85%-4.00%

PP Core**

1.15%-1.30%

BDN Core*

2005-2008 CAGR

Portfolio

Existing property NOI growth

* BDN existing assets without Cira Centre and Radnor Financial Center

** PP owned (D.C., Oakland, Austin, and Dallas) and Joint Venture assets being acquired by BDN

The Same-Store Comparison Pro Forma
for the Dallas Recycling Strategy

5

4.50%-4.65%

PP Pro Forma Core**

2005-2008 CAGR

Portfolio

1.15%-1.30%

BDN Core*

Pro forma property NOI growth

* BDN existing assets without Cira Centre and Radnor Financial Center

** PP owned (D.C., Oakland, Austin, and Dallas) and Joint Venture assets being acquired by BDN, pro forma as if $200mm of Dallas assets are sold (and removed from the analysis)

Total Portfolio NOI Growth Accelerates

6

6.50%-6.65%

Combined BDN-PP Portfolio***

3.70%-3.85%

BDN Entire Portfolio**

2006-2008

CAGR*

Portfolio

Includes owned assets and known development only (see Appendix I). No speculative acquisitions or other developments have been included in the calculation.

Dallas proceeds used to fund additional development.

* Portfolio property NOI growth

** BDN Core + Cira Centre + Radnor Financial Center lease-up + in process BDN development

*** BDN Entire Portfolio combined with PP Pro Forma Core + known incremental PP development

**New Markets Provide Enhanced
Investment Opportunities**

New markets have significant breadth and depth

DC area is 2nd largest US office market with over 350 million square feet with 200 million square feet in key targeted submarkets

Bay area is 4th largest US office market with over 200 million square feet with 80 million square feet in key targeted submarkets

DC and Bay area are the 4th and 5th most populous PMSA s in the US

Austin is projected to have the highest employment growth rate in the country

7

Beyond our Fully Funded Short-term Commitments, the Growth Potential is Dramatic

8

$11.9 million

($19.2 million NOI x 62% ownership from existing BDN shareholders)

Combined Company (per annum)

$240 million @ 8.0% yield

4.5% of asset base

+ 86.7%

% Additional NOI to Existing BDN Shareholders

$6.4 million

BDN Stand Alone (per annum)

$75 million @ 8.5% yield

2.5% of asset base

2007 NOI for existing BDN shareholders

Illustrative scenario:

Development

Acquisition

$11.6 million

($18.8 million NOI x 62% ownership from existing BDN shareholders)

Combined Company

$250 million

7.5% cap rate

+ 45.3%

% Additional NOI to Existing BDN Shareholders

$8.0 million

BDN Stand Alone

$100 million

8.0% cap rate

2007 NOI for existing BDN shareholders

Illustrative scenario:

Summary

2006-2008, on a diluted basis, existing BDN shareholders receive more NOI from their investment in the combined company than owning BDN on a stand alone basis

After factoring in the expected incremental NOI from Cira Centre and Radnor Financial Center- existing BDN shareholders will participate in greater NOI growth within the combined company versus BDN stand alone

BDN existing markets expected to grow at one third the rate of the PP markets the combined company will focus on long-term

Depth of new markets creates opportunities for acquisition and development program expansion over the next three years

9

Appendix I

47.7

2

$

043

1,

Total

06

-

Jan

65.4

$

217

Oakland

2101 Webster Expansion

6

0

-

Jan

$70.0

265

Dulles

South Lake at Dulles Corner

6

0

-

Jan

$44.0

211

Austin

The Park at Barton Creek

05

-

Dec

25.0

$

110

New Jersey

Mount Laurel

05

-

Dec

17.0

$

75

New Jersey

Princeton Pike

06

-

Jan

.0

14

$

64

Philadelphia

Newtown Bucks County

5

0

-

Aug

$12.3

101

Philadelphia

500 Office Center Dr.

Start date

($millions)

Projected cost

(000's)

Square footage

Location

starts

term

-

Near

10

Development pipeline

FORWARD LOOKING STATEMENTS: Certain statements in this presentation constitute forward-looking statements within
the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and
unknown risks, uncertainties and other factors that may cause the actual results, performance, achievements or transactions of Brandywine, Prentiss Properties and their affiliates or industry results or the benefits of the proposed merger
to be materially different from any future results, performance, achievements or transactions expressed or implied by such forward-looking statements. Such risks, uncertainties and other factors relate to, among others, difficulties encountered in integrating the companies, approval of the transaction by the shareholders of the companies, the satisfaction of closing conditions to the transaction, the companies ability to lease vacant space and to renew or relet space under expiring leases at expected levels, the potential loss of major tenants, interest rate levels, the availability and
terms of debt and equity financing, competition with other real estate companies for tenants and acquisitions, risks of real estate acquisitions, dispositions and developments, including cost overruns and construction delays, unanticipated operating costs and the effects of general and local economic and real estate conditions. Additional information or factors which could impact the companies and the forward-looking statements contained herein are included in each company s filings with the Securities and Exchange Commission. The companies assume no obligation to update or supplement forward-looking statements that become untrue because of subsequent events.

Additional Information about the Merger and Where to Find It

This presentation does not constitute an offer of any securities for sale. In connection with the proposed transaction, Brandywine and Prentiss Properties filed a joint proxy statement/prospectus as part of a registration statement on Form S-
4 and other documents regarding the proposed merger with the Securities and Exchange Commission. Investors and security holders are urged to read the join proxy statement/prospectus because it will contain important information about Brandywine and Prentiss Properties and the proposed merger. A definitive proxy statement/prospectus will be sent to shareholders of Brandywine and Prentiss Properties seeking their approval of the transaction. Investors and security holders may obtain a free copy of the definitive proxy statement/prospectus (when available) and other documents filed by Brandywine and Prentiss Properties with the SEC at the SEC s website at www.sec.gov. The definitive
joint proxy statement/prospectus and other relevant documents may also be obtained, when available, free of cost by directing a request to Brandywine Realty Trust, 401 Plymouth Road, Suite 500, Plymouth Meeting, PA 19462, Attention
Investor Relations, (telephone 610-325-5600) or Prentiss Properties Trust, 3890 W. Northwest Highway, Suite 400, Dallas,
Texas 75220, Attention: Investor Relations (telephone 214-654-0886). Investors and security holders are urged to read the
proxy statement, prospectus and other relevant material when they become available before making any voting or investment decisions with respect to the merger.

Brandywine and Prentiss Properties and their respective trustees and executive officers may be deemed to be participants in the solicitation of proxies from the shareholders of Brandywine and Prentiss Properties in connection with
the merger. Information about Brandywine and its trustees and executive officers, and their ownership of Brandywine securities, is set forth in the proxy statement for Brandywine s 2005 Annual Meeting of Shareholders, which was filed with
the SEC on April 1, 2005. Information about Prentiss Properties and its trustees and executive officers, and their ownership of Prentiss Properties securities, is set forth in the proxy statement for the 2005 Annual Meeting of Shareholders
of Prentiss Properties, which was filed with the SEC on April 5, 2005. Additional information regarding the interests of those
persons may be obtained by reading the proxy statement/prospectus when it becomes available.

This communication shall not constitute an offer to sell or the solicitation of an offer to sell or the solicitation of an offer to
buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would
be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offering of securities
shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as
amended.

k at an offering price of $43.00 per share, of which 1,000,000 shares were sold by the Company, while the remainder were sold by certain stockholders, resulting in net proceeds to the Company of approximately $39.8 million after deducting underwriter discounts, commissions and other offering expenses payable by the Company. 65 PREDICTIVE SYSTEMS, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued) (14) Stockholders' Equity: -- (Continued) On October 16, 2000, in connection with the acquisition of Synet the Company issued 1,922,377 shares of common stock which were valued at $11.00 per share less 521,765 shares which were accounted for as stock options until a related note was repaid in December 2000, at which time the shares were issued. On December 14, 2000, in connection with the acquisition of Global Integrity the Company issued 5,240,275 shares of common stock which were valued at $8.15 per share. On September 30, 2002, the Company sold and issued 238,095 shares of common stock at a price of $0.21 per share, the fair market value of the common stock at the date of sale, to an officer of the Company. Stock Options In 1998, the Company adopted its Stock Option/Stock Issuance Plan (the Option Plan). Prior to this time, options were not issued in connection with any plan. The Option Plan is divided into two separate equity programs, the Option Grant Program and the Stock Issuance Program. Under the Option Grant Program, the Company may issue incentive stock options and nonqualified stock options. Under the Stock Issuance Program the Company may issue shares of common stock either through the purchase of such shares or as a bonus for services rendered. To date, no shares have been issued under the Stock Issuance Program. Awards under either program may be granted to such directors, employees and consultants of the Company as the Board of Directors selects in its discretion. The 1999 Stock Incentive Plan (the 1999 Plan), adopted and effective on September 14, 1999, is intended to serve as the successor equity incentive program to the Option Plan. At December 31, 2002, the Company has authorized 21,378,240 shares of common stock for issuance under the 1999 Plan. The share reserve automatically increases on the first trading day of January each calendar year, beginning in January 2001, by a number of shares equal to 1% of the total number of shares of common stock outstanding on the last trading day of the immediately preceding calendar year, but no such annual increase will exceed 500,000 shares. Prior to December 2002, no participant in the 1999 Plan could receive option grants or direct stock issuances for more than 500,000 shares in the aggregate in any calendar year. On December 10, 2002, the 1999 Plan was amended to increase the maximum number of option grants or direct stock issuances a participant may receive to 2,000,000 shares in the aggregate in any calendar year. On January 1, 2002 and 2001, the share reserve was increased by 363,604 and 349,036 shares, respectively. As of December 31, 2002, 12,441,971 shares were available under the 1999 Plan for grant. Outstanding options under the Option Plan were incorporated into the 1999 Plan upon the date of the Company's initial public offering, and no further option grants may be made under the Option Plan. The incorporated options will continue to be governed by their existing terms, unless the Company extends one or more features of the 1999 Plan to those options. The Employee Stock Purchase Plan (the Employee Plan) was adopted and approved by the Company on September 14, 1999. The plan, effective on October 27, 1999, is designed to allow eligible employees, as defined, to purchase shares of common stock, at semi-annual intervals, through periodic payroll deductions. On December 10, 2002, the Employee Plan was amended to increase the number of shares reserved for issuance thereunder for a total number of shares authorized for issuance under the Employee Plan of 1,150,000 shares. As of December 31, 2002 and 2001, 451,468 and 373,848 shares, respectively, were issued in connection with the Employee Plan. The Employee Plan has a series of successive offering periods, each with a maximum duration of 24 months. The current offering period began on the last business day of October 2002 and will end on the last business day of October 2004. The Employee Plan will terminate no later than the last business day in October 2009. Individuals who are eligible employees on the start date of any offering period may enter the Employee Plan on that start date or on any subsequent semi-annual entry date (generally May 1 or November 1 each year). Individuals who become eligible employees after the start date of the offering period may join the Employee Plan on any subsequent semi-annual entry date within that period. A participant may contribute up to 10% of his or her earnings through payroll deductions and the accumulated payroll deductions will be applied to the purchase of shares on the participant's behalf on each semi-annual purchase date (the last business day in April and October each year). The purchase price per share will be 85% of the lower of the fair market value of the common stock on the participant's entry date into the offering period or the fair market value on the semi-annual purchase date. The first purchase date occurred the last business day in April 2000. In no event, however, may any participant purchase more than 500 shares, nor may all participants in the aggregate purchase more than 187,500 shares on any one semi-annual purchase date. Should the fair market value of the common stock on any semi-annual purchase date be less than the fair market value on the first day of the offering period, then the current offering period will automatically end and a new offering period will begin, based on the lower fair market value. 66 PREDICTIVE SYSTEMS, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued) (14) Stockholders' Equity: -- (Continued) In October 2002, the Company implemented a voluntary stock option exchange program whereby the Company offered to exchange certain outstanding options to purchase shares of the Company's common stock held by eligible employees of the Company, with exercise prices per share greater than or equal to $0.80, for new options to purchase shares of the Company's common stock (the "Offer to

Exchange"). Under the terms of the Offer to Exchange, the 193 participating employees had certain of their existing options to purchase 4,085,860 shares of the Company's common stock cancelled as of October 18, 2002 and received options to purchase 3,139,424 shares of the Company's common stock with an exercise price equal to the closing market price of $0.22 per share on October 18, 2002. All new options were granted under the 1999 Stock Incentive Plan, as amended. Each new option vests in equal monthly installments in accordance with a four year vesting schedule beginning on the date of grant. However, the vesting period was accelerated based on years of service with the Company measured as of the date of grant. Employees holding over 500,000 options, the maximum number of options that may be issued per year to a single employee pursuant to the Company's 1999 Stock Incentive Plan, were only permitted to receive up to 500,000 new options pursuant to the Offer to Exchange. The Company also re-priced 1,500,000 of its Chief Executive Officer's outstanding options to give these options the same terms as if he had been able to fully participate in the Offer to Exchange. A summary of the Company's stock option activity is as follows: Years Ended December 31, -- 2002 2001 2000 ------------------- --------------------- ------------------- Weighted Weighted Weighted Average Average Average Exercise Exercise Exercise Shares Price Shares Price Shares Price ------ ----- ------ ----- ------ ----- Outstanding at beginning of period......................... 13,327,083 $5.46 10,967,357 $ 8.44 10,756,910 $ 3.11 Granted........................ 8,847,467 0.29 8,984,824 3.02 4,421,735 18.63 Exercised...................... (957,650) 0.90 (1,275,670) 1.23 (3,119,121) 1.26 Forfeited...................... (12,139,750) 5.49 (5,349,428) 8.10 (1,092,167) 17.70 ----------- ----- ---------- ------ ---------- ------ Outstanding at end of period 9,077,150 $0.82 13,327,083 $ 5.46 10,967,357 $ 8.44 =========== ===== ========= ====== ========= ====== Options exercisable at end of period....................... 1,955,170 $2.18 5,028,509 $ 5.02 4,112,602 $ 2.68 =========== ===== ========= ====== ========= ====== Weighted average fair value of options granted during period $0.19 $1.54 $ 11.42 The following table summarizes information about stock options outstanding at December 31, 2002: Total Weighted Weighted Options Outstanding at Average Average Exercisable at Weighted Range of Exercise December 31, Exercise Contractual December 31, Average Prices 2002 Price Life (in yrs) 2002 Exercise Price --- $0.19 - $0.26 8,002,868 $ 0.22 9.17 1,269,866 $ 0.22 0.31 - 0.50 224,000 0.42 9.96 11,575 0.50 0.83 - 1.25 205,480 1.16 5.63 159,976 1.22 1.28 - 1.60 37,051 1.54 7.05 32,634 1.55 1.96 - 2.92 291,037 2.58 5.77 229,539 2.53 3.15 - 4.09 159,170 3.94 4.36 143,198 3.93 6.50 - 8.81 14,354 7.50 7.27 8,299 7.47 10.20 - 15.00 40,608 10.86 6.68 29,144 10.89 16.07 - 22.00 43,250 18.94 5.92 33,217 18.77 29.06 - 35.94 23,291 32.01 6.24 16,953 31.60 45.06 - 65.50 36,041 49.59 4.49 20,769 50.59 --- 9,077,150 8.85 1,955,170 67 PREDICTIVE SYSTEMS, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued) (14) Stockholders' Equity: -- (Continued) Prior to January 1, 2002, the Company accounted for its employee stock options under the intrinsic value method of APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. No stock-based employee compensation expense is reflected in the statement of operations for options granted to employees to purchase common stock granted with an exercise price equal to the market value of the underlying common stock on the date of grant. Effective January 1, 2002, the Company adopted the fair value recognition provisions of FASB Statement No. 123, "Accounting for Stock-Based Compensation." The fair value method has been applied prospectively to all employee awards granted, modified, or settled after January 1, 2002. Option grants issued prior to January 1, 2002 that have not been modified or settled continue to be accounted for under the intrinsic value method of APB 25. Certain options granted prior to January 1, 2002 that were subject to the option exchange offer, but whose holders elected not to participate in the exchange program, will be subject to variable accounting under APB 25. Employee awards vest over periods of four years. In the fourth quarter of 2002, the Company recorded $210,541 for noncash charges for stock-based compensation and services as a result of the adoption of SFAS 123. The Company issued a limited number of stock options prior to October 1, 2002 for which the charge was taken in the fourth quarter of 2002. The impact of applying the fair value provisions of SFAS 123 to options granted during 2002 prior to October 1, 2002 was de minimus and therefore the Company has not restated its previously reported interim results for the fiscal 2002 quarters ended March 31, 2002, June 30, 2002 and September 30, 2002. The fair value of all option grants is estimated on the date of grant using the Black-Scholes model with the following weighted-average assumptions used for grants in 2002, 2001 and 2000: o weighted-average risk free interest rates of 2.39%, 4.44% and 5.70%, respectively; o expected dividend yields of 0%; o expected lives of 2.5 years; and o expected volatility of approximately 126%, 126% and 111%, respectively. Deferred Compensation During 1999, the Company granted stock options with exercise prices which were less than the fair market value of the underlying shares of common stock at the date of grant. As a result, the Company recorded deferred compensation of $304,625. In connection with the acquisition of Synet and Global, the Company granted stock options to employees of Synet and Global which had exercise prices that were less than the fair market value of the underlying shares of common stock at the date of grant. As a result, the Company recorded deferred compensation of $474,308 and $120,857, respectively. These amounts were to be recognized as noncash compensation expense over the vesting period of the options (approximately 4 years). During 2002, the Company adjusted deferred compensation for $49,731 for options which had been cancelled during the year. For the years ended December 31, 2002, 2001 and 2000, $118,614, $275,732 and $157,557, respectively, of the deferred compensation was amortized to expense and has been reflected as noncash compensation expense in the accompanying statements of operations. (15) Commitments And Contingencies: Operating Leases The Company leases office space and equipment under various non-cancelable operating leases with initial terms ranging from approximately one month to ten years, with an option to renew certain leases for an additional five years. These leases provide for minimum annual lease payments and additional operating expense charges. The future minimum lease payments required under the non-cancelable operating leases as of December 31, 2002 are as follows: Year 2003.. $1,994,488 2004.. 1,574,859 2005.. 1,084,401 2006.. 900,411 2007.. 783,708 2008 and thereafter............................. 2,351,124 ---------- Total minimum lease payments.................... $8,688,991 ========== 68 PREDICTIVE SYSTEMS, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued) (15) Commitments And Contingencies: -- (Continued) Rent expense for office space was $3,235,651, $4,172,348 and $2,421,069 for the years ended December 31, 2002, 2001 and 2000, respectively. Equipment lease expense was $1,345,757, $1,731,849, and $1,511,741 for the years ended December 31, 2002, 2001 and 2000, respectively. Benefit Plan The Company has a 401(k) Plan (the "Plan") to provide retirement benefits for its employees. As allowed under Section 401(k) of the Internal Revenue Code, the Plan provides tax-deferred salary deductions for eligible employees. As of December 31, 2002, employees could contribute up to 15% of their annual compensation, as defined by the Plan, and are limited each year to a maximum annual amount as set periodically by the Internal Revenue Service. The Company may provide discretionary contributions to the plan. The Company did not make any contributions to the Plan during the years ended December 31, 2002, 2001 or 2000. Company contributions are subject to certain Internal Revenue Code limitations. Participants may also contribute amounts representing distributions from other qualified plans of a previous employer. Employment Agreements The Company has entered into employment agreements with certain executives of the Company. The employment agreements have various expiration dates through November 2005, and automatically renew unless either party gives notice of termination. Commitments under these agreements provide for annual payments of approximately $1.5 million, $1.2 million and $830,000 for fiscal years 2003, 2004 and 2005, respectively. Guarantees In the normal course of business, the Company enters into contracts in which it makes representations and warranties regarding the performance of its services and that its services will not infringe on third party intellectual property rights. Historically, there have been no significant losses related to such representations and warranties and the Company expects these losses to be minimal in the future. The Company is required under the terms of certain lease agreements to provide letters of credit. The credit facility agreement used to provide these financial guarantees places restrictions on the Company's cash and cash equivalents. Cash of $1,350,346 (of which $846,346 was classified as current) and $782,292, respectively, at December 31, 2002 and 2001 was pledged as collateral under this agreement. In August 2002, the Company was required under the terms of a customer contract to provide a letter of credit for the value of services to be performed. The credit facility agreement used to provide this financial guarantee places restrictions on the Company's cash and cash equivalents until the services are rendered to the customer. The services are expected to be fully rendered by June 30, 2003. Cash of $518,435 as of December 31, 2002 was pledged as collateral under this agreement. Litigation Except as set forth below, the Company is not a party to any material legal proceedings. Certain investment bank underwriters, the Company, and certain of the Company's directors and officers have been named in a putative class action for violation of the federal securities laws in the United States District Court for the Southern District of New York, captioned In Predictive Systems, Inc. Initial Public Offering Securities Litigation, 01 Civ. 10059 (SAS). This is one of a number of cases challenging underwriting practices in the initial public offerings ("IPOs") of more than 300 companies. These cases have been coordinated for pretrial proceedings as In re Initial Public Offering Securities Litigation, 21 MC 92 (SAS). Plaintiffs generally allege that certain underwriters engaged in undisclosed and improper underwriting activities, namely the receipt of excessive brokerage commissions and customer agreements regarding post-offering purchases of stock in exchange for allocations of IPO shares. Plaintiffs also allege that various investment bank securities analysts issued false and misleading analyst reports. The complaint against the Company claims that the purported improper underwriting activities were not disclosed in the registration statements for our IPO and Secondary Offering and seeks unspecified damages on behalf of a purported class of persons who purchased the Company's securities or sold put options during the time period from October 27, 1999 to December 6, 2000. On February 19, 2003, the Court issued an Opinion and Order denying the Company's motion to dismiss certain of the claims in the complaint. The Company believes it has meritorious defenses against the allegations in the complaint and intends to defend the case vigorously. 69 PREDICTIVE SYSTEMS, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued) (15) Commitments And Contingencies: -- (Continued) On or about November 13, 2002, ICG Communications filed a claim against the Company in the Federal Bankruptcy Court alleging that approximately $4.3 million in payments that the Company received from ICG within the 90 days preceding ICG's bankruptcy filing were voidable as preferential transfers under section 547 of the United States Bankruptcy Code. On March 27, 2003, the Company and ICG reached an agreement to settle this claim for $350,000. This agreement is subject to bankruptcy court approval. In February 28, 2003, Brian Mulvey, a former employee of the Company, and his wife Nancy Mulvey, filed a lawsuit in the Superior Court of New Jersey against the Company and four of its managers. The Mulveys have alleged that during Brian Mulvey's employment with the Company, he was subjected to age discrimination, sexual harassment and other such conduct. Nancy Mulvey is Brian's Mulvey's wife, but was never employed with the Company. Plaintiffs seek an unspecified amount of compensatory damages, emotional distress damages, punitive damages, attorneys' fees and costs. The Company denies the allegations of the complaint and plans to vigorously defend the case. (16) Industry Segment Information: The Company's reportable segments are US Consulting, International Consulting, and Managed Security Services. Revenues and cash flows in the US Consulting and International Consulting segments are generated by providing the following services: network design and engineering, network and systems management, integrated customer service, performance management, information security, and business integration services. Revenues and cash flows in the Managed Security Services segment are generated by providing the following services: response, threat advisory through Information Sharing and Analysis Centers, and providing of Open Source Intelligence programs. The accounting policies of the segments are the same as those described in the "Summary of Significant Accounting Policies." The Company evaluates the performance of its segments based on their operating income (loss), which represents segment revenues less direct costs of operation, excluding the allocation of corporate expense. Identifiable assets of the operating segments principally consist of net accounts receivable, unbilled revenues, advances under System Integrated Agreement, work-in-process hardware and software, goodwill and intangible assets. Accounts receivable and unbilled revenues for US Consulting and Managed Security Services are managed on a combined basis. All other identifiable assets not attributable to industry segments are included in corporate assets. The Company does not track expenditures for property and equipment on a segment basis. The table below presents information on the revenues, operating income (loss) and identifiable assets for each segment for each of the three years ended December 31, 2002, and items which reconcile segment operating income (loss) to the Company's reported loss before income tax provision (benefit). Year Ended December 31, -- 2002 2001 2000 ------------ ------------ ------------ Revenues: US Consulting $ 37,202,616 $ 54,808,420 $ 82,717,842 International Consulting 8,861,243 7,805,136 8,278,808 Managed Security Services 3,896,350 7,466,717 199,160 ------------ ------------ ------------ Total revenues 49,960,209 70,080,273 91,195,810 ------------ ------------ ------------ Operating (loss) income: US Consulting (5,690,429) (45,512,153) 8,311,925 International Consulting (519,962) (4,613,649) 861,354 Managed Security Services (6,457,344) (27,649,302) (21,007) ------------ ------------ ------------ Total operating (loss) income (12,667,735) (77,775,104) 9,232,272 ------------ ------------ ------------ 70 PREDICTIVE SYSTEMS, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued) (16) Industry Segment Information:-- (Continued) Corporate expenses: Sales and marketing (845,470) (2,668,766) (3,481,401) General and administrative (15,098,351) (22,329,792) (11,618,092) Depreciation and amortization (1,707,773) (2,872,587) (1,657,311) Intangibles amortization (1,960,500) (21,932,718) (2,911,727) Loss on equipment -- (443,498) -- Restructuring and other charges (5,728,478) (14,672,561) -- Loss on long-term investments in related parties -- (2,000,000) -- Noncash charges for stock-based compensation and services (329,155) (275,732) (157,557) Interest income, net 411,007 2,565,474

7,260,536 Other expense (616,964) (50,819) (268,314) Interest expense (34,886) (51,845) (190,519) ------------- ------------- ------------- Total corporate expenses (25,910,570) (64,732,794) (13,024,385) ------------- ------------- ------------- Loss before income tax provision (benefit) and cumulative effect of change in accounting principle $ (38,578,305) $(142,507,898) $ (3,792,113) ============= ============= ============= Goodwill and intangible assets: US Consulting $ -- $ 19,202,301 $ 68,243,703 International Consulting 1,669,801 2,231,251 3,083,959 Managed Security Services -- 14,809,370 44,113,504 ------------- ------------- ------------- Total goodwill and intangible assets $ 1,669,801 $ 36,242,922 $ 115,441,166 ============= ============= ============= Other identifiable assets: US Consulting and Managed Security Services $ 4,963,157 12,257,600 28,705,289 International Consulting 1,552,003 2,444,369 2,919,334 Corporate 24,024,986 51,548,401 99,262,748 ------------- ------------- ------------- Total other identifiable assets $ 30,540,146 $ 66,250,370 $ 130,887,371 ============= ============= ============= The table below presents information on the revenues for our geographic locations for each of the three years ended December 31, 2002: Year Ended December 31, -- 2002 2001 2000 ------------ ------------ ------------ Revenues: North America $ 41,098,966 $ 62,275,137 $ 82,917,002 Europe 8,861,243 7,805,136 8,278,808 ------------ ------------ ------------ Total revenues $ 49,960,209 $ 70,080,273 $ 91,195,810 ============ ============ ============ (17) Restructuring and Other Charges: In February 2001, the Company's management foresaw the need to lower the operating costs of the business given its near-term revenue projections. Therefore, the Company established a plan that included the following: (1) a reduction in its workforce for both domestic and international operations related to professional consultant employees that had been underutilized for several months and also to employees that held various management, sales and administrative positions deemed to be duplicative functions; (2) the closing of several domestic and international regional offices located in geographic areas that no longer cost justified remaining open; and (3) the discontinuance of electronic equipment leases and other expenses related to the reduction in workforce. 71 PREDICTIVE SYSTEMS, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued) (17) Restructuring and Other Charges: -- (Continued) For the year ended December 31, 2001, the Company recorded restructuring charges of $9,258,454 in connection with its 2001 restructuring plan. Such charges consisted of $3,364,989 in severance benefits and other related expenses for a reduction in headcount of 251 employees and $5,893,465 in exit costs related to real estate and electronic equipment. These charges have been reflected as operating expenses of the Company. As of December 31, 2001, restructuring charges of $1,133,316 in connection with the 2001 restructuring plan remained unpaid and were included in accrued expenses and other current liabilities on the accompanying consolidated balance sheet. In December 2001, the Company formed a strategic alliance with an unaffiliated third party (the "Alliance Partner") to outsource the monitoring services provided by its Managed Security Services division. As a result of this alliance, the Company established a restructuring plan that included the following: (1) a reduction of the Company's workforce; (2) the write-off of equipment and software development costs associated with the Company's security operations center which was no longer needed as a result of the outsourcing; and (3) non-recoverable costs incurred to convert clients to the Alliance Partner. For the year ended December 31, 2001, the Company reduced headcount by 12 employees and recorded restructuring charges of $4,384,375 in connection with the outsourcing of its monitoring services. Such charges consisted of $315,421 in severance benefits, $797,512 in non-recoverable costs to convert clients to the Alliance Partner and other related charges, and $3,271,442 million for the write-off of equipment and software development costs associated with the Company's security operations center which will no longer be needed as a result of the outsourcing. At December 31, 2001, restructuring charges of $722,224 in connection with the outsourcing of the Company's monitoring services remained unpaid and were included in accrued expenses and other current liabilities on the accompanying consolidated balance sheet. In 2002, the Company reversed $433,128 of the restructuring charges previously accrued in 2001 in connection with the outsourcing of the Company's monitoring services. Of this amount, $150,000 was received from the disposal of equipment previously written-off and an additional $283,128 was reversed for accruals which were no longer considered necessary. No amounts were owed as of December 31, 2002. In January 2002, the Company's management foresaw the need to continue to lower the operating costs of the business given continuing difficult market conditions. Therefore, the Company established a 2002 restructuring plan that included the following: (1) a reduction in its workforce for both domestic and international operations related to professional consultant employees that had been underutilized for several months and also to employees that held various management, sales and administrative positions deemed to be duplicative functions; (2) the closing of additional domestic regional offices located in geographic areas that no longer cost justified remaining open; and (3) the discontinuance of electronic equipment leases and other expenses related to the reduction in workforce. For the year ended December 31, 2002, the Company recorded restructuring charges of $5,852,340 in connection with its 2002 restructuring plan. Such charges consisted of $3,337,320 in severance benefits and other related expenses for a reduction in headcount of 156 employees, $2,333,741 in exit costs related to real estate and electronic equipment for the closing of domestic offices, and an increase to previously accrued exit costs in the amount of $181,279 resulting from favorable and unfavorable settlements and changes to subtenant assumptions for leased domestic offices. These charges have been reflected as operating expenses of the Company. As of December 31, 2002, restructuring charges of $2,488,767 in connection with the 2001 and 2002 restructuring plans remained unpaid and are included in accrued expenses and other current liabilities on the accompanying consolidated balance sheet. In December 2002, the Company's subsidiary in Germany, Predictive AG, filed for bankruptcy resulting in the closing of the German operations. As a result, the Company wrote-off the net assets of Predictive AG in the amount of $284,266 and recorded an additional $25,000 in legal costs associated with the bankruptcy. These charges have been reflected as operating expenses of the Company. As of December 31, 2002, restructuring charges of $25,000 in connection with the Predictive AG bankruptcy remained unpaid and are included in accrued expenses and other current liabilities on the accompanying consolidated balance sheet. 72 PREDICTIVE SYSTEMS, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (Continued) (17) Restructuring and Other Charges: -- (Continued) A summary of the restructuring and other charges for the year ended December 31, 2002 and 2001 were as follows: Balance as Restructuring Utilization Balance as of 12/31/01 Expense Non-Cash Cash of 12/31/02 ------------- -------------- -------------- ----------- ----------- Severance and other related costs $ 17,320 $ 3,337,320 $ -- $ 2,771,647 $ 582,993 Exit Costs 1,115,996 2,515,020 497,319 1,227,923 1,905,774 Predictive AG bankruptcy -- 309,266 157,842 126,424 25,000 Outsourcing monitoring services 722,224 (433,128) -- 289,096 -- ----------- ----------- ----------- ----------- ----------- $ 1,855,540 $ 5,728,478 $ 655,161 $ 4,415,090 $ 2,513,767 =========== =========== =========== =========== =========== Balance as Restructuring Utilization Balance as of 12/31/00 Expense Non-Cash Cash of 12/31/01 ------------- -------------- -------------- ----------- ------------ Severance and other related costs $ -- $ 3,364,989 $ -- $ 3,347,669 $ 17,320 Exit Costs -- 5,893,465 3,430,369 1,347,100 1,115,996 Outsourcing monitoring services -- 4,384,375 3,658,151 4,000 722,224 Abandonment of internal software -- 1,029,732 1,029,732 -- -- ----------- ----------- ----------- ----------- ----------- $ -- $14,672,561 $ 8,118,252 $ 4,698,768 $ 1,855,540 =========== =========== =========== =========== =========== Other charges for the year ended December 31, 2002 consisted of the write-off of a $1,740,236 advance pursuant to a system integrator agreement with a supplier of software. During 2002, the supplier filed for bankruptcy. As the Company was acting as an agent of the supplier in the arrangement for the resale of this software and the revenues were recognized on a net basis, this write-off has been classified in restructuring and other charges. Other charges for the year ended December 31, 2001 consisted of a write-off of $1,029,732 for the abandonment of internal software management tools for time entry reporting as a result of the Company's decision to implement a fully integrated system that better suited its business needs. (18) Other Income (Expense): Other income (expense) for the year ended December 31, 2002 included a reduction in an acquisition related exit cost accrual of $921,175 as a result of the negotiation of a favorable buyout of a lease, which was assumed in connection with the Global Integrity acquisition. The liability for such lease had been fully accrued for as part of the acquired assets and assumed liabilities of Global Integrity in fiscal 2001. Other income for the year ended December 31, 2001 primarily consisted of interest income. (19) Subsequent Events: Pursuant to the terms of their employment agreements, in January 2003, the Company issued to two executives of the Company 375,000 and 150,000 shares of restricted stock (the "Restricted Stock"), respectively, at a price of $0.001 per share pursuant to the 1999 Plan. The Restricted Stock was issued under the terms and conditions set forth in the 1999 Plan and a stock purchase agreement, and is subject to a repurchase right by the Company at the per share purchase price paid by the executive, which repurchase right shall lapse as to 25% of the Restricted Stock on the first anniversary of January 2, 2003, and in thirty-six equal monthly installments thereafter as long as the executive is employed by the Company. 73 Schedule II -- Schedule of Valuation and Qualifying Accounts (in thousands) Balance at Charged to Balance at Beginning of Costs and End of Year Expenses Deduction the Year For the fiscal year ended December 31, 2000 Allowance for doubtful accounts............... $ 568 $ 4,922 $ (4,198) $ 1,292 For the fiscal year ended December 31, 2001 Allowance for doubtful accounts.............. $ 1,292 $ 4,758 $ (3,444) $ 2,606 Restructuring accrual... -- $13,643 $(11,787) $ 1,856 For the fiscal year ended December 31, 2002 Allowance for doubtful accounts............... $ 2,606 $ 84 $ (968) $ 1,722

Restructuring accrual... $ 1,856 $ 5,728 $ (5,070) $ 2,514 74 Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure A change in accountants was previously reported on a Current Report on Form 8-K filed on June 4, 2002. 75 PART III Item 10. Directors and Executive Officers of the Registrant The information required by this item is incorporated by reference from the information under the captions Election of Directors and Executive Compensation, Management and Other Information contained in a subsequent filing to be filed with the Securities and Exchange Commission no later than April 30, 2003 (the "Subsequent Filing") Item 11. Executive Compensation The information required by this item is incorporated by reference from the information under the caption Executive Compensation, Management and Other Information contained in the Subsequent Filing. Item 12. Security Ownership of Certain Beneficial Owners and Management The information required by this item is incorporated by reference from the information under the caption Security Ownership of Certain Beneficial Owners and Management contained in the Subsequent Filing. Item 13. Certain Relationships and Related Transactions The information required by this item is incorporated by reference from the information under the caption Certain Transactions contained in the Subsequent Filing. Item 14. Controls and Procedures Based on their evaluation of the company's disclosure controls and procedures as of a date within 90 days of the filing of this Report, the Chief Executive Officer and Chief Financial Officer have concluded that such controls and procedures are effective to ensure that information required to be disclosed by us in reports we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified by the rules and forms of the Securities and Exchange Commission. There were no significant changes in the company's internal controls or in other factors that could significantly affect such controls subsequent to the date of their evaluation. We have not identified any significant deficiencies or material weaknesses in our internal controls and therefore no corrective actions were taken. Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K (a) The following documents are filed as part of this Report (1) Financial Statements Report of Independent Public Accountants Consolidated Balance Sheets as of December 31, 2002 and 2001 Consolidated Statements of Operations for the Years Ended December 31, 2002, 2001 and 2000 Consolidated Statements of Stockholders' Equity and Comprehensive Loss for the Years Ended December 31, 2002, 2001 and 2000 Consolidated Statements of Cash Flows for the Years Ended December 31, 2002, 2001 and 2000 Notes to Consolidated Financial Statements (2) Financial Statement Schedule Schedule II - Schedule of Valuation and Qualifying Accounts (3) Exhibits. See Item 15(c) of this Report below (b) Reports on Form 8-K The Company filed three reports on Form 8-K during the three months ended December 31, 2002 Information regarding the items reported on is as follows: October 22, 2002. The Company announced the completion of its voluntary stock option exchange program and the amendment of certain of its CEO's options to give them the same terms as if they had been eligible for the voluntary option exchange program. December 16, 2002. The Company announced that Nasdaq has approved the Company's application to transfer its common stock from The Nasdaq National Market to The Nasdaq SmallCap Market, effective at the start of trading on Friday, December 13, 2002. December 31, 2002. The Company announced that as part of the restructuring of its European operations, the Company's German subsidiary, Predictive Systems AG, had filed for bankruptcy. 76 (c) Exhibits The following Exhibits are incorporated herein by reference or are filed with this report as indicated below. Number Description ------ ----------- 3.1(1) Amended and Restated Certificate of Incorporation. 3.2(2) Amended and Restated By-laws. 4.1(3) Specimen common stock certificate. 4.2 See Exhibits 3.1 and 3.2 for provisions of the Amended and Restated Certificate of Incorporation and Amended and Restated By-laws of the Registrant defining the rights of holders of Common Stock of the Registrant. 10.1(3) 1999 Stock Incentive Plan. 10.2(3) 1999 Employee Stock Purchase Plan. 10.3(4) Synet Service Corporation 1996 Stock Option Plan. 10.4(5) Global Integrity Corporation 1998 Stock Incentive Plan. 10.5++ Agreement, dated October 6, 2000, by and between the Registrant and BellSouth MNS, Inc. 10.7(4) Amended and Restated Registration Rights Agreement, dated December 14, 2000. 10.8+++ Professional Services Agreement, dated December 20, 2002, by and between the Registrant and Pfizer Inc. 10.9(6) Agreement of Lease, dated September 25, 2001, by and between the Registrant and EBS Forty- Fourth Property Associates LLC. 10.10(7) Employment Agreement, dated as of June 15, 2001, by and between the Registrant and Andrew Zimmerman. 10.11(8) Employment Agreement, dated as of, by and between the Registrant and Neeraj Sethi. 10.12(9) Employment Agreement, dated as of, by and between the Registrant and Gary Papilsky. 10.13(10) Employment Agreement, dated as of, by and between the Registrant and Shirley Howell. 10.14(11) Service Agreement, dated February 2, 2000, by and between the Registrant and Cisco Systems, Inc. 10.15++ Professional Services Agreement, effective October 7, 2001, by and between the Registrant and Science Applications International Corporation 10.16(4) Technical Services

Agreement, dated November 17, 2000 by and between Science Applications International Corporation and Global Integrity Corporation. 10.17(4) Assignment and Cross License Agreement, dated December 6, 2000 by and between Science Applications International Corporation and Global Integrity Corporation. 10.18(11) Marketing Agreement, dated, August 2, 2001, by and between the Registrant and BellSouth Telecommunications, Inc. 10.19(3) Investor's Rights Agreement, dated September 16, 1999, by and between Cisco Systems, Inc. and the Registrant. 10.20++ Professional Services Subcontract, dated May 14, 1999, by and between Cisco Systems, Inc. and the Registrant. 10.21(12) Employment Agreement, dated as of, by and between the Registrant and Shawn Kreloff. 10.22(13) Consulting Agreement, dated June 27, 2002, by and between the Registrant and Meyer Capital Meyer Capital Partners LLC. 21.1 List of Subsidiaries. 23.1 Consent of Deloitte & Touche LLP. 24.1 Power of Attorney (see signature page) 99.1 Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (1) Incorporated by reference to Exhibit 3.2 of the Registrant's Registration Statement on Form S-1, No. 333-84045 (Registration Statement No. 333- 84045). (2) Incorporated by reference to Exhibit 3.4 of Registration Statement No. 333-84045. (3) Incorporated by reference to the identically numbered exhibit of Registration Statement No. 333-84045. (4) Incorporated by reference to the identically numbered exhibit of the Registrant's Annual Report on Form 10K for the period ending December 31, 2000. (5) Incorporated by reference to Exhibit 10.3.1 of the Registrant's Annual Report on Form 10K for the period ending December 31, 2000. (6) Incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10Q for the period ending September 30, 2001. (7) Incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10Q for the period ending June 30, 2001. (8) Incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10Q for the period ending September 30, 2002. (9) Incorporated by reference to Exhibit 10.4 of the Registrant's Quarterly Report on Form 10Q for the period ending September 30, 2002. 77 (10) Incorporated by reference to Exhibit 10.3 of the Registrant's Quarterly Report on Form 10Q for the period ending September 30, 2002. (11) Incorporated by reference to the identically numbered exhibit of the Registrant's Annual Report on Form 10K for the period ending December 31, 2001. (12) Incorporated by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10Q for the period ending September 30, 2002. (13) Incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10Q for the period ending June 30, 2002. + Non-confidential portions of this Exhibit were filed as the identically numbered exhibit of Registration Statement No. 333-84045, which non- confidential portions are incorporated herein by reference. Confidential treatment was granted for certain portions of this Exhibit pursuant to Rule 406 promulgated under the Securities Act. Confidential portions of this Exhibit have been filed separately with the Securities and Exchange Commission. ++ Non-confidential portions of this Exhibit were filed as the identically numbered exhibit of the Registrants Annual Report on Form 10K for the period ending December 31, 2001, which non-confidential portions are incorporated herein by reference. Confidential treatment was granted for certain portions of this Exhibit pursuant to Rule 24b-2 promulgated under the Securities Exchange Act of 1934, as amended. Confidential portions of this Exhibit have been filed separately with the Securities and Exchange Commission. +++ Confidential treatment to be requested for certain portions of this Exhibit pursuant to Rule 24b-2 promulgated under the Securities Exchange Act of 1934, as amended. Confidential portions of this Exhibit have been filed separately with the Securities and Exchange Commission. 78 SIGNATURES Pursuant to the requirements of the Securities Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized in the City of New York, State of New York, on this 31st day of March, 2003. PREDICTIVE SYSTEMS, INC. By: /s/ Andrew Zimmerman -------------------------------- Name: Andrew Zimmerman Title: Chief Executive Officer KNOW ALL MEN BY THESE PRESENT that each individual whose signature appears below constitutes and appoints Andrew Zimmerman and Neeraj Sethi jointly and severally such person's true and lawful attorney-in-fact and agent each with full power of substitution and resubstitution, for such person and in such person's name, place and stead, in any and all capacities, to sign any and all amendments to this Report, and to file the same, with all exhibits thereto, and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as such person might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or any substitute or substitutes of any of them, may lawfully do or cause to be done by virtue hereof. Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Report has been signed by the following persons in the capacities indicated. 79 Signature Title(s) Date --------- -------- ---- /s/ Andrew

Zimmerman Chief Executive Officer and Director March 31, 2003 ------------------------------------ (principal executive officer) Andrew Zimmerman /s/ Neeraj Sethi Chief Financial Officer (principal March 31, 2003 ------------------------------------ financial and accounting officer) Neeraj Sethi /s/ Peter L. Bloom Director March 31, 2003 ------------------------------------ Peter L. Bloom /s/ Eric Meyer Director March 31, 2003 ------------------------------------ Eric Meyer /s/ Howard Morgan Director March 31, 2003 ------------------------------------ Howard Morgan /s/ Inder Sidhu Director March 31, 2003 ------------------------------------ Inder Sidhu /s/ William L. Smith Director March 31, 2003 ------------------------------------ William L. Smith /s/ William W. Wyman Chairman of the Board of Directors March 31, 2003 ------------------------------------ William W. Wyman 80 CERTIFICATION PURSUANT TO RULE 13A-14 OR 15D-14 OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002 I, Andrew Zimmerman, certify that: 1. I have reviewed this annual report on Form 10-K of Predictive Systems, Inc.; 2. Based on my knowledge, this annual 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 annual report; 3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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 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 annual 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 annual report (the "Evaluation Date"); and c) presented in this annual 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 registrant's board of directors (or persons performing the equivalent functions): 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 annual report whether 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: March 31, 2003 /s/ Andrew Zimmerman ------------------------- Andrew Zimmerman Chief Executive Officer 81 CERTIFICATION PURSUANT TO RULE 13A-14 OR 15D-14 OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002 I, Neeraj Sethi, certify that: 1. I have reviewed this annual report on Form 10-K of Predictive Systems, Inc.; 2. Based on my knowledge, this annual 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 annual report; 3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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 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 annual 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 annual report (the "Evaluation Date"); and c) presented in this annual 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 registrant's board of directors (or persons performing the equivalent functions): 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 annual report whether 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: March 31, 2003 /s/ Neeraj Sethi -------------------------- Neeraj Sethi Chief Financial Officer 82