

**IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF COLORADO**

Civil Action No.

██████████ on Behalf of Himself and All Others Similarly Situated,

Plaintiff,

v.

CIBER, INC.,  
DAVID C. PETERSCHMIDT,  
CLAUDE J. PUMILIA, and  
PETER H. CHEESBROUGH,

Defendants.

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**CLASS ACTION COMPLAINT FOR VIOLATIONS OF SECTIONS 10(b) AND 20(a)  
OF THE SECURITIES EXCHANGE ACT OF 1934 AND JURY DEMAND**

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Plaintiff, by his attorneys, submits this Class Action Complaint against the defendants named herein.

### **NATURE AND SUMMARY OF THE ACTION**

1. This is a securities class action on behalf of all persons who purchased or otherwise acquired the securities of CIBER, Inc. ("CIBER" or the "Company") between December 15, 2010 and August 3, 2011, inclusive (the "Class Period"), against CIBER and certain of its officers and/or directors for violations of the Securities and Exchange Act of 1934 (the "Exchange Act").

2. During the Class Period, defendants issued materially false and misleading statements concerning CIBER's financial results and business prospects. In particular, defendants caused the Company to issue false and misleading statements in its public filings, press releases, and conference calls that touted the Company's positive financial results, significant growth, and presented aggressive forward guidance. In particular, defendants trumpeted the Company's "transformation" of its business operations and implementation of new strategic initiatives that would improve its financial performance. When questioned about the impact of the Company's wholesale transition on CIBER's financial results, defendants steadfastly rebuffed notions that the transition would adversely affect its financial performance going forward or its ability to achieve its business outlook. Further, defendants continued to maintain that the Company had an effective system of internal and disclosure controls in place concerning its financial reporting.

3. However, unbeknownst to the public, the Company was facing significant charges arising from legacy contracts entered into in or before 2009, and substantial weakness in sales in its North American sector. Moreover, defendants knew that the Company "lack[ed] operational discipline, process and controls" and that such "operational issues" would result in charges arising

from certain fixed-price projects that possessed cost assumption for contingencies that rendered such contracts unprofitable and at a high-risk of loss. Defendant David C. Peterschmidt ("Peterschmidt"), CIBER's Chief Executive Officer ("CEO") even acknowledged that despite his earlier aggressive statements, the "shortfall in North American sales and revenue production ... [was] not completely unforeseen." In fact, defendants were well aware that the Company's statements were false and misleading due to its poor financial performance in the North American sector which represented almost 36% of the Company's revenue. Further, because defendants knew that the Company lacked the "operational discipline, process and controls" to properly and accurately evaluate its legacy contracts and gauge the profitability of its North American operations, they knew that they had no basis to make positive statements concerning the Company's financial health and business prospects. Notwithstanding, instead of informing shareholders of the true financial condition of the Company, defendants continued to deceive the investors by reaffirming the Company's earnings guidance and assuring investors that the Company would achieve its business outlook. As a result of defendants' materially false and misleading statements, CIBER's stock traded at artificially inflated prices during the Class Period, reaching a high of \$6.86 per share on April 6, 2011.

4. Defendants, however, could not maintain their ruse concerning the Company's business health indefinitely. On August 3, 2011, the Company issued a press release and held an earnings conference call reporting financial results that were "significantly below ... expectations," and announcing that it would suspend its full-year 2011 guidance due to "sales weakness in North America, [and] changes in estimates on five [fixed-price] projects that were signed in 2009 or earlier, and required adjustments to the balance sheet." The underperforming five fixed-price contracts resulted in \$13.4 million in charges against the Company's quarterly revenue and earnings. Further,

the Company disclosed a disappointing 23% decline in revenue for its North American operations. When the Company revealed the truth about its business health, CIBER's stock price plummeted to \$1.22 or approximately 23.6% in a single day, closing at just \$3.94 per share on August 3, 2011 on extraordinarily high-volume trading.

### **JURISDICTION AND VENUE**

5. The claims asserted herein arise under section 10(b) and section 20(a) of the Exchange Act, 15 U.S.C. section 78j(b) and section 78t(a), and Rule 10b-5 promulgated thereunder by the SEC, 17 C.F.R. section 240.10b-5.

6. This Court has subject matter jurisdiction over this action pursuant to 28 U.S.C. section 1331 and section 27 of the Exchange Act.

7. This Court has jurisdiction over each defendant named herein because each defendant is an individual who has sufficient minimum contacts with this District so as to render the exercise of jurisdiction by the District Court permissible under traditional notions of fair play and substantial justice.

8. Venue is proper in this Court pursuant to 28 U.S.C. section 1391(a) and section 27 of the Exchange Act because: (i) one or more of the defendants resides in this District; (ii) a substantial portion of the transactions and wrongs complained of herein, including the defendants' primary participation in the wrongful acts detailed herein, and aiding and abetting and conspiracy in violation of fiduciary duties owed to CIBER, occurred in this District; and (iii) defendants have received substantial compensation in this District by doing business here and engaging in numerous activities that had an effect on this District.

## THE PARTIES

9. Plaintiff [REDACTED] purchased securities of CIBER during the Class Period as set forth in the attached certification hereto and was damaged as a result of defendants' wrongdoing as alleged in this Complaint.

10. Defendant CIBER is a Delaware corporation with principal executive offices located at 6363 South Fiddler's Green Circle, Suite 1400, Greenwood Village, Colorado. CIBER is a global information technology ("IT") consulting, services, and outsourcing company applying practical innovation through services and solutions that deliver tangible results for both commercial and government clients. The services offered by CIBER include application development and management, enterprise resource planning implementation, change management, project management, systems integration, infrastructure management and end-user computing, and strategic business and technology consulting.

11. Defendant Peterschmidt is CIBER's President, CEO, and a director and has been since July 2010.

12. Defendant Claude J. Pumilia ("Pumilia") is CIBER's Executive Vice President, Chief Financial Officer ("CFO"), and Treasurer and has been since April 2011.

13. Defendant Peter H. Cheesbrough ("Cheesbrough") was CIBER's Executive Vice President and CFO from October 2007 to April 2011; Treasurer from February 2008 to April 2011; a director from November 2002 to April 2011; and Interim Chief Executive Officer and President from April 2010 to July 2010.

14. The defendants identified in ¶¶10-13 are sometimes collectively referred to herein as the "Defendants." The defendants identified in ¶¶11-13 are sometimes collectively referred to herein as the "Individual Defendants."

15. The Individual Defendants, because of their positions with the Company, possessed the power and authority to control the contents of CIBER's quarterly reports, press releases, and presentations to securities analysts, money and portfolio managers, and institutional investors, i.e., the market. They were provided with copies of the Company's financial reports and press releases alleged herein to be misleading, and were apprised of the false and misleading representations made during the Company's conference calls prior to or shortly after their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of their positions with the Company, and their access to material, non-public information available to them but not to the public, the Individual Defendants knew that the adverse facts specified herein had not been disclosed to and were being concealed from the public and that the positive representations being made were then materially false and misleading. The Individual Defendants are liable for the false statements pleaded herein.

#### **FALSE AND MISLEADING STATEMENTS**

16. The false and misleading statements began on December 15, 2010, when the Company hosted a meeting with investors and analysts in which defendants Peterschmidt and Cheesbrough presented the Company's purported "Vision Update and Roadmap to Future Success." The same day, CIBER filed a Form 8-K with the U.S. Securities and Exchange Commission ("SEC") announcing the meeting, and attached slides that it would present at the meeting as well as

its press release formally announcing the meeting. In both the slides and the press release, the Company presented its long-term business outlook and 2011 guidance, as follows:

CIBER's long-term objectives include:

- Double-digit revenue growth annually
- Gross profit margin exceeding 30%
- Operating income margin exceeding 8%
- Double-digit earnings per share growth annually

For 2011, a year the company called a first step in achieving its long-term objectives, the company expects:

- Revenue growth to exceed 4.0%
- Gross profit margin to exceed 25.5%
- Operating income margin to exceed 3.5%
- Earnings per share to exceed \$0.30

17. In the press release, the Individual Defendants trumpeted the Company's projected growth and prosperity. Defendant Peterschmidt proclaimed that the Company had "developed a strategic plan and instilled stricter operational regimens," the "key elements" of which included "a tighter focus on [CIBER's] market approach, development of a world-class sales force, and enhancements to [the Company's] information technology infrastructure." Peterschmidt further expressed unbridled optimism for the Company's prospects for fiscal year 2011, adding "[s]ince my arrival in July, we have made progress on these initiatives and the momentum we have created will continue through 2011, a year in which financial results will improve and set the stage for 2012 and beyond."

18. That same day, in a conference call, defendant Cheesbrough reiterated the Company's business outlook presented in the press release. Further, defendants Peterschmidt and Cheesbrough acknowledged that the Company was transitioning away from "lower margin business" and focusing

on "higher value" or high-margin projects that would improve CIBER's profitability, and that the business projections took the transition into account. Cheesbrough stated:

**Peter Cheesbrough - CIBER, Inc. - EVP, CFO**

\* \* \*

Our profitability has been below par and significantly the performance of our competitors. ***This has been caused by a number of factors, including such things as entering into contracts with low margins and unfavorable contract terms***, poor contract execution and oversight, insufficient use of low cost offshore delivery, too much reliance on expensive subcontractors and an inefficient structure and organization.

Improving profitability at CIBER is all about improving gross margin. This in turn will drive operating margin. This slide shows a roadmap of some of the key areas we are focused on to improve gross margin. Dave and Tony have already walked through a number of the actions which include ***runoff of existing lower margin business. We have been too dependent too long on too many low margin assignments. We have already put a stop to the growth in this type of project.***

***Our sales team is focused on selling higher value, more strategic solutions delivered through the verticals and practices, better contract execution.*** This starts with better planning and rigorous project management discipline, as well as providing the management team with the right information. We have imposed new requirements for our project managers and we are also providing improving the quality of the information we are providing to them to provide them with better ability to manage projects.

We have also institute a rigorous new contract terms and margins review process before any contract can be entered into, and I am going to come back to that in a bit more moment and give you more detail on that. We have increased the visibility of and implemented greater oversight on project performance. This includes regular project reviews with particular focus on those not meeting expectations.

\* \* \*

We have rewritten our standard contract terms to tighten procedures around change controls for scope changes. Required payment terms have been established, a review of project pricing, expected margins, project projected cash flows, as well as their timing. All new contracts are required to have frequent milestones and the ability to bill customers regularly to eliminate the unbilled revenue issue. ***This will stop new low margin contracts***, unfavorable contract terms as well as infrequent milestones.

We are also training our sales force to improve their negotiating skills which will help them gain customer understanding for the need for these changes.

\* \* \*

Moving on to 2011, this is a transitional year where we are laying the groundwork to achieve the improved performance expected in the long-term model. *For 2011 we see revenue growth of more than 4%, focusing on the right quality deals, more focused than in the past, gross profit of around 25.5% with improvement coming from higher quality deals, increased offshore delivery, better quality management of projects as well as other practices we have reviewed this mornings, operating margins exceeding 3.5% driven by the improvement in gross margin and efficiencies from streamlining North American operations.*

19. On February 22, 2011, CIBER issued a press release announcing its financial results for both the fourth quarter and the 2010 fiscal year ended December 31, 2010. In the press release, defendant Peterschmidt raved that the Company was "undergoing an important transformation," and that CIBER had "set into motion a detailed and focused strategic plan and put in place the operational regimens necessary to achieve sustained and predictable performance and to increase shareholder value." He expressed his optimism for the Company's prospects in 2011, adding: "We have entered 2011 with a tighter focus, increased discipline, a more efficient model and we continue to see general economic improvements in many markets." Accordingly, management reaffirmed its long-term outlook and guidance for 2011, as follows:

Long term outlook:

- Double-digit revenue growth
- Gross profit margin exceeding 30%
- Operating margin exceeding 8%
- Double-digit [Earnings Per Share ("EPS")] growth
- Cash flow from operations to approximate net income

*2011 expectations:*

- *Revenue growth exceeding 4%*
- *Gross profit margin exceeding 25.5%*
- *Operating margin exceeding 3.5%*
- *EPS exceeding \$0.30*

- *Tax rate in the mid thirties*
- *Cash flow from operations of approximately \$30 million*
- *Capital expenditures of approximately \$20 million, mostly to fund IT infrastructure improvements and the India build-out*

#### 2011 Key Success Factors

- Higher quality deal wins in key verticals
- Improved [Days' sales outstanding ("DSO")] and cash collection
- Gross and operating margin improvement
- Expanded India delivery
- Enhanced operational execution

20. That same day, in an earnings conference call, defendants Peterschmidt and Cheesbrough reiterated the Company's financial results and business outlook presented in the press release. As to issues concerning "fixed price project overruns [and] problematic legacy engagements" associated with the low-margin projects that the Company was transitioning from, Peterschmidt stated that "[the Company] saw most of the problematic scenarios flow to the surface in the fourth quarter." In fact, when questioned about the Company's financial condition and business outlook in light of the operational transitions and underwhelming margins for the quarter, Peterschmidt steadfastly maintained that he "remain[ed] very confident about the outlook for the company":

#### **Analyst**

First thing, margins, obviously a little disappointing in the quarter, beyond the project charges, a lot of moving parts but -- particular *I wanted to focus on just, if you could talk a little bit more about the fixed price project overruns, the problematic legacy engagements, sort of the stuff that I guess is going to be ongoing into 2011.*

How large are we talking here? *What kind of ongoing impact is expected?* When will these things wind down? Just to help investors, I guess, kind of get some confidence that these issues are kind of boxed in and not things that may pop up here and there as unpleasant surprises.

**Dave Peterschmidt** - CIBER, Inc. - President, CEO

Yes, George, this is Dave. *I'm pretty confident that we saw most of the problematic scenarios flow to the surface in the fourth quarter.* Obviously, we didn't like the outcome, but I think we took the necessary actions to contain the downside risk in the future. Will we find one or two other things that we don't know about? Possibly. *But, I do believe that we're probably 90% there in containing the types of problems that really battered the margins in the fourth quarter.*

\* \* \*

### **Analyst**

Okay. Last question, just a high-level question, stepping back, it's been a little over two months since you held the meeting in New York. You had kind of -- obviously a mixed quarter, but a little disappointing on the margin side, which is obvious a key focus for investors, *but you're maintaining your outlook. Has anything over the past couple of months changed in any major way in terms of your confidence and your ability to achieve the guidance and the targets that you've reissued, excuse me, reiterated more or less confident?* If so, why or why not?

**Dave Peterschmidt** - CIBER, Inc. - President, CEO

No, I'm actually -- *I actually remain very confident about the outlook for the company. As I indicated, we're seeing good business coming in, we've got a top line that's growing. We've got the new bookings that are coming in, are meeting our standards for margin and risk mitigation.* So, I'm very confident about that.

The team has really been embracing the new operational regimens, and I believe that's bringing tremendous cohesion to this management team. So, I don't see a market problem, and I don't see an internal execution problem. *I think we're on solid ground, based on what we told you in December.*

And, we tried to signal, as best we can, that we knew the fourth quarter was going to be a really rugged quarter for us, and that we were going to do a lot of cleanup and that we were going to probably suffer a couple of execution issues just because of the massive realignment that we did with the consolidation of Custom Solutions and ERP and then going to a functional org structure. *So, yes, the fourth quarter hasn't put me off at all. I mean, quite frankly, I don't like the outcome, but I think we did all the right things.*

21. On February 25, 2011, the Company filed its Form 10-K for the fourth quarter and 2010 fiscal year ended December 31, 2010, with the SEC. The Form 10-K was signed by, among others, defendants Peterschmidt and Cheesbrough, and reiterated the financial results issued in its

earnings release. Further, Peterschmidt and Cheesbrough warranted that they had conducted an evaluation of the effectiveness of "the design and operation of [CIBER's] disclosure controls and procedures" and the Company's "internal control over financial reporting," and determined that they were "effective." In particular, the 10-K stated:

**Item 9A. Controls and Procedures**

**Evaluation of Disclosure Controls and Procedures** - During the fiscal period covered by this report, our management, with the participation of *our principal executive officer and principal financial officer, carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures*, as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. *Based upon this evaluation, our principal executive officer and principal financial officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective* to ensure that information required to be disclosed by us in reports we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and (2) accumulated and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

**Management's Report on Internal Control Over Financial Reporting** - *Our management is responsible for establishing and maintaining adequate internal control over financial reporting*, as such term is defined in Exchange Act Rule 13a-15(f). *CIBER's internal control systems were designed to provide reasonable assurance to the Company's management and Board of Directors regarding the preparation and fair presentation of published financial statements*. All internal control systems, no matter how well designed, have inherent limitations. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including *our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting* as of December 31, 2010, based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway

Commission. *Based on our evaluation under the framework in Internal Control - Integrated Framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2010.*

22. On May 3, 2011, CIBER issued a press release announcing its financial results for the fiscal 2011 first quarter. The Company reported revenues of \$282.5 million (increase of 8% year-over-year), earnings of \$4.1 million (increase of 17% year-over-year), gross margin of 25.8%, and EPS of \$0.06 for the quarter. Defendant Peterschmidt raved about the Company's "largest year-over-year [revenue] increase in 10 quarters," boasting that "[t]he transformation of CIBER continues to progress," and the Company's "financial performance this quarter, particularly [its] improved gross margin, underscores the progress [that CIBER is] making." Peterschmidt assured investors that although the North American division was exhibiting "lagging sales performance," that the Company was "confident that [it was] taking the necessary steps to improve the trend in the back half of this year and to deliver on [its] full-year expectations." As such, the Company reaffirmed its long-term and 2011 business outlook. The press release read as follows, in pertinent parts:

**CIBER REPORTS REVENUE GROWTH OF 8% AND EPS OF \$0.06  
International Division Robust Results Continue  
2011 Outlook Reaffirmed**

**GREENWOOD VILLAGE, Colo., May 3, 2011**— CIBER, Inc. (NYSE: CBR), a global information technology consulting, services and outsourcing company, today reported results for the first quarter of 2011.

**Financial highlights for the first quarter 2011 included:**

- Revenue increased 8% to \$282.5 million, the largest year-over-year increase in 10 quarters
- Constant currency adjusted revenue increased 7%
- Gross Margin was 25.8%, the highest in the last 9 quarters
- Operating income of \$7.7 million, up 8%
- Net income of \$4.1 million, up 17%

- Earnings per share of \$0.06

**Strategic and operational highlights in the first quarter:**

- Launched "10 in 30" focused product initiative
- Added Chief Information Officer and new Chief Financial Officer
- Realigned North America management team to improve operational effectiveness

President and Chief Executive Officer Dave Peterschmidt said, "***The transformation of CIBER continues to progress.*** Our goal is to improve financial performance utilizing a refined strategic approach, improved operational regimens, and increased as well as narrowed focus on higher margin, well developed offerings. ***Our financial performance this quarter, particularly our improved gross margin, underscores the progress we are making.***"

Peterschmidt continued, "The ongoing transformation will have its ups and downs during this transitional year. Our International division, which delivered another great quarter, has made substantial progress. The North America division however, has not progressed as quickly. ***We made specific changes to the North American leadership to address the operational issues and to ensure that we have a plan in place to deliver financial performance at this division in line with our expectations.***"

\* \* \*

**Outlook**

Management reaffirmed its long-term outlook and its expectations for 2011.

Long-term outlook:

- Double-digit revenue growth
- Gross profit margin exceeding 30%
- Operating margin exceeding 8%
- Double-digit EPS growth
- Cash flow from operations to approximate net income

***2011 expectations:***

- ***Revenue growth exceeding 4%***
- ***Gross profit margin exceeding 25.5%***
- ***Operating margin exceeding 3.5%***
- ***EPS exceeding \$0.30***
- ***Tax rate in the high-twenty to low-thirty range (original expectation was mid thirties)***

- *Cash flow from operations of approximately \$30 million*
- *Capital expenditures of approximately \$20 million, mostly to fund IT infrastructure improvements and the India build-out*

2011 Key Success Factors

- Higher quality deal wins in key verticals
- Improved DSO and cash collection
- Gross and operating margin improvement
- Expanded India delivery
- Enhanced operational execution

"While lagging sales performance within our North America division has impacted financial results into the second quarter, we are confident that *we are taking the necessary steps to improve the trend in the back half of this year and to deliver on our full-year expectations*," Peterschmidt concluded.

23. That same day, in an earnings conference call, defendants Peterschmidt and Pumilia reiterated the Company's financial results and business outlook presented in the press release. Although admitting that 2011 was a transitional year for the Company, Peterschmidt and Pumilia vehemently insisted and expressed supreme confidence that the Company expected to achieve its 2011 business outlook:

**Claude Pumilia- CIBER, Inc. - CFO**

\* \* \*

Moving to our outlook. *As you read this morning in press release, we are affirming our long-term and 2011 outlook.* For the long term, at least three years out, our mature model should deliver the following -- double-digit revenue growth, gross profit margin exceeding 30%, operating margin exceeding 8%, double-digit EPS growth, and cash flow operations that approximates net income.

Specific for 2011, we expected some lumpiness this year as we transition the Company. *We remain confident, however, in our ability to achieve our stated goals, despite the challenges in North America persisting into the second quarter.*

*For the year, we still expect to deliver the following -- revenue growth exceeding 4%; gross profit margin exceeding 25.5%; operating margin exceeding 3.5%; and EPS exceeding \$0.30; a tax rate in the high 20 to low 30 range -- this is down from our previous expectation of the mid-30s tax rate and the changes from a reduction*

*in US taxable income this year; cash flow from operations in the \$30 million range; and finally, capital expenditures in the \$20 million range.* The increase in 2011 is mostly from CapEx for IT infrastructure improvements and the continued India build-out.

With that, I will turn it back to Dave.

**Dave Peterschmidt** - CIBER, Inc. - President, CEO

Okay. Thanks, Claude.

I'm generally pleased with the quarter, obviously, especially in our ability to grow both gross margin and top-line revenue simultaneously, as evidenced by our international group. This has come about through a persistent and continued focus on their part on vertical markets and key practices.

We are clearly bringing this same focus to our North American business. Although the performance of this unit was disappointing, it is a byproduct of the much needed changes we made in Q3 and Q4 of last year. *I am confident we will get the sales and the delivery resources in place over the next two quarters to bring this unit up to the performance expectations we have for it.*

\* \* \*

**Analyst**

Okay. *Just as it relates to the 2011 guidance that was reiterated, just given the North American challenges and what you've seen as you continue to go around and look at the different parts of the business, would you note any change, I guess, in your confidence levels on achieving the guidance that you've set out?*

**Dave Peterschmidt** - CIBER, Inc. - President, CEO

*No. No, not at all.* In fact, we are very encouraged by international's performance in Q1. *And we have some pretty good visibility into that business going forward and we're encouraged by what we see there.* And we think, as in any turnaround like this or reorg, we're going to have a couple of soft spots, but the balance that we've got in the business and the strength that we see in international we think is a real positive for us and it's going to help us.

24. The same day, the Company filed its Form 10-Q for the first quarter of the 2011 fiscal year ended March 31, 2011, with the SEC. The Form 10-Q was signed by, among others, defendants

Peterschmidt and Pumilia, and reiterated the financial results issued in its earnings release. Further, Peterschmidt and Pumilia claimed that they had conducted an evaluation of the effectiveness of "the design and operation of [CIBER's] disclosure controls and procedures," and determined that they were "effective":

#### **Item 4. Controls and Procedures**

**Evaluation of Disclosure Controls and Procedures** — During the fiscal period covered by this report, our management, with the participation of *our Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures*, as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. *Based upon this evaluation, our principal executive officer and principal financial officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective* to ensure that information required to be disclosed by us in reports we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and (2) accumulated and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

25. The above statements made by the Defendants were materially false and misleading because: (i) they knew that the Company lacked the operational discipline, process, and controls to properly evaluate the financial impact of its legacy contracts and the performance of its North American operations and, as such, had no basis to make positive statements about CIBER's financial health and future growth; (ii) they knew the Company could not achieve its reported business outlook and aggressive guidance due to the fact that they were migrating away from their low margin business, and unprofitable legacy fixed-price contracts would have to be charged against the Company's revenue and earnings; and (iii) they knew that the declining sales in its North American division would continue throughout the 2011 transitional period and adversely affect the Company's 2011 financial results.

### THE TRUTH IS REVEALED

26. On August 3, 2011, CIBER issued a press release announcing its financial results for the fiscal 2011 second quarter. The results were disappointing, as the Company reported revenues and earnings that were well-below expectations. In particular, the Company reported revenue of \$267.8 million, a mere 1% increase in revenue year-over-year, and a net loss of \$58.4 million. These dismal figures were attributed, in part, to a \$13.4 million charge as a result of "adjustment for significant changes in estimates related to costs or scope on the five fixed-price projects." The underwhelming North American division also contributed to the Company's sub-par quarterly performance reporting a 23% decline in revenue. Defendant Peterschmidt blamed the Company's poor showing on "issues in [CIBER's] North American business ... [and] five fixed-price contracts signed in 2009 or earlier in the United States that no longer carry the same level of profitability and thus diminished earnings in the quarter." As such, the Company suspended its guidance for 2011. The press release read as follows, in pertinent parts:

**GREENWOOD VILLAGE, Colo., Aug. 3, 2011**— CIBER, Inc. (NYSE: CBR), a global information technology consulting, services and outsourcing company, today reported results for the second quarter of 2011.

**Highlights for the second quarter 2011 (results include several significant items described below):**

- Revenue increased 1% to \$267.8 million
- Operating loss of \$26.5 million, or operating income of \$5.2 million excluding significant items
- Net loss of \$58.4 million, or net loss of \$0.1 million excluding significant items
- EPS of \$(0.81), or EPS of \$0.00 per share excluding significant items
- Cash on hand at quarter end of \$62 million

President and Chief Executive Officer Dave Peterschmidt said, "Our International business continued to perform extremely well with double-digit revenue growth and margin expansion in the second quarter. This success is a function of our focused strategy and I remain confident that we can replicate this in North America as we continue to narrow our focus and increase our discipline."

Peterschmidt continued, "***Our overall performance, however, was adversely affected by issues in our North American business and on the balance sheet.*** Specifically, as a result of a more disciplined approach to managing CIBER, ***we identified five fixed-price contracts signed in 2009 or earlier in the United States that no longer carry the same level of profitability and thus diminished earnings in the quarter.*** The charges related to these contracts and other items reflect the fact that we are implementing the rigorous processes we need to make CIBER a truly world-class, professionally managed services company."

***The Company noted that as a result of the reduction in earnings related to the five fixed-price contracts, a revenue decline in North America and the write-off of historic balance sheet items; it is withdrawing its financial guidance for full-year 2011.***

Claude Pumilia, Executive Vice President and Chief Financial Officer, commented, "***We have suspended guidance for 2011 because our North America business does not yet have the operational rigor required to drive predictable results.*** We do believe, however, that we have the downside risk from the five projects understood and contained. We are making progress during this transitional year, namely winning higher-value engagements, increasing the quality of our delivery, and reducing our risk profile by adhering to more stringent processes. I am confident that we will drive improved financial performance across the business."

### **Second Quarter Financial Results**

***Revenue of \$267.8 million increased 1%, or declined 5% on a constant currency basis. Consolidated revenue growth and consolidated revenue were negatively impacted by 5% and \$13.4 million, respectively, as a result of an adjustment for significant changes in estimates related to costs or scope on the five fixed-price projects.*** The Segmenta acquisition completed in 2010 added 2% to consolidated revenue growth.

\* \* \*

***Second quarter net loss was \$58.4 million*** or \$0.81 per share. Excluding the significant items net income was \$0.1 million or \$0.00 per share. Second quarter 2010 had a net loss of \$80.8 million, or \$1.16 per share. Excluding significant items second quarter 2010 net income was \$4.1 million, or \$0.06 per share.

\* \* \*

***The North American division saw revenue decline 23%, or 13% when adjusted for the five fixed-price projects.*** Revenue continues to be impacted by the open sales positions that existed coming into this year as well as the time it takes for new sales hires to become fully effective. ***Gross profit and gross margin were down compared to last year's second quarter as a result of the significant changes in estimates or scope of the five projects as well as investments made to develop higher-value offerings.***

\* \* \*

### **Significant Charges**

In the second quarter 2011, the Company incurred five significant charges which totaled \$58.1 million after-tax (\$31.7 million pre-tax) or \$0.81 per share.

The items were:

- ***\$13.4 million (after-tax and pre-tax) reduction of revenue, gross profit, operating income and net income and a \$0.19 per share reduction of earnings per share for an adjustment required under the percentage-of-completion accounting rules as a result in changes in estimates or scope on five fixed-price projects.***
- \$11.9 million after-tax (\$16.3 million pre-tax), or \$0.17 per share, non-cash charge for impairment of goodwill. Testing of goodwill as of June 30, 2011, using discounted cash flow analysis supported by comparative market multiples to determine the estimated fair values, indicated that the book value of the ITO division's goodwill was impaired. This goodwill impairment charge was primarily driven by the financial performance of the ITO division. The charge reduces goodwill recorded in connection with acquisitions made in previous years and does not impact the Company's business operations or cash flow.
- \$29.1 million (after-tax and pre-tax), or \$0.41 per share, write-off of deferred tax assets relating to a lack of taxable income in the U.S. during the past three years. While the net operating loss carryforwards and other tax assets remain available for the Company's use in future tax periods, the accounting rules require that they no longer be shown as an asset on the Company's balance sheet.
- \$1.9 million after-tax (\$2.0 million pre-tax), or \$0.03 per share, severance charge for the departure of certain senior executives.

- \$2.0 million after-tax (\$2.6 million pre-tax), or \$0.03 per share charge for the current estimate of future consideration for the Segmenta acquisition. There will be no additional charges in future periods related to this acquisition.

27. That same day, in an earnings conference call, defendants Peterschmidt and Pumilia struggled to explain the Company's suddenly meek business prospects that were touted since the Company's fourth quarter fiscal 2010 earnings disclosures. Peterschmidt acknowledged that the "reported results ... were significantly below [the Company's] expectations." Unable to reconcile its positive prior-period statements and business outlook with the Company's dismal figures, Peterschmidt attempted to portray the "variables" underlying the sub-standard financial results, namely - the "sales weakness in North America, [and the] changes in estimates on five projects that were signed in 2009 or earlier," as a "perfect storm that has taken [CIBER] off course in meeting full-year 2011 guidance." However, as detailed above, the Individual Defendants knew that this "perfect storm" was approaching, or at the very least knew that they had no basis to make public statements touting the Company's financial condition and business prospects:

**David Peterschmidt – CIBER, Inc - CEO**

Thank you, Gary. Good morning, everyone. *As you have seen, CIBER today reported results that were significantly below our expectations.* Although the results were not acceptable to us, we can clearly see that the fundamentals are changing, which in turn will lead to improve financial performance. In summarizing the quarter, we drove a strong revenue and profit performance by our largest division, International. *Offsetting this was sales weakness in North America, changes in estimates on five projects that were signed in 2009 or earlier, and required adjustments to the balance sheet. It is unfortunate that these variables and the resulting charges against earnings came together in one quarter, and created a perfect storm that has taken us off course in meeting full-year 2011 guidance.*

While the earnings are not where they should be, there are substantive positive takeaways from the quarter. First and foremost, our international business is really humming. Despite a still soft economy in Europe, we have a business growing at mid-teens organically with a gross profit margin that increased more than 200 basis

points year-over-year. When you translate that potential for the North American market, then you understand our confidence in CIBER and its future.

Secondly, the systems we have put into place to root out on profitable arrangements for CIBER are working. Without these systems, the five contracts in question could still be beneath the radar. They are not that way today. Lastly, the systems and rigor we have put in place help ensure that we are pursuing the right deals. By that, I mean those deals that are higher-quality, higher-margin and less likely to produce surprises.

A year ago, we embarked on a strategy to returns CIBER to a financial performance that would see it minimally achieve double-digit revenue growth, gross margin of 30% or greater, and operating income margin of 8% or greater with cash flow equal to net income. The short-term tactical performance of Q2 in no way diminishes the ability for us to achieve those goals. ***The bulk of the Q2 negative results is from impacted accounts. This is the result of previous year's lack of operational discipline, process and controls.*** Thanks to the work Claude and his team have done, I now believe we have a clear picture of the scope and magnitude of this problem, and its ability to impact future quarters' performance, which is negligible. Claude will address this in detail in his remarks.

***The other significant impact on Q2 was the shortfall in North American sales and revenue production. Although it is disappointing, it is not completely unforeseen, given the tremendous reorganization this unit has undergone, as it moves from a branch model to a functional model.*** Additionally, it has rebuilt its sales force from a semi-commodity model sales force to a true enterprise sales force. We are clearly in the middle of a full turnaround of this Company. This involves our cultural shift towards becoming a professionally-managed and operated Company. We have built momentum by making significant improvements to the processes and the depth of our people. As a result, we see the fundamentals in our business gaining strength daily, and know these will result in improved financial performance.

\* \* \*

**Claude Pumilia – CIBER, Inc - CFO**

Thanks, Dave. Good morning, everyone. First, I'm going to work through the financial results, and then second, ***I will address the fixed-price contracts that affected Q2.*** I am encouraged that we have a clear understanding of these projects, and that we have the processes and people in place to move forward with a risk profile consistent with our industry peers. GAAP revenue growth was 1%. In constant currency terms, revenue decline 5%. The Segmenta acquisition we completed last year added 2% to revenue growth, and is now fully lapped.

***Revenue growth was negatively impacted by the \$13.4 million reduction in revenue from the 5 fixed price projects, which I'll date back to 2009 or earlier. Their adjustments equaled 5% drag on revenue growth.*** Our International business, which represented 46% of our total revenue, led the way with revenue growth of 39%, or 20% adjusted for currency. The Segmenta acquisition added 5% to International revenue growth. Sequentially, International revenue grew 4% from the first quarter of 2011. The revenue trend in International is attributable to strong demand for SAP services across most of our geographies and verticals served, namely utilities, manufacturing and retail. Strong performance at Segmenta since we have owned it, and increasing sales within CMS, our German-based SAP managed service offering, targeted to small to mid-sized businesses.

***Our North America division, 36% of our revenue, saw revenue decline 23% from last year's second quarter, and 17% sequentially from Q1 2011. A large portion of the revenue decrease was the result of the negative \$13.4 million adjustment from the 5 fixed price projects.*** Additionally, revenue growth continues to be impacted by the transition from a semi-commodity to enterprise sales force in North America. Our Federal segment, 10% of total revenue, saw revenue decline 17% from Q2 2011 and 2% sequentially from last quarter. This segment continues to perform as expected, given the delays in contract award dates and spending limitations in place throughout the US Federal Government.

\* \* \*

Moving on to cash flow. In the first half, we have used \$21 million of cash from operations. This use was driven by lower net income, as well as changes in working capital items, mainly increases in services accounts receivable and decreases in accounts payable and accrued liabilities and compensation. At quarter-end, DSOs were 67 days, up slightly from year-end. Some of the increase here is the result of the unbilled revenue on troubled projects. We remain focused on shortening DSOs, as an essential step in improving our cash flow. CapEx was \$5.7 million. ***Our full-year cash flow expectation has been lowered from the previous expectation of around \$30 million. The fixed price project issues in Q2, plus the lower than expected sales in North America, have changed our previous forecast.***

Now let's turn to the balance sheet. We had \$96 million outstanding on the senior credit facility at June 30. We amended the covenants cooperatively with our bank syndicate in light of the second-quarter results. The new amendment is available on a separate 8-K, filed today. We continue to see strengthening in our balance sheet as a key strategic imperative, inasmuch, we are evaluating options to refinance this note, as well as the opportunity to repatriate international funds that are otherwise idle. We will not take any steps that are dilutive, or that otherwise do not have our shareholders' best interests in mind. Cash on hand was \$62 million, all of which is international.

***Now let's look at the fixed-price project issue. After working through the issues thoroughly, we have now bound both the size and timing of the impact from the 5 accounts that significantly impacted Q2. We understand the nature of the problem, and we have learned key lessons that are being applied to our operations today. As a result, we implemented and enhanced processes to fix the operational issues, and have put the essential people in place. I am confident that with these changes, the new deals we are signing have a lower risk profile, and will help us achieve our profitability goals.***

A top priority of mine has been to identify and quarantine each problematic project. Additionally, for each of these projects, we have put a plan in place to limit the financial exposure, and to understand the maximum potential impact and timing of that impact on our financials. One thing that has changed from the fourth quarter is our willingness to exit these projects. We cannot allow them to drag on, and therefore we have had more concrete negotiations with our clients around bringing these to closure.

Our approach was simple. We looked at all open fixed-price contracts, and identified the 5 projects that were not performing according to plan. Encouragingly, the problems were not widespread. These 5 projects were reviewed by an internal independent assessment team. The teams consisted of members from delivery, legal, and finance. The mission was to go through a structured evaluation process, and to implement a detailed project plan to bring each engagement to conclusion. Each project and plan was reviewed and approved by both Dave and me, and we are monitoring them weekly.

The results of this assessment were the additional adjustments in this quarter. More importantly, however, we gained a deeper understanding of the ongoing financial impact and timing as these projects run off. Most of the remaining impact will be in the back half of this year, and should be less than \$1 million. We expect all of these projects to be concluded by the first half of 2012. Looking forward, it is imperative that we better manage fixed-price contracts to avoid surprises. The deal review committee, as well as the additional disciplines we're adhering to will help us achieve this objective. Specific fixes for contracts we have entered into the last six months

include standard contract terms that afford CIBER better protection, pricing upfront that includes cost assumptions for the contingencies and risks we are undertaking.

28. After the above revelations seeped into the market, the Company's stock price plummeted to \$3.94 per share on August 3, 2011, a decline of 23.64% from a previous day closing price of \$5.16 per share, on high volume trading.

### **LOSS CAUSATION**

29. During the Class Period, as detailed herein, the Defendants made false and misleading statements and engaged in a scheme to deceive the market and a course of conduct that artificially inflated the price of CIBER securities and operated as a fraud or deceit on Class Period purchasers of CIBER securities by misrepresenting the Company's business and prospects. Later, when the Defendants' prior misrepresentations and fraudulent conduct became apparent to the market, the price of CIBER securities fell precipitously, as the prior artificial inflation came out of the price over time. As a result of their purchases of CIBER securities during the Class Period, plaintiff and other members of the Class (as defined herein) suffered economic loss, i.e., damages, under the federal securities laws.

### **FRAUD-ON-THE-MARKET DOCTRINE**

30. At all relevant times, the market for CIBER securities was an efficient market for the following reasons, among others:

- (a) CIBER securities met the requirements for listing, and was listed and actively traded on the New York Stock Exchange ("NYSE"), a highly efficient and automated market;
- (b) CIBER filed periodic public reports with the SEC and the NYSE; and
- (c) CIBER regularly communicated with public investors via established market communication mechanisms, including regular disseminations of press releases on the national

circuits of major newswire services and other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services.

31. As a result of the foregoing, the market for CIBER securities promptly digested current information regarding CIBER from all publicly available sources and reflected such information in the prices of the securities. Under these circumstances, all purchasers of CIBER securities during the Class Period suffered similar injury through their purchase of CIBER securities at artificially inflated prices and a presumption of reliance applies.

#### **NO SAFE HARBOR**

32. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this Complaint. The statements alleged to be false and misleading herein all relate to then-existing facts and conditions. In addition, to the extent certain of the statements alleged to be false may be characterized as forward looking, they were not identified as "forward-looking statements" when made and there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. In the alternative, to the extent that the statutory safe harbor is determined to apply to any forward-looking statements pleaded herein, Defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements was made, the speaker had actual knowledge that the forward-looking statement was materially false or misleading, and/or the forward-looking statement was authorized or approved by an executive officer of CIBER who knew that the statement was false when made.

### **CLASS ACTION ALLEGATIONS**

33. Plaintiff brings this action as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure on behalf of all persons who purchased or otherwise acquired CIBER securities during the Class Period (the "Class"). Excluded from the Class are Defendants and their families, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors, or assigns, and any entity in which Defendants have or had a controlling interest.

34. The members of the Class are so numerous that joinder of all members is impracticable. The disposition of their claims in a class action will provide substantial benefits to the parties and the Court. CIBER has over seventy-two million shares of stock outstanding, owned by hundreds if not thousands of persons.

35. There is a well-defined community of interest in the questions of law and fact involved in this case. Questions of law and fact common to the members of the Class which predominate over questions which may affect individual Class members include:

- (a) whether the Exchange Act was violated by Defendants;
- (b) whether Defendants omitted and/or misrepresented material facts;
- (c) whether Defendants' statements omitted material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading;
- (d) whether Defendants knew or deliberately disregarded that their statements were false and misleading;
- (e) whether the price of CIBER securities was artificially inflated; and

(f) the extent of damage sustained by Class members and the appropriate measure of damages.

36. Plaintiff's claims are typical of those of the Class because plaintiff and the Class sustained damages from Defendants' wrongful conduct.

37. Plaintiff will adequately protect the interests of the Class and has retained counsel who are experienced in class action securities litigation. Plaintiff has no interests which conflict with those of the Class.

38. A class action is superior to other available methods for the fair and efficient adjudication of this controversy.

#### **COUNT I**

#### **Against Defendants for Violation of Section 10(b) of the Exchange Act and SEC Rule 10b-5**

39. Plaintiff incorporates by reference and realleges each and every allegation contained above, as though fully set forth herein.

40. During the Class Period, Defendants disseminated or approved the false statements specified above, which they knew or deliberately disregarded were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

41. Defendants violated section 10(b) of the Exchange Act and SEC Rule 10b-5 in that they:

(a) employed devices, schemes, and artifices to defraud;

(b) made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or

(c) engaged in acts, practices, and a course of business that operated as a fraud or deceit upon plaintiff and others similarly situated in connection with their purchases of CIBER securities during the Class Period.

42. Plaintiff and the Class have suffered damages in that, in reliance on the integrity of the market, they paid artificially inflated prices for CIBER securities. Plaintiff and the Class would not have purchased CIBER securities at the prices they paid, or at all, if they had been aware that the market prices had been artificially and falsely inflated by Defendants' misleading statements.

## **COUNT II**

### **Against Defendants for Violation of Section 20(a) of the Exchange Act**

43. Plaintiff incorporates by reference and realleges each and every allegation contained above, as though fully set forth herein.

44. Defendants acted as controlling persons of CIBER within the meaning of section 20(a) of the Exchange Act. By reason of their positions with the Company, Defendants had the power and authority to cause CIBER to engage in the wrongful conduct complained of herein. Defendants controlled CIBER and all of its employees. By reason of such conduct, Defendants are liable pursuant to section 20(a) of the Exchange Act.

45. As a direct and proximate result of Defendants' wrongful conduct, plaintiff and members of the Class suffered damages in connection with their respective purchases and sales of the Company's securities during the Class Period.

**PRAYER FOR RELIEF**

WHEREFORE, plaintiff prays for judgment as follows:

- A. Declaring this action to be a proper class action pursuant to Rule 23 of the Federal Rules of Civil Procedure and certifying plaintiff as a representative of the Class;
- B. Awarding plaintiff and the members of the Class damages, including interest;
- C. Awarding plaintiff reasonable costs and attorneys' fees; and
- D. Awarding such other relief as the Court may deem just and proper.

**JURY DEMAND**

Plaintiff demands a trial by jury.

Dated: October 28, 2011

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