Information Services Group Inc.
Form 10-K
March 16, 2011

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM 10-K

(Mark One)

ý **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2010

Or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to
Commission File Number 001-33287

Information Services Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**20-5261587**
(State of Incorporation)	(I.R.S. Employer Identification Number)

Two Stamford Plaza
281 Tresser Boulevard
Stamford, CT 06901
(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: **(203) 517-3100**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Units	The NASDAQ Stock Market LLC
Shares of Common Stock, $0.001 par value	The NASDAQ Stock Market LLC
Warrants	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No ý

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No ý

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer ý	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ý

The aggregate market value of the voting common stock, par value $0.001 per share, held by non-affiliates of the registrant computed by reference to the closing sales price for the registrant's common stock on June 30, 2010, as reported on the NASDAQ Stock Market was approximately $58,338,294.

In determining the market value of the voting stock held by any non-affiliates, shares of common stock of the registrant beneficially owned by directors, officers and other holders of non-publicly traded shares of common stock of the registrant have been excluded. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of February 25, 2011, the registrant had outstanding 36,268,623 shares of common stock, par value $0.001 per share.

Documents Incorporated by Reference

Document Description	**10-K Part**
Portions of the Proxy Statement for the 2011 Annual Meeting of Stockholders (the "Proxy Statement"), to be filed within 120 days of the end of the fiscal year ended December 31, 2010, are incorporated by reference in Part III hereof. Except with respect to information specifically incorporated by reference in this Form 10-K, the Proxy Statement is not deemed to be filed as part hereof.	III (Items 10, 11, 12, 13, 14)

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SAFE HARBOR STATEMENT

Information Services Group ("ISG") believes that some of the information in this Annual Report on Form 10-K constitutes forward-looking statements. You can identify these statements by forward-looking words such as "may," "expect," "anticipate," "contemplate," "believe," "estimate," "intends" and "continue" or similar words. You should read statements that contain these words carefully because they:

- discuss future expectations;
- contain projections of future results of operations or financial condition; or
- state other "forward-looking" information.

These forward-looking statements include, but are not limited to, statements relating to:

- ability to retain existing clients and contracts;
- ability to win new clients and engagements;
- ability to implement cost reductions and productivity improvements;
- beliefs about future trends in the sourcing industry;
- expected spending on sourcing services by clients;
- foreign currency exchange rates;
- effective tax rate; and
- competition in the sourcing industry.

ISG believes it is important to communicate its expectations to its stockholders. However, there may be events in the future that ISG is not able to predict accurately or over which it has no control. The risk factors and cautionary language discussed in this Annual Report provide examples of risks, uncertainties and events that may cause actual results to differ materially from the expectations in such forward-looking statements, including among other things:

- the amount of cash on hand;
- business strategy;
- cost reductions and productivity improvements may not be fully realized or realized within the expected time frame;

continued compliance with government regulations;

legislation or regulatory environments, requirements or changes adversely affecting the business in which ISG is engaged;

fluctuations in client demand;

management of growth;

ability to grow the business and effectively manage growth and international operations while maintaining effective internal controls;

ISG's relative dependence on clients which operate in the financial services, manufacturing, automotive (including its largest client) and public services sectors;

ability to hire and retain enough qualified employees to support operations;

increases in wages in locations in which ISG has operations;

ability to retain senior management;

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- fluctuations in exchange rates between the U.S. dollar and foreign currencies;
- ability to attract and retain clients and the ability to develop and maintain client relationships based on attractive terms;
- legislation in the United States or elsewhere that adversely affects the performance of sourcing services offshore;
- increased competition;
- telecommunications or technology disruptions or breaches, or natural or other disasters;
- ability to protect ISG intellectual property and the intellectual property of others;
- the international nature of ISG's business;
- political or economic instability in countries where ISG has operations;
- worldwide political, economic and business conditions; and
- ability to successfully consummate or integrate strategic acquisitions.

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Annual Report.

All forward-looking statements included herein attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Except to the extent required by applicable laws and regulations, we undertake no obligation to update these forward-looking statements to reflect events or circumstances after the date of this Annual Report or to reflect the occurrence of unanticipated events.

This Annual Report also contains forward-looking statements attributed to estimates of the growth of our markets. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Forward-looking statements contained in this Annual Report speak only as of the date of this Annual Report. Unless required by law, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should, however, review the risks and uncertainties we describe in the reports we will file from time to time with the SEC after the date of this Annual Report.

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PART I

Item 1. Business

As used herein, unless the context otherwise requires, ISG, the registrant, is referred to in this Form 10-K annual report ("Form 10-K") as the "Company," "we," "us" and "our."

Our Company

Information Services Group, Inc. (Nasdaq: III) is a leading technology insights, market intelligence and advisory services company. We support private and public sector clients in transforming and optimizing their operational environments through strategic consulting, benchmarking and analytics, managed services and research with a focus on information technology, business process transformation and enterprise resource planning.

Our company was founded in 2006 with the strategic vision to become a high-growth, leading provider of information-based advisory services. In 2007, ISG consummated its initial public offering and completed the acquisition of TPI Advisory Services Americas, Inc. ("TPI"). In the first quarter of 2011, ISG completed the acquisitions of Compass and STA Consulting. We continue to believe that our vision will be realized through the acquisition, integration, and successful operation of market-leading brands within the data, analytics and advisory industry. Including our most recent acquisitions, we now operate in 21 countries and employ nearly 700 professionals globally, delivering advisory, benchmarking and analytical insight to large, multinational corporations and governments in North America, Europe and Asia Pacific. We deliver these services through three go-to market brands: TPI, Compass and STA Consulting.

While each of our brands is focused on a specific client or service niche within the data, analytics and advisory industry, we believe that there are important cyclical and secular challenges faced by our private and public sector clients which will continue to fuel demand for the professional services we provide. In the private sector, for example, we believe that companies will continue to face significant challenges associated with globalization, including the need to decrease operating costs, increase efficiencies and deal with increasing numbers of emerging and transformational technologies such as cloud computing. Similarly, public sector organizations at the national, regional and local levels increasingly must deal with the complex and converging issues of outdated technology systems, significantly impaired revenue sources and an aging workforce.

Overall, we believe that the environmental dynamics at work in both the private and public sectors mitigate decisively in favor of the professional services, analytics and advice ISG companies can provide. In this dynamic environment, the strength of our client relationships greatly depends on the quality of our advice and insight, the independence of our thought leadership and the effectiveness of our people in assisting our clients to implement strategies that successfully address their most pressing operational challenges.

We are organized as a corporation under the laws of the State of Delaware and are based in Stamford, CT. The current mailing address of the company's principal executive office is:

Information Services Group, Inc.

Two Stamford Plaza, 281 Tresser Boulevard, Stamford, CT 06901, and its telephone number is (203) 517-3100.

Our Services

During periods of expansion or contraction, for enterprises large or small, public or private, in North America or Europe and Asia Pacific, our services have helped organizations address their most complex operational issues. The functional domain experience of our experts and deep empirical data help clients better understand their strategic options. We provide four key lines of service:

Strategic Consulting. We assist clients with envisioning, designing and implementing change in their operational environments. We evaluate existing practices and operating costs of public and private enterprises, identifying potential improvement opportunities to enhance service delivery, optimize operations or reduce costs. Solutions are customized by client situation and may include internal transformation, the adoption of external strategies, or some combination of both. In all cases, we assist with the selection, implementation and ongoing support for these strategic initiatives.

Benchmarking and Analytics. Our combined data sources, compiled over 30 years of servicing global corporations provide a rich source of benchmark data into the comparative cost and quality of different operational alternatives. We use these data sources to provide clients with in-depth analysis into the cost and service implications of alternate strategies allowing them to compare and contrast alternatives and providing fact-based insight to allow clients to make informed decision regarding strategic change.

Managed Services. Our managed service offerings provide best in class operational governance services and bring these to our clients as a seamless end to end service. This offering assists clients with monitoring and managing their supplier relationships, providing them with real-time accurate market intelligence and insights into all aspects of provider performance and cost, allowing them to focus on the more strategic aspects of supplier management.

Research. We utilize our extensive experience and proprietary data assets to provide subscription and custom research services to both buyers and service providers active in the outsourcing and managed services industries. Our unique insights into the buying behaviors, needs and objectives of global corporations examining operations transformation provide unique insight for industry participants.

These services & products are delivered through three "go-to market" brands: TPI, Compass and STA Consulting. While each of our brands has a distinct market identity and operates within a specific niche, our brands not only share a common vision and operational orientation, they are supported by an integrated shared services platform which allows them to work together to deliver comprehensive services in a way that is seamless to our clients.

Recent Developments

On January 4, 2011, ISG acquired Compass, a premier independent global provider of business and information technology benchmarking, performance improvement, data and analytics services. It was founded in 1980 and headquartered in the United Kingdom and has approximately 180 employees in 16 countries serving nearly 250 clients.

On February 10, 2011, ISG acquired Austin, Texas-based STA Consulting, a premier independent information technology advisor serving the public sector. STA Consulting advises clients on information technology strategic planning and the acquisition and implementation of new Enterprise Resource Planning (ERP) and other enterprise administration and management systems. STA Consulting was founded in 1997 and has approximately 40 professionals.

See Note 3 Acquisitions in the Notes to the Consolidated Financial Statements for additional information regarding these acquisitions.

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Our Competitive Advantages

We believe that the following strengths differentiate us from our competition:

Independence and objectivity. We are not a service provider. We are an independent, fact-based data, analytics and advisory firm with no material conflicting financial or other interests. This enables us to maintain a trusted advisor relationship with our clients through our unbiased focus and ability to align our interests with those of our clients.

Domain expertise. Averaging over 20 years of experience, our strategic consulting teams bring a wealth of industry and domain-specific knowledge and expertise to address our clients' most complex transformational needs.

Strong brand recognition. Our three go-to market brands, TPI, Compass and STA Consulting, are widely recognized for their expertise and successful track record in identifying and implementing strategic change initiatives.

Proprietary data assets and market intelligence. We have assembled a comprehensive and unique set of data, analytics and market intelligence built through thirty years of data collection and analysis, providing insight into the comparative cost and quality of a variety of operational alternatives.

Global reach. We possess practical experience in global business operations, and we understand the significance of interconnected economies and companies. Our resources in the Americas, Europe, Asia Pacific, China and India make us a truly global advisory firm able to consistently serve the strategic and implementation needs of our clients.

We believe that the strengths disclosed above are central to our ability to deal successfully with the challenges that we face.

Our Strategy

We intend to use our competitive strengths to develop new services and products, sustain our growth and strengthen our existing market position by pursuing the following strategies:

Pursue growth of existing service model. We expect the trend toward globalization and greater operating efficiency and technological innovation to play an increasing role in the growth of demand for our services. We plan to leverage our current operating platform to serve the growing number of private and public enterprises utilizing outside advisors when undertaking transformational projects. In addition, we will seek to continue to expand our products and services and the geographic markets we serve opportunistically as global competition spurs demand for cost savings and value creation.

Expand geographically. Historically, we generated the majority of our revenues in North America. Over the past several years, we have made significant investments in Europe and Asia Pacific to capitalize on emerging demand for advisory, benchmarking and analytical insight in these geographic regions. We intend to continue to expand in Europe and Asia Pacific and maintain our revenue growth and market leading positions in those markets. The acquisition of Compass will expand our geographic reach, particularly in Europe, and will increase the amount of revenues generated internationally versus in North America.

Develop new industry sectors. We have been successful in expanding our presence across industries and into state and local government departments in the United States and national and provincial government units in the United Kingdom, Canada, China and Australia. Our management believes the public sector, which currently has very low penetration, represents a significant opportunity. The acquisition of STA Consulting will expand our penetration into the public sector. Industries possessing characteristics of regulatory oversight and increasing

competition, and benefiting from standardization and automation, include healthcare, pharmaceuticals, and energy.

Productize market data assets. We believe that productizing our advisory methodologies and data represent an opportunity to achieve potential growth. There are a variety of potential services based on data we have collected over the course of our engagement history that could be valuable to existing and new clients. We expect to expand our data repository and associated benchmarking (costs and pricing) comparisons to broaden our scope beyond our current information technology emphasis, and we intend to introduce market comparisons for human resources and finance and accounting services in the future.

Provide greater managed services. As companies begin to recognize the importance of managing the post-sourcing-transaction period, managed services has emerged as a potential revenue driver for us where our offerings are delivered through multi-year managed services contracts. We believe that our experience with outsourcing transactions and software implementation initiatives make us uniquely equipped to help our clients manage their transformational projects or act as a third-party administrator. We will continue to pursue opportunities to leverage our experience to make managed services an even greater revenue generator for us.

Consider acquisition and other growth opportunities. The business services, information and advisory market is highly fragmented. We believe we are well-positioned to leverage our leading market positions and strong brand recognition to expand through acquisitions. Acquiring firms with complementary services and products will allow us to further develop and broaden our service offerings and domain expertise. We will consider and may pursue opportunities to enter into joint ventures and to buy or combine with other businesses.

Our Proprietary Data Assets and Market Intelligence

One of our core assets is the information, data, analytics, methodologies and other intellectual capital the Company possesses. This intellectual property underpins the independent nature of our operational assessments, strategy development, deal-structuring, negotiation and other consulting services we provide our clients.

With each engagement we conduct, we enhance both the quantity and quality of the intellectual property we can employ on behalf of our clients, thus providing a continuous and unique source of information, data and analytics.

This intellectual property is proprietary and we rely on multiple legal and contractual provisions and devices to protect our intellectual property rights. We recognizes the value of our intellectual property and vigorously defend it. As a result, the Company maintains strict policies and procedures regarding ownership, use and protection with all parties, including our employees.

Clients

With the acquisitions of Compass and STA Consulting, we operate in 21 countries and across numerous industries. Our private sector clients operate in the financial services, telecom, healthcare and pharmaceuticals, manufacturing, transportation and travel and energy and utilities industries. The majority of our clients operate large businesses and are ranked in the Forbes Global 2000 companies annually. Our public sector clients represent state and local governments (cities and counties) and authorities (airport and transit) in the United States and national and provincial government units in the United Kingdom, Canada and Australia.

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Competition

Competition in the sourcing, data, information and advisory market is primarily driven by independence and objectivity, expertise, possession of relevant benchmarking data, breadth of service capabilities, reputation and price. We compete with other sourcing advisors, research firms, strategy consultants and sourcing service providers. A significant number of independent sourcing and advisory firms offer similar services. In our view, however, these firms generally lack the benchmarking data, scale and diversity of expertise that we possess. In addition, most research firms do not possess the data repository of recent, comparable transactions and benchmarking data. Strategy consultants bring strategy services capabilities to the sourcing and advisory market. However, since they do not focus exclusively on the sourcing market, they lack the depth of experience that sourcing, data and advisory firms such as ISG possess. In addition, strategy consultants do not possess the sourcing and technology implementation expertise or the benchmarking data capabilities that are critical to implementing and managing successful transformational projects for businesses and governments. Other service providers often lack the depth of experience, competitive benchmarking data and independence critical to playing the role of "trusted advisor" to clients.

Employees

As of December 31, 2010, the Company employed 438 people worldwide. As a result of the acquisitions of Compass and STA Consulting, the Company now employs approximately 700 professionals in 21 countries.

The Company's employee base includes executive management, service leads, partners, directors, advisors, analysts, technical specialists and functional support staff.

We recruit advisors from service providers, consulting firms and clients with direct operational experience. These advisors leverage extensive practical expertise derived from experiences in corporate leadership, consulting, research, financial analysis, contract negotiations and operational service delivery.

All employees are required to execute confidentially, conflict of interest and intellectual property agreements as a condition of employment. There are no collective bargaining agreements covering any of our employees.

ISG's voluntary advisor turnover rate ranged between 9% and 15% over the last three years.

Available Information

Our Internet address is *www.informationsg.com*. The content on our website is available for information purposes only. It should not be relied upon for investment purposes, nor is it incorporated by reference into this Form 10-K. We make available through our Internet website under the heading "Investor Relations," our annual report on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K after we electronically file any such materials with the Securities and Exchange Commission. Copies of our key corporate governance documents, including our Code of Ethics for Directors, Officers and Employees and charters for our Audit Committee, our Nominating and Corporate Governance Committee and our Compensation Committee are also on our website. Stockholders may request free copies of these documents including our Annual Report to Stockholders by writing to Information Services Group, Inc., Two Stamford Plaza, 281 Tresser Boulevard, Stamford CT 06901, Attention: David E. Berger, or by calling (203) 517-3100.

Our annual and quarterly reports and other information statements are available to the public through the SEC's website at *www.sec.gov*. In addition, the Notice of Annual Meeting of Stockholders, Proxy Statement and 2010 Annual Report to Stockholders are available free of charge at *www.informationsg.com*.

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Item 1A. Risk Factors

The loss of key executives could adversely affect our business.

The success of our business is dependent upon the continued service of a relatively small group of key executives, including Mr. Connors, Chairman and Chief Executive Officer; Mr. Berger, Executive Vice President, Chief Financial Officer; and Mr. Whitmore, Vice Chairman, ISG and CEO, Compass, among others.

Although we currently intend to retain our existing management, the terms of which have not yet been determined, we cannot assure you that such individuals will remain with us for the immediate or foreseeable future. The unexpected loss of the services of one or more of these executives could adversely affect our business.

Our outstanding warrants may be exercised in the future, which would increase the number of shares eligible for future resale in the public market and would result in dilution to our stockholders. This might have an adverse effect on the market price of the common stock.

As part of the purchase consideration paid to MCP-TPI Holdings, LLC, a Texas limited liability company ("MCP-TPI"), ISG issued warrants exercisable beginning on November 16, 2008 into 5 million shares of ISG common stock at an exercise price of $9.18 per share. To the extent these warrants are exercised, additional shares of our common stock will be issued, which will result in dilution to our stockholders and increase the number of shares eligible for resale in the public market. Sales of substantial numbers of such shares in the public market could adversely affect the market price of our shares.

We have outstanding a substantial amount of debt, which may limit our ability to fund general corporate requirements and obtain additional financing, limit our flexibility in responding to business opportunities and competitive developments and increase our vulnerability to adverse economic and industry conditions.

We incurred a substantial amount of indebtedness to finance the acquisition of TPI, including transaction costs and deferred underwriting fees. On November 16, 2007, our wholly-owned subsidiary International Consulting Acquisition Corp. ("ICAC") entered into a senior secured credit facility comprised of a $95.0 million term loan facility and a $10.0 million revolving credit facility. On November 16, 2007, ICAC borrowed $95.0 million under the term loan facility to finance the purchase price for our acquisition of TPI and to pay transaction costs. As a result of the substantial fixed costs associated with the debt obligations, we expect that:

- a decrease in revenues will result in a disproportionately greater percentage decrease in earnings;
- we may not have sufficient liquidity to fund all of these fixed costs if our revenues decline or costs increase;
- we may have to use our working capital to fund these fixed costs instead of funding general corporate requirements, including capital expenditures;
- we may not have sufficient liquidity to respond to business opportunities, competitive developments and adverse economic conditions; and
- our results of operations will be adversely affected if interest rates increase because, based on our current outstanding term loan borrowings in the amount of $69.8 million, a 1% increase in interest rates would result in a pre-tax impact on earnings of approximately $0.7 million per year.

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These debt obligations may also impair our ability to obtain additional financing, if needed, and our flexibility in the conduct of our business. Our indebtedness under the senior secured revolving credit facility is secured by substantially all of our assets, leaving us with limited collateral for additional financing. Moreover, the terms of our indebtedness under the senior secured revolving credit facility restrict our ability to take certain actions, including the incurrence of additional indebtedness, mergers and acquisitions, investments and asset sales. Our ability to pay the fixed costs associated with our debt obligations will depend on our operating performance and cash flow, which in turn depend on general economic conditions and the advisory services market. A failure to pay interest or indebtedness when due could result in a variety of adverse consequences, including the acceleration of our indebtedness. In such a situation, it is unlikely that we would be able to fulfill our obligations under or repay the accelerated indebtedness or otherwise cover our fixed costs. As of December 31, 2010, the total principal outstanding under the term loan facility was $69.8 million. There were no borrowings under the revolving credit facility during fiscal 2010.

Failure to maintain effective internal controls over financial reporting could adversely affect our business and the market price of our Common Stock.

Pursuant to rules adopted by the SEC implementing Section 404 of the Sarbanes-Oxley Act of 2002, we are required to assess the effectiveness of our internal controls over financial reporting and provide a management report on our internal controls over financial reporting in all annual reports. This report contains, among other matters, a statement as to whether or not our internal controls over financial reporting are effective and the disclosure of any material weaknesses in our internal controls over financial reporting identified by management.

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) provides a framework for companies to assess and improve their internal control systems. Auditing Standard No. 5 provides the professional standards and related performance guidance for auditors to attest to, and report on, management's assessment of the effectiveness of internal control over financial reporting under Section 404. Management's assessment of internal controls over financial reporting requires management to make subjective judgments and, some of the judgments will be in areas that may be open to interpretation. Therefore, our management's report on our internal controls over financial reporting may be difficult to prepare, and our auditors may not agree with our management's assessment.

While we currently believe our internal controls over financial reporting are effective, we are required to comply with Section 404 on an annual basis. If, in the future, we identify one or more material weaknesses in our internal controls over financial reporting during this continuous evaluation process, our management will be unable to assert such internal controls are effective. Although we currently anticipate being able to continue to satisfy the requirements of Section 404 in a timely fashion, we cannot be certain as to the timing of completion for our future evaluation, testing and any required remediation due in large part to the fact that there are limited precedents available by which to measure compliance with these new requirements. Therefore, if we are unable to assert that our internal controls over financial reporting are effective in the future, or if our auditors are unable to express an opinion on the effectiveness of our internal controls, our investors could lose confidence in the accuracy and completeness of our financial reports, which could have an adverse effect on our business and the market price of our Common Stock.

Our operating results have been, and may in the future be, adversely impacted by the worldwide economic crisis and credit tightening.

Our results of operations are affected by the level of business activity of our clients, which in turn is affected by the level of economic activity in the industries and markets that they serve. A decline in the level of business activity of our clients could have a material adverse effect on our revenue and

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profit margin. In particular, our exposure to certain industries currently experiencing financial difficulties, including the automobile and financial services industries, could have an adverse affect on our results of operations. Future economic conditions could cause some clients to reduce or defer their expenditures for consulting services. We have implemented and will continue to implement cost-savings initiatives to manage our expenses as a percentage of revenue. However, current and future cost-management initiatives may not be sufficient to maintain our margins if the economic environment should weaken for a prolonged period.

The rate of growth in the broadly defined business information services & advisory sector and/or the use of technology in business may fall significantly below the levels that we currently anticipate.

Our business is dependent upon continued growth in sourcing activity, the use of technology in business by our clients and prospective clients and the continued trend towards sourcing of complex information technology and business process tasks by large and small organizations. If sourcing diminishes as a management and operational tool, the growth in the use of technology slows down or the cost of sourcing alternatives rises, our business could suffer. Companies that have already invested substantial resources in developing in-house information technology and business process functions may be particularly reluctant or slow to move to a sourcing solution that may make some of their existing personnel and infrastructure obsolete.

Our engagements may be terminated, delayed or reduced in scope by clients at any time.

Our clients may decide at any time to abandon, postpone and/or to reduce our involvement in an engagement. Our engagements can therefore terminate, or the scope of our responsibilities may diminish, with limited advance notice. If an engagement is terminated, delayed or reduced unexpectedly, the professionals working on the engagement could be underutilized until we assign them to other projects. Accordingly, the termination or significant reduction in the scope of a single large engagement, or multiple smaller engagements, could harm our business results.

Our operating results may fluctuate significantly from period to period as a result of factors outside of our control.

We expect our revenues and operating results to vary significantly from accounting period to accounting period due to factors including:

- fluctuations in revenues earned on contracts;
- commencement, completion or termination of contracts during any particular period;
- additions and departures of key advisors;
- transitioning of advisors from completed projects to new engagements;
- seasonal trends;
- the introduction of new services by us or our competitors;
- changes in fees, pricing policies or compensation arrangements by us or our competitors;
- strategic decisions by us, our clients or our competitors, such as acquisitions, divestitures, spin-offs, joint ventures, strategic investments or changes in business strategy;

global economic and political conditions and related risks, including acts of terrorism; and

conditions in the travel industry that could prevent our advisors from traveling to client sites.

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We depend on project-based advisory engagements, and our failure to secure new engagements could lead to a decrease in our revenues.

Advisory engagements typically are project-based. Our ability to attract advisory engagements is subject to numerous factors, including the following:

- delivering consistent, high-quality advisory services to our clients;
- tailoring our advisory services to the changing needs of our clients;
- matching the skills and competencies of our advisory staff to the skills required for the fulfillment of existing or potential advisory engagements; and
- maintaining a global business operation.

Any material decline in our ability to secure new advisory arrangements could have an adverse impact on our revenues and financial condition.

We may not be able to maintain our existing services and products.

We operate in a rapidly evolving market, and our success depends upon our ability to deliver high quality advice and analysis to our clients. Any failure to continue to provide credible and reliable information and advice that is useful to our clients could have a significant adverse effect on future business and operating results. Further, if our advice proves to be materially incorrect and the quality of service is diminished, our reputation may suffer and demand for our services and products may decline. In addition, we must continue to improve our methods for delivering our products and services in a cost-effective manner.

We may not have the ability to develop and offer the new services and products that we need to remain competitive.

Our future success will depend in part on our ability to offer new services and products. To maintain our competitive position, we must continue to enhance and improve our services and products, develop or acquire new services and products in a timely manner, and appropriately position and price new services and products relative to the marketplace and our costs of producing them. These new services and products must successfully gain market acceptance by addressing specific industry and business sectors and by anticipating and identifying changes in client requirements. The process of researching, developing, launching and gaining client acceptance of a new service or product, or assimilating and marketing an acquired service or product, is risky and costly. We may not be able to introduce new, or assimilate acquired, services and products successfully. Any failure to achieve successful client acceptance of new services and products could have an adverse effect on our business results.

We may fail to anticipate and respond to market trends.

Our success depends in part upon our ability to anticipate rapidly changing technologies and market trends and to adapt our advice, services and products to meet the changing sourcing advisory needs of our clients. Our clients regularly undergo frequent and often dramatic changes. That environment of rapid and continuous change presents significant challenges to our ability to provide our clients with current and timely analysis, strategies and advice on issues of importance to them. Meeting these challenges requires the commitment of substantial resources. Any failure to continue to respond to developments, technologies, and trends in a manner that meets market needs could have an adverse effect on our business results.

We may be unable to protect important intellectual property rights.

We rely on copyright and trademark laws, as well as nondisclosure and confidentiality arrangements, to protect our proprietary rights in our methods of performing our services and our tools for analyzing financial and other information. There can be no assurance that the steps we have taken to protect our intellectual property rights will be adequate to deter misappropriation of our rights or that we will be able to detect unauthorized use and take timely and effective steps to enforce our rights. If substantial and material unauthorized uses of our proprietary methodologies and analytical tools were to occur, we may be required to engage in costly and time-consuming litigation to enforce our rights. There can be no assurance that we would prevail in such litigation. If others were able to use our intellectual property or were to independently develop our methodologies or analytical tools, our ability to compete effectively and to charge appropriate fees for our services may be adversely affected.

We face competition and our failure to compete successfully could materially adversely affect our results of operations and financial condition.

The business information services and advisory sector is competitive, highly fragmented and subject to rapid change. We face competition from many other providers ranging from large organizations to small firms and independent contractors that provide specialized services. Our competitors include any firm that provides sourcing or benchmarking advisory services, IT strategy or business process consulting, which may include a variety of consulting firms, service providers, niche advisors and, potentially, advisors currently or formerly employed by us. Some of our competitors have significantly more financial and marketing resources, larger professional staffs, closer client relationships, broader geographic presence or more widespread recognition than us.

In addition, limited barriers to entry exist in the markets in which we do business. As a result, additional new competitors may emerge and existing competitors may start to provide additional or complementary services. Additionally, technological advances may provide increased competition from a variety of sources. There can be no assurance that we will be able to successfully compete against current and future competitors and our failure to do so could result in loss of market share, diminished value in our products and services, reduced pricing and increased marketing expenditures. Furthermore, we may not be successful if we cannot compete effectively on quality of advice and analysis, timely delivery of information, client service or the ability to offer services and products to meet changing market needs for information, analysis or price.

We rely heavily on key members of our management team.

We are dependent on our management team. We have entered into subscription and non-competition agreements with a number of these key management personnel. If any of the covenants contained in the subscription and non-competition agreements are violated, the key management personnel will forfeit their shares (or the after-tax proceeds if the shares have been sold). We issued restricted stock units ("RSUs") and stock appreciation rights ("SARs") to key employees. Vesting rights in the RSUs and SARs are subject to compliance with restrictive covenant agreements. Vested and unvested RSUs and SARs will be forfeited upon any violation of the restrictive covenant agreements. Despite the non-competition and restrictive covenant agreements, we may not be able to retain these managers and may not be able to enforce the non-competition and restrictive covenants. If we were to lose a number of key members of our management team and were unable to replace these people quickly, we could have difficulty maintaining our growth and certain key relationships with large clients.

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We depend upon our ability to attract, retain and train skilled advisors and other professionals.

Our business involves the delivery of advisory & consulting services. Therefore, our continued success depends in large part upon our ability to attract, develop, motivate, retain and train skilled advisors and other professionals who have advanced information technology and business processing domain expertise, financial analysis skills, project management experience and other similar abilities. We do not have non-competition agreements with many non-executive advisors. Consequently, these advisors could resign and join one of our competitors or provide sourcing advisory services to our clients through their own ventures.

We must also recruit staff globally to support our services and products. We face competition for the limited pool of these qualified professionals from, among others, technology companies, market research firms, consulting firms, financial services companies and electronic and print media companies, some of which have a greater ability to attract and compensate these professionals. Some of the personnel that we attempt to hire may be subject to non-compete agreements that could impede our short-term recruitment efforts. Any failure to retain key personnel or hire and train additional qualified personnel as required supporting the evolving needs of clients or growth in our business could adversely affect the quality of our products and services, and our future business and operating results.

We may have agreements with certain clients that limit the ability of particular advisors to work on some engagements for a period of time.

We provide services primarily in connection with significant or complex sourcing transactions and other matters that provide potential competitive advantage and/or involve sensitive client information. Our engagement by a client occasionally precludes us from staffing certain advisors on new engagements because the advisors have received confidential information from a client who is a competitor of the new client. Furthermore, it is possible that our engagement by a client could preclude us from accepting engagements with such client's competitors because of confidentiality concerns.

In many industries in which we provide advisory services, there has been a trend toward business consolidations and strategic alliances that could limit the pool of potential clients.

Consolidations and alliances reduce the number of potential clients for our services and products and may increase the chances that we will be unable to continue some of our ongoing engagements or secure new engagements.

We derive a significant portion of our revenues from our largest clients (including those in the automobile sector) and could materially and adversely be affected if we lose one or more of our large clients.

Our 20 largest clients accounted for approximately 45% of revenue in 2010 and 44% in 2009. In particular, revenues from clients in the automobile sector collectively accounted for approximately 15% of our 2010 annual revenue. Although only General Motors accounts for more than 10% of our revenues, if one or more of our large clients terminate or significantly reduce their engagements or fail to remain a viable business, then our revenues could be materially and adversely affected. In addition, sizable receivable balances could be jeopardized if large clients fail to remain viable.

Our international operations expose us to a variety of risks which could negatively impact our future revenue and growth.

Approximately 42% of our revenues for 2010 and 2009 were derived from sales outside of the Americas. This number is expected to increase with the acquisition of Compass. Our operating results are subject to the risks inherent in international business activities, including:

- tariffs and trade barriers;

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- regulations related to customs and import/export matters;
- restrictions on entry visas required for our advisors to travel and provide services;
- tax issues, such as tax law changes and variations in tax laws as compared to the United States;
- cultural and language differences;
- an inadequate banking system;
- foreign exchange controls;
- restrictions on the repatriation of profits or payment of dividends;
- crime, strikes, riots, civil disturbances, terrorist attacks and wars;
- nationalization or expropriation of property;
- law enforcement authorities and courts that are inexperienced in commercial matters; and
- deterioration of political relations with the United States.

Air travel, telecommunications and entry through international borders are all vital components of our business. If a terrorist attack similar to 9/11 were to occur, our business could be disproportionately impacted because of the disruption a terrorist attack causes on these vital components.

We intend to continue to expand our global footprint in order to meet our clients' needs. This may involve expanding into countries beyond those in which we currently operate. We may involve expanding into less developed countries, which may have less political, social or economic stability and less developed infrastructure and legal systems. As we expand our business into new countries, regulatory, personnel, technological and other difficulties may increase our expenses or delay our ability to start up operations or become profitable in such countries. This may affect our relationships with our clients and could have an adverse affect on our business.

We operate in a number of international areas which exposes us to significant foreign currency exchange rate risk.

We have significant international revenue, which is generally collected in local currency. We currently hold or issue forward exchange contracts for hedging purposes. We do enter into forward contracts for hedging of specific transactions. All are settled prior to quarter end. The percentage of total revenues generated outside the Americas increased from 22% in 2004 to 42% in 2010. It is expected that our international revenues will continue to grow as European and Asian markets adopt sourcing solutions and through the acquisition of Compass. The translation of our revenues into U.S. dollars, as well as our costs of operating internationally, may adversely affect our business, results of operations and financial condition.

We may be subject to claims for substantial damages by our clients arising out of disruptions to their businesses or inadequate service and our insurance coverage may be inadequate.

Most of our service contracts with clients contain service level and performance requirements, including requirements relating to the quality of our services. Failure to consistently meet service requirements of a client or errors made by our employees in the course of delivering services to our clients could disrupt the client's business and result in a reduction in revenues or a claim for damages against us. Additionally, we could incur liability if a process we manage for a client were to result in internal control failures or impair our client's ability to comply with our own internal control requirements.

Under our service agreements with our clients, our liability for breach of our obligations is generally limited to actual damages suffered by the client and is typically capped at the greater of an agreed amount or the fees paid or payable to us under the relevant agreement. These limitations and caps on liability may be unenforceable or otherwise may not protect us from liability for damages. In addition, certain liabilities, such as claims of third parties for which we may be required to indemnify our clients or liability for breaches of confidentiality, are generally not limited under those agreements. Although we have commercial general liability insurance coverage, the coverage may not continue to be available on acceptable terms or in sufficient amounts to cover one or more large claims. The successful assertion of one or more large claims against us that exceed available insurance coverage or changes in our insurance policies (including premium increases or the imposition of large deductible or co-insurance requirements) could have a material adverse effect on our business.

We could be liable to our clients for damages and subject to liability and our reputation could be damaged if our client data is compromised.

We may be liable to our clients for damages caused by disclosure of confidential information. We are often required to collect and store sensitive or confidential client data in order to perform the services we provide under our contracts. Many of our contracts do not limit our potential liability for breaches of confidentiality. If any person, including any of our current or former employees, penetrates our network security or misappropriates sensitive data or if we do not adapt to changes in data protection legislation, we could be subject to significant liabilities to our clients or to our clients' customers for breaching contractual confidentiality provisions or privacy laws. Unauthorized disclosure of sensitive or confidential client data, whether through breach of our processes, systems or otherwise, could also damage our reputation and cause us to lose existing and potential clients. We may also be subject to civil actions and criminal prosecution by government or government agencies for breaches relating to such data. Our insurance coverage for breaches or mismanagement of such data may not continue to be available on reasonable terms or in sufficient amounts to cover one or more large claims against us.

Client restrictions on the use of client data could adversely affect our activities.

The majority of the data we use to populate our databases comes from our client engagements. The insight sought by clients from us relates to the contractual data and terms, including pricing and costs, to which we have access in the course of assisting our clients in the negotiation of our sourcing agreements. Data is obtained through the course of our engagements with clients who agree to contractual provisions permitting us to consolidate and utilize on an aggregate basis such information. If we were unable to utilize key data from previous client engagements, our business, financial condition and results of operations could be adversely affected.

We may not be able to maintain the equity in our brand name.

We have operated under the brand "TPI" for several years and have legally registered trademarks in certain appropriate jurisdictions. There are other entities providing advisory and similar technology-related services that use "Technology Partners" as, or as part of, their names. There can be no assurance that the resulting confusion and lack of brand-recognition in the marketplace created by this situation will not adversely affect our business. We expect similar challenges going forward with the "Compass" and "STA Consulting" brand names.

We believe that our "TPI", "Compass" and "STA Consulting" brand names, including our independence, is critical to our efforts to attract and retain clients and staff and that the importance of brand recognition will increase as competition increases. We may expand our marketing activities to promote and strengthen our brands and may need to increase our marketing budget, hire additional marketing and public relations personnel, expend additional sums to protect the brands and otherwise

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increase expenditures to create and maintain client brand loyalty. If we fail to effectively promote and maintain the brands or incur excessive expenses in doing so, our future business and operating results could be adversely impacted.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We maintain our executive offices in Stamford, Connecticut. We do not share our space at our executive offices. The majority of our business activities are performed on client sites. We do not own offices or properties. We have leased offices in the United States, Australia, Canada, China, France, Germany, India, Italy, Japan, Netherlands, Singapore, Spain, Sweden and the United Kingdom.

Item 3. Legal Proceedings

We are not aware of any asserted or unasserted legal proceedings or claims that we believe would have a material adverse effect on our financial condition, results of operations or cash flows.

Item 4. (Removed and Reserved)

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

On February 1, 2007, our units began trading on the American Stock Exchange under the symbol "III.U". Each of our units consisted of one share of common stock and one warrant. On February 12, 2007, the common stock and warrants underlying our units began to trade separately on the American Stock Exchange under the symbols "III" and "III.WS", respectively. Our securities were traded on the American Stock Exchange until January 31, 2008.

On February 1, 2008, our common stock, warrants and units began trading on The Nasdaq Stock Market LLC under the symbols "III", "IIIW" and "IIIU", respectively. The following sets forth the high and low closing sales price of our common stock, warrants and units, as reported on The Nasdaq Stock Market LLC for the periods shown:

	Common Stock		Warrants		Units	
	High	Low	High	Low	High	Low
March 31, 2010	$ 3.72	$ 2.97	$ 0.08	$ 0.04	$ 3.00	$ 2.61
June 30, 2010	3.55	2.00	0.07	0.00	3.00	3.00
September 30, 2010	2.19	1.34	0.02	0.00	3.00	1.38
December 31, 2010	2.25	1.75	0.02	0.00	8.73	1.38

	Common Stock		Warrants		Units	
	High	Low	High	Low	High	Low
March 31, 2009	$ 3.48	$ 2.80	$ 0.08	$ 0.05	$ 4.00	$ 1.94
June 30, 2009	3.72	2.63	0.15	0.04	3.04	2.81
September 30, 2009	4.13	2.60	0.14	0.06	3.29	2.77
December 31, 2009	3.95	2.86	0.12	0.04	3.21	2.14

On January 31, 2011, our warrants and units expired pursuant to their terms and are no longer traded on The Nasdaq Stock Market. On February 25, 2011, the last reported sale price for our common stock on The Nasdaq Stock Market was $2.28 per share.

As of December 31, 2010, there were 352 holders of record of 32,601,159 ISG common stock.

Dividend Policy

We have not paid any dividends on our common stock to date. It is the current intention of ISG's Board of Directors to retain all earnings, if any, for use in our business operations and, accordingly, our board does not anticipate declaring any dividends in the foreseeable future. The payment of dividends in the future will be within the discretion of our then Board of Directors and will be contingent upon our revenues and earnings, if any, capital requirements and general financial condition.

Securities Authorized for Issuance under Equity Compensation Plan

At the special meeting of stockholders held on November 13, 2007, the 2007 Equity Incentive Plan was approved by ISG stockholders. On May 11, 2010, the ISG stockholders approved an amendment for an additional 4.5 million shares authorized for issuance under the 2007 Equity Incentive Plan, except that each share of the Company's common stock issued under a "full value" award (awards other than stock options or stock appreciation rights) will reduce the number of shares available for issuance by 1.44 shares. The following table lists information regarding outstanding options and shares reserved for future issuance under our Amended and Restated 2007 Equity Incentive Plan as of

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December 31, 2010. We have not issued any shares of our common stock to employees as compensation under a plan that has not been approved by our stockholders.

Plan Category	Number of Shares of Common Stock to be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights(1)	Number of Shares of Common Stock Remaining Available for Future Issuance under our Stock Option Plans (Excluding Shares Reflected in Column 1)(2)
Approved by Stockholders	2,461,164	$ 5.07	5,787,610
Not Approved by Stockholders			
Total	2,461,164	$ 5.07	5,787,610

(1) The weighted-average exercise price does not take into account the shares issuable upon vesting of outstanding stock awards which have no exercise price.

(2) Includes 883,319 shares available for future issuance under the Company's Employee Stock Purchase Plan.

STOCK PERFORMANCE GRAPH

The following graph compares the cumulative 4 years total stockholder return on our Common Stock from February 12, 2007 (the day our common stock began publicly trading) through December 31, 2010, with the cumulative total return for the same period of (i) the NASDAQ Composite Index, (ii) the Russell 2000 Index and (iii) the Peer Group described below. The comparison assumes for the same period the investment of $100 on February 12, 2007 in our Common Stock and in each of the indices and, in each case, assumes reinvestment of all dividends.

COMPARISON OF 4 YEAR CUMULATIVE TOTAL RETURN*

Among Information Services Group Inc., the NASDAQ Composite Index
The Russell 2000 Index and A Peer Group

*

$100 invested on 2/12/09 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

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Measurement Periods	ISG	NASDAQ	Russell 2000	Peer Group(a)
February 2007	$ 100.14	$ 100.00	$ 100.00	$ 105.44
March 2007	$ 101.08	$ 100.17	$ 101.07	$ 108.54
April 2007	$ 103.39	$ 104.42	$ 102.89	$ 111.46
May 2007	$ 104.34	$ 107.60	$ 107.10	$ 119.23
June 2007	$ 103.66	$ 108.12	$ 105.53	$ 116.23
July 2007	$ 103.39	$ 105.68	$ 98.32	$ 108.08
August 2007	$ 102.71	$ 107.82	$ 100.54	$ 117.40
September 2007	$ 103.66	$ 113.14	$ 102.27	$ 120.06
October 2007	$ 102.17	$ 119.94	$ 105.20	$ 120.73
November 2007	$ 91.19	$ 111.31	$ 97.65	$ 117.32
December 2007	$ 92.82	$ 111.17	$ 97.59	$ 121.22
January 2008	$ 78.46	$ 99.99	$ 90.93	$ 103.71
February 2008	$ 72.49	$ 95.07	$ 87.56	$ 111.63
March 2008	$ 69.92	$ 95.15	$ 87.93	$ 113.65
April 2008	$ 70.19	$ 101.02	$ 91.61	$ 115.27
May 2008	$ 65.99	$ 105.64	$ 95.82	$ 114.88
June 2008	$ 65.04	$ 96.21	$ 88.44	$ 117.42
July 2008	$ 57.72	$ 96.25	$ 91.72	$ 127.87
August 2008	$ 66.80	$ 97.59	$ 95.03	$ 136.76
September 2008	$ 66.40	$ 85.72	$ 87.46	$ 123.72
October 2008	$ 37.26	$ 70.96	$ 69.26	$ 103.32
November 2008	$ 41.73	$ 63.69	$ 61.07	$ 95.04
December 2008	$ 46.07	$ 65.79	$ 64.62	$ 94.35
January 2009	$ 43.36	$ 61.78	$ 57.43	$ 79.05
February 2009	$ 43.09	$ 57.95	$ 50.45	$ 66.31
March 2009	$ 41.60	$ 63.88	$ 54.95	$ 77.51
April 2009	$ 40.24	$ 71.36	$ 63.45	$ 89.28
May 2009	$ 37.26	$ 74.15	$ 65.36	$ 87.83
June 2009	$ 40.79	$ 76.79	$ 66.32	$ 89.18
July 2009	$ 47.29	$ 82.90	$ 72.71	$ 94.07
August 2009	$ 53.93	$ 84.46	$ 74.79	$ 78.01
September 2009	$ 54.07	$ 88.95	$ 79.11	$ 83.03
October 2009	$ 48.78	$ 86.19	$ 73.74	$ 80.26
November 2009	$ 43.63	$ 90.51	$ 76.05	$ 84.37
December 2009	$ 42.95	$ 95.53	$ 82.17	$ 84.86
January 2010	$ 49.19	$ 90.40	$ 79.15	$ 85.44
February 2010	$ 40.24	$ 94.32	$ 82.71	$ 86.40
March 2010	$ 46.21	$ 100.94	$ 89.45	$ 84.91
April 2010	$ 46.61	$ 103.22	$ 94.51	$ 90.80
May 2010	$ 34.69	$ 94.63	$ 87.34	$ 93.53
June 2010	$ 27.10	$ 88.94	$ 80.57	$ 89.20
July 2010	$ 29.13	$ 95.08	$ 86.11	$ 87.49
August 2010	$ 20.33	$ 89.56	$ 79.73	$ 89.66
September 2010	$ 24.25	$ 100.31	$ 89.67	$ 94.33
October 2010	$ 25.07	$ 106.12	$ 93.34	$ 97.14
November 2010	$ 29.95	$ 105.68	$ 96.57	$ 99.75
December 2010	$ 28.05	$ 112.30	$ 104.24	$ 105.58

(a) The Peer Group consists of the following companies: CRA International Inc., Diamond Management and Technology Consultants, Inc., Forrester Research Inc., FTI Consulting, Inc., Gartner Group, Inc., Huron Consulting Group, Inc., LECG Corporation and The Hackett Group, Inc. The Peer Group is weighted by market capitalization.

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Item 6. Selected Financial Data

The following historical information was derived from the audited consolidated financial statements of ISG and its subsidiaries for the years ended December 31, 2010, 2009, 2008, 2007 and the period beginning with ISG's inception (July 20, 2006) through December 31, 2006. The information for ISG for the year ended December 31, 2007 includes operations for TPI from November 17, 2007 through December 31, 2007. The information is only a summary and should be read in conjunction with the historical consolidated financial statements and related notes. The historical results included below are not indicative of the future performance of ISG.

	Years Ended December 31,				Period from July 20, 2006 (inception) to December 31,
	2010	2009	2008	2007	2006
	(dollars in thousands, except per share data)				
Statement of Operations Data:					
Revenues	$ 132,013	$ 132,744	$ 174,795	$ 18,901	$
Depreciation and amortization	9,846	9,562	10,000	910	2
Operating (loss) income	(51,741)(1)	814(2)	(57,642)(3)	(1,664)	(51)
Interest expense	(3,241)	(4,550)	(6,928)	(1,174)	(4)
Interest income	159	262	1,300	10,453	
Foreign currency transaction (loss) gain	(268)	(140)	578	84	
Income tax benefit (provision)	1,926	778	4,783	(3,226)	
Net (loss) income	(53,165)	(2,836)	(57,909)	4,473	(55)
Basic weighted average common shares	32,050	31,491	31,282	36,465	7,096
Net (loss) income per common share basic	(1.66)	(0.09)	(1.85)	0.12	(0.01)
Diluted weighted average common shares	32,050	31,491	31,282	38,376	7,096
Net (loss) income per common share diluted	(1.66)	(0.09)	(1.85)	0.12	(0.01)
Cash Flow Data:					
Cash provided by (used in):					
Operating activities	$ 5,747	$ 4,056	$ 20,481	$ 5,921	$ (47)
Investing activities	$ (6,707)	$ (1,239)	$ (1,634)	$ (203,630)	$ (48)
Financing activities	$ (1,698)	$ (22,080)	$ (3,939)	$ 244,367	$ 184
Balance Sheet Data (at period end)					
Total assets	$ 184,564	$ 241,973	$ 279,588	$ 357,290	$ 817
Debt	$ 69,813	$ 71,813	$ 94,050	$ 95,000	$
Shareholders' equity (deficit)	$ 81,817	$ 131,625	$ 130,581	$ 190,788	$ (49)

(1) As a result of its goodwill and intangible asset impairment assessments, ISG recorded an impairment charge of $46.6 million during the third quarter of 2010 associated with goodwill and $5.9 million related to intangible assets.

(2) As a result of its intangible asset impairment assessments, ISG recorded an impairment charge of $6.8 million during the third quarter of 2009 associated with intangible assets.

(3) As a result of its goodwill and intangible asset impairment assessments, ISG recorded an impairment charge of $49.4 million during the fourth quarter of 2008 associated with goodwill and $24.8 million related to intangible assets.

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The following historical information was derived from the audited consolidated financial statements of TPI and its subsidiaries for the period from January 1, 2007 through November 16, 2007 and as of and for the year ended December 31, 2006. The information is only a summary and should be read in conjunction with the historical consolidated financial statements and related notes. The historical results included below are not indicative of the future performance of TPI.

	Period From January 1, 2007 to November 16, 2007	Year Ended December 31, 2006
Statement of Operations Data:		
Revenues	$ 153,751	$ 161,503
Operating expenses:		
Direct costs and expenses for advisors	91,368	95,562
Selling, general, and administrative	45,287	50,585
Profit shares program compensation(1)	58,175	
Depreciation and amortization	1,969	2,437
Operating (loss) income	(43,048)	12,919
Interest income	204	108
Interest expense	(3,200)	(3,821)
Loss on extinguishment of debt		(527)
Foreign currency transaction gain (loss)	335	(136)
Income (loss) before taxes	(45,709)	8,543
Income tax provision	(4,948)	(3,457)
Net (loss) income	(50,657)	5,086
Cash Flow Data:		
Cash provided by (used in):		
Operating activities	$ 3,248	$ 3,437
Investing activities	$ (1,157)	$ (777)
Financing activities	$ (613)	$ 261
Balance Sheet Data: (end of period)		
Cash and cash equivalents		$ 9,454
Total assets		$ 48,821
Total stockholders' equity (deficit)		$ 572

(1) Concurrent with the ISG's acquisition of TPI on November 16, 2007, TPI recorded $58.2 million in non-cash compensation charges related to their Management Share Unit and A2 Profit Participation Share programs.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion together with Item 6 "Selected Financial Data" and our audited consolidated financial statements and the related notes included in Item 8 "Financial Statements and Supplementary Data". In addition to historical consolidated financial information, this discussion contains forward-looking statements that reflect our plans, estimates and beliefs. These forward-looking statements are subject to numerous risks and uncertainties. Statements, other than those based on historical facts, which address activities, events or developments that we expect or anticipate may occur in the future are forward-looking statements. Such forward-looking statements are and will be, as the case may be, subject to many risks, uncertainties and factors relating to ISG's operations and business environment that may cause actual results to be materially different from any future results, express or implied, by such forward-looking statements. These forward-looking statements must be understood in the context of numerous risks and uncertainties, including, but not limited to, those described previously in section 1A "Risk Factors."

ISG OVERVIEW

Information Services Group (Nasdaq: III) is a leading technology insights, market intelligence and advisory services company. We support private and public sector clients in transforming and optimizing their operational environments through strategic consulting, benchmarking and analytics, managed services and research with a focus on information technology, business process transformation and enterprise resource planning.

Our Company was founded in 2006 with the strategic vision to become a high-growth, leading provider of information-based advisory services. We continue to believe that our vision will be realized through the acquisition, integration, and successful operation of market-leading brands within the data, analytics and advisory industry.

Including our most recent acquisitions, we now operate in 21 countries and employ nearly 700 professionals globally, delivering advisory, benchmarking and analytical insight to large, multinational corporations and governments in North America, Europe and Asia Pacific. We deliver these services through three go-to market brands: TPI, Compass and STA Consulting.

Results of Operations for the Years Ended December 31, 2010 and December 31, 2009

Revenues

Revenues are generally derived from engagements priced on a time and materials basis and are recorded based on actual time worked as the services are performed. Revenues related to materials (mainly out-of-pocket expenses such as airfare, lodging and meals) required during an engagement generally do not include a profit mark-up and can be charged and reimbursed discretely or as part of the overall fee arrangement. Invoices are issued to clients monthly, semimonthly or in accordance with the specific contractual terms of each project.

The Company operates in one segment, fact-based sourcing advisory services. The Company operates principally in the Americas, Europe, and Asia Pacific. The Company's foreign operations are subject to local government regulations and to the uncertainties of the economic and political conditions of those areas.

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Geographical information for the segment is as follows:

Geographic Area	Years Ended December 31, 2010	2009	Change	Percent Change
	(in thousands)			
Americas	$ 76,123	$ 77,007	$ (884)	(1.1)%
Europe	39,400	44,696	(5,296)	(11.8)%
Asia Pacific	16,490	11,041	5,449	49.4%
Total revenues	$ 132,013	$ 132,744	$ (731)	(0.6)%

The net decrease in revenues of $0.7 million or 1% in 2010 was attributable principally to a 12% decrease in Europe revenues to $39.4 million and a 1% decrease in Americas revenues to $76.1 million. The decrease in revenues is primarily due to lower levels of sourcing activity, particularly in Europe, attributable to lower volumes in information technology related sourcing activity. This decrease was partially offset by a 49% increase in revenues from Asia Pacific primarily due to increase in business process outsourcing and information technology related sourcing activity. The translation of foreign currency revenues into US dollars also favorably impacted performance compared to the prior year. Billable staff at December 31, 2010 totaled 323, as compared to 328 at December 31, 2009.

Operating Expenses

The following table presents a breakdown of our operating expenses by functional category:

Operating Expenses	Years Ended December 31, 2010	2009	Change	Percent Change
	(in thousands)			
Direct costs and expenses for advisors	$ 71,528	$ 67,674	$ 3,854	5.7%
Selling, general and administrative	49,889	47,894	1,995	4.2%
Goodwill impairment charge	46,591		46,591	100.0%
Intangible asset impairment charge	5,900	6,800	(900)	(13.2)%
Depreciation and amortization	9,846	9,562	284	3.0%
Total operating expenses	$ 183,754	$ 131,930	$ (51,824)	(39.3)%

The increase in direct costs of $3.9 million or 6% was principally attributable to the greater use of outside contractors to meet skill set and language requirements of various engagements and higher compensation levels. Foreign currency translation also increased costs in 2010 compared with the same 2009 period. Compensation costs consist of a mix of fixed and variable salaries, annual bonuses, benefits and pension plan contributions. Bonus compensation is determined based on achievement against Company financial and individual targets, and is accrued monthly throughout the year based on management estimates of target achievement. Statutory and elective pension plans are offered to employees as appropriate. Direct costs also include employee taxes, health insurance, workers compensation and disability insurance.

A portion of compensation expenses for certain billable employees are allocated between direct costs and selling, general and administrative costs based on relative time spent between billable and non-billable activities.

Selling costs consist principally of compensation expense related to business development, proposal preparation and delivery, and negotiation of new client contracts. Costs also include travel expenses relating to the pursuit of sales opportunities, expenses for hosting periodic client conferences, public relations activities, participation in industry conferences, industry relations, website maintenance and business intelligence activities. Additionally, the Company maintains a dedicated global marketing function responsible for developing and managing sales campaigns, brand promotion, the TPI Index and assembling proposals.

The Company maintains a comprehensive program for training and professional development. Related expenses include product training, updates on new service offerings or methodologies and development of client project management skills. Also included in training and professional development are expenses associated with the development, enhancement and maintenance of our proprietary methodologies and tools and the systems that support them.

General and administrative expenses consist principally of executive management compensation, allocations of billable employee compensation related to general management activities, IT infrastructure, and costs for the finance, accounting, information technology and human resource functions. General and administrative costs also reflect continued investment associated with implementing and operating client and employee management systems. Because our billable personnel operate primarily on client premises, all occupancy expenses are recorded as general and administrative.

The increase of $2.0 million or 4% in selling and general and administrative ("SG&A") expenses was principally attributable to an increase of $3.0 million related to spending for outside professional services including $2.4 million for acquisition related deal costs, $1.8 million related to client related events and travel expenses, and $0.3 million in share-based compensation. This increase was partially offset by decrease of $2.2 million reduction related to the greater allocation of advisor time to billable activities, $0.6 million in bad debt reserves and $0.3 million related to insurance and occupancy expenses.

Depreciation and Amortization Expense

The increase of $0.3 million was primarily due to higher amortization expense for amortizable intangible assets as a result of an assessment of future revenue attributable to customer relationships as part of the Company's intangible assets impairment testing conducted in 2010. The Company's fixed assets consist of furniture, fixtures, equipment (mainly personal computers) and leasehold improvements. Depreciation expense is generally computed by applying the straight-line method over the estimated useful lives of assets. The Company also capitalizes some costs associated with the purchase and development of internal-use software, system conversions and website development costs. These costs are amortized over the estimated useful life of the software or system.

The Company amortizes its intangible assets (e.g. client relationships and databases) over their estimated useful lives. Goodwill, trademark and trade names related to acquisitions are not amortized but is subject to annual impairment testing.

Impairment of goodwill and intangible assets

As a result of declining revenue, driven by a global recession which has impacted and reduced sourcing industry activity, the Company determined a triggering event had occurred requiring a goodwill and indefinite-lived intangibles impairment test be performed in the third quarter of 2010. The Company recorded a non-cash impairment charge of $46.6 million associated with goodwill and $5.9 million associated with indefinite-lived intangible assets. During the third quarter of 2009, the Company also recorded non-cash impairment charges of $6.8 million associated with intangible assets as a result of its impairment testing.

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Other (Expense), Net

The following table presents a breakdown of other (expense), net:

	Years Ended December 31,			
	2010	2009	Change	Percent Change
		(in thousands)		
Interest income	$ 159	$ 262	$ (103)	(39.3)%
Interest expense	(3,241)	(4,550)	1,309	28.8%
Foreign currency loss	(268)	(140)	(128)	(91.4)%
Total other (expense), net	$ (3,350)	$ (4,428)	$ 1,078	24.3%

The decrease of $1.1 million was primarily the result of lower interest expense due to reduced debt levels partially offset by foreign currency related losses and lower interest income.

Income Tax Expense

The Company's effective tax rate varies from period to period based on the mix of earnings among the various state and foreign tax jurisdictions in which business is conducted and the level of non-deductible expenses incurred in any given period. The Company recorded an income tax benefit for 2010 of $1.9 million as compared to $0.8 million for 2009. The Company's effective tax rate for the year ended December 31, 2010 was 3.5% compared to 21.5% for the year ended December 31, 2009. The decrease in the effective rate was primarily due to the impact of the goodwill impairment recorded in 2010 and the write down of a deferred tax asset previously recorded on stock awards and booking of valuation allowance on foreign net operating losses in 2009.

Results of Operations for the Years Ended December 31, 2009 and December 31, 2008

Revenues

Geographical information for the segment is as follows:

	Years Ended December 31,			
Geographic Area	2009	2008	Change	Percent Change
		(in thousands)		
Americas	$ 77,007	$ 96,548	$ (19,541)	(20.2)%
Europe	44,696	64,485	(19,789)	(30.7)%
Asia Pacific	11,041	13,762	(2,721)	(19.8)%
Total revenues	$ 132,744	$ 174,795	$ (42,051)	(24.1)%

The net decrease in revenues of $42.1 million or 24% in 2009 was attributable principally to a 20% decrease in Americas revenues to $77.0 million and a 29% decrease in international revenues to $55.7 million. The decrease in revenues is primarily due to lower levels of sourcing activity, particularly in the U.S. and Europe, attributable to uncertainty and delayed decision making by clients resulting from the prolonged worldwide economic downturn and the impact of foreign currency translation to U.S. dollars on reported results. Declines in IT and BPO related sourcing activity were the primary contributors to this year-over-year decline. Billable staff at December 31, 2009 totaled 328, as compared to 342 at December 31, 2008.

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Operating Expenses

The following table presents a breakdown of our operating expenses by functional category:

	Years Ended December 31,			
Operating Expenses	**2009**	**2008**	**Change**	**Percent Change**
	(in thousands)			
Direct costs and expenses for advisors	$ 67,674	$ 96,311	$ (28,637)	(29.7)%
Selling, general and administrative	47,894	51,972	(4,078)	(7.8)%
Goodwill impairment charge		49,363	(49,363)	(100.0)%
Intangible asset impairment charge	6,800	24,791	(17,991)	(72.6)%
Depreciation and amortization	9,562	10,000	(438)	(4.4)%
Total operating expenses	$ 131,930	$ 232,437	$ (100,507)	(43.2)%

The decrease in direct costs of $28.6 million or 30% was principally attributable to lower compensation due to a lower level of advisory staff, reduced provisions for performance based bonus programs and lower levels of client reimbursable expenses. Foreign currency translation also reduced costs in 2009 compared with the same 2008 period. Compensation costs consist of a mix of fixed and variable salaries, annual bonuses, benefits and pension plan contributions.

The decrease of $4.1 million or 8% in SG&A expenses was principally attributable to cost reductions of $2.4 million related to headcount and fixed and variable compensation levels, $1.1 million related to spending for outside professional services, $0.7 million related to travel expenses, $0.6 million related to training, client development activity and the impact of foreign currency translation to U.S. dollars on reported results. This reduction was partially offset by an increase of $1.1 million for severance charges, $0.8 million in share-based compensation, $0.3 million in computer related expenses and $0.2 million in bad debt reserves.

Depreciation and Amortization Expense

This decrease of $0.4 million was primarily due to the reduction of amortization expense for intangible assets impaired as part of the Company's intangible assets impairment testing conducted in 2008.

Impairment of goodwill and intangible assets

As a result of declining revenue, driven by a global recession which has impacted and reduced sourcing industry activity, the Company determined a triggering event had occurred requiring a goodwill and indefinite-lived intangibles impairment test be performed in the third quarter of 2009. The Company recorded a non-cash impairment charge of $6.8 million associated with indefinite-lived intangible assets. During the fourth quarter of 2008, the Company also recorded non-cash impairment charges of $49.4 million associated with goodwill and $24.8 million related to intangible assets as a result of its annual impairment testing.

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Other Income (Expense), Net

The following table presents a breakdown of other (expense), net:

	Years Ended December 31,			
	2009	2008	Change	Percent Change
	(in thousands)			
Interest income	$ 262	$ 1,300	$ (1,038)	(79.8)%
Interest expense	(4,550)	(6,928)	2,378	34.3%
Foreign currency (loss) gain	(140)	578	(718)	(124.2)%
Total other (expense), net	$ (4,428)	$ (5,050)	$ 622	12.3%

The decrease of $0.6 million was primarily the result of lower interest expense primarily due to $22.2 million of debt repayments partially offset by foreign currency related losses and lower interest income.

Income Tax Expense

The Company's effective tax rate varies from period to period based on the mix of earnings among the various state and foreign tax jurisdictions in which business is conducted and the level of non-deductible expenses incurred in any given period. The Company recorded an income tax benefit for 2009 of $0.8 million. The Company's effective tax rate for the year ended December 31, 2009 was 21.5% compared to 7.6% for the year ended December 31, 2008. The increase in the effective rate was primarily due to the impact of the goodwill impairment recorded in 2008 and the derecognition of deferred tax asset previously recorded on stock awards and booking of valuation allowance on foreign net operating losses in 2009.

Liquidity and Capital Resources

Liquidity

The Company's primary sources of liquidity are cash flows from operations and existing cash and cash equivalents. Operating assets and liabilities consist primarily of receivables from billed and unbilled services, accounts payable, accrued expenses, and accrued payroll and related benefits. The volume of billings and timing of collections and payments affect these account balances.

The following table summarizes ISG's cash flows for the years ended December 31, 2010, 2009 and 2008:

	Years Ended December 31,		
	2010	2009	2008
	(in thousands)		
Net cash provided by (used in):			
Operating activities	$ 5,747	$ 4,056	$ 20,481
Investing activities, including acquisitions	(6,707)	(1,239)	(1,634)
Financing activities	(1,698)	(22,080)	(3,939)
Effect of exchange rate changes on cash	173	903	(939)
Net (decrease) increase in cash and cash equivalents	$ (2,485)	$ (18,360)	$ 13,969

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As of December 31, 2010, the Company's liquidity and capital resources included cash and cash equivalents of $46.1 million compared to $42.8 million as of December 31, 2009, a net increase of $3.3 million, which was primarily attributable to the following:

Our operating activities provided net cash of $5.7 million for the year ended December 31, 2010. Net cash provided from operations is primary attributable to net loss, adjusted for non-cash charges totaling approximately $5.8 million that were offset by payments related to estimated income tax and the payout of bonuses earned during 2009;

capital expenditures for property, plant and equipment of $1.0 million; and

payment of principal on the Company's term loan debt of $2.0 million.

Capital Resources

On November 16, 2007, in connection with the acquisition of TPI, International Consulting Acquisition Corp., a wholly-owned indirect subsidiary of ISG (the "Borrower"), entered into a senior secured credit facility comprised of a $95.0 million term loan facility and a $10.0 million revolving credit facility (collectively referred to as the 2007 Credit Agreement). On November 16, 2007, the Borrower borrowed $95.0 million under the term loan facility to finance a portion of the purchase price for the TPI acquisition and to pay transaction costs. The material terms of the 2007 Credit Agreement are as follows:

The 2007 Credit Agreement has a maturity date of seven years from the closing of the TPI acquisition.

The 2007 Credit Agreement is secured by all of the equity interests owned by the newly formed holding company of the Borrower, International Advisory Holdings Corp. ("Holdings") and its direct and indirect domestic subsidiaries and, subject to agreed exceptions, its direct and indirect "first-tier" foreign subsidiaries and a perfected first priority security interest in all of Holdings' and its direct and indirect domestic subsidiaries' tangible and intangible assets.

Holdings and the Borrower's existing direct and indirect subsidiaries and future wholly-owned domestic subsidiaries serve as guarantors to the Borrower's obligations under the 2007 Credit Agreement.

At the Borrower's option, the 2007 Credit Agreement bears interest at a rate per annum equal to either (i) the "Base Rate" (which is the higher of (a) the rate publicly announced from time to time by the administrative agent as its "prime rate" and (b) the Federal Funds Rate plus 0.5% per annum), plus the applicable margin (as defined below) or (ii) Eurodollar Rate (adjusted for maximum reserves) as determined by the Administrative Agent, plus the applicable margin. The applicable margin shall be a percentage per annum equal to 2.5% for the term loans and the revolving loans maintained as Base Rate loans or 3.5% for the term loans and revolving loans maintained as Eurodollar loans.

Mandatory repayments of term loans shall be required from (subject to agreed exceptions) (i) 100% of the proceeds from asset sales by Holdings and its subsidiaries, (ii) 100% of the net proceeds from issuances of debt by Holdings and its subsidiaries, (iii) so long as the total leverage ratio is 3.0 to 1.0 or higher, 50% of annual excess cash flow of Holdings and its subsidiaries and (iv) 100% of the net proceeds from insurance recovery and condemnation events of Holdings and its subsidiaries.

The 2007 Credit Agreement contains a number of covenants that, among other things, place restrictions on matters customarily restricted in senior secured credit facilities, including restrictions on indebtedness (including guarantee obligations), liens, fundamental changes, sales or disposition of property or assets, investments (including loans, advances, guarantees and acquisitions), transaction with affiliates, dividends and other payments in respect of capital stock, optional payments and modifications of other material debt instruments, negative pledges and

agreements restricting subsidiary distributions and changes in line of business. In addition, the Borrower is required to comply with a total leverage ratio as defined in the 2007 Credit Agreement. The total leverage ratio is defined as the ratio of consolidated indebtedness to consolidated Earnings before Interest, Taxes, Depreciation, and Amortization ("EBITDA").

The 2007 Credit Agreement contains customary events of default, including cross-default to other material agreements, judgment default and change of control.

As of December 31, 2010, the total principal outstanding under the term loan facility was $69.8 million. There were no borrowings under the revolving credit facility during fiscal 2010.

Under the 2007 Credit Agreement, the Company is required to hedge at least 40% of borrowings outstanding under the term loan facility. Subsequent to December 31, 2007, the Company entered into an agreement to cap the interest rate at 7% on $38.0 million of the LIBOR component of our borrowings under the term loan facility for a period of three years. The expense related to this interest rate cap was nominal. This agreement expired in January 2011 and is not required going forward.

On June 29, 2009, the Company made a voluntary principal prepayment of $12.0 million against its outstanding term loan balance of $93.8 million. In conjunction with this prepayment, our lenders consented to the following conditions: (1) agreement to execute the Company's UK tax planning strategy to reduce future potential cash taxes, (2) exclusion of the impact in the calculation of EBITDA of up to $5.0 million of restructuring charges relating to the Borrower's previously announced 2009 restructuring plan through December 31, 2009 and (3) exclusion of the impact in the calculation of EBITDA of establishing, if necessary, a reserve in respect of certain accounts receivable and work in progress due from General Motors Corporation for worked performed on or before June 1, 2009.

On September 11, 2009, our lenders agreed to amend the total leverage ratio (as defined in the 2007 Credit Agreement) for the remaining life of the 2007 Credit Agreement to provide the Company with greater financing flexibility in return for additional debt repayments. In accordance with the terms of the amended 2007 Credit Agreement, the Company made $5.0 million of principal repayments on September 30, 2009 and December 31, 2009 to reduce the outstanding term loan balance to $71.8 million. The principal repayments were made from excess cash balances generated through the Company's normal business operations. In accordance with the terms of the 2007 Credit Agreement, the Company made a $2.0 million principal repayment on March 31, 2010 to reduce the outstanding term loan balance to $69.8 million.

On September 27, 2010, our lenders agreed to amend the total leverage ratio (as defined in the 2007 Credit Agreement) from September 30, 2010 to December 30, 2010 and to restore the exclusion of the impact in the calculation of earnings before interest, taxes, depreciation, and amortization EBITDA of up to $5.0 million of restructuring charges through December 31, 2011 in order to provide the Company with greater financing flexibility. The Company also received approval to complete the acquisition of STA Consulting subject to certain conditions.

On December 23, 2010, our lenders agreed to amend the total leverage ratio (as defined in the 2007 Credit Agreement) from December 31, 2010 to March 30, 2011 in order to provide the Company with greater financing flexibility. Our lenders also agreed to allow the Company to extend the date to complete the acquisition of STA to March 31, 2011. On February 10, 2011 the acquisition of STA Consulting was completed.

On March 16, 2011, our lenders agreed to amend the total leverage ratio (as defined) for the remaining life of the 2007 Credit Agreement to provide the Company with greater financing flexibility in return for additional quarterly term loan principal repayments. In accordance with the terms of the amended 2007 Credit Agreement, the Company will make mandatory principal repayments of $3.0 million on March 31, 2011 and $1.0 million on June 30, 2011, September 30, 2011 and December 31, 2011 respectively to reduce the outstanding term loan balance to $63.8 million. The principal repayments will be made from cash generated through the Company's normal business operations.

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Additional mandatory principal repayments totaling $7.0 million and $10.0 million will be due in 2012 and 2013 respectively with the remaining principal repayments due in 2014. The final mandatory term loan principal repayment will be due on November 16, 2014, which is the maturity date for the term loan.

Contractual Obligations

The following table summarizes the Company's contractual obligations as of December 31, 2010, and the timing and effect that such obligations are expected to have on the Company's liquidity and capital requirements in future periods.

	Payments Due by Period				
Contractual Obligations	**Total**	**Less than 1 Year**	**1 3 Years**	**3 5 Years**	**More Than 5 Years**
	(In Thousands)				
Debt obligations, principal and interest	$ 80,850	$ 2,844	$ 5,695	$ 72,311	$
Operating lease obligations	2,470	1,050	1,175	245	
Total	$ 83,320	$ 3,894	$ 6,870	$ 72,556	$

The Company believes that cash flows generated from operations, existing cash and cash equivalents and borrowing capacity under our senior secured credit facility are sufficient to finance the requirements of our business during future periods.

Off-Balance Sheet Arrangements

ISG does not have any off-balance sheet financing arrangements or liabilities, guarantee contracts, retained or contingent interests in transferred assets or any obligation arising out of a material variable interest in an unconsolidated entity.

Employee Retirement Plans

The Company maintains a qualified defined contribution profit-sharing plan (the "Plan") for U.S.-based employees. Prior to January 1, 2008, contributions to the Plan were made by the Company up to a maximum per eligible employee of 12.75% of total cash compensation or $25,500, whichever was less. Post January 1, 2008, the annual contribution was adjusted to be 3% of total cash compensation or $7,350, whichever is less. Employees are generally eligible to participate in the Plan after six months of service, and are 100% vested upon entering the Plan. For the fiscal years ended December 31, 2010, 2009 and 2008, TPI contributed $1.2 million, $1.6 million and $1.5 million, respectively, to the Plan. These amounts were invested by the participants in a variety of investment options under an arrangement with a third party asset manager. All current and future financial risks associated with the gains and losses on investments are borne by Plan participants.

Seasonality and Quarterly Results

The negotiation of sourcing transactions and, as a result, our revenue and earnings are subject to seasonal fluctuations. As a result of year-end holidays, macro-economic factors and client budget and spending patterns, our revenues have historically been weighted toward the second half of each year. Our earnings track this revenue seasonality and are also impacted by the timing of the adoption of annual price increases and certain costs and, as a result, have historically been higher in the second half of each year. Due to the seasonality of our business, results for any quarter are not necessarily indicative of the results that may be achieved for a full fiscal year.

Critical Accounting Policies and Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires the appropriate application of certain accounting policies, many of which

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require management to make estimates and assumptions about future events and their impact on amounts reported in our consolidated financial statements and related notes. Since future events and their impact cannot be determined with certainty, the actual results may differ from estimates. Such differences may be material to the consolidated financial statements.

The Company believes the application of accounting policies, and the estimates inherently required therein, are reasonable. These accounting policies and estimates are periodically reevaluated, and adjustments are made when facts and circumstances dictate a change. Historically, the Company has found the application of accounting policies to be appropriate, and actual results have not differed materially from those determined using necessary estimates.

The Company's accounting policies are more fully described in Note 2 "Summary of Significant Accounting Policies" in the "Notes to the Consolidated Financial Statements." The Company has identified the following critical accounting policies:

Revenue Recognition

In accordance with the provisions of accounting standard for revenue recognition, we recognize our revenues for the sale of services and products when persuasive evidence of an arrangement exists, services have been rendered or delivery has occurred, the fee is fixed or determinable and the collectability of the related revenue is reasonably assured.

The Company principally derives revenues from fees for services generated on a project-by-project basis. Prior to the commencement of a project, the Company reaches agreement with the client on rates for services based upon the scope of the project, staffing requirements and the level of client involvement. It is the Company's policy to obtain written agreements from new clients prior to performing services. In these agreements, the clients acknowledge that they will pay based upon the amount of time spent on the project or an agreed upon fee structure. Revenues for services rendered are recognized on a time and materials basis or on a fixed-fee or capped-fee basis in accordance with accounting and disclosure requirements for revenue recognition.

Fees for services that have been performed, but for which the Company has not invoiced the customers are recorded as unbilled receivables in the accompanying consolidated balance sheets. Invoices issued before the related services have been performed are recorded as deferred revenue in the accompanying consolidated balance sheets.

Revenues for time and materials contracts are recognized based on the number of hours worked by the Company's advisors at an agreed upon rate per hour and are recognized in the period in which services are performed. Revenues for time and materials contracts are billed monthly, semimonthly or in accordance with the specific contractual terms of each project.

Revenues related to fixed-fee or capped-fee contracts are recognized into revenue as value is delivered to the customer. The pattern of revenue recognition for these contracts varies depending on the terms of the individual contracts, and may be recognized proportionally or deferred until the end of the contract term and recognized when our obligations have been fulfilled with the customer. In instance where substantive acceptance provisions are specified in the customer contracts, revenues is deferred until all acceptance criteria have been met. The pattern of revenue recognition for the proportional contracts is recognized on the proportional performance method of accounting based on the ratio of labor hours incurred to estimated total labor hours, which the Company considers to be the best available indicator of the pattern and timing in which contract obligations are fulfilled. This percentage is multiplied by the contracted dollar amount of the project to determine the amount of revenue to recognize in an accounting period. The contracted amount used in this calculation typically excludes the amount the client pays for reimbursable expenses. There are situations where the number of hours to complete projects may exceed the Company's original estimate as a result of an increase in project scope or unforeseen events. On a regular basis, the Company reviews the hours incurred and estimated total labor hours to complete. The results of any revisions in these estimates are reflected in the period in which they become known. The Company believes it has a demonstrated history of successfully estimating the total labor hours to complete a project.

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The agreements entered into in connection with a project, whether on a time and materials basis or fixed-fee or capped-fee basis, typically allow the Company's clients to terminate early due to breach or for convenience with 30 days' notice. In the event of termination, the client is contractually required to pay for all time, materials and expenses incurred by the Company through the effective date of the termination. In addition, from time to time, the Company enters into agreements with clients that limit the Company's right to enter into business relationships with specific competitors of that client for a specific time period. These provisions typically prohibit the Company from performing a defined range of services that it might otherwise be willing to perform for potential clients. These provisions are generally limited to six to twelve months and usually apply only to specific employees or the specific project team.

Accounts and Unbilled Receivables and Allowance for Doubtful Accounts

Our trade receivables primarily consist of amounts due for services already performed via fixed fee or time and materials arrangements. The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of clients to pay fees or for disputes that affect its ability to fully collect billed accounts receivable. The allowance for these risks is prepared by reviewing the status of all accounts and recording reserves on a specific identification method based on previous experiences and historical bad debts. However, our actual experience may vary significantly from these estimates. If the financial condition of our clients were to deteriorate, resulting in their inability or unwillingness to pay their invoices, we may need to record additional allowances or write-offs in future periods. To the extent the provision relates to a client's inability or unwillingness to make required payments, the provision is recorded as bad debt expense, which is classified within selling, general and administrative expense in the accompanying consolidated statement of operations.

The provision for unbilled services is recorded as a reduction to revenues to the extent the provision relates to fee adjustments and other discretionary pricing adjustments.

Direct Costs and Expenses for Advisors

Direct costs and expenses for advisors include payroll expenses and advisory fees directly associated with the generation of revenues and other program expenses. Direct costs and expenses for advisors are expensed as incurred.

Direct costs and expenses for advisors also include expense accruals for discretionary bonus payments. Bonus accrual levels are adjusted throughout the year based on actual and projected individual and Company performance.

Income Taxes

The Company uses the asset and liability method to account for income taxes, including recognition of deferred tax assets and liabilities for the anticipated future tax consequences attributable to differences between financial statement amounts and their respective tax basis. The Company reviews its deferred tax assets for recovery. A valuation allowance is established when the Company believes that it is more likely than not that some portion of its deferred tax assets will not be realized. Changes in the valuation allowance from period to period are included in the Company's tax provision in the period of change.

In June 2006, the Financial Accounting Standards Board ("FASB") issued authoritative guidance for uncertain income tax positions recognized in an enterprise's financial statements in accordance with the Income Tax Topic of the Accounting Standards Codification ("ASC"). This interpretation requires companies to use a prescribed model for assessing the financial recognition and measurement of all tax positions taken or expected to be taken in its tax returns. This guidance provides clarification on derecognition, classification, interest and penalties, accounting in interim periods, disclosures and

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transition. We adopted this guidance on January 1, 2007. Our provision for income taxes also includes the impact of provisions established for uncertain income tax positions, as well as the related interest.

Business Combinations

We apply the FASB authoritative guidance to all business combinations for which the acquisition date is on or after January 1, 2009, and to certain future income tax effects related to our prior business combinations, should they arise. In these acquisitions, tangible and intangible assets acquired and liabilities assumed are recorded at fair value and goodwill is recognized for any difference between the price of the acquisition and our fair value determination.

Goodwill and Intangible Assets

The Company's goodwill represents the excess of the cost of businesses acquired over the fair value of the net assets acquired at the date of acquisition. The primary other identifiable intangible assets of the Company with indefinite lives are trademarks of the business acquired. These assets are not amortized but rather tested for impairment at least annually by applying a fair-value based test in accordance with accounting and disclosure requirements for goodwill and other indefinite-lived intangible assets. This test is performed by the Company during its fourth fiscal quarter or more frequently if the Company believes impairment indicators are present. At December 31, 2010, the Company maintains a single operating segment and reporting unit.

The provisions require that we perform a two-step impairment test on goodwill. In the first step, we compare the fair value of the reporting unit to its carrying amount, including goodwill. If the carrying value of the reporting unit exceeds the fair value of the reporting unit, then we must perform the second step of the impairment test whereby the carrying value of the reporting unit's goodwill is compared to its implied fair value. If the carrying value of the goodwill exceeds the implied fair value, an impairment loss equal to the difference is recorded. Due primarily to a significant decline in the Company's market capitalization during the third quarter of 2010 and the challenging economic environment, driven by the global recession which has impacted and reduced sourcing industry activity, the Company determined a triggering event had occurred requiring that a goodwill and other indefinite-lived assets impairment test be performed.

In performing the first step of the impairment test on goodwill, we determined the fair value of the reporting unit under both a market and income approach. The income approach utilizes a discounted cash flow model and is based on projections of future operations of the reporting unit as of the valuation date. The market approach is based on the Company's stock price and provides a direct indication of fair value. Under the market approach, we determined the fair value of the reporting unit utilizing a relevant average of the Company's common stock price for the August 31 measurement period, as quoted on the Nasdaq Global Market plus a 35% control premium based upon recent transactions of comparable companies. In light of current macro-economic conditions and current revenue run rates, the discounted cash flow or income approach assumed revenue growth rates of approximately 3% per year. We employed a rate of 15% to discount future excess cash flows.

We determined the implied fair value of goodwill by allocating the fair value of our reporting unit to the reporting unit's assets and liabilities using purchase price allocation guidance in order to determine the implied value of goodwill. We concluded that the implied fair value is $48.5 million, resulting in an impairment of $46.6 million, which is included in loss from operations in the accompanying consolidated statement of operations for 2010.

Our indefinite-lived intangible assets impairment tests involve estimates and management's judgment. The fair value of trademarks and trade name assets were determined using the relief from royalty method by discounting the cash flows that represent a savings over having to pay a royalty fee for use of the trademarks and trade names. The discounted cash flow valuation uses the same projections used under the income approach described above.

Due to the continued challenging macro-economic factors impacting industry conditions as well as financial performance, we concluded that the indefinite life trademarks and trade names were impaired by $5.9 million which is included in the loss from operations in the accompanying consolidated statement of operations for 2010. This impairment charge was measured as the excess of the carrying value over the fair value of the asset.

The Company tested the fair values of the goodwill and indefinite-lived intangible assets during our scheduled annual impairment testing in the fourth quarter of 2010 and determined there was no additional impairment.

We will continue to monitor our market capitalization for evidence of further impairment. Future downturn in our business, continued deterioration of economic conditions, or continued further decline in our market capitalization may result in an additional impairment charge or charges in future periods, which could adversely affect our results of operations for those periods.

The goodwill and intangible assets impairment charge is non-cash in nature and does not affect the Company's liquidity, cash flows from operations and debt covenants.

Long-Lived Assets

Long-lived assets, excluding goodwill and indefinite-lived intangibles, to be held and used by the Company are reviewed to determine whether any significant change in the long-lived asset's physical condition, a change in industry conditions or a reduction in cash flows associated with the use of the long-lived asset. If these or other factors indicate the carrying amount of the asset may not be recoverable, the Company determines whether an impairment has occurred through the use of an undiscounted cash flow analysis of the asset at the lowest level for which identifiable cash flows exist. If an impairment has occurred, the Company recognizes a loss for the difference between the carrying amount and the fair value of the asset. The fair value of the asset is measured using market prices or, in the absence of market prices, an estimate of discounted cash flows. Cash flows are generally discounted at an interest rate commensurate with our weighted average cost of capital for a similar asset. Assets are classified as held for sale when the Company has a plan for disposal of certain assets and those assets meet the held for sale criteria of accounting and disclosure requirement for the impairment or disposal of long-lived assets.

Stock-Based Compensation

Stock Appreciation Rights ("SARs") for a fixed number of shares are granted to certain employees with an exercise price based on the closing trading price of the Company's common stock on the grant date. The Company uses the Black-Scholes option pricing model to determine the fair value of each option award on the date of grant. The volatility calculation is based on the most recent trading day average volatility of a representative sample of nine companies with market capitalizations of approximately $65 million to $645 million that management believes to be engaged in the business of information services (the "Sample Companies"). The Company referred to the average volatility of the Sample Companies because management believes that the average volatility of such companies is a reasonable benchmark to use in estimating the expected volatility of the Company's common stock. The risk-free interest rate is determined based upon the interest rate on a U.S. Treasury Bill with a term equal to the expected life of the option at the time the option was granted. An expected life of five years was taken into account for purposes of assigning a fair value to the option. The expected life represents the period of time the awards granted are expected to be outstanding.

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The Company also grants restricted stock with a fair value that is determined based on the closing price of the Company's common stock on the date of grant. SARs and restricted stock generally vest over a four-year period. Stock-based compensation expense is recognized ratably over the applicable service period.

The Company follows the provisions of accounting and disclosures requirement for share-based payments, requiring the measurement and recognition of all share-based compensation under the fair value method.

Recent Accounting Pronouncements

See Note 2 to our consolidated financial statements included elsewhere in this report.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to financial market risks primarily related to changes in interest rates and manages these risks by employing a variety of debt instruments. Although we do not believe a change in interest rates will materially affect our financial position or results of financial operations, it has purchased an interest rate cap to limit our exposure for forty percent of the total term loan value to an increase in LIBOR rates beyond seven percent. A 100 basis point change in interest rates would result in an annual change in the results of operations of $0.7 million pre-tax.

We operate in a number of international areas which exposes us to significant foreign currency exchange rate risk. We have significant international revenue, which is generally collected in local currency. As of December 31, 2010, the Company had no outstanding forward exchange contracts or other derivative instruments for hedging or speculative purposes. The percentage of total revenues generated outside the Americas increased from 22% in 2004 to 42% in 2010. It is expected that our international revenues will continue to grow as European, Asian and other markets adopt sourcing solutions and as a result of our acquisition of Compass. We recorded a foreign exchange transaction loss of $0.3 million for the year ended December 31, 2010. The translation of our revenues into U.S. dollars, as well as our costs of operating internationally, may adversely affect our business, results of operations and financial condition.

The Company has not invested in foreign operations in highly inflationary economies; however, we may do so in future periods.

Concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. All cash and cash equivalents are on deposit in fully liquid form in high quality financial institutions. We extend credit to our clients based on an evaluation of each client's financial condition.

TPI's 20 largest clients accounted for approximately 45% of revenue in 2010 and 44% in 2009. In particular, revenues from clients in the automobile sector collectively accounted for approximately 15% of our 2010 annual revenue. Although only General Motors accounts for more than 10% of our revenues, if one or more of our large clients terminate or significantly reduce their engagements or fail to remain a viable business, then our revenues could be materially and adversely affected. In addition, our large clients generally maintain sizable receivable balances at any given time and our ability to collect such receivables could be jeopardized if such client fails to remain a viable business.

Item 8. Financial Statements and Supplementary Data.

Reference is made to our financial statements beginning on page F-2 of this report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934 as amended (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, and that such information is accumulated and communicated to ISG's management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2010, as required by the Rule 13a-15(b) under the Exchange Act. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of December 31, 2010.

Management's Report on Internal Control Over Financial Reporting

Management of ISG is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of ISG's financial statements for external reporting purposes in accordance with US generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. 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 ISG's management, including ISG's Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of the internal control over financial reporting of ISG as of December 31, 2010, as required by Rule 13a-15(c) under the Exchange Act. In making this assessment, ISG used the criteria set forth in the framework in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on its evaluation under the framework in Internal Control Integrated Framework, management concluded that ISG's internal control over financial reporting was effective as of December 31, 2010.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2010, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Changes in Internal Control Over Financial Reporting

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended December 31, 2010 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

None.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

(a)

Identification of Director's and Executive Officers.

The information required hereunder is incorporated by reference from the sections of ISG's Proxy Statement filed in connection with our 2011 Annual Meeting of Stockholders under the caption "Management."

(b)

Compliance with Section 16(a) of the Exchange Act.

The information required hereunder is incorporated by reference from the sections ISG's Proxy Statement filed in connection with our 2011 Annual Meeting of Stockholders under the caption "Section 16(a) Beneficial Ownership Reporting Compliance."

(c)

Code of Ethics.

The information required hereunder is incorporated by reference from the sections of ISG's Proxy Statement filed in connection with our 2011 Annual Meeting of Stockholders under the caption "Corporate Governance."

(d)

Nominating Committee, Audit Committee, Audit Committee Financial Expert.

The information required hereunder is incorporated by reference from the sections of ISG's Proxy Statement filed in connection with our 2011 Annual Meeting of Stockholders under the caption "Corporate Governance."

Item 11. Executive Compensation

The information required hereunder is incorporated by reference from the sections of the ISG's Proxy Statement filed in connection with its 2011 Annual Meeting of Stockholders under the caption "Compensation of Officers and Directors."

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required hereunder is incorporated by reference from the sections of the ISG's Proxy Statement filed in connection with its 2011 Annual Meeting of Stockholders under the caption "Security Ownership of Certain Beneficial Owners."

Item 13. Certain Relationships and Related Transactions and Director Independence

The information required hereunder is incorporated by reference from the sections in ISG's Proxy Statement filed in connection with its 2011 Annual Meeting of the Stockholders under the caption "Corporate Governance."

Item 14. Principal Accounting Fees and Services

The information required hereunder is incorporated by reference from the sections in ISG's Proxy Statement filed in connection with its 2011 Annual Meeting of the Stockholders under the caption "Proposal No. 2 Ratification of Engagement of Independent Registered Public Accounting Firm."

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PART IV

Item 15. Exhibits and Financial Statement Schedule

(a)(1) Documents filed as a part of this report:

Financial Statements of Information Services Group, Inc.:

(a)(2) Financial Statement Schedule

Schedule II Valuation and Qualifying Accounts

(a)(3) Exhibits:

We hereby file as part of this Annual Report on Form 10-K the Exhibits listed in the attached Exhibit Index.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Information Services Group, Inc:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, stockholders' equity and cash flows present fairly, in all material respects, the financial position of Information Services Group, Inc. and its subsidiaries at December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15 (a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. 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.

/s/ PricewaterhouseCoopers LLP

Houston, Texas
March 16, 2011

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INFORMATION SERVICES GROUP, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except par value)

	December 31, 2010	December 31, 2009
ASSETS		
Current assets		
Cash and cash equivalents	$ 40,301	$ 42,786
Accounts and unbilled receivables, net of allowance of $195 and $206, respectively	26,603	26,273
Deferred tax asset	2,852	2,137
Prepaid expense and other current assets	1,281	1,424
Total current assets	71,037	72,620
Restricted cash	5,750	
Furniture, fixtures and equipment, net of accumulated depreciation of $3,950 and $2,941, respectively	2,113	2,586
Goodwill	48,474	95,065
Intangible assets, net	55,746	70,072
Other assets	1,444	1,630
Total assets	$ 184,564	$ 241,973
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 1,656	$ 1,859
Current maturities of long-term debt		2,000
Deferred revenue	1,175	1,672
Accrued expenses	10,701	9,392
Total current liabilities	13,532	14,923
Long-term debt, net of current maturities	69,813	69,813
Deferred tax liability	19,336	25,411
Other liabilities	66	201
Total liabilities	102,747	110,348
Commitments and contingencies (Note 13)		
Stockholders' equity		
Preferred stock, $.001 par value; 10,000 shares authorized; none issued		
Common stock, $.001 par value, 100,000 shares authorized; 32,617 shares issued and 32,601 outstanding at December 31, 2010 and 31,816 shares issued and 31,800 outstanding at December 31, 2009	33	32
Additional paid-in capital	192,989	189,601
Treasury stock (16 and 16 common shares, respectively, at cost)	(57)	(57)
Accumulated other comprehensive loss	(1,553)	(1,521)
Accumulated deficit	(109,595)	(56,430)

Total stockholders' equity		81,817		131,625
Total liabilities and shareholders' equity	$	184,564	$	241,973

The accompanying notes are an integral part of these consolidated financial statements.

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INFORMATION SERVICES GROUP, INC.

CONSOLIDATED STATEMENT OF OPERATIONS

(in thousands, except per share data)

	Years Ended December 31,		
	2010	**2009**	**2008**
Revenues	$ 132,013	$ 132,744	$ 174,795
Operating expenses			
Direct costs and expenses for advisors	71,528	67,674	96,311
Selling, general and administrative	49,889	47,894	51,972
Goodwill impairment charge	46,591		49,363
Intangible assets impairment charge	5,900	6,800	24,791
Depreciation and amortization	9,846	9,562	10,000
Operating (loss) income	(51,741)	814	(57,642)
Interest income	159	262	1,300
Interest expense	(3,241)	(4,550)	(6,928)
Foreign currency transaction (loss) gain	(268)	(140)	578
Loss before taxes	(55,091)	(3,614)	(62,692)
Income tax benefit	(1,926)	(778)	(4,783)
Net loss	$ (53,165)	$ (2,836)	$ (57,909)
Weighted average shares outstanding:			
Basic	32,050	31,491	31,282
Diluted	32,050	31,491	31,282
Loss per share:			
Basic	$ (1.66)	$ (0.09)	$ (1.85)
Diluted	$ (1.66)	$ (0.09)	$ (1.85)

The accompanying notes are an integral part of these consolidated financial statements.

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INFORMATION SERVICES GROUP, INC.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(in thousands)

	Common Stock Shares	Common Stock Amount	Additional Paid-in-Capital	Treasury Stock	Accumulated Other Comprehensive Loss	(Accumulated Deficit)	Total Stockholders' Equity
Balance, December 31, 2007	31,366	$ 31	$ 187,078	$	$ (739)	$ 4,418	$ 190,788
Comprehensive loss:							
Net loss						(57,909)	(57,909)
Foreign currency translation, net of tax of $1,197					(1,673)		(1,673)
Total comprehensive loss							(59,582)
Restricted stocks units granted			401				401
Equity securities repurchased	(8)		(2,496)	(739)			(3,235)
Issuance of treasury shares			(230)	490		(14)	246
Stock based compensation			1,963				1,963
Balance December 31, 2008	31,358	31	186,716	(249)	(2,412)	(53,505)	130,581
Comprehensive loss:							
Net loss						(2,836)	(2,836)
Foreign currency translation, net of tax of $546					891		891
Total comprehensive loss							(1,945)
Issuance of common stock	458	1	81				82
Equity securities repurchased				(86)			(86)
Issuance of treasury shares			(27)	278		(89)	162
Stock based compensation			2,831				2,831
Balance December 31, 2009	31,816	32	189,601	(57)	(1,521)	(56,430)	131,625
Comprehensive loss:							
Net loss						(53,165)	(53,165)
Foreign currency translation, net of tax of $20					(32)		(32)
							(53,197)

Total comprehensive loss							
Issuance of common stock	801	1	301				302
Stock based compensation			3,087				3,087
Balance December 31, 2010	32,617	$ 33	$ 192,989	$ (57)	$ (1,553)	$ (109,595)	$ 81,817

The accompanying notes are an integral part of these consolidated financial statements.

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INFORMATION SERVICES GROUP, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands)

	Years Ended December 31, 2010	2009	2008
Cash flows from operating activities			
Net loss	$ (53,165)	$ (2,836)	$ (57,909)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation expense	1,420	1,419	1,529
Goodwill impairment charge	46,591		49,363
Intangible assets impairment charge	5,900	6,800	24,791
Amortization of intangible assets	8,426	8,143	8,471
Amortization of deferred financing costs	359	784	529
Stock-based compensation	3,087	2,831	1,963
Bad debt expense	(51)	510	275
Deferred tax benefit	(6,763)	(5,653)	(12,152)
Loss on disposal of fixed assets	11	5	8
Changes in operating assets and liabilities:			
Accounts receivable	(675)	2,856	4,761
Prepaid expense and other current assets	(31)	(112)	1,268
Accounts payable	(202)	(776)	(2,125)
Deferred revenue	(497)	200	(656)
Accrued expenses	1,337	(10,115)	365
Net cash provided by operating activities	5,747	4,056	20,481
Cash flows from investing activities			
Purchase of furniture, fixtures and equipment	(957)	(1,239)	(1,634)
Restricted cash	(5,750)		
Net cash used in investing activities	(6,707)	(1,239)	(1,634)
Cash flows from financing activities			
Principal payments on borrowings	(2,000)	(22,238)	(950)
Proceeds from issuance of ESPP shares	302	82	
Issuance of treasury stock		162	246
Equity securities repurchased		(86)	(3,235)
Net cash used in financing activities	(1,698)	(22,080)	(3,939)
Effect of exchange rate changes on cash	173	903	(939)
Net (decrease) increase in cash and cash equivalents	(2,485)	(18,360)	13,969
Cash and cash equivalents, beginning of period	42,786	61,146	47,177
Cash and cash equivalents, end of period	$ 40,301	$ 42,786	$ 61,146
Supplemental disclosures of cash flow information:			
Cash paid for:			
Interest	$ 2,910	$ 4,157	$ 6,240
Taxes	$ 7,712	$ 5,205	$ 5,499
Noncash investing and financing activities:			
Purchase price adjustments	$	$ 240	$ 1,721

Issuance of restricted stock units in connection with VCP	$		$		$	401
Issuance of treasury stock for ESPP and vested restricted stock awards	$		$	117	$	244

The accompanying notes are an integral part of these consolidated financial statements.

INFORMATION SERVICES GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(tabular amounts in thousands, except per share data)

NOTE 1 DESCRIPTION OF ORGANIZATION AND BUSINESS OPERATIONS

Information Services Group, Inc. (the "Company") was incorporated in Delaware on July 20, 2006. The Company was formed to acquire, through a merger, capital stock exchange, asset or stock acquisition or other similar business combination one or more domestic or international operating businesses.

The registration statement for the Company's initial public offering (the "Offering") was declared effective on January 31, 2007. The Company consummated the Offering on February 6, 2007. Preceding the consummation of the Offering, an affiliate of the Company's officers purchased 6,500,000 warrants at $1 per warrant in a private placement (the "Private Placement"). The Company received net proceeds of $255.4 million from the Private Placement and the Offering. The Company's management had broad discretion with respect to the specific application of the net proceeds of the Offering, although substantially all of the net proceeds of the Offering were to be applied toward consummating a business combination with (or acquisition of) an operating business in the information services industry. This operating company was subsequently identified as TPI Advisory Services Americas, Inc., a Texas corporation ("TPI").

On November 16, 2007 (the "TPI Acquisition Date"), the Company consummated the acquisition of TPI, pursuant to a Purchase Agreement dated April 24, 2007, as amended on September 30, 2007, by and between MCP-TPI Holdings, LLC, a Texas limited liability company ("MCP-TPI"), and the Company. For accounting purposes, the TPI acquisition has been treated as a business combination. The results of TPI are included in the consolidated financial statements subsequent to the TPI Acquisition Date. During the periods prior to the TPI Acquisition Date, the Company was in the development stage.

On January 4, 2011, ISG completed the acquisition of Compass. Compass is a premier independent global provider of business and information technology benchmarking, performance improvement, data and analytics services. It was founded in 1980 and headquartered in the United Kingdom and has 180 employees in 16 countries serving nearly 250 clients worldwide. The company pioneered the aggregation and application of sophisticated metrics to understand root causes of organizational performance issues. In addition, their Fact-Based Consulting unit generates tangible improvements in client businesses through sourcing advisory programs, recommendations in operational excellence and support in implementing transformational change in business operations. Compass uses benchmarking to support fact-based decision making, analysis to optimize cost reduction, and tools and techniques to manage business performance.

On February 10, 2011 ISG completed the acquisition of STA Consulting (Salvaggio, Teal & Associates) a premier independent information technology advisor serving the public sector. STA Consulting advises clients on information technology strategic planning and the acquisition and implementation of new Enterprise Resource Planning (ERP) and other enterprise administration and management systems. STA was founded in 1997 and is based in Austin, Texas with approximately 40 professionals experienced in information systems consulting in public sector areas such as government operations, IT and project management, contract negotiations, financial management, procurement, human resources and payroll. STA Consulting works with such states as Alaska, Kansas, Kentucky, Louisiana, Mississippi and West Virginia. STA Consulting and TPI have worked together in the past on engagements for such states as Georgia and Texas.

INFORMATION SERVICES GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(tabular amounts in thousands, except per share data)

NOTE 1 DESCRIPTION OF ORGANIZATION AND BUSINESS OPERATIONS (Continued)

We support private and public sector clients in transforming and optimizing their operational environments through strategic consulting, benchmarking and analytics, managed services and research with a focus on information technology, business process transformation and enterprise resource planning.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless the context requires otherwise, references to the Company include ISG and its consolidated subsidiaries.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the periods reported. Actual results may differ from those estimates. The complexity of the estimation process and issues related to the assumptions, risks and uncertainties inherent in the application of the proportional performance method of accounting affect the amounts of revenues, expenses, unbilled receivables and deferred revenue. Numerous internal and external factors can affect estimates. Estimates are also used for but not limited to: allowance for doubtful accounts, useful lives of furniture, fixtures and equipment, depreciation expense, fair value assumptions in analyzing goodwill and intangible asset impairments, income taxes and deferred tax asset valuation, and the valuation of stock based compensation.

Business Combinations

We apply the FASB authoritative guidance to all business combinations for which the acquisition date is on or after January 1, 2009, and to certain future income tax effects related to our prior business combinations, should they arise. In these acquisitions, tangible and intangible assets acquired and liabilities assumed are recorded at fair value and goodwill is recognized for any difference between the price of the acquisition and our fair value determination.

Cash and Cash Equivalents

The Company considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents, including certain money market accounts. The Company principally maintains its cash in money market and bank deposit accounts in the United States of America which typically exceed applicable insurance limits. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

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INFORMATION SERVICES GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(tabular amounts in thousands, except per share data)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Cash

Restricted cash consists of cash and cash equivalents which the Company has pledged to fulfill certain obligations and are not available for general corporate purposes.

In December 2010, the Company funded the escrow for the closing of the acquisition of Compass in the amount of $5.8 million. The $5.8 million was classified as restricted cash at December 31, 2010.

Accounts and Unbilled Receivables and Allowance for Doubtful Accounts

Our trade receivables primarily consist of amounts due for services already performed via fixed fee or time and materials arrangements. The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of clients to pay fees or for disputes that affect its ability to fully collect billed accounts receivable. The allowance for these risks is prepared by reviewing the status of all accounts and recording reserves on a specific identification method based on previous experiences and historical bad debts. However, our actual experience may vary significantly from these estimates. If the financial condition of our clients were to deteriorate, resulting in their inability or unwillingness to pay their invoices, we may need to record additional allowances or write-offs in future periods. To the extent the provision relates to a client's inability or unwillingness to make required payments, the provision is recorded as bad debt expense, which is classified within selling, general and administrative expense in the accompanying consolidated statement of operations.

The provision for unbilled services is recorded as a reduction to revenues to the extent the provision relates to fee adjustments and other discretionary pricing adjustments.

Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist primarily of prepaid expenses for insurance, conferences as well as deposits for facilities, programs and promotion items.

Furniture, Fixtures and Equipment, net

Furniture, fixtures and equipment is recorded at cost. Depreciation is computed by applying the straight-line method over the estimated useful life of the assets, which ranges from two to five years. Leasehold improvements are depreciated over the lesser of the useful life of the underlying asset or the lease term, which generally range from three to five years. Expenditures for renewals and betterments are capitalized. Repairs and maintenance are charged to expense as incurred. The cost and accumulated depreciation of assets sold or otherwise disposed of are removed from the accounts and any associated gain or loss thereon is reflected in the accompanying consolidated statement of operations.

Internal-Use Software and Website Development Costs

The Company capitalizes internal-use software and website development costs and records these amounts within furniture, fixtures and equipment. Accounting standards require that certain costs related to the development or purchase of internal-use software and systems as well as the costs incurred in the application development stage related to its website be capitalized and amortized over

INFORMATION SERVICES GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(tabular amounts in thousands, except per share data)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

the estimated useful life of the software or system. They also require that costs related to the preliminary project stage, data conversion and post implementation/operation stage of an internal-use software development project be expensed as incurred.

During the years ended December 31, 2010 and 2009, the Company capitalized $0.5 and $0.3 million of costs associated with the system conversion and website development, respectively.

Goodwill and Intangible Assets

The Company's goodwill represents the excess of the cost of businesses acquired over the fair value of the net assets acquired at the date of acquisition. The primary other identifiable intangible assets of the Company with indefinite lives are trademarks of the business acquired. These assets are not amortized but rather tested for impairment at least annually by applying a fair-value based test in accordance with accounting and disclosure requirements for goodwill and other indefinite-lived intangible assets. This test is performed by the Company during its fourth fiscal quarter or more frequently if the Company believes impairment indicators are present. At December 31, 2010, the Company maintains a single operating segment and reporting unit.

The provisions require that we perform a two-step impairment test on goodwill. In the first step, we compare the fair value of the reporting unit to its carrying amount, including goodwill. If the carrying value of the reporting unit exceeds the fair value of the reporting unit, then we must perform the second step of the impairment test whereby the carrying value of the reporting unit's goodwill is compared to its implied fair value. If the carrying value of the goodwill exceeds the implied fair value, an impairment loss equal to the difference is recorded. Due primarily to a significant decline in the Company's market capitalization during the third quarter of 2010 and the challenging economic environment, driven by the global recession which has impacted and reduced sourcing industry activity, the Company determined a triggering event had occurred requiring that a goodwill and other indefinite-lived assets impairment test be performed.

In performing the first step of the impairment test on goodwill, we determined the fair value of the reporting unit under both a market and income approach. The income approach utilizes a discounted cash flow model and is based on projections of future operations of the reporting unit as of the valuation date. The market approach is based on the Company's stock price and provides a direct indication of fair value. Under the market approach, we determined the fair value of the reporting unit utilizing a relevant average of the Company's common stock price for the August 31 measurement period, as quoted on the Nasdaq Global Market plus a 35% control premium based upon recent transactions of comparable companies. In light of current macro-economic conditions and current revenue run rates, the discounted cash flow or income approach assumed revenue growth rates of approximately 3% per year. We employed a rate of 15% to discount future excess cash flows.

We determined the implied fair value of goodwill by allocating the fair value of our reporting unit to the reporting unit's assets and liabilities using purchase price allocation guidance in order to determine the implied value of goodwill. We concluded that the implied fair value is $48.5 million, resulting in an impairment of $46.6 million, which is included in loss from operations in the accompanying consolidated statement of operations for 2010.

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INFORMATION SERVICES GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(tabular amounts in thousands, except per share data)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Our indefinite-lived intangible assets impairment tests involve estimates and management's judgment. The fair value of trademarks and trade name assets were determined using the relief from royalty method by discounting the cash flows that represent a savings over having to pay a royalty fee for use of the trademarks and trade names. The discounted cash flow valuation uses the same projections used under the income approach described above.

Due to the continued challenging macro-economic factors impacting industry conditions as well as financial performance, we concluded that the indefinite life trademarks and trade names were impaired by $5.9 million which is included in the loss from operations in the accompanying consolidated statement of operations for 2010. This impairment charge was measured as the excess of the carrying value over the fair value of the asset.

The Company tested the fair values of the goodwill and indefinite-lived intangible assets during our scheduled annual impairment testing in the fourth quarter of 2010 and determined there was no additional impairment.

We will continue to monitor our market capitalization for evidence of further impairment. Future downturn in our business, continued deterioration of economic conditions, or continued further decline in our market capitalization may result in an additional impairment charge or charges in future periods, which could adversely affect our results of operations for those periods.

The goodwill and intangible assets impairment charge is non-cash in nature and does not affect the Company's liquidity, cash flows from operations and debt covenants.

Long-Lived Assets

Long-lived assets, excluding goodwill and indefinite-lived intangibles, to be held and used by the Company are reviewed to determine whether any significant change in the long-lived asset's physical condition, a change in industry conditions or a reduction in cash flows associated with the use of the long-lived asset. If these or other factors indicate the carrying amount of the asset may not be recoverable, the Company determines whether an impairment has occurred through the use of an undiscounted cash flow analysis of the asset at the lowest level for which identifiable cash flows exist. If an impairment has occurred, the Company recognizes a loss for the difference between the carrying amount and the fair value of the asset. The fair value of the asset is measured using market prices or, in the absence of market prices, an estimate of discounted cash flows. Cash flows are generally discounted at an interest rate commensurate with our weighted average cost of capital for a similar asset. Assets are classified as held for sale when the Company has a plan for disposal of certain assets and those assets meet the held for sale criteria of accounting and disclosure requirement for the impairment or disposal of long-lived assets.

Debt Issuance Costs

Costs directly incurred in obtaining long-term financing, typically bank and attorney fees, are deferred and are amortized over the life of the related loan using the effective interest method. Deferred issuance costs are classified as other assets in the accompanying consolidated balance sheet. Amortization of debt issuance costs is included in interest expense and totaled $0.4 million and $0.8 million for the years ended December 31, 2010 and 2009, respectively.

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INFORMATION SERVICES GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(tabular amounts in thousands, except per share data)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

In accordance with the provisions of accounting standard for revenue recognition, we recognize our revenues for the sale of services and products when persuasive evidence of an arrangement exists, services have been rendered or delivery has occurred, the fee is fixed or determinable and the collectability of the related revenue is reasonably assured.

The Company principally derives revenues from fees for services generated on a project-by-project basis. Prior to the commencement of a project, the Company reaches agreement with the client on rates for services based upon the scope of the project, staffing requirements and the level of client involvement. It is the Company's policy to obtain written agreements from new clients prior to performing services. In these agreements, the clients acknowledge that they will pay based upon the amount of time spent on the project or an agreed upon fee structure. Revenues for services rendered are recognized on a time and materials basis or on a fixed-fee or capped-fee basis in accordance with accounting and disclosure requirements for revenue recognition.

Fees for services that have been performed, but for which the Company has not invoiced the customers are recorded as unbilled receivables in the accompanying consolidated balance sheets. Invoices issued before the related services have been performed are recorded as deferred revenue in the accompanying consolidated balance sheets.

Revenues for time and materials contracts are recognized based on the number of hours worked by the Company's advisors at an agreed upon rate per hour and are recognized in the period in which services are performed. Revenues for time and materials contracts are billed monthly, semimonthly or in accordance with the specific contractual terms of each project.

Revenues related to fixed-fee or capped-fee contracts are recognized into revenue as value is delivered to the customer. The pattern of revenue recognition for these contracts varies depending on the terms of the individual contracts, and may be recognized proportionally or deferred until the end of the contract term and recognized when our obligations have been fulfilled with the customer. In instance where substantive acceptance provisions are specified in the customer contracts, revenues is deferred until all acceptance criteria have been met. The pattern of revenue recognition for the proportional contracts is recognized on the proportional performance method of accounting based on the ratio of labor hours incurred to estimated total labor hours, which the Company considers to be the best available indicator of the pattern and timing in which contract obligations are fulfilled. This percentage is multiplied by the contracted dollar amount of the project to determine the amount of revenue to recognize in an accounting period. The contracted amount used in this calculation typically excludes the amount the client pays for reimbursable expenses. There are situations where the number of hours to complete projects may exceed the Company's original estimate as a result of an increase in project scope or unforeseen events. On a regular basis, the Company reviews the hours incurred and estimated total labor hours to complete. The results of any revisions in these estimates are reflected in the period in which they become known. The Company believes it has a demonstrated history of successfully estimating the total labor hours to complete a project.

The agreements entered into in connection with a project, whether on a time and materials basis or fixed-fee or capped-fee basis, typically allow the Company's clients to terminate early due to breach or for convenience with 30 days' notice. In the event of termination, the client is contractually required

INFORMATION SERVICES GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(tabular amounts in thousands, except per share data)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

to pay for all time, materials and expenses incurred by the Company through the effective date of the termination. In addition, from time to time, the Company enters into agreements with clients that limit the Company's right to enter into business relationships with specific competitors of that client for a specific time period. These provisions typically prohibit the Company from performing a defined range of services that it might otherwise be willing to perform for potential clients. These provisions are generally limited to six to twelve months and usually apply only to specific employees or the specific project team.

Reimbursable Expenditures

Amounts billed to customers for reimbursable expenditures are included in revenues and the associated costs incurred by the Company are included in direct costs and expenses for advisors in the accompanying consolidated statement of operations. Non-reimbursable amounts are expensed as incurred. Reimbursable expenditures totaled $9.6 million and $9.8 million for the years ended December 31, 2010 and 2009, respectively.

Direct Costs and Expenses for Advisors

Direct costs and expenses for advisors include payroll expenses and advisory fees directly associated with the generation of revenues and other program expenses. Direct costs and expenses for advisors are expensed as incurred.

Direct costs and expenses for advisors also include expense accruals for discretionary bonus payments. Bonus accrual levels are adjusted throughout the year based on actual and projected individual and Company performance.

Stock-Based Compensation

Stock Appreciation Rights ("SARs") for a fixed number of shares are granted to certain employees and with an exercise price based on the closing trading price of the Company's common stock on the grant date. The Company uses the Black-Scholes option pricing model to determine the fair value of each option award on the date of grant. The volatility calculation is based on the most recent trading day average volatility of a representative sample of nine companies with market capitalizations of approximately $65 million to $645 million that management believes to be engaged in the business of information services (the "Sample Companies"). The Company referred to the average volatility of the Sample Companies because management believes that the average volatility of such companies is a reasonable benchmark to use in estimating the expected volatility of the Company's common stock. The risk-free interest rate is determined based upon the interest rate on a U.S. Treasury Bill with a term equal to the expected life of the option at the time the option was granted. An expected life of five years was taken into account for purposes of assigning a fair value to the option. The expected life represents the period of time the awards granted are expected to be outstanding.

The Company also grants restricted stock with a fair value that is determined based on the closing price of the Company's common stock on the date of grant. SARs and restricted stock generally vest over a four-year period. Stock-based compensation expense is recognized ratably over the applicable service period.

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INFORMATION SERVICES GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(tabular amounts in thousands, except per share data)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company follows the provisions of accounting and disclosures requirement for share-based payments, requiring the measurement and recognition of all share-based compensation under the fair value method.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and accounts receivable. The Company places its cash investments with high quality financial institutions. The Company extends credit to its customers based upon an evaluation of the customer's financial condition and credit history and generally does not require collateral. Revenues from clients in the automobile sector collectively accounted for approximately 15% of our 2010 annual revenue. Revenues from one client accounted for approximately 10% of our 2010 annual revenue.

Treasury Stock

The Company makes treasury stock purchases in the open market pursuant to the share repurchase program, which was approved by the Board of Directors on November 14, 2007.

Treasury stock is recorded on the consolidated balance sheet at cost as a reduction of stockholders' equity. Shares are released from Treasury at original cost on a first-in, first-out basis, with any gain on the sale reflected as an adjustment to additional paid-in capital. Losses are reflected as an adjustment to additional paid-in capital to the extent of gains previously recognized, otherwise as an adjustment to retained earnings.

Foreign Currency Translation

The assets and liabilities of the Company's foreign subsidiaries are translated into U.S. dollars at exchange rates in effect at the end of the reporting period. Revenue and expense items are translated at average exchange rates for the reporting period. Resulting translation adjustments are included in the accompanying statement of stockholders' equity as a component of *Accumulated Other Comprehensive Loss*.

The functional currency of the Company and its subsidiaries is the respective local currency. The Company has contracts denominated in foreign currencies and therefore, a portion of the Company's revenues are subject to foreign currency risks. Transactional currency gains and losses that arise from transactions denominated in currencies other than the functional currencies of our operations are recorded in *Foreign Currency Transaction (Loss) Gain* in the accompanying consolidated statement of operations.

Fair Value of Financial Instruments

In September 2006, the Financial Accounting Standards Board ("FASB') issued accounting and disclosure requirement for fair value measurements which establishes a framework for measuring fair value and requires expanded disclosures regarding fair value measurements. This standard does not require any new fair value measurements; however, it eliminates inconsistencies in the guidance provided in previous accounting pronouncements. The carrying value of the Company's cash and cash

INFORMATION SERVICES GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(tabular amounts in thousands, except per share data)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

equivalents, receivables, accounts payable, long-term debt, other current liabilities, and accrued interest approximate fair value.

As defined in the Accounting Standards Codification ("ASC"), fair value is the price that would be received upon a sale of an asset or paid upon a transfer of a liability in an orderly transaction between market participants at the measurement date (exit price). Market participants can use market data or assumptions in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market-corroborated, or generally unobservable. The use of unobservable inputs is intended to allow for fair value determinations in situations where there is little, if any, market activity for the asset or liability at the measurement date. Under the fair-value hierarchy

Level 1 measurements include unadjusted quoted market prices for identical assets or liabilities in an active market;

Level 2 measurements include quoted market prices for identical assets or liabilities in an active market that have been adjusted for items such as effects of restrictions for transferability and those that are not quoted but are observable through corroboration with observable market data, including quoted market prices for similar assets; and

Level 3 measurements include those that are unobservable and of a highly subjective measure.

Income Taxes

The Company uses the asset and liability method to account for income taxes, including recognition of deferred tax assets and liabilities for the anticipated future tax consequences attributable to differences between financial statement amounts and their respective tax basis. The Company reviews its deferred tax assets for recovery. A valuation allowance is established when the Company believes that it is more likely than not that some portion of its deferred tax assets will not be realized. Changes in the valuation allowance from period to period are included in the Company's tax provision in the period of change.

In June 2006, the FASB issued authoritative guidance for uncertain income tax positions recognized in an enterprise's financial statements in accordance with the Income Tax Topic of the ASC. This interpretation requires companies to use a prescribed model for assessing the financial recognition and measurement of all tax positions taken or expected to be taken in its tax returns. This guidance provides clarification on derecognition, classification, interest and penalties, accounting in interim periods, disclosures and transition. We adopted this guidance on January 1, 2007. Our provision for income taxes also includes the impact of provisions established for uncertain income tax positions, as well as the related interest.

Loss Per Share

Basic earnings per share is computed by dividing net income (loss) available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of

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INFORMATION SERVICES GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(tabular amounts in thousands, except per share data)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

common stock that would share in the net income of the Company. For the year ended December 31, 2010, the effect of 35.6 million warrants, 0.4 million stock appreciation rights and 1.4 million Units (each Unit comprising one common share and one warrant) associated with the Company's IPO underwriters purchase option have not been considered in the diluted earnings per share calculation, since the market price of the Company's common stock was less than the exercise price during the period in the computation. Also, 2.0 million restricted shares have not been considered in the diluted earnings per share calculation for the year ended December 31, 2010, as the effect would be anti-dilutive. For the year ended December 31, 2009, the effect of 35.6 million warrants, 0.3 million stock appreciation rights and 1.4 million Units (each Unit comprising one common share and one warrant) associated with the Company's IPO underwriters purchase option have not been considered in the diluted earnings per share calculation, since the market price of the Company's common stock was less than the exercise price during the period in the computation. Also, 0.8 million restricted shares have not been considered in the diluted earnings per share calculation for the year ended December 31, 2009, as the effect would be anti-dilutive. For the year ended December 31, 2008, the effect of 35.6 million warrants, 0.3 million stock appreciation rights and 1.4 million Units (each Unit comprising one common share and one warrant) associated with the Company's IPO underwriters purchase option have not been considered in the diluted earnings per share calculation, since the market price of the Company's common stock was less than the exercise price during the period in the computation. Also, 0.3 million stock appreciation rights and 2.0 million restricted shares have not been considered in the diluted earnings per share calculation for the year ended December 31, 2008, as the effect would be anti-dilutive

The following tables set forth the computation of basic and diluted earnings per share:

	Years Ended December 31,		
	2010	**2009**	**2008**
Numerator:			
Net loss	$ (53,165)	$ (2,836)	$ (57,909)
Denominator:			
Basic weighted average common shares outstanding	32,050	31,491	31,282
Diluted effects of SARs, restricted shares, Employee Stock Purchase Plan shares and warrants			
	32,050	31,491	31,282
Loss per share:			
Basic	$ (1.66)	$ (0.09)	$ (1.85)
Diluted	$ (1.66)	$ (0.09)	$ (1.85)

INFORMATION SERVICES GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(tabular amounts in thousands, except per share data)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements

In March 2010, the FASB issued guidance related to revenue recognition for multiple element deliverables which eliminates the requirement that all undelivered elements must have objective and reliable evidence of fair value before a company can recognize the portion of the consideration that is attributable to items that already have been delivered. Under the new guidance, the relative selling price method is required to be used in allocating consideration between deliverables and the residual value method will no longer be permitted. This guidance is effective prospectively for revenue arrangements entered into or materially modified in 2011 although early adoption is permitted. A company may elect, but will not be required, to adopt the amendments retrospectively for all prior periods. The Company adopted this standard in the fourth quarter of 2009. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

In December 2010, the FASB issued updated guidance related to business combinations. The objective of this guidance is to address diversity in practice about the interpretation of the pro forma revenue and earnings disclosure requirements for business combinations. The amendments in this guidance specify that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments also expand the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The amendments affect any public entity that enters into business combinations that are material on an individual or aggregate basis. This guidance is effective for business combinations occurring after December 15, 2010. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

NOTE 3 ACQUISITIONS

Compass Acquisition

On January 4, 2011 (the "Compass Acquisition Date"), the Company executed an Agreement for the Sale and Purchase of the Entire Issued Share Capital of CCGH Limited (the "Agreement") and consummated the acquisition of the entire issued share capital CCGH Limited, an English corporation ("Compass").

Under the terms of the Agreement, each of the holders of the issued share capital of Compass (the "Compass Sellers") agreed to sell and transfer, and the Company agreed to buy, the entire share capital of Compass (the "Share Purchase"). The Share Purchase was consummated on January 4, 2011.

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INFORMATION SERVICES GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(tabular amounts in thousands, except per share data)

NOTE 3 ACQUISITIONS (Continued)

The total allocable purchase price consists of the following:

Cash	$ 5,750
Common Stock*	7,980
Convertible Notes**	6,250
Stamp Tax	98
Total allocable purchase price	$ 20,078

* 3,500,000 shares issued at $2.28 per share as part of the acquisition.

** The Convertible Notes (the "Notes") mature on January 4, 2018 and interest is payable on the outstanding principal amount, computed daily, at the rate of 3.875% per annum on January 31 of each calendar year and on the seventh anniversary of the date of the Notes. The Notes are subject to transfer restrictions until January 31, 2013. If the price of the Company's common stock on the Nasdaq Global Market exceeds $4 per share for 60 consecutive trading days (the "Trigger Event"), the holder of the Notes may convert all (but not less than all) of the outstanding principal amount of the Notes into shares of the Company's common stock at the rate of 1 share for every $4 in principal amount outstanding. After the Trigger Event, the Company may prepay all or any portion of the outstanding principal amount of the Notes by giving the holder 30 days written notice.

The purchase price has been allocated to the assets acquired and liabilities assumed based upon their estimated fair values as of the Compass Acquisition Date. The purchase price allocation was based upon a valuation completed by third-party valuation specialists using an income approach and estimates and assumptions provided by management. The excess of the purchase price over the net tangible and identifiable intangible assets was recorded as goodwill. Goodwill of $16.6 million acquired in the acquisition is not deductible for tax purposes.

The following table summarizes the preliminary allocation of the aggregate purchase price to the fair value of the assets acquired and liabilities assumed as of the Compass Acquisition Date:

Allocation of Purchase Price:	
Cash	$ 1,091
Accounts receivable	9,449
Prepaid expenses and other assets	2,042
Furniture, fixtures and equipment, net	685
Goodwill	16,580
Intangible assets	5,045
Accounts payable	(1,603)
Accrued expenses and other	(11,294)
Deferred income tax liability	(1,917)
Net assets acquired	$ 20,078

INFORMATION SERVICES GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(tabular amounts in thousands, except per share data)

NOTE 3 ACQUISITIONS (Continued)

The intangible assets acquired include database, trademark and trade name, customer relationships, covenant not-to-compete and goodwill. Some of these assets, such as goodwill and the trademark and trade name are not subject to amortization but rather an annual test for possible impairment; other intangible assets that are amortized over their useful lives are reviewed when events or changes or circumstances indicate the carrying amount of the asset may not be recoverable.

Under the purchase method of accounting, the total purchase price of approximately $20.1 million was allocated to Compass's net tangible and intangible assets based on their estimated fair values as of the Compass Acquisition Date. Intangible assets are amortized utilizing the estimated pattern of the consumption of the economic benefit over their estimated lives, ranging from one to ten weighted average years. Based on the valuation and other factors as described above, the purchase price assigned to intangible assets and the amortization period were as follows:

	Purchase Price Allocation	Asset Life
Amortizable intangible assets:		
Customer relationships	$ 1,150	10 years
Covenants not-to-compete	15	2 years
Databases Financial Data Repository	1,840	7 years
Non-amortizable intangible assets:		
Trademark and trade name	2,040	Indefinite
Total intangible assets	$ 5,045	

We have not finalized our assessment of the fair values as there has been insufficient time between the acquisition date and the issuance of this Form 10-K to complete our review of individual contracts, agreements, and accounting records of Compass.

STA Acquisition

On February 10, 2011 (the "STA Acquisition Date"), the Company executed an Asset Purchase Agreement (the "STA Agreement") with Salvaggio & Teal Ltd. (d/b/a Salvaggio, Teal & Associates, "STA"), Salvaggio & Teal II, LLC, Mitt Salvaggio, Kirk Teal, Nathan Frey and International Consulting Acquisition Corp., a wholly-owned subsidiary of ISG, and consummated the acquisition of substantially all of the assets and assumption of certain specified liabilities of STA (collectively, the "Asset Purchase").

Under the terms of the STA Agreement, ISG acquired the specified assets for cash consideration of $9,000,000, subject to certain adjustments. In addition, the sellers under the Agreement (the "STA Sellers") are eligible to receive up to $7.75 million of earn-out payments for fiscal years 2011 2015 if certain revenue and earnings targets are met. Finally, the STA Sellers were granted 250,000 restricted shares of ISG common stock (the "ISG Restricted Shares") that will vest if the commercial enterprise resource planning (ERP) revenue of ISG and its affiliates are met.

As of the STA Acquisition Date, we have recorded a liability of $6.7 million representing the fair value of the contingent consideration. This amount was estimated through a valuation model that incorporated industry-based, probability-weighted assumptions related to the achievement of these

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INFORMATION SERVICES GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(tabular amounts in thousands, except per share data)

NOTE 3 ACQUISITIONS (Continued)

milestones and thus the likelihood of us making payments. These cash outflow projections have been discounted using a rate of 2.3%, which is the cost of debt financing for market participants.

The total allocable purchase price consists of the following:

Cash	$	8,732
Contingent consideration*		7,217
Total allocable purchase price	$	15,949

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* Included 250,000 shares of equity contingent consideration at $1.91 per share as part of the acquisition.

The following table summarizes the preliminary allocation of the aggregate purchase price to the fair value of the assets acquired and liabilities assumed as of the STA Acquisition Date:

Allocation of Purchase Price:		
Accounts receivable	$	2,036
Other assets		57
Goodwill		4,207
Intangible assets		11,210
Accounts payable		(1,066)
Accrued expenses and other		(495)
Net assets acquired	$	15,949

Based on the valuation and other factors as described above, the purchase price assigned to intangible assets and the amortization period were as follows:

	Purchase Price Allocation		Asset Life
Amortizable intangible assets:			
Customer relationships	$	8,490	10 years
Backlog		1,880	2 years
Covenants not-to-compete		150	5 years
Non-amortizable intangible assets:			
Trademark and trade name		690	Indefinite
Total intangible assets	$	11,210	

We have not finalized our assessment of the fair values as there has been insufficient time between the acquisition date and the issuance of this Form 10-K to complete our review of individual contracts, agreements, and accounting records of STA.

The results of Compass and STA and the purchase price allocation are not included in the consolidated balance sheet at December 31, 2010.

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INFORMATION SERVICES GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(tabular amounts in thousands, except per share data)

NOTE 3 ACQUISITIONS (Continued)

The following unaudited pro forma financial information for the year ended December 31, 2010, assumes that the acquisitions of Compass and STA occurred at the beginning of the period presented. The unaudited proforma financial information is presented for information purposes only. Such information is based upon the stand alone historical results of each company and does not reflect the actual results that would have been reported had the acquisitions been completed when assumed, nor is it indicative of the future results of operations for the combined enterprise.

Proforma	**Year Ended December 31, 2010**
	(unaudited)
Revenues	$ 186,754
Direct costs and expenses for advisors	108,079
Selling, general and administrative	63,821
Impairment of intangible assets	52,491
Depreciation and amortization	12,385
Operating loss	(50,022)
Other expense, net	(5,508)
Net loss before taxes	(55,530)
Income tax benefit	1,208
Net loss	$ (54,322)
Basic loss per share	$ (1.53)
Diluted loss per share	$ (1.53)

NOTE 4 ACCOUNTS AND UNBILLED RECEIVABLES

Accounts and unbilled receivables consisted of the following:

	December 31, 2010	**December 31, 2009**
Accounts receivable	$ 16,372	$ 16,717
Unbilled revenue	10,179	9,506
Receivables from related parties	52	50
	$ 26,603	$ 26,273

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INFORMATION SERVICES GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(tabular amounts in thousands, except per share data)

NOTE 5 PREPAID EXPENSE AND OTHER CURRENT ASSETS

Prepaid expense and other current assets consisted of the following:

	December 31, 2010	December 31, 2009
Prepaid rent	$ 39	$ 67
Prepaid insurance	171	318
Security deposit	181	174
Deferred costs	200	129
Other	690	736
	$ 1,281	$ 1,424

NOTE 6 FURNITURE, FIXTURES AND EQUIPMENT

Furniture, fixtures and equipment consisted of the following:

	Estimated Useful Lives	December 31, 2010	December 31, 2009
Computer hardware, software and other office equipment	2 to 5 years	$ 3,158	$ 3,941
Furniture, fixtures and leasehold improvements	2 to 5 years	660	604
Internal-use software and development costs	3 to 5 years	2,245	981
Accumulated depreciation		(3,950)	(2,940)
		$ 2,113	$ 2,586

Depreciation expense was $1.4 million, $1.4 million and $1.5 million for the years ended December 31, 2010, 2009 and 2008, respectively.

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INFORMATION SERVICES GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(tabular amounts in thousands, except per share data)

NOTE 7 GOODWILL

The changes in the carrying amount of goodwill for the years ended December 31, 2010 and 2009 are as follows:

	2010	2009
Balance as of January 1		
Goodwill	$ 144,428	$ 144,612
Accumulated impairment losses	(49,363)	(49,363)
	95,065	95,249
Purchase price adjustments related to TPI acquisition		(184)
Impairment losses	(46,591)	
	(46,591)	(184)
Balance as of December 31		
Goodwill	144,428	144,428
Accumulated impairment losses	(95,954)	(49,363)
	$ 48,474	$ 95,065

In 2009, the Company adjusted its goodwill for purchase price allocation charges related principally to the restructuring accrual. As a result of declining revenue, driven by a global recession which has impacted and reduced sourcing industry activity, the Company determined a triggering event had occurred requiring a goodwill impairment test be performed during the third quarter of 2010. As a result of this testing, the Company recorded a pre-tax non-cash impairment charge of $46.6 million associated with goodwill.

The Company tested the fair values of the goodwill and indefinite-lived intangible assets during our scheduled annual impairment testing in the fourth quarter of 2010 and determined there was no additional impairment.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(tabular amounts in thousands, except per share data)

NOTE 8 INTANGIBLE ASSETS

The carrying amount of intangible assets, net of accumulated amortization and impairment charges, as of December 31, 2010 and 2009 consisted of the following:

	2010			
	Gross Carrying Amount	Accumulated Amortization	Impairment Losses	Net Book Value
Amortizable intangibles:				
Customer relationships	$ 42,500	$ (14,842)	$	$ 27,658
Noncompete agreements	5,500	(4,297)		1,203
Software	1,500	(1,172)		328
Backlog	3,000	(3,000)		
Databases	9,500	(2,452)	(6,391)	657
	62,000	(25,763)	(6,391)	29,846
Indefinite-lived:				
Trademark and trade names	57,000		(31,100)	25,900
Intangibles	$ 119,000	$ (25,763)	$ (37,491)	$ 55,746

	2009			
	Gross Carrying Amount	Accumulated Amortization	Impairment Losses	Net Book Value
Amortizable intangibles:				
Customer relationships	$ 42,500	$ (8,915)	$	$ 33,585
Noncompete agreements	5,500	(2,922)		2,578
Software	1,500	(797)		703
Backlog	3,000	(3,000)		
Databases	9,500	(1,703)	(6,391)	1,406
	62,000	(17,337)	(6,391)	38,272
Indefinite-lived:				
Trademark and trade names	57,000		(25,200)	31,800
Intangibles	$ 119,000	$ (17,337)	$ (31,591)	$ 70,072

INFORMATION SERVICES GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(tabular amounts in thousands, except per share data)

NOTE 8 INTANGIBLE ASSETS (Continued)

Amortization expense was $8.4 million, $8.1 million and $8.5 million for the years ended December 31, 2010, 2009 and 2008, respectively. The estimated future amortization expense subsequent to December 31, 2010, is as follows:

2011	$ 7,483
2012	4,585
2013	4,183
2014	3,703
2015	3,543
Thereafter	6,349
	$ 29,846

As a result of declining revenue, driven by a global recession which has impacted and reduced sourcing industry activity, the Company determined a triggering event had occurred requiring a goodwill and indefinite-lived intangibles impairment test be performed during the third quarter of 2010. As a result of this testing, the Company recorded a pre-tax non-cash impairment charge of $5.9 million associated with intangible assets compared to $6.8 million recorded in the third quarter of 2009.

NOTE 9 ACCRUED LIABILITIES

The components of accrued liabilities at December 31, 2010 and 2009 are as follows:

	December 31, 2010	December 31, 2009
Accrued payroll and vacation pay	$ 2,587	$ 3,502
Accrued corporate and payroll related taxes	2,241	2,959
Accrued acquisition costs	2,135	
Other	3,738	2,931
	$ 10,701	$ 9,392

NOTE 10 RESTRUCTURING ACCRUAL

2009 Cost Productivity Plan

As a result of the continuing global economic recession, the Company initiated a program in the second quarter of 2009 to (i) further reduce or eliminate the impact of under-utilized advisory resources, (ii) adjust certain fixed and variable compensation levels, and (iii) lower discretionary general and administrative expenses. The program was completed in the third quarter of 2009.

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INFORMATION SERVICES GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(tabular amounts in thousands, except per share data)

NOTE 10 RESTRUCTURING ACCRUAL (Continued)

A summary of the activity affecting the Company's accrued restructuring liability related to the 2009 cost productivity plan for the year ended December 31, 2009 is as follows:

	Workforce Reductions
Balance at December 31, 2008	$
Amounts accrued	1,620
Amounts paid	(1,050)
Adjustment	(570)
Balance at December 31, 2009	$

NOTE 11 SHARE REPURCHASE PROGRAM

Under a stock repurchase plan approved by the Board of Directors on October 16, 2007, the Company repurchased 12.1 million shares of common stock since that date. This program includes the repurchase of common shares, units and/or warrants. On November 14, 2007, the Board of Directors authorized an additional repurchase program of up to $15.0 million. As of December 31, 2010, there was $10.1 million available under this repurchase program.

NOTE 12 FINANCING ARRANGEMENTS AND LONG-TERM DEBT

On November 16, 2007, in connection with the acquisition of TPI, International Consulting Acquisition Corp., a wholly-owned indirect subsidiary of ISG (the "Borrower"), entered into a senior secured credit facility comprised of a $95.0 million term loan facility and a $10.0 million revolving credit facility (collectively referred to as the 2007 Credit Agreement). On November 16, 2007, the Borrower borrowed $95.0 million under the term loan facility to finance a portion of the purchase price for the TPI acquisition and to pay transaction costs. The material terms of the 2007 Credit Agreement are as follows:

The 2007 Credit Agreement has a maturity date of seven years from the closing of the TPI acquisition.

The 2007 Credit Agreement is secured by all of the equity interests owned by the newly formed holding company of the Borrower, International Advisory Holdings Corp. ("Holdings") and its direct and indirect domestic subsidiaries and, subject to agreed exceptions, its direct and indirect "first-tier" foreign subsidiaries and a perfected first priority security interest in all of Holdings' and its direct and indirect domestic subsidiaries' tangible and intangible assets.

Holdings and the Borrower's existing direct and indirect subsidiaries and future wholly-owned domestic subsidiaries serve as guarantors to the Borrower's obligations under the 2007 Credit Agreement.

At the Borrower's option, the 2007 Credit Agreement bears interest at a rate per annum equal to either (i) the "Base Rate" (which is the higher of (a) the rate publicly announced from time to time by the administrative agent as its "prime rate" and (b) the Federal Funds Rate plus 0.5% per annum), plus the applicable margin (as defined below) or (ii) Eurodollar Rate

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INFORMATION SERVICES GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(tabular amounts in thousands, except per share data)

NOTE 12 FINANCING ARRANGEMENTS AND LONG-TERM DEBT (Continued)

(adjusted for maximum reserves) as determined by the Administrative Agent, plus the applicable margin. The applicable margin shall be a percentage per annum equal to 2.5% for the term loans and the revolving loans maintained as Base Rate loans or 3.5% for the term loans and revolving loans maintained as Eurodollar loans.

Mandatory repayments of term loans shall be required from (subject to agreed exceptions) (i) 100% of the proceeds from asset sales by Holdings and its subsidiaries, (ii) 100% of the net proceeds from issuances of debt by Holdings and its subsidiaries, (iii) so long as the total leverage ratio is 3.0 to 1.0 or higher, 50% of annual excess cash flow of Holdings and its subsidiaries and (iv) 100% of the net proceeds from insurance recovery and condemnation events of Holdings and its subsidiaries.

The 2007 Credit Agreement contains a number of covenants that, among other things, place restrictions on matters customarily restricted in senior secured credit facilities, including restrictions on indebtedness (including guarantee obligations), liens, fundamental changes, sales or disposition of property or assets, investments (including loans, advances, guarantees and acquisitions), transaction with affiliates, dividends and other payments in respect of capital stock, optional payments and modifications of other material debt instruments, negative pledges and agreements restricting subsidiary distributions and changes in line of business. In addition, the Borrower is required to comply with a total leverage ratio as defined in the 2007 Credit Agreement. The total leverage ratio is defined as the ratio of consolidated indebtedness to consolidated Earnings before Interest, Taxes, Depreciation, and Amortization ("EBITDA").

The 2007 Credit Agreement contains customary events of default, including cross-default to other material agreements, judgment default and change of control.

As of December 31, 2010, the total principal outstanding under the term loan facility was $69.8 million. There were no borrowings under the revolving credit facility during fiscal 2010.

Under the 2007 Credit Agreement, the Company is required to hedge at least 40% of borrowings outstanding under the term loan facility. Subsequent to December 31, 2007, the Company entered into an agreement to cap the interest rate at 7% on $38.0 million of the LIBOR component of our borrowings under the term loan facility for a period of three years. The expense related to this interest rate cap was nominal. This agreement expired in January 2011 and is not required going forward.

On June 29, 2009, the Company made a voluntary principal prepayment of $12.0 million against its outstanding term loan balance of $93.8 million. In conjunction with this prepayment, our lenders consented to the following conditions: (1) agreement to execute the Company's UK tax planning strategy to reduce future potential cash taxes, (2) exclusion of the impact in the calculation of EBITDA of up to $5.0 million of restructuring charges relating to the Borrower's previously announced 2009 restructuring plan through December 31, 2009 and (3) exclusion of the impact in the calculation of EBITDA of establishing, if necessary, a reserve in respect of certain accounts receivable and work in progress due from General Motors Corporation for worked performed on or before June 1, 2009.

On September 11, 2009, our lenders agreed to amend the total leverage ratio (as defined in the 2007 Credit Agreement) for the remaining life of the 2007 Credit Agreement to provide the Company with greater financing flexibility in return for additional debt repayments. In accordance with the terms

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INFORMATION SERVICES GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(tabular amounts in thousands, except per share data)

NOTE 12 FINANCING ARRANGEMENTS AND LONG-TERM DEBT (Continued)

of the amended 2007 Credit Agreement, the Company made $5.0 million of principal repayments on September 30, 2009 and December 31, 2009 to reduce the outstanding term loan balance to $71.8 million. The principal repayments were made from excess cash balances generated through the Company's normal business operations. In accordance with the terms of the 2007 Credit Agreement, the Company made a $2.0 million principal repayment on March 31, 2010 to reduce the outstanding term loan balance to $69.8 million.

On September 27, 2010, our lenders agreed to amend the total leverage ratio (as defined in the 2007 Credit Agreement) from September 30, 2010 to December 30, 2010 and to restore the exclusion of the impact in the calculation of earnings before interest, taxes, depreciation, and amortization EBITDA of up to $5.0 million of restructuring charges through December 31, 2011 in order to provide the Company with greater financing flexibility. The Company also received approval to complete the acquisition of STA Consulting subject to certain conditions.

On December 23, 2010, our lenders agreed to amend the total leverage ratio (as defined in the 2007 Credit Agreement) from December 31, 2010 to March 30, 2011 in order to provide the Company with greater financing flexibility. Our lenders also agreed to allow the Company to extend the date to complete the acquisition of STA to March 31, 2011. On February 10, 2011, the acquisition of STA Consulting was completed.

Aggregate annual maturities of debt obligations by calendar year, are as follows:

	Debt
2011	$
2012	
2013	
2014	69,813
	$ 69,813

NOTE 13 COMMITMENTS AND CONTINGENCIES

Employee Retirement Plans

The Company's TPI subsidiary maintains a qualified profit-sharing plan (the "Plan"). Prior to January 1, 2008, the provisions of the Plan provide for a maximum employer contribution per eligible employee of the lesser of 12.75% of compensation or $25,500. Effective January 1, 2008, the contribution was adjusted to 3% of total cash compensation or $7,350, whichever is less. Employees are generally eligible to participate in the Plan after six months of service and are 100% vested upon entering the Plan. For the year ended December 31, 2010 and 2009, $1.2 million and $1.6 million were contributed to the Plan by the Company, respectively.

Leases

The Company leases its office space under long-term operating lease agreements which expire at various dates through December 2014. Under the operating leases, the Company pays certain operating expenses relating to the leased property and monthly base rent.

INFORMATION SERVICES GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(tabular amounts in thousands, except per share data)

NOTE 13 COMMITMENTS AND CONTINGENCIES (Continued)

Aggregate future minimum payments under noncancelable leases with initial or remaining terms of one year or more consist of the following at December 31, 2010:

	Operating Leases
2011	$ 1,050
2012	865
2013	310
2014	245
2015	
Total minimum lease payments	$ 2,470

The Company's rental expense for operating leases was $1.4 million, $1.5 million and $1.3 million, in 2010, 2009 and 2008, respectively.

NOTE 14 RELATED PARTY TRANSACTIONS

From time to time, the Company may have receivables and payables with employees and shareholders. All related party transactions have been conducted in the normal course of business as if the parties were unrelated. As of December 31, 2010 and December 31, 2009, the Company had outstanding receivables from related parties, including shareholders, totaling $0.1 million and $0.1 million and no outstanding payables, respectively.

NOTE 15 INCOME TAXES

The components of income (loss) before income taxes for the years ended December 31, 2010, 2009 and 2008 consists of the following:

	Years Ended December 31,		
	2010	2009	2008
Domestic	$ (56,919)	$ (8,290)	$ (75,482)
Foreign	1,828	4,676	12,790
Total loss before income taxes	$ (55,091)	$ (3,614)	$ (62,692)

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INFORMATION SERVICES GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(tabular amounts in thousands, except per share data)

NOTE 15 INCOME TAXES (Continued)

The components of the 2010, 2009 and 2008 income tax (benefit) provision are as follows:

	Years Ended December 31,		
	2010	2009	2008
Current:			
Federal	$ 3,191	$ 2,715	$ 2,357
State	722	566	954
Foreign	924	1,594	4,058
Total current provision	4,837	4,875	7,369
Deferred:			
Federal	(6,000)	(5,360)	(11,258)
State	(337)	(233)	(894)
Foreign	(426)	(60)	
Total deferred benefit	(6,763)	(5,653)	(12,152)
Total	$ (1,926)	$ (778)	$ (4,783)

The differences between the effective tax rates reflected in the total provision for income taxes and the U.S. federal statutory rate of 35% for the year ended December 31, 2010, 2009 and 2008 were as follows:

	Years Ended December 31,		
	2010	2009	2008
Tax benefit computed at 35%	$ (19,281)	$ (1,265)	$ (21,942)
Nondeductible goodwill impairment	16,307		17,277
Nondeductible expenses	743	107	168
State income taxes, net of federal benefit	148	151	(233)
Derecognition of stock compensation deferred tax asset	68	117	
Valuation allowance	85	118	
Other	4	(6)	(53)
Income tax benefit	$ (1,926)	$ (778)	$ (4,783)
Effective income tax rates	3.5%	21.5%	7.6%

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INFORMATION SERVICES GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(tabular amounts in thousands, except per share data)

NOTE 15 INCOME TAXES (Continued)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities were as follows:

	December 31, 2010	December 31, 2009
Current deferred tax asset		
Compensation related expenses	$ 1,418	$ 887
Foreign currency translation	952	932
Other	806	648
Total current deferred tax asset	3,176	2,467
Current deferred tax liability		
Prepaids	(324)	(330)
Total current deferred tax liability	(324)	(330)
Net current deferred tax asset	$ 2,852	$ 2,137
Noncurrent deferred tax asset		
Compensation related expenses	$ 980	$ 529
Foreign tax credit carryovers	1,055	450
Foreign net operating loss carryovers	880	279
Valuation allowance for deferred tax assets	(203)	(118)
Total noncurrent deferred tax asset	2,712	1,140
Noncurrent deferred tax liability		
Depreciable assets	(217)	(176)
Intangible assets	(20,951)	(26,096)
Other	(880)	(279)
Total noncurrent deferred tax liability	(22,048)	(26,551)
Net noncurrent deferred tax liability	(19,336)	(25,411)
Net deferred tax liability	$ (16,484)	$ (23,274)

A valuation allowance of $0.2 million was established at December 31, 2010 due to estimates of future utilization of net operating loss carryovers in certain foreign jurisdictions.

Benefits from tax positions should be recognized in the financial statements only when it is more likely than not that the tax position will be sustained upon examination by the appropriate taxing authority that would have full knowledge of all relevant information. A tax position that meets the more-likely-than-not recognition threshold is measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold should be derecognized in the first subsequent financial reporting period in which that threshold is no longer met. It is the Company's

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INFORMATION SERVICES GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(tabular amounts in thousands, except per share data)

NOTE 15 INCOME TAXES (Continued)

policy to accrue for interest and penalties related to its uncertain tax positions within income tax expense.

For the years ended December 31, 2010, 2009 and 2008, the Company updated its assessment of its tax positions in the taxing jurisdictions where it has operations and determined that additional accruals were required for the year ended December 31, 2010.

A tabular reconciliation of the total amounts of unrecognized tax benefits at the beginning and end of the period is as follows:

	December 31,		
	2010	2009	2008
Balance, beginning of year	$ 323	$ 282	$ 225
Additions as a result of tax positions taken during the current period	292	2	75
Reductions relating to tax settlements with taxing authorities		(36)	(93)
Total unrecognized tax benefit	615	248	207
Interest and penalties associated with uncertain tax positions	50	75	75
Balance, end of year	$ 665	$ 323	$ 282

The amount of unrecognized tax benefit, if recognized, that would affect the effective tax rate is immaterial. With few exceptions, the Company is no longer subject to U.S. federal, state, local, or non-U.S. income tax examinations by tax authorities for years before 2003.

NOTE 16 STOCK-BASED COMPENSATION PLANS

At the special meeting of stockholders held on November 13, 2007, the 2007 Equity Incentive Plan ("Incentive Plan") and 2007 Employee Stock Purchase Plan ("ESPP") were approved by the Company's stockholders. The Incentive Plan authorizes the grant of awards to participants with respect to a maximum of 4.0 million shares of the Company's common stock, subject to adjustment to avoid dilution or enlargement of intended benefits in the event of certain significant corporate events, which awards may be made in the form of (i) nonqualified stock options; (ii) stock options intended to qualify as incentive stock options under Section 422 of the Internal Revenue Code (stock options described in clause (i) and (ii), "options"); (iii) stock appreciation rights ("SARs"); (iv) restricted stock and/or restricted stock units; (v) performance awards; and (vi) other stock based awards; provided that the maximum number of shares with respect to which stock options and stock appreciation rights may be granted in the equity incentive plan to any one participant in any given calendar year may not exceed $0.8 million, and the maximum amount payable to a participant in the equity plan in connection with the settlement of any of any award(s) designated as a "performance compensation awards" in respect of a single performance period shall be: (x) with respect to performance compensation awards that are paid in shares, 500,000 shares and (y) with respect to performance compensation awards that are paid in cash, $5.0 million. The issuance of shares or the payment of cash upon the exercise of an award or in consideration of the cancellation or termination of an award shall reduce the total number of shares available under the equity incentive plan, as applicable. The provisions of each award will vary based on the type of award granted and will be specified by the Compensation Committee of the Board of

INFORMATION SERVICES GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(tabular amounts in thousands, except per share data)

NOTE 16 STOCK-BASED COMPENSATION PLANS (Continued)

Directors. Those awards which are based on a specific contractual term will be granted with a term not to exceed ten years. The SARs granted under the Incentive Plan are granted with an exercise price equal to the fair market value of the Common Shares at the time the SARs are granted.

On May 11, 2010, the ISG stockholders approved an amendment for an additional 4.5 million shares authorized for issuance under the 2007 Equity Incentive Plan, except that each share of the Company's common stock issued under a "full value" award (awards other than stock options or stock appreciation rights) will reduce the number of shares available for issuance by 1.44 shares.

As of December 31, 2010, there were 4,904,291 and 883,319 shares available for grant under the amended and restated Incentive Plan and ESPP, respectively.

The Company recognized $3.1 million, $2.8 million and $2.0 million in employee stock-based compensation expense during the years ended December 31, 2010, 2009 and 2008, respectively. This expense was recorded in selling, general and administrative in the consolidated statement of operations.

Stock Appreciation Rights

The Compensation Committee may grant (i) a stock appreciation right independent of an option or (ii) a stock appreciation right in connection with an option, or a portion thereof. A stock appreciation right granted pursuant to clause (ii) of the preceding sentence (A) may be granted at the time the related option is granted or at any time prior to the exercise or cancellation of the related option, (B) shall cover the same number of shares covered by an option (or such lesser number of shares as the Compensation Committee may determine) and (C) shall be subject to the same terms and conditions as such option except for such additional limitations as are contemplated above (or such additional limitations as may be included in an award agreement).

SARs granted pursuant to the Incentive Plan are granted with an exercise price equal to the fair market value of the Common Shares at the time the SARs are granted. Pursuant to the applicable award agreements, the SARs vest and become exercisable with respect to 25% of the shares subject to the SARs on the first four anniversaries of the grant date, so long as the employee remains employed with the Company on each such date. If the employee's employment with the Company is terminated as a result of the employee's death or disability, all unvested SARs will be fully vested. If the employee retires, the SARs will continue to vest on the same schedule as if the employee had remains employed with the Company. Any vested SARs will expire upon the earliest to occur of the following: (i) the tenth anniversary of the grant date; (ii) one year following the date of the employee's termination of services as a result of death or permanent disability; (iii) 90 days following the fourth anniversary of the grant date, following the participant's retirement; (iv) 30 days following the date of the participant's termination of employment for any reason (other than as a result of death, disability or retirement); and (v) immediately upon a termination for cause. SARs will be settled in the form of shares of the Company's common stock upon exercise.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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NOTE 16 STOCK-BASED COMPENSATION PLANS (Continued)

A summary of the status of the Company's SARs issued under its Incentive Plan is presented below:

	SARs	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Outstanding at December 31, 2007	355	$ 7.20		
Granted	320	$ 3.18		
Exercised		$		
Forfeited	(34)	$ 7.20		
Outstanding at December 31, 2008	641	$ 5.19	6.4	$ 70
Granted	12	$ 3.15		
Exercised		$		
Forfeited	(59)	$ 5.51		
Outstanding at December 31, 2009	594	$ 5.12	8.4	$
Granted		$		
Exercised		$		
Forfeited	(155)	$ 5.26		
Outstanding at December 31, 2010	439	$ 5.07	7.4	$
Vested and expected to vest at December 31, 2010	439	$ 5.07	7.4	$
Exercisable at December 31, 2010	268	$ 5.50	7.3	$

The weighted-average grant date fair value for SARs granted during the years ended December 31, 2010, 2009 and 2008 was $0, $1.90 and $1.86, respectively. The total fair value of the SARs vested during the years ended December 31, 2010, 2009 and 2008 was $0.3 million, $0.4 million and $0.2, respectively. As of December 31, 2010, there was $0.3 million of total unrecognized compensation cost related to the Company's unvested SARs and that cost is expected to be recognized over a weighted-average period of 1.5 years.

The Company uses the Black-Scholes option pricing model to determine the fair value of each SAR award on the date of grant. The estimated fair value of the SARs is amortized to expense on a straight-line basis over the vesting period. The Company did not grant any SAR during the years end December 31, 2010. The specific assumptions used in determining the fair values for the SARs granted during the years ended December 31, 2010, 2009 and 2008 are discussed in more detail below and are noted in the following table.

The volatility calculation is based on the most recent trading day average volatility of a representative sample of nine companies with market capitalizations of approximately $65 million to $645 million that management believes to be engaged in the business of information services (the "Sample Companies"). The Company referred to the average volatility of the Sample Companies because management believes that the average volatility of such companies is a reasonable benchmark to use in estimating the expected volatility of the Company's common stock post-business combination.

INFORMATION SERVICES GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(tabular amounts in thousands, except per share data)

NOTE 16 STOCK-BASED COMPENSATION PLANS (Continued)

The risk-free interest rate is determined based upon the interest rate on a U.S. Treasury Bill with a term equal to the expected life of the SARs at the time the SARs was granted. An expected life of five years was taken into account for purposes of assigning a fair value to the SARs. The expected life represents the period of time the awards granted are expected to be outstanding. There were no SARs issued during 2010.

	Years Ended December 31,		
	2010	2009	2008
Expected stock volatility		73.2%	70.1%
Risk-free interest rate		1.7%	1.6%
Expected term (in years)		5.0	5.0
Dividend yield		0.0%	0.0%

The Company has never issued any stock options as of December 31, 2010.

Restricted Share Awards/Units

The Incentive Plan provides for the granting of restricted share awards ("RSA") or restricted share units ("RSU"), the vesting of which is subject to conditions and limitations established at the time of the grant. Upon the grant of an RSA, the participant has the rights of a shareholder, including but not limited to the right to vote such shares and the right to receive any dividends paid on such shares. Recipients of RSU awards will not have the rights of a shareholder of the Company until such date as the Common Shares are issued or transferred to the recipient. The Company granted 175,932 RSAs valued at $3,500 for each employee worldwide employed as of November 16, 2007 and otherwise receiving RSU under existing programs. Subject to the employee's continued employment, the restricted shares will vest with respect to 25% of the shares on each of the first four anniversaries of the grant date. If the employee retires (at the normal retirement age stated in the applicable retirement plan or applicable law, if there is a mandatory retirement age), the restricted shares will continue to vest on the same schedule as if the employee remained employed with the Company. Upon a change in control, or upon a termination of employment due to employee's death or permanent disability, the restricted shares become 100% vested. Dividends will accrue and be paid if and when the restricted shares vest.

The Company also granted RSUs to specific employees which have the following characteristics:

Performance-Based RSU Vesting: Provided the employee continues to be employed through March 31, 2011, the RSUs will vest on such date with respect to 75% of the RSUs if the Company achieves 80% of its 2010 EBITDA target, and thereafter up to 100% of the RSUs if the Company achieves 100% of its 2010 EBITDA target, with the vesting percentages in between such two target numbers being interpolated based on the achievement thereof. In the event that less than 80% of the 2010 EBITDA target is achieved, the RSUs will be forfeited. The RSUs have been forfeited as the 2010 EBITDA target was not achieved.

Time-Based RSU Vesting: So long as the employee continues to be employed through the fourth anniversary of the grant date, the RSUs will become 100% vested on such date.

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NOTE 16 STOCK-BASED COMPENSATION PLANS (Continued)

If the employee's employment is terminated (i) at any time during the vesting period due to the employee's death, disability or retirement prior to the applicable vesting date or (ii) without cause by the Company after 50% of the relevant period has elapsed, then the RSUs will vest prorata based on the period of time worked relative to such period. However, no shares will be distributed until the applicable pro rata vesting date (and, in the case of the Performance-Based RSUs, only if and to the extent that the EBITDA target is achieved). In all other terminations occurring prior to the applicable vesting date, the RSUs will expire. All RSUs will be payable in shares of the Company's common stock immediately upon vesting. No dividend equivalents will be paid with respect to any RSUs.

The fair value of RSAs and RSUs is determined based on the closing price of the Company's shares on the grant date. The total fair value is amortized to expense on a straight-line basis over the vesting period.

A summary of the status of the Company's RSAs and RSUs issued under its Incentive Plan as of December 31, 2010 and changes during the year then ended, is presented below:

	RSA	Weighted-Average Grant Date Fair Value	RSU	Weighted-Average Grant Date Fair Value
Non-vested at December 31, 2007	175	$ 7.20	619	$ 4.50
Granted		$	1,484	$ 4.08
Vested	(36)	$ 7.20		$
Forfeited	(36)	$ 7.20	(107)	$ 4.38
Non-vested at December 31, 2008	103	$ 7.20	1,996	$ 4.20
Granted		$	1,165	$ 3.13
Vested	(30)	$ 7.20	(406)	$ 4.29
Forfeited	(14)	$ 7.20	(210)	$ 4.36
Non-vested at December 31, 2009	59	$ 7.20	2,545	$ 4.21
Granted		$	350	$ 2.07
Vested	(26)	$ 7.20	(637)	$ 3.64
Forfeited	(8)	$ 7.20	(260)	$ 4.53
Non-vested at December 31, 2010	25	$ 7.20	1,998	$ 3.96

The total fair value of RSAs and RSUs vested during the years ended December 31, 2010, 2009 and 2008 was $2.4 million, $2.0 million and $0.3 million, respectively. As of December 31, 2010, there was $0.2 million and $4.4 million of unrecognized compensation cost related to RSAs and RSUs, which is expected to be recognized over a weighted-average period of 0.9 years and 2.3 years, respectively.

Employee Stock Purchase Plan

The ESPP provides that a total of 1.2 million shares of Common Stock are reserved for issuance under the plan. The ESPP, which is intended to qualify as an "employee stock purchase plan" under Section 423 of the Internal Revenue Code, is implemented utilizing three-month offerings with purchases occurring at three-month intervals. The ESPP administration is overseen by the Company's

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INFORMATION SERVICES GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(tabular amounts in thousands, except per share data)

NOTE 16 STOCK-BASED COMPENSATION PLANS (Continued)

Compensation Committee. Employees are eligible to participate if they are employed by the Company for at least 20 hours per week and more than five months in a calendar year. The ESPP permits eligible employees to purchase Common Stock through payroll deductions, ranging from one to ten percent of their eligible earnings subject to IRS regulated cap of $25,000. The price of Common Stock purchased under the ESPP is 90% of the fair market value of the Common Stock on the applicable purchase date. Employees may end their participation in an offering at any time during the offering period, and participation ends automatically upon termination of employment. The Compensation Committee may at any time amend or terminate the ESPP, except that no such amendment or termination may adversely affect shares previously granted under the ESPP. The Company may issue new shares for ESPP using treasury shares or newly issued shares. For the year ended December 31, 2010, the Company issued 142,715 shares for ESPP. There were 883,319 shares available for purchase at December 31, 2010 under the ESPP.

NOTE 17 WARRANTS

The Company 28,125,000 units at a price of $8.00 per unit and the underwriters for the Company's initial public offering exercised their over-allotment option and purchased an additional 4,218,750 units. Each unit included one share of common stock and a warrant to purchase one share of common stock at an exercise price of $6.00.

On February 6, 2007, Oenoke Partners, LLC purchased, in a Private Placement, 6,500,000 warrants at $1 per warrant. The warrants were exercisable on a cashless basis and had terms and provisions that were identical to those of the warrants sold in the Offering, except that these warrants would not be subject to redemption. Oenoke Partners, LLC also agreed that it would not sell or otherwise transfer the warrants until one year after the Company consummated a business combination, which occurred on November 16, 2007. Oenoke LLC was dissolved on December 17, 2008 and the shares and warrants were transferred to ISG's Executive Officers. The 30,647,000 warrants described above expired on January 31, 2011.

The Company also sold to the underwriters, for $100, a four-year option to purchase up to a total of 1,406,250 units at a per-unit price of $9.60. The units issuable upon exercise of this option were also identical to those offered in the Offering except that warrants included in the option have an exercise price of $7.50. The option expired on February 6, 2011.

In connection with the acquisition of TPI, the Company issued 5,000,000 warrants valued at $13.6 million ($2.72 per warrant) at an exercise price of $9.18 per share (the "MCP-TPI Warrants"). The MCP-TPI Warrants are currently exercisable and expire on November 16, 2012.

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INFORMATION SERVICES GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(tabular amounts in thousands, except per share data)

NOTE 17 WARRANTS (Continued)

A summary of the warrant activity as of December 31, 2010, 2009 and 2008 and changes during the years then ended, is presented below:

	Number of Warrants	Weighted-Average Exercise Price
Warrants outstanding as of December 31, 2007	44,972	$ 6.40
Warrants repurchased	(7,919)	6.00
Warrants outstanding as of December 31, 2008	37,053	$ 6.49
Warrants repurchased		
Warrants outstanding as of December 31, 2009	37,053	$ 6.49
Warrants repurchased		
Warrants outstanding as of December 31, 2010	37,053	$ 6.49

NOTE 18 SEGMENT AND GEOGRAPHICAL INFORMATION

The Company operates in one segment, fact-based sourcing advisory services. The Company operates principally in the Americas, Europe, and Asia Pacific. The Company's foreign operations are subject to local government regulations and to the economic and political uncertainties of those areas.

Geographical information for the segment is as follows:

	Years Ended December 31,		
	2010	2009	2008
Revenues			
Americas(1)	$ 76,123	$ 77,007	$ 96,548
Europe(2)	39,400	44,696	64,485
Asia Pacific	16,490	11,041	13,762
	$ 132,013	$ 132,744	$ 174,795
Identifiable long-lived assets			
Americas	$ 1,919	$ 2,359	$ 2,480
Europe	111	118	111
Asia Pacific	83	109	180
	$ 2,113	$ 2,586	$ 2,771

(1)

Substantially all relates to operations in the United States.

(2)

Includes revenues from operations in Germany of $20.1 million, $16.3 million and $19.5 million in 2010, 2009 and 2008, respectively. Includes revenues from operations in the United Kingdom of $9.3 million, $16.3 million and $33.5 million in 2010, 2009 and 2008, respectively.

INFORMATION SERVICES GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(tabular amounts in thousands, except per share data)

NOTE 18 SEGMENT AND GEOGRAPHICAL INFORMATION (Continued)

The segregation of revenues by geographic region is based upon the location of the legal entity performing the services. The Company does not measure or monitor gross profit or operating income by geography for the purposes of making operating decisions or allocating resources.

NOTE 19 UNAUDITED QUARTERLY INFORMATION

	Quarters Ended			
	March 31, 2010	June 30, 2010	September 30, 2010	December 31, 2010
Fiscal 2010:				
Net sales	$ 34,844	$ 33,372	$ 32,190	$ 31,607
Gross profit	$ 16,363	$ 15,593	$ 13,548	$ 14,981
Operating income (loss)(1)	$ 1,666	$ 1,027	$ (51,915)	$ (2,519)
Other expense, net	$ (864)	$ (710)	$ (891)	$ (885)
Income (loss) from operations	$ 802	$ 317	$ (52,806)	$ (3,404)
Net income (loss)	$ 460	$ 186	$ (51,747)	$ (2,064)
Basic earnings (loss) per share	$ 0.01	$ 0.01	$ (1.61)	$ (0.06)
Diluted earnings (loss) per share	$ 0.01	$ 0.01	$ (1.61)	$ (0.06)
Basic weighted average common shares	31,922	31,981	32,044	32,255
Diluted weighted average common shares	32,134	32,219	32,044	32,255

	Quarters Ended			
	March 31, 2009	June 30, 2009	September 30, 2009	December 31, 2009
Fiscal 2009:				
Net sales	$ 34,299	$ 31,518	$ 32,462	$ 34,465
Gross profit	$ 19,434	$ 13,904	$ 15,494	$ 16,238
Operating income (loss)(2)(3)	$ 2,053	$ 1,376	$ (4,204)	$ 1,589
Other income, net	$ (1,152)	$ (1,206)	$ (1,179)	$ (891)
Income (loss) from operations	$ 901	$ 170	$ (5,383)	$ 698
Net income (loss)	$ 541	$ 98	$ (3,597)	$ 122
Basic earnings (loss) per share	$ 0.02	$ 0.00	$ (0.11)	$ 0.00
Diluted earnings (loss) per share	$ 0.02	$ 0.00	$ (0.11)	$ 0.00
Basic weighted average common shares	31,418	31,471	31,478	31,595
Diluted weighted average common shares	31,465	31,559	31,478	31,992

(1) As a result of its goodwill and intangible asset impairment assessments, ISG recorded an impairment charge of $46.6 million during the third quarter of 2010 associated with goodwill and $5.9 million related to intangible assets.

(2) As a result of its intangible asset impairment assessments, ISG recorded an impairment charge of $6.8 million during the third quarter of 2009 associated with intangible assets.

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INFORMATION SERVICES GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(tabular amounts in thousands, except per share data)

NOTE 19 UNAUDITED QUARTERLY INFORMATION (Continued)

(3) The Company recorded a decrease to expense in the fourth quarter of 2009 totaling $0.2 million relating to employee benefits that were incurred in prior periods.

NOTE 20 SUBSEQUENT EVENT

On March 16, 2011, our lenders agreed to amend the total leverage ratio (as defined) for the remaining life of the 2007 Credit Agreement to provide the Company with greater financing flexibility in return for additional quarterly term loan principal repayments. In accordance with the terms of the amended 2007 Credit Agreement, the Company will make mandatory principal repayments of $3.0 million on March 31, 2011 and $1.0 million on June 30, 2011, September 30, 2011 and December 31, 2011 respectively to reduce the outstanding term loan balance to $63.8 million. The principal repayments will be made from cash generated through the Company's normal business operations.

Additional mandatory principal repayments totaling $7.0 million and $10.0 million will be due in 2012 and 2013 respectively with the remaining principal repayments due in 2014. The final mandatory term loan principal repayment will be due on November 16, 2014, which is the maturity date for the term loan.

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EXHIBIT INDEX

Exhibit Number	Description
2.0	Purchase Agreement, dated as of April 24, 2007, as amended, by and between Registrant and MCP-TPI Holdings, LLC (previously filed as Annex A to the Registrant's Definitive Proxy Statement filed with the SEC on October 17, 2007 (Commission File Number: 001-33287), and incorporated herein by reference).
2.1	Agreement for the Sale and Purchase of the Entire Issued Share Capital of CCGH Limited, dated as of January 4, 2011, between Registrant and the persons named therein filed with the SEC on January 4, 2011 (Commission File Number: 001-33287), and incorporated herein by reference).
2.2	Asset Purchase Agreement, dated as of February 10, 2011, among Registrant (for specific section only), and Salvaggio & Teal Ltd. (d/b/a Salvaggio, Teal & Associates), Salvaggio & Teal II, LLC, Mitt Salvaggio, Kirk Teal, Nathan Frey, International Consulting Acquisition Corp., filed with the SEC on February 11, 2011 (Commission File Number: 001-33287), and incorporated herein by reference).
3.1	Amended and Restated Certificate of Incorporation of the Company (previously filed as Exhibit 3.1 to Amendment No. 5 to the Registrant's Registration Statement on Form S-1 filed with the SEC on January 29, 2007 (Commission File Number: 333-136536), and incorporated herein by reference).
3.2	Amended and Restated By-Laws previously filed as Exhibit 3.2 to the Registrant's Form 8-K filed with the SEC on December 10, 2008 (Commission File Number: 001-33287), and incorporated herein by reference.
4.1	Specimen Common Stock Certificate (previously filed as Exhibit 4.2 to Amendment No. 3 to the Registrant's Registration Statement on Form S-1 filed with the SEC on December 22, 2006 (Commission File Number: 333-136536), and incorporated herein by reference).
4.2	Common Stock Purchase Warrant, dated as of November 16, 2007, issued to MCP-TPI Holdings, LLC (previously filed as Exhibit 4.8 to the Registrant's Form 8-K filed with the SEC on November 27, 2007 (Commission File Number: 001-33287), and incorporated herein by reference).
4.3	Form of Subordinated Convertible Note (previously filed as Exhibit 4.1 to the Registrant's Form 8-K filed with the SEC on January 4, 2011 (Commission File Number: 001-33287), and incorporated herein by reference).
10.1	Office Lease Agreement (previously filed as Exhibit 10.2 to Amendment No. 1 to the Registrant's Registration Statement on Form S-1 filed with the SEC on October 2, 2006 (Commission File Number: 333-136536), and incorporated herein by reference).
10.2	Registration Rights Agreement between the Registrant and the existing Stockholders dated as of February 6, 2007 (previously filed as Exhibit 10.9 to Amendment No. 3 to the Registrant's Registration Statement on Form S-1 filed with the SEC on December 22, 2006 (Commission File Number: 333-136536), and incorporated herein by reference).
10.3	Amended and Restated 2007 Equity Incentive Plan (previously filed as Annex A to the Registrant's Definitive Proxy Statement filed with the SEC on April 7, 2010 (Commission File Number: 001-33287), and incorporated herein by reference).
10.4	2007 Employee Stock Purchase Plan (previously filed as Annex C to the Registrant's Definitive Proxy Statement filed with the SEC on October 17, 2007 (Commission File Number: 001-33287), and incorporated herein by reference).

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Exhibit Number	Description
10.5	Credit Agreement, dated as of November 16, 2007, among International Advisory Holdings Corp., International Consulting Acquisition Corp., various lenders and Deutsche Bank Trust Company Americas, as Administrative Agent (previously filed as Exhibit 10.30 to the Registrant's Form 8-K filed with the SEC on November 27, 2007 (Commission File Number: 001-33287), and incorporated herein by reference).
10.6	First Amendment to Credit Agreement dated September 11, 2009 (previously filed as Exhibit 10.1 to the Registrant's Form 10-Q filed with the SEC on November 6, 2009) (Commission File Number: 001-33287), and incorporated herein by reference).
10.7	Second Amendment to Credit Agreement dated October 29, 2010 (previously filed as Exhibit 10.1 to the Registrant's Form 10-Q filed with the SEC on November 9, 2010) (Commission File Number: 001-33287), and incorporated herein by reference).
10.8*	Third Amendment to Credit Agreement dated December 23, 2010.
10.9*	Fourth Amendment to Credit Agreement dated March 16, 2011.
10.10**	Employment Letter dated as of September 24, 2009, between the Company and David E. Berger (previously filed as Exhibit 10.1 to the Registrant's Form 8-K filed with the SEC on September 29, 2009) (Commission File Number: 001-33287), and incorporated herein by reference).
10.11**	Form of Restricted Stock Unit Award Agreement (Time-Based), (previously filed as Exhibit 10.2 to the Registrant's Form 8-K filed with the SEC on September 29, 2009) (Commission File Number: 001-33287), and incorporated herein by reference).
10.12**	Form of Restricted Covenant Agreement, (previously filed as Exhibit 10.3 to the Registrant's Form 8-K filed with the SEC on September 29, 2009) (Commission File Number: 001-33287), and incorporated herein by reference).
10.13**	Severance Agreement dated as of October 5, 2009, between the Company and David E. Berger (previously filed as Exhibit 10.4 to the Registrant's Form 8-K filed with the SEC on September 29, 2009) (Commission File Number: 001-33287), and incorporated herein by reference).
10.14**	Change in Control Agreement dated as of January 7, 2011, between the Company and Michael P. Connors (previously filed as Exhibit 10.2 to the Registrant's Form 8-K filed with the SEC on January 7, 2011) (Commission File Number: 001-33287), and incorporated herein by reference).
10.15**	Change in Control Agreement dated as of January 7, 2011, between the Company and David E. Berger (previously filed as Exhibit 10.3 to the Registrant's Form 8-K filed with the SEC on January 7, 2011) (Commission File Number: 001-33287), and incorporated herein by reference).
10.16**	Employment Letter dated as of January 4, 2011 between the Company and David Whitmore (previously filed as Exhibit 10.1 to the Registrant's Form 8-K filed with the SEC on January 7, 2011) (Commission File Number: 001-33287), and incorporated herein by reference).
11.0*	Computation of Earnings Per Share (included in Consolidated Statement of Operations to the Consolidated Financial Statements included in Part II Item 8 herein).
14.0	Code of Ethics (previously filed as Exhibit 14.0 to the Registrant's Form 10-K filed with the SEC on March 27, 2008) (Commission File Number: 001-33287), and incorporated herein by reference).
21.1*	Subsidiaries of the Company.

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Exhibit Number	Description
23.1*	Consent of Independent Registered Public Accounting Firm.
24.1*	Power of Attorney.
31.1*	Certification of Chief Executive Officer Pursuant to SEC Rule 13a-14(a)/15d-14(a).
31.2*	Certification of Chief Financial Officer Pursuant to SEC Rule 13a-14(a)/15d-14(a).
32.1*	Certification of Chief Executive Officer Pursuant to 18 U.S.C. §1350.
32.2*	Certification of Chief Financial Officer Pursuant to 18 U.S.C. §1350.

* Filed herewith.

** Indicates Item 15(a)(3) exhibit (management contract or compensation plan or arrangement).

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SIGNATURES

Pursuant to the requirements of the Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of Stamford, in the State of Connecticut on March 16, 2011.

INFORMATION SERVICES GROUP, INC.

By: /s/ MICHAEL P. CONNORS

Michael P. Connors
Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf and in the capacities and on the dates indicated.

Name	Position	Date
/s/ MICHAEL P. CONNORS Michael P. Connors	Chairman and Chief Executive Officer (Principal Executive Officer)	March 16, 2011
/s/ DAVID E. BERGER David E. Berger	Executive Vice President, Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 16, 2011
*GERALD S. HOBBS Gerald S. Hobbs	Director	March 16, 2011
*KALPANA RAINA Kalpana Raina	Director	March 16, 2011
*DONALD C. WAITE III Donald C. Waite III	Director	March 16, 2011
*ROBERT E. WEISSMAN Robert E. Weissman	Director	March 16, 2011

*By: /s/ MICHAEL P. CONNORS

Michael P. Connors**

** By authority of the power of attorney filed as Exhibit 24.1 hereto

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INFORMATION SERVICES GROUP, INC.

SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS
(in thousands)

Description	Balance at Beginning of Period	Balance Assumed in Acquisitions	Charges to Costs and Expenses	Deductions	Balance at End of Period
Year ended December 31, 2010:					
Allowance for doubtful accounts	$ 206		40	(51)	$ 195
Allowance for tax valuation	$ 118		85		$ 203
Year ended December 31, 2009:					
Allowance for doubtful accounts	$ 132		510	(436)	$ 206
Allowance for tax valuation	$		118		$ 118
Year ended December 31, 2008:					
Allowance for doubtful accounts	$		275	(143)	$ 132
Allowance for tax valuation	$ 411			(411)	$