

Information Services Group Inc.
Form 10-Q
November 13, 2008

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

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

For the quarterly period ended September 30, 2008

OR

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 333-136536

INFORMATION SERVICES GROUP, INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

20-5261587
(I.R.S. Employer
Identification No.)

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**Four Stamford Plaza
107 Elm Street
Stamford, CT 06902**

(Address of principal executive offices and zip code)

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

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 No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

As of October 31, 2008, the registrant had outstanding 31,240,225 shares of common stock, par value \$0.001 per share.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions about the Company that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as may, should, could, would, expect, plan, anticipate, believe, continue, or the negative of such terms or other similar expressions. The actual results of Information Services Group, Inc. (ISG) may vary materially from those expected or anticipated in these forward-looking statements. The realization of such forward-looking statements may be impacted by certain important unanticipated factors. Because of these and other factors that may affect ISG's operating results, past performance should not be considered as an indicator of future performance, and investors should not use historical results to anticipate results or trends in future periods. We undertake no obligation to publicly release the results of any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. Readers should carefully review the risk factors described in this and other documents that ISG furnishes or files from time to time with the Securities and Exchange Commission, including subsequent Current Reports on Form 8-K, Quarterly Reports on Form 10-Q and Annual Reports on Form 10-K.

PART I FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)****INFORMATION SERVICES GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS**

(Unaudited)

(In thousands, except par value)

	September 30, 2008	December 31, 2007
ASSETS		
Current assets		
Cash and cash equivalents	\$ 57,015	\$ 47,177
Accounts receivable, net of allowance of \$87 and \$0, respectively	32,279	34,869
Receivables from related parties	39	74
Deferred tax asset	2,474	2,432
Prepaid expense and other current assets	966	2,533
Total current assets	92,773	87,085
Furniture, fixtures and equipment, net of accumulated depreciation of \$1,052 and \$189, respectively	2,892	2,673
Goodwill	145,079	146,333
Intangible assets, net of accumulated amortization of \$7,357 and \$722, respectively	111,643	118,278
Other assets	2,540	2,921
Total assets	\$ 354,927	\$ 357,290
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Accounts payable	\$ 2,247	\$ 4,760
Current maturities of long-term debt	950	950
Deferred revenue	810	2,128
Accrued expenses	20,515	20,814
Total current liabilities	24,522	28,652
Long-term debt, net of current maturities	93,338	94,050
Deferred tax liability	41,365	43,800
Total liabilities	159,225	166,502
Commitments and contingencies (Note 7)		
Stockholders equity		
Preferred stock, \$.001 par value; 10,000 shares authorized; none issued		
Common stock, \$.001 par value, 100,000 shares authorized; 31,358 shares issued and 31,366 shares issued and outstanding, respectively	31	31
Additional paid-in-capital	187,773	187,078

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Treasury stock (117 shares), net	(580)	
Accumulated other comprehensive loss	(1,470)	(739)
Retained earnings	9,948	4,418
Total stockholders' equity	195,702	190,788
Total liabilities and stockholders' equity	\$ 354,927	\$ 357,290

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

INFORMATION SERVICES GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Revenue	\$ 41,123	\$	\$ 137,370	\$
Operating expenses				
Direct costs and expenses for advisors	22,771		76,827	
Selling, general and administrative	11,934		39,482	
Depreciation and amortization	2,614	2	7,793	7
Formation and operating costs		236		775
Operating income (loss)	3,804	(238)	13,268	(782)
Interest income	307	3,394	963	8,649
Interest expense	(1,572)			