Information Services Group Inc.
Form 10-Q
May 14, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2013

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 or other jurisdiction of	(I.R.S. Employer

incorporation or organization)	Identification No.)

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**

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 x 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 x No o

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 o	Accelerated filer o
Non-accelerated filer x	Smaller reporting company o

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

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Class	**Outstanding at April 26, 2013**
Common Stock, $0.001 par value	36,813,360 shares

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 us 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, estimate, the negative of such terms or other similar expressions. The actual results of 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 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

INFORMATION SERVICES GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except par value)

	March 31, 2013 (Unaudited)	December 31, 2012
ASSETS		
Current assets		
Cash and cash equivalents	$ 18,211	$ 23,499
Accounts receivable, net of allowance of $223 and $395, respectively	44,460	40,920
Deferred tax asset	925	1,213
Prepaid expense and other current assets	2,773	1,783
Total current assets	66,369	67,415
Restricted cash	50	52
Furniture, fixtures and equipment, net	3,037	3,074
Goodwill	34,691	34,691
Intangible assets, net	26,405	27,920
Other assets	2,730	2,833
Total assets	$ 133,282	$ 135,985
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Accounts payable	$ 7,643	$ 6,072
Current maturities of long-term debt	10,000	10,000
Deferred revenue	3,433	3,652
Accrued expenses	11,653	13,209
Total current liabilities	32,729	32,933
Long-term debt, net of current maturities	50,563	53,063
Deferred tax liability	4,986	5,732
Other liabilities	5,928	5,948
Total liabilities	94,206	97,676
Commitments and contingencies (Note 6)		
Stockholders equity		
Preferred stock, $.001 par value; 10,000 shares authorized; none issued		
Common stock, $.001 par value, 100,000 shares authorized; 36,675 shares issued and 36,580 shares outstanding at March 31, 2013 and 36,675 shares issued and 36,399 outstanding at December 31, 2012	37	37
Additional paid-in-capital	205,644	205,568
Treasury stock (95 and 276 common shares, respectively, at cost)	(142)	(324)

Accumulated other comprehensive loss		(2,503)		(2,043)
Accumulated deficit		(163,960)		(164,929)
Total stockholders equity		39,076		38,309
Total liabilities and stockholders equity	$	133,282	$	135,985

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

INFORMATION SERVICES GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(In thousands, except per share data)

	Three Months Ended March 31, 2013		2012	
Revenues	$	50,588	$	46,282
Operating expenses				
Direct costs and expenses for advisors		30,032		27,346
Selling, general and administrative		16,033		16,608
Depreciation and amortization		1,913		2,157
Operating income		2,610		171
Interest income		5		14
Interest expense		(727)		(753)
Foreign currency transaction gain (loss)		48		(80)
Income (loss) before taxes		1,936		(648)
Income tax provision (benefit)		967		(76)
Net income (loss)	$	969	$	(572)
Weighted average shares outstanding:				
Basic		36,632		36,347
Diluted		38,794		36,347
Earnings (loss) per share:				
Basic	$	0.03	$	(0.02)
Diluted	$	0.03	$	(0.02)
Comprehensive income (loss):				
Net income (loss)		969		(572)
Foreign currency translation, net of tax (expense) benefit of $(282) and $297		(460)		374
Comprehensive income (loss)	$	509	$	(198)

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

INFORMATION SERVICES GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
Cash flows from operating activities		
Net income (loss)	$ 969	$ (572)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation expense	397	369
Amortization of intangibles	1,515	1,788
Amortization of deferred financing costs	83	11
Compensation costs related to stock-based awards	498	690
Bad debt expense	(202)	225
Deferred tax benefit	(176)	(318)
Loss on disposal of furniture, fixtures and equipment	16	5
Changes in operating assets and liabilities:		
Accounts receivable	(3,715)	(3,956)
Prepaid expense and other current assets	(970)	(536)
Accounts payable	1,571	589
Deferred revenue	(219)	(1,006)
Accrued liabilities	(1,577)	(2,054)
Net cash used in operating activities	(1,810)	(4,765)
Cash flows from investing activities		
Restricted cash	1	(1)
Purchase of furniture, fixtures and equipment	(426)	(748)
Net cash used in investing activities	(425)	(749)
Cash flows from financing activities		
Principal payments on borrowings	(2,500)	(1,750)
Equity securities repurchased	(326)	(684)
Proceeds from issuance of ESPP shares	86	77
Net cash used in financing activities	(2,740)	(2,357)
Effect of exchange rate changes on cash	(313)	370
Net decrease in cash and cash equivalents	(5,288)	(7,501)
Cash and cash equivalents, beginning of period	23,499	24,469
Cash and cash equivalents, end of period	$ 18,211	$ 16,968
Supplemental disclosures of cash flow information:		
Noncash financing activities:		
Issuance of treasury stock for vested restricted stock awards	$ 411	$ 417

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

INFORMATION SERVICES GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(tabular amounts in thousands, except per share data)

(unaudited)

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.

On November 16, 2007 (the TPI Acquisition Date), we consummated the acquisition of TPI Advisory Services Americas, Inc., a Texas corporation (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.

On January 4, 2011, the Company 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. Compass uses benchmarking to support fact-based decision making, analysis to optimize cost reduction, and tools and techniques to manage business performance. For accounting purposes, the acquisition of Compass has been treated as a business combination.

On February 10, 2011 the Company 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 Consulting 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. For accounting purposes, the acquisition of STA Consulting has been treated as a business combination.

During the fourth quarter of 2011, we merged our individual corporate brands into one globally integrated business under the ISG brand. We have retained our legacy brands to identify specific products and services we are known for including The TPI Index , TPI Sourcing and Compass Benchmarks .

NOTE 2 BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements as of March 31, 2013 and for the three months ended March 31, 2013 and 2012, have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial statements and pursuant to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, all adjustments (consisting of normal recurring accruals) have been made that are considered necessary for a fair presentation of the financial position of the Company as of March 31, 2013 and the results of operations and cash flows for the three months ended March 31, 2013 and 2012. The condensed consolidated balance sheet as of December 31, 2012 has been derived from the Company s audited consolidated financial statements. Operating results for the three months ended March 31, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013.

Certain information and disclosures normally included in the notes to annual financial statements prepared in accordance with GAAP have been omitted from these interim financial statements pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC). Accordingly, these unaudited condensed consolidated financial statements should be read in conjunction with the financial statements for the fiscal year ended December 31, 2012, which are included in the Company s 2012 Form 10-K filed with the SEC.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

INFORMATION SERVICES GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(continued)

(tabular amounts in thousands, except per share data)

(unaudited)

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.

Fair Value

The carrying value of the Company s cash and cash equivalents, receivables, accounts payable, long-term debt, other current liabilities, and accrued interest approximate fair value.

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.

The Company held investments in cash equivalent money market funds of $20,000 at March 31, 2013 and December 31, 2012. The Company considers the fair value of cash equivalent money market funds to be classified within Level 1 of the fair value hierarchy.

The Company s financial instruments include outstanding borrowings of $60.6 million at March 31, 2013 and $63.1 million at December 31, 2012, which are carried at amortized cost. The fair values of these instruments are classified within Level 3 of the fair value hierarchy. The fair value of the Company s outstanding borrowings is approximately $60.1 million and $62.9 million at March 31, 2013 and December 31, 2012, respectively. The fair values of these instruments have been estimated using a discounted cash flow analysis based on the Company s incremental borrowing rate for similar borrowing arrangements. The incremental borrowing rate used to discount future cash flows ranged from 3.63% to 3.75%. The Company also considered recent transactions of peer group companies for similar instruments with comparable terms and maturities as well as an analysis of current market conditions.

The Company s contingent consideration is $2.8 million at March 31, 2013 and December 31, 2012. The fair value measurement of this contingent consideration is classified within Level 3 of the fair value hierarchy and reflects the Company s own assumptions in measuring fair values using the income approach. In developing these estimates, the Company considered certain performance projections, historical results, and industry trends.

Recently Issued Accounting Pronouncements

In January 2013, the Financial Accounting Standards Board (FASB) issued new accounting guidance to address implementation issues regarding the scope of disclosures about offsetting assets and liabilities. The amendments only applies to certain derivatives accounted for in accordance with the Derivatives and Hedging topic including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements and securities borrowing and securities lending transactions that are either offset or subject to an enforceable master netting arrangement or similar agreement. The amendments are effective for reporting periods beginning on or after January 1, 2013. The adoption of this standard did not have a material impact on the Company s financial position, results of operations or cash flows.

In February 2013, the FASB issued new accounting guidance that improves the reporting of reclassifications out of accumulated other comprehensive income. This new guidance requires entities to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income when applicable or to cross-reference the reclassifications with other disclosures that provide additional detail about the reclassifications made when the reclassifications are not made to net income. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2012. The adoption of this standard did not have a material impact on the Company s financial position, results of operations or cash flows.

INFORMATION SERVICES GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(continued)

(tabular amounts in thousands, except per share data)

(unaudited)

NOTE 4 NET INCOME (LOSS) PER COMMON SHARE

Basic earnings (loss) 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 common stock that would share in the net income of the Company. At March 31, 2013, the effect of 0.2 million stock appreciation rights (SARs) have not been considered in the diluted earnings per share, since the market price of the stock was less than the exercise price during the period in the computation. The 0.8 million restricted shares have not been considered in the diluted earnings per share calculation for the three months ended March 31, 2013, as the effect would be anti-dilutive. At March 31, 2012, the effect of 1.6 million shares related to the Company s convertible debt, 5.0 million warrants, 0.4 million SARs and 2.4 million restricted shares have not been considered in the diluted earnings per share calculation for the three months ended March 31, 2012, as the effect would be anti-dilutive. In addition, 250,000 contingent restricted shares related to the acquisition of STA were excluded from basic and diluted earnings per share as the contingency was not met as of the reporting period.

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

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
Basic:		
Net income (loss)	$ 969	$ (572)
Weighted average common shares	36,632	36,347
Earnings (loss) per share	$ 0.03	$ (0.02)
Diluted:		
Net income (loss)	$ 969	$ (572)
Interest expense of convertible debt, net of tax	30	
Net income (loss), as adjusted	$ 999	$ (572)
Basic weighted average common shares	36,632	36,347
Potential common shares	2,162	
Diluted weighted average common shares	38,794	36,347
Diluted earnings (loss) per share	$ 0.03	$ (0.02)

NOTE 5 INCOME TAXES

The Company s effective tax rate for the three months ended March 31, 2013 is 49.9% compared to 11.7% for the three months ended March 31, 2012. The difference is primarily due to changes in pre-tax income and valuation allowances related to foreign operations recorded for the three months ended March 31, 2013. The Company s operations resulted in a pre-tax income of $1.9 million and a tax provision of $0.9 million at the

49.9% effective tax rate for the three months ended March 31, 2013.

As of March 31, 2013, the Company had total unrecognized tax benefits of approximately $2.7 million of which approximately $2.7 million of this benefit would impact the Company s effective tax rate if recognized. The Company recognizes interest and penalties related to unrecognized tax benefits within the income tax provision in its consolidated statement of operations. As of March 31, 2013, the Company s accrual of interest and penalties were $0.4 million.

NOTE 6 COMMITMENTS AND CONTINGENCIES

The Company is subject to contingencies which arise through the ordinary course of business. All liabilities of which management is aware are properly reflected in the financial statements at March 31, 2013 and December 31, 2012.

STA Consulting Contingent Consideration

As of March 31, 2013, we have recorded a liability of $2.8 million representing the estimated fair value of contingent consideration related to the acquisition of STA Consulting, all of which is classified as noncurrent. The Company expects to pay the remaining contingent liability in the first quarter of 2015 and the first quarter of 2016. No payments are currently anticipated in 2013 or 2014 related to 2012 and 2013 performance.

INFORMATION SERVICES GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(continued)

(tabular amounts in thousands, except per share data)

(unaudited)

NOTE 7 SEGMENT AND GEOGRAPHICAL INFORMATION

The Company operates in one segment consisting primarily of fact-based sourcing advisory services. The Company operates principally in the Americas, Europe and Asia Pacific.

Geographical revenue information for the segment is as follows:

	Three Months Ended March 31, 2013		Three Months Ended March 31, 2012	
Revenues				
Americas	$	28,845	$	23,856
Europe		16,488		15,574
Asia Pacific		5,255		6,852
	$	50,588	$	46,282

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 8 FINANCING ARRANGEMENTS AND LONG-TERM DEBT

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 $54.3 million, a 1% increase in interest rates would result in a pre-tax impact on earnings of approximately $0.5 million per year.

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.

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

INFORMATION SERVICES GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(continued)

(tabular amounts in thousands, except per share data)

(unaudited)

payments and modifications of other material debt instruments, negative pledges and agreements restricting subsidiary distributions and changes in line of business. The 2007 Credit Agreement contains customary events of default, including cross-default to other material agreements, judgment default and change of control.

The Company 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, subject to certain exclusions. The 2007 Credit Agreement includes quarterly financial covenants that require us to maintain a maximum total leverage ratio (as defined in the 2007 Credit Agreement). As of March 31, 2013, our maximum total leverage ratio was 2.75 to 1.00 and we were in compliance with all covenants contained in the 2007 Credit Agreement. The maximum total leverage ratio will continue to decline over the life of the 2007 Credit Agreement. The maximum total leverage ratio for 2013 is 2.75 for the quarter ending March 31, 2013 and 2.25 through the period ending December 31, 2013 and will continue to decline thereafter. We currently expect to be in compliance with the covenants contained within the 2007 Credit Agreement. In the event we are unable to remain in compliance with the debt covenants associated with the 2007 Credit Agreement we have alternative options available to us including, but not limited to, the ability to make a prepayment on our debt without penalty to bring the actual leverage ratio into compliance. In addition, should the Company s revenues not meet our forecast, the Company has the ability to reduce various expenditures to minimize the impact to the leverage ratio. Such actions may include reductions to headcount, variable compensation, marketing expenses, conferences and non-billable travel. Our available cash balances and liquidity will be negatively impacted should such prepayment be necessary.

On January 4, 2011, as part of the consideration for the Share Purchase, we issued an aggregate of $6.3 million in convertible notes to Compass (the 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. The Notes are subordinated and junior in right of payment of all existing and future secured indebtedness of the Company. If the price of our 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 our common stock at the rate of 1 share for every $4 in principal amount outstanding. After the Trigger event, we may prepay all or any portion of the outstanding principal amount of the Notes by giving the holder 30 days written notice.

We anticipate that our current cash and the ongoing cash flows from our operations will be adequate to meet our working capital and capital expenditure needs for at least the next twelve months. The anticipated cash needs of our business could change significantly if we pursue and complete additional business acquisitions, if our business plans change, if economic conditions change from those currently prevailing or from those now anticipated, or if other unexpected circumstances arise that may have a material effect on the cash flow or profitability of our business. If we require additional capital resources to grow our business, either internally or through acquisition, we may seek to sell additional equity securities or to secure debt financing. The sale of additional equity securities or certain forms of debt financing could result in additional dilution to our stockholders. We may not be able to obtain financing arrangements in amounts or on terms acceptable to us in the future.

As of March 31, 2013, the total principal outstanding under the term loan facility was $54.3 million. There were no borrowings under the revolving credit facility during the three months ended March 31, 2013 or March 31, 2012. Additional mandatory principal repayments totaling $7.5 million will be due in 2013 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.

NOTE 9 SUBSEQUENT EVENT

On April 26, 2013, the Company settled a portion of the Notes. The payee agreed to accept from the Company an amount equal to $650,000 as satisfaction in full of all indebtedness of $1.1 million owing by the Company to such payee. As a result of this transaction, the Company will recognize a gain of $0.5 million in the second quarter of 2013 representing the difference between the fair value of the consideration issued in the settlement transaction and the carrying value of the amounts due to the payee.

On May 3, 2013, the Company entered into a five year senior secured credit facility (the 2013 Credit Agreement) comprised of a $45.0 million term loan facility and a $25.0 million revolving credit facility. On May 3, 2013, the company borrowed $55.0 million under the 2013 Credit Agreement to refinance our existing debt and to pay transaction costs. The Company will use the proceeds from the revolving credit facility to provide ongoing working capital and for other general corporate purposes. The 2013 Credit Agreement contains a number of covenants that place restrictions on matters

INFORMATION SERVICES GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS-(continued)

(tabular amounts in thousands, except per share data)

(unaudited)

customarily restricted in senior secured credit facilities including the maintenance of specified financial ratios. As a result of this transaction, the company will realize a loss of $0.5 million in the second quarter of 2013 relating to the write down of unamortized debt financing costs relating to the prior Credit Agreement.

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis in conjunction with our financial statements and related notes included elsewhere in this report. Except for historical information, the discussion in this report contains certain forward-looking statements that involve risks and uncertainties. We have based these forward-looking statements on our current expectations and assumptions about future events. In some cases, you can identify forward-looking statements by terminology, such as may, should, could, predict, potential, continue, expect, anticip intend, plan, believe, estimate, forecast and similar expressions (or the negative of such expressions.) Forward-looking statements include statements concerning 2012 revenue growth rates and capital expenditures. Forward-looking statements are based on our beliefs as well as assumptions based on information currently available to us, including financial and operational information, the volatility of our stock price, and current competitive conditions. As a result, these statements are subject to various risks and uncertainties. For a discussion of material risks and uncertainties that the Company faces, see the discussion in our 2011 Form 10-K titled Risk Factors.

BUSINESS OVERVIEW

Information Services Group, Inc. (ISG) (NASDAQ: III) is a leading technology insights, market intelligence and advisory services company serving more than 450 clients around the world to help them achieve operational excellence. We support private and public sector organizations to transform and optimize their operational environments through research, benchmarking, consulting and managed services with a focus on information technology, business process transformation, program management services and enterprise resource planning. Clients look to us for unique insights and innovative solutions for leveraging technology, our deep data source, and more than five decades of experience of global leadership in information and advisory services. Based in Stamford, Connecticut, we have approximately 800 employees and operate in 21 countries.

Our strategy is to strengthen our existing market position and develop new services and products to support future growth plans. As a result, we are focused on growing our existing service model, expanding geographically, developing new industry sectors, productizing market data assets, expanding our managed services offering and growing via acquisition. Although we do not expect any adverse conditions that will impact our ability to execute against our strategy over the next twelve months, the more significant factors that could limit our ability to grow in these areas include global macro-economic conditions and the impact on the overall sourcing market, competition, our ability to retain advisors and reductions in discretionary spending with our top strategic accounts or other significant client events. Other areas that could impact the business would also include natural disasters, legislative and regulatory changes and capital market disruptions.

We derive our revenues from fees and reimbursable expenses for professional services. A majority of our revenues are generated under hourly or daily rates billed on a time and expense basis. Clients are typically invoiced on a monthly basis, with revenue recognized as the services are provided. There are also client engagements in which we are paid a fixed amount for our services, often referred to as fixed fee billings. This may be one single amount covering the whole engagement or several amounts for various phases or functions. From time to time, we earn incremental revenues, in addition to hourly or fixed fee billings, which are contingent on the attainment of certain contractual milestones or objectives. Such revenues may cause unusual variations in quarterly revenues and operating results.

Our results are impacted principally by our full-time consultants utilization rate, the number of business days in each quarter and the number of our revenue-generating professionals who are available to work. Our utilization rate can be negatively affected by increased hiring because there is generally a transition period for new professionals that result in a temporary drop in our utilization rate. Our utilization rate can also be affected by seasonal variations in the demand for our services from our clients. The number of business work days is also affected by the number of vacation days taken by our consultants and holidays in each quarter. We typically have fewer business work days available in the fourth quarter of the year, which can impact revenues during that period. Time-and-expense engagements do not provide us with a high degree of predictability as to performance in future periods. Unexpected changes in the demand for our services can result in significant variations in utilization and revenues and present a challenge to optimal hiring and staffing. The volume of work performed for any particular client can vary widely from period to period.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND MARCH 31, 2012

Revenues

Revenues are generally derived from engagements priced on a time and materials basis, and are recorded based on actual time worked and are recognized 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 structure. Invoices are issued to clients at least monthly.

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

Geographical revenue information for the segment is as follows:

	Three Months Ended March 31, (in thousands)			
Geographic Area	**2013**	**2012**	**Change**	**Percent Change**
Americas	$ 28,845	$ 23,856	$ 4,989	21%
Europe	16,488	15,574	914	6%
Asia Pacific	5,255	6,852	(1,597)	(23)%
Total revenues	$ 50,588	$ 46,282	$ 4,306	9%

The net increase in revenues of $4.3 million or 9% in 2013 was attributable principally to a 21% increase in Americas revenues to $28.8 million and a 6% increase in Europe revenues to $16.5 million. The increase in revenues in the Americas and Europe region is primarily attributable to higher levels of sourcing activity and increases in managed services. These increases were partially offset by a 23% reduction in Asia Pacific primarily due to lower volumes in sourcing related engagements. The translation of foreign currency into US dollars also negatively impacted performance compared to prior year.

Operating Expenses

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

	Three Months Ended March 31, (in thousands)			
Operating Expenses	**2013**	**2012**	**Change**	**Percent Change**
Direct costs and expenses for advisors	$ 30,032	$ 27,346	$ 2,686	10%
Selling, general and administrative	16,033	16,608	(575)	(3)%

Depreciation and amortization		1,913		2,157		(244)	(11)%
Total operating expenses	$	47,978	$	46,111	$	1,867	4%

Total operating expenses increased $1.9 million for the quarter with increases in direct expenses (10%) partially offset by decreases in selling, general and administrative (SG&A) expenses (3%) and depreciation and amortization (11%). The increases were due primarily to compensation, benefits, severance and contract labor. These cost increases were partially offset by lower professional fees, bad debt, marketing and stock compensation expense. The impact of foreign currency translation into US dollars also drove costs lower compared to the same prior 2012 period.

Compensation costs consist of a mix of fixed and variable salaries, annual bonuses, benefits and pension plan contributions. 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. Bonus compensation is determined based on achievement against our financial and individual targets, and is accrued monthly throughout the year based on management s 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.

Sales and marketing 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. We maintain a dedicated global marketing function responsible for developing and managing sales campaigns, brand promotion, the TPI Index and assembling proposals.

We maintain a comprehensive program for training and professional development. Related expenses include product training, updates on new service offerings or methodologies and development of 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.

Depreciation and Amortization Expense

Depreciation and amortization expense in the first quarter of 2013 and 2012 was $1.9 million and $2.2 million, respectively. The decrease of $0.3 million in depreciation and amortization expense was primarily due to decrease in amortization as a result of intangible assets that were fully amortized in 2012. Our 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. We also capitalize certain 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.

We amortize our intangible assets (e.g. client relationships and databases) over their estimated useful lives. Goodwill related to acquisitions is not amortized but is subject to annual impairment testing.

Other (Expense), Net

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

	Three Months Ended March 31, (in thousands)			
	2013	**2012**	**Change**	**Percent Change**
Interest income	$ 5	$ 14	$ (9)	(64)%
Interest expense	(727)	(753)	26	3%
Foreign currency gain (loss)	48	(80)	128	160%
Total other expense, net	$ (674)	$ (819)	$ 145	18%

Income Tax Expense

Our quarterly 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 projected to be incurred during the current fiscal year. Our effective tax rate for the three months ended March 31, 2013 was 49.9% compared to 11.7% for the three months ended March 31, 2012. The difference is primarily due to changes in pre-tax income and valuation allowances related to foreign operations recorded for the three months ended March 31, 2013. Our operations resulted in a pre-tax income of $1.9 million and a tax provision of $0.9 million at the 49.9% effective tax rate for the three months ended March 31, 2013.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Our primary sources of liquidity are cash flows from operations, existing cash and cash equivalents and our revolving credit facility. 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.

As of March 31, 2013, our cash and cash equivalents were $18.2 million, a net decrease of $5.3 million from December 31, 2012, which was primarily attributable to the following:

- net cash outflows from operating activities of $1.8 million;
- equity repurchases of $0.3 million;
- capital expenditures for furniture, fixtures and equipment of $0.4 million; and
- payment of principal amounts due on the debt of $2.5 million.

Capital Resources

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 $54.3 million, a 1% increase in interest rates would result in a pre-tax impact on earnings of approximately $0.5 million per year.

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.

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

The Company 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, subject to certain exclusions. The 2007 Credit Agreement includes quarterly financial covenants that require us to maintain a maximum total leverage ratio (as defined in the 2007 Credit Agreement). As of March 31, 2013, our maximum total leverage ratio was 2.75 to 1.00 and we were in compliance with all covenants contained in the 2007 Credit Agreement. The maximum total leverage ratio will continue to decline over the life of the 2007 Credit Agreement. The maximum total leverage ratio for 2012 is 2.75 for the quarter ending March 31, 2013 and 2.25 through the period ending December 31, 2013 and will continue to decline thereafter. We currently expect to be in compliance with the covenants contained within the 2007 Credit Agreement. In the event we are unable to remain in compliance with the debt covenants associated with the 2007 Credit Agreement we have alternative options available to us including, but not limited to, the ability to make a prepayment on our debt without penalty to bring the actual leverage ratio into compliance. In addition, should the Company s revenues not meet our forecast, the Company has the ability to reduce various expenditures to minimize the impact to the leverage ratio. Such actions may include reductions to headcount, variable compensation, marketing expenses, conferences and non-billable travel. Our available cash balances and liquidity will be negatively impacted should such prepayment be necessary.

On January 4, 2011, as part of the consideration for the Share Purchase, we issued an aggregate of $6.3 million in convertible notes to Compass (the 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. The Notes are subordinated and junior in right of payment of all existing and future secured indebtedness of the Company. If the price of our 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 our common stock at the rate of 1 share for every $4 in principal amount outstanding. After the Trigger event, we may prepay all or any portion of the outstanding principal amount of the Notes by giving the holder 30 days written notice. On April 26, 2013, the Company settled a portion of the Notes. The payee agreed to accept from the Company an amount equal to $650,000 as satisfaction in full of all indebtedness of $1.1 million owing by the Company to such payee.

We anticipate that our current cash and the ongoing cash flows from our operations will be adequate to meet our working capital and capital expenditure needs for at least the next twelve months. The anticipated cash needs of our business could change significantly if we pursue and complete additional business acquisitions, if our business plans change, if economic conditions change from those currently prevailing or from those now anticipated, or if other unexpected circumstances arise that may have a material effect on the cash flow or profitability of our business. If we require additional capital resources to grow our business, either internally or through acquisition, we may seek to sell additional equity securities or to secure debt financing. The sale of additional equity securities or certain forms of debt financing could result in additional dilution to our stockholders. We may not be able to obtain financing arrangements in amounts or on terms acceptable to us in the future.

As of March 31, 2013, the total principal outstanding under the term loan facility was $54.3 million. There were no borrowings under the revolving credit facility during the three months ended March 31, 2013 or March 31, 2012. Additional mandatory principal repayments totaling $7.5 million will be due in 2013 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.

Off-Balance Sheet Arrangements

We do 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.

Recently Issued Accounting Pronouncements

See Note 3 to our condensed consolidated financial statements included elsewhere in this report.

Critical Accounting Policies and Accounting Estimates

Our discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements. We prepare these financial statements in conformity with U.S. generally accepted accounting principles. As such, we are required to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. We base our estimates on historical experience, available information and various other assumptions we believe to be reasonable under the circumstances. On an on-going basis, we evaluate our estimates; however, actual results may differ from these estimates under different assumptions or conditions. There have been no material changes or developments in our evaluation of the accounting estimates and the underlying assumptions or methodologies that we believe to be Critical Accounting Policies and Estimates as disclosed in our Form 10-K, for the year ended December 31, 2012.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to financial market risks primarily related to changes in interest rates. A 100 basis point change in interest rates would result in an annual change in the results of operations of $0.5 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 March 31, 2013, we have no outstanding forward exchange contracts or other derivative instruments for hedging or speculative purposes. 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 gain of $48,000 for the three months ended March 31, 2013. 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 have 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.

Our 20 largest clients accounted for approximately 40% of revenue in 2012 and 33% in 2011. 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 4. 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 our 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 March 31, 2013, 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 March 31, 2013.

Internal Control Over Financial Reporting

There have not been any changes in our 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 fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 1A. RISK FACTORS

The risk factors included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012 have not materially changed.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

The following table details the repurchases that were made during the three months ended March 31, 2013.

Period	Total Number of Securities Purchased (In thousands)	Average Price per Securities	Total Numbers of Securities Purchased as Part of Publicly Announced Plan (In thousands)	Approximate Dollar Value of Securities That May Yet Be Purchased Under The Plan (In thousands)
January 1 January 31	143 shares	$ 1.16	143	$ 7,243
February 1 February 28	58 shares	$ 1.27	58	$ 7,169
March 1 March 31	53 shares	$ 1.63	53	$ 7,083

ITEM 6. EXHIBITS

The following exhibits are filed as part of this report:

Description

Exhibit Number		
10.1		Credit Agreement, dated as of May 3, 2013, among Information Services Group, Inc., various lenders and Bank of America, N.A., as Administrative Agent (previously filed as Exhibit 10.1 to the Registrant Form 8-K filed with the SEC on May 7, 2013 (Commission File Number : 001-33287), and incorporated herein by reference).
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 Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	*	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	*	The following materials from ISG s Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Condensed Statements of Operations for the three months ended March 31, 2013 and 2012, (ii) the Consolidated Condensed Balance Sheets at March 31, 2013 and December 31, 2012, (iii) Consolidated Condensed Statements of Cash Flows for the three months ended March 31, 2013 and 2012, and (iv) Notes to Consolidated Condensed Financial Statements for the three months ended March 31, 2013. In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall not be deemed to be filed for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be part of any registration statement or other document filed under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

* Filed herewith.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	INFORMATION SERVICES GROUP, INC.
Date: May 14, 2013	/s/ Michael P. Connors Michael P. Connors, Chairman of the Board and Chief Executive Officer
Date: May 14, 2013	/s/ David E. Berger David E. Berger, Executive Vice President and Chief Financial Officer