LENNOX INTERNATIONAL INC
Form 10-K
February 17, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K

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

For the fiscal year ended December 31, 2014

Commission File Number 001-15149

LENNOX INTERNATIONAL INC.
(Exact name of Registrant as specified in its charter)

Delaware	42-0991521
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

2140 Lake Park Blvd.
Richardson, Texas 75080
(Address of principal executive offices, including zip code)

(Registrant's telephone number, including area code): (972) 497-5000

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $.01 par value per share	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by checkmark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [X] No [ ]

Indicate by checkmark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act.
Yes [ ] No [X]

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 last 90 days. Yes [X] No [ ]

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 [ ]

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. [ ]

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).

Large Accelerated Filer [X] 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 Exchange Act). Yes [ ] No [X]

As of June 30, 2014, the aggregate market value of the common stock held by non-affiliates of the registrant was approximately $4.2 billion based on the closing price of the registrant's common stock on the New York Stock Exchange. As of February 6, 2015, there were 44,676,927 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Definitive Proxy Statement to be filed with the Securities and Exchange Commission in connection with the registrant's 2015 Annual Meeting of Stockholders to be held on May 14, 2015 are incorporated by reference into Part III of this report.

LENNOX INTERNATIONAL INC.
FORM 10-K
For the Fiscal Year Ended December 31, 2014

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PART I
Item 1. Business

References in this Annual Report on Form 10-K to “we,” “our,” “us,” “LII” or the “Company” refer to Lennox International In
and its subsidiaries, unless the context requires otherwise.

The Company

We are a leading global provider of climate control solutions and design, manufacture and market a broad range of products for the heating, ventilation, air conditioning and refrigeration (“HVACR”) markets. We have leveraged our expertise to become an industry leader known for innovation, quality and reliability. Our products and services are sold through multiple distribution channels under various brand names. The Company was founded in 1895, in Marshalltown, Iowa, by Dave Lennox, the owner of a machine repair business for railroads. He designed and patented a riveted steel coal-fired furnace, which led to numerous advancements in heating, cooling and climate control solutions.

Shown in the table below are our three business segments, the key products, services and well-known product and brand names within each segment and net sales in 2014 by segment. Segment financial data for 2014, 2013 and 2012, including financial information about foreign and domestic operations, is included in Note 19 of the Notes to our Consolidated Financial Statements in “Item 8. Financial Statements and Supplementary Data” and is incorporated herein by reference.

Segment	Products & Services	Product and Brand Names	2014 Net Sales (in millions)
Residential Heating & Cooling	Furnaces, air conditioners, heat pumps, packaged heating and cooling systems, indoor air quality equipment, comfort control products, replacement parts	Lennox, Dave Lennox Signature, Armstrong Air, Ducane, Aire-Flo, Air-Ease, Concord, Magic-Pak, ADP Advanced Distributor Products, iComfort and Lennox PartsPlus	$1,736.5
Commercial Heating & Cooling	Unitary heating and air conditioning equipment, applied systems, controls, installation and service of commercial heating and cooling equipment	Lennox, Allied Commercial, Magic-Pak, Raider, Landmark, Prodigy, Strategos, Energence and Lennox National Account Services	878.5
Refrigeration	Condensing units, unit coolers, fluid coolers, air cooled condensers, air handlers, process chillers, controls, compressorized racks, supermarket display cases and systems	Heatcraft Worldwide Refrigeration, Bohn, Larkin, Climate Control, Chandler Refrigeration, Kysor/Warren, Friga-Bohn, HK Refrigeration, Hyfra, Kirby and Interlink	752.4
		Total	$3,367.4

On March 22, 2013, the Company sold its Service Experts business to a majority-owned entity of American Capital, Ltd. in an all cash transaction for proceeds, excluding transaction costs, of $10.4 million. The Service Experts business had previously been reported within our Service Experts segment along with the Lennox National Account Services ("NAS") commercial services business. Beginning in the third quarter of 2012, the Service Experts business was included in discontinued operations, NAS was included in our Commercial Heating & Cooling segment, and the Service Experts reportable segment was eliminated. Segment results for all periods have been revised to reflect this new presentation.

Products and Services

Residential Heating & Cooling

Heating & Cooling Products. We manufacture and market a broad range of furnaces, air conditioners, heat pumps, packaged heating and cooling systems, comfort control products, accessories to improve indoor air quality, replacement parts and related products for both the residential replacement and new construction markets in North America. These products are available in a variety of designs and efficiency levels and at a range of price points, and are intended to provide a complete line of home comfort systems. We believe that by maintaining a broad product line marketed under multiple brand names, we can address different market segments and penetrate multiple distribution channels.

The “Lennox” and “Aire-Flo” brands are sold directly to a network of approximately 7,000 independent installing dealers,

making us one of the largest wholesale distributors of residential heating and air conditioning products in North America. The Allied Air Enterprise brands ("Armstrong Air," "Air-Ease," "Concord," "Ducane," and "Magic-Pak") include a full line of heating and air conditioning products and are sold through independent distributors in North America.

We are continuing to grow our network of over 160 Lennox PartsPlus stores across the United States and Canada. These stores provide an easy access solution for contractors and independent dealers to obtain universal service and replacement parts, supplies, convenience items, tools, Lennox equipment and OEM parts.

Our Advanced Distributor Products ("ADP") operation builds evaporator coils and air handlers under the "ADP Advanced Distributor Products" brand, as well as the "Lennox" brand. ADP sells its own ADP branded evaporator coils to over 400 HVAC wholesale distributors across North America as well as a full line of evaporator coils to Allied Air Enterprise.

Commercial Heating & Cooling

North America. In North America, we manufacture and sell unitary heating and cooling equipment used in light commercial applications, such as low-rise office buildings, restaurants, retail centers, churches and schools. Our product offerings for these applications include rooftop units ranging from 2 to 50 tons of cooling capacity and split system/air handler combinations, which range from 1.5 to 20 tons of cooling capacity. These products are distributed primarily through commercial contractors and directly to national account customers. In 2014, we launched Lennox-branded variable refrigerant flow ("VRF") commercial products through Lennox company-owned distribution. We believe the success of our products is attributable to their efficiency, design flexibility, total cost of ownership, low life-cycle cost, ease of service and advanced control technology.

National Account Services. NAS provides service and preventive maintenance for commercial HVAC national account customers in the United States and Canada.

Europe. In Europe, we manufacture and sell unitary products, which range from 2 to 70 tons of cooling capacity, and applied systems with up to 200 tons of cooling capacity. Our European products consist of small package units, rooftop units, chillers, air handlers and fan coils that serve medium-rise commercial buildings, shopping malls, other retail and entertainment buildings, institutional applications and other field-engineered applications. We manufacture heating and cooling products in several locations in Europe and market these products through both direct and indirect distribution channels in Europe, Russia, Turkey and the Middle East.

Refrigeration

We manufacture and market equipment for the global commercial refrigeration markets under the Heatcraft Worldwide Refrigeration name. We sell these products to distributors, installing contractors, engineering design firms, original equipment manufacturers and end-users. Our global manufacturing, distribution, sales and marketing footprint serves customers in over 70 countries worldwide.

North America. Our commercial refrigeration products for the North American market include condensing units, unit coolers, fluid coolers, air-cooled condensers, air handlers, display cases and refrigeration rack systems. These products preserve food and other perishables in supermarkets, convenience stores, restaurants, warehouses and distribution centers. In addition, our products are used to cool a wide variety of industrial processes, including data centers, cogeneration, machine tooling, and other critical cooling applications. We routinely provide application engineering for consulting engineers, contractors, store planners, end customers and others to support the sale of commercial refrigeration products. In addition to providing complete refrigeration systems and display cases, we also provide turnkey installations for our supermarket customers in Mexico.

International. In international markets, we manufacture and market refrigeration products including condensing units, unit coolers, air-cooled condensers, fluid coolers, compressor racks and industrial process chillers. We have manufacturing locations in Germany, France, Brazil and China. In Australia and New Zealand, we are the leading wholesale distribution business serving the HVACR industry with more than 70 locations serving our customers, which also includes the sale of refrigerant. In addition, we own a 50% common stock interest in a joint venture in Mexico that produces unit coolers, air-cooled condensers, condensing units, compressors and compressor racks of the same design and quality as those manufactured by our U.S. business. This joint venture product line is complemented with imports from the U.S., which are sold through the joint venture's distribution network.

Business Strategy

Our business strategy is to sustain and expand our premium market position as well as offer a full spectrum of products to meet our customers' needs. We plan to expand our market position through organic growth and acquisitions while maintaining our focus on cost reductions to drive margin expansion and support growth in target business segments. This strategy is supported by the following five strategic priorities:

Innovative Product and System Solutions. In all of our markets, we are building on our heritage of innovation by developing residential, commercial, and refrigeration products that give families and business owners more precise control over more aspects of their indoor environments, while significantly lowering their energy costs.

Manufacturing and Sourcing Excellence. We maintain our commitment to manufacturing and sourcing excellence by driving low-cost assembly through rationalization of our facilities and product lines, maximizing factory efficiencies, and leveraging our purchasing power and sourcing initiatives to expand the use of lower-cost components that meet our high-quality requirements.

Distribution Excellence. By investing resources in expanding our distribution network, we are making products available to our customers in a timely, cost-efficient manner. Additionally, we provide enhanced dealer support through the use of technology, training, advertising and merchandising.

Geographic Expansion. We are growing our business by extending our successful business model and product knowledge into domestic and international markets.

Expense Reduction. Through our cost management initiatives, we are optimizing operating, manufacturing and administrative costs.

Marketing and Distribution

We utilize multiple channels of distribution and offer different brands at various price points in order to better penetrate the HVACR markets. Our products and services are sold through a combination of direct sales, distributors and company-owned parts and supplies stores. Dedicated sales forces and manufacturers' representatives are deployed across our business segments and brands in a manner designed to maximize our ability to service each distribution channel. To optimize enterprise-wide effectiveness, we have active cross-functional and cross-organizational teams coordinating approaches to pricing, product design, distribution and national account customers.

The North American residential heating and cooling market provides an example of the competitive strength of our marketing and distribution strategy. We use three distinct distribution approaches in this market: the company-owned distribution system, the independent distribution system and direct sales to end-users. We distribute our “Lennox” and “Aire-Flo” brands in a company-owned process directly to independent dealers that install these heating and cooling products. Also, we sell our products directly to customers through our Lennox PartsPlus stores. We distribute our “Armstrong Air,” “Ducane,” “Air-Ease,” “Concord,” “Magic-Pak” and “ADP Advanced Distributor Products” brands through traditional independent distribution process pursuant to which we sell our products to distributors who, in turn, sell the products to installing contractors.

Over the years, the “Lennox” brand has become inextricably linked with “Dave Lennox,” a highly recognizable advertising icon in the heating and cooling industry. We utilize the “Dave Lennox” image in mass media advertising, as well as in numerous locally produced dealer advertisements, open houses and trade events.

Manufacturing

We operate manufacturing facilities worldwide and utilize the best available manufacturing techniques based on the needs of our businesses, including the use of lean manufacturing and Six Sigma principles. We use numerous metrics to track and manage annual efficiency improvements. Some facilities are impacted by seasonal production demand, and we manufacture both heating and cooling products in those facilities to balance production and maintain a relatively stable labor force. We may also hire temporary employees to meet changes in demand.

Strategic Sourcing

We rely on various suppliers to furnish the raw materials and components used in the manufacturing of our products. To maximize our buying effectiveness in the marketplace, our central strategic sourcing group consolidates purchases of certain materials, components and indirect items across business segments. The goal of the strategic sourcing group is to develop global

strategies for a given component group, concentrate purchases with three to five suppliers and develop long-term relationships with these vendors. By developing these strategies and relationships, we seek to leverage our material needs to reduce costs and improve financial and operating performance. Our strategic sourcing group also works with selected suppliers to reduce costs and improve quality and delivery performance by employing lean manufacturing and Six Sigma, a disciplined, data-driven approach and methodology for improving quality.

Compressors, motors and controls constitute our most significant component purchases, while steel, copper and aluminum account for the bulk of our raw material purchases. We own equity interests in joint ventures that manufacture compressors. These joint ventures provide us with compressors for our residential, commercial and refrigeration businesses.

Research and Development and Technology

Research and development is a key pillar of our growth strategy. We operate a global engineering and technology organization that focuses on new technology invention, product development, product quality improvements and process enhancements. We leverage intellectual property and innovative designs across our businesses. We also leverage product development cycle time improvements and product data management systems to commercialize new products to market more rapidly. We use advanced, commercially available computer-aided design, computer-aided manufacturing, computational fluid dynamics and other sophisticated design tools to streamline the design and manufacturing processes. We use complex computer simulations and analyses in the conceptual design phase before functional prototypes are created. We also operate a full line of prototype machine equipment and advanced laboratories certified by applicable industry associations.

Seasonality

Our sales and related segment profit tend to be seasonally higher in the second and third quarters of the year because summer is the peak season for sales of air conditioning equipment and services in the U.S. and Canada. For the same reason, our working capital needs are generally greater in the first and second quarters, and we generally have higher operating cash inflows in the third and fourth quarters.

Our markets are driven by seasonal weather patterns. HVAC products and services are sold year round, but the volume and mix of product sales and service change significantly by season. The industry ships roughly twice as many units during June as it does in December. Overall, cooling equipment represents a substantial portion of the annual HVAC market. Between the heating season (roughly November through February) and cooling season (roughly May through August) are periods commonly referred to as "shoulder seasons" when the distribution channel transitions its buying patterns from one season to the next. These seasonal fluctuations in mix and volume drive our sales and related segment profit, resulting in somewhat higher sales in the second and third quarters due to the higher volume in the cooling season relative to the heating season.

Patents and Trademarks

We hold numerous patents that relate to the design and use of our products. We consider these patents important, but no single patent is material to the overall conduct of our business. We proactively obtain patents to further our strategic intellectual property objectives. We own or license several trademarks and service marks we consider important in the marketing of our products and services, and we protect our marks through national registrations and common law rights.

Competition

Substantially all markets in which we participate are competitive. The most significant competitive factors we face are product reliability, product performance, service and price, with the relative importance of these factors varying among our businesses. The following are some of the companies we view as significant competitors in each of our three business segments, with relevant brand names, when different from the company name, shown in parentheses. The marks below may be the registered or unregistered trademarks or trade names of their respective owners.

- Residential Heating & Cooling - United Technologies Corp. (Carrier, Bryant, Tempstar, Comfortmaker, Heil, Arcoaire, KeepRite, Day & Night); Ingersoll-Rand plc (Trane, American Standard); Paloma Industries, Inc. (Rheem, Ruud); Johnson Controls, Inc. (York); Daikin Industries, Ltd. (Goodman, Amana); and Nortek, Inc. (Maytag, Westinghouse, Frigidaire, Tappan, Philco, Kelvinator, Gibson, Broan, NuTone).

- Commercial Heating & Cooling - United Technologies Corp. (Carrier, ICP Commercial); Ingersoll-Rand plc (Trane); Paloma Industries, Inc. (Rheem, Ruud); Johnson Controls, Inc. (York); Daikin Industries, Ltd. (Goodman, McQuay); Nortek, Inc. (Mammoth); and AAON, Inc.

- Refrigeration - Hussmann Corporation; Rheem Manufacturing Company (Heat Transfer Products Group); Emerson Electric Co. (Copeland); United Technologies Corp. (Carrier); GEA Group (Kuba, Searle, Goedhart); Alfa Laval; Guntner GmbH; and Panasonic Corp. (Sanyo).

Employees

As of February 6, 2015, we employed approximately 9,800 employees. Approximately 4,700 of these employees were salaried and 5,100 were hourly. The number of hourly workers we employ may vary in order to match our labor needs during periods of fluctuating demand. Approximately 2,400 employees are represented by unions. We believe we have good relationships with our employees and with the unions representing our employees. We currently do not anticipate any material adverse consequences resulting from negotiations to renew any collective bargaining agreements.

Environmental Regulation

Our operations are subject to evolving and often increasingly stringent international, federal, state and local laws and regulations concerning the environment. Environmental laws that affect or could affect our domestic operations include, among others, the National Appliance Energy Conservation Act of 1987, as amended ("NAECA"), the Energy Policy Act, the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation and Liability Act, the National Environmental Policy Act, the Toxic Substances Control Act, any regulations promulgated under these acts and various other international, federal, state and local laws and regulations governing environmental matters. We believe we are in substantial compliance with such existing environmental laws and regulations.

Energy Efficiency. The U.S. Department of Energy published a direct final rule setting minimum efficiency standards for residential heating and cooling products. The standards for non-weatherized furnaces were to take effect in 2013, however, the direct final rule for furnace standards was vacated as the result of a negotiated settlement between the American Public Gas Association (APGA) and the Department of Energy (DOE). Standards for split cooling systems became effective January 1, 2015. We offer products that meet or exceed these new standards. The U.S. Department of Energy has numerous active rulemakings that impact residential and commercial heating, air conditioning and refrigeration equipment. We are actively involved in U.S. Department of Energy and Congressional activities related to energy efficiency standards. We believe we are prepared to have compliant products in place in advance of the effectiveness of all such regulations being considered by the U.S. Department of Energy or Congress.

Refrigerants. The use of hydrochlorofluorocarbons, "HCFCs," and hydroflurocarbons "HFCs" as refrigerants for air conditioning and refrigeration equipment is common practice in the HVACR industry and is regulated. We believe we have complied with applicable rules and regulations in various countries governing the use of HCFCs and HFCs. The United States Congress, Environmental Protection Agency and other international regulatory bodies are considering steps to phase down the future use of HFCs in HVACR products. We have been an active participant in the ongoing international and domestic dialogue on this subject and believe we are well positioned to react in a timely manner to any changes in the regulatory landscape. In addition, we are taking proactive steps to implement responsible use principles and guidelines with respect to limiting refrigerants from escaping into the atmosphere throughout the life span of our HVACR equipment.

Remediation Activity. In addition to affecting our ongoing operations, applicable environmental laws can impose obligations to remediate hazardous substances at our properties, at properties formerly owned or operated by us and at facilities to which we have sent or send waste for treatment or disposal. We are aware of contamination at some of our facilities; however, based on facts presently known, we do not believe that any future remediation costs at such

facilities will be material to our results of operations. For more information, see Note 10 in the Notes to our Consolidated Financial Statements.

In the past, we have received notices that we are a potentially responsible party along with other potentially responsible parties in Superfund proceedings under the Comprehensive Environmental Response, Compensation and Liability Act for cleanup of hazardous substances at certain sites to which the potentially responsible parties are alleged to have sent waste. Based on the facts presently known, we do not believe environmental cleanup costs associated with any Superfund sites where we have received notice that we are a potentially responsible party will be material.

European WEEE and RoHS Compliance. In the European marketplace, electrical and electronic equipment is required to comply with the Directive on Waste Electrical and Electronic Equipment (“WEEE”) and the Directive on Restriction of Use of Certain Hazardous Substances (“RoHS”). WEEE aims to prevent waste by encouraging reuse and recycling and RoHS restricts the use of six hazardous substances in electrical and electronic products. All HVACR products and certain components of such products “put on the market” in the EU (whether or not manufactured in the EU) are potentially subject to WEEE and RoHS.

Because all HVACR manufacturers selling within or from the EU are subject to the standards promulgated under WEEE and RoHS, we believe that neither WEEE nor RoHS uniquely impact us as compared to such other manufacturers. Similar directives are being introduced in other parts of the world, including the U.S. For example, California, China and Japan have all adopted standards possessing similar intent as RoHS. We are actively monitoring the development of such directives and believe we are well positioned to comply with such directives in the required time frames.

Available Information

Our web site address is www.lennoxinternational.com. We make available, free of charge through our web site, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as soon as reasonably possible after such material is electronically filed with, or furnished to, the Securities and Exchange Commission. The information on our web site is not a part of, or incorporated by reference into, this annual report on Form 10-K.

You can also read and copy any document that we file, including this Annual Report on Form 10-K, at the Securities and Exchange Commission's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Call the Securities and Exchange Commission at 1-800-SEC-0330 for information on the operation of the Public Reference Room. In addition, the Securities and Exchange Commission maintains an Internet site at www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers, including Lennox International, that file electronically with the Securities and Exchange Commission.

Executive Officers of the Company

Our executive officers, their present positions and their ages are as follows as of February 6, 2015:

Name	Age	Position
Todd M. Bluedorn	51	Chairman of the Board and Chief Executive Officer
Joseph W. Reitmeier	50	Executive Vice President and Chief Financial Officer
Douglas L. Young	52	Executive Vice President and President and Chief Operating Officer, LII Residential Heating & Cooling
Terry L. Johnston	57	Executive Vice President and President and Chief Operating Officer, LII North America Commercial Heating & Cooling
David W. Moon	53	Executive Vice President and President and Chief Operating Officer, LII Worldwide Refrigeration
Prakash Bedapudi	48	Executive Vice President and Chief Technology Officer
Daniel M. Sessa	50	Executive Vice President and Chief Human Resources Officer
John D. Torres	56	Executive Vice President, Chief Legal Officer and Secretary
Roy A. Rumbough, Jr.	59	Vice President, Controller and Chief Accounting Officer

Todd M. Bluedorn became Chief Executive Officer and was elected to our Board of Directors in April 2007. Mr. Bluedorn was elected Chairman of the Board of Directors in May 2012. Prior to joining the company, Mr. Bluedorn served in numerous senior management positions for United Technologies since 1995, including President, Americas - Otis Elevator Company; President, North America - Commercial Heating, Ventilation and Air Conditioning for Carrier Corporation; and President, Hamilton Sundstrand Industrial. He began his professional career with McKinsey & Company in 1992. A graduate of the United States Military Academy at West Point with a B.S. in electrical engineering, Mr. Bluedorn served in the United States Army as a combat engineer officer and United States Army

Ranger from 1985 to 1990. He received his MBA from Harvard University School of Business in 1992. Mr. Bluedorn also serves on the Board of Directors of Eaton Corporation and on the Board of Trustees of Washington University in St. Louis.

Joseph W. Reitmeier was appointed Executive Vice President and Chief Financial Officer in July 2012. He had previously served as Vice President of Finance for the Lennox Commercial business segment since 2007. Mr. Reitmeier first joined LII in 2005 and served as Director of Internal Audit. Before joining LII, Mr. Reitmeier held financial leadership roles at Cummins Inc. and PolyOne Corporation. He holds a BSA in Accounting from the University of Akron and an MBA from Case Western Reserve University.

Douglas L. Young was appointed Executive Vice President and President and Chief Operating Officer of LII's Residential Heating & Cooling segment in October 2006. Mr. Young had previously served as Vice President and General Manager of North American Residential Products since 2003 and as Vice President and General Manager of Lennox North American Residential Sales, Marketing, and Distribution from 1999 to 2003. Prior to his career with LII, Mr. Young was employed in the Appliances division of GE, where he held various management positions before serving as General Manager of Marketing for GE Appliance division's retail group from 1997 to 1999 and as General Manager of Strategic Initiatives in 1999. He holds a BSBA from Creighton University and an MS in Management from Purdue University. Mr. Young serves on the Board of Directors of Beacon Roofing Supply, a distributor of roofing materials and complementary building products.

Terry L. Johnston was appointed Executive Vice President and President and Chief Operating Officer of LII's North America Commercial Heating & Cooling segment in January 2013. He had previously served as Vice President and General Manager of LII's North America commercial equipment business, and before that, held marketing leadership roles in LII's residential and commercial businesses. Prior to joining LII in 2001, Mr. Johnston spent 20 years at General Electric Company in a variety of product management and sales and marketing roles. He holds a BS in Marketing from the University of Arkansas.

David W. Moon was appointed Executive Vice President and President and Chief Operating Officer of LII's Worldwide Refrigeration segment in August 2006. Mr. Moon had previously served as Vice President and General Manager of Worldwide Refrigeration, Americas Operations since 2002. Prior to serving in that position, he served as Managing Director in Australia beginning in 1999, where his responsibilities included heat transfer manufacturing and distribution, refrigeration wholesaling and manufacturing, and HVAC manufacturing and distribution in Australia and New Zealand. Mr. Moon originally joined LII in 1998 as Operations Director, Asia Pacific. Prior to that time, Mr. Moon held various management positions at Allied Signal, Inc., Case Corporation, and Tenneco Inc. in the United States, Hong Kong, Taiwan and Germany. He holds a BS in Civil Engineering and an MBA from Texas A&M University.

Prakash Bedapudi became Executive Vice President and Chief Technology Officer in July 2008. He had previously served as vice president, global engineering and program management for Trane Inc. Commercial Systems from 2006 through 2008, and as vice president, engineering and technology for Trane's Residential Systems division from 2003 through 2006. Prior to his career at Trane, Mr. Bedapudi served in senior engineering leadership positions for GE Transportation Systems, a division of General Electric Company, and for Cummins Engine Company. He holds a BS in Mechanical/Automotive Engineering from Karnataka University, India and an MS in Mechanical/Aeronautical Engineering from the University of Cincinnati.

Daniel M. Sessa was appointed Executive Vice President and Chief Human Resources Officer in June 2007. Mr. Sessa previously served in numerous senior human resources and legal leadership positions for United Technologies Corporation since 1996, including Vice President, Human Resources for Otis Elevator Company - Americas from 2005 to 2007, Director, Employee Benefits and Human Resources Systems for United Technologies Corporation from 2004 to 2005, and Director, Human Resources for Pratt & Whitney from 2002 to 2004. He holds a JD from the Hofstra University School of Law and a BA in Law & Society from the State University of New York at Binghamton.

John D. Torres was appointed Executive Vice President and Chief Legal Officer in December 2008. He had previously served as Senior Vice President, General Counsel and Secretary for Freescale Semiconductor, a semiconductor manufacturer that was originally part of Motorola. He joined Motorola's legal department as Senior Counsel in 1996 and was appointed Vice President, General Counsel of the company's semiconductor business in 2001. Prior to joining Motorola, Mr. Torres served 13 years in private practice in Phoenix, specializing in commercial law. He holds a BA from Notre Dame and a JD from the University of Chicago.

Roy A. Rumbough, Jr. was appointed Vice President, Controller and Chief Accounting Officer in July 2006. He had previously served as Vice President, Corporate Controller of Maytag Corporation, a position he held since 2002. From 1998 to 2002, he served as Vice President, Controller of Blodgett Corporation, a portfolio of food service equipment companies and former affiliate of Maytag. Mr. Rumbough's career at Maytag spanned 17 years and included internal audit, financial planning and analysis, and business unit controller roles. Prior to his career at Maytag, he worked for Deloitte and Touche, LLP. He holds a BA in Accounting from North Carolina State University and an MBA from the Kellogg School of Management, Northwestern University.

Item 1A. Risk Factors
Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act that are based on information currently available to management as well as management's assumptions and beliefs. All statements, other than statements of historical fact, included in this Annual Report on Form 10-K constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including but not limited to statements identified by the words “may,” “will,” “should,” “plan,” “predict,” “anticipate,” “believe,” ̶g:0in .7pt 0in 0in;width:2.38%;">

14,195,374

Net income per share, basic and diluted

$

0.04

$

0.07

See notes to condensed financial statements.

3

INFORMATION SERVICES GROUP, INC.
(a corporation in the development stage)

CONDENSED STATEMENTS OF STOCKHOLDER S EQUITY (DEFICIT)

For the period July 20, 2006 (date of inception) to March 31, 2007

	Common Stock Shares	Amount	Additional Paid-in-Capital	Retained Earnings (Deficit) Accumulated During the Development Stage	Total Stockholders Equity (Deficit)
Common shares issued to existing shareholders	8,085,937	$ 8,086	$ 1,992	$	$ 10,078
Warrant redemption			(4,687)		(4,687)
Net loss from July 20, 2006 (inception) to December 31, 2006				(54,819)	(54,819)
Balance, December 31, 2006	8,085,937	8,086	(2,695)	(54,819)	(49,428)
Unaudited:					
Sale of 32,343,750 units on February 6, 2007 at a price of $8 per unit, net underwriters discount and offering costs (including 6,468,750 shares subject to possible redemption)	32,343,750	32,344	239,779,338		239,811,682
Proceeds subject to possible redemption 6,468,750 shares			(50,809,998)		(50,809,998)
Proceeds from issuance of warrants			6,500,000		6,500,000
Proceeds from issuance of options			100		100
Net income for the three months ended March 31, 2007				1,060,830	1,060,830
Balance, March 31, 2007(unaudited)	40,429,687	$ 40,430	$ 195,466,745	$ 1,006,011	$ 196,513,186

See notes to condensed financial statements.

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INFORMATION SERVICES GROUP, INC.
(a corporation in the development stage)

CONDENSED STATEMENTS OF CASH FLOWS
(unaudited)

	For the three months ended March 31, 2007	For the period July 20, 2006 (inception) to March 31, 2007
Cash flows from operating activities		
Net income	$ 1,060,830	$ 1,006,011
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	2,415	4,079
Increase (decrease) in cash attributable to changes in operating assets and liabilities		
Prepaid expense and other current assets	(365,397)	(375,781)
Accounts payable and accrued expenses	93,136	109,807
Income taxes payable	578,070	578,070
Net cash provided by operating activities	1,369,054	1,322,186
Cash flows from investing activities		
Purchase of equipment		(48,305)
Payments of deferred acquisition costs	(12,286)	(12,286)
Cash and cash equivalents held in trust	(255,070,144)	(255,070,144)
Net cash used in investing activities	(255,082,430)	(255,130,735)
Cash flows from financing activities		
Proceeds from notes payable, stockholder		250,000
Payment of notes payable, stockholder	(250,000)	(250,000)
Redemption of warrants		(4,687)
Proceeds from issuance of common stock		10,078
Proceeds from issuance of warrants in private placement	6,500,000	6,500,000
Gross proceeds from public offering	258,750,000	258,750,000
Payments for underwriters discount and offering cost	(10,604,511)	(10,675,818)
Proceeds from issuance of option	100	100
Net cash provided by financing activities	254,395,589	254,579,673
Net increase in cash and cash equivalents	682,213	771,124
Cash and cash equivalents, beginning of period	88,911	
Cash and cash equivalents, end of period	$ 771,124	$ 771,124
Supplemental disclosures of cash flow information:		
Cash paid for:		
Interest	$ 6,479	$ 6,479
Taxes	$ 102,250	$ 102,250
Supplemental schedule of non-cash investing and financing activities:		
Accrual of deferred acquisition costs	$ 729,000	$ 729,000
Deferred underwriters fees	$ 8,262,500	$ 8,262,500

See notes to consensed financial statements.

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INFORMATION SERVICES GROUP, INC.
(a corporation in the development stage)

Notes to Condensed Financial Statements

NOTE A BASIS OF PRESENTATION

The accompanying unaudited condensed financial statements as of March 31, 2007 and for the periods ended March 31, 2007, have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial statements and pursuant to Form 10-Q and Article 10 of Regulation S-X. Certain information and footnote disclosures normally included in the Company s annual audited financial statements have been condensed or omitted pursuant to such rules and regulations. 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, 2007 and the financial results for the three months then ended as well as for the period July 20, 2006 (date of inception) through March 31, 2007. Operating results for the interim period presented are not necessarily indicative of the results to be expected for a full year.

These unaudited condensed financial statements should be read in conjunction with the financial statements for the fiscal year ended December 31, 2006, which are included in the Company s 2006 Form 10-K filed with the Securities and Exchange Commission.

NOTE B DESCRIPTION OF ORGANIZATION AND BUSINESS OPERATIONS

Information Services Group, Inc. (a corporation in the development stage) (the Company or ISG) 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 Company has neither engaged in any operations nor generated significant revenue to date. The Company is considered to be in the development stage as defined in Statement of Financial Accounting Standards (SFAS) No. 7, Accounting and Reporting By Development Stage Enterprises , and is subject to the risks associated with activities of development stage companies.

The registration statement for the Company s initial public offering (the Offering) (as described in Note D) was declared effective on January 31, 2007. The Company consummated the Offering on February 6, 2007, and 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) (see Note E). The Company received net proceeds of $254,550,000 from the Private Placement and the Offering.

The Company s management has 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 are intended to be generally applied toward consummating a business combination with (or acquisition of) an operating business in the information services industry (Business Combination). Furthermore, there is no assurance that the Company will be able to successfully effect a Business Combination. Since the closing of the Offering, approximately 98.1% ($254,050,000) of the aggregate gross proceeds from units offered to the public, after payment of certain amounts to the underwriters, offering costs and funding of working capital, is held in a trust account (Trust Account). The Trust Account will be invested in government securities having a maturity of 180 days or less or money market funds meeting the conditions specified in Rule 2a-7 under the Investment Company Act of 1940 until the earlier of (i) the consummation of its first Business Combination or (ii) the distribution of the Trust Account as described below. Under the Trust Account agreement, up to $3 million of the interest earned on the Trust Account (net of taxes) can be used for the Company s operating activities. As of March 31, 2007, the balance in the Trust Account was approximately $255,070,000, which included approximately $1,955,000 of interest earned, net of approximately $935,000 funds disbursed for taxes and operating activities. The remaining net proceeds

(not held in the Trust Account) may be used to pay for business, legal and accounting due diligence on prospective acquisitions and continuing general and administrative expenses.

The Company will seek stockholder approval before it will effect any Business Combination, even if the Business Combination would not ordinarily require stockholder approval under applicable state law. In connection with the stockholder vote required to approve any Business Combination, the Company s existing stockholders prior to the Offering have agreed to vote the shares of common stock owned by them immediately before the Offering in accordance with the majority of the shares of common stock voted by the Public Stockholders. Public Stockholders is defined as the holders of common stock sold as part of the Units in the Offering or in the aftermarket. The Company will proceed with a Business Combination only if a majority of the shares of common stock voted by the Public Stockholders are voted in favor of the Business Combination and Public Stockholders owning less than 20% of the shares sold in the Offering exercise their conversion rights.

In the event that the Company does not consummate a Business Combination within 18 months from the date of the consummation of the Offering, or 24 months from the consummation of the Offering if certain extension criteria have been satisfied, the proceeds held in the Trust Account will be distributed to the Company s public stockholders, excluding the existing stockholders to the extent of their initial stock holdings.

NOTE C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Common stock:

On January 30, 2007, the Company effected a one-for-two stock dividend for each issued and outstanding share of the Company s common stock, par value $0.001 per share. All transactions and disclosures in the financial statements related to the Company s common stock have been adjusted to reflect the effect of the stock dividend.

Net income per common share:

The Company complies with SFAS No. 128, Earnings Per Share. SFAS No. 128 requires dual presentation of basic and diluted income per share for all periods presented. Basic income per share excludes dilution and is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted income 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 then share in the income of the Company. The effect of the 38,843,750 warrants (including 6,500,000 outstanding warrants issued in connection with the Private Placement described in Note E) have not been considered in the diluted net income per share since the warrants are contingently exercisable. The effect of the 1,406,250 Units included in the underwriters purchase option, described in Note D, along with the warrants underlying such Units, has not been considered in the diluted earnings per share calculation, since the market price of the stock was less than the exercise price during the period in the computation as the effect of the outstanding options and warrants would be anti-dilutive.

Cash and cash equivalents:

For financial statement purposes, the Company considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents, including certain money market funds. The Company maintains its cash in bank deposit accounts in the United States of America which, at times, may 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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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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent accounting pronouncement:

Effective January 1, 2007, the Company adopted the provisions of the Financial Accounting Standards Board (FASB) Interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109 (FIN 48). There were no unrecognized tax benefits as of January 1, 2007 and as of March 31, 2007. FIN 48 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The Company recognizes accrued interest and penalties related to unrecognized tax benefits as income tax expense. No amounts were accrued for the payment of interest and penalties at January 1, 2007. There was no change to this balance at March 31, 2007. Management is currently unaware of any issues under review that could result in significant payments, accruals or material deviations from its position. The adoption of the provisions of FIN 48 did not have a material impact on the Company s financial position, results of operations and cash flows.

NOTE D THE OFFERING

On February 6, 2007, the Company sold 28,125,000 units (Units) at a price of $8.00 per Unit in the Offering. Each Unit consists of one share of the Company s common stock, $0.001 par value, and one redeemable common stock purchase warrant (Warrants). Each Warrant entitles the holder to purchase from the Company one share of common stock at an exercise price of $6.00 commencing on the later of (i) one year from the date of the final prospectus for the Offering or (ii) the completion of a Business Combination with a target business, and will expire four years from the date of the prospectus. The Warrants are redeemable at a price of $0.01 per Warrant, upon 30 days prior notice, after the Warrants become exercisable, only in the event that the last sale price of the common stock is at least $11.50 per share for any 20 trading days within a 30 trading day period ending on the third business day prior to the date on which notice of redemption is given. If the Company is unable to deliver registered shares of common stock to the holder upon exercise of warrants during the exercise period, there will be no cash settlement of the warrants and the warrants will expire worthless.

On February 5, 2007, the underwriters for the Company s initial public offering exercised their over-allotment option and on February 6, 2007 purchased an additional 4,218,750 units at a price of $8.00 per Unit.

In connection with the Offering, the Company paid an underwriting discount of approximately 3.78% ($9,850,000) of the public unit offering price to the underwriters at the closing of the Offering and Over-Allotment Option Exercise, with an additional fee of approximately 3.22% ($8,262,500) of the gross offering proceeds payable upon the Company s consummation of a Business Combination. The underwriters will not be entitled to any interest accrued on the deferred discount.

On February 6, 2007, the Company 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 are also identical to those offered in the Offering except that warrants included in the option have an exercise price of $7.50. The sale was accounted for as an equity transaction. Accordingly, there was no net impact on the Company s financial position or results of operations, except for the recording of the $100 proceeds from the sale.

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NOTE E RELATED PARTY TRANSACTIONS

The Company issued two unsecured promissory notes to a principal stockholder and affiliate of the Company s officer, Oenoke Partners, LLC, in August and October 2006. The notes, which aggregate $250,000, not including accrued interest, bore interest at 5% per annum and were payable on the earlier of 1 year from its origination or the consummation of the Offering. The principal stockholder of the Company extended the first due date of the notes until such time as there was sufficient operating cash flow. These notes were repaid on March 15, 2007.

On February 6, 2007, Oenoke Partners, LLC purchased, in a Private Placement, 6,500,000 warrants at $1 per warrant. As discussed in Note B, the proceeds from the Private Placement of $6.5 million are held in trust. Oenoke Partners, LLC also agreed that it will not sell or otherwise transfer the warrants until one year after the Company consummates a Business Combination.

NOTE F SUBSEQUENT EVENT

On April 24, 2007, the Company announced that it signed a definitive agreement (Purchase Agreement) with MCP-TPI Holdings, LLC, pursuant to which the Company will acquire 100% of the shares of TPI Advisory Services America, Inc. (TPI). TPI is a world-wide independent sourcing advisory firm that focuses on the design, implementation and management of sourcing strategies for major corporate clients. The purchase price for the shares of TPI is equal to the sum of $280 million in cash, plus TPI s cash balance on the date of the Purchase Agreement, which the parties agree shall equal $5 million. The cash generated by TPI operations between the signing of the Purchase Agreement and the closing date will remain in TPI for the benefit of the Company. If the closing does not occur within six months, the Company will pay additional consideration of $50,000 per day commencing on October 24, 2007 through and including the closing date.

The Purchase Agreement may be terminated at any time prior to the closing, as follows: (i) by mutual written consent of each party; (ii) by either party if the Proposed Transaction has not been consummated by February 24, 2008; (iii) by TPI if a request for additional information and documentary material pursuant to the HSR Act has been received; (iv) by TPI if the Deutsche Bank debt commitment letter has been terminated or becomes unavailable and ISG can not obtain replacement financing commitments within 45 days; (v) by either party, if the ISG stockholders do not approve the Purchase Agreement at the stockholders meeting (or if holders of 20% or more of ISG s common stock exercise their conversion rights); or (vi) by TPI, if ISG materially breaches the covenants relating to the proxy statement (which remains uncured for 30 days). If the Purchase Agreement is terminated due to ISG stockholders not approving the Proposed Transaction (or due to the exercise of conversion rights by the stockholders), or due to a material breach by ISG of the covenant relating to the proxy statement, or if ISG fails to effect the closing within 10 days after all of the closing conditions have been satisfied, ISG will reimburse $500,000 of TPI s expenses.

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

Overview

The following Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is intended to help the reader understand the Company s financial condition and results of operations. MD&A is provided as a supplement to, and should be read in conjunction with, our financial statements and the accompanying notes thereto.

We were formed on July 20, 2006, for the purpose of effecting a merger, capital stock exchange, asset or stock acquisition or other similar business combination with one or more domestic or international operating businesses. We intend to utilize cash derived from the proceeds of our initial public offering and the private placement we consummated in connection therewith, as well a possible issuance of our capital stock or debt, or a combination of cash, capital stock and/or debt, in effecting a business combination.

Since our initial public offering, we have been actively engaged in sourcing a suitable business combination candidate. We have met with target companies, service professionals and other intermediaries to discuss our company, the background of our management and our combination preferences. In the course of these discussions, we have also spent time explaining the capital structure of the initial public offering, the combination approval process and the timeline under which we are operating before the proceeds of the offering are returned to investors.

Results of Operations and Known Trends or Future Events

Except for the consummation of our initial public offering and our private placement, we have neither engaged in any operations nor generated any revenues to date. Since our inception, our only activities have been organizational activities and those necessary to prepare for our offering, and thereafter, certain activities related to pursuing a target business. We will not generate any operating income until the completion of the Proposed Acquisition (as defined below), should it occur. We have generated non-operating income in the form of interest income on the cash held in our trust account.

For the three months ended March 31, 2007, we had net income of approximately $1,061,000, comprised of $1,958,000 of interest income primarily related to the cash held in our trust account less expenses of $897,000.

Development in Finding a Suitable Business Target

On April 24, 2007, we announced that we had entered into a Purchase Agreement (Purchase Agreement) with MCP-TPI Holdings, LLC, a Texas limited liability company (TPI), pursuant to which we would acquire all of the issued and outstanding shares of capital stock of TPI Advisory Services Americas, Inc., a Texas corporation (the Target Company)(the Proposed Transaction). In connection with the Purchase Agreement, the founder of the Target Company and members of the Target Company s management would invest 30% of their proceeds from the Proposed Transaction in shares of our common stock at the closing.

The Purchase Agreement provides that we will pay TPI in cash an amount equal to the sum of $280 million plus an amount equal to the normalized cash and cash equivalents of the Target Company on the day immediately prior to the date of the Purchase Agreement, which the parties agree is equal to $5 million (the Purchase Price). TPI will simultaneously apply a portion of the Purchase Price to pay off the Target Company s indebtedness in full. There will be no working capital or other post-closing

purchase price adjustment. The cash generated by the Target Company between the signing of the Purchase Agreement and the closing date will remain in the Target Company for the benefit of the Company. If the closing does not occur within six months, we will be obligated to pay to TPI additional consideration in an amount equal to $50,000 per day commencing on October 24, 2007 through and including the closing date. Of the Purchase Price, $15 million will be placed into an escrow account to support TPI s indemnification obligations, with $7.5 million to be released to us 12 months after the closing and the remainder to be released to us 18 months after the closing.

The Purchase Price of the Proposed Transaction will be paid with: (i) at least $220 million of cash currently held in the trust account established in connection with our initial public offering (less (x) any proceeds which are dispersed to stockholders exercising their right to vote against the consummation of the Proposed Transaction and to convert their shares of our common stock into cash pursuant to the terms of our amended and restated certificate of incorporation, and (y) the deferred portion of the underwriters discount which is payable to the underwriters of our initial public offering (the underwriters) upon the consummation of the Proposed Transaction), (ii) proceeds invested by members of management in exchange for shares of capital stock of the Company, and (iii) proceeds from a debt financing arrangement which we anticipate entering into with Deutsche Bank Securities Inc. In connection with the Proposed Transaction, Evercore Group LLC provided a fairness opinion to our Board of Directors.

The Purchase Agreement contains representations and warranties of TPI relating to: (a) due organization and good standing; (b) authorization of the Proposed Transaction; (c) subsidiaries; (d) government filings; (e) capital structure; (f) financial statements; (g) non contravention; (h) legal proceedings; (i) personal property; (j) real property; (k) taxes; (l) absence of certain changes; (m) material contracts; (n) labor; (o) compliance with law; (p) undisclosed liabilities; (q) employee benefit plans; (r) intellectual property; (s) brokers fees; (t) customers; (u) affiliate transactions; (v) insurance; (w) proxy statement; and (x) disclaimer of warranties.

TPI has agreed to cause the Target Company to operate in the ordinary course and to refrain from taking certain material prohibited actions (including the payment of dividends) without obtaining our prior written consent (which shall not be unreasonably withheld). Until the termination of the Purchase Agreement, (i) TPI has agreed not to solicit or pursue an alternative proposal to acquire the Target Company and (ii) we have agreed not to enter into any confidentiality agreement with respect to any other potential acquisitions without the written consent of TPI (which shall not be unreasonably withheld). The parties have agreed to use reasonable best efforts to consummate the Proposed Transaction, including our reasonable best efforts to obtain debt financing and the requisite stockholder approval.

TPI has agreed not to make claims against cash held in our trust fund. The obligations of each party to consummate the Proposed Transaction are subject to the following closing conditions: (i) accuracy of representations and warranties of the other party; (ii) compliance by the other party with its covenants and obligations; (iii) the expiration of the waiting period under the HSR Act; and (iv) no statute, rule, regulation or order of any governmental entity which prohibits the consummation of the Proposed Transaction. In addition, our obligation to consummate the Proposed Transaction is also subject to an absence of a material adverse effect on the Target Company and to our having obtained the requisite approval of our stockholders with respect to the Proposed Transaction (and holders of 20% or more our common stock shall not have exercised their right to convert their shares of common stock into a pro rata share of the aggregate amount of proceeds then on deposit in our trust fund).

The Purchase Agreement may be terminated at any time prior to the closing, as follows: (i) by mutual written consent of each party; (ii) by either party if the Proposed Transaction has not been consummated by February 24, 2008; (iii) by TPI if a request for additional information and documentary material pursuant to the HSR Act has been received; (iv) by TPI if the debt commitment letter from Deutsche Bank has been terminated or becomes unavailable and we have not obtained replacement financing commitments within 45 days; (v) by either party, if we do not obtain the requisite approval of our stockholders of the Purchase Agreement at the stockholders meeting (or if holders of 20% or more of our shares of common stock exercise their conversion rights); or (vi) by TPI, if we materially breach covenants contained in the Purchase Agreement relating to a proxy statement to be prepared by us (which remains uncured for 30 days). If the Purchase Agreement is terminated due to our stockholders not approving the Proposed Transaction (or due to the exercise of conversion rights by our stockholders) or due to a material breach by us of covenants relating to the proxy statement or if we fail to effect the closing within 10 days after all of the closing conditions set forth in the Purchase Agreement have been satisfied, we will reimburse $500,000 of TPI s expenses.

If the closing occurs, each party has agreed to indemnify the other party against damages arising out of any inaccuracy of such party s representations and warranties (subject to a deductible of $1.5 million) and any breaches of such party s covenants and agreements. The aggregate amount of damages for which either party is liable shall not exceed $15 million (or, in the case of damages claimed by the Company, the amount then held in the escrow account). Assuming the Proposed Transaction is consummated, we will no longer be a blank check company, or special purpose acquisition corporation. If we do not complete the Proposed Transaction, we will continue as a blank check company until we find another suitable company to acquire or the trust account is liquidated as part of our overall plan of dissolution and liquidation and we shall cease to operate as a public company.

Liquidity and Capital Resources

On August 11, 2006, we filed a Registration Statement on Form S-1 with the Securities and Exchange Commission for an initial public offering of our Company s units. On January 31, 2007, our Registration Statement relating to our initial public offering of our units was declared effective by the Securities and Exchange Commission (SEC) and on February 6, 2007, we consummated our initial public offering and a private placement of 6,500,000 warrant to Oenoke Partners, LLC, one of our stockholders and an affiliate of our officers (the private placement).

Contemporaneously with the consummation of our initial public offering, we issued to the underwriters, in exchange for consideration of $100, an option to purchase up to an aggregate of 1,406,250 units. The exercise price for the units issuable upon exercise of the underwriters unit purchase option is $9.60 per unit, and the units underlying the underwriters unit purchase option are identical to the units which we issued to the public in connection with our initial public offering, except that the exercise price for the warrants underlying the units is $7.50 per share.

The net proceeds from our initial public offering and the private placement, after deducting offering expenses of approximately $10,700,000, including underwriting discount (other than the deferred underwriters discount of $8,262,500), were $254,550,000. Of this amount, $254,050,000 was placed in the trust account and the remaining $500,000 was made available to us to fund our operating expenses. Under the Trust Agreement, up to $3,000,000 of the interest earned on the trust account (net of taxes) may be used by us to cover a portion of our operating expenses. Through March 31, 2007, $102,000 was disbursed for income taxes and approximately $833,000 was transferred to our operating account.

Subsequent to our initial public offering and through March 31, 2007 we have expended approximately $1,455,000 of the funds held outside of the trust account to cover operating expenses, leaving a cash balance at March 31, 2007 of approximately $771,000. Over this time period, we paid approximately (1) $656,000 for legal, accounting, due diligence and other expenses related to our initial public offering and SEC reporting obligations; (2) $176,000 for rent for office space, and other administrative expenses; (3) $12,000 for the expenses related to the sourcing of a suitable business combination candidate; and (4) $355,000 for D&O insurance extending over a two-year period.

On August 2, 2006, Oenoke Partners, LLC, one of our stockholders and an affiliate of our officers, advanced to us a total of $100,000, which was used to pay a portion of the expenses of our initial public offering. On October 3, 2006, Oenoke Partners, LLC, made a second advance to us for a total of $150,000, which was used to pay a portion of the expenses of our initial public offering. Both of these loans were repaid from the funds held outside of the trust account, together with interest which accrued on such loan at a rate of 5% per annum, on March 15, 2007.

As of March 31, 2007, we had approximately $771,000 in cash held outside of the trust account in addition to $1,124,000 of trust earnings held in trust, available to fund the expenses of consummating the Proposed Transaction. We anticipate utilizing this cash and additional funds from the trust fund for (1) legal, accounting, due diligence and other expenses related to the Proposed Transaction, (2) rent for office space and other administrative expenses through the estimated closing date of the Proposed Transaction, and (3) miscellaneous expenses. In addition, we expect to use substantially all of the net proceeds remaining in the trust account, together with the proceeds invested by members of management in exchange for shares of capital stock of the Company, and the proceeds from a debt financing arrangement which we anticipate entering into with Deutsche Bank Securities Inc. to fund the purchase of the outstanding capital stock of the Target Company pursuant to the Proposed Transaction.

If, however, we are unable to consummate the Proposed Transaction, we believe that the funds available to us outside of the trust account, together with the balance of the interest income (net of taxes) on the trust account releasable to us to fund our working capital requirements, will be sufficient to allow us to operate until February 6, 2009, assuming that a business combination is not consummated during that time. However, if the funds available to us are not sufficient to fund our working capital needs throughout this period, we will seek to secure additional capital to pay for, or defer payment of, all or a significant portion of any expenses we incur through February 6, 2009.

Off-Balance Sheet Arrangements

Other than contractual obligations incurred in the normal course of business, 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. We do not have any majority-owned subsidiaries.

Critical Accounting Policies and Accounting Estimates

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the periods reported. Actual results could materially differ from those estimates. We have determined that we currently are not subject to any critical accounting policies.

Forward-Looking Information

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. Factors that might cause or contribute to such a discrepancy include, but are not limited to, those described in our other filings with the Securities and Exchange Commission, including our registration statement on Form S 1/A as filed on January 29, 2007.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the sensitivity of income to changes in interest rates, foreign exchanges, commodity prices, equity prices, and other market driven rates or prices. We are not presently engaged in any substantive commercial business. Accordingly, the risks associated with foreign exchange rates, commodity prices, and equity prices are not significant. The net proceeds of our initial public offering held in the trust fund and not immediately required for the purposes set forth above have been invested only in United States government securities, defined as any Treasury Bill issued by the United States having a maturity of one hundred and eighty days or less, or in money market funds meeting certain conditions under Rule 2a-7 promulgated under the Investment Company Act of 1940. Given our limited risk in our exposure to U.S. Treasury Bills and such money market funds, we do not view the interest rate risk to be significant. We do not enter into derivatives or other financial instruments for trading or speculative purposes.

Item 4. Controls And Procedures

(a) Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures, as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, 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.

Based on their evaluation as of the end of the period covered by this Quarterly Report on Form 10-Q, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective in timely alerting them to material information relative to our company required to be disclosed in our periodic filings with the SEC.

(b) Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II - OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

There have been no material changes to the factors disclosed in Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2006. Please see the information disclosed in the Risk Factors section of our annual report filed on Form 10-K, as filed with the SEC on March 30, 2007.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On January 31, 2007, we sold to Oenoke Partners, LLC, our principal stockholder, 6,500,000 warrants at a price of $1.00 per warrant, in a private placement. Each warrant issued in the private placement entitles the registered holder to purchase one share of our common stock at a price of $6.00 per share, at any time commencing on the later of (i) the completion of a business combination (or one year from the date of completion of a business combination with respect to the private placement warrants); and (ii) January 31, 2008. Such warrants are not subject to redemption and can be exercised on a cashless basis.

Such warrants are beneficially held by each of Mr. Connors, Mr. Martell, Mr. Doppelt and Mr. Gould, each of whom has ownership of membership interests representing 25% of the outstanding equity interests of Oenoke Partners, LLC.

The issuance of the warrants in the private placement transaction were made without registration under the Securities Act in reliance on the exemption contained in Section 4(2) of the Securities Act for a transaction not involving a public offering.

Use of Proceeds

On February 6, 2007, we consummated our initial public offering of 32,343,750 units, which units included units issuable to the underwriters as a result of their exercise of their over-allotment option. Each unit consists of one share of common Stock, $0.001 par value per share and one warrant to purchase one share of common stock at an exercise price of $6.00 per share. Our net proceeds from the sale of our units, after deducting certain offering expenses of approximately $10,700,000, were approximately $254,550,000. Of this amount, $254,050,000 was placed in trust and the remaining $500,000 was held outside of the trust. The remaining proceeds are available to be used by us to provide for business, legal and accounting due diligence on prospective acquisitions and continuing general and administrative expenses. Excluding up to $8,262,500 of the deferred underwriters fee held in trust and payable upon the consummation of a business combination and the proceeds, if any, which get dispersed to stockholders exercising their conversion rights, we intend to use substantially all of the remaining net proceeds of the initial public offering to acquire the shares of capital stock of TPI pursuant to the Proposed Transaction.

Item 3. Defaults upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None.

Item 6. Exhibits

(a) Exhibits

10.1	Purchase Agreement (Purchase Agreement) by and between Information Services Group, Inc. and MCP-TPI Holdings, LLC, a Texas limited liability company, date April 24, 2007.(1)
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer of the Company.(2)
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer of the Company.(2)
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (2)
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (2)

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(1) Incorporated by reference to the Company s Current Report on Form 8-K, dated April 30, 2006.
(2) Filed herewith.

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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, 2007	/s/ Michael P. Connors Michael P. Connors, Chairman of the Board and Chief Executive Officer
Date: May 14, 2007	/s/ Frank Martell Frank Martell, Chief Financial Officer, Executive Vice President, and Treasurer

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