CDI CORP

FORM 10-Q
(Quarterly Report)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2008

OR

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

For the transition period from _____to _____

Commission File Number 001-05519

CDI Corp.
(Exact name of registrant as specified in its charter)

Pennsylvania **(State of incorporation)**	**23-2394430** **(I.R.S. Employer Identification Number)**

1717 Arch Street, 35 th Floor, Philadelphia, PA 19103-2768
(Address of principal executive offices)

(215) 569-2200
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

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

Large accelerated filer ☐	Accelerated filer ☒
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	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 ☒

The number of shares outstanding of each of the registrant's classes of common stock as of July 31, 2008 was as follows:

Common stock, $.10 par value per share	20,317,651 shares
Class B common stock, $.10 par value per share	None

CDI CORP.

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PART 1. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS *(Unaudited)*

CDI CORP. and SUBSIDIARIES
Consolidated Balance Sheets
(in thousands, except share data)

	June 30, 2008 (Unaudited)	December 31, 2007
Assets		
Current assets:		
Cash and cash equivalents	$ 121,423	$ 127,059
Accounts receivable, less allowance for doubtful accounts of $3,780 - June 30, 2008; $2,995 - December 31, 2007	214,073	210,629
Prepaid expenses and other current assets	6,667	5,607
Income taxes receivable	526	1,322
Deferred income taxes	5,175	4,137
Total current assets	347,864	348,754
Property and equipment, net	34,148	34,152
Deferred income taxes	6,857	8,484
Goodwill and other intangibles	53,320	51,588
Other non-current assets	7,347	7,080
Total assets	$ 449,536	$ 450,058
Liabilities and Shareholders' Equity		
Current liabilities:		
Cash overdraft	$ 1,613	$ 973
Accounts payable	31,019	33,819
Withheld payroll taxes	4,824	4,401
Accrued compensation and related expenses	43,486	47,015
Other accrued expenses and other current liabilities	11,347	16,533
Total current liabilities	92,289	102,741
Deferred compensation and other non-current liabilities	12,928	12,339
Total liabilities	105,217	115,080
Commitments and Contingencies (Note 9)		
Shareholders' equity:		
Preferred stock, $.10 par value - authorized 1,000,000 shares; none issued	—	—
Common stock, $.10 par value - authorized 100,000,000 shares; issued 21,356,757 shares - June 30, 2008; 21,300,352 shares - December 31, 2007	2,136	2,130
Class B common stock, $.10 par value - authorized 3,174,891 shares; none issued	—	—
Additional paid-in-capital	52,915	50,898
Retained earnings	299,527	289,908
Accumulated other comprehensive income	13,907	14,426
Less common stock in treasury, at cost - 1,039,106 shares - June 30, 2008; 966,706 shares - December 31, 2007	(24,166)	(22,384)
Total shareholders' equity	344,319	334,978
Total liabilities and shareholders' equity	$ 449,536	$ 450,058

See accompanying notes to consolidated financial statements.

CDI CORP. AND SUBSIDIARIES
Consolidated Statements of Earnings
(Unaudited)
(in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Revenue	$289,211	$295,717	$583,091	$589,631
Cost of service	221,629	223,919	444,254	449,791
Gross profit	67,582	71,798	138,837	139,840
Operating and administrative expenses	56,826	60,623	117,118	116,266
Operating profit	10,756	11,175	21,719	23,574
Interest income and other expense, net	613	264	1,861	699
Earnings before income taxes from continuing operations	11,369	11,439	23,580	24,273
Income tax expense	4,390	3,796	8,677	8,583
Earnings from continuing operations	6,979	7,643	14,903	15,690
Earnings from discontinued operations, net of tax (Note 6)	—	686	—	1,107
Net earnings	$ 6,979	$ 8,329	$ 14,903	$ 16,797
Basic earnings per share:				
Earnings from continuing operations	$ 0.34	$ 0.37	$ 0.73	$ 0.78
Discontinued operations, net of tax	—	0.04	—	0.06
Net earnings	$ 0.34	$ 0.41	$ 0.73	$ 0.84
Diluted earnings per share:				
Earnings from continuing operations	$ 0.34	$ 0.37	$ 0.73	$ 0.77
Discontinued operations, net of tax	—	0.04	—	0.06
Net earnings	$ 0.34	$ 0.41	$ 0.73	$ 0.83

See accompanying notes to consolidated financial statements.

CDI CORP. AND SUBSIDIARIES
Consolidated Statements of Shareholders' Equity
(Unaudited)
(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Common stock				
Beginning of period	$ 2,134	$ 2,110	$ 2,130	$ 2,098
Exercise of stock options	—	16	—	28
Stock purchase plan	1	—	1	—
Time-vested deferred stock, stock appreciation rights and restricted stock	1	1	5	1
End of period	$ 2,136	$ 2,127	$ 2,136	$ 2,127
Additional paid-in-capital				
Beginning of period	$ 51,933	$ 44,631	$ 50,898	$ 41,443
Exercise of stock options	51	3,231	51	5,328
Stock-based compensation	938	778	2,001	1,379
Tax benefit from stock plans	(7)	515	(35)	1,005
End of period	$ 52,915	$ 49,155	$ 52,915	$ 49,155
Retained earnings				
Beginning of period	$295,186	$271,271	$289,908	$265,015
Net earnings	6,979	8,329	14,903	16,797
Dividends paid to shareholders	(2,638)	(2,220)	(5,284)	(4,432)
End of period	$299,527	$277,380	$299,527	$277,380
Accumulated other comprehensive income				
Beginning of period	$ 13,814	$ 13,143	$ 14,426	$ 13,160
Translation adjustment	93	2,732	(519)	2,715
End of period	$ 13,907	$ 15,875	$ 13,907	$ 15,875
Treasury stock				
Beginning of period	$ (24,166)	$ (22,384)	$ (22,384)	$ (22,384)
Shares repurchased	—	—	(1,782)	—
End of period	$ (24,166)	$ (22,384)	$ (24,166)	$ (22,384)
Comprehensive income				
Net earnings	$ 6,979	$ 8,329	$ 14,903	$ 16,797
Translation adjustment	93	2,732	(519)	2,715
Total	$ 7,072	$ 11,061	$ 14,384	$ 19,512

See accompanying notes to consolidated financial statements.

CDI CORP. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(Unaudited)
(in thousands)

	Six Months Ended, June 30,	
	2008	2007
Operating activities from continuing operations:		
Net earnings	$ 14,903	$ 16,797
Less: earnings from discontinued operations, net of tax	—	(1,107)
Earnings from continuing operations	14,903	15,690
Adjustments to reconcile net earnings to cash provided by operating activities:		
Depreciation and amortization	5,698	5,227
Deferred income taxes	589	(505)
Stock-based compensation	2,010	1,425
Foreign currency options	(35)	—
Changes in operating assets and liabilities:		
Accounts receivable, net	(3,899)	(14,839)
Prepaid expenses	(1,034)	429
Accounts payable	(2,773)	2,135
Accrued expenses and other current liabilities	(8,223)	4,299
Income taxes	751	(3,314)
Other assets, non-current liabilities and other	(1,503)	1,637
Net cash provided by operating activities	6,484	12,184
Investing activities from continuing operations:		
Additions to property and equipment	(5,958)	(4,646)
Proceeds of residential property held for sale	—	915
Other	323	37
Net cash used in investing activities	(5,635)	(3,694)
Financing activities from continuing operations:		
Dividends paid to shareholders	(5,283)	(4,432)
Shares repurchased under the stock repurchase program	(1,782)	—
Cash overdraft	640	4,896
Proceeds from exercises of employee stock options	51	5,356
Tax benefit from equity compensation plans	10	1,005
Net cash (used in) provided by financing activities	(6,364)	6,825
Discontinued operations:		
Cash provided by operating activities	—	3,925
Cash used in investing activities	—	(127)
Net cash provided by discontinued operations	—	3,798
Effect of exchange rate changes on cash	(121)	555
Net (decrease) increase in cash and cash equivalents	(5,636)	19,668
Cash and cash equivalents at beginning of period	127,059	33,551
Cash and cash equivalents at end of period	$121,423	$ 53,219
Supplemental disclosure of cash flow information:		
Cash paid for income taxes, net	$ 7,193	$ 10,493

See accompanying notes to consolidated financial statements.

1. Basis of Presentation

The accompanying consolidated interim financial statements of CDI Corp. ("CDI" or the "Company") are unaudited. The balance sheet as of December 31, 2007 is derived from the audited balance sheet of the Company at that date. These statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission pertaining to reports on Form 10-Q and should be read in conjunction with the Company's consolidated financial statements and the notes thereto for the year ended December 31, 2007 included in the Company's Form 10-K filed on March 7, 2008. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. Certain prior period information has been reclassified to conform to the current period presentation.

The consolidated financial statements for the unaudited interim periods presented include all adjustments (consisting only of normal, recurring adjustments) necessary for a fair presentation of financial position, results of operations and cash flows for such interim periods.

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, revenues and expenses and disclosure of contingent assets and liabilities. Actual results could differ from those estimates. Results for the three and six months ended June 30, 2008 are not necessarily indicative of results that may be expected for the full year.

2. Recent Accounting Pronouncements

Effective January 1, 2008, the Company adopted the provisions of Statement of Financial Accounting Standard ("SFAS") No. 157, *Fair Value Measurements* for financial assets and liabilities, as well as for any other assets and liabilities that are carried at fair value on a recurring basis. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. The adoption of SFAS No. 157 for financial assets and liabilities, as well as for any other assets and liabilities that are carried at fair value on a recurring basis, did not have a material impact on the company's financial statements (see Note 3 – Fair Value Disclosures for additional information on fair value measurements). In February 2008, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position ("FSP") 157-2 which delayed the effective date of SFAS No. 157 for one year (until January 1, 2009 for the Company) for non-financial assets and non-financial-liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The Company is currently evaluating the impact of adopting the provisions of SFAS No. 157 for non-financial assets and non-liabilities. (see Note 3 - Fair Value Disclosures for additional information on fair value measurements).

Effective January 1, 2008, the Company adopted the provisions of SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities; Including an Amendment of FASB Statement No. 115* . On January 1, 2008, the Company did not have any eligible financial assets and liabilities against which to apply the fair value option re-measurement criteria; therefore, the Company did not record any cumulative-effect adjustment to the opening balance of retained earnings.

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations* , and SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51.* SFAS No. 141(R) will change how business acquisitions are accounted for and will impact financial statements both on the acquisition date and in subsequent periods. SFAS 160 will change the accounting and reporting for minority interests, which will be recharacterized as noncontrolling interests and classified as a component of equity. Early adoption is prohibited for both standards. The provisions of SFAS No. 141(R) and SFAS No. 160, effective for the Company's fiscal year beginning January 1, 2009, are to be applied prospectively.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of SFAS No. 133.* SFAS No. 161 will change the disclosure requirements for derivative instruments and hedging activities. The Company is currently evaluating the disclosure requirements of adopting the provisions of SFAS No. 161, which will be effective for the Company beginning January 1, 2009.

3. Fair Value Disclosures

The Company is exposed to risks associated with foreign currency fluctuations. The Company's exposure to foreign currency fluctuations relates primarily to its operations denominated in British Pounds Sterling, Euros, Canadian Dollars and Australian Dollars. The Company generally has positive cash flow in British Pounds Sterling, Canadian Dollars and Australian Dollars and net cash outflows in Euros. Exchange rate fluctuations impact the U.S. dollar value of reported earnings derived from these foreign operations as well as the Company's investment in the net assets related to these operations. The Company engages in hedging activities with respect to certain of its foreign operations.

During the first quarter of 2008, the Company entered into zero cost collar option contracts ("options") to hedge portions of its British Pounds Sterling, Euros, Canadian Dollar and Australian Dollar currency forecasted amounts. These options have a range of foreign exchange rates, which provide a hedge against foreign results that are translated at rates outside the range. These options do not have a premium. The options were for various amounts in local currency on a quarterly basis and expire respectively at the end of the first, second, third and fourth quarters in 2008. Under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* , these instruments are accounted for at fair value. Because the Company could not designate these options as hedges for accounting purposes, foreign exchange revaluation gains or losses are reflected in earnings immediately, while the impact of translating the foreign based income into U.S. dollars is recognized throughout the year. For the six months ended June 30, 2008, the Company recorded a net gain of $69 related to these options, consisting of a realized gain of $34 and an unrealized gain of $35. The net gains were recorded in interest income and other expense in the consolidated statements of earnings. (See Part 1, Item 3. Quantitative and Qualitative Disclosures About Market Risks for additional information).

The Company maintains a nonqualified Deferred Compensation Plan for highly compensated employees. The assets of the plan are held in the name of CDI at a third party financial institution. Separate accounts are maintained for each participant to reflect the amounts deferred by the participant and all earnings and losses on those deferred amounts. The plan assets are recorded in other non-current assets and the related liability amounts are recorded in deferred compensation and other non-current liabilities in the consolidated balance sheets.

Effective January 1, 2008, the Company adopted the provisions of SFAS No. 157, *Fair Value Measurements* for financial assets and liabilities, as well as for any other assets and liabilities that are carried at fair value on a recurring basis. The following table outlines by major category, the financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2008:

		Fair Value Measurements At June 30, 2008 Using		
Description	**Fair Value Measurements at December 31, 2007**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets				
Foreign currency option contracts	$ —	$ —	$ 35	$ —
Deferred compensation plan	5,861	6,057	—	—
Total assets	$ 5,861	$ 6,057	$ 35	$ —
Liabilities				
Deferred compensation plan	$ (5,861)	$ (6,057)	$ —	$ —
Total liabilities	$ (5,861)	$ (6,057)	$ —	$ —

4. Goodwill and Other Intangible Assets

In accordance with SFAS No. 142, *Goodwill and Other Intangible Assets* , the Company performs its annual goodwill and other intangible assets impairment testing, by reportable segment, in the third quarter, or more frequently if events or changes in circumstances indicate that goodwill may be impaired. The Company conducted its annual goodwill impairment test as of July 1, 2007 and identified no impairments. Application of the goodwill impairment test requires significant judgments including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long-term rate of growth for the businesses, the useful life over which cash flows will occur, and determination of the Company's weighted average cost of capital. Changes in these estimates and assumptions could materially affect the determination of fair value and/or conclusions on goodwill impairment for each reporting unit.

In February 2008 the Company's Management Recruiters International, Inc. ("MRI") subsidiary entered into an agreement with a European based search and recruitment firm under which MRI made a $1.7 million payment to the firm to secure unrestricted future use of certain trademarks. MRI's payment of $1.7 million was capitalized in other intangible assets (see the table below). This trademark is considered to have an indefinite useful life and accordingly will not be amortized, but will be subject to annual impairment testing.

The following table summarizes the changes in the Company's carrying value of goodwill and other intangible assets by reportable segment from December 31, 2007 to June 30, 2008:

	Balance at December 31, 2007	Additions	Translation Adjustments	Balance at June 30, 2008
Goodwill				
Engineering Solutions	$ 16,588	$ —	$ —	$ 16,588
AndersElite	24,319	—	17	24,336
MRI	10,242	—	1	10,243
Total goodwill	51,149	—	18	51,167
Trademarks				
MRI	439	1,709	5	2,153
Total goodwill and other intangible assets	$ 51,588	$ 1,709	$ 23	$ 53,320

5. Short-term Borrowings

On February 27, 2008, the Company renewed its credit agreement with JP Morgan Chase Bank, N.A. The credit agreement provides the Company with an unsecured, committed $45 million revolving credit facility and extends the term of the credit facility to February 27, 2009. The renewal also expanded the permitted investments which the Company may make and raised the dollar limit on the size of acquisitions which the Company may make without obtaining the lender's approval.

Interest on borrowings under the facility is based on the nature and tenure of the borrowing and may be (a) in the case of U.S. dollar borrowings, the greater of the Prime Rate or the Federal Funds Effective Rate plus 0.5% or (b) in the case of Eurodollar borrowings, the Adjusted LIBO Rate (as defined in the agreement). The restrictive covenants contained in the agreement limit the Company with respect to, among other things, subsidiary indebtedness, creating liens on its assets, mergers or consolidations, disposition of assets other than in the ordinary course of business, acquisitions and investments. Additionally, the Company is required by the agreement to maintain a minimum Adjusted EBITDA (as defined in the agreement) to interest expense ratio of 1.5 to 1, not exceed a maximum Debt to Consolidated EBITDA ratio of 2.5 to 1 and maintain a minimum shareholders' equity of $228 million plus 35% of consolidated net income.

At June 30, 2008, the Company had secured a letter of credit under the revolving credit facility for $3.2 million relating to a performance guarantee on a customer contract. This letter of credit expired on July 1, 2008.

During the six months ended June 30, 2008, the Company did not have any outstanding borrowings under the revolving credit facility and is in compliance with all covenants under the credit agreement.

6. Discontinued Operations

On September 28, 2007, the Company sold all of the issued and outstanding common stock of its Todays Staffing, Inc. ("Todays") subsidiary. The sale price was $40.1 million in cash and the Company retained responsibility for certain liabilities and certain current and deferred income taxes directly related to the business. The Company recorded a gain of $2.1 million ($1.3 million after-tax), which included a $2.5 million reclassification adjustment for foreign currency translation gain included in net income, in connection with the sale. The sale price was subject to a working capital adjustment of $0.7 million, which was agreed to and paid by the Company during the first quarter of 2008. Included in "Accrued compensation and related expenses" and "Other accrued expenses and other liabilities" of continuing operations at June 30, 2008 are $0.4 million of other transaction-related liabilities.

In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* , the financial results of the Todays business segment have been presented as discontinued operations in the consolidated financial statements for all periods presented.

The results of discontinued operations are summarized as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Net Revenue	$ —	$42,421	$ —	$80,448
Earnings before income taxes from discontinued operations	—	1,096	—	1,768
Income tax expense	—	410	—	661
Total earnings from discontinued operations, net of taxes	$ —	$ 686	$ —	$ 1,107

7. Earnings Per Share

Both basic and diluted earnings per share for all periods are calculated based on the reported earnings in the Company's consolidated statements of earnings.

On February 26, 2008, CDI's Board of Directors approved the repurchase of up to $50 million of the Company's outstanding common stock. Repurchases will be made from time to time depending upon the Company's share price and other relevant factors. Repurchases may be made on the open market or through privately negotiated transactions. The Company is not required to repurchase any specific number of shares and the Company may terminate the repurchase program at any time. In March 2008, the Company repurchased 72,400 shares in the open market for $1.8 million in cash. There were no shares repurchased during the three months ended June 30, 2008.

The number of common shares used to calculate basic and diluted earnings per share for the three and six months ended June 30, 2008 and 2007 was determined as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Basic				
Average shares outstanding	20,311,747	20,199,808	20,321,302	20,120,097
Restricted shares issued not vested	(26,418)	(13,433)	(18,918)	(9,871)
	20,285,329	20,186,375	20,302,384	20,110,226
Diluted				
Shares used for basic calculation	20,285,329	20,186,375	20,302,384	20,110,226
Dilutive effect of shares / units granted under Omnibus Stock Plan	72,171	166,454	52,241	133,319
Dilutive effect of units issuable under Stock Purchase Plan	51,109	53,329	51,955	56,618
	20,408,609	20,406,158	20,406,580	20,300,163

8. Related Party Transactions

The president of the Company's MRI subsidiary currently owns a 25% indirect interest in MRI Worldwide Network Limited ("MRI Worldwide"), MRI's principal international master franchisee. At June 30, 2008, amounts due from MRI Worldwide amounted to $0.7 million which are past due as a result of operating and managerial issues at our UK based international master licensee. The Company recorded a provision of $0.7 million ($0.1 million during the three months ended June 30, 2008) relating to this matter in the Company's consolidated financial statements as of June 30, 2008.

9. Commitments, Contingencies and Legal Proceedings

The Company has litigation and other claims pending which have arisen in the ordinary course of business.

In June 2006, the United Kingdom's Office of Fair Trading ("OFT") opened an investigation into alleged anti-competitive behavior by AndersElite ("Anders") and a number of its competitors in the UK construction recruitment industry. The allegations being investigated include, among others, the competitors agreeing to minimum fees in their contracts with UK intermediary recruitment companies and declining to work with one particular UK intermediary recruitment company. Anders is cooperating with the OFT in the investigation under the OFT's corporate leniency program. CDI believes it is likely that the OFT will ultimately impose a fine on Anders. Although management cannot yet determine with any reliability the amount of the fine, the fine could be material and this matter could have a material adverse effect on the Company's financial position and results of operations. The Company has not made any provision for any fine or other liabilities relating to this matter in its consolidated financial statements as of June 30, 2008.

On April 28, 2008, the Company received a notice from the Internal Revenue Service (IRS) indicating a civil penalty of $1.3 million (plus $1.0 million of interest) pertaining to a subsidiary which was merged into another CDI subsidiary in 1996. The Company investigated the matter and on June 2, 2008 received a notice from the IRS reversing the $1.3 million civil penalty and related interest, with no amount due from CDI.

10. Reporting Segments

As discussed in Note 6 - Discontinued Operations, the Company sold its Todays Staffing, Inc. business segment on September 28, 2007. Therefore since September 30, 2007, the Company had four reporting segments: Engineering Solutions ("ES"), MRI, Anders and Information Technology Solutions ("ITS").

Effective with the second quarter of 2008, ES will report on three verticals reflecting the decision to re-align the management and operations of the CDI-Life Sciences vertical into the CDI-Process & Industrial ("P & I") vertical. ES operates principally through three key verticals:

- CDI-Process and Industrial – Provides a full range of engineering, project management, design, professional staffing and outsourcing solutions to firms in oil, gas, refining, alternative energy, nuclear, chemicals, power generation and energy transmission, and heavy manufacturing industries. In addition, P & I offers facility design, validation, project management, engineering, professional staffing, and facility start-up services to customers in the pharmaceutical, bio-pharmaceutical and regulated medical services industries.

- CDI-Government Services – Focuses on providing engineering, design and logistics services to the defense industry, particularly in marine design, systems development and military aviation support.
- CDI-Aerospace – Provides a full range of engineering, design, project management, professional engineering staffing and outsourcing solutions to both the commercial and military aerospace markets.

MRI is a franchisor providing support services to its franchisees who engage in the search and recruitment of executive, technical, professional and managerial personnel for employment by their customers. MRI also provides back office services that enable its franchisees to pursue contract staffing services opportunities.

Anders provides contract and permanent placement candidates to customers in the infrastructure environment seeking staff in building, construction and related professional services, through a network of Company offices. The Company maintains offices in the UK, although it sources some candidates from Australia and New Zealand for the UK market. The Company also has offices in Australia where it provides contract and permanent placement candidates to customers.

ITS provides a variety of information technology related services to its clients. These services include contract and managed staffing, permanent placement, consulting and outsourcing (onsite and offsite). These service offerings require recruiting and retaining IT talent for temporary and permanent IT positions, industry expertise and the ability to determine appropriate solutions for business service needs.

In accordance with SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information* , for purposes of business segment performance measurement, the Company charges certain expenses directly attributable to the segments and allocates certain expenses and support costs. Support costs consist principally of employee benefit administration, accounting support, IT services and shared service center costs. Identifiable assets of the business segments exclude corporate assets, which principally consist of cash and certain prepaid expenses, non-trade accounts receivable, deferred tax assets attributable to the ES and IT segments, property and equipment, and other assets.

The Company has revised the ES and ITS reporting segments' prior year revenue and operating profit for comparative purposes. Segment data is presented in the following table:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Revenue:				
ES	$153,100	$152,542	$309,252	$303,064
MRI	19,401	19,496	39,032	35,669
Anders	60,245	63,193	121,985	124,788
ITS	56,465	60,486	112,822	126,110
	$289,211	$295,717	$583,091	$589,631
Operating profit (loss):				
ES	$ 8,953	$ 7,834	$ 19,774	$ 17,381
MRI	3,493	4,281	5,743	7,598
Anders	1,489	3,520	4,264	6,213
ITS	1,140	648	1,343	2,230
Corporate	(4,319)	(5,108)	(9,405)	(9,848)
	$ 10,756	$ 11,175	$ 21,719	$ 23,574

The following table reconciles the amount of revenue and operating profit reported for the prior year period to the revised amounts as shown above:

	Three Months Ended June 30, 2007			Six Months Ended June 30, 2007		
	Amounts previously reported	Reclassifications	As Revised	Amounts previously reported	Reclassifications	As Revised
Revenue:						
ES	$153,166	$ (624)	$152,542	$304,135	$ (1,071)	$303,064
ITS	59,862	$ 624	$ 60,486	125,039	$ 1,071	126,110
	$213,028	—	$213,028	$429,174	—	$429,174

	Amounts previously reported	Reclassifications	As Revised	Amounts previously reported	Reclassifications	As Revised
Operating profit (loss):						
ES	$ 7,999	$ (165)	$ 7,834	$ 17,627	$ (246)	$ 17,381
ITS	483	165	648	1,984	246	2,230
	$ 8,482	—	$ 8,482	$ 19,611	—	$ 19,611

Inter-segment activity is not significant; therefore, revenue reported for each operating segment is substantially all from external customers.

Segment asset data is presented in the table below:

	June 30, 2008	December 31, 2007
Assets:		
ES	$139,235	$ 136,011
MRI	33,437	34,809
Anders	71,221	71,795
ITS	51,323	50,586
Corporate	154,320	156,857
	$449,536	$ 450,058

11. Subsequent Events

On July 16, 2008, the Company received preliminary indication that its application for certain Canadian research and development tax credits for the fiscal years of 2005 and 2006 will be approved by the tax authority. Upon receipt of formal approval, the Company will recognize a reduction in income tax expense which is expected to be $2.3 million.

On July 29, 2008, the Company declared a quarterly dividend of $0.13 per share to be paid on August 28, 2008 to all shareholders of record as of August 14, 2008. As of July 31, 2008, there were 20,317,651 shares outstanding.

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

Caution Concerning Forward-Looking Statements

This report (including Management's Discussion and Analysis of Financial Condition and Results of Operations) contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements that address expectations or projections about the future, including, but not limited to, statements about the Company's strategies for growth and future financial results (such as, among other things, revenues, variable contribution margin and tax rates), are forward-looking statements. Some of the forward-looking statements can be identified by words like "anticipates," "believes," "expects," "may," "will," "could," "should", "intends," "plans," "estimates," and similar expressions. These statements are not guarantees of future performance and involve a number of risks, uncertainties and assumptions that are difficult to predict. Because these forward-looking statements are based on estimates and assumptions that are subject to significant business, economic and competitive uncertainties, many of which are beyond the Company's control or are subject to change, actual outcomes and results may differ materially from what is expressed or forecasted in these forward-looking statements. Important factors that could cause actual results to differ materially from the forward-looking statements include, but are not limited to, the following: changes in general economic conditions and levels of capital spending by customers in the industries that the Company serves; competitive market pressures; the Company's ability to maintain and grow its revenue base; the availability and cost of qualified labor; the Company's level of success in attracting, training, and retaining qualified management personnel and other staff employees; changes in customers' attitudes towards outsourcing; credit risks associated with its customers; changes in tax laws and other government regulations; the possibility of incurring liability for the Company's activities, including the activities of its temporary employees; the Company's performance on customer contracts; adverse consequences arising out of the UK Office of Fair Trading investigation; and government policies or judicial decisions adverse to the Company's businesses. More detailed information about some of these risks and uncertainties may be found in the Company's filings with the SEC, particularly in the section entitled "Risk Factors" in Part 1, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2007. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company assumes no obligation to update such statements, whether as a result of new information, future events or otherwise, except as required by law.

Introductory Notes

In the third quarter of 2007, the Company sold its Todays Staffing, Inc. ("Todays") subsidiary, which was a significant step in the Company's efforts over the past few years to refocus CDI's business on engineering and IT project outsourcing and professional staffing services. As a result of the sale, the financial results of the Todays business segment have been presented as discontinued operations in the financial statements for all periods presented. The discussion that follows in the remainder of this "Management's Discussion and Analysis of Financial Condition and Results of Operations" pertains to continuing operations only.

Unless the context otherwise requires, all references herein to "CDI," the "Registrant," the "Company," "we," "us," or "our" are to CDI Corp. and its consolidated subsidiaries.

Executive Overview

The second quarter of 2008, a quarter in which we experienced a rapidly changing economic environment, was characterized by a mixed performance for CDI. We generated solid strategic momentum in our Engineering Solutions ("ES") business segment, initiated a significant profit turnaround in our Information Technology Solutions ("ITS") business segment and accomplished a number of strategic goals that should grow our international business and profitably expand our revenue base in higher-margin services within key engineering verticals.

These positive developments in the Company's performance were partially offset by a rapid drop in permanent placement hiring in key sectors of AndersElite ("Anders") UK construction marketplace and a significant cutback in automotive industry IT staffing in our ITS segment. The Company's Management Recruiters International, Inc. ("MRI") subsidiary experienced a decline in high margin royalty business, somewhat offset by stronger revenue growth in lower margin contract staffing services. Recognizing these economic slowdowns, the Company has made and will continue to make appropriate adjustments to its cost structure, the effects of which should benefit future quarters.

During the second quarter of 2008, CDI reported an earnings decrease of 8.7% as compared to the same period in 2007. Second quarter 2008 net earnings included a pre-tax charge of approximately $0.3 million in real estate exit costs in the ES segment. Second quarter 2007 net earnings included an approximate $0.4 million reduction in income tax expenses due to the recognition of foreign research and development credits, partially offset by certain charges against deferred tax assets. When adjusted for these items, year-over-year earnings for the second quarter 2008 were essentially flat compared to the prior-year quarter.

Consolidated Discussion

Business Strategy

CDI's strategic objective is to be a leading global provider of engineering and information technology outsourcing solutions and professional staffing. These services enable CDI's customers to focus on their core competencies and drive profitable growth and return on capital investment.

The Company has identified three critical goals that will help achieve this objective. These goals are to develop global reach and global services delivery capabilities; to build skill and scale in key high-margin engineering verticals through both organic and acquisition growth; and to focus new business development on obtaining higher-value, higher-margin and longer-cycle business such as engineering and IT outsourcing and professional services.

During the second quarter, the Company achieved certain key accomplishments that should contribute to reaching these goals. These accomplishments include forming two joint ventures to capture engineering outsourcing assignments in the Middle East and Latin America, obtaining new business wins in alternative energy and in the defense market and, following the close of the second quarter, the acquisition of an aerospace engineering firm and the expansion of a business relationship with a large IT client.

Key Performance Indicators

Revenue growth is favorably impacted by, among other things, increases in capital spending by customers particularly in the ES and Anders business segments. Other external factors, such as a strong business environment and low unemployment rates favorably impact the Company's staffing business. Improving economic growth typically results in increasing demand for labor. Low unemployment rates often correlate with strong demand for the types of employees CDI's customers hire on a permanent and contract basis. Operationally, CDI's ability to capitalize on opportunities created by economic expansion, its performance on new and existing accounts, new contract and account wins, and its ability to mitigate competitive pricing pressures affect the Company's ability to increase revenue.

Gross profit and gross profit margin reflect CDI's ability to realize pricing consistent with value provided, to incorporate changes in market demand, and to control and pass through direct costs. Gross profit margin will shift as a result of the mix of business. The Company is focused on improving margins over time through deliberate efforts to grow new higher margin business and to cycle out of lower margin business. Professional services revenue, consisting of permanent placement and franchise related services, also has an impact on gross profit margin. Since there are no direct costs associated with professional services revenue, increases or decreases in such revenue can have a disproportionate impact on gross profit margin.

Return on net assets ("RONA") means the pre-tax earnings for the current quarter combined with the pre-tax earnings from the three preceding quarters, divided by the average net assets at the beginning and end of that four quarter period. Net assets include total assets minus total liabilities excluding cash and income tax accounts. RONA reflects CDI's ability to generate earnings while optimizing assets deployed in the business. A key metric to drive RONA is Accounts Receivable Days Sales Outstanding ("DSO"). Reduction in DSO will contribute to improvement in RONA.

Variable contribution margin ("VCM") is a measure of the amount of profit that flows to the operating profit line for each dollar of revenue growth. VCM is calculated as the year-over-year change in operating profit divided by the year-over-year change in revenue.

The Company has established the following long-term performance goals:

- Produce pretax RONA of 20% and redeploy assets unable to meet this target;
- Generate operating profit margin of 5% through gross margin expansion, financial discipline and lean headquarters operations; and
- Generate VCM in the 12% to 14% range on incremental revenue.

During the second quarter of 2008, the Company achieved a RONA of 22.1%, thereby exceeding its goal. Operating profit margin of 3.7% declined slightly due to the year-over-year slowdowns mentioned above. The VCM calculation is not meaningful in this instance because both revenue and operating profit declined.

Consolidated Results of Operations

CDI's operating performance was mixed for the six months ended June 30, 2008. Although consolidated revenue was slightly down, the Company's strategic focus on higher-margin and longer-cycle services enabled it to slightly increase its gross margin to 23.8%. Revenue increases in the CDI–Process and Industrial ("P & I") and CDI–Government Services ("Government Services") verticals within ES were offset by the economic slowdowns in the US and UK marketplaces resulting in a decrease of permanent placement activity at both Anders and MRI. ITS continued to experience revenue declines reflecting softness in the automotive sector.

For the six months ended June 30, 2008, CDI reported a net earnings decrease of 5.0% as compared to the same period in 2007. The 2008 net earnings included the unfavorable effect of a $0.6 million pre-tax ($0.4 million after-tax) receivables charge related to MRI Worldwide and a pre-tax charge of approximately $0.3 million ($0.2 million after-tax) in real estate exit costs in the ES segment. The 2007 net earnings included the favorable effect of the $1.6 million pre-tax ($1.0 million after-tax) reversal of a legal accrual and a $0.4 million reduction in income tax expenses due to the recognition of foreign research and development credits, partially offset by certain charges against deferred tax assets. When adjusted for these items, year-over-year earnings for the six month period ending June 30, 2008 were up 8.6%.

CDI ended the second quarter of 2008 with $121.4 million in cash and cash equivalents. On February 26, 2008, CDI's Board of Directors approved the repurchase of up to $50 million of the Company's outstanding common stock. During March 2008, The Company repurchased 72,400 shares in the open market for $1.8 million in cash. There were no shares repurchased during the second quarter of 2008. The cash on-hand and available borrowing capacity should provide sufficient resources to support organic revenue growth, capital spending, the stock repurchase program, shareholder dividends and potential strategic acquisitions in targeted engineering verticals.

Consolidated Results of Operations for the three months ended June 30, 2008 as compared to the three months ended June 30, 2007

The table that follows presents revenues by service type along with selected financial information and some key metrics for the three-month periods ended June 30, 2008 and 2007:

	Three months ended June 30,			Increase (Decrease)		
		% of Total		% of Total		
(in thousands)	2008	Revenue	2007	Revenue	$	%
Revenue [1]						
Staffing services	$199,358	69.0%	$195,044	66.0%	$ 4,314	2.2%
Project outsourcing services	75,317	26.0	81,679	27.6	(6,362)	(7.8)
Professional services [1]	14,536	5.0	18,994	6.4	(4,458)	(23.5)
	$289,211	100.0 %	$295,717	100.0%	$ (6,506)	(2.2)%
Gross profit	$ 67,582	23.4%	$ 71,798	24.3%	$ (4,216)	(5.9)%
Operating and administrative expenses	56,826	19.6	60,623	20.5	(3,797)	(6.3)
Operating profit	10,756	3.7	11,175	3.8	(419)	(3.7)
Net earnings from continuing operations	$ 6,979	2.4%	$ 7,643	2.6%	$ (664)	(8.7)%
Cash and cash equivalents	$121,423		$ 53,219		$68,204	128.2%
Cash flow provided by operations	$ 13,694		$ 12,757		$ 937	NM
Effective income tax rate	38.6%		33.2%			
After-tax return on shareholders' equity [2]	9.3%		9.0%			
Pre-tax return on net assets [3]	22.1%		19.2%			
Variable contribution margin [4]	NM		20.4%			

(1) Revenues for 2007 have been reclassified to conform to the current year's presentation.

(2) Current quarter combined with the three preceding quarters' earnings divided by the average shareholders' equity.

(3) Pre-tax earnings for the current quarter combined with the pre-tax earnings from the three preceding quarters, divided by the average net assets at the beginning and end of that four quarter period. Net assets include total assets minus total liabilities excluding cash and income tax accounts.

(4) Year-over-year change in operating profit divided by year-over-year change in revenues. The calculation for the three months ended June 30, 2008 is not meaningful (NM) because both revenue and operating profit declined.

Revenue by service type includes the following:

- Staffing services—includes the placement of contract professionals, generally at a customer's location under the supervision of the customer. This also includes managed staffing services in which the company assumes overall management of a customer's on-site contract staffing functions.
- Project outsourcing services—includes engineering and information technology services in which the Company manages an overall project and provides a deliverable work product for the customer.
- Professional services—includes search, recruitment and permanent placement services, royalties from franchise permanent placement activity and fees from the sale of new franchises.

Second quarter revenue declined versus the same prior year period. Revenue growth was experienced by ES in its Government Services vertical and the international market. This growth was offset by the reduction of certain lower margin business in the P & I vertical and reduced demand in permanent placement hiring in the property development and residential housing construction markets in the UK and ITS contract staffing in the automotive industry.

Gross profit and gross profit margin decreased at a faster pace than revenue primarily due to the reduction of higher margin permanent placement activity at Anders and MRI.

Consolidated operating and administrative expenses decreased primarily due to lower variable compensation, taxes and consulting costs.

Operating profit declined 3.7% and operating profit margin decreased from 3.8% to 3.7%.

Cash and cash equivalents of $121.4 million at June 30, 2008 was $68.2 million higher than the prior year balance. The increase in cash over the prior year was primarily driven by earnings of $32.3 million and $39.8 million of proceeds from the sale of Todays. Cash flow provided by operations of $13.7 million was driven by earnings and lower working capital requirements.

The Company's effective income tax rate was 38.6% in the second quarter of 2008 and 33.2% in the second quarter of 2007. The rate in 2008 was unfavorably impacted primarily by increases in state income taxes, while the rate in 2007 was favorably impacted by the recognition of foreign research and development credits, offset by a charge recorded against deferred tax assets for valuation allowances.

Consolidated Results of Operations for the six months ended June 30, 2008 as compared to the six months ended June 30, 2007

The table that follows presents revenues by service type along with selected financial information and some key metrics for the six-month periods ended June 30, 2008 and 2007:

	Six months ended June 30,			Increase (Decrease)		
		% of Total		% of Total		
(in thousands)	2008	Revenue	2007	Revenue	$	%
Revenue [1]						
Staffing services	$398,629	68.3%	$392,668	66.6%	$ 5,961	1.5%
Project outsourcing services	152,580	26.2	161,627	27.4	(9,047)	(5.6)
Professional services [1]	31,882	5.5	35,336	6.0	(3,454)	(9.8)
	$583,091	100.0%	$589,631	100.0%	$(6,540)	(1.1)%
Gross profit	$138,837	23.8%	$139,840	23.7%	$(1,003)	(0.7)%
Operating and administrative expenses	117,118	20.1	116,266	19.7	852	0.7
Operating profit	21,719	3.7	23,574	4.0	(1,855)	(7.9)
Net earnings from continuing operations	$ 14,903	2.6%	$ 15,690	2.7%	$ (787)	(5.0)%
Cash flow provided by operations	$ 6,484		$ 12,184		$(5,700)	NM
Effective income tax rate	36.8%		35.4%			
Variable contribution margin [2]	NM		20.4%			

(1) Revenues for 2007 have been reclassified to conform to the current year's presentation.

(2) Year-over-year change in operating profit divided by year-over-year change in revenues. The calculation for the six months ended June 30, 2008 is not meaningful (NM) because both revenue and operating profit declined.

Revenue for the six months ended June 30, 2008 declined versus the prior year period. Revenue growth was experienced by ES in its Government Services vertical and the international market. This growth was offset by reduced demand in permanent placement hiring in the property development and residential housing construction markets in the UK and ITS contract staffing in the automotive industry.

Gross profit declined at a slower pace than revenue due to favorable business mix changes that resulted in a higher gross profit margin percentage for the six months ended June 30, 2008.

Consolidated operating and administrative expenses increased slightly due to lower variable compensation costs offset by the MRI Worldwide accounts receivable charge in 2008 and the large legal accrual reversal in 2007.

Operating profit declined 7.9% and operating profit margin decreased from 4.0% to 3.7%.

The Company's effective income tax rate was 36.8% for the six months ended June 30, 2008 and 35.4% for the six months ended June 30, 2007. The rate in 2008 was unfavorably impacted primarily by increases in state income taxes partially offset by the benefit of tax exempt investments, while the rate in 2007 was favorably impacted by the recognition of foreign research and development credits, offset by a charge recorded against deferred tax assets for valuation allowances.

Segment Discussion

Effective January 1, 2007, the Company began separately reporting the ES and ITS segments. These operations were previously reported within the Business Solutions segment. This change reflects the Company's new operating structure and provides investors with additional information regarding the Company's engineering versus its information technology financial results.

Engineering Solutions ("ES")

Business Strategy

ES's business strategy is to pursue the development of long-term alliances with its customers as a cost effective, single source provider of engineering services and professional staffing. By working as a core supplier and partner with its customers, ES is able to develop an understanding of its customers' overall business needs as well as the unique technical needs of their projects. This approach creates the opportunity for ES to provide a greater and more integrated range of services to its customers to facilitate efficient project management, procurement, overall program integration and execution. This strategy requires ES to develop capabilities to provide services to its clients who have global requirements. Success of the ES business strategy is dependent upon maintaining and renewing its existing customers or contracts, continued capital spending by its major engineering customers, the ability to win new contract awards and accounts and the availability and cost of labor. In addition, ES is strategically engaging in global arrangements to lower its cost of services for clients, to access a broader talent pool and to provide worldwide servicing capability for its global clients. ES has developed professional recruitment outsourcing ("PRO") services to manage a client's entire recruitment process. PRO services provide domestic and multi-national clients with a single source of professional and technical permanent placements across an entire organization. ES continues to develop its strategy to acquire broader skill sets and greater leverage for servicing the alternative energy markets, as it continues to pursue further business opportunities in the alternative energy sectors.

Key Performance Indicators

ES manages and assesses its performance through various means, with the primary financial and operational measures including revenue growth, contract renewals, new contract wins, account growth, gross profit margin, operating profit and return on net assets.

Revenue growth reflects performance on both new and existing contracts and accounts. Increases in revenue will not generally result in proportionate increases in costs, particularly operating and administrative expenses, thus potentially improving operating profit margins.

New contracts, account wins and contract renewals are the primary drivers of future revenue and provide an assessment of ES's ability to compete. New contract wins fluctuate from quarter to quarter depending on the timing of customer needs and external factors. ES utilizes financial and operational reviews in the contracting process to support appropriate margins and returns.

Gross profit and gross profit margin reflect ES's ability to realize pricing consistent with value provided, to incorporate changes in market demand, and to control and pass through direct costs. ES's focus on maintaining and improving overall margins has led to improved profitability. Gross margins can also shift as a result of the mix of business, with project outsourcing business generally providing higher margins than staffing services.

Return on net assets ("RONA") reflects ES's ability to generate earnings while optimizing assets deployed in the business. A key metric to drive RONA is Accounts Receivable Days Sales Outstanding ("DSO"). Reduction in DSO will contribute to improvement in RONA.

Results of Operations

The following table presents changes in revenue by category, cost of services, gross profit, operating and administrative expenses, and operating profit for ES for the three months ended June 30, 2008 and 2007:

ES

	Three months ended June 30,					
	2008		2007		Increase (Decrease)	
		% of Total		% of Total		
(in thousands)	$	Revenue	$	Revenue	$	%
Revenue [1]						
Staffing services	$ 81,823	53.4%	$ 75,116	49.2%	$ 6,707	8.9%
Project outsourcing services	68,413	44.7	75,521	49.6	(7,108)	(9.4)
Professional services	2,864	1.9	1,905	1.2	959	50.3
	153,100	100.0	152,542	100.0	558	0.4
Cost of services	120,500	78.7	121,087	79.4	(587)	(0.5)
Gross profit	32,600	21.3	31,455	20.6	1,145	3.6
Operating and administrative expenses	23,647	15.4	23,621	15.5	26	0.1
Operating profit	$ 8,953	5.9%	$ 7,834	5.1%	$ 1,119	14.3%

[1] Revenues for 2007 have been reclassified to conform to the 2008 presentation.

ES's revenue increased in 2008, largely due to:

- Increased capital spending by major customers in the Government Services vertical;
- Increases in contract staffing services provided to clients operating in the western Canadian oil market;
- Average bill rate increases, reflecting the Company's ability to pass on higher labor costs to its clients; and
- Increased permanent placement revenue primarily from a new PRO services customer in 2007.

The above increases were offset by the reduction of certain lower margin business in the P & I vertical and continued project delays by a large client in the CDI-Aerospace ("Aerospace") vertical .

Gross profit dollars increased due to volume increases in the Government Services vertical, partially offset by a decrease in volume in the P & I and Aerospace verticals.

Gross profit margins increased primarily due to:

- Improved mix of higher margin, longer cycle project outsourcing in the P&I and Government Services verticals and an increase in higher margin permanent placement PRO services revenue in the P&I vertical; and
- Decline in lower margin technical staffing revenue within the Aerospace vertical.

ES's operating and administrative expenses were relatively flat in 2008.

The following table presents changes in revenue from each of ES's verticals for the three months ended June 30, 2008 and 2007:

ES

	Three months ended June 30,					
	2008		2007		Increase (Decrease)	
		% of Total		% of Total		
(in thousands)	$	Revenue	$	Revenue	$	%
Revenue [1]						
CDI-P & I	$116,672	76.2%	$117,810	77.2%	$ (1,138)	(1.0)%
CDI-Government Services	21,257	13.9	17,195	11.3	4,062	23.6
CDI-Aerospace	15,171	9.9	17,537	11.5	(2,366)	(13.5)
	$153,100	100.0%	$152,542	100.0%	$ 558	0.4%

[1] Revenues for 2007 have been reclassified to conform to the current year's presentation.

The P&I vertical focuses on small to medium-sized engineering projects in the oil refining, chemical, alternative energy, power generation, heavy manufacturing, pharmaceutical and biotechnology industries. Typically, customers in these industries are large, multi-national companies that use multiple service providers. Contracts are awarded based on the ability to meet the specific requirements of each individual project. The revenue was mixed for the second quarter of 2008 as capital spending by customers, new account wins, particularly in alternative energy and increases in permanent placement revenue from PRO services contributed to increased revenue. However, softness was experienced with certain

pharmaceutical and biotechnology customers.

The Government Services vertical focuses on providing services primarily to U.S. Government agencies and prime contractors in the shipbuilding, military aviation and marine design industries. Revenue increases within this vertical in 2008 were driven primarily by renewed U.S. federal government funding of a major U.S. Navy shipbuilding and ship design contract.

The Aerospace vertical provides outsourcing and staffing services to the commercial and military aerospace industries, which are dominated by major national and international conglomerates. Revenue within the Aerospace vertical decreased in 2008 as compared to the same period in 2007, primarily as a result of exiting certain lower margin domestic technical staffing business and ongoing project delays by an international client.

The following table presents changes in revenue by category, cost of services, gross profit, operating and administrative expenses, and operating profit for ES for the six months ended June 30, 2008 and 2007:

ES

	Six months ended June 30,					
	2008		2007		Increase (Decrease)	
		% of Total		% of Total		
(in thousands)	$	Revenue	$	Revenue	$	%
Revenue [1]						
Staffing services	$163,966	53.1%	$151,344	49.9%	$ 12,622	8.3%
Project outsourcing services	139,291	45.0	148,432	49.0	(9,141)	(6.2)
Professional services	5,995	1.9	3,288	1.1	2,707	82.3
	309,252	100.0	303,064	100.0	6,188	2.0
Cost of services	241,952	78.2	241,698	79.8	254	0.1
Gross profit	67,300	21.8	61,366	20.2	5,934	9.7
Operating and administrative expenses	47,526	15.4	43,985	14.5	3,541	8.1
Operating profit	$ 19,774	6.4%	$ 17,381	5.7%	$ 2,393	13.8%

[1] Revenues for 2007 have been reclassified to conform to the 2008 presentation.

ES's revenue increased in 2008, largely due to:

- Increased capital spending by major customers in the P&I and Government Services verticals;
- Increases in contract staffing services provided to clients operating in the western Canadian oil market;
- Average bill rate increases, reflecting the Company's ability to pass on higher labor costs to its clients; and
- Increased permanent placement revenue primarily from a new PRO services customer in 2007, in the P&I vertical.

The above increases were offset by the reduction of certain lower margin business in the P & I vertical and continued project delays by a large client in the Aerospace vertical.

Gross profit dollars increased due to volume increases in the P&I and Government Services verticals, offset by a decrease in volume in the Aerospace vertical.

Gross profit margins increased primarily due to:

- Improved mix of higher margin business in the P&I and Government Services verticals and an increase in higher margin permanent placement PRO services revenue in the P&I vertical; and
- Decline in lower margin technical staffing revenue within the Aerospace vertical.

ES's operating and administrative expenses increased in 2008 primarily due to:

- Higher staff salaries and incentive-based compensation primarily in the P&I vertical; and
- Absence of a one-time favorable reversal of a legal accrual of $1.6 million in 2007;

The following table presents changes in revenue from each of ES's verticals for the six months ended June 30, 2008 and 2007:

ES

	Six months ended June 30,					
	2008		2007		Increase (Decrease)	
		% of Total		% of Total		
(in thousands)	$	Revenue	$	Revenue	$	%
Revenue [1]						
CDI-P & I	$237,104	76.7%	$233,633	77.1%	$ 3,471	1.5%
CDI-Government Services	41,102	13.3	33,747	11.1	7,355	21.8
CDI-Aerospace	31,046	10.0	35,684	11.8	(4,638)	(13.0)
	$309,252	100.0%	$303,064	100.0%	$ 6,188	2.0%

[1] Revenues for 2007 have been reclassified to conform to the current year's presentation.

Management Recruiters International ("MRI")

Business Strategy

The MRI network is one of the largest search and recruitment organizations in the world. The key to MRI's success is delivering value to its franchisees by providing products, services and business planning assistance to help maximize their business growth and productivity. MRI's strategic growth objectives include expansion of current franchisees' staff search consultants, expansion of the international franchise network and continued growth in underdeveloped U.S. market areas. MRI believes that the international marketplace provides significant opportunity for franchise expansion and the resultant increasing franchise sales and royalty revenue flows.

Factors affecting MRI's revenue include the state of the U.S. and global economies, unemployment rates and the amount of contract staffing business done by franchisees. Permanent placement and royalty fees are driven by employer demand for mid-to-upper level managerial, professional and sales candidates, as well as the number of new franchise offices and franchise contract renewals. MRI continues to focus its efforts on growing existing franchisees by devoting additional resources to field service teams. These teams focus on maximizing customer contact and developing customer-level business plans to establish clear metrics and optimize network member performance.

MRI continues to provide and broaden its training and operations support to enable its franchisees to develop contract staffing services capabilities in their offices. This capability potentially provides a franchise owner with a complementary revenue stream and may improve the potential market value of the franchise office. MRI is also exploring ways to leverage its size and footprint with vendor alliance relationships in programs that benefit the franchise owners and their clients.

Key Performance Indicators

MRI manages and assesses its performance through various means, with the primary operational and financial measures including weekly job orders, placements and billings, cash collections, royalties, number of franchise offices, franchise sales and renewals, billable hours, revenue growth and return on net assets.

The number of franchise offices measures MRI's overall market penetration, franchise sales measure MRI's ability to expand its market reach, and renewals indicate MRI's ability to maintain, and the franchisees' satisfaction with, its network.

MRI gauges the strength of its franchise sales program by monitoring the number of referrals, sales presentations, and sales and closing percentage.

Billable hours and revenue growth in contract staffing services reflect MRI's performance in expanding the support services within the franchise network.

Gross profit and gross profit margin reflect MRI's ability to improve its franchisees permanent placement capabilities, thus increasing royalty payments to MRI. Additionally, gross margin reflects MRI's ability to identify and sell franchise territories to new franchise owners, thus producing franchise sales revenue. In both cases, revenues flow directly through to gross margin. Revenue from the contract staffing business has associated direct costs included in gross margin and therefore growth in this business will reduce overall gross margin. However, MRI believes the contract staffing offering will create a stronger, more vibrant and profitable franchise business. Within contract staffing, gross margin can be increased as franchise owners build their staffing and recruiting capabilities to generate higher bill rates for the placement of high level professionals.

Return on net assets ("RONA") reflects MRI's ability to generate earnings while optimizing assets deployed in the business. A key metric to drive RONA is Accounts Receivable Days Sales Outstanding ("DSO"). Reduction in DSO will contribute to improvement in RONA.

Results of Operations

The following table presents changes in revenues, cost of services, gross profit, operating and administrative expenses, and operating profit for MRI for the three months ended June 30, 2008 and 2007:

MRI

	Three months ended June 30,					
	2008		2007		Increase (Decrease)	
		% of Total		% of Total		
(in thousands)	$	Revenue	$	Revenue	$	%
Revenue						
Staffing services	$12,857	66.3%	$11,228	57.6%	$ 1,629	14.5%
Professional Services	6,544	33.7	8,268	42.4	(1,724)	(20.9)
	19,401	100.0	19,496	100.0	(95)	(0.5)
Cost of services	8,868	45.7	7,762	39.8	1,106	14.2
Gross profit	10,533	54.3	11,734	60.2	(1,201)	(10.2)
Operating and administrative expenses	7,040	36.3	7,453	38.2	(413)	(5.5)
Operating profit	$ 3,493	18.0%	$ 4,281	22.0%	$ (788)	(18.4)%

MRI total revenue was largely flat for the quarter compared to the second quarter of 2007. Contract staffing revenue grew by 14.5% while a decline in professional services revenue was driven by lower franchise sales ($0.7 million) and royalties ($0.9 million). The decline in royalties reflects a single-digit decline in same store sales due to the softness in the industrial and consumer products sectors and the impact of adjustments for certain franchisees.

Gross profit dollars decreased due to the decline in professional services mentioned above. Overall gross profit margin decreased as lower margin contract staffing services revenue grew while higher margin professional services revenue decreased.

The decrease in operating and administrative expenses was largely due to:

- Reduced computer and administrative expenses related to lower franchise sales and cost containment; offset by
- Increased commissions of $0.4 million associated with the revenue growth in staffing services.

The following table presents changes in revenues, cost of services, gross profit, operating and administrative expenses, and operating profit for MRI for the six months ended June 30, 2008 and 2007:

MRI

	Six months ended June 30,					
	2008		2007		Increase (Decrease)	
		% of Total		% of Total		
(in thousands)	$	Revenue	$	Revenue	$	%
Revenue						
Staffing services	$25,853	66.2%	$20,167	56.5%	$ 5,686	28.2%
Professional Services	13,179	33.8	15,502	43.5	(2,323)	(15.0)
	39,032	100.0	35,669	100.0	3,363	9.4
Cost of services	17,805	45.6	14,105	39.5	3,700	26.2
Gross profit	21,227	54.4	21,564	60.5	(337)	(1.6)
Operating and administrative expenses	15,484	39.7	13,966	39.2	1,518	10.9
Operating profit	$ 5,743	14.7%	$ 7,598	21.3%	$ (1,855)	(24.4)%

MRI's revenue increased in 2008 as a result of growth in contract staffing services revenue, partially offset by professional services revenue decreases reflecting a decline in royalties and franchise sales primarily during the second quarter of 2008.

Gross profit dollars decreased due to the sales decline in professional services mentioned above. Overall gross profit margin decreased as lower margin contract staffing services revenue grew significantly while higher margin professional services revenue decreased.

The increase in operating and administrative expenses was largely due to:

- Increased commissions of $1.4 million associated with the revenue growth in staffing services;
- A charge of $0.7 million for reserves related to amounts due from MRI Worldwide, an international master licensee; offset by,
- Reduced computer and administrative expenses related to lower franchise sales.

AndersElite ("Anders")

Business Strategy

Anders is focused on providing high quality recruitment services within the UK and Australian infrastructure environment. Anders seeks to deliver these services by developing an efficient branch office operation which provides clients with qualified contract and permanent professionals. Efficient branch office operations are, in management's belief, characterized by skilled managers leading production teams of consultants and recruitment assistants to meet clients' contract and permanent staffing needs. Management believes Anders' utilization of web-based recruiting is critical to providing it with a large pool of highly qualified candidates, and enhances the Company's ability to filter candidates to meet specific customer needs.

The UK infrastructure sector continues to provide opportunities with the rebuilding of the country's rail system, other government-related projects, and private industry-related projects. Anders is pursuing these opportunities by enhancing its permanent placement process and focusing more resources, including recruitment assistants, on this area to improve recruiter productivity. While long term demand in the UK is expected to continue, there have been significant cyclical slowdowns in certain sectors during the second quarter of 2008 in the private housing construction and new property development project sectors. In addition, the 2012 London Olympics is providing and is expected by management to continue to provide opportunities for revenue and operating profit growth. Demand in Australia continues to grow in the construction, mining, rail, shipping, engineering and power and processing sectors. Anders is looking to capitalize on and develop its international capabilities in order to provide services to its clients who have global requirements and international needs.

Anders anticipates generating new business growth due to the opening of new offices in Australia. The Australian offices provide a pool of candidates to a tight UK labor market, in addition to generating business from Australia-based customers.

Anders opened a new office in Australia during the first quarter of 2008, continuing its effort to capitalize on the strong demand in that country.

Key Performance Indicators

Anders relies on various operational and financial metrics to manage its business. Key metrics include direct margin by recruiter and branch office, staff payroll costs as a percentage of gross profit, gross profit as a percentage of revenue and return on net assets.

Monitoring direct margin by recruiter and branch office enables Anders to focus on increasing productivity, thereby increasing profit margins. Anders also monitors its staff payroll costs as a percentage of gross profit to evaluate recruiter and branch productivity. This allows Anders to identify the most efficient branches and to apply the methods used in those branches to improve the performance of its other branches. Monitoring recruiter and branch performance also allows Anders to promote delivery of high levels of service to customers.

Gross profit and gross profit margin reflect Anders' ability to realize pricing consistent with value provided, to incorporate changes in market demand, and to control and pass through direct costs. Gross margin may not increase at the same percentage rate as revenue. Permanent placement revenue has a significant impact on gross margin. Since there are no direct costs associated with permanent placement revenue, increases or decreases in permanent placement revenue can have a disproportionate impact on gross profit margins.

Return on net assets ("RONA") reflects Anders' ability to generate earnings while optimizing assets deployed in the business. A key metric to drive RONA is Accounts Receivable Days Sales Outstanding ("DSO"). Reduction in DSO will contribute to improvement in RONA.

Results of Operations

The following table presents changes in revenues, cost of services, gross profit, operating and administrative expenses, and operating profit for Anders for the three months ended June 30, 2008 and 2007 in U.S. dollars:

Anders

	Three months ended June 30,					
	2008		2007		Increase (Decrease)	
(US dollars in thousands)	$	% of Total Revenue	$	% of Total Revenue	$	%
Revenue						
Staffing services	$55,379	91.9%	$54,535	86.3%	$ 844	1.5%
Professional services	4,866	8.1	8,658	13.7	(3,792)	(43.8)
	60,245	100.0	63,193	100.0	(2,948)	(4.7)
Cost of services	46,716	77.5	45,736	72.4	980	2.1
Gross profit	13,529	22.5	17,457	27.6	(3,928)	(22.5)
Operating and administrative expenses	12,040	20.0	13,937	22.0	(1,897)	(13.6)
Operating profit	$ 1,489	2.5%	$ 3,520	5.6%	$ (2,031)	(57.7)%

The following table presents changes in revenues, cost of services, gross profit, operating and administrative expenses, and operating profit for Anders for the six months ended June 30, 2008 and 2007 in U.S. dollars:

Anders

	Six months ended June 30,					
	2008		2007		Increase (Decrease)	
		% of Total		% of Total		
(US dollars in thousands)	$	Revenue	$	Revenue	$	%
Revenue						
Staffing services	$109,730	90.0%	$108,758	87.2%	$ 972	0.9%
Professional services	12,255	10.0	16,030	12.8	(3,775)	(23.5)
	121,985	100.0	124,788	100.0	(2,803)	(2.2)
Cost of services	92,792	76.1	91,156	73.0	1,636	1.8
Gross profit	29,193	23.9	33,632	27.0	(4,439)	(13.2)
Operating and administrative expenses	24,929	20.4	27,419	22.0	(2,490)	(9.1)
Operating profit	$ 4,264	3.5%	$ 6,213	5.0%	$ (1,949)	(31.4)%

To more effectively discuss the comparative results of operations for the three months ended June 30, 2008 and 2007, the following table presents Anders' results on a constant currency basis (i.e., British Pounds—£):

Anders

	Three months ended June 30,					
	2008		2007		Increase (Decrease)	
		% of Total		% of Total		
(British pounds in thousands)	£	Revenue	£	Revenue	£	%
Revenue						
Staffing services	£27,892	91.9%	£27,289	85.8%	£ 603	2.2%
Professional services	2,450	8.1	4,503	14.2	(2,053)	(45.6)
	30,342	100.0	31,792	100.0	(1,450)	(4.6)
Cost of services	23,528	77.5	23,007	72.4	521	2.3
Gross profit	6,814	22.5	8,785	27.6	(1,971)	(22.4)
Operating and administrative expenses	6,064	20.0	7,011	22.1	(947)	(13.5)
Operating profit	£ 750	2.5%	£ 1,774	5.5%	£ (1,024)	(57.7)%

The decrease in revenue was primarily due to the rapid drop in permanent placement hiring as a result of weaker demand in the property development and residential housing construction markets in the UK, partially offset by solid revenue growth in Australia.

Gross profit dollars decreased due to the decreased revenue mentioned above.

Gross profit margins decreased due to reduced permanent placement revenue as mentioned above.

Anders' operating and administrative expenses decrease was primarily due to lower variable compensation, lower headcount and expense controls.

To more effectively discuss the comparative results of operations for the six months ended June 30, 2008 and 2007, the following table presents Anders' results on a constant currency basis (i.e., British Pounds—£):

Anders

	Six months ended June 30,					
	2008		2007		Increase (Decrease)	
		% of Total		% of Total		
(British pounds in thousands)	£	Revenue	£	Revenue	£	%
Revenue						
Staffing services	£55,285	90.0%	£54,730	86.6%	£ 555	1.0%
Professional services	6,174	10.0	8,470	13.4	(2,296)	(27.1)
	61,459	100.0	63,200	100.0	(1,741)	(2.8)
Cost of services	46,751	76.1	46,167	73.0	584	1.3
Gross profit	14,708	23.9	17,033	27.0	(2,325)	(13.6)
Operating and administrative expenses	12,560	20.4	13,885	22.0	(1,325)	(9.5)
Operating profit	£ 2,148	3.5%	£ 3,148	5.0%	£ (1,000)	(31.8)%

The decrease in revenue was primarily due to reduced revenue in permanent placement as a result of weaker demand in the property development and residential housing construction markets in the UK, partially offset by solid revenue growth in Australia.

Gross profit dollars decreased due to the decreased revenue mentioned above.

Gross profit margins decreased due to reduced permanent placement revenue as mentioned above.

Anders' operating and administrative expenses decrease was largely due to lower staff salaries and personnel costs as a result of lower headcount and expense controls.

Information Technology Solutions ("ITS")

Business Strategy

ITS provides a variety of information technology related services for its clients. These services include staffing, consulting and outsourcing. These service offerings require recruiting and retaining information technology talent for contract and permanent information technology positions, industry expertise and the ability to determine appropriate solutions for business service needs. ITS's customers are primarily Fortune 1000 companies with high volume information technology requirements and/or the need to augment their own staff on a flexible basis.

The success of ITS's staffing services is dependent upon maintaining and increasing penetration of its existing client base, its ability to win new contract awards and the availability and cost of its skilled labor pool. The market demand for ITS's services is also heavily dependent upon the pace of technology change and the changes in business requirements and practices of its clients. The IT services industry is highly competitive and is subject to strong pricing pressures from customers and competition.

While staffing continues to be a core offering, ITS is focusing its efforts on providing higher-value IT outsourcing and consulting services through the development of expertise in specific technology domains. This effort to shift the emphasis towards higher value IT services is consistent with CDI's core business strategy. ITS seeks to provide a full range of integrated IT services to its clients. ITS seeks to differentiate itself from the competition and optimize the client's infrastructure, all while targeting a reduction in overall IT costs and improved service levels.

Key Performance Indicators

ITS manages and assesses its performance through various means, with the primary financial and operational measures including revenue growth, gross profit margin, direct margin per hour, direct margin per recruiter, revenue per sales person, operating profit margin and return on net assets.

Revenue growth reflects performance on both new and existing contracts and accounts. The ITS model is such that increases in revenue may not result in proportionate changes in operating and administrative costs, thus improving profitability.

Gross profit and gross profit margin reflect ITS's ability to realize pricing consistent with value provided, to incorporate changes in market demand, and to control and pass through direct costs. It is also an indication of ITS's ability to shift the mix of business to higher margin service offerings.

Return on net assets ("RONA") reflects ITS's ability to generate earnings while optimizing assets deployed in the business. A key metric to drive RONA is Accounts Receivable Days Sales Outstanding ("DSO"). Reduction in DSO will contribute to improvement in RONA.

Results of Operations

The following table presents changes in revenue by category, cost of services, gross profit, operating and administrative expenses, and operating profit for ITS for the three months ended June 30, 2008 and 2007:

ITS

	Three months ended June 30,					
	2008		2007		Increase (Decrease)	
		% of Total		% of Total		
(in thousands)	$	Revenue	$	Revenue	$	%
Revenue [1]						
Staffing services	$49,299	87.3%	$54,165	89.5%	$ (4,866)	(9.0)%
Project outsourcing	6,904	12.2	6,158	10.2	746	12.1
Professional Services	262	0.5	163	0.3	99	60.7
	56,465	100.0	60,486	100.0	(4,021)	(6.6)
Cost of services	45,545	80.7	49,334	81.6	(3,789)	(7.7)
Gross profit	10,920	19.3	11,152	18.4	(232)	(2.1)
Operating and administrative expenses	9,780	17.3	10,504	17.4	(724)	(6.9)
Operating profit	$ 1,140	2.0%	$ 648	1.0%	$ 492	75.9%

[1] Revenues for 2007 have been reclassified to conform to the 2008 presentation.

ITS's revenue decreased from the prior year primarily due to reduced demand for contract staffing in the automotive industry partially offset by growth in the project outsourcing business.

ITS's gross profit dollars decreased primarily due to the reduction in contract staffing. Gross profit margin increased slightly due to the increase in higher margin project outsourcing and professional services activities somewhat offset by a reduction of lower margin contract staffing.

ITS's operating and administrative expenses decreased primarily due to headcount reduction and other cost control initiatives implemented during 2008.

Operating profit increased primarily due to the cost controls and the growth of higher margin consulting business.

The following table presents changes in revenue by category, cost of services, gross profit, operating and administrative expenses, and operating profit for ITS for the six months ended June 30, 2008 and 2007:

ITS

	Six months ended June 30,					
	2008		2007		Increase (Decrease)	
		% of Total		% of Total		
(in thousands)	$	Revenue	$	Revenue	$	%
Revenue [1]						
Staffing services	$ 99,080	87.8%	$112,399	89.1%	$(13,319)	(11.8)%
Project outsourcing	13,289	11.8	13,194	10.5	95	0.7
Professional Services	453	0.4	517	0.4	(64)	(12.3)
	112,822	100.0	126,110	100.0	(13,288)	(10.5)
Cost of services	91,705	81.3	102,832	81.5	(11,127)	(10.8)
Gross profit	21,117	18.7	23,278	18.5	(2,161)	(9.3)
Operating and administrative expenses	19,774	17.5	21,048	16.7	(1,274)	(6.1)
Operating profit	$ 1,343	1.2%	$ 2,230	1.8%	$ (887)	(39.8)%

[1] Revenues for 2007 have been reclassified to conform to the 2008 presentation.

ITS's revenue decreased from the prior year primarily due to staffing cutbacks by a major IT alliance account, the termination of an outsourcing contract and reduced demand in the automotive industry.

ITS's gross profit dollars decreased primarily due to a reduction in staffing services. Gross profit margin increased slightly due to the increase in higher margin project outsourcing somewhat offset by a reduction of lower margin contract staffing and pricing pressures experienced within staffing services.

ITS's operating and administrative expenses decreased primarily due to headcount reduction and other cost control initiatives implemented during 2008.

Operating profit declined more significantly than gross profit due to the inability to reduce infrastructure costs as rapidly as the decline in gross profit margin dollars.

Corporate

Corporate expenses totaled $4.3 million in the second quarter of 2008 as compared to $5.1 million in the second quarter of 2007. The decrease of $0.8 million was principally the result of lower compliance and consulting services spending and variable compensation costs.

Corporate expenses totaled $9.4 million for the six months ended June 30, 2008 as compared to $9.8 million for the six months ended June 30, 2007. The decrease of $0.4 million was primarily due to lower variable compensation costs.

Liquidity and Capital Resources

The following table summarizes the major captions from the Company's Consolidated Statements of Cash Flows:

	Six months ended June 30,	
(in thousands)	2008	2007
Operating Activities	$ 6,484	$12,184
Investing Activities	(5,635)	(3,694)
Financing Activities	(6,364)	6,825

Operating Activities

During the first half of 2008, net cash provided by operating activities was $6.5 million driven by earnings, partly offset by working capital requirements. Operating cash flow was below prior year by $5.7 million primarily due to higher working capital requirements of $8.0 million reflecting reductions of accrued expenses and other current liabilities, offset by an increase of accounts receivable.

Investing Activities

CDI's primary investing activities during the first half of 2008 constituted purchases of property and equipment. During the first half of 2008, capital expenditures totaled $6.0 million, as compared to $4.6 million in the same period in 2007. The increase in capital spending was primarily due to capital expenditures for recruitment and financial systems related technology projects, additional leasehold improvements and furniture for new offices. Capital spending for the full year of 2008 is expected to be approximately $8 - $10 million.

Financing Activities

Net cash used in financing activities increased by $13.2 million during the first half of 2008, as compared to the same period in 2007. The Company received $0.1 million proceeds from exercises of employee stock options during the first half of 2008 as compared to $5.4 million received in 2007. The level of cash overdrafts decreased by $4.3 million as compared to the same period in 2007, principally due to timing of payments.

The Company paid shareholders dividends totaling $5.3 million and $4.4 million during the first half of 2008 and 2007, respectively. The declaration and payment of future dividends will be at the discretion of the Company's Board of Directors and will depend upon many factors including the Company's earnings, financial condition and capital requirements. In addition, the Company repurchased 72,400 shares in the open market for $1.8 million during the first quarter of 2008. There were no shares repurchased during the second quarter of 2008.

Summary

The Company's business model is expected to generate positive cash flow over the business cycle. However, changes in level of business activity, and to a lesser extent, seasonality, do impact working capital needs and cash flow. Management believes that the Company's current funds, funds generated from operations and funds available under its short-term credit facility will be sufficient to support currently anticipated working capital, capital expenditures, shareholder dividends, stock repurchases and potential strategic acquisitions. Should the Company require additional funds in the future, management believes that it will be able to obtain these funds at competitive rates.

On February 26, 2008, CDI's Board of Directors approved the repurchase of up to $50 million of the Company's outstanding common stock. Repurchases will be made from time to time depending upon the Company's share price and other relevant factors. Repurchases may be made on the open market or through privately negotiated transactions. The Company is not required to repurchase any specific number of shares and the Company may terminate the repurchase program at any time. During March 2008, the Company repurchased 72,400 shares in the open market for $1.8 million in cash. There were no shares repurchased during the second quarter of 2008.

Critical Accounting Policies and Estimates

The Company's interim financial statements were prepared in accordance with generally accepted accounting principles, which require management to make subjective decisions, assessments and estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting judgment increases, such judgments become even more subjective. While management believes its assumptions are reasonable and appropriate, actual results may be materially different than estimated. The critical accounting estimates and assumptions identified in the Company's 2007 Annual Report on Form 10-K filed on March 7, 2008 with the Securities and Exchange Commission have not materially changed.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to risks associated with foreign currency fluctuations and changes in interest rates. The Company's exposure to foreign currency fluctuations relates primarily to its operations denominated in British Pound Sterling, Euros, Canadian Dollars and Australian Dollars. The Company generally has positive cash flow in British Pounds Sterling, Canadian Dollars and Australian Dollars and net cash outflows in Euros. Exchange rate fluctuations impact the U.S. dollar value of reported earnings derived from these foreign operations as well as the Company's investment in the net assets related to these operations. The Company engages in foreign currency hedging activities with respect to certain of its foreign operations.

During the first quarter of 2008, the Company entered zero cost collar option contracts ("options") to hedge portions of its Canadian Dollar, British Pound Sterling, Euro and Australian Dollar currency forecasted results. These options have a range of foreign exchange rates, which provide a hedge against foreign amounts that are translated at rates outside the range. These options do not have a premium. The options were for various amounts in local currency on a quarterly basis and expire respectively at the end of the first, second, third and fourth quarters in 2008. Under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* , these instruments are accounted for at fair value. Because the Company could not designate these options as hedges for accounting purposes, foreign exchange revaluation gains or losses are reflected in earnings immediately, while the impact of translating the foreign based income into U.S. dollars is recognized throughout the year. For the six months ended June 30, 2008, the Company recorded a net gain of $69 related to these options, consisting of a realized gain of $34 and an unrealized gain of $35. The net gains were recorded in interest income and other expense in the consolidated statements of earnings. (See Note 3 Fair Value Disclosures of the financial statements in Part I, Financial Information for additional information).

The following table details the Company's outstanding foreign exchange zero cost collar option contracts at June 30, 2008:

					Foreign Currency in US $	
Local Trade Currency	Effective Date	Maturity Date	Currency Date	Notional Amount (in thousands)	Floor Rate	Ceiling Rate
Australian Dollar	1/11/2008	9/26/2008	note (1)	700	0.8200	0.8875
Australian Dollar	1/11/2008	12/29/2008	note (2)	700	0.8200	0.8875
British Pound	1/11/2008	9/26/2008	note (1)	2,660	1.8800	1.9735
British Pound	1/11/2008	12/29/2008	note (2)	2,225	1.8800	1.9735
Canadian Dollar	1/11/2008	9/26/2008	note (1)	1,135	0.9551	0.9814
Canadian Dollar	1/11/2008	12/29/2008	note (2)	1,210	0.9551	0.9814
Euro	1/11/2008	9/26/2008	note (1)	1,910	1.4675	1.5000
Euro	1/11/2008	12/29/2008	note (2)	1,840	1.4675	1.5000

(1) The exercise rate is determined by taking an average of the spot rates on the following dates: 6/26/2008, 7/25/2008, 8/22/2008 and 9/26/2008.

(2) The exercise rate is determined by taking an average of the spot rates on the following dates: 9/26/2008, 10/24/2008, 11/21/2008 and 12/29/2008.

As of, and during the quarters ended June 30, 2008 and 2007, the Company had no borrowings outstanding under its $45.0 million committed, unsecured revolving credit facility. The Company has meaningful cash balances which are primarily invested in money market investments primarily at variable rates. Due to the Company's meaningful cash balance, interest rate fluctuations will significantly affect the Company's return on its investments.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures

The management of the Company, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15 (e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of June 30, 2008. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective as of that date to provide reasonable assurance that information required to be

disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported as specified in Securities and Exchange Commission rules and forms and that such information is accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Changes in internal control over financial reporting

There were no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the Company's second quarter ended June 30, 2008, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company has litigation and other claims pending which have arisen in the ordinary course of business.

In June 2006, the United Kingdom's Office of Fair Trading ("OFT") opened an investigation into alleged anti-competitive behavior by Anders and a number of its competitors in the UK construction recruitment industry. The allegations being investigated include, among others, the competitors agreeing to minimum fees in their contracts with UK intermediary recruitment companies and declining to work with one particular UK intermediary recruitment company. Anders is cooperating with the OFT in the investigation under the OFT's corporate leniency program. CDI believes it is likely that the OFT will ultimately impose a fine on Anders. Although management cannot yet determine with any reliability the amount of the fine, the fine could be material and this matter could have a material adverse effect on the Company's financial position and results of operations. The Company has not made any provision for any fine or other liabilities relating to this matter in its consolidated financial statements as of June 30, 2008.

Item 1A. Risk Factors

There have been no material changes from the risk factors disclosed in the "Risk Factors" section (Item 1A) of the Company's Annual Report on Form 10-K for the year ended December 31, 2007.

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

Share Repurchase Program

A total of 72,400 shares of CDI Corp. common stock were repurchased by the Company at an average price of $24.61 during the period ended June 30, 2008. As of June 30, 2008, there remained an outstanding authorization to repurchase approximately $48,218,140 of outstanding stock as represented in the table below:

CDI Corp. Purchases of Equity Securities

Period	Total Number of Shares Purchased [1] [3]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program [2]	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program [2]
January 1 through January 31, 2008	—	$ —	—	$ —
February 1 through February 29, 2008	—	—	—	50,000,000
March 1 through March 31, 2008	72,400	24.61	72,400	48,218,140
Total for January 1 - March 31, 2008	72,400	$ 24.61	72,400	$ 48,218,140
April 1 through April 30, 2008	—	$ —	—	$ 48,218,140
May 1 through May 31, 2008	—	—	—	48,218,140
June 1 through June 30, 2008	—	—	—	48,218,140
Total for April 1 - June 30, 2008	—	$ —	—	$ 48,218,140
Total January 1 - June 30, 2008	72,400	$ 24.61	72,400	$ 48,218,140

(1) All share repurchases were effected in open-market transactions and in accordance with the safe harbor provisions of Rule 10b-18 of the Exchange Act.

(2) The Company's Board of Directors authorized on February 26, 2008 the repurchase of up to $50 million of the Company's outstanding common stock (the "Repurchase Program"). Repurchases will be made from time to time beginning March 4, 2008 depending upon the Company's share price and other relevant factors. Repurchases may be made on the open market or through privately negotiated transactions. The Company is not required to repurchase any specific number of shares and the Company may terminate the repurchase program at any time.

(3) No shares were purchased by the Company other than through the Repurchase Program.

Item 3. Defaults Upon Senior Securities

None.

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

On May 20, 2008, the Company held its annual meeting of shareholders. The matters voted upon at the meeting were: (1) the election of seven directors of the Company, and (2) the ratification of KPMG LLP as the Company's independent auditor for 2008.

The vote for the election of directors was as follows:

	For	Withheld
Roger H. Ballou	19,062,337	362,255
Michael J. Emmi	19,178,300	246,292
Walter R. Garrison	15,505,505	3,919,087
Lawrence C. Karlson	19,125,616	298,976
Ronald J. Kozich	19,183,282	241,310
Constantine N. Papadakis	18,727,368	697,224
Barton J. Winokur	18,372,154	1,052,438

The vote to ratify the appointment of KPMG LLP as the Company's independent auditor for 2008 was as follows:

For	19,322,075
Against	102,159
Abstain	358

Item 5. Other Information

None.

Item 6. Exhibits

10.1 Form of Performance-Contingent Deferred Stock Agreement for executive officers.

10.2 Technical Services Statement of Work between CDI Corporation and International Business Machines Corporation effective as of June 28, 2008 relating to the "Core" businesses.

10.3 Predominant Supplier Attachment to the Technical Services Statement of Work between CDI Corporation and International Business Machines Corporation effective as of July 1, 2008 for the Integrated Technology Delivery business.

31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32 Certification of Chief Executive Officer and Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CDI Corp.

Date: August 8, 2008

By: /s/ Mark A. Kerschner

Mark A. Kerschner
Executive Vice President and
Chief Financial Officer

INDEX TO EXHIBITS

Number	Exhibit
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EXHIBIT 10.1

CDI Corp.

PERFORMANCE-CONTINGENT DEFERRED STOCK AGREEMENT

1. Grant of Performance-Contingent Deferred Stock . The Company hereby grants to ***[name of recipient]*** (the "Recipient") a target number of ***[number]*** shares of Performance-Contingent Deferred Stock ("PCDS"), with a maximum possible payout of up to two times the target number of shares of PCDS. The maximum possible payout is dependent upon the Company's performance as set forth in Section 3. This Grant is subject to the terms, definitions and provisions of the Plan, which is incorporated herein by reference. In the event of a conflict between the terms of this Agreement and the Plan, the Plan will prevail.

2. Definitions .

(a) "Board" means the Board of Directors of CDI Corp.

(b) "CDI Stock" means CDI Corp. common stock, par value $.10 per share.

(c) "Committee" means the Compensation Committee of the Board or its successor.

(d) "Company", as the context requires, means CDI Corp., CDI Corp. and its subsidiaries, or the individual subsidiary of CDI Corp. which employs or retains the Recipient.

(e) "Date of Grant" means **March 3, 2008** .

(f) "Determination Date" means the date that the calculation of RONA is approved by the Committee, which is anticipated to be shortly after the audit of the Company's 2008 financial statements is completed.

(g) "Disability" means a physical, mental or other impairment within the meaning of Section 22(e)(3) of the Internal Revenue Code of 1986, as amended.

(h) "Fair Market Value" means the closing price of actual sales of CDI Stock on the New York Stock Exchange composite tape on a given date or, if there are no such sales on such date, the closing price of CDI Stock on such Exchange on the last preceding date on which there was a sale.

(i) "Grant" means the grant of PCDS to the Recipient which is described in Section 1 of this Agreement.

(j) "Plan" means the CDI Corp. 2004 Omnibus Stock Plan.

(k) "RONA" means Return on Net Assets, which equals the Company's Net Income for 2008 divided by the average of the Company's Net Assets at December 31, 2007 and December 31, 2008. "Net Assets" are defined as total assets minus total liabilities, excluding cash, goodwill and any income tax assets or liabilities. The Net Assets and the Net Income of discontinued operations or operations held for sale are excluded from the calculation. The Company's RONA is calculated by the Chief Financial Officer of CDI Corp. The Compensation Committee may review and consider the effects of discontinued

operations, out of pattern events such as the Office of Fair Trading matter, or other items it deems appropriate. The Compensation Committee has the final review and approval authority with respect to this calculation.

(l) "Retirement" means the Recipient's leaving the employ of the Company:

(i) on or after the date that Recipient satisfies one of the following combinations of age and years of service with the Company:

- 60 years of age and 20 years of service;
- 62 years of age and 15 years of service; or
- 65 years of age and 5 years of service; or

(ii) at such earlier date as may be approved by the Committee, in its sole discretion.

(m) "Net Income" means net revenue minus total operating expenses, plus interest income, minus interest expense, minus tax expense.

3. Performance Contingency and Vesting . Shares of PCDS will be earned and then converted into an equivalent number of shares of CDI Stock (subject to vesting) depending on the Company's achievement of certain levels of RONA. The percentage of the target number of shares of PCDS which would be earned is indicated in the table below.

RONA Range	Percentage of the target number of shares PCDS which would be earned
< 18.2%	0%
From 18.2% to 19.9%	20%
From 20.0% to 21.7%	40%
From 21.8% to 23.5%	60%
From 23.6% to 24.8%	80%
From 24.9% to 26.6%	100%
From 26.7% to 27.1%*	120%*
From 27.2% to 27.6%*	140%*
From 27.7% to 28.1%*	160%*
From 28.2% to 28.6%*	180%*
≥ 28.7%*	200%*

* To earn in excess of 100% of the target number of shares, the CDI Net Income goal (and the applicable business unit Net Income goal for business unit executives) must be achieved or exceeded.

The Recipient will not be entitled to receive any shares of CDI Stock with respect to shares of PCDS which have been earned until the shares of CDI Stock have vested. Such shares of CDI Stock will vest as follows: (a) 50% on the Determination Date, and (b) 50% on the first anniversary of the Determination Date. Soon after vesting, a stock certificate representing the appropriate number of shares of CDI Stock will be delivered to the Recipient. The number of shares of CDI Stock which the Recipient will receive upon vesting shall be decreased in accordance with Section 5 below regarding tax withholding. If the Recipient's employment with the Company terminates for any reason prior to the Determination Date, no shares of CDI Stock

will vest and such shares shall be forfeited as of the date that Recipient's employment with the Company terminates. If the Recipient's employment with the Company terminates between the Determination Date and the first anniversary of the Determination Date, the Recipient will be entitled to receive the shares of CDI Stock which vest upon the Determination Date but the shares scheduled to vest on the first anniversary date of the Determination Date shall be forfeited; provided, however, that if, between the Determination Date and the first anniversary of the Determination Date, the Recipient's employment with the Company terminates as a result of death, Disability or Retirement, any shares of CDI Stock scheduled to vest on the first anniversary date of the Determination Date will become immediately vested.

4. Dividends . No dividends shall be paid with respect to shares of PCDS. In lieu thereof, at such time as shares of CDI Stock are vested, the Recipient will be credited with that number of additional whole shares of CDI Stock that can be purchased (based on their Fair Market Value on the last trading day immediately prior to the vesting date) with the sum of the dividends that would have been paid with respect to an equal number of shares of CDI Stock between the Date of Grant and the vesting date. The number of shares of CDI Stock payable to the Recipient with respect to dividends shall be decreased in accordance with Section 5 below regarding tax withholding.

5. Tax Withholding . The number of shares of CDI Stock to be delivered to the Recipient upon vesting (including shares relating to dividends) shall be reduced by the number of shares having a Fair Market Value equal to all taxes (including, without limitation, federal, state, local or foreign income or payroll taxes) required by law to be withheld in connection with the payout relating to this Grant. The portion of any shares of CDI Stock withheld pursuant to the applicable tax laws shall be determined by using the Fair Market Value of CDI Stock on the vesting date.

6. Nontransferablity of this Grant . The shares of PCDS may not be transferred, in whole or in part, except (a) by will or the applicable laws of descent and distribution or (b) with the prior written approval of the Committee, to the spouse or descendant of the Recipient or a trust for the benefit of the spouse or descendants.

7. Stock Ownership Requirements . If the Recipient is subject to any stock ownership requirements imposed by the Company, those requirements may limit the Recipient's ability to sell or otherwise transfer some or all of the shares of CDI Stock which may be acquired by the Recipient in connection with this Grant.

8. Cancellation of PCDS and Repayment of Gains . Notwithstanding any other provision of this Agreement, if the Committee determines that the Recipient has entered into or intends to enter into competition with the Company or any of its subsidiaries, the Committee may, in its discretion, at any time during the term of the non-competitive covenant, if any, in the employment agreement, engagement agreement, "covenants and agreements" or similar document between the Recipient and the Company which is being violated by such competition: (a) cancel any shares of PCDS granted to the Recipient and/or (b) require the Recipient to pay to the Company an amount equal to the value derived from the CDI Stock issued to the Recipient in connection with this Grant during the one-year period prior to the termination of the Recipient's employment or engagement with the Company.

9. Compliance with Laws . All shares of CDI Stock issued hereunder to the Recipient or his personal representative shall be transferred in accordance with all applicable laws, regulations or listing requirements of any national securities exchange, and the Company may take all actions necessary or appropriate to comply with such requirements including, without limitation, restricting (by legend or otherwise) such CDI Stock as shall be necessary or appropriate, in the

opinion of counsel for the Company, to comply with applicable federal and state securities laws, including Rule 16b-3 (or any similar rule) of the Securities and Exchange Commission, and postponing the issuance or delivery of any shares of CDI Stock. Notwithstanding any provision in this Agreement to the contrary, the Company shall not be obligated to issue or deliver any shares of CDI Stock if such action violates any provision of any law or regulation of any governmental authority or any national securities exchange. The Company may also condition delivery of certificates for shares of CDI Stock upon the prior receipt from the Recipient of any undertakings that it determines are required to ensure that the certificates are being issued in compliance with federal and state securities laws.

10. Rights Prior to Issuance of Certificates . Neither the Recipient nor any person to whom the Recipient's rights shall have passed by will or by the laws of descent and distribution shall have any of the rights of a shareholder with respect to any shares of PCDS or any shares of CDI Stock issuable in connection with the PCDS until the date of issuance to the Recipient of a certificate for shares of CDI Stock.

11. PCDS Does Not Affect Employment Relationship . This Grant shall not confer upon the Recipient any right to continue in the employ or service of the Company, nor interfere in any way with the right of the Company to terminate the employment of the Recipient at any time.

12. Interpretation . The Committee shall have the sole power to interpret this Agreement and to resolve any disputes arising hereunder.

13. Acknowledgement . The Recipient acknowledges receipt of a copy of the Plan and certain information related thereto and represents that he or she is familiar with the terms and provisions thereof, and hereby accepts this Agreement subject to all of the terms and provisions of the Plan. The Recipient has reviewed the Plan and this Agreement in their entirety, has had an opportunity to obtain the advice of independent counsel prior to executing this Agreement and fully understands all provisions relating to this Agreement. In addition, by entering into this Agreement and accepting this Grant, the Recipient acknowledges that: (a) this Grant is a one-time benefit and does not create any contractual or other right to receive future grants, awards or other benefits in lieu of grants; (b) the Recipient's participation in the Plan is voluntary; (c) this Grant is not part of normal or expected compensation for any purpose, including without limitation for calculating any benefits, severance, termination, bonuses, retirement benefits or similar payments; and (d) the future value of CDI Stock is unknown and cannot be predicted, and the Recipient is not, and will not, rely on any representation by the Company or any of its personnel regarding the future value of CDI Stock.

14. Execution of this Agreement . If the Recipient does not sign and return this Agreement, the Company is not obligated to provide the Recipient with any benefit hereunder and may refuse to issue shares of CDI Stock to the Recipient in connection with this Grant. If the Recipient receives any shares of CDI Stock in connection with this Grant but has not signed and returned this Agreement, he or she will be deemed to have accepted and agreed to the terms set forth herein.

CDI CORP.		RECIPIENT	
By:	_____	Signature:	_____
Print Name:	_____	Print Name:	_____
Title:	_____	Date:	_____

TECHNICAL SERVICES STATEMENT OF WORK

by and between

CDI Corporation

and

International Business Machines Corporation

Effective as of June 28, 2008

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STATEMENT OF WORK

This Statement of Work ("SOW"), effective as of June 28, 2008 (the "Effective Date"), is entered into by and between CDI Corporation, a Pennsylvania corporation having a place of business at 1717 Arch Street, 35 th Floor, Philadelphia, PA 19103-2768 ("Supplier") and International Business Machines Corporation, a New York corporation with its principal place of business located at New Orchard Road, Armonk, New York 10504, ("Buyer") for Supplier to provide Services for the benefit of Buyer's internal use and resale to Buyer Customers.

This SOW # 4908021177 fully incorporates by this reference, the terms and conditions of Technical Services Agreement # 4998CC0044-002 ("Base Agreement") between Buyer and Supplier. Services and Deliverables provided under this SOW will be in accordance with, and subject to, the terms and conditions of this SOW and its Schedules, Attachments, the Base Agreement and any applicable Work Authorizations ("WAs"). This SOW is not a WA.

As used in this SOW, "Party" means either Supplier or Buyer, as appropriate, and "Parties" means Supplier and Buyer collectively. The Parties agree that the following terms and conditions shall apply to the Services to be provided by Supplier under this SOW in consideration of certain payments to be made by Buyer.

1. BACKGROUND AND OBJECTIVES

1.1 Background

This SOW is being made and entered into with reference to the following:

(a) In May 2008, Buyer completed a competitive evaluation of Supplier's quality, cost trends, timeliness, flexibility, and technical capabilities.

(b) Supplier acknowledges that it is in the business of providing the types of information technology services covered under this SOW. Supplier represents that, by leveraging the talent and resources of its Affiliates and subcontractors, Supplier has the skills, qualifications and experience necessary to perform and manage those Services requested by Buyer under this SOW and related WAs, in an efficient, cost-effective and controlled manner, with a high degree of quality and responsiveness. Supplier has performed services similar to the Services for other customers.

(c) In reliance upon the foregoing and Supplier's commitment below in Section 3.1(c) to obtain, utilize and leverage the talent and resources of Supplier, Supplier's Affiliates and Supplier's subcontractors, Buyer has selected Supplier to provide the Services under this SOW. This SOW documents the terms and conditions under which Buyer agrees to purchase, and Supplier agrees to provide, such Services.

1.2 Objectives

The Parties agree upon certain goals and objectives for this SOW, including the following:

(a) Leveraging the industry expertise and experience of Supplier to permit Buyer to support it and its Customers' goal of gaining a competitive edge in their marketplaces.

(b) Leveraging technology in ways that provide business solutions that are relevant, consistent, interoperable, cost-effective, and of high quality.

(c) Establishing a flexible contractual relationship that will provide value and be highly responsive to the demands of Buyer's business, to changes in the business environment, and to changes in technology and methods for providing technology services.

1.3 Construction

The provisions of this Article 1 are intended to be a general introduction to this SOW and are not intended to expand the scope of the Parties' obligations under this SOW or to alter the plain meaning of the terms and conditions of this SOW or the Base Agreement. However, to the extent the terms and conditions of this SOW do not address a particular circumstance or are otherwise unclear or ambiguous, such terms and conditions are to be interpreted and construed so as to give the fullest possible effect to the goals and objectives set forth in the statement of background and objectives.

2. DEFINITIONS

2.1 Certain Definitions

As used in this SOW:

"Authorized Users" are users of Services within and outside of Buyer including, but not limited to, Recipient employees, business units, vendors, Customers, contractors, joint ventures, etc.

"Blocked Invoices" means invoices that have been submitted by Supplier and received by Buyer that contain inaccurate pricing information, resulting in the inability of Buyer's Accounts Payable to effect payment.

"Buyer Data" means information entered into software or equipment by or on behalf of one or more of the Buyer entities, as well as information derived from this information, including any such information as stored in or processed through equipment or software.

"Buyer Information" means all information, in any form, furnished or made available directly or indirectly to Supplier by Buyer or otherwise obtained by Supplier from Buyer. Buyer Information includes Buyer Confidential Information.

"Buyer Works" means a Work, trade secret, trademark, moral right, or other domestic or foreign intellectual property right owned by IBM or its Affiliates that is used by Supplier to provide the Services. Buyer Works shall include IBM Software.

"Bypass" means the commencement of work by Supplier Personnel prior to issuance of a valid Buyer WA.

"Client" or "Requester" means the various IBM divisions and organizations (such as, but not limited to IBM Global Services, Lotus Development, etc.) individually and collectively.

"Contract Year" means any twelve (12) month period commencing on the Effective Date or any anniversary thereof during the Term.

"Customer Works" means a Work, trade secret, trademarks, moral right, or other domestic or foreign intellectual property right owned by any one or more of IBM Customer entities that is used to provide the Services. Customer Works shall include Customer software.

"Effective Date" has the meaning set forth in the preamble of this SOW.

"Global Resources" means Services provided to Buyer from lower cost countries (including Eastern Europe, Asia Pacific and Latin America).

"Including" and its derivatives, whether or not capitalized, means including without limitation.

"NMSDC" is the "National Minority Supplier Development Council."

"Overtime" means hours worked over 40 hours in a Work Week except in states that require payment to non-exempt employees who work more than eight hours per day.

"Personal Information" has the meaning given in Section 15.2(a)(i).

"Privacy Laws" has the meaning given in Section 15.2(a).

"Service Level" has the meaning set forth in Section 7.1.

"Services" has the meaning given in Section 3.1(a).

"Software" means Applications Software and Systems Software unless a more specific reference is given.

"Specified Skills" are standard skills found on the rate matrix.

"Supplier Performance Evaluation" or "SPE" means a report that provides performance feedback to Supplier on its relative ranking against competitors by measuring technology, flexibility, quality, performance to commitments, and communication.

"Supplier Personnel" means agents, employees or subcontractors engaged or appointed by Supplier to perform the Services.

"Supplier Works" means a Work, trade secret, trademark, moral right, or other domestic or foreign intellectual property right owned by Supplier Personnel or its Affiliates that is used to provide the Services.

"Term" has the meaning specified in Section 4.1.

"Third Party Software" means Software owned by a third party that is used to provide the Services (including related documentation).

"Third Party Work" means a Work, trade secret, trademark, moral right, third party source code or other domestic or foreign intellectual property right owned by a third party that is used to provide the Services. Third Party Works shall include Third Party Software and third party open source code.

"Use" means to access, use, copy, maintain, modify, enhance, perform, display, distribute (internally only) and create derivative works. The definition of "Use" shall not be deemed to imply any grant of right to source code.

"Virus" has the meaning given in Section 15.3.

"WBENC" is the "Women's Business Enterprise National Council."

"Work" means any tangible or intangible work, invention, improvement, discovery, process, writing, design, model, drawing, photograph, report, formula, pattern, device, compilation, database or computer program, whether or not protectable under Title 17 of the U.S. Code and whether or not patentable or otherwise protectable under Title 35 of the U.S. Code, that are conceived of, prepared, procured, generated or produced, whether or not reduced to practice.

"Work Week" A normal workweek (24 hour clock) begins at 12:00:00 a.m. Saturday and ends at 11:59:59 p.m. Friday.

2.2 Other Terms; Interpretation

(a) Other terms used in this SOW are defined where they are used and shall have the meanings there indicated.

(b) Terms other than those defined in this SOW shall be given their plain English meaning, and those terms, acronyms and phrases known in the information technology services industry shall be interpreted in accordance with their generally known meanings.

(c) References to "Article", "Section", or "Schedule" shall be references to an Article, Section, or Schedule of this SOW, respectively, unless otherwise specifically stated.

(d) Throughout this SOW, "Supplier" shall be read to mean Supplier Personnel and its Affiliates unless the context is clear that it is solely a Supplier obligation under this SOW.

3. SERVICES

3.1 Provision of Services

(a) Commencing on the Effective Date, Supplier shall provide the following Services and perform the following functions and responsibilities, each as they may evolve during the Term and as they may be supplemented, modified enhanced or replaced from time to time:

(i) The services, functions and responsibilities described in this SOW;

(ii) The services, functions and responsibilities that are of a nature and type that would ordinarily be performed by the Supplier, even if such services, functions and responsibilities are not specifically described in this SOW;

(iii) The comprehensive technical services that may be required to be provided under this SOW, either on Supplier's, Buyer's or Buyer's Customer's premises as specified in a WA. Accordingly, Supplier will provide a full range of technical personnel, in accordance with the Skill Classifications detailed in Schedule B hereto, including but not limited to the following:

Computer Operator	Programmer
Customer Engineer	Project Manager
Database Management	Service Support
Designer Technician	Software Tester

End User Support Engineer	Systems Analyst
Network Management Specialist	Systems Engineer
Technical Writer	

(iv) Any services, functions, or responsibilities not specifically described in this SOW that are required for the proper performance and provision of the Services.

(Such services, functions and responsibilities described in this Section 3.1(a), collectively the "Services").

(b) Except as provided otherwise in this SOW and as part of the Services, Supplier will be proactive in identifying opportunities to implement new technologies that will improve the Services at a reduced cost.

(c) In those instances, when Supplier Personnel are working at the Supplier's site or a remote location (not Buyer's or Buyer's Customer locations), Supplier shall be responsible for providing any and all facilities, assets and resources (including personnel, facilities, equipment and software) as necessary and appropriate for delivery of the Services and to meet Supplier's obligations under this SOW, unless otherwise directed by Buyer. Supplier shall obtain, utilize and leverage the talent and resources of Supplier and its global network of Affiliates and subcontractors in providing the Services.

(d) The Services will be performed by Supplier as necessary to meet Buyer's business needs using generally acknowledged technological advancements and improvements in the methods of delivering the Services.

(e) Supplier and Supplier's subcontractors shall be obligated to abide by, and comply with Buyer's then-current standards, policies and procedures. Such obligations currently include the obligation to refrain from engaging in any concurrent employment that creates a conflict of interest or interferes with the provision of Services to Buyer. Supplier agrees to advise its employees and subcontractors performing Supplier obligations hereunder, of their responsibilities under this SOW.

3.2 Recipients of the Services

(a) Supplier shall provide the Services to Buyer and its Affiliates to the extent necessary, and upon request by Buyer, to any Customers of Buyer (Buyer and each such recipient of Services described above, a "Recipient"). Buyer shall be responsible for paying the charges for Services provided to Recipients to the same extent as if the Services were provided only to Buyer. To the extent Services are characterized in this SOW as to be provided to Buyer, those references will be deemed to include the provision of such Services to other Recipients as requested by Buyer.

(b) In the event that an entity receiving Services as a Recipient no longer meets the definition of "Recipient" (e.g., due to Buyer's divestiture of an Affiliate) (each such entity a "Former Recipient"), then upon Buyer's request, Supplier shall continue to provide the Services to such entity after the date such entity becomes a Former Recipient for a period of time requested by Buyer; provided, however, that such time period shall not exceed the time period during which Buyer has the right to receive Services under this SOW and that the Former Recipient agrees with Buyer in writing to abide by the terms and conditions of this SOW. Buyer shall (i) remain the primary point of contact with Supplier with respect

to those Services provided to a Former Recipient, and (ii) remain obligated to perform its payment obligations under this SOW with respect to those Services provided to a Former Recipient. For purposes of this SOW, Services provided to a Former Recipient shall be deemed to be Services provided to Buyer.

4. TERM

4.1 Term

The term of this SOW shall begin on the Effective Date and shall expire on July 1, 2011 except to the extent this SOW is terminated in whole or in part earlier, or is extended, each in accordance with the terms of this SOW and the Base Agreement (the "Term").

4.2 Extension

(a) By giving at least a one month written notice to Supplier, Buyer shall have the right to extend the Term, for a maximum of up to three (3) years, at the terms and conditions and prices then in effect. Buyer shall have three (3) such extension options of up to three (3) years each, with Buyer having the right to specify the particular length of such extension period.

5. SUPPLIER PERSONNEL

5.1 Qualifications, Warranty and Replacement of Supplier Personnel

(a) Supplier shall assign only qualified individuals to perform the Services. The individuals Supplier assigns to perform the Services will have suitable training, education, experience and skill to perform the Services.

(b) Supplier will provide a 30-working day warranty on Services. In the event Supplier Personnel ceases performing under a WA issued against this SOW, within the first 30 working days for any reason other than Buyer's termination without cause, Buyer will not be billed for Services performed within such 30 working day period. In addition, replacement Supplier Personnel (either following a Supplier Personnel who left during the first 30 working days or following later in a Project due to Buyer action for Cause or Supplier action with or without Cause) will be non-billable during the period for which it takes them to become proficient as a replacement, up to 20 additional working days.

(c) Supplier will provide Buyer with notice, except for its Supplier Personnel under 5.1(b), when any of Supplier Personnel are removed from providing Services under any WA utilizing this SOW. Supplier shall provide this information at the earliest possible time, but not less than one (1) week in advance of voluntary removal.

(d) To the extent that any anticipated or actual delays in meeting Buyer's deadlines or scheduled completion dates for work being performed hereunder are directly attributable to the documented and demonstrated unacceptable performance of any Supplier Personnel, Supplier shall provide additional temporary personnel, as requested by Buyer and at no charge to Buyer, in order to complete, in a timely manner, the assignment involved.

5.2 Supervision of Supplier Personnel

(a) Supplier will provide consistent and effective supervision of its Personnel provided under this SOW, at no additional cost to Buyer. Consistent and effective supervision shall include regular interaction and communication with their employees either in person or through other effective means.

(b) Supplier's supervisor shall be responsible for exercising full supervisory authority over all day-to-day employment relationship decisions relating to Suppliers' Personnel, including those decisions relating to: wages, hours, terms and conditions of employment, hiring, discipline, performance evaluations, termination, counseling and scheduling.

(c) Supplier's supervisors at each work location will be responsible to know that work location's planned holiday (and other closing) schedules and the impacts all such schedules have on Supplier Personnel.

(d) Supplier Personnel must clearly know, in all situations, and, at all times, who their supervisor is and how that supervisor can be contacted. Supplier will ensure that all of its Personnel working under this SOW continue to be aware of this information. Supplier shall also be responsible to ensure that its employees understand that employment related issues should be brought forward solely to Supplier and not IBM.

5.3 On Premises Guidelines

These Guidelines shall apply to work performed on either Buyer's or Buyer's Customer's premises or Buyer's or Buyer's Customers' projects .

(a) **Access to Premises :** Supplier will ensure that when Supplier Personnel are assigned to work on either Buyer's or Buyer's Customer's premises or on Buyer's or Buyer's Customers' projects **.** Supplier will: (i) maintain a current and complete list of the person's names and social security numbers; (ii) obtain for each person a valid identification badge from Buyer and ensure that it is displayed to gain access to and while on those premises (it is Buyer's policy to deactivate any such badge if not used for one month); (iii) Maintain signed acknowledgement, dated prior to the start of an engagement, that each person will comply with Buyer's Safety & Security Guidelines including search guidelines; (iv) ensure that each person with regular access to Buyer's premises registers their vehicles with Buyer and complies with all parking restrictions; (v) inform Buyer in advance if a former employee of Buyer will be assigned to work under this SOW, such assignment being subject to Buyer approval; (vi) at Buyer's request, for any reason that is not unlawful, remove a person from those premises and not reassign such person to work on those premises (Buyer is not required to provide a reason for such request); and (vii) notify Buyer immediately upon completion or termination of any assignment and return Buyer's identification badge.

(b) **Criminal Background Investigations** : Before placement of Supplier Personnel on a Buyer or Buyer Customer project under this SOW, for every person (including persons who are not U.S. citizens, or permanent residents of the U.S.), to the fullest extent permitted by applicable law, Supplier shall perform or have performed a criminal background check covering the counties, states, and/or countries in which the person was employed or resided for the past seven years (or longer as required by applicable law). Supplier will not provide persons who, within the past seven years, or longer as required by applicable law: (a) have felony convictions or misdemeanor convictions involving violence or dishonesty; (b) have a restriction (e.g. a court order or restrictive covenant) that would prevent the candidate from providing services or impose limitations on the services that the candidate is able to provide to Buyer; or (c) may present a higher than

normal security risk to Buyer. A PO will not be issued unless background checks under this subsection have been completed within the past 3 years, (unless prohibited by applicable law), and is on file with the Supplier. Upon Buyer's request, Supplier will provide documentation to verify compliance with this Article 5.3, Subsections (a) and (b). Each time Buyer's audit reveals Supplier's failure to fully comply with this subsection, including criminal background checks that are greater than three (3) years old, Buyer will assess, and Supplier agrees to pay, an amount equal to $10,000 for the first occurrence/ purchase order and $1,000.00 for each occurrence/purchase order thereafter. For subsequent conditions of non-compliance, Buyer may assess additional penalties, which may include termination of this SOW.

(c) **General Business Activity Restrictions** : Supplier will ensure that Supplier Personnel assigned to work on either Buyer's or Buyer's Customer's premises or Buyer's or Buyer's Customers' projects: (i) will not conduct any non-Buyer related business activities (such as interviews, hirings, dismissals,or personal and personnel solicitations) on those premises; (ii) will not conduct Supplier Personnel training on those premises, except for on-the-job training; (iii) will not attempt to participate in Buyer's benefit plans or activities; (iv) will not send or receive non-Buyer related mail through Buyer's mail systems; and (v) will not sell, advertise or market any products or distribute printed, written or graphic materials on Buyer's premises without Buyer's written permission.

(d) **Safety and Security** : Supplier will ensure that Supplier Personnel assigned to work on either Buyer's or Buyer's Customer's premises or Buyer's or Buyer's Customers' projects: (i) do not bring weapons of any kind onto those premises; (ii) do not manufacture, sell, distribute, possess, use or be under the influence of controlled substances (for nonmedical reasons) or alcoholic beverages while on those premises; (iii) do not have in their possession hazardous materials of any kind on those premises without Buyer's authorization; (iv) acknowledge that all persons, property, and vehicles entering or leaving those premises are subject to search; and (v) remain in authorized areas only (limited to the work locations, cafeterias, rest rooms and, in the event of a medical emergency, Buyer's medical facilities). Supplier will promptly notify Buyer of any accident or security incidents involving loss of or misuse or damage to Buyer's intellectual or physical assets; physical altercations; assaults; or harassment and provide Buyer with a copy of any accident or incident report involving the above. Supplier must coordinate with Buyer access to Buyer's premises during non-regular working hours.

(e) **Asset Control** : In the event Supplier Personnel have access to information, information assets, supplies or other property, including property owned by third parties but provided to Supplier Personnel by Buyer ("Buyer Assets"), Supplier Personnel: (i) will not remove Buyer or Buyer's Customer's Assets from either Buyer's or Buyer's Customer's premises or Buyer's or Buyer's Customers' projects without Buyer's authorization; (ii) will use such Assets only for purposes of this SOW and reimburse Buyer for any unauthorized use; (iii) will only connect with, interact with or use programs, tools or routines that Buyer agrees are needed to provide Services; (iv) will not share or disclose user identifiers, passwords, cipher keys or computer dial port telephone numbers; and (v) in the event the Buyer Assets are confidential, will not copy, disclose or leave such assets unsecured or unattended. Buyer may periodically audit Supplier's data residing on Buyer's information assets.

6. PROPRIETARY RIGHTS

This Article addresses the Parties' respective rights and obligations in intellectual property. Each grant by Buyer of a license to Use, or of rights of Use, pursuant to this Article 6 shall be deemed to include, subject

to the other provisions of this SOW, a grant of such license or rights to Authorized Subcontractors and Supplier Affiliates. Works made available by Buyer to Supplier are made available on an "as is", "where is" basis, with no warranties whatsoever.

6.1 Buyer Works

(a) Subject to the licenses granted under this Section 6.1, Buyer retains all right, title and interest in and to Buyer Works, including all domestic and foreign intellectual property rights in such Buyer Works and all modifications, enhancements and derivative works thereof. Supplier shall not attempt to assert, and shall preclude its Personnel and Affiliates from attempting to assert, any ownership interest in Buyer Works. To the extent that Buyer provides Supplier with Buyer Works to use to perform Services hereunder, Buyer hereby grants Supplier the right to use such Buyer Works solely to the extent necessary to perform such Services.

(b) As of the Effective Date, Buyer has granted to Supplier Personnel, with respect to Buyer Works, a right to Use such Works to the extent necessary for the provision of Services, for the sole purpose of providing such Services. Supplier shall not Use, and shall cause its Personnel and Affiliates not to Use, any such Works for any other purpose, and shall not sublicense any rights with respect to Works without Buyer's prior written approval. Supplier shall cease, and shall cause its Personnel and Affiliates to cease, all Use of such Works upon expiration or termination of this SOW or the cessation of applicable Services under any related WA.

6.2 Supplier Works

(a) Subject to the licenses granted under this Section 6.2, neither Supplier Personnel nor its Affiliates shall use any Supplier Works in the performance of the services without the prior written consent of the Buyer. Supplier hereby grants to Recipients and Former Recipients, and to such third parties performing work as permitted under this SOW, a world-wide, fully paid-up, non-exclusive license to Use, during the Term, Supplier Works for the conduct of their respective businesses; provided, however, in the case of Buyer, the license shall be limited solely to enable Buyer to receive and provide services to Buyer's Customers.

(b) Supplier shall grant to Buyer (and designees thereof for the sole purpose of providing services to the Recipients and Former Recipients), at no additional charge, the following: a perpetual, irrevocable, world-wide fully paid-up, non-exclusive license to Use such Supplier Works (including copies of source code and object code, programmer interfaces, available documentation, manuals and other materials necessary for the use thereof), and to sublicense such rights to other entities for the purpose of providing services to Recipients and Former Recipients.

6.3 Third Party Works

(a) Grant of Rights

As of the Effective Date, with respect to Third Party Software licensed by Buyer that is subject to an existing, written license agreement identified by Buyer, Buyer has granted to Supplier, solely to the extent necessary for performing the Services, the rights of Use of such Software that Buyer has as of the Effective Date or later obtains with respect to such Software. Supplier shall comply with the duties, including Use restrictions and those of nondisclosure, imposed on Buyer by the third party licenses for such Third Party

Software. Except as otherwise requested or approved by Buyer, Supplier shall cease, and cause its Authorized Subcontractors and Affiliates to cease, all Use of such Software upon expiration or termination of this SOW or upon the cessation of applicable Services under any related WA.

(b) Introduction of Third Party Works

Neither Supplier, its Personnel nor its Affiliates shall introduce any Third Party Works in providing the Services without Buyer's prior written approval.

(i) Prior to the introduction of any such Third Party Work:

(A) Supplier shall obtain the right to grant Buyer (and designees thereof for the sole purpose of providing services to Recipients), without additional charge or further obligation and upon the expiration, any whole or partial termination of this SOW, or cessation of Services, a perpetual, irrevocable, fully paid-up, non-exclusive license to Use such Third Party Work (including, with respect to software, source code, programmer interfaces, available documentation, manuals and other materials necessary for the use thereof), and to sublicense such rights to other entities for the purpose of providing services to Customers or Recipients; and

(B) Supplier shall ensure that Buyer has the right to purchase ongoing maintenance and support for such Third Party Work on commercially reasonable terms.

(ii) To the extent that Supplier is unable to obtain the rights and fulfill the obligations described in Section 6.3(b)(i)(A) above, Supplier shall notify Buyer in writing of its inability to grant such a license and of the cost and viability of other Works that can perform the requisite functions and with respect to which Supplier has the ability to grant such a license. This notice will contain the third party vendor's proposed terms and conditions, if any, for making the Works available to Buyer and/or Buyer's Customers after expiration, upon any partial or whole termination of this SOW, or upon cessation of Services under a related WA. Supplier may introduce such Works for use in providing the Services only with Buyer's prior written approval.

6.4 Rights in Developed Works

(a) Developed Works, whether developed solely or jointly by Buyer, Supplier Personnel, Affiliates or third parties, shall include the following: (i) modifications to, or upgrades or enhancements (derivative works) of, Customer Works, Buyer Works or Supplier Works; (ii) newly developed Works developed pursuant to this SOW that do not modify or enhance then existing Works; and (iii) modifications to, or enhancements (derivative works) of, Third Party Works. For avoidance of doubt, ownership of intellectual property rights in those Developed Works described in clause (i) of the preceding sentence shall be independent of ownership of intellectual property rights in the original Works from which such Developed Works were derived.

(b) As between the Parties, Buyer shall have all rights, title and interest (limited to the extent permitted by the terms of any governing Third Party Works licenses with respect to item Section 6.4(a)(iii) above) in and to Developed Works (including all copies, as

applicable), whether developed, first conceived or reduced to practice solely or jointly by Customer, Buyer, Supplier, their respective subcontractors or third parties. With respect to Developed Works, Supplier shall have the rights granted in, as applicable, Sections 6.1 and 6.3.

(i) Supplier acknowledges that, as between the Parties, Buyer and the assigns of Buyer shall have the sole right to obtain, hold and renew in their respective names, and/or for their respective benefits, any domestic and foreign intellectual property rights in such Developed Works, including patents, copyrights, registrations, and other appropriate intellectual property or other protections. Supplier may use Developed Works solely to provide the Services during the Term. To the extent that exclusive title and/or ownership rights may not originally vest in Buyer as contemplated by the foregoing (e.g., such Developed Work may not be deemed "works made for hire" by operation of law), Supplier hereby irrevocably assigns, transfers and conveys to Buyer without further consideration all of its right, title, interest and ownership in such Developed Works.

6.5 Export

The Parties acknowledge that certain Software and technical data to be provided hereunder and certain transactions hereunder may be subject to export controls under the laws and regulations of the United States and other countries. Supplier agrees to comply with all such laws and regulations, including complying with the terms of the United States license authorizing Buyer to furnish the technical data to Supplier.

Neither Party shall export or re-export any such items or any direct product thereof or undertake any transaction in violation of any such laws or regulations. Supplier shall be responsible for, and shall coordinate and oversee, compliance with any such laws in respect of such items exported or imported as part of Supplier's performance of the Services.

Supplier acknowledges that these obligations survive the termination of any agreements or other arrangement under which the Software and/or technical data were provided to Supplier.

7. PERFORMANCE STANDARDS

7.1 General

(a) Supplier's level of performance will at all times be consistent with or better than acceptable industry standards and will comply with the specific service levels identified in or established pursuant to Schedule C (Performance Measurements and Reports) (each, a "Service Level"). Where industry standards are lower than the specific Service Levels applicable under this SOW, Supplier shall comply with the Service Levels.

8. SUPPLIER RESPONSIBILITIES

8.1 Performance Measurements and Reports

(a) As of the Effective Date, Buyer has determined a minimum set of periodic and ad-hoc measurements and reports to be issued by Supplier to Buyer, which shall include the reports set forth in Schedule C. Supplier shall participate and provide complete and accurate input on a timely basis as requested by Buyer. Failure to provide complete, accurate, and timely input will adversely affect Supplier's Timeliness SLA.

8.2 Change Control

(a) The responsibility for establishing the IT architecture, standards, products and strategic direction of Buyer's Customers shall at all times remain with Buyer. Supplier, in performing the Services, shall conform to and shall support such architecture, standards, products and strategic direction and will use Buyer Change management tools and procedures as directed by Buyer.

8.3 Loan of Buyer Assets

In the event that assets are loaned to Supplier or Supplier Personnel, Supplier will be responsible for risk of loss and for the return of those assets to Buyer. In the event of a loss of loaned assets, Supplier will pay Buyer the cost of the loaned asset. Cost may be the sum of the cost of production, as incurred by the Buyer, and may include further costs of Buyer over and above the price paid to produce the asset. This clause supercedes any other contractual language regarding the replacement cost of loss of a loaned asset.

8.4 Use of Subcontractors

(a) Supplier will not subcontract any of its work under this Agreement to any third party or Affiliate without Buyer's written consent. For any subcontractor Supplier proposes, Supplier will conduct all reviews and complete and submit any documentation as requested by Buyer to evaluate the subcontractor. For any subcontractor approved by Buyer, Supplier will also conduct reviews and complete and submit documentation as requested by Buyer on an annual basis to reevaluate the subcontractor. Buyer has no obligation to approve any subcontractor. Under no circumstances will Supplier permit any subcontractor to subcontract further. Upon Buyer's request, Supplier will immediately stop using a subcontractor that Buyer has previously approved.

(b) Supplier shall require any third-party vendor chosen to provide products or deliver services as a subcontractor, to adhere to the standards, policies and procedures in effect at the time, whether such standards, policies and procedures pertain to Buyer or Supplier. Supplier shall not insert into any subcontract any provision, the effect of which would be to limit the ability of a subcontractor to contract directly with Buyer. In addition, Supplier shall use commercially reasonable efforts to have the prospective subcontractor agree to waive or forego any rights under agreements with the subcontractor's personnel that might restrict the ability of Buyer or its Customers to recruit or hire such personnel. If Supplier is not able to cause a proposed Supplier subcontractor to so waive such rights, Supplier shall notify Buyer of its inability to cause such waiver and shall not enter into such subcontract without the prior written consent of Buyer.

(c) Supplier shall remain responsible for all obligations performed by subcontractors to the same extent as if such obligations were performed by Supplier, and for purposes of this SOW, such work shall be deemed work performed by Supplier. Supplier shall be Buyer's sole point of contact regarding the Services, including with respect to payment. Supplier shall not disclose Buyer Confidential Information to a subcontractor unless and until such subcontractor has agreed, in writing, to protect the confidentiality of Confidential Information through an appropriate nondisclosure agreement that contains terms substantially consistent with this SOW, and then only to the extent necessary for the subcontractor to perform Services.

(d) To the extent subcontractors, agents, representatives and other entities perform Services, or otherwise provide support to Supplier related to the Services, Supplier shall cause such entities to comply with the obligations and restrictions applicable to Supplier under this SOW. Without limiting the generality of the foregoing, Supplier shall include in all of its subcontracts, as flow down provisions, without limiting, provisions substantially similar to those provisions of this SOW relating to (A) intellectual property/proprietary rights, ((B) performance standards, (C) audit rights, (D) confidentiality, and (E) representations and warranties. Supplier's subcontractors may not assign or transfer their obligations under this SOW without Buyer's consent.

(e) Except as otherwise expressly provided in this SOW, Buyer shall have no responsibility for any termination charges or cancellation fees charged to Supplier by any third party, including Supplier's subcontractors and Buyer's Affiliates, that are applicable to third party service contracts or any other contract then used to provide the Services, as a result of any withdrawal or cessation of Services authorized under this SOW. Supplier shall at all times assume all such liability with its Affiliates and subcontractors, shall provide Buyer with reasonable prior written notice before entering into a proposed subcontract or other arrangement that may not be compliant with Article 8.4, and shall not enter into such subcontract or other arrangement without Buyer's prior written approval, which approval may be withheld in Buyer's sole discretion.

(f) Where Supplier engages any subcontractors to perform its obligations under this SOW, Supplier will designate 25% of its subcontract revenues under this SOW to subcontractors that are certified Minority and Women Business Enterprises or businesses owned by veterans or service-disabled veterans, gays and lesbians or people with disabilities (each a Diversity Business Enterprise or "DBE"). This should include, but is not limited to, such diversity subcontractors on Supplier's bid lists to Buyer. Supplier will demonstrate its adherence and details of its engagement with certified diversity suppliers by providing spending data with these Certified DBEs as part of required quarterly measurement reporting.

(i) For purposes of this Section 8.4(f)(i), a "Certified DBE" shall mean a proposed DBE that Supplier has reasonably determined satisfies Buyer's supplier diversity program requirements for the United States, including: (A) third party agency certifications or a reasonable assessment by Supplier; (B) evidence that the actual business arrangement has disadvantaged principals of the DBE as meaningful contributors; (C) the DBE's history of successfully completing projects; and (D) the DBE's financial viability. Supplier shall provide Buyer with any reasonable assistance and information necessary to determine the extent to which Supplier's subcontractors qualify as Certified DBEs. Examples of DBEs in the United States include disadvantaged groups who have at least fifty-one percent (51%) ownership (or thirty percent (30%) ownership, if publicly traded), control and day-to-day operations responsibility, and operate a business in the manner described above. Disadvantaged groups in the United States include, but are not limited to, minorities and women, people with disabilities, veterans of war, gays/lesbians, etc.

8.5 <u>Contractor Sourcing Application</u>

(a) Supplier agrees to utilize the Contractor Sourcing Application (CSA) (the "Requester Applications") 100% of the time upon full availability thereof. Supplier's failure to do so may result in a reduction of business awards from Buyer, at Buyer's sole discretion. Supplier agrees that the terms and conditions of this SOW and the Base Agreement are

fully incorporated into and made a part of purchase orders generated via CSA. Supplier will manage its Userids for the CSA and will comply with the following rules when using the CSA: (i) at no time will two users be permitted to log onto the CSA using the same Userid; (ii) each Userid will be issued to an individual person who will be responsible for use of that Userid; (iii) the CSA will be treated in accordance with the confidentiality provisions of the agreement entitled "Agreement for the Exchange of Confidential Information"; (iv) Supplier will limit CSA access to their own direct employees on an as-needed basis and will not allow its subcontractors direct access to CSA; (v) use of the CSA should be scanned using an antivirus program; and (vi) Supplier will be solely responsible for the management of CSA Userids and immediately inform Buyer of any CSA data protection risks associated with such Userids.

(b) Supplier will have a written agreement with its personnel wherein its personnel agree that IBM may store their resume information for the life of the transaction for business use related to the provision of the Services.

(c) Supplier will input the wage data of all candidates submitted through CSA. This applies to both on and off matrix wages.

(d) Supplier will remit a subscription fee to Buyer, for the use of the CSA, which will be equal to five tenths of one percent (.5%) of the total amount of hourly services payments made to Supplier under this SOW. The subscription amount due must be remitted to IBM no later than sixty (60) days after the date of written notification by IBM of the subscription fee amount to the address specified by Buyer. If subscription fee amounts are not received by the due date, Buyer will impose a penalty of $500.00 per calendar day for each day beyond the due date that the monies have not been received. If the subscription fee has not been received by the 5th calendar day after the due date, Supplier will be removed from CSA, will not receive new business opportunities or placements, and will not be reinstated until the subscription fee and full penalty amount are received.

9. AUDITS

9.1 Audit Rights

(a) Supplier shall maintain a complete audit trail of financial and non-financial transactions resulting from this SOW. Supplier shall provide to Buyer and Buyer's auditors, access at reasonable times to facilities where either Supplier or any of its subcontractors is providing Services, to personnel, and to data and records (but not to other Supplier customer data and records) relating to the Services for the purpose of performing audits and inspections of either Supplier or its subcontractors during the Term and for the period Supplier is required to maintain records hereunder or under the Base Agreement, for any reasonable business purpose, including:

(i) To verify the accuracy of charges and invoices;

(ii) For performance to the terms of this SOW;

(iii) For the conduct of Supplier operations and procedures relevant to Supplier's performance of its obligations under this SOW (including audits of Supplier's management processes and checkpoints utilized by Supplier to manage compliance with Buyer control policies and processes), and

(iv) The efficiency and costs of Supplier, in performing the Services, but only to the extent affecting the amounts that Buyer pays for the Services pursuant to pricing methodologies and rates set forth in this SOW, or the timing of Services under this SOW).

(b) Supplier shall provide to such auditors and other representatives such assistance, as they reasonably require. Supplier shall also make Supplier Personnel reasonably available for interviews and follow up discussions with such auditors and other representatives. Supplier shall cooperate fully with Buyer, or its designees, in connection with audit functions. Buyer's auditors and other representatives shall comply with Supplier's reasonable security requirements.

(c) Notwithstanding any limitations set forth in this Section 9.1, Supplier agrees that Buyer, through those Buyer Personnel authorized by Buyer, shall have an absolute, unconditional right of immediate physical and logical access (i) to any and all Buyer Software, data (including Customer data and Buyer data) and all related materials necessary to effectively use the code and data, and (ii) to all other Buyer-owned assets; provided, however, that such right of access shall be subject to reasonable site security procedures that do not unreasonably restrict Buyer access and that are only intended to authenticate the identity of Buyer Personnel who are authorized by Buyer pursuant to this Section 9.1(c).

(d) Supplier shall conduct audits of, or pertaining to, the Services in such manner and at such times as is consistent with the audit practices of well-managed operations performing services similar to the Services, including as necessary to routinely verify Supplier's and its subcontractors' compliance with Buyer's IT control policies.

9.2 Audit Follow-Up

(a) Buyer and Supplier shall meet to review each audit report promptly after the issuance thereof and to mutually agree upon an appropriate and effective manner in which to respond to the deficiencies identified and changes suggested by the audit report; provided, however, that if an audit identifies an overcharge, Supplier shall promptly refund such overcharge and pay any applicable rebates and CSA and/or other fees. Supplier shall pay a penalty of $500 for each invoiced non-compliant wage condition that occurs, up to $4,000 per incident per WA.

10. BUYER RESPONSIBILITIES

10.1 Responsibilities

In addition to Buyer's responsibilities as expressly set forth elsewhere in this SOW or the Base Agreement, Buyer shall be responsible for the following:

(a) Buyer shall designate one individual to communicate directly with the Supplier Account Executive **,** to whom all Supplier communications concerning this SOW shall be addressed (the "Relationship Manager").

(b) Buyer shall cooperate with Supplier, including by making available timely management decisions, information, approvals and acceptances, as reasonably requested by Supplier so that Supplier may accomplish its obligations and responsibilities hereunder. The Relationship Manager, or his or her designee, will be the principal point of contact for obtaining such decisions, information, approvals and acceptances. Only personnel as expressly so designated by Buyer will be authorized to make commitments on the part of Buyer that amend this SOW.

10.2 Solicitation of Supplier Personnel

In the event Supplier Personnel accepts an offer of employment from Buyer during the performance of this SOW, Buyer will pay Supplier a placement fee based on the amount of time from the date the Supplier Personnel commenced performance of Services for Buyer to the date of acceptance of Buyer's offer of employment as follows: (i) Buyer's offer of employment accepted up to 3 months after commencement of performance entitles Supplier to a placement fee of $8,000.00; (ii) Buyer's offer of employment accepted after 3 months and up to 6 months of commencement of performance entitles Supplier to a placement fee of $6,000.00; and (iii) Buyer's offer of employment accepted after 6 months of commencement of performance will not entitle Supplier to any placement fee. The above-mentioned placement lump-sum fee (or lack thereof as described in (iii) of this Subsection) represents Buyer's entire liability to Supplier for the solicitation and hire of Supplier Personnel and fair and valuable consideration for Supplier to waive any of its rights pursuant to any restrictive covenant/non-competition agreements it may have with Supplier Personnel. In the event that any Supplier Personnel apply for and are offered employment by Buyer or Buyer's Customer, without prior solicitation by Buyer, Supplier will not charge Buyer with any placement fee, expenses or costs resulting from such hiring, nor seek any damages from Buyer.

10.3 Supplier Personnel Time Reporting

Notwithstanding any other language or agreement to the contrary, Buyer will not, and Supplier agrees that Buyer has no responsibility to, approve any Supplier personnel's time sheets. Buyer may review, sign and/or submit Supplier personnel's timesheets, whether manually or electronically. However the parties agree that such review, signature and/or submittal are strictly for Buyer's billing verification purposes only and shall in no way constitute concurrence, approval nor any other commitment or obligation on the part of Buyer to Supplier or Supplier personnel.

11. CHARGES

11.1 General

All Prices applicable to the Services are expressly set forth in Schedule A to this SOW. Such Prices shall be deemed to fully compensate Supplier for all of the resources, including administrative and managerial resources used in providing the Services or otherwise in performing Supplier's obligations under this SOW. There shall be no charges to Buyer except those expressly provided for in this SOW.

11.2 Offsets

Buyer may credit the value of Services that are performed in another country under the terms and conditions of this SOW against any offset obligations. Supplier will agree to consult with and assist Buyer as may be reasonably necessary to validate such offset credits with foreign government offset agencies.

11.3 Global Resources

Supplier will use reasonable efforts to identify Global Resource opportunities and utilize such Resources whenever possible and appropriate in the performance of its obligations under this Agreement. As opportunities for cost savings under this subsection arise, the parties will determine in advance of such engagement, the manner in which cost savings will be shared.

12. INVOICING AND PAYMENT

12.1 Invoicing

(a) Subject to Section 12.1(b), Supplier shall invoice Buyer once per month per WA, by means of an electronic file, for all amounts due under this SOW. Supplier will not combine Services and reimburseable expenses in a single invoice but shall submit a separate invoice for Services and reimbursable expenses.

(b) Supplier shall not invoice Buyer for charges, and Buyer shall not be obligated to pay any charges, that are not properly invoiced within three (3) months after the last date of the period of performance of Services for which the invoice is rendered; provided, however, that to the extent that any charges are disputed or are being negotiated by Buyer, the foregoing time period shall be tolled for so long as Buyer continues to dispute or negotiate such charges or expenses.

(c) To the extent a refund, credit or other rebate may be due Buyer (either for goods or services paid for by Buyer or otherwise pursuant to this SOW), Supplier shall provide Buyer with an appropriate credit against amounts then due and owing on the invoice following the month in which the credit is determined to be owed; if no further payments are due to Supplier, Supplier shall pay such amounts to Buyer within forty-five (45) calendar days.

(d) Supplier will only invoice Buyer for time spent actually working either at home, at Buyer's, or at Buyer's Customer's premises, and not for time Supplier Personnel spend "on call". Buyer will provide pagers for Supplier Personnel who are required to be on call. Invoices to Buyer must include the following:

- WA Number
- Applicable WA line Item Numbers
- Terms of Payment as stated below
- Exact Billing Period Dates
- Name & Skill Classification of Supplier Personnel performing invoiced services
- Number of Straight Time and Overtime Hours for Supplier Personnel performing invoiced services
- Applicable Bill Rates
- Other Authorized Costs (e.g., business travel)
- Total Amount Invoiced
- Other Required Data, if any

12.2 Payment Due

(a) Invoices are due and payable net 60 days from receipt of an acceptable invoice provided however, that Buyer has no obligation to pay to Supplier any invoice (or any portion thereof) withheld, either voluntarily or by court order, as a result of Buyer's Customer (i) becoming insolvent or (ii) the filing of any voluntary or involuntary proceeding with the Bankruptcy Court of the United States District Court (or any foreign equivalent).

12.3 Accountability

(a) Supplier shall maintain complete and accurate records of, and supporting documentation for, all amounts chargeable to, and payments made by, Buyer under this SOW, in accordance with generally accepted accounting principles applied on a consistent basis, and shall retain such records in accordance with Buyer's records retention policy as this policy may be adjusted from time to time.

(b) Supplier agrees to provide Buyer with documentation and other information with respect to each invoice as may be reasonably requested by Buyer to verify that Supplier's charges are accurate, correct, and valid in accordance with the provisions of this SOW. To the extent that Supplier fails to provide such documentation or other information requested by Buyer and Buyer so notifies Supplier of such failure, the due date for payment of the related charge shall be tolled until Supplier provides such documentation or other information. Buyer, and its respective authorized agents and representatives, shall have access to such documentation and other information for purposes of audit pursuant to Article 9 during the Term, and during the period for which Supplier is required to maintain such records pursuant to the Base Agreement.

12.4 Transition to SOW Pricing

Where Buyer is or becomes a Customer's prime contractor (as a result of outsourcing, merger and acquisition, or other business situations), and Supplier is incumbent as a subcontractor providing Services which are substantially the same as those described in Section 3 of this SOW, Supplier agrees to transition to the rate structure of this SOW within the timeframe specified by Buyer.

12.5 Pricing of Non-Recruited Resources

(a) When Buyer's Client or Requester refers a specific, named resource to Supplier for placement under this SOW ("Non-Recruited resource"), Supplier will bill Buyer at the mark-up shown on the Non-Recruited Price Matrix in Schedule A.

(b) Article 5.1(b) (Services Warranty Period) and Article 10.2 (Solicitation of Supplier Personnel) shall not be applicable to non-recruited resources.

(c) This Article 12.5 will not apply if the non-recruited resource had provided Services through the Supplier under this SOW within the immediate 6 month period preceding the date of referral by Buyer.

13. SAFEGUARDING OF DATA

13.1 Buyer Information

(a) Buyer Information will be and remain the property of Buyer. Supplier, its Personnel and its Affiliates shall not possess or assert liens or other rights against or to Buyer Information. (i) No Buyer Information, or any part thereof, will be sold, assigned, leased, or otherwise disposed of to third parties by Supplier or commercially exploited by or on behalf of Supplier, its employees or agents; (ii) Supplier shall not utilize Buyer Information for any purpose other than that of rendering the Services under this SOW. Upon Buyer's request, Buyer Information shall be returned to Buyer in a form reasonably requested by Buyer, or if Buyer so elects, shall be destroyed.

(b) Supplier agrees that any information obtained from Buyer or Buyer's Customer in connection with Supplier's performance under this Agreement, including, but not limited to, Buyer's Customer names and Buyer's Customers information, may only be used by

Supplier in support of Supplier's provision of services as contemplated under this Agreement. Supplier will not contact Buyer's Customers in an effort to arrange a contracting relationship, for the Services provided hereunder, without Buyer's prior written approval.

13.2 Safeguarding Data: Compliance with Security and Control Requirements

(a) Supplier shall establish and maintain safeguards against the unauthorized access, copying, destruction, loss or alteration of Buyer Data in the possession of Supplier that are no less rigorous than the most rigorous practices of Buyer or Supplier as of the Effective Date. Buyer shall have the right to establish backup security for Buyer Data and to keep backup and files for such data in its possession if it chooses.

(b) Buyer shall retain responsibility for the creation of security and control policies, practices, standards, requirements, and specifications, which, as amended by Buyer from time to time, shall be provided to Supplier. Buyer will endeavor to provide Supplier as much notice of such items as is realistically practicable under the circumstances. Supplier and its subcontractors shall (i) comply with all Buyer security and control policies, practices, standards, requirements and specifications, including compliance with ISO/IEC 17799 (Information Technology /Code of Practice for Information Security Management), Buyer Information Technology Computer Security & Use Guidelines (ITCS300) or their successors; (ii) provide appropriate hardware and systems software to comply with Buyer security and control policies, practices, standards, requirements and specifications; (iii) segregate all Buyer Information from that of any other client; and (iv) provide direct and unfettered access to all assets used to provide Services under the SOW for investigations, compliance reviews, and audits.

13.3 Unauthorized Access

Without limiting the generality of Sections 13.1 and 13.2:

(a) Supplier Personnel will not access, attempt to access, and will not allow access to, Buyer Information that is not required for the performance of the Services by such Personnel. If access is attained in contravention of the immediately preceding sentence, Supplier shall immediately report the incident to Buyer, describe in detail the accessed materials and return to Buyer copied or removed materials.

(b) Supplier shall utilize commercially reasonable efforts to guard against, identify and promptly terminate the unauthorized access, copying, alteration or destruction of Software and Buyer Data within those technology environments for which Supplier is responsible as part of the Services.

13.4 Data Privacy

(a) Supplier shall comply with Buyer's requests to purge Buyer Data, as required by the Privacy Laws. Nothing in this SOW shall prevent Buyer from taking the steps it deems necessary to comply with the Privacy Laws.

(b) Supplier shall forward to Buyer any requests received by Supplier from individuals for information regarding Buyer Information and Buyer shall determine and coordinate all responses to such requests. Upon a Party's reasonable written request, the other Party will provide the requesting Party with such information that it has regarding Buyer Information and its processing that is necessary to enable the requesting Party to comply with its obligations under this Section 13.4 and the Privacy Laws.

(c) Supplier will report any breaches of protection of Personal Data and allow Buyer to participate in any investigation regarding a breach and in related Customer notification.

14. CONFIDENTIALITY

In addition to Supplier's responsibilities under any other confidential agreement between the Parties, the following shall apply.

14.1 Confidential Information

(a) The terms of this SOW shall be deemed Confidential Information.

(b) In the case of Buyer, Confidential Information also shall include, whether or not designated "Confidential Information":

(i) All specifications, designs, documents, correspondence, documentation, data, and other materials and work products to the extent prepared by or for Supplier on behalf of Buyer, a Recipient or Former Recipient in the course of performing the Services;

(ii) All information concerning the operations, affairs and businesses of Buyer, a Recipient, Former Recipient, or any of the Affiliates of such entities; the financial affairs of Buyer, a Recipient, Former Recipient, or any of the Affiliates of such entities; and the relations of a Recipient, Former Recipient, or any of the Affiliates of such entities with its customers, employees and service providers (including Customer lists, Customer information, account information, consumer markets and other information regarding any of the foregoing entities' business planning, operations, or marketing activities);

(iii) Buyer Works and Works provided to Supplier by or through a Recipient or Former Recipient (including Third Party Works licensed by a Customer);

(iv) Customer Data and Buyer Data; and

(v) Personal Information

(Collectively, the "Buyer Confidential Information").

14.2 Obligations

(a) Each Party shall use commercially reasonable efforts so that its Personnel, agents and contractors comply with the provisions of this Article 14.

15. REPRESENTATIONS AND WARRANTIES

15.1 Works

Supplier represents, warrants and covenants that it is and will be either the owner of, or authorized to use for its own and Buyer's and Buyer's Customers' benefit, all Supplier Works and Third Party Works used and to be used in connection with the Services.

15.2 Compliance with Laws and Regulations

(a) Supplier represents that it is its intent to comply, and covenants that it shall comply, with all privacy and data protection laws ("Privacy Laws") and all rules and regulations which apply to Supplier in the performance of its obligations under this SOW: (1) of all countries where Personal Information is gathered, stored or processed ("Applicable Countries"); and (2) which are or which in the future may be applicable to Personal Information or the Services, including the Gramm-Leach-Bliley Act (P.L. 106-102) (15 U.S.C. §6801 et seq.), the Fair Credit Reporting Act (15 U.S.C. §1681 et seq.), implementing legislation for Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 (as incorporated into domestic legislation of the EU countries including the U.K. Data Protection Act of 1998), and any applicable secondary legislation, regulations, and orders.

(i) "Personal Information" means information, in any form, provided to Supplier by or on behalf of Buyer or Buyer's Customers, that alone, or in combination with other information, (A) uniquely identifies a current, former or prospective director, outside director, employee, retiree, customer or counterparty (whether, in each case, an individual, corporate or other legal entity) of Buyer or Buyer's Customers, or their respective spouses or families, or (B) is considered "sensitive personal data", such as political opinions, religious beliefs or information related to the physical or mental health of a current, former or prospective director, outside director, employee, retiree, customer or counterparty (whether, in each case, an individual, corporate or other legal entity) of Buyer or Buyer's Customer, or their respective spouses or families; or as otherwise defined under the laws of an Applicable Country. Personal Information includes copies of such information or materials derived from such information. For the purpose of this Section 15.2 only, Personal Information shall include information in respect of which a duty of confidence or secrecy is owed to customers or other contacts of Buyer's Customer.

(ii) In the event of a conflict or inconsistency between a provision of this SOW applicable to Confidential Information, on the one hand, and a provision applicable to Personal Information, on the other hand, the latter will control to the extent of the conflict or inconsistency. In the event that a warrant or similar document is issued by a court of competent jurisdiction in an Applicable Country for the inspection, examination, operation or testing of any Supplier technologies used or intended to be used for Personal Information, Supplier shall promptly notify Buyer-designated recipients in writing. In the event that Buyer is required to disclose Personal Information (A) in accordance with the Privacy Laws of an Applicable Country or (B) as required by the order of a court of competent jurisdiction of an Applicable Country, it shall promptly notify Supplier in writing prior to disclosure.

(b) Each Party shall cooperate with the relevant authorities in accordance with any applicable timeframes identified by such authorities in identifying the respective roles and obligations of each Party with respect to Personal Information.

15.3 Viruses

"Virus" shall mean (a) program code or programming instruction or set of instructions intentionally designed to disrupt, disable, harm, interfere with or otherwise adversely affect computer programs, data files or operations; or (b) other code typically described as a virus or by similar terms, including Trojan horse, worm or backdoor. Supplier represents and covenants that it will use commercially reasonable efforts to ensure that no Viruses are coded or introduced into any systems used to provide the Services. If a Virus is found to have been introduced into any such systems, Supplier promptly shall notify Buyer in writing of the introduction and, at no additional charge to Buyer, assist Buyer in reducing the effects of the Virus, and if the Virus causes an interruption of the Services, a loss of operational efficiency or loss of data, assist Buyer to the same extent to mitigate and restore such losses. Buyer shall have the flexibility to re-prioritize Supplier's provision of the Services to reduce the effects of the Virus.

15.4 Disabling Code

Supplier represents that it shall not knowingly insert, and covenants that in the course of providing the Services it shall not insert, into Software any code, which would have the effect of disabling or otherwise shutting down all or any portion of the Services. With respect to any disabling code that may be part of Software, Supplier represents and covenants that it shall not invoke such disabling code at any time without Buyer's prior written consent. For purposes of this representation and covenant, programming errors will not be deemed disabling code to the extent that Supplier can demonstrate that such errors were not made with the intention of disabling or otherwise shutting down all or any portion of the Services.

16. INSURANCE

16.1 Risk of Loss

Each Party shall be responsible for risk of loss of, and damage to, any Equipment, Software or other materials in its possession or under its control, except where such loss or damage is caused by the acts or omissions of the other Party or its agents; provided, however, that such exception shall not apply to the extent that such loss or damage which is caused by the acts or omissions of the other Party or its agents arises from the former Party's failure to perform its obligations under the SOW.

17. GENERAL

17.1 Notices

All notices, requests, demands, and determinations under this SOW (other than routine operational communications), shall be in writing and shall be deemed duly given (i) when delivered by hand, (ii) one (1) day after being given to an express, overnight courier with a reliable system for tracking delivery, (iii) when sent by confirmed facsimile or electronic mail with a copy sent by another means specified in this Article 17.1 (and the effective date of such notice shall be governed by the terms set forth herein relating to such other means), or (iv) six (6) calendar days after the day of mailing, when mailed by United States mail, registered or certified mail, return receipt requested, postage prepaid. Notices under this Section 17.1 shall be addressed to Buyer's Relationship Manager and/or to Supplier's Business Contact.

A Party may from time to time change its address or designee for notification purposes by giving the other prior written notice of the new address or designee and the date upon which it will become effective.

17.2 Counterparts

This SOW may be executed in several counterparts, all of which taken together shall constitute one single agreement between the Parties.

17.3 Headings

The headings in this SOW are intended to be for reference purposes only and shall in no way be construed to modify or restrict any of the terms or provisions of this SOW.

17.4 Severability

In the event that any provision of this SOW conflicts with the law under which this SOW is to be construed or if any such provision is held invalid by a court with jurisdiction over the Parties, such provision shall be deemed to be restated to reflect as nearly as possible the original intentions of the Parties in accordance with applicable law. The remainder of this SOW shall remain in full force and effect.

17.5 Consents and Approval

Except where expressly provided as being in the discretion of a Party, where agreement, approval, acceptance, consent, or similar action by either Party is required under this SOW, such action shall not be unreasonably delayed or withheld. An approval or consent given by a Party under this SOW shall not relieve the other Party from responsibility for complying with the requirements of this SOW, nor shall it be construed as a waiver of any rights under this SOW, except as and to the extent otherwise expressly provided in such approval or consent. Each Party shall, at the request of the other Party, perform those actions, including executing additional documents and instruments, reasonably necessary to give full effect to the terms of this SOW.

17.6 Waiver of Default

No waiver or discharge shall be valid unless in writing and signed by an authorized representative of the Party against which such amendment, waiver, or discharge is sought to be enforced. A delay or omission by either Party to exercise any right or power under this SOW shall not be construed to be a waiver of such right or power. A waiver by either of the Parties of any of the obligations to be performed by the other Party or any breach shall not be construed to be a waiver of any succeeding breach or of any other obligation contained in this SOW.

17.7 Cumulative Remedies

Except as otherwise expressly provided in this SOW, all remedies provided in this SOW shall be cumulative, in addition to and not in lieu of any other remedies available to either Party at law, in equity or otherwise.

17.8 Survival

Upon the expiration or termination of this SOW (in whole or in part, as applicable) for any reason, the provisions of Articles 2, 7, 10, 14, 15, 16, and 17 and Sections 13.2, and 16.1, shall survive indefinitely and continue in full force and effect. Any other provision of this SOW that contemplates performance or observance subsequent to any termination or expiration of this SOW (in whole or in part) shall survive any termination or expiration of this SOW (in whole or in part, as applicable) and continue in full force and effect.

17.9 Public Disclosures and Marks

All media releases, public announcements, and public disclosures by either Party relating to this SOW or the subject matter of this SOW, including promotional or marketing material, but not including announcements intended solely for internal distribution or disclosures to the extent required to meet legal or regulatory requirements beyond the reasonable control of the disclosing Party, shall be coordinated with and approved in writing by the other Party prior to release. Neither Party shall (i) furnish any of the other Party's names (or any abbreviations thereof), or those of any Affiliate to such Party; or (ii) use any of the other Party's names, logos, trademarks, service marks or proprietary indicia or any adaptations thereof or those of any Affiliate to such Party, in any advertising or promotional materials, including, but not limited to, press releases, letters, presentations, marketing or other materials, whether in written, oral or electronic form, or for any other commercial purposes, or otherwise identify the other Party or any Affiliate to such Party as a client or vendor of such Party without the prior written consent of the other Party.

17.10 Amendment

This SOW shall not be modified, amended or in any way altered except by an instrument in writing signed by both Parties.

17.11 Incorporation by Reference

All Schedules, Attachments and Exhibits are hereby incorporated by reference into this SOW. Subject to Section 17.10, any amendments to such Schedules, Attachments and Exhibits, and any other Schedules, Attachments and Exhibits that are agreed upon by the Parties after the Effective Date, shall likewise be incorporated by reference into this SOW.

17.12 Buyer Policies

To the extent that this SOW requires Supplier to comply with or act in accordance with Buyer policies or procedures, Buyer shall provide Supplier with a copy of such policies or procedures.

IN WITNESS WHEREOF, the Parties have caused this SOW to be executed by their respective duly authorized representatives as of the Effective Date.

[Core Supplier Name]	**International Business Machines Corporation**
By: /s/ Dirk A. Dent	By: /s/ Tracy A. Thompson
Printed: Dirk A. Dent	Printed: Tracy A. Thompson
Title: EVP	Title: US Sourcing Manager, Technical Services
Date: 6/24/08	Date: Jun 26 / 08

PREDOMINANT SUPPLIER ATTACHMENT

TO THE

TECHNICAL SERVICES STATEMENT OF WORK NUMBER 4908021177.0

For

Buyer's Integrated Technology Delivery America's Organization

Effective as of July 1, 2008

Index

- **Predominant Supplier Attachment to the Technical Services Statement of Work (SOW)**

Exhibit 1: Transition Period Deliverables

Schedule 1: Transition Period Service Level Agreements

Schedule 2: Steady State Performance Measurements & Reports

Exhibit 2: Incumbent Suppliers

Exhibit 3: Pricing

Exhibit 4: Governance Model

PREDOMINANT SUPPLIER ATTACHMENT TO THE

TECHNICAL SERVICES STATEMENT OF WORK

This Predominant Supplier Attachment ("Attachment") to the Technical Services Statement of Work ("SOW"), effective as of July 1, 2008 (the "Effective Date"), fully incorporates by reference the terms and conditions of **Technical Services Agreement #** ("Base Agreement"), the terms and conditions of **the Technical Services Statement of Work #** ("SOW") and its Schedules and Attachments, and any applicable Work Authorizations ("WAs").

Subject to the terms of this Attachment, the SOW and the Base Agreement, Supplier will be responsible to provide Services to Requesters in Buyer's Integrated Technology Delivery Americas organization (ITDA) and, with respect to the delivery and performance of such services, this Attachment, and its Exhibits and Schedules, which includes additional terms and conditions, shall govern.

Supplier understands and agrees that Predominant Supplier status does not mean Supplier is guaranteed any particular volume of business from Buyer. Buyer has established relationships with suppliers against which Supplier may compete. Buyer will award its business opportunities based on the best overall solution as solely determined by Buyer. Furthermore, Buyer may use other suppliers, based on Buyer's sole judgment and discretion. Buyer may decide to transition skill requirements currently contracted through suppliers other than the Supplier. Buyer will review alternatives and may select a particular supplier to transition such skill requirements to, or may invite some or all of the suppliers to participate in transition. The decision will be solely Buyer's.

Supplier agrees that it will not contact a supplier with existing contracts in an effort to arrange transition of any existing work without the written authorization of Buyer's Procurement organization. Supplier agrees that all new time and material skill requirements relating to the use of skills as defined in SOW Schedule B, "Job Roles" will, upon the Effective Date of this Attachment, be subject to all terms and conditions of this Attachment, including pricing.

1. DEFINITIONS

1.1 **Definitions:**

"Billable Hour" shall include all hours in performance of the duties contracted for by Buyer, including all overtime with no limit. There shall be no bill rate premiums to the Buyer for weekend, holiday, standby time (on-call) shift premiums or training and education (unless such training and education is directed by Buyer and is required by Buyer to provide unique services and skills to Buyer and is approved by Buyer prior to incurring such hours.

"Incumbent Supplier" shall mean those suppliers initially identified in Exhibit 2 who currently are performing the Services and any future lists provided by Buyer and identified as such.

"Transition Charges" are charges that will be assessed against Supplier for Supplier's failure to achieve certain levels of performance during the Transition Period. The Transition Charges are detailed in Schedule 1 (Transition Period Service Level Agreements).

"Transition Manager" shall mean the person appointed by Supplier who will be accountable for all Supplier Transition activities and will operate within the framework of the Governance Model detailed in Section 7 and Exhibit 4.

"Transition Milestone" shall mean each event identified in the Transition Plan as a milestone by which Supplier shall have completed a key task or set of tasks in accordance with the Transition Plan.

"Transition Period" shall mean the period of time it will take Supplier to perform the Transition Services detailed in Section 3 and Exhibit 1.

"Transitioned Personnel" shall mean the Personnel identified on the initial list of Incumbent Supplier and others subsequently identified or their Affiliates who become Supplier's Personnel pursuant to Section 4.

"Transition Plan" shall mean the plan produced by the Supplier for Buyer approval that includes the key elements set forth in Exhibit 1. It must include a detailed list of activities, tasks, Deliverables and associated schedules which shall identify all material transition tasks, and Deliverables to be completed by Supplier in connection with the transition of all Services to Supplier and shall provide Buyer adequate insight into the Supplier's progress and performance during and up to completion of the Transition Period.

"Transition Report" shall mean the report produced by the Supplier and submitted to Buyer for approval at the conclusion of Transition Period which summarizes Supplier's Transition related accomplishments and includes final versions of the Process & Procedures manual and other supporting documentation

"Transition Services" shall mean the services, functions and responsibilities to be performed by Supplier during the Transition Period as described in Section 3 (Transition Services) and the associated Transition Plan.

2. TERM AND EXTENSION

2.1 General

(a) The term of this Attachment shall begin on the Effective Date and shall expire after three years on the anniversary date of the Effective Date, except to the extent this Attachment is terminated in whole or in part earlier, or is extended, each in accordance with the terms of this Attachment, the SOW and the Base Agreement (the "Term"). Notwithstanding any prior expiration or termination of the Base Agreement and/or SOW, the terms and conditions of the Base Agreement and/or SOW shall continue to apply in full force and effect to this Attachment throughout the Term.

(b) The Parties agree that the pricing terms in Exhibit 3 will be in effect beginning upon the Effective Date of this Attachment through the Term. If Buyer exercises its right to extend this Attachment, as specified in Section 4.2(a) of the SOW, the pricing terms of Exhibit 3, as they may be changed from time to time by Buyer, will be renegotiated at that time.

(c) The pricing in Exhibit 3 will be effective for the duration defined above and is not subject to change on an individual basis because of any change in Supplier cost structure for any particular individual (i.e., cost-of-living increases, wage increases, etc.).

2.2 Non-Compete Clause

(a) Supplier shall not be eligible to perform the function of this SOW or any project substantially similar in complexity, scope, size, and geographic location to work described in the SOW, directly with any incumbent Customer(s) supported by this SOW for a period of one year following termination, without the written consent of Buyer. This provision shall survive the termination of the SOW and the Base Agreement.

3. Transition Services

3.1 Transition Period

The objective of the Transition Period is to plan and implement the orderly transfer of Services and operational processes from multiple suppliers to the Predominant Supplier. Additionally, the buyer intends (through reasonable efforts) to utilize the transition process to equalize the headcount between the two Predominant Suppliers supporting ITDA. Buyer however cannot guarantee the outcome of transition relating to headcount totals and cannot guarantee any volumes to Supplier. The Predominant Supplier will produce its Transition Plan based upon discussions with Buyer and agreed to by both Parties and managed to completion on the agreed upon schedule. Supplier shall perform the activities described in the Transition Plan and associated tasks and produce the documents defined in Exhibit 1 (Transition Period Deliverables) to the satisfaction of the Buyer **.** Buyer shall not incur any charges, fees or expenses payable to Supplier or third parties in connection with the Transition Services. The Transition Period begins on the Effective Date of this Attachment and is completed upon Buyer's acceptance of the Deliverable, "Supplier's Transition Report". In addition, Supplier will continue to provide the Services identified in the SOW and its Schedules and Attachments and any applicable Work Authorizations ("WAs") during the Transition Period unless specifically negated within this Attachment.

(a) During the Transition Period, the Parties will meet as frequently as deemed necessary at Buyer's request, to review and discuss Supplier progress in performance of the Transition Services. Supplier shall provide current and accurate versions of the standard reports listed in Schedule 1 (Transition Phase Deliverables). In addition, Supplier will provide Buyer with timely insight into activities or issues which may impact overall schedules and the actions Supplier is taking to contain or eliminate schedule impacts.

(b) As part of the Transition Period, Supplier will produce and submit, for Buyer approval, a "Process and Procedures Manual" which contains detailed descriptions of the Supplier's major processes and interactions with Buyer for use in the Transition Period. As part of the Transition phase completion criteria, the "Process and Procedures Manual" will be updated to address Steady State operations and will be maintained by the Supplier and formally submitted for Buyer's review and approval.

(c) Supplier understands and agrees that it is critical for Supplier to work cooperatively with any other ITDA Predominant Supplier(s) during the Transition Period to ensure that Clients and Customers are not adversely impacted. Buyer's desire is to have an integrated and coordinated Transition Plan that incorporates all Predominant Suppliers' transition activities and which demonstrates a high level of joint cooperation and synchronization of transition tasks. It is expected that the Supplier's Transition Plan will account for the existence and similar responsibilities for Buyer's other Predominant Supplier(s). Buyer reserves the right to exempt incumbent resources from Transition to Predominant Suppliers if ITDA feels an adverse impact to IBM's business may be created as a result of Transition. Buyer may allow, in limited instances resources to be exempt from Transition.

(d) The Supplier shall establish and staff a project office which is assigned full-time Personnel and which will be dedicated to managing ITDA activities.

(e) At the start of the Transition Period, the Supplier will identify a member of its project office as its Transition Manager who will be accountable for all Supplier related transition activities and will operate within the framework of the Governance Model described in Section 7.

(f) Supplier shall perform the Transition Services described in the Transition Plan in accordance with the timetable and the Transition Milestones set forth in the Transition Plan.

(g) Supplier shall use all commercially reasonable efforts to assist Buyer with the resolution of any problems that may impede or delay the timely completion of each task in the Transition Plan that is Buyer's responsibility.

(h) Supplier shall provide all cooperation and assistance reasonably required or requested by Buyer in connection with Buyer's evaluation or testing of the Deliverables set forth in the Transition Plan

(i) Supplier will document its completion of tasks and submit a final report (Transition Report) for Buyer's approval prior to exiting the Transition Period.

(j) Supplier must deliver a complete Transition Plan to Buyer within 21 calendar days of the Effective Date and transition, including transition of Incumbent Suppliers' personnel, identified in Exhibit 2.

3.4 Termination for Cause

Buyer may terminate this Attachment for cause if (i) Supplier fails to comply with its obligations with respect to any Transition Services or Transition Milestones and such failure causes or will cause a material disruption to or otherwise has or will adversely affect Buyer's ability to deliver the Services or adversely affects the operations or businesses of Buyer; (ii) Supplier breaches its obligations with respect to the provision of any Transition Services and fails to cure such breach within five (5) days after its receipt of notice; or (iii) Supplier fails to meet any Transition Milestone and fails to cure such breach within five (5) days after its receipt of notice. In addition, if Supplier fails to meet the Transition Milestone for the transition of all Services to Supplier and thereby causes a delay in the timely completion of the Transition Plan for more than five (5) days, Buyer may terminate this Attachment for cause without requirement of notice or opportunity to cure. Each of the foregoing cure periods may be extended at Buyer's discretion in consideration of extenuating conditions provided Supplier has exhausted all reasonable measures to mitigate those conditions. In all such events, subject to the Limitation of Liabilities clause of the Base Agreement, Buyer may recover the damages suffered by Buyer in connection with such a termination.

4. TRANSITIONED PERSONNEL

4.1 Offers and Employment

(a) Supplier may, but is not obliged to, extend offers of employment to personnel in the initial list of Incumbent Suppliers specified in Exhibit 2 ("Incumbent Suppliers") and others throughout the duration of this Agreement. Buyer supports the concept and practice of aggressive conversions from subtier staffing models to direct staffing (W2 employee) models. Supplier commits to achieving this goal in a reasonable manner without breakage in service to Buyer, Buyer's Customer or specific projects that resources are assigned to.

(b) In the course of providing the Services under this Attachment, Supplier represents and warrants that it will not unlawfully induce any employee of an Incumbent Supplier to breach any covenants it may have with such Incumbent Supplier.

5. QUALITY

Supplier will be responsible for conducting a thorough recruiting process to ensure the candidate's resume is a true and accurate reflection, understanding, and detailed account of his/her background and qualifications.

Supplier will be responsible for ensuring all positions sourced through them are filled at all times and in the event that a contractor leaves the assignment, with or without cause, or is terminated from the assignment, with or without cause, Supplier will provide an appropriate backfill within a reasonable timely manner. Supplier and Buyer will mutually determine the reasonable amount of time for backfilling positions based on the individual position to be backfilled.

Supplier will use its best efforts to ensure stability and lack of turnover to avoid any impact on Buyer's or Buyer's Customer's skill requirements.

Supplier will be responsible for ensuring that all persons sourced and placed on Buyer or Buyer's Customer's assignments are proficient in reading, writing and speaking the American English language.

6. RELATIONSHIP GOVERNANCE

6.1 Governance Model.

ITDA desires to create and maintain an effective relationship with Supplier based on mutual respect and industry best practices. On the Effective Date, Buyer and Supplier will implement a multi-tiered Governance model consistent with discussions and presentations between Buyer and Supplier. The Governance Model must produce both reactive (problems and escalation paths clearly defined) and proactive (strategic) behaviors. Supplier agrees that stability for Buyer's Customers; ability to obtain the highest quality Supplier Personnel at the proper skill level and the appropriate cost; mutual success; and scalability are key business goals and expectations for this Predominant Supplier initiative.

6.2 The Governance model is a combination of guiding principles, organizational and reporting structures, associated meetings and metrics as defined in Exhibit 4. This Governance model must accommodate Buyer's use of multiple Predominant Suppliers and other vendor relationships. Supplier's cooperation and flexibility in meeting Buyer's supplier initiatives will be a critical success factor and part of the criteria used to assess the health of the Governance relationship.

6.3 Meetings.

During the Term, representatives of the Parties shall meet periodically or as requested by Buyer to discuss matters arising under this Attachment. Each Party shall bear its own costs in connection with the attendance and participation of such Party's representatives in these meetings. Such meetings shall include, at a minimum, the following:

(a) A meeting held at least monthly to review Supplier's performance and monthly reports, planned or anticipated activities and changes that might impact performance and such other matters as appropriate. Supplier, will at a minimum, report updated content required in monthly Governance reporting.

(b) A quarterly management meeting to review Supplier's overall performance under this Agreement, review progress on the resolution of issues, provide an updated outlook for Buyer's Services requirement, and discuss such other matters as appropriate. Buyer Executive Management to be invited on a quarterly basis to review regular updates to Supplier monthly Governance Reports. Supplier will, at a minimum, present updated content required in monthly Governance Reporting.

(c) An annual meeting, timing to be determined by Buyer, of both Parties Executive Oversight team to review relevant contract performance and setting strategic objectives consistent with Buyer's business outlook/direction. Supplier will present overview of previous year's Governance performance.

6.4 Agenda and Minutes .

For each such meeting, Buyer will develop the agenda and list of topics to be discussed. At Buyer's request, Supplier shall prepare and distribute an agenda, which will incorporate the topics designated by Buyer. Supplier shall distribute such agenda in advance of each meeting so that the meeting participants may prepare for the meeting. In addition, upon Buyer's request, Supplier shall record and promptly distribute minutes for every meeting for review and approval by Buyer and Supplier.

7. STEADY STATE

Steady State refers to the period of performance that begins immediately following Transition Period and continues until the termination of this Attachment. At a minimum, the following shall be required during Steady State.

a) In addition to Services and reporting requirements specified in the Base Agreement, Supplier shall produce the reports identified in Schedule 2 and generated/updated at least at the specified frequency

b) Supplier shall implement business practices to minimize attrition and personnel turnover during steady state

c) Supplier shall maintain a database of Technical Services skills and shall be able to staff requested resources nationally and within negotiated timeframes and rates.

d) Supplier shall ensure all candidates, including those from sub-tiers suppliers, shall be screened consistent with Buyer's requirements and expectations

e) Supplier shall use forecasting and trending information and processes to proactively anticipate Buyer's skill needs and maintain a sourcing pool adequate for fulfillment of Buyer's needs

f) Supplier will provide the capability to produce reports on demand

g) Supplier shall identify how many resources are currently over the rate and shall recommend potential actions to reduce that number

h) Supplier will exhibit organization and management control of activities and Services to Buyer that instill confidence in Supplier's commitments and schedules

7.1 Forecasting

Buyer and Supplier will establish a forecasting process to facilitate Supplier's ability to pursue pipeline recruiting.

Forecast information received from IBM is not considered a commitment of any amount of future business.

7.2 Contractor Conditioning

Supplier will establish process to streamline contractor on-boarding and decrease the time to productivity on engagement by Supplier Personnel.

8. PRICING

8.1 Pricing

(a) The Pricing related to this Attachment shall be in accordance with Exhibit 3 of this Attachment.

8.2 Application of Billing Rates:

(a) The Supplier shall invoice Buyer for all billable services performed on a monthly basis per the terms of the SOW and shall invoice for all Billable Hours rendered. The supplier shall not invoice, nor record in any Buyer internal labor collection system, any non-billable hours.

(b) The rates provided in Exhibit 3 shall be used to define an individual WA at the time that WA is placed by Buyer and shall remain in effect for the duration of that WA, unless otherwise modified or replaced, as provided in the SOW.

9. GENERAL

9.1 Amendment

This Attachment shall not be modified, amended or in any way altered except by an instrument in writing signed by both Parties.

9.2 Incorporation by Reference

All Schedules, Attachments and Exhibits are hereby incorporated by reference into this Attachment. Subject to Section 10.1, any amendments to such Schedules, Attachments and Exhibits, and any other schedules, attachments and exhibits that are agreed upon by the Parties after the Effective Date, shall likewise be incorporated by reference into this Attachment.

IN WITNESS WHEREOF, the Parties have caused this SOW to be executed by their respective duly authorized representatives as of the Effective Date.

Corporation		**International Business Machines Corporation**	
By:	/s/ Dirk A. Dent	By:	/s/ Tracy Thompson
Printed:	Dirk A. Dent	Printed:	Tracy Thompson
Title:	EVP	Title:	U.S. Sourcing Manager, Technical Services
Date:	7/23/08	Date:	July 24/08

EXHIBIT 31.1

CERTIFICATION

I, Roger H. Ballou, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CDI Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2008

By: /s/ Roger H. Ballou

Roger H. Ballou
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Mark A. Kerschner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CDI Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2008

By: /s/ Mark A. Kerschner

Mark A. Kerschner
Executive Vice President and
Chief Financial Officer

EXHIBIT 32

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of CDI Corp. (the "Company") on Form 10-Q for the quarterly period ended June 30, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Chief Executive Officer and Chief Financial Officer of the Company hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that: 1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Roger H. Ballou
Roger H. Ballou
President and Chief Executive Officer

Dated: August 8, 2008

By: /s/ Mark A. Kerschner
Mark A. Kerschner
Executive Vice President and
Chief Financial Officer

Dated: August 8, 2008

A signed original of this written statement required by Section 906 has been provided to CDI Corp. and will be retained by CDI Corp. and furnished to the Securities and Exchange Commission or its staff upon request.