

# CDI CORP

## FORM 10-Q (Quarterly Report)

Filed 11/05/10 for the Period Ending 09/30/10

Address	1717 ARCH STREET, 35TH FLOOR PHILADELPHIA, PA 19103-2768
Telephone	2155692200
CIK	0000018396
Symbol	CDI
SIC Code	7363 - Help Supply Services
Industry	Business Services
Sector	Services
Fiscal Year	12/31

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549**

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**FORM 10-Q**

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

For the quarterly period ended September 30, 2010

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

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**CDI Corp.**

(Exact name of registrant as specified in its charter)

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**Pennsylvania**  
(State of incorporation)

**23-2394430**  
(I.R.S. Employer  
Identification Number)

**1717 Arch Street, 35<sup>th</sup> Floor, Philadelphia, PA 19103-2768**  
(Address of principal executive offices)

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

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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 has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for shorter period that the registrant was required to submit and post such files).

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  Smaller reporting company

(Do not check if a 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 October 29, 2010 was as follows:

Common stock, \$.10 par value per share	19,035,816 shares
Class B common stock, \$.10 par value per share	None

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### CDI CORP.

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PART 1. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS (Unaudited)

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

	September 30, 2010	December 31, 2009
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 29,140	\$ 73,528
Accounts receivable, less allowance for doubtful accounts of \$7,185 - September 30, 2010; \$6,887 - December 31, 2009	216,947	176,677
Prepaid expenses and other current assets	13,494	6,363
Prepaid income taxes	920	2,114
Deferred income taxes	5,797	6,015
Total current assets	266,298	264,697
Property and equipment, net of depreciation of \$72,760 - September 30, 2010; \$67,028 - December 31, 2009	31,560	29,558
Deferred income taxes	9,972	9,615
Goodwill	66,869	51,264
Other intangible assets, net	17,309	9,650
Other non-current assets	9,439	10,250
Total assets	<u>\$ 401,447</u>	<u>\$ 375,034</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Cash overdraft	\$ 5,218	\$ 2,843
Short-term debt	8,020	—
Accounts payable	32,050	25,176
Accrued compensation and related expenses	32,103	29,498
Other accrued expenses and other current liabilities	36,902	29,676
Total current liabilities	114,293	87,193
Deferred compensation and other non-current liabilities	13,163	12,945
Total liabilities	127,456	100,138
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 21,491,609 shares - September 30, 2010; 21,428,738 shares - December 31, 2009	2,149	2,143
Class B common stock, \$.10 par value - authorized 3,174,891 shares; none issued	—	—
Additional paid-in-capital	59,421	57,577
Retained earnings	265,878	269,225
Accumulated other comprehensive loss	(1,433)	(1,824)
Less common stock in treasury, at cost - 2,456,175 shares - September 30, 2010 and December 31, 2009	(52,366)	(52,366)
Total CDI shareholders' equity	273,649	274,755
Noncontrolling interest	342	141
Total shareholders' equity	273,991	274,896
Total liabilities and shareholders' equity	<u>\$ 401,447</u>	<u>\$ 375,034</u>

See accompanying notes to consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Revenue	\$ 249,355	\$ 223,673	\$ 678,277	\$ 667,751
Cost of services	194,017	179,782	536,729	532,154
Gross profit	55,338	43,891	141,548	135,597
Operating and administrative expenses	50,400	55,464	132,427	147,293
Operating profit (loss)	4,938	(11,573)	9,121	(11,696)
Other (expense) income, net	(442)	(51)	(520)	65
Equity in losses from affiliated companies	(312)	(278)	(1,080)	(859)
Earnings (loss) before income taxes	4,184	(11,902)	7,521	(12,490)
Income tax expense	2,473	280	3,396	556
Net income (loss)	1,711	(12,182)	4,125	(13,046)
Less: income (loss) attributable to the noncontrolling interest	32	(10)	47	(13)
Net income (loss) attributable to CDI	<u>\$ 1,679</u>	<u>\$ (12,172)</u>	<u>\$ 4,078</u>	<u>\$ (13,033)</u>
Basic net earnings (loss) attributable to CDI per share	<u>\$ 0.09</u>	<u>\$ (0.64)</u>	<u>\$ 0.21</u>	<u>\$ (0.69)</u>
Diluted net earnings (loss) attributable to CDI per share	<u>\$ 0.09</u>	<u>\$ (0.64)</u>	<u>\$ 0.21</u>	<u>\$ (0.69)</u>

See accompanying notes to consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
<b>Common stock</b>				
Beginning of period	\$ 2,148	\$ 2,141	\$ 2,143	\$ 2,136
Stock purchase plan	—	—	3	2
Time-vested deferred stock, stock appreciation rights and restricted stock	1	—	3	3
End of period	<u>\$ 2,149</u>	<u>\$ 2,141</u>	<u>\$ 2,149</u>	<u>\$ 2,141</u>
<b>Additional paid-in-capital</b>				
Beginning of period	\$ 58,837	\$ 56,268	\$ 57,577	\$ 54,377
Stock-based compensation	584	658	1,844	2,941
Tax shortfall from stock plans	—	(3)	—	(395)
End of period	<u>\$ 59,421</u>	<u>\$ 56,923</u>	<u>\$ 59,421</u>	<u>\$ 56,923</u>
<b>Retained earnings</b>				
Beginning of period	\$ 266,673	\$ 293,192	\$ 269,225	\$ 298,981
Net income (loss) attributable to CDI	1,679	(12,172)	4,078	(13,033)
Dividends paid to shareholders	(2,474)	(2,463)	(7,425)	(7,391)
End of period	<u>\$ 265,878</u>	<u>\$ 278,557</u>	<u>\$ 265,878</u>	<u>\$ 278,557</u>
<b>Accumulated other comprehensive (loss)</b>				
Beginning of period	\$ (3,337)	\$ (3,470)	\$ (1,824)	\$ (11,743)
Translation adjustments	1,904	157	391	8,430
End of period	<u>\$ (1,433)</u>	<u>\$ (3,313)</u>	<u>\$ (1,433)</u>	<u>\$ (3,313)</u>
<b>Treasury stock</b>				
Beginning of period	\$ (52,366)	\$ (52,366)	\$ (52,366)	\$ (52,366)
End of period	<u>\$ (52,366)</u>	<u>\$ (52,366)</u>	<u>\$ (52,366)</u>	<u>\$ (52,366)</u>
<b>Noncontrolling interest</b>				
Beginning of period	\$ 235	\$ 152	\$ 141	\$ —
Contribution from the noncontrolling interest owners	68	—	140	152
Translation adjustments	7	(4)	14	(1)
Net income (loss) attributable to noncontrolling interest	32	(10)	47	(13)
Total	<u>\$ 342</u>	<u>\$ 138</u>	<u>\$ 342</u>	<u>\$ 138</u>
<b>Comprehensive income (loss)</b>				
Net income (loss) attributable to CDI	\$ 1,679	\$ (12,172)	\$ 4,078	\$ (13,033)
Translation adjustments attributable to CDI	1,897	157	377	8,430
Comprehensive income attributable to CDI	3,576	(12,015)	4,455	(4,603)
Net income (loss) attributable to noncontrolling interest	32	(10)	47	(13)
Translation adjustments attributable to noncontrolling interest	7	(4)	14	(1)
Comprehensive income (loss) attributable to noncontrolling interest	39	(14)	61	(14)
Total	<u>\$ 3,615</u>	<u>\$ (12,029)</u>	<u>\$ 4,516</u>	<u>\$ (4,617)</u>

See accompanying notes to consolidated financial statements.

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

	<b>Nine Months Ended, September 30,</b>	
	<b>2010</b>	<b>2009</b>
<b>Operating activities:</b>		
Net income (loss)	\$ 4,125	\$ (13,046)
Adjustments to reconcile net income (loss) to cash (used in) provided by operating activities:		
Depreciation	7,435	8,124
Amortization	527	405
Deferred income taxes	(139)	267
Equity in losses of affiliated companies	1,080	859
Stock-based compensation	2,208	2,303
Foreign currency options	—	19
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable, net	(29,124)	8,691
Prepaid expenses and other current assets	(657)	422
Accounts payable	4,758	(2,354)
Accrued expenses and other current liabilities	(1,860)	13,311
Income taxes receivable/payable	2,598	(2,277)
Other assets, non-current liabilities and other	(728)	1,249
Net cash (used in) provided by operating activities	<u>(9,777)</u>	<u>17,973</u>
<b>Investing activities:</b>		
Additions to property and equipment	(4,062)	(4,686)
Reacquired franchise rights	(336)	—
Acquisition	(34,010)	—
Other	293	228
Net cash used in investing activities	<u>(38,115)</u>	<u>(4,458)</u>
<b>Financing activities:</b>		
Dividends paid to shareholders	(7,425)	(7,391)
Net proceeds from short-term debt	8,020	—
Cash overdraft	2,375	(65)
Contribution to joint venture by noncontrolling interest	140	—
Net cash provided by (used in) financing activities	<u>3,110</u>	<u>(7,456)</u>
Effect of exchange rate changes on cash	394	2,711
Net (decrease) increase in cash and cash equivalents	(44,388)	8,770
Cash and cash equivalents at beginning of period	73,528	61,761
Cash and cash equivalents at end of period	<u>\$ 29,140</u>	<u>\$ 70,531</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest	\$ 2	\$ —
Cash paid for income taxes, net	\$ 929	\$ 1,297

See accompanying notes to consolidated financial statements.

**CDI CORP. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

*(Amounts in thousands, except share and per share amounts, unless otherwise indicated)  
(Unaudited)*

**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, 2009 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, 2009, as included in the Company’s Form 10-K filed on March 2, 2010. 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 about future events. These estimates and the related underlying assumptions affect the amounts of assets and liabilities reported, disclosures about contingent assets and liabilities, and reported amounts of revenues and expenses. Such estimates include the valuation of accounts receivable, goodwill, intangible assets, other long-lived assets, legal contingencies and assumptions used in the calculations of income taxes. These estimates and assumptions are based on management’s estimates and judgment, which management believes to be reasonable under the circumstances. Management adjusts such estimates and assumptions when facts and circumstances dictate. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment. As future events and their effects cannot be determined with precision, actual results will differ, and could differ significantly, from these estimates. Results for the three and nine months ended September 30, 2010 are not necessarily indicative of results that may be expected for the full year.

**2. Recent Accounting Pronouncements**

Effective January 1, 2010, the Company adopted the provisions of Accounting Standards Update (“ASU”) No. 2010-06 *Fair Value Measurements and Disclosures (Topic 820) – Improving Disclosures about Fair Value Measurements* (“ASU 2010-06”), which requires additional disclosures about the different classes of assets and liabilities measured at fair value, the valuation techniques and inputs used, the activity in Level 3 fair value measurements, and the transfers between Levels 1, 2 and 3. The adoption of ASU 2010-06 did not have a material impact on the Company’s consolidated financial statements.

**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 and Canadian dollars. Exchange rate fluctuations impact the US 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 engaged in hedging activities with respect to certain of its foreign operations in 2009, but did not in 2010. See Note 4 – Derivative Instruments for additional information related to these hedging activities.

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 current portion of plan assets are recorded in prepaid expenses and other current assets and the related liability amounts are recorded in other accrued expenses and other current liabilities, while the long-term portion of 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.

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### CDI CORP. AND SUBSIDIARIES

#### Notes to Consolidated Financial Statements

(Amounts in thousands, except share and per share amounts, unless otherwise indicated)  
(Unaudited)

The following tables outline, by major category, the plan assets and liabilities measured at fair value on a recurring basis as of September 30, 2010 and December 31, 2009:

Description	Fair Value Measurements At September 30, 2010 Using			
	Fair Value Measurements at September 30, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Prepaid expenses and other current assets				
Mutual funds included in deferred compensation plan <sup>(1)</sup>	\$ 365	\$ 365	\$ —	\$ —
Other non-current assets				
Mutual funds included in deferred compensation plan <sup>(2)</sup>	6,927	6,927	—	—
<b>Total assets</b>	<b>\$ 7,292</b>	<b>\$ 7,292</b>	<b>\$ —</b>	<b>\$ —</b>

- (1) Included in other accrued expenses and other current liabilities in the consolidated balance sheet is a corresponding liability of the same amount reflecting balances owed to plan participants.
- (2) Included in deferred compensation and other non-current liabilities in the consolidated balance sheet is a corresponding liability of the same amount reflecting balances owed to plan participants.

Description	Fair Value Measurements At December 31, 2009 Using			
	Fair Value Measurements at December 31, 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Other non-current assets				
Mutual funds included in deferred compensation plan <sup>(1)</sup>	\$ 6,870	\$ 6,870	\$ —	\$ —
<b>Total assets</b>	<b>\$ 6,870</b>	<b>\$ 6,870</b>	<b>\$ —</b>	<b>\$ —</b>

- (1) Included in deferred compensation and other non-current liabilities in the consolidated balance sheet is a corresponding liability of the same amount reflecting balances owed to plan participants.

#### 4. Derivative Instruments

The Company's reported financial condition and results of operations are exposed to the effects (both positive and negative) of fluctuating exchange rates when the financial statements of international operations, which are denominated in currencies other than the US dollar, are translated into US dollars. CDI's exposure to foreign currency fluctuation risk relates primarily to its operations denominated in British pounds sterling and Canadian dollars. Exchange rate fluctuations impact the US 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.

To mitigate this foreign exchange rate risk, in the first quarter of 2009, the Company entered into zero cost collar option contracts ("options") to hedge portions of its British pounds sterling and Canadian dollar currency forecasted earnings. The options were for various amounts in local currency on a quarterly basis and had a range of foreign exchange rates, which provided a hedge against foreign results translated at rates outside the range. These options did not have a premium and the options expired during 2009. These instruments were accounted for at fair value. Because the Company could not designate these options as hedges for accounting purposes, foreign exchange revaluation gains or losses were reflected in current earnings, while the impact of translating the foreign based income into US dollars was recognized throughout the year. The Company did not enter into any option contracts in 2010.

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### CDI CORP. AND SUBSIDIARIES

#### Notes to Consolidated Financial Statements

(Amounts in thousands, except share and per share amounts, unless otherwise indicated)  
(Unaudited)

For the nine months ended September 30, 2009, the Company recorded a net loss of \$122 related to these options, consisting of a realized loss of \$103 and an unrealized loss of \$19. The net loss was recorded in other income (expense), net in the consolidated statements of operations. The loss was calculated as the difference between the average spot rate for the period and the ceiling of the option, multiplied by the total local currency hedged. The notional principal of the options at September 30, 2009 was \$953 when converted to US dollars.

The following table shows the total fair value of the foreign currency zero cost option contracts included in the Company's consolidated balance sheets:

	Fair Value of Derivative Instruments					
	Asset Derivatives			Liability Derivatives		
	Balance Sheet Location	Fair Value at September 30,		Balance Sheet Location	Fair Value at September 30,	
	2010	2009		2010	2009	
<b>Derivatives not designated as hedging instruments</b>						
Foreign currency zero cost option contracts	Prepaid expenses and other current assets	\$ —	\$ —	Other accrued expenses and other current liabilities	\$ —	\$ 19

The following table shows the effect of the foreign currency zero cost option contracts included in the Company's consolidated statements of operations:

	Effect of Derivative Instruments on the Consolidated Statement of Operations				
	Location of loss recognized in income on derivatives	Amount of loss recognized in income on derivatives		Amount of loss recognized in income on derivatives	
		Three Months Ended September 30,		Nine Months Ended September 30,	
		2010	2009	2010	2009
<b>Derivatives not designated as hedging instruments</b>					
Foreign currency zero cost option contracts	Other income (expense), net	\$ —	\$ (58)	\$ —	\$ (122)

## 5. Acquisition

On June 28, 2010, the Company acquired substantially all of the assets and certain liabilities of L. Robert Kimball & Associates, Inc. and two affiliated companies (collectively, "L.R. Kimball"), a professional services firm headquartered in Ebensburg, Pennsylvania. L.R. Kimball provides architecture, civil and environmental engineering, communication technology and consulting services to governmental, educational and private industry customers, through a network of offices primarily in the mid-Atlantic region. The acquisition will broaden both the Company's service offering portfolio and engineering skill sets. Because of the purchase, a new vertical, CDI – Infrastructure was established within the Engineering Solutions ("ES") reporting segment.

The Company paid \$34.0 million in cash, net of cash acquired, which was funded from cash on hand. In addition, under the earnout agreement, the Company may pay out an additional zero to \$6.0 million if the acquired business achieves an earnings target during the two-year period after the closing. The fair value of the estimated contingent liability for the earnout at the date of acquisition was \$0.2 million, which is recorded in "Deferred compensation and other non-current liabilities" in the consolidated balance sheets. The purchase price is also subject to a working capital adjustment, which is expected to be finalized during the fourth quarter of 2010. Acquisition-related costs of \$0.1 million are included in operating and administrative expenses in the consolidated statements of operations.

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### CDI CORP. AND SUBSIDIARIES

#### Notes to Consolidated Financial Statements

(Amounts in thousands, except share and per share amounts, unless otherwise indicated)  
(Unaudited)

The transaction was accounted for as a business combination. The purchase price has been preliminarily allocated based upon the estimated fair value of the assets acquired and the liabilities assumed at the date of acquisition. Accordingly, the purchase price allocation is subject to change. The Company expects to finalize the allocation of the purchase price prior to year-end, upon receipt of final valuations for the intangible assets. The preliminary purchase price allocation for the acquisition is as follows:

Current assets	\$ 17,303
Property and equipment	5,676
Trademark	5,100
Customer relationships	2,600
Non-compete agreements	150
Goodwill	15,791
Current liabilities	(12,406)
Net assets acquired	34,214
Less cash acquired	(4)
Contingent liability for earnout, at fair value	(200)
Net cash paid	<u>\$ 34,010</u>

The preliminary allocation of the purchase price to the acquired assets and assumed liabilities was based on their fair values as of the acquisition date, with the amounts exceeding the fair value recorded as goodwill. The preliminary purchase price allocation for the acquisition was revised during the third quarter, based upon additional information available, which related primarily to the Company's fair value estimates of customer contracts that were acquired. These revisions resulted in an increase in goodwill of \$3.3 million. Included in "Prepaid expenses and other current assets" and "Accrued other expenses" in the consolidated balance sheets at September 30, 2010 are \$5,083 and \$6,473, respectively, associated with the remaining fair market valuation of customer contracts acquired. In connection with its acquisition of the L.R. Kimball net assets, the Company assumed responsibility (subject to certain limited exceptions) for liabilities that may arise from L.R. Kimball's customer contracts for which work was not completed at the time of the acquisition.

Goodwill of \$15.8 million, which is assigned to the Company's ES reporting segment, is expected to be largely tax-deductible. The goodwill consists primarily of the engineering skill sets of the L.R. Kimball workforce, synergies the Company believes will result from combining the operations of L.R. Kimball with the Company, improvements in operating efficiencies and other benefits that do not qualify for separate recognition as acquired identifiable intangible assets.

The fair value of the L.R. Kimball trademark was determined using the income approach, which involves estimating factors such as a royalty rate, revenue stream and discount rate. The fair values of the remaining acquired identifiable intangible assets of \$2.8 million were for customer relationships and non-compete agreements. The remaining acquired identifiable assets and liabilities were primarily property and equipment, accounts receivable, and accounts payable and accrued liabilities, for which book value approximated fair value. The gross amount of trade receivables due under contracts acquired from L.R. Kimball is \$12.9 million, of which \$2.1 million is expected to be uncollectible.

Included in the consolidated statements of operations for the three and nine months ended September 30, 2010 were revenue from L.R. Kimball of \$14.9 million and \$15.5 million, respectively. Included in the consolidated statements of operations for the three and nine months ended September 30, 2010 were earnings before income taxes from L.R. Kimball of \$0.8 million and \$1.0 million, respectively.

**CDI CORP. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

(Amounts in thousands, except share and per share amounts, unless otherwise indicated)  
(Unaudited)

The unaudited condensed pro forma consolidated statements of operations for the three and nine months ended September 30, 2010 and 2009 (assuming the acquisition of L.R. Kimball had occurred as of the beginning of each fiscal period presented) are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Revenue	\$ 249,355	\$ 242,046	\$ 709,233	\$ 719,988
Net income (loss) attributable to CDI	1,679	(11,627)	2,570	(11,807)
Net earnings (loss) per share attributable to CDI				
Basic	0.09	(0.61)	0.14	(0.62)
Diluted	0.09	(0.61)	0.13	(0.62)

The pro forma results have been prepared for comparative purposes only as required under business combination accounting. The pro forma results are not necessarily indicative of actual results of operations had the acquisition taken place as of the beginning of the periods presented. Furthermore, the pro forma results do not give effect to synergies the Company believes can result from combining the operations of L.R. Kimball with the Company and from improving operations.

**6. Goodwill and Other Intangible Assets**

The Company performs its annual goodwill and other indefinite-lived intangible assets impairment testing by reporting unit as of July 1 of each fiscal year, or whenever events occur or circumstances change, such as an adverse change in business climate, that would indicate that it is more likely than not that the fair value of a reporting unit was below its carrying amount.

The first step of the impairment test requires that the Company determine the fair value of each reporting unit and compare the fair value to the reporting unit's carrying amount. The Company uses a dual approach to determine the fair value of its reporting units. The Company first uses the income approach, which is based on the present value of discounted cash flows and terminal value projected for each reporting unit. The income approach requires significant judgments, including the projected results of operations, the weighted average cost of capital ("WACC") used to discount the cash flows and terminal value assumptions. The projected results of operations are based on the Company's best estimates of future economic and market conditions, including growth rates, estimated earnings and cash expenditures. The WACC is determined based on the Company's capital structure, cost of capital, inherent business risk profile and long-term growth expectations, as reflected in the terminal value. The Company uses peer group market multiples to validate the reasonableness of the fair values as determined using the income approach.

The Company then validates the reasonableness of the total fair value of the reporting units under the income approach by reconciling the aggregate fair values of the reporting units to the Company's total market capitalization, adjusted to include an estimated control premium. The estimated control premium is based on reviewing observable transactions involving the purchase of controlling interests in comparable companies. In developing the market capitalization, the Company uses the average stock price over a range of dates prior to the assessment date. There are inherent uncertainties related to the factors used in the income and market capitalization approaches and to the Company's judgment in applying them in determining the fair value of the reporting units. However, the Company believes that the reconciliation of the income and market capitalization approaches validate the reasonableness of the total fair value of the reporting units.

The second step of the impairment test is contingent upon the results of the first step. To the extent a reporting unit's carrying amount exceeds its fair value, an indication exists that the reporting unit's goodwill or other indefinite-lived intangible assets may be impaired and the Company must perform a second more detailed impairment assessment step. The second step of the impairment assessment involves allocating the reporting unit's fair value to all of its recognized and unrecognized assets and liabilities in order to determine the implied fair value of the reporting unit's goodwill and intangible assets as of the assessment date. The implied fair value of the reporting unit's goodwill and other intangible assets is then compared to the carrying amount of goodwill and other intangible assets to quantify an impairment charge as of the assessment date.

As of July 1, 2010, the Company performed its annual impairment testing. Based on the results of the first step of the impairment test, the Company determined that there was no impairment of goodwill or other indefinite-lived intangible assets as of July 1, 2010. The Company's reporting units, with the exception of Infrastructure which was recorded at fair value on the acquisition date of June 28, 2010, had fair values substantially in excess of their carrying value after completion of the first step. The two reporting units with the lowest excess were Aerospace and P&I. The Aerospace reporting unit had a fair value in excess of its carrying value of approximately 18% and goodwill of \$7.0 million. Aerospace's fair value in excess has been negatively affected by the slowdown in the commercial aviation industry. The P&I reporting unit had a fair value in excess of its carrying value of approximately 19% and goodwill of \$12.7 million. P&I's fair value in excess has been negatively affected by the significant reduction in capital projects, due to the reduced demand in the chemical industry. The Company will continue to closely monitor the recoverability of its goodwill and other indefinite-lived intangible assets for all reporting units and particularly Aerospace and P&I. There were no triggering events subsequent to July 1, 2010 that required additional testing.

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### CDI CORP. AND SUBSIDIARIES

#### Notes to Consolidated Financial Statements

(Amounts in thousands, except share and per share amounts, unless otherwise indicated)  
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In December 2009, January 2010 and July 2010, the Company reacquired certain franchise rights. As a result of these purchases, the Company recorded intangible assets of \$150 in December, \$285 in January and \$51 in July, which are being amortized on a straight-line basis over their ten year useful lives.

On June 28, 2010, the Company acquired substantially all of the assets and certain liabilities of L.R. Kimball (see Note 5 – Acquisition). As part of the purchase price allocation, the Company recorded intangible assets of \$2.6 million for customer relationships, which are being amortized over their eight-year estimated useful life, \$0.2 for non-compete agreements, which are being amortized over their five-year life, and \$5.1 million and \$15.8 million for a trademark and goodwill, respectively, which are not amortized, but instead are subject to annual impairment testing as described above.

The following table summarizes the changes in the Company’s carrying value of goodwill and other intangible assets by reporting segment from December 31, 2009 to September 30, 2010:

	December 31, 2009 Net Balance	Additions	Amortization	Translation and Other Adjustments	September 30, 2010 Net Balance
<b>Goodwill</b>					
CDI - Engineering Solutions (“ES”) <sup>(1)</sup>	\$ 22,160	\$ 15,791	\$ —	\$ —	\$ 37,951
CDI - AndersElite (“Anders”) Management Recruiters International (“MRI”) <sup>(1)</sup>	19,472	—	—	(166)	19,306
	9,632	—	—	(20)	9,612
<b>Total goodwill</b>	<b>51,264</b>	<b>15,791</b>	<b>—</b>	<b>(186)</b>	<b>66,869</b>
<b>Trademarks</b>					
MRI	2,165	—	—	—	2,165
ES	—	5,100	—	—	5,100
	2,165	5,100	—	—	7,265
<b>Other intangible assets</b>					
Reacquired franchise rights - MRI	150	336	(34)	—	452
Customer relationships - ES <sup>(2)</sup>	7,335	2,600	(486)	—	9,449
Non-compete agreements - ES	—	150	(7)	—	143
<b>Total goodwill and other intangible assets</b>	<b>\$ 60,914</b>	<b>\$ 23,977</b>	<b>\$ (527)</b>	<b>\$ (186)</b>	<b>\$ 84,178</b>

(1) The ES and MRI net goodwill balances at December 31, 2009 include impairment charges of \$15,171 and \$6,230, respectively, which were taken in 2002 upon the Company’s adoption of guidance now codified as FASB ASC 350-20, *Goodwill* .

(2) The ES net customer relationships balance at December 31, 2009 and September 30, 2010 includes accumulated amortization of \$765 and \$1,251, respectively.

## 7. Short-term Borrowings

On July 1, 2010, the Company executed a promissory note in favor of JP Morgan Chase Bank, N.A. for an uncommitted, unsecured line of credit for borrowings of up to \$15.0 million with a maturity date of September 30, 2010. On September 28, 2010, the maturity date of the promissory note was extended to October 31, 2010. Interest on borrowings under this note are based on a LIBOR plus 2.75% or a “CB Floating Rate” (which is equal to the prime rate, provided that such rate shall not exceed the one-month LIBOR plus 2.50%), at the Company’s option when borrowing funds. Any borrowings under the LIBOR were required to be in minimum principal amounts of \$500 and in increments of \$100. At September 30, 2010, the Company had outstanding borrowings of \$8.0 million under this uncommitted, unsecured line of credit, with a weighted average interest rate of 3.25%, which were borrowed under the CB Floating rate option.

On October 29, 2010, the Company and its wholly-owned subsidiary, CDI Corporation, entered into a Credit Agreement (the “Credit Agreement”) with JPMorgan Chase Bank, N.A. (the “Bank”). The Credit Agreement established a \$35.0 million revolving line of credit facility. This is a short-term credit facility, the term of which ends on October 28, 2011. Borrowings under this line of credit may be used by the Company for general business purposes or for letters of credit.

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### CDI CORP. AND SUBSIDIARIES

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The Company's obligations under the Credit Agreement are guaranteed by two indirect subsidiaries of the Company: Management Recruiters International, Inc. and MRI Contract Staffing, Inc. The Bank was granted a security interest in nearly all of the assets of the two borrowing companies and the two guarantors (the "Loan Parties"), as collateral for borrowings under the facility. The Loan Parties also pledged the stock of various subsidiary companies to the Bank, as additional security for any borrowings.

Interest on borrowings under the facility are based on either a Eurodollar rate or an "Alternate Base Rate", as chosen by the Company each time it wishes to borrow funds. The Eurodollar rate equals LIBOR (as set forth in the Credit Agreement) plus a number of basis points (ranging from 2.25% to 2.75%) depending on the Company's leverage ratio (which is the ratio of consolidated indebtedness to consolidated EBITDA, as defined in the Credit Agreement). The Alternate Base Rate equals the greater of (i) the Bank's prime rate, (ii) the Federal Funds rate plus 0.5% and (iii) the one-month LIBOR plus 1%. Any Eurodollar-based borrowings must be in minimum principal amounts of \$2.0 million and in increments of \$100 and any Alternate Base Rate borrowings must be in minimum principal amounts of \$100 and in increments of \$100. Fees associated with the facility include a commitment fee of \$30 and a facility fee at the rate of 0.25% to 0.375% on the daily amount of the Bank's commitment.

The Credit Agreement contains restrictive covenants which limit the Company with respect to, among other things, creating liens on its assets, subsidiary indebtedness, acquisitions and investments, mergers and consolidations, dividends, stock repurchases, disposition of assets other than in the ordinary course of business, and changing its line of business. The Credit Agreement also contains financial covenants which require the Company not to exceed a maximum leverage ratio (consolidated indebtedness to consolidated EBITDA) of 2.5 to 1.0, to maintain a minimum fixed charge coverage ratio of 1.2 to 1.0, and to maintain a minimum liquidity balance (unrestricted cash and cash equivalents plus the amount of the unused credit line) of \$20 million. The preceding financial covenant terms are as defined in the Credit Agreement.

Additionally, the Company has a \$10.2 million uncommitted, demand unsecured line of credit with Brown Brothers Harriman & Co., under which the bank issues, at its sole discretion, standby letters of credit to the Company. At September 30, 2010, the Company had \$6.8 million of outstanding letters of credit issued against this line of credit.

### 8. Earnings (Loss) Attributable to CDI Per Share

Both basic and diluted earnings (loss) attributable to CDI per share for all periods are calculated based on the reported earnings (loss) attributable to CDI in its consolidated statements of operations.

The number of common shares used to calculate basic and diluted earnings (loss) per share for the three and nine months ended September 30, 2010 and 2009 was determined as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
<b>Basic</b>				
Average shares outstanding	19,032,028	18,953,657	19,007,814	18,937,110
Restricted shares issued not vested	—	(10,000)	—	(10,000)
	<u>19,032,028</u>	<u>18,943,657</u>	<u>19,007,814</u>	<u>18,927,110</u>
<b>Diluted</b>				
Shares used for basic calculation	19,032,028	18,943,657	19,007,814	18,927,110
Dilutive effect of shares / units granted under Omnibus Stock Plan	101,046	—	95,095	—
Dilutive effect of units issuable under Stock Purchase Plan	110,760	—	108,101	—
	<u>19,243,834</u>	<u>18,943,657</u>	<u>19,211,010</u>	<u>18,927,110</u>

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### CDI CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Amounts in thousands, except share and per share amounts, unless otherwise indicated)  
(Unaudited)

Outstanding awards granted under both the CDI Corp. 2004 Omnibus Stock Plan (the “Omnibus Plan”) and the Amended and Restated CDI Corp. Stock Purchase Plan for Management Employees and Non-Employee Directors (the “Stock Purchase Plan”) of 839,825 and 1,278,597 shares were excluded from the computation of EPS for the three months ended September 30, 2010 and 2009, respectively, because their effect would have been anti-dilutive. Outstanding awards granted under both the Omnibus Plan and the Stock Purchase Plan of 873,875 and 1,292,417 shares were excluded from the computation of EPS for the nine months ended September 30, 2010 and 2009, respectively, because their effect would have been anti-dilutive.

## 9. Commitments, Contingencies and Legal Proceedings

### *Commitments*

The Company maintains a global master agreement with a large on-line job posting and search service for the benefit of its operating segments and MRI franchise network. On September 30, 2009, the parties amended the agreement from a three year term to a four year term, extending the minimum payments for the last two years over a three year period. On June 28, 2010, the parties amended the agreement to include purchases of \$700 of services by the Company to be paid in 2010 and credited toward the 2010 minimum payment; this amendment did not change the overall commitment. With respect to these services, \$350 will be provided in 2010 and the remaining \$350 will be provided in 2011. At September 30, 2010, the aggregate minimum payments remaining for the years ended 2010 and 2011 were \$24 and \$2,300, respectively.

### *Legal Proceedings*

The Company has litigation and other claims pending which have arisen in the ordinary course of business. Except as described below, management believes there are substantive defenses and/or insurance and specific accounting reserves established such that the outcome of these pending matters should not have a material adverse effect on the business, financial condition or results of operations of the Company.

### *UK Office of Fair Trading Decision*

On September 30, 2009 the United Kingdom’s Office of Fair Trading (“OFT”) issued a decision in its investigation into alleged anti-competitive behavior by Anders during the time period of late 2004 to early 2006. In its decision, the OFT stated that it made a finding that Anders did violate the UK Competition Act of 1998 and imposed a fine of \$12.3 million for the violations, which is non-tax deductible. The Company recorded a charge for the full amount of the fine in the third quarter of 2009. The Company has appealed the OFT decision. No payment has been made pending the outcome of the appeal and the reserve is included in “Other accrued expenses and other current liabilities” in the consolidated balance sheets at December 31, 2009 and September 30, 2010.

### *Investigation by the US Department of Justice*

In August 2009, the Civil Division of the Department of Justice (“DOJ”) notified the Company of potential claims against it under the US False Claims Act. The claims stem from alleged mischarging of time on certain federal government projects. The Company, with assistance from outside legal counsel, conducted a review of these allegations and cooperated with the DOJ in its investigation. The Company established a reserve of \$4.3 million for this matter at December 31, 2009.

In June 2010, the Company and the DOJ reached an agreement in principle on the financial terms of a settlement regarding this matter. Other terms remain to be negotiated and there is no certainty and the Company can give no assurance that a final agreement will be reached. In the second quarter of 2010, based upon this agreement in principle with the DOJ, the Company estimated the loss related to this matter, including the relator’s individual claims and the relator’s attorney’s cost, to be \$2.4 million. This reserve, which is only partially tax deductible, is included in “Other accrued expenses and other current liabilities” in the consolidated balance sheet at December 31, 2009 and September 30, 2010. Based upon the reduction in the reserve, the consolidated statements of operations for the nine months ended September 30, 2010 include a benefit of \$1.9 million recognized in “Operating and administrative expenses.”

## 10. Income Taxes

The Company calculates an effective income tax rate each quarter based upon forecasted annual income by jurisdiction, statutory tax rates and other tax-related items. The impact of discrete items is recognized in the interim period in which they occur.

The effective income tax rates for the three months ended September 30, 2010 and 2009 were 59.1% and (2.4)%, respectively. The effective income tax rate for 2010 was unfavorably impacted by projected losses in foreign jurisdictions on which no tax benefit has

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### CDI CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

*(Amounts in thousands, except share and per share amounts, unless otherwise indicated)  
(Unaudited)*

been recognized or on which the tax benefit was recognized at tax rates lower than the US rate and deferred tax expense attributable to valuation differences for stock awards. The effective income tax rate in 2009 was primarily impacted by the \$12.3 million charge associated with the fine imposed by the OFT, which is not deductible for income tax purposes. To a lesser extent, the effective income tax rate in 2009 was also unfavorably impacted by an increase related to uncertain tax positions.

The effective income tax rates for the nine months ended September 30, 2010 and 2009 were 45.2% and (4.5)%, respectively. The effective income tax rate for 2010 was unfavorably impacted by deferred tax expense for previously issued and unexercised stock options that expired during the period, as well as other valuation differences for stock awards and projected losses in foreign jurisdictions on which no tax benefit has been recognized or on which the tax benefit was recognized at tax rates lower than the US rate. These were partially offset by the favorable impact of the second quarter 2010 reduction in the reserve for the DOJ matter, which is largely not tax deductible. The effective income tax rate in 2009 was primarily impacted by the \$12.3 million charge associated with the fine imposed by the OFT, which is not deductible for income tax purposes. To a lesser extent, the effective income tax rate for 2009 was unfavorably impacted by an increase related to uncertain tax positions, an adjustment to income taxes payable and projected losses in foreign jurisdictions on which no tax benefit has been recognized or was recognized at tax rates lower than the US rate.

#### 11. Reporting Segments

The Company has four reporting segments: CDI Engineering Solutions (“ES”), Management Recruiters International (“MRI”), CDI AndersElite (“Anders”) and CDI Information Technology Solutions (“ITS”).

Prior to the purchase of substantially all of the assets and certain liabilities of L.R. Kimball on June 28, 2010 (see Note 5 – Acquisition), ES operated principally through the following three key verticals:

- **CDI-Process and Industrial** (“P & I”) – P & I provides a full range of engineering, design, project management, professional staffing and outsourcing solutions to firms in oil, gas, refining, alternative energy, power generation and energy transmission, nuclear, chemicals and heavy manufacturing industries. In addition, P & I offers facility design, 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** (“Government Services”) – Government Services provides a full range of engineering, design and logistics services to the defense industry, particularly in marine design, systems development and military aviation support.
- **CDI-Aerospace** (“Aerospace”) – Aerospace provides a full range of engineering, design, project management, professional staffing and outsourcing solutions to both the commercial and military aerospace markets.

Since the purchase of substantially all of the assets and certain liabilities of L.R. Kimball, ES added the following fourth key vertical:

- **CDI-Infrastructure** (“Infrastructure”) – Infrastructure provides a full range of architecture, civil and environmental engineering, communication technology and consulting services to governmental, educational and private industry customers, through a network of offices primarily in the mid-Atlantic region.

MRI is a global franchisor that does business as MRINetwork<sup>®</sup> and provides the use of its trademarks, business systems and training and support services to its franchisees who engage in the search and recruitment of executive, technical, professional and managerial personnel for employment by their customers. The MRI franchisees provide permanent placement services primarily under the brand names Management Recruiters<sup>®</sup>, Sales Consultants<sup>®</sup>, CompuSearch<sup>®</sup> and OfficeMates 5<sup>®</sup>. MRI also provides training, implementation services and back-office services to enable franchisees to pursue staffing 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 and Australia, though many candidates that Anders places in the UK are recruited from around the world.

ITS provides a variety of information technology (“IT”) related services to its customers, which are primarily large and mid-sized customers with significant IT requirements and/or the need to augment their own staff on a flexible basis. Services include staffing augmentation, permanent placement, outsourcing (both onsite, under the customer’s supervision, and offsite) and consulting.

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,

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### CDI CORP. AND SUBSIDIARIES

#### Notes to Consolidated Financial Statements

(Amounts in thousands, except share and per share amounts, unless otherwise indicated)  
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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.

Segment data is presented in the following table:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
<b>Revenue:</b>				
ES	\$ 134,250	\$ 121,864	\$ 354,151	\$ 368,875
MRI	16,064	12,468	45,534	40,322
Anders	13,904	26,559	52,386	80,110
ITS	85,137	62,782	226,206	178,444
	<u>\$ 249,355</u>	<u>\$ 223,673</u>	<u>\$ 678,277</u>	<u>\$ 667,751</u>
<b>Operating profit (loss):</b>				
ES	\$ 3,954	\$ 2,969	\$ 8,518	\$ 9,915
MRI	1,925	823	5,111	1,297
Anders	(1,598)	(13,380)	(2,932)	(16,509)
ITS	3,921	1,755	8,583	4,862
Corporate	(3,576)	(4,018)	(11,239)	(12,120)
	4,626	(11,851)	8,041	(12,555)
Less equity in losses from affiliated companies	312	278	1,080	859
Total operating profit (loss)	4,938	(11,573)	9,121	(11,696)
Other (expense) income, net	(442)	(51)	(520)	65
Equity in losses from affiliated companies	(312)	(278)	(1,080)	(859)
Earnings (loss) before income taxes	<u>\$ 4,184</u>	<u>\$ (11,902)</u>	<u>\$ 7,521</u>	<u>\$ (12,490)</u>

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:

	September 30,	December 31,
	2010	2009
<b>Assets:</b>		
ES	\$ 170,338	\$ 127,213
MRI	28,979	26,495
Anders	37,157	39,306
ITS	92,994	71,230
Corporate	71,979	110,790
	<u>\$ 401,447</u>	<u>\$ 375,034</u>

**CDI CORP. AND SUBSIDIARIES**

Management's Discussion and Analysis of Financial Condition and Results of Operations  
(Amounts in thousands, except share and per share amounts, unless otherwise indicated)  
(Unaudited)

**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 revenues, pre-tax profit 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 references to future periods. 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: weakness in general economic conditions and levels of capital spending by customers in the industries the Company serves; weakness in the financial and capital markets, which may result in the postponement or cancellation of CDI's customers' capital projects or the inability of CDI's customers to pay the Company's fees; loss of business and other adverse customer consequences as a result of the UK Office of Fair Trading decision or the Department of Justice investigation; credit risks associated with the Company's customers; difficulties in integrating the recently-acquired L.R. Kimball operations with the Company; competitive market pressures; 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 tax laws and other government regulations; the possibility of incurring liability for the Company's activities, including the activities of the Company's temporary employees; the Company's performance on customer contracts; negative outcome of pending and future claims and litigation; and government policies, legislation or judicial decisions adverse to the Company's businesses. More detailed information about some of these and other risks and uncertainties may be found in the Company's filings with the SEC, particularly in the "Risk Factors" section in Part I, Item 1A. of the Company's Annual Report on Form 10-K for the year ended December 31, 2009. 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.*

**Note on Constant Currency Calculations**

*Constant currency year-over-year changes should be considered in addition to, and not as a substitute for or superior to, changes in revenue prepared on a US dollar reported basis. Constant currency year-over-year changes in revenue are calculated by translating the prior period's revenue in local currencies into US dollars using the average exchange rates of the current period.*

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**

On a year-over-year basis, the Company's third quarter revenue increased by 11.5% (11.7% in constant currency), including revenue of \$14.9 million from L.R. Kimball, and also reflecting signs of continued recovery in those businesses in which revenue growth historically tends to resume earlier in a typical business recovery cycle. These businesses include CDI Information Technology Solutions ("ITS") and Management Recruiters International ("MRI"), and are generally more dependent on overall growth in GDP and employment rates among college educated professionals. ITS's revenue is also dependent on information technology spending by firms in the Company's ITS segment core customer base of financial services firms and global IT solutions providers. Demand during the quarter was robust among these key ITS customers.

The Company's ITS segment revenue increased 35.6% over the prior year third quarter. This improvement resulted from previous investments in sales and recruiting personnel, as well as successful business development efforts across most retail and national accounts, particularly in the financial services and global IT technology services arena.

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The Company's MRI segment revenue increased by 28.8% over the prior year third quarter due to increases in royalty and contract staffing revenue, reflecting improved hiring demand for executive, technical, professional and managerial personnel in firms served by MRI's franchise offices. The Company's earlier efforts to guide franchise owners to focus recruitment specialists on segments of the economy that were expected to have higher than average demand for permanent placement hiring also contributed to revenue growth. These sectors include healthcare, financial services, information technology, export-oriented industrial clients and professional services.

The Company's businesses in which revenue growth historically tends to resume later in a typical business recovery cycle are generally more dependent on capital spending decisions by customers. These businesses include CDI Engineering Solutions ("ES") and CDI AndersElite ("Anders").

The Company's ES segment revenue increased by 10.2% in the third quarter (9.2% in constant currency) versus the prior year quarter reflecting increased revenue generated by the L.R. Kimball acquisition, which is included in the new CDI-Infrastructure ("Infrastructure") vertical. Excluding the Infrastructure vertical, total revenue declined by 2.0% reflecting reduced demand and continued project delays or postponements of capital investments by customers in the Company's CDI-Aerospace ("Aerospace") and CDI-Government Services ("Government Services") verticals, somewhat offset by increased spending in the oil and gas segment of the Company's CDI-Process and Industrial ("P&I") vertical.

Based on project bid activity, the Company anticipates continued revenue growth in the P&I vertical – particularly from smaller to mid-sized projects. The Company's Aerospace vertical revenue decreased by 7.7% in the third quarter versus the prior year quarter and sequential 2010 quarterly revenues were essentially flat. The Company is seeing increased bid activity, particularly in commercial aviation projects which may lead to future revenue growth.

The Company's Government Services vertical revenues decreased 11.7% primarily due to a work stoppage caused by a budget funding gap in a major defense project outsourcing account. The vertical experienced some sequential revenue growth in the third quarter.

During the second quarter of 2010 the Company purchased substantially all of the assets and certain liabilities of L. Robert Kimball & Associates, Inc. and two affiliated companies (collectively, "L.R. Kimball"), a professional services firm which provides architecture, civil and environmental engineering, communication technology and consulting services to governmental educational and private industry customers, through a network of offices primarily in the mid-Atlantic region.

Third quarter revenue from this acquisition is reflected in the Company's new Infrastructure vertical. The Company reported \$14.9 million in revenue which was in line with Company expectations. The Company is pleased with the rate of progress of its integration, the introduction of Kimball's workforce skill sets to CDI and the achievement of synergies and operating efficiencies resulting from the business combination. The Company continues to look for additional strategic acquisitions that add skill sets and/or business scale to the Company's project outsourcing capabilities in the Company's ES and ITS business segments.

Continued weak demand in the UK construction industry contributed to the Company's Anders segment's third quarter 2010 revenue decline of 47.6% (44.6% in constant currency) versus the prior year third quarter. Commercial and public construction projects, including rail and transportation, have been affected by the weak recovery in the UK economy, by significant cuts in government spending and by excess turnover among Anders sales and recruiting personnel.

The Company has identified two core strategies for Anders, which it currently plans to implement in the fourth quarter and in 2011 to counter these weak market conditions. First the Company plans to invest in business development positions in targeted UK construction sectors and over time, plans to introduce new hiring process outsourcing services to national accounts in the UK.

For the quarter ended September 30, 2010 the Company reported net income of \$1.7 million, or \$0.09 per diluted share, versus a loss of \$12.2 million, or \$(0.64) per diluted share, in the third quarter 2009.

Third quarter 2009 earnings included a \$12.3 pre-tax charge associated with the previously disclosed United Kingdom's Office of Fair Trading ("OFT") matter. Additionally, third quarter 2009 results included \$0.8 million in pre-tax severance charges. Excluding these items, net earnings for the third quarter 2009 were approximately \$0.6 million, or \$0.03 per diluted share.

## **Consolidated Discussion**

### *Business Strategy*

CDI's strategic objective is to be a leading global provider of engineering and information technology ("IT") 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.

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The Company seeks to achieve its long-term strategic objectives by focusing on four core goals. These goals are:

- Shift services delivered up the value continuum. The Company is focused on increasing its delivery of higher value, higher-margin and higher-skilled services through both organic and acquisitive growth.
- Build global engineering services delivery capability. The Company is focused on increasing its international reach to: meet its current customers' global engineering needs; broaden the Company's geographic base, particularly in high growth, emerging economies; and increase the Company's access to skilled global engineering talent.
- Expand its portfolio of industries served in all reporting units; additionally, utilize acquisitions to expand engineering industries served. The Company is focused on broadening the base of the industries it serves to mitigate cyclicity in particular industries and to leverage the long-term capital spending cycle in targeted ES verticals.
- Expand its portfolio of services delivered in all reporting segments to, in turn, broaden services provided to each customer organization; additionally, utilize acquisitions to broaden the service mix in the ES reporting unit. The Company is focused on providing additional high value services to customers to create long-term alliance relationships. Additionally, primarily through acquisitions, the Company is focused on providing applied proprietary process technology services to its ES customers.

### *Key Performance Indicators*

The Company assesses its performance by monitoring a number of key performance indicators, which include revenue, constant currency revenue, gross profit dollars, gross profit margin, operating profit, operating profit margin, return on net assets and variable contribution margin.

Revenue is impacted by, among other things, levels of capital spending by customers, particularly in the ES and Anders business segments. Other external factors, such as the general business environment and employment levels, impact the Company's staffing business. Economic growth or decline typically impacts the demand for labor. In periods of increasing unemployment and slowing GDP growth, CDI customers tend to first cut-back on their contract workforce. As economic weakness continues, CDI customers then tend to decrease permanent headcount. In a recovering economy, CDI customers tend first to increase their contract employee headcount and to delay hiring permanent employees until later in the recovery cycle, when they are more certain that the recovery will continue. Operationally, CDI's ability to capitalize on opportunities created by the economy, its performance on new and existing accounts, new contract and account wins and its ability to mitigate competitive pricing pressures affect the Company's revenue.

The Company conducts its business in several international locations and its reported revenue in US dollars reflects changes in foreign exchange rates as well as business performance. The Company believes it is important to remove the effects of foreign exchange and to calculate revenue changes in constant currency. Management does not evaluate the Company's growth and performance without considering year-over-year changes in revenue both on a constant currency basis and on a US dollar reported basis. Constant currency year-over-year changes should be considered in addition to, and not as a substitute for or superior to, changes in revenue prepared on a US dollar reported basis. Constant currency year-over-year changes in revenue are calculated by translating the prior period's revenue in local currencies into US dollars using the average exchange rates of the current period.

Gross profit dollars and gross profit margin reflect CDI's ability to realize pricing consistent with value provided, to address 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 efforts to grow new higher-margin business and to cycle out of lower-margin business. Professional services revenue, consisting of royalties, permanent placement fees and franchise related fees, has a significant impact on gross profit margin. Since there are generally no direct costs associated with professional services revenue, increases or decreases in such revenue can have a disproportionate impact on gross profit margin.

Operating profit is gross profit less operating and administrative expenses. Operating profit margin reflects the Company's ability to adjust overhead costs to changing business volumes.

Return on net assets ("RONA") reflects CDI's ability to generate earnings while optimizing assets deployed in the business. RONA is calculated as the pre-tax earnings for the current quarter and preceding three 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 cash equivalents and income tax accounts. A key driver of RONA is the Company's ability to manage its accounts receivable, its largest asset.

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 growth in operating profit divided by the year-over-year growth in revenue. VCM is calculated on both a quarterly and a year-to-date basis.

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

- Generate operating profit margin of 5% through gross margin expansion, financial discipline and lean headquarters operations;
- Produce pre-tax RONA of 20% and redeploy assets unable to meet this target; and

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- Generate a fiscal year VCM in the 12% to 14% range on incremental revenue.

During the third quarter of 2010, the Company's operating profit margin was 2.0% as compared to (5.2)% during the third quarter of 2009. The increase in operating profit margin is primarily due to the absence of a £7.6 million (\$12.3 million) charge associated with the fine imposed by the OFT in 2009, which was included in the third quarter 2009 results. The improvement is also the result of an increase in revenue, as well as cost reduction initiatives taken by the Company continuing throughout 2009 and 2010.

Operating profit for the third quarter of 2010 was positive and improved from the prior year third quarter. The Company's RONA was 0.3% for the third quarter of 2010 as compared to (7.2)% during the third quarter of 2009. This metric is a lagging indicator, which incorporates the preceding three quarters' performance.

The 2010 VCM metric is not considered to be meaningful because operating profit was negative for 2009.

### **Consolidated Results of Operations for the three months ended September 30, 2010 as compared to the three months ended September 30, 2009**

The table that follows presents changes in revenue by service type along with selected financial information and some key metrics for the three months ended September 30, 2010 and 2009:

#### *Consolidated*

(in thousands)	Three months ended September 30,				Increase (Decrease)	
	% of Total		% of Total		\$	%
	2010	Revenue	2009	Revenue		
Revenue						
Staffing services	\$ 173,282	69.5%	\$ 159,160	71.2%	\$ 14,122	8.9%
Project outsourcing services	70,074	28.1	59,065	26.4	11,009	18.6
Professional services	5,999	2.4	5,448	2.4	551	10.1
	<u>\$ 249,355</u>	<u>100.0%</u>	<u>\$ 223,673</u>	<u>100.0%</u>	<u>\$ 25,682</u>	<u>11.5%</u>
Gross profit	\$ 55,338	22.2%	\$ 43,891	19.6%	\$ 11,447	26.1%
Operating and administrative expenses	50,400	20.2	55,464	24.8	(5,064)	(9.1)
Operating profit (loss)	4,938	2.0	(11,573)	(5.2)	16,511	142.7
Net income (loss) attributable to CDI	\$ 1,679	0.7%	\$ (12,172)	(5.4)%	\$ 13,851	113.8%
Cash flow used in operations	\$ (7,420)		\$ (1,784)		\$ (5,636)	(315.9)%
Effective income tax rate	59.1%		(2.4)%			
After-tax return on shareholders' equity <sup>(1)</sup>	(1.0)%		(5.5)%			
Pre-tax return on net assets <sup>(2)</sup>	0.3%		(7.2)%			
Variable contribution margin <sup>(3)</sup>	NM		NM			

- (1) Net income (loss) attributable to CDI for the current quarter combined with the income (loss) attributable to CDI from the three preceding quarters, divided by the average CDI shareholders' equity at the beginning and end of that four quarter period.
- (2) Earnings (loss) before income taxes for the current quarter combined with the earnings (loss) before income taxes 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 cash equivalents and income tax accounts.
- (3) Year-over-year growth in operating profit divided by year-over-year growth in revenue. The calculation for 2010 is not meaningful (NM) because there was a net operating loss in 2009. The calculation for 2009 is not meaningful (NM) because both operating profit and revenue declined.

Revenue increased 11.5% (11.7% in constant currency) for the third quarter of 2010 as compared to the third quarter of 2009. ES outsourcing revenue increased primarily as a result of the L.R. Kimball acquisition and staffing services increased due to growth in P&I. ITS experienced increased staffing and project outsourcing services revenue, primarily due to account expansions with existing customers, reflecting the investment and improved productivity in sales and recruiting personnel, as well as by business development efforts across most retail and national accounts. MRI also experienced growth in staffing revenue, due to franchisees continuing to grow their staffing services, and in professional services revenue, primarily due to increased royalties.

These increases were partially offset by declines in Anders revenue related to continued declines in staffing services, primarily due to continued weak demand in the UK construction industry, including rail and transportation. ES experienced declines in outsourcing as an uneven economic recovery and continued uncertainty in the energy sector resulted in reduced demand and delayed or cancelled projects.

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Gross profit increased for the third quarter of 2010 as compared to the third quarter of 2009 primarily due to the increase in revenue. Gross profit margin increased due primarily to increased higher-margin outsourcing projects from the L.R. Kimball acquisition, as well as higher royalties from MRI.

Consolidated operating and administrative expenses decreased for the third quarter of 2010 as compared to the third quarter of 2009. Operating and administrative expenses decreased in 2010 primarily due to the absence of a £7.6 million (\$12.3 million) charge associated with the fine imposed by the OFT in 2009, which was included in the third quarter 2009 results. The decrease in operating and administrative expenses was also due to cost reduction initiatives taken throughout the Company continuing throughout 2009 and 2010. These were partially offset by increased operating expenses associated with the Infrastructure vertical. The third quarter of 2009 included \$0.8 million of severance and real estate exit costs.

Operating profit increased for the third quarter of 2010 as compared to the third quarter of 2009 and operating profit margin increased from (5.2)% to 2.0%. The increase in operating profit and operating profit margin is primarily due to the absence of a £7.6 million (\$12.3 million) charge associated with the fine imposed by the OFT in 2009, which was included in the third quarter 2009 results. This improvement is also the result of the increase in revenue, as well as cost reduction initiatives taken by the Company continuing throughout 2009 and 2010.

The Company's effective income tax rate was 59.1% for the third quarter of 2010 as compared to (2.4)% for the third quarter of 2009. The effective income tax rate for 2010 was unfavorably impacted by projected losses in foreign jurisdictions on which no tax benefit has been recognized or on which the tax benefit was recognized at tax rates lower than the US rate and deferred tax expense attributable to valuation differences for stock awards. The effective income tax rate in 2009 was primarily impacted by the \$12.3 million charge associated with the fine imposed by the OFT, which is not deductible for income tax purposes. To a lesser extent, the income tax rate in 2009 was also unfavorably impacted by an increase related to uncertain tax positions.

### **Consolidated Results of Operations for the nine months ended September 30, 2010 as compared to the nine months ended September 30, 2009**

The table that follows presents changes in revenue by service type along with selected financial information and some key metrics for the nine months ended September 30, 2010 and 2009:

#### *Consolidated*

(in thousands)	Nine months ended September 30,				Increase (Decrease)	
	2010	% of Total Revenue	2009	% of Total Revenue	\$	%
Revenue						
Staffing services	\$ 483,436	71.3%	\$ 466,365	69.8%	\$ 17,071	3.7%
Project outsourcing services	178,314	26.3	184,802	27.7	(6,488)	(3.5)
Professional services	16,527	2.4	16,584	2.5	(57)	(0.3)
	<u>\$ 678,277</u>	<u>100.0%</u>	<u>\$ 667,751</u>	<u>100.0%</u>	<u>\$ 10,526</u>	<u>1.6%</u>
Gross profit	\$ 141,548	20.9%	\$ 135,597	20.3%	\$ 5,951	4.4%
Operating and administrative expenses	132,427	19.5	147,293	22.1	(14,866)	(10.1)
Operating profit (loss)	9,121	1.3	(11,696)	(1.8)	20,817	178.0
Net income (loss) attributable to CDI	\$ 4,078	0.6%	\$ (13,033)	(2.0)%	\$ 17,111	131.3%
Cash flow (used in) provided by operations	\$ (9,777)		\$ 17,973		\$ (27,750)	(154.4)%
Effective income tax rate	45.2%		(4.5)%			
Variable contribution margin <sup>(1)</sup>	NM		NM			

(1) Year-over-year growth in operating profit divided by year-over-year growth in revenue. The calculation for 2010 is not meaningful (NM) because there was a net operating loss in 2009. The calculation for 2009 is not meaningful (NM) because both operating profit and revenue declined.

Revenue increased 1.6% (0.4% in constant currency) for the first nine months of 2010 as compared to the first nine months of 2009. ES outsourcing revenue increased primarily as a result of the L.R. Kimball acquisition. ITS experienced increased staffing and project outsourcing services revenue, primarily due to account expansions with existing customers, reflecting the investment and improved productivity in sales and recruiting personnel, as well as by business development efforts across most retail and national accounts. MRI also experienced growth in staffing revenue, due to franchisees continuing to grow their staffing services, and in professional services revenue, primarily due to increased royalties.

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These increases were partially offset by declines in Anders revenue related to continued declines in staffing services, primarily due to weak demand in the UK construction industry, including rail and transportation. ES experienced declines in outsourcing as an uneven economic recovery and continued uncertainty in the energy sector resulted in reduced demand and delayed or cancelled projects.

Gross profit increased for the first nine months of 2010 as compared to the first nine months of 2009 primarily due to increases in revenue. Gross profit margin increased due primarily to increased higher-margin outsourcing projects from the L.R. Kimball acquisition.

Consolidated operating and administrative expenses decreased for the first nine months of 2010 as compared to the first nine months of 2009. Operating and administrative expenses decreased in 2010 primarily due to the absence of a £7.6 million (\$12.3 million) charge associated with the fine imposed by the OFT in 2009, which was included in the third quarter 2009 results. The decrease in operating and administrative expenses was also due to cost reduction initiatives taken through the third quarter of 2010 and the reserve reduction of \$1.9 million related to an agreement in principle on the financial terms of a settlement in the DOJ matter. This benefit was partially offset by pre-tax charges of \$0.4 million for severance and real estate exit costs, \$0.1 million in acquisition-related costs associated with the June 28, 2010 purchase of substantially all of the assets and certain liabilities of L.R. Kimball and increased operating expenses associated with the Infrastructure vertical, which is associated with the acquisition of L.R. Kimball. The first nine months of 2009 included \$2.7 million of severance and real estate exit costs.

Operating profit (loss) increased for the first nine months of 2010 as compared to the first nine months of 2009 and operating profit (loss) margin increased from (1.8)% to 1.3% primarily due to lower operating and administrative costs, which included the OFT charge in 2009 as well as improved revenue in the second and third quarters of 2010. These were partially offset by the \$0.4 million of severance and real estate exit costs noted above.

The Company's effective income tax rate was 45.2% for the first nine months of 2010 as compared to (4.5)% for the first nine months of 2009. The effective income tax rate for 2010 was unfavorably impacted by deferred tax expense for previously issued and unexercised stock options that expired during the period, as well as other valuation differences for stock awards and projected losses in foreign jurisdictions on which no tax benefit has been recognized or on which the tax benefit was recognized at tax rates lower than the US rate. These were partially offset by the favorable impact of the second quarter 2010 reduction in the reserve for the DOJ matter, which is largely not tax deductible. The effective income tax rate for 2009 was primarily impacted by the \$12.3 million charge associated with the fine imposed by the OFT, which is not deductible for income tax purposes. To a lesser extent, the income tax rate for 2009 was unfavorably impacted by an increase related to uncertain tax positions, an adjustment to income taxes payable and projected losses in foreign jurisdictions on which no tax benefit has been recognized or was recognized at tax rates lower than the US rate.

## **Segment Discussion**

### **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 requirements 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 customers who have global requirements. The Company formed a joint venture in Kuwait during the fourth quarter of 2008 to provide access to engineering project work in Middle Eastern petrochemical, industrial and commercial infrastructure projects.

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 of labor at a reasonable cost. ES increased its investment in business development personnel during the second and third quarters of 2010. In addition, ES is strategically engaging in global arrangements to lower its labor costs for customers, to access a broader talent pool and to provide worldwide servicing capabilities for its global customers. As part of this initiative, the Company's joint venture in Mexico commenced operations during the second quarter of 2009.

US and global efforts to limit greenhouse gas emissions, in response to concerns regarding climate change, may present business opportunities for ES. Regulations, laws and treaties which are designed to reduce greenhouse gas emissions would likely spur increased usage of alternative sources of energy, such as nuclear, solar, wind and biofuels. Such regulations, laws and treaties would also likely result in greater focus on reducing carbon dioxide emissions at coal and other carbon-based energy-producing facilities, as well as at chemical, refining and other industrial plants. ES currently provides engineering and design services in connection with alternative energy facilities and with carbon dioxide removal at industrial facilities, and climate change legislation could increase ES's

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business in those areas. However, the nature and volume of such additional business would depend on the substantive terms of such legislation, on ES's ability to provide leading-edge technology solutions in these areas, and on ES's ability to compete in what is likely to be a highly competitive business sector.

ES also provides professional recruitment outsourcing ("PRO") services to manage a customer's entire permanent recruitment process. PRO services provide domestic and multi-national customers 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 scale leverage.

### *Key Performance Indicators*

ES assesses its performance by monitoring a number of key performance indicators, which include revenue, new contract wins, account growth, contract renewals, gross profit dollars, gross profit margin, operating profit, operating profit margin and return on net assets.

Revenue reflects performance on both new and existing contracts and accounts. Changes in revenue will not generally result in proportionate changes in costs, particularly operating and administrative expenses, thus potentially impacting operating profit margins. ES's project outsourcing revenue is affected by levels of capital spending by its customers. ES's staffing and professional services revenue are affected by the general business environment and employment levels.

New contract wins, account growth 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. Additionally, business development efforts in ES seek to leverage its resume of completed engineering projects, its proven project management skills and its successful management of long-term client relationships to generate incremental business from new and existing clients.

Gross profit dollars 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 can lead to improved profitability. Gross margins can also shift as a result of the mix of business, with project outsourcing services and professional services generally providing higher margins than staffing services. ES utilizes financial modeling and operational reviews in the contracting process to establish pricing that will lead to acceptable margins and returns.

Operating profit is gross profit less operating and administrative expenses. Operating profit margin reflects ES's ability to adjust overhead costs to changing business volumes.

Return on net assets ("RONA") reflects ES's ability to generate earnings while optimizing assets deployed in the business. A key driver of RONA is ES's ability to manage its accounts receivable, its largest asset.

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### Results of Operations

The following table presents changes in revenue by service type, cost of services, gross profit, operating and administrative expenses and operating profit for ES for the three months ended September 30, 2010 and 2009:

#### ES

(in thousands)	Three months ended September 30,				Increase (Decrease)	
	2010		2009		\$	%
	\$	% of Total Revenue	\$	% of Total Revenue		
Revenue						
Staffing services	\$ 71,930	53.5%	\$ 68,079	55.9%	\$ 3,851	5.7%
Project outsourcing services	61,831	46.1	52,439	43.0	9,392	17.9
Professional services	489	0.4	1,346	1.1	(857)	(63.7)
	134,250	100.0	121,864	100.0	12,386	10.2
Cost of services	105,160	78.3	99,241	81.4	5,919	6.0
Gross profit	29,090	21.7	22,623	18.6	6,467	28.6
Operating and administrative expenses	25,136	18.8	19,654	16.2	5,482	27.9
Operating profit	\$ 3,954	2.9%	\$ 2,969	2.4%	\$ 985	33.2%

ES's revenue increased during the third quarter of 2010 as compared to the third quarter of 2009 primarily due to:

- Increases in outsourcing revenue related to the Infrastructure vertical;
- Increases in staffing revenue driven by increases in and expansions of projects as certain chemical, oil and other companies proceeded with maintenance and environmental projects; and
- Increases in work performed on several US Navy shipbuilding, ship design and refurbishment projects.

The increases listed above were partially offset by:

- A work stoppage caused by a budget funding gap in a major defense project outsourcing services account in the Government Services vertical, as well as customer delays in other outsourcing projects;
- Declines in outsourcing as the uneven economic recovery and continued uncertainty in the energy sector resulted in reduced demand and delayed or cancelled projects;
- Decreases in certain staffing projects in Canada, somewhat mitigated by new account wins; and
- Continuing declines in professional services related to the completion of a customer contract in 2009 and weak permanent placement demand.

ES's gross profit dollars increased during the third quarter of 2010 as compared to the third quarter of 2009 primarily due to the increase in revenue. Gross profit margin increased primarily due to higher-margin projects in the Infrastructure vertical.

ES's operating and administrative expenses increased during the third quarter of 2010 as compared to the third quarter of 2009 primarily due to operating expenses associated with the Infrastructure vertical. These increases were partially offset by decreased headcount, as well as other cost reduction initiatives taken continuing throughout 2009 and 2010. The third quarter of 2009 included \$0.3 million of severance costs.

ES's operating profit increased during the third quarter of 2010 as compared to the third quarter of 2009 primarily due to the increase in revenue and increase in higher-margin project outsourcing services in the Infrastructure vertical and decreases in operating and administrative expenses related to the cost reduction initiatives mentioned above. The increase in operating profit was partially offset by increased operating and administrative expenses related to the Infrastructure vertical.

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The following table presents changes in revenue for each of ES's verticals for the three months ended September 30, 2010 and 2009:

(in thousands)	Three months ended September 30,				Increase (Decrease)	
	2010		2009		\$	%
	\$	% of Total Revenue	\$	% of Total Revenue		
Revenue						
CDI-P & I <sup>(1)</sup>	\$ 87,100	64.9%	\$ 85,880	70.5%	\$ 1,220	1.4%
CDI-Government Services	20,036	14.9	22,698	18.6	(2,662)	(11.7)
CDI-Aerospace <sup>(1)</sup>	12,262	9.1	13,286	10.9	(1,024)	(7.7)
CDI-Infrastructure	14,852	11.1	—	—	14,852	NM
	<u>\$ 134,250</u>	<u>100.0%</u>	<u>\$ 121,864</u>	<u>100.0%</u>	<u>\$ 12,386</u>	<u>10.2%</u>

(1) Revenue for 2009 has been reclassified to conform to the 2010 presentation.

The P & I vertical provides a full range of engineering, project management, design, professional staffing and outsourcing solutions to firms in oil, gas, refining, alternative energy, power generation and energy transmission, nuclear, chemical and heavy manufacturing industries. Typically, these customers are large, multi-national companies that use multiple service providers. In addition, P & I offers facility design, project management, engineering, professional staffing and facility start-up services to customers in the pharmaceutical, bio-pharmaceutical and regulated medical services industries. Contracts are awarded based on the ability to meet the specific requirements of each individual project. Revenue in the P & I vertical increased slightly during the third quarter of 2010 as compared to the third quarter of 2009 due to increases in staffing revenue, driven by expansions of staffing projects in the vertical's Talent Management group and increases in and expansions of projects as certain chemical, oil and other companies proceeded with maintenance activities. These increases were partially offset by the completion of certain staffing projects in Canada and decreases in outsourcing due to the uneven economic recovery and continued uncertainty in the energy sector, which resulted in reduced demand and delayed or cancelled projects.

The Government Services vertical provides a full range of engineering, design and logistics services to the defense industry, particularly in marine design, systems development and military aviation support. Revenue decreased within the Government Services vertical during the third quarter of 2010 as compared to third quarter of 2009 primarily due to a work stoppage caused by a budget funding gap in a major defense project outsourcing services account, as well as customer delays in other outsourcing projects, partially offset by continuing work on several US Navy shipbuilding, ship design and refurbishment projects.

The Aerospace vertical provides a full range of engineering, design, project management, professional engineering staffing and outsourcing solutions to both the commercial and military aerospace markets. Revenue within the Aerospace vertical decreased during the third quarter of 2010 as compared to third quarter of 2009, primarily as a result of continued weak demand from the commercial aviation industry.

The Infrastructure vertical provides a full range of architecture, civil and environmental engineering, communication technology and consulting services to governmental, educational and private industry customers, through a network of offices primarily in the mid-Atlantic region. This vertical was established in the second quarter of 2010 with the June 28, 2010 purchase of substantially all of the assets and certain liabilities of L.R. Kimball. The results of L.R. Kimball are included in the Infrastructure vertical from the date of acquisition through September 30, 2010.

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The following table presents changes in revenue by service type, cost of services, gross profit, operating and administrative expenses and operating profit for ES for the nine months ended September 30, 2010 and 2009:

ES

(in thousands)	Nine months ended September 30,				Increase (Decrease)	
	2010		2009		\$	%
	\$	% of Total Revenue	\$	% of Total Revenue		
Revenue						
Staffing services	\$ 198,158	55.9%	\$ 199,754	54.1%	\$ (1,596)	(0.8)%
Project outsourcing services	154,958	43.8	165,550	44.9	(10,592)	(6.4)
Professional services	1,035	0.3	3,571	1.0	(2,536)	(71.0)
	<u>354,151</u>	<u>100.0</u>	<u>368,875</u>	<u>100.0</u>	<u>(14,724)</u>	<u>(4.0)</u>
Cost of services	<u>285,259</u>	<u>80.5</u>	<u>297,820</u>	<u>80.7</u>	<u>(12,561)</u>	<u>(4.2)</u>
Gross profit	68,892	19.5	71,055	19.3	(2,163)	(3.0)
Operating and administrative expenses	60,374	17.1	61,140	16.6	(766)	(1.3)
Operating profit	<u>\$ 8,518</u>	<u>2.4%</u>	<u>\$ 9,915</u>	<u>2.7%</u>	<u>\$ (1,397)</u>	<u>(14.1)%</u>

ES's revenue decreased during the first nine months of 2010 as compared to the first nine months of 2009 primarily due to:

- Declines in outsourcing as the uneven economic recovery and continued uncertainty in the energy sector, which resulted in reduced demand and delayed or cancelled outsourcing projects;
- A work stoppage caused by a budget funding gap in a major defense project outsourcing services account in the Government Services vertical, as well as customer delays in other outsourcing projects;
- Decreases in certain staffing projects in Canada, somewhat mitigated by new account wins; and
- Continuing declines in professional services related to the completion of a customer contract in 2009 and weak permanent placement demand.

The decreases listed above were partially offset by increases in outsourcing revenue related to the Infrastructure vertical, increases in work performed on several US Navy shipbuilding, ship design and refurbishment projects and increases in and expansions of staffing projects as certain chemical, oil and other companies proceeded with maintenance and environmental projects.

ES's gross profit dollars decreased during the first nine months of 2010 as compared to the first nine months of 2009 primarily due to declines in revenue. Gross profit margin increased slightly primarily due to higher-margin projects in the Infrastructure vertical, partially offset by the change in revenue mix, with lower-margin staffing becoming a larger portion of total revenue, as well as the decline in higher-margin revenue from professional services.

ES's operating and administrative expenses decreased during the first nine months of 2010 as compared to the first nine months of 2009 primarily due to decreased headcount, as well as other cost reduction initiatives taken continuing throughout 2009 and 2010 and the reserve reduction of \$1.9 million related to an agreement in principle on the financial terms of a settlement in the DOJ matter. These factors were partially offset by operating expenses associated with the Infrastructure vertical, \$0.1 million of acquisition-related costs and \$0.3 of severance and real estate exit costs in the first nine months of 2010. The first nine months of 2009 included \$1.4 million of severance and real estate exit costs.

ES's operating profit declined during the first nine months of 2010 as compared to the first nine months of 2009 primarily due to the decrease in revenue and a decrease in higher margin project outsourcing services in total, partially offset by higher-margin project outsourcing services in the Infrastructure vertical and decreased operating and administrative expenses related to the cost reduction initiatives mentioned above.

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The following table presents changes in revenue for each of ES's verticals for the nine months ended September 30, 2010 and 2009:

(in thousands)	Nine months ended September 30,				Increase (Decrease)	
	2010		2009		\$	%
	\$	% of Total Revenue	\$	% of Total Revenue		
Revenue						
CDI-P & I <sup>(1)</sup>	\$ 242,198	68.4%	\$ 259,522	70.4%	\$ (17,324)	(6.7)%
CDI-Government Services	59,895	16.9	66,755	18.1	(6,860)	(10.3)
CDI-Aerospace <sup>(1)</sup>	36,513	10.3	42,598	11.5	(6,085)	(14.3)
CDI-Infrastructure	15,545	4.4	—	—	15,545	NM
	<u>\$ 354,151</u>	<u>100.0%</u>	<u>\$ 368,875</u>	<u>100.0%</u>	<u>\$ (14,724)</u>	<u>(4.0)%</u>

(1) Revenue for 2009 has been reclassified to conform to the 2010 presentation.

The P & I vertical provides a full range of engineering, project management, design, professional staffing and outsourcing solutions to firms in oil, gas, refining, alternative energy, power generation and energy transmission, nuclear, chemical and heavy manufacturing industries. Typically, these customers are large, multi-national companies that use multiple service providers. In addition, P & I offers facility design, project management, engineering, professional staffing and facility start-up services to customers in the pharmaceutical, bio-pharmaceutical and regulated medical services industries. Contracts are awarded based on the ability to meet the specific requirements of each individual project. Revenue in the P & I vertical decreased during the first nine months of 2010 as compared to the first nine months of 2009 due to the completion of certain staffing projects in Canada and decreases in outsourcing caused by the uneven economic recovery and continued uncertainty in the energy sector, which resulted in reduced demand and delayed or cancelled projects. These were partially offset by increases in certain staffing projects as companies proceeded with maintenance activities.

The Government Services vertical provides a full range of engineering, design and logistics services to the defense industry, particularly in marine design, systems development and military aviation support. Revenue decreased within the Government Services vertical during the first nine months of 2010 as compared to first nine months of 2009 primarily due to a work stoppage caused by a budget funding gap in a major defense project outsourcing services account, as well as customer delays in other outsourcing projects, partially offset by continuing work on several US Navy shipbuilding, ship design and refurbishment projects.

The Aerospace vertical provides a full range of engineering, design, project management, professional engineering staffing and outsourcing solutions to both the commercial and military aerospace markets. Revenue within the Aerospace vertical decreased during the first nine months of 2010 as compared to first nine months of 2009, primarily as a result of continued weak demand from the commercial aviation industry.

The Infrastructure vertical provides a full range of architecture, civil and environmental engineering, communication technology and consulting services to governmental, educational and private industry customers, through a network of offices primarily in the mid-Atlantic region. This vertical was established in the second quarter of 2010 with the June 28, 2010 purchase of substantially all of the assets and certain liabilities of L.R. Kimball. The results of L.R. Kimball are included in the Infrastructure vertical from the date of acquisition through September 30, 2010.

## MRI

### *Business Strategy*

The MRI network is one of the largest search and recruitment organizations in the world. The key to MRI's business model is delivering value to its franchisees by providing them with the use of its trademarks, business systems and training and support services to enable them to engage in the search and recruitment of managerial, professional, executive, administrative and technical personnel for employment by their customers. MRI's strategic objectives include expansion of the number of current franchisees' search consultants, expansion of the international franchise network and growth in underdeveloped US markets. On January 22, 2009, the Company terminated its master franchise agreement with MRI Worldwide Network, Limited and had assigned to it the benefit of the franchise agreements of MRI Worldwide Network, Limited's sub-franchisees. Subsequently, the Company has been operating the business as a franchisor. MRI believes that the international marketplace provides opportunity for franchise expansion and the potential for franchise sales and royalty revenues.

MRI continues to focus its efforts on growing existing franchisees by devoting resources to field service teams. These teams focus on maximizing customer contact and developing business plans to establish clear metrics and optimize network member performance. In

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addition, due to the current economic climate, MRI is providing increased guidance to franchisees, focusing on financial business operations, cost reduction and business efficiencies. The ability of an individual franchisee to compete and operate successfully may be affected by the service quality of its office, the number of permanent placement offices operating in a particular industry segment, company reputation and other general and local economic factors.

MRI continues to provide training and operations support to enable its franchisees to develop staffing services capabilities in their offices. These capabilities potentially provide a franchise owner with a complementary revenue stream and may improve the potential market value of the franchise office. MRI also continually works to leverage its size and footprint with vendor alliance relationships that will benefit the franchise owners and their customers.

In response to the tightening credit markets, in 2009 MRI implemented a new pricing structure in the US with an initial fee of approximately \$40,000, a service fee, payable monthly for the first twelve months of operation, totaling \$24,000, and a revised royalty rate schedule starting at 9%.

### *Key Performance Indicators*

MRI assesses its performance by monitoring a number of key performance indicators, which include billings, royalties, number of franchise offices, franchise sales, billable hours, revenue, gross profit dollars, gross profit margin, operating profit, operating profit margin and return on net assets.

Billings measure the relative success of franchisee sales and recruiting efforts. Permanent placements are driven by customer demand for mid-to-upper level managerial, professional and sales candidates. This demand provides more opportunities for franchisees to make permanent placements, which lead to increases in franchisee billings and, consequently, royalty revenues to MRI. Growth in the number of franchise offices provides more opportunity to satisfy this customer demand and over time leads to growth in royalties.

The number of franchise offices measures MRI's overall market penetration and franchise sales measure MRI's ability to expand its market reach. MRI gauges the strength of its franchise sales program by monitoring the number of referrals, sales presentations and sales, closing percentage and the success of the franchisees.

Billable hours and revenue in staffing services are significantly influenced by MRI's performance in successfully expanding these service offerings within the franchise network. Factors affecting MRI's revenue include the state of the US and global economies, employment rates and the amount of staffing business done by franchisees. Economic growth or decline typically impacts the demand for labor. In periods of increasing unemployment and slowing GDP growth, MRI customers tend to first cut-back on their contract workforce. As economic weakness continues, MRI customers then tend to decrease permanent headcount. In a recovering economy, MRI customers tend first to increase their contract employee headcount and to delay hiring permanent employees until later in the recovery cycle, when they are more certain that the recovery will continue.

Gross profit dollars and gross profit margin reflect MRI's ability to improve its franchisees' permanent placement capabilities, thus increasing royalty payments to MRI. Additionally, gross profit 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 profit dollars and gross profit margin. Revenue from the staffing business has associated direct costs included in gross profit dollars and gross profit margin and therefore growth in this business will reduce overall gross profit margin. However, MRI believes the staffing offering will create a stronger, more vibrant and profitable franchise business. Within staffing, gross profit dollars and gross profit 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.

Operating profit is gross profit less operating and administrative expenses. Operating profit margin reflects MRI's ability to adjust overhead costs to changing business volumes.

Return on net assets ("RONA") reflects MRI's ability to generate earnings while optimizing assets deployed in the business. A key driver of RONA is MRI's ability to manage its accounts receivable, its largest asset.

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### Results of Operations

The following table presents changes in revenue by service type, cost of services, gross profit, operating and administrative expenses and operating profit for MRI for the three months ended September 30, 2010 and 2009:

#### MRI

(in thousands)	Three months ended September 30,				Increase (Decrease)	
	2010		2009		\$	%
	\$	% of Total Revenue	\$	% of Total Revenue		
Revenue						
Staffing services	\$ 11,516	71.7%	\$ 9,102	73.0%	\$ 2,414	26.5%
Professional services	4,548	28.3	3,366	27.0	1,182	35.1
	16,064	100.0	12,468	100.0	3,596	28.8
Cost of services	7,275	45.3	6,073	48.7	1,202	19.8
Gross profit	8,789	54.7	6,395	51.3	2,394	37.4
Operating and administrative expenses	6,864	42.7	5,572	44.7	1,292	23.2
Operating profit	\$ 1,925	12.0%	\$ 823	6.6%	\$ 1,102	133.9%

MRI's staffing revenue increased for the third quarter of 2010 as compared to the third quarter of 2009 due to franchisees continuing to grow their staffing services, reflecting ongoing demand for skilled contingent professionals. The increase in professional services revenue was primarily due to increased royalties, reflecting ongoing strength and demand for skilled permanent placement professionals.

MRI's gross profit dollars increased for the third quarter of 2010 as compared to the third quarter of 2009 primarily due to increases in revenue. Gross profit margin increased primarily due to growth in certain higher-margin staffing accounts, as well as the business mix, with higher-margin professional services revenue composing a larger percent of total revenue.

MRI's operating and administrative expenses increased during the third quarter of 2010 as compared to the third quarter of 2009 primarily due to increases in commission costs related to the increased business volumes in staffing services, partially offset by savings realized from cost reduction initiatives taken throughout 2009 and into 2010.

The following table presents changes in revenue by service type, cost of services, gross profit, operating and administrative expenses and operating profit for MRI for the nine months ended September 30, 2010 and 2009:

#### MRI

(in thousands)	Nine months ended September 30,				Increase (Decrease)	
	2010		2009		\$	%
	\$	% of Total Revenue	\$	% of Total Revenue		
Revenue						
Staffing services	\$ 33,114	72.7%	\$ 29,735	73.7%	\$ 3,379	11.4%
Professional services	12,420	27.3	10,587	26.3	1,833	17.3
	45,534	100.0	40,322	100.0	5,212	12.9
Cost of services	21,478	47.2	20,374	50.5	1,104	5.4
Gross profit	24,056	52.8	19,948	49.5	4,108	20.6
Operating and administrative expenses	18,945	41.6	18,651	46.3	294	1.6
Operating profit	\$ 5,111	11.2%	\$ 1,297	3.2%	\$ 3,814	294.1%

MRI's staffing revenue increased for the first nine months of 2010 as compared to the first nine months of 2009 due to franchisees continuing to grow their staffing services, reflecting ongoing demand for skilled contingent professionals. The increase in professional services revenue was due to increased royalties, reflecting ongoing strength and demand for skilled permanent placement professionals.

MRI's gross profit dollars increased for the first nine months of 2010 as compared to the first nine months of 2009 primarily due to increases in revenue. Gross profit margin increased primarily due to growth in certain higher-margin staffing accounts, as well as the business mix, with higher-margin professional services revenue composing a larger percent of total revenue.

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MRI's operating and administrative expenses increased slightly during the first nine months of 2010 as compared to the first nine months of 2009 primarily due to increases in commission costs related to the increased business volumes in staffing services. This was partially offset by:

- Decreased headcount and other savings realized from cost reduction initiatives taken throughout 2009 and into 2010;
- Absence of \$0.3 million of severance costs and legal fees associated with the termination of the Company's master franchise agreement with MRI Worldwide Network, Limited in the first nine months of 2009; and
- Smaller bad debt reserves related to domestic franchises.

## Anders

### *Business Strategy*

Anders is focused on providing recruitment services within the UK and Australian construction and infrastructure environment. Anders seeks to deliver these services through the management of an efficient operation that provides customers with qualified contract and permanent professionals. Management believes Anders' candidate attraction methodology, including use of web-based recruiting and its candidate database, as well as external databases and referrals, 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. Commencing in the fourth quarter of 2010, management plans to invest in business development personnel in targeted UK construction sectors. Additionally, Anders seeks to capitalize on and develop its international capabilities in order to provide services to its customers who have global requirements.

The UK infrastructure sector provides 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 redeploying producers to areas that are expected to grow in spite of the current economic slowdown, specifically the 2012 London Olympics and government spending-backed transportation and infrastructure projects. Additionally, Anders is expanding its capabilities to provide centralized, efficient staffing services to national accounts to better serve their business needs.

Anders' offices in Australia provide a pool of candidates to the UK labor market, in addition to generating business from Australia-based customers.

### *Key Performance Indicators*

Anders assesses its performance by monitoring a number of key performance indicators, which include revenue, direct margin by recruiter and branch office, staff payroll costs as a percentage of gross profit, gross profit pounds, gross profit margin, operating profit, operating profit margin and return on net assets.

Revenue reflects performance on both new and existing contracts and accounts. Changes in revenue may not result in proportionate changes in costs, thus potentially impacting operating profit margins. Anders' revenue is affected by levels of capital spending by customers, as well as the general business environment and employment levels.

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 effectiveness. The lower the percentage of staff payroll costs to gross profit, the more efficiently Anders is operating. 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 pounds 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 margin.

Operating profit is gross profit less operating and administrative expenses. Operating profit margin reflects Anders' ability to adjust overhead costs to changing business volumes.

Return on net assets ("RONA") reflects Anders' ability to generate earnings while optimizing assets deployed in the business. A key driver of RONA is Anders' ability to manage its accounts receivable, its largest asset.

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### Results of Operations

The following table presents changes in revenue by service type, cost of services, gross profit, operating and administrative expenses and operating loss for Anders for the three months ended September 30, 2010 and 2009 in US dollars:

#### Anders

(US dollars in thousands)	Three months ended September 30,				Increase (Decrease)	
	2010		2009		\$	%
	\$	% of Total Revenue	\$	% of Total Revenue		
Revenue						
Staffing services	\$ 13,089	94.1%	\$ 25,841	97.3%	\$ (12,752)	(49.3)%
Professional services	815	5.9	718	2.7	97	13.5
	13,904	100.0	26,559	100.0	(12,655)	(47.6)
Cost of services	11,103	79.9	22,344	84.1	(11,241)	(50.3)
Gross profit	2,801	20.1	4,215	15.9	(1,414)	(33.5)
Operating and administrative expenses	4,399	31.6	17,595	66.3	(13,196)	(75.0)
Operating loss	\$ (1,598)	(11.5)%	\$ (13,380)	(50.4)%	\$ 11,782	88.1%

The following table presents changes in revenue by service type, cost of services, gross profit, operating and administrative expenses and operating loss for Anders for the nine months ended September 30, 2010 and 2009 in US dollars:

#### Anders

(US dollars in thousands)	Nine months ended September 30,				Increase (Decrease)	
	2010		2009		\$	%
	\$	% of Total Revenue	\$	% of Total Revenue		
Revenue						
Staffing services	\$ 49,772	95.0%	\$ 77,877	97.2%	\$ (28,105)	(36.1)%
Professional services	2,614	5.0	2,233	2.8	381	17.1
	52,386	100.0	80,110	100.0	(27,724)	(34.6)
Cost of services	42,722	81.6	67,042	83.7	(24,320)	(36.3)
Gross profit	9,664	18.4	13,068	16.3	(3,404)	(26.0)
Operating and administrative expenses	12,596	24.0	29,577	36.9	(16,981)	(57.4)
Operating loss	\$ (2,932)	(5.6)%	\$ (16,509)	(20.6)%	\$ 13,577	82.2%

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To more effectively discuss the comparative results of operations for the three months ended September 30, 2010 and 2009, the following table presents Anders' results on a constant currency basis (i.e. British pounds):

### Anders

(British pounds in thousands)	Three months ended September 30,				Increase (Decrease)	
	2010		2009		£	%
	£	% of Total Revenue	£	% of Total Revenue		
Revenue						
Staffing services	£ 8,454	94.1%	£ 15,782	97.3%	£ (7,328)	(46.4)%
Professional services	528	5.9	438	2.7	90	20.5
	8,982	100.0	16,220	100.0	(7,238)	(44.6)
Cost of services	7,172	79.9	13,646	84.1	(6,474)	(47.4)
Gross profit	1,810	20.1	2,574	15.9	(764)	(29.7)
Operating and administrative expenses	2,847	31.6	10,818	66.7	(7,971)	(73.7)
Operating loss	£ (1,037)	(11.5)%	£ (8,244)	(50.8)%	£ 7,207	87.4%

Anders' staffing services revenue decreased during the third quarter of 2010 as compared to the third quarter of 2009 primarily due to continued weak demand in the UK construction industry, including rail and transportation, and due to excess turnover among Anders sales and recruiting personnel. The increase in professional services revenue was primarily due to growth in permanent placement services for the Australian natural resources market.

Anders' gross profit pounds decreased during the third quarter of 2010 as compared to the third quarter of 2009 primarily due to the decline in revenue. Gross profit margin increased during the third quarter of 2010 as compared to the third quarter of 2009 primarily due to a change in mix as higher-margin professional services revenue was a larger portion of total revenue than in the prior year and decreases in lower-margin rail contracts.

Anders' operating and administrative expenses decreased during the third quarter of 2010 as compared to the third quarter of 2009. Operating and administrative expenses decreased in 2010 due to the absence of a £7.6 million (\$12.3 million) charge associated with the fine imposed by the OFT in 2009, which was included in the third quarter 2009 results. The decrease is also the result of decreases in salaries and variable compensation related to cost reduction initiatives taken throughout 2009 and early 2010. These cost reduction initiatives, such as decreases in headcount and office downsizing, included structural changes and operational alignment with lower business volumes.

Anders' operating loss decreased during the third quarter of 2010 as compared to the third quarter of 2009, primarily due to declines in operating and administrative expenses exceeding the smaller reduction in gross profit. Operating and administrative expenses in 2009 included a £7.6 million (\$12.3 million) charge associated with the fine imposed by the OFT in 2009. The cost reduction initiatives taken throughout 2009 and early 2010 have provided savings in the third quarter of 2010.

To more effectively discuss the comparative results of operations for the nine months ended September 30, 2010 and 2009, the following table presents Anders' results on a constant currency basis (i.e. British pounds):

### Anders

(British pounds in thousands)	Nine months ended September 30,				Increase (Decrease)	
	2010		2009		£	%
	£	% of Total Revenue	£	% of Total Revenue		
Revenue						
Staffing services	£ 32,405	95.0%	£ 50,998	97.2%	£ (18,593)	(36.5)%
Professional services	1,707	5.0	1,483	2.8	224	15.1
	34,112	100.0	52,481	100.0	(18,369)	(35.0)
Cost of services	27,815	81.6	43,889	83.7	(16,074)	(36.6)
Gross profit	6,297	18.4	8,592	16.3	(2,295)	(26.7)
Operating and administrative expenses	8,202	24.0	18,929	36.0	(10,727)	(56.7)
Operating loss	£ (1,905)	(5.6)%	£ (10,337)	(19.7)%	£ 8,432	81.6%

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Anders' staffing services revenue decreased during the first nine months of 2010 as compared to the first nine months of 2009 primarily due to continued weak demand in the UK construction industry, including rail and transportation, and due to excess turnover among Anders sales and recruiting personnel. The increase in professional services revenue was primarily due to growth in permanent placement services for the Australian natural resources market.

Anders' gross profit pounds decreased during the first nine months of 2010 as compared to the first nine months of 2009 primarily due to the decline in revenue. Gross profit margin increased during the first nine months of 2010 as compared to the first nine months of 2009 primarily due to a change in mix as higher-margin professional services revenue was a larger portion of total revenue than in the prior year and decreases in lower-margin rail contracts.

Anders' operating and administrative expenses decreased during the first nine months of 2010 as compared to the first nine months of 2009. Operating and administrative expenses decreased in 2010 due to the absence of a £7.6 million (\$12.3 million) charge associated with the fine imposed by the OFT in 2009, which was included in the third quarter 2009 results. The decrease is also the result of decreases in salaries and variable compensation related to cost reduction initiatives taken throughout 2009 and early 2010. These cost reduction initiatives, such as decreases in headcount and office downsizing, included structural changes and operational alignment with lower business volumes. Operating and administrative expenses in 2009 also included £0.2 million (\$0.3 million) of severance charges.

Anders' operating loss decreased during the first nine months of 2010 as compared to the first nine months of 2009, primarily due to the decrease in operating and administrative expenses exceeding the smaller reduction in gross profit. Operating and administrative expenses in 2009 included a £7.6 million (\$12.3 million) charge associated with the fine imposed by the OFT in 2009. The cost reduction initiatives taken throughout 2009 and early 2010 have provided the savings in the first nine months of 2010.

## ITS

### *Business Strategy*

ITS provides a variety of information technology related services to its customers. These service offerings include staffing, consulting and outsourcing. These service offerings require recruiting and retaining IT talent for contract and permanent IT positions, industry expertise and the ability to determine appropriate solutions for IT needs. ITS's customers are primarily large and mid-sized companies with high volume IT 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 customer 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 customers. 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 three technology areas: quality assurance and testing, application development and maintenance and service desk management. This effort to shift the emphasis towards higher value IT services is consistent with CDI's core business strategy. ITS also seeks to differentiate itself from the competition and optimize the customer's infrastructure, all while targeting improvements in overall customer IT efficiencies and improved service levels.

### *Key Performance Indicators*

ITS assesses its performance by monitoring a number of key performance indicators, which include revenue, revenue per day, revenue and gross margin per sales person, gross profit dollars, gross profit margin, recruiter cost per hire, operating profit, operating profit margin and return on net assets.

Changes in revenue and revenue per day reflect performance on both new and existing contracts and accounts. The ITS model is such that changes in revenue may not result in proportionate changes in operating and administrative costs, thus impacting profitability. Revenue per sales person is an indicator of the productivity of ITS's sales personnel. Market demand for ITS's services is heavily dependent upon the pace of technology change and the changes in business requirements and practices of its customers.

Gross profit dollars 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. Gross margin per sales person is an indicator of both the productivity of ITS's sales personnel and the value of the services provided to clients.

Operating profit is gross profit less operating and administrative expenses. Operating profit margin reflects the Company's ability to adjust overhead costs to changing business volumes. Recruiter cost per hire reflects the productivity of ITS's recruiters.

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Return on net assets (“RONA”) reflects ITS’s ability to generate earnings while optimizing assets deployed in the business. A key driver of RONA is ITS’s ability to manage its accounts receivable, its largest asset.

### Results of Operations

The following table presents changes in revenue by service type, cost of services, gross profit, operating and administrative expenses and operating profit for ITS for the three months ended September 30, 2010 and 2009:

#### ITS

(in thousands)	Three months ended September 30,				Increase (Decrease)	
	2010		2009		\$	%
	\$	% of Total Revenue	\$	% of Total Revenue		
Revenue						
Staffing services	\$ 76,747	90.1%	\$ 56,138	89.4%	\$ 20,609	36.7%
Project outsourcing services	8,243	9.7	6,626	10.6	1,617	24.4
Professional services	147	0.2	18	0.0	129	716.7
	<u>85,137</u>	<u>100.0</u>	<u>62,782</u>	<u>100.0</u>	<u>22,355</u>	<u>35.6</u>
Cost of services	70,479	82.8	52,124	83.0	18,355	35.2
Gross profit	14,658	17.2	10,658	17.0	4,000	37.5
Operating and administrative expenses	10,737	12.6	8,903	14.2	1,834	20.6
Operating profit	<u>\$ 3,921</u>	<u>4.6%</u>	<u>\$ 1,755</u>	<u>2.8%</u>	<u>\$ 2,166</u>	<u>123.4%</u>

ITS’s revenue increased for the third quarter of 2010 as compared to the third quarter of 2009 due to increases in staffing services, primarily due to account expansions with existing customers, reflecting the Company’s continued investment and improved productivity in sales and recruiting personnel, as well as by business development efforts across most retail and national accounts. ITS revenue also increased due to increases in project outsourcing related to several account expansions and professional services revenue, reflecting higher permanent placement opportunities.

ITS’s gross profit dollars increased during the third quarter of 2010 as compared to the third quarter of 2009, primarily due to increases in revenue. ITS’s gross profit margin was slightly higher due to lower charges for payroll-related taxes, and to a lesser extent, to an increase in higher-margin professional services revenue.

ITS’s operating and administrative expenses increased during the third quarter of 2010 as compared to the third quarter of 2009 primarily due to increased sales, recruiting and commission costs related to expansions in business volumes, partially offset by cost reduction initiatives taken throughout 2009.

ITS’s operating profit increased during the third quarter of 2010 as compared to the third quarter of 2009 primarily due to increased business volumes.

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The following table presents changes in revenue by service type, cost of services, gross profit, operating and administrative expenses and operating profit for ITS for the nine months ended September 30, 2010 and 2009:

### ITS

(in thousands)	Nine months ended September 30,				Increase (Decrease)	
	2010		2009		\$	%
	\$	% of Total Revenue	\$	% of Total Revenue		
Revenue						
Staffing services	\$ 202,392	89.5%	\$ 158,999	89.1%	\$ 43,393	27.3%
Project outsourcing services	23,356	10.3	19,252	10.8	4,104	21.3
Professional services	458	0.2	193	0.1	265	137.3
	<u>226,206</u>	<u>100.0</u>	<u>178,444</u>	<u>100.0</u>	<u>47,762</u>	<u>26.8</u>
Cost of services	187,270	82.8	146,918	82.3	40,352	27.5
Gross profit	38,936	17.2	31,526	17.7	7,410	23.5
Operating and administrative expenses	30,353	13.4	26,664	15.0	3,689	13.8
Operating profit	<u>\$ 8,583</u>	<u>3.8%</u>	<u>\$ 4,862</u>	<u>2.7%</u>	<u>\$ 3,721</u>	<u>76.5%</u>

ITS's revenue increased for the first nine months of 2010 as compared to the first nine months of 2009 primarily due to increases in staffing services, primarily due to account expansions with existing customers, reflecting the Company's continued investment and improved productivity in sales and recruiting personnel, as well as by business development efforts across most retail and national accounts. ITS revenue also increased due to increases in project outsourcing related to several account expansions and professional services revenue, reflecting higher permanent placement opportunities.

ITS's gross profit dollars increased during the first nine months of 2010 as compared to the first nine months of 2009, primarily due to increases in revenue. ITS's gross profit margin was lower due to increased business volumes with a lower-margin staffing customer and pricing discounts associated with higher business volumes. This was partially offset by lower charges for payroll-related taxes, and to a lesser extent, to an increase in higher-margin professional services revenue.

ITS's operating and administrative expenses increased during the first nine months of 2010 as compared to the first nine months of 2009 primarily due to increased sales, recruiting and commission costs related to expansions in business volumes, partially offset by cost reduction initiatives taken throughout 2009. The first nine months of 2009 included \$0.3 million of severance costs.

ITS's operating profit increased during the first nine months of 2010 as compared to the first nine months of 2009 primarily due to increased business volumes.

### Corporate

Corporate expenses totaled \$3.6 million in the third quarter of 2010 as compared to \$4.0 million in the third quarter of 2009. The decrease of \$0.4 million was principally the result of cost reduction initiatives taken by the Company throughout 2009.

Corporate expenses totaled \$11.2 million in the first nine months of 2010 as compared to \$12.1 million in the first nine months of 2009. The decrease of \$0.9 million was principally the result of cost reduction initiatives taken by the Company throughout 2009.

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### Liquidity and Capital Resources

The following table summarizes the net cash provided by (used in) for the major captions from the Company's consolidated statements of cash flows:

(in thousands)	Nine months ended	
	September 30,	
	2010	2009
Operating Activities	\$ (9,777)	\$ 17,973
Investing Activities	(38,115)	(4,458)
Financing Activities	3,110	(7,456)

#### *Operating Activities*

During the first nine months of 2010, net cash used in operating activities was \$9.8 million. The negative cash flow reflects higher working capital requirements, primarily due to increased growth in select large national accounts whose contract provisions include longer payment terms, to increases in prepaid expenses and other current assets and to decreases in accrued expenses and other current liabilities, which include payment of an additional payroll period in the third quarter due to the timing of the payroll cycle, partially offset by earnings of \$4.1 million and increases in accounts payable.

Operating cash flow was lower than the prior year by \$27.8 million, primarily due to higher working capital requirements of \$47.0 million in the first nine months of 2010, reflecting increases in accounts receivable, an increase in prepaid expenses and other current assets and a decrease in accrued expenses and other current liabilities. In 2009, accrued expenses and other current liabilities increased significantly as a result of the \$12.3 million accrual established in association with the fine imposed by the OFT. These were partially offset by an improvement in earnings of \$17.2 million and increases in accounts payable.

#### *Investing Activities*

Net cash used in investing activities of \$38.1 million increased by \$33.7 million during the first nine months of 2010, as compared to the same period in 2009. On June 28, 2010, the Company purchased substantially all of the assets and certain liabilities of L.R. Kimball, an architecture and engineering services company, for \$34.0 million in cash. Other investing activities consisted primarily of purchases of fixed assets. During 2010, capital expenditures totaled \$4.1 million, as compared to \$4.7 million in 2009. The decrease in capital spending was primarily due to the absence of computer software and hardware investments for an ITS project outsourcing customer contract in 2009. In 2009, capital expenditures also related to implementation of a financial system upgrade and software purchases in the Aerospace vertical of ES and software development for the ITS segment. Capital spending in 2010 related primarily to computer hardware and software purchases in the Aerospace vertical of ES and the Company's shared service center. In 2010, the Company also reacquired \$0.3 million of certain franchise rights in its MRI reporting segment.

#### *Financing Activities*

Net cash provided by financing activities of \$3.1 million increased by \$10.6 million during the first nine months of 2010, as compared to the same period in 2009. The increase in cash provided was primarily due to borrowings of \$8.0 million on the Company's uncommitted, unsecured line of credit. This line of credit was replaced on October 29, 2010 by a Credit Agreement with JP Morgan Chase Bank, N.A. for a committed, secured line of credit facility for borrowings of up to \$35.0 million, which can be used for general business purposes or for letters of credit. See Note 7 – Short-term Borrowings, in the notes to the consolidated financial statements for additional information. The Company paid shareholders dividends totaling \$7.4 million in both 2010 and 2009. 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.

#### *Summary*

The Company's business model is expected to generate positive cash flow over the business cycle. However, changes in levels of business activity, and to a lesser extent, seasonality, do impact working capital needs and cash flow. In addition, the uncertain global economy could continue to cause delays in customer payments, causing a temporary decline in operating cash flow. While there is no assurance, management believes that the Company's current cash balances, borrowing capacity and funds generated from operations will be sufficient to support currently anticipated Company growth and ongoing capital needs.

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### Critical Accounting Policies and Estimates

The Company's consolidated 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 2009 Annual Report on Form 10-K filed on March 2, 2010 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 pounds sterling and Canadian dollars. Exchange rate fluctuations impact the US 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 sometimes engages in hedging activities with respect to certain of its foreign operations.

During the first quarter of 2009, the Company entered into zero cost collar option contracts ("options") to hedge portions of its British pounds sterling and Canadian dollar currency forecasted earnings. The options were for various amounts in local currency on a quarterly basis and had a range of foreign exchange rates, which provided a hedge against foreign results translated at rates outside the range. These options did not have a premium and expired respectively at the end of the first, second and third quarters in 2009. During the second quarter of 2009, the Company unwound the British pound sterling options set to expire in the second and third quarters, and entered into an option to hedge portions of its forecasted earnings in Canadian dollars for the fourth quarter of 2009. These instruments were accounted for at fair value. Because the Company could not designate these options as hedges for accounting purposes, foreign exchange revaluation gains or losses were reflected in current earnings, while the impact of translating the foreign based income into US dollars was recognized throughout the year. (See Note 4 – Derivative Instruments, in the notes to the consolidated financial statements for additional information.) For the nine months ended September 30, 2009, the Company recorded a net loss of \$122 thousand related to these options, consisting of a realized loss of \$103 thousand and an unrealized loss of \$19 thousand. The net gains were recorded in other income (expense), net in the consolidated statements of operations. The Company did not enter into any option contracts in 2010. (See Note 3 – Fair Value Disclosures, in the notes to the consolidated financial statements for additional information.)

The Company's cash balances are primarily invested in money market investments primarily at variable rates. Due to the Company's cash balance, interest rate fluctuations will 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 September 30, 2010. 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 third quarter ended September 30, 2010, 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. Except as described below, management believes there are substantive defenses and/or insurance and specific accounting reserves established such that the outcome of these pending matters should not have a material adverse effect on the business, financial condition or results of operations of the Company.

*UK Office of Fair Trading Decision*

On September 30, 2009 the United Kingdom's Office of Fair Trading ("OFT") issued a decision in its investigation into alleged anti-competitive behavior by Anders during the time period of late 2004 to early 2006. In its decision, the OFT stated that it made a finding that Anders did violate the UK Competition Act of 1998 and imposed a fine of \$12.3 million for the violations, which is non-tax deductible. The Company recorded a charge for the full amount of the fine in the third quarter of 2009. The Company has appealed the OFT decision. No payment has been made pending the outcome of the appeal and the reserve is included in "Other accrued expenses and other current liabilities" in the consolidated balance sheets at December 31, 2009 and September 30, 2010.

*Investigation by the US Department of Justice*

In August 2009, the Civil Division of the US Department of Justice ("DOJ") notified the Company of potential claims against it under the US False Claims Act. The claims stem from alleged mischarging of time on certain federal government projects. The Company, with assistance from outside legal counsel, conducted a review of these allegations and cooperated with the DOJ in its investigation. The Company established a reserve of \$4.3 million for this matter at December 31, 2009.

In June 2010, the Company and the DOJ reached an agreement in principle on the financial terms of a settlement regarding this matter. Other terms remain to be negotiated and there is no certainty and the Company can give no assurance that a final agreement will be reached. In the second quarter of 2010, based upon this agreement in principle with the DOJ, the Company estimated the loss related to this matter, including the relator's individual claims and the relator's attorney's cost, to be \$2.4 million. This reserve, which is only partially tax deductible, is included in "Other accrued expenses and other current liabilities" in the consolidated balance sheet at December 31, 2009 and September 30, 2010. Based upon the reduction in the reserve, the consolidated statements of operations for the nine months ended September 30, 2010 include a benefit of \$1.9 million recognized in "Operating and administrative expenses."

**Item 1A. Risk Factors**

There have been no material changes from the risk factors disclosed in the "Risk Factors" section (Part I, Item 1A) of the Company's Annual Report on Form 10-K for the year ended December 31, 2009.

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

*Share Repurchase Program*

The Company's Board of Directors authorized on February 26, 2008 and the Company announced on February 28, 2008 the repurchase of up to \$50 million of the Company's outstanding common stock. Repurchases have been and may 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 in 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 the three and nine months ended September 30, 2010, the Company did not repurchase any common stock. As of September 30, 2010, there remained an outstanding authorization to repurchase approximately \$20.0 million of outstanding common stock.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Removed and Reserved**

**Item 5. Other Information**

None.

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### Item 6. Exhibits

- 10.1 Form of Stock Appreciation Rights Agreement for 2010 grants.
- 10.2 Form of Time-Vested Deferred Stock Agreement for 2010 awards.
- 10.3 Form of Performance-Contingent Deferred Stock Agreement for 2010 awards.
- 10.4 2010 Executive Incentive Program Overview (distributed to executives in August 2010).
- 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.

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**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: November 5, 2010

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

**INDEX TO EXHIBITS**

<u>Number</u>	<u>Exhibit</u>
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CDI Corp.

**STOCK APPRECIATION RIGHTS AGREEMENT**

1. Grant of SAR's. The Company hereby grants to *[Insert Name]* (the "Recipient") *[Insert Number]* stock appreciation rights (the "SAR's"). 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) "Cause" shall have the same meaning as is set forth in an employment agreement, engagement agreement, "covenants and agreements" or similar document between the Recipient and the Company. If there is no such agreement or document, then Cause shall mean:

- (i) Recipient's rendering services while under the influence of alcohol or illegal drugs;
- (ii) Recipient's performing any act of dishonesty, other than an act with immaterial consequences, in rendering services to the Company, including, without regard to materiality, falsification of records, expense accounts or other reports;
- (iii) Recipient's conviction, whether by judgment or plea, of any crime which constitutes a felony or which constitutes a misdemeanor involving violence, fraud, embezzlement or theft;
- (iv) Recipient's violation of any law or agreement which results in the entry of a judgment or order enjoining or preventing Recipient from such activities as are essential for Recipient to perform services for the Company;
- (v) Recipient's violation of any of the Company's policies which provide for termination of employment as a possible consequence of such violation;
- (vi) conduct engaged in by Recipient which is injurious (other than to an immaterial extent) to the Company;
- (vii) the Company's receipt of reliable information from any source of Recipient's entering into or intending to enter into competition with the Company; or
- (viii) refusal to perform such duties as may be delegated or assigned to Recipient, consistent with the Recipient's position, by his or her supervisor.

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- (c) "CDI Stock" means CDI Corp. common stock, par value \$.10 per share.
- (d) "Committee" means the Compensation Committee of the Board or its successor.
- (e) "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.
- (f) "Date of Exercise" means the date on which the notice of exercise required by Section 6 below is received by the Company.
- (g) "Date of Grant" means **February 25, 2010**.
- (h) "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.
- (i) "Exercise Price" means **\$14.74**, the Fair Market Value of CDI Stock on the Date of Grant.
- (j) "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.
- (k) "Grant" means the grant of SAR's to the Recipient which is described in Section 1 of this Agreement.
- (l) "Plan" means the CDI Corp. 2004 Omnibus Stock Plan.
- (m) "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.
- (n) "Termination Date" means the earliest of the following:
- (i) seven years following the Date of Grant;
  - (ii) the date on which the Recipient's employment or engagement with the Company is terminated by the Company for Cause;

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- (iii) subject to Section 4(b) below, the date two weeks after the date on which the Recipient's employment or engagement with the Company is terminated through the Recipient's resignation or by the Company for reasons other than for Cause; or
  - (iv) the date six months after the date on which the Recipient employment or engagement with the Company is terminated as a result of the Recipient's death, Disability or Retirement.

3. Value of the SARs. The SAR's shall entitle the Recipient, upon exercise of the SAR's, to receive from the Company an amount, payable in shares of CDI Stock, equal to: (i) the excess of the Fair Market Value on the date of exercise over the Exercise Price, multiplied by (ii) the number of SAR's being exercised. The number of shares of CDI Stock payable to the Recipient will be decreased in accordance with Section 7 below regarding tax withholding.

4. Period of Exercise.

- a) No SAR's shall be exercisable unless they have vested in accordance with Section 5 hereof. If vested, the SAR's may be exercised at any time after vesting until the Termination Date. No SAR's shall be exercisable on or after the Termination Date.
- b) If, following the termination of the Recipient's employment or engagement with the Company either through the Recipient's resignation or by the Company for reasons other than for Cause, all or a portion of the subsequent two-week period during which the Recipient may exercise the SARs (pursuant to Section 2(n)(iii) above) falls within a stock trading blackout period (as determined by the Company's General Counsel) and the Recipient was subject to the Company's blackout policy prior to termination, then the Recipient may not exercise the SARs during the blackout period, and the Termination Date will be extended until after the blackout ends, by the same number of days in the two-week period that the holder was unable to exercise the SARs due to the blackout restrictions. (For example, if the employment of a Recipient who has been subject to the Company's blackout policy is terminated by the Company without Cause on June 27 and a blackout period begins on July 1, then the Recipient may exercise his or her SARs during the 3-day period from June 28 through June 30, but may not exercise the SARs beginning on July 1 until the blackout period ends. However, the Recipient may exercise the SARs during an 11-day period starting immediately after the blackout ends.)

5. Vesting. The SAR's will vest at the rate of 20% per year on each of the first five anniversaries of the Date of Grant. If the Recipient's employment with the Company terminates as a result of death, Disability or Retirement, any then-unvested SAR's will vest as of the date of such event.

6. Manner of Exercise. The SAR's shall be exercisable by a written notice (which may be done by e-mail) from the Recipient to the Company's senior Human Resources executive, which shall state the number of SAR's being exercised. However, the Company may at any time hereafter notify the Recipient of a web-based or other method of exercising SAR's, which other method may supplement or replace the previously-described written notice as the required method of exercising the SAR's. The SAR's granted to the Recipient may be exercised in whole or in part. The SAR's can only be exercised as to whole numbers of SAR's.

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7. Tax Withholding . The number of shares of CDI Stock to be delivered to the Recipient upon exercise of the SAR's 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 exercise of the SAR's. 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 Date of Exercise.

8. Nontransferability of SAR's . The SAR's 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.

9. 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 acquired by the Recipient through the exercise of the SAR's.

10. Awards Policy . This Award is subject to the terms and conditions of the Policy on Cash Bonus Awards and Equity Awards Clawback for CDI Corp. and its Related Companies.

11. Cancellation of SAR's 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, cancel the outstanding SAR's granted to the Recipient and/or require the Recipient to pay to the Company an amount equal to any gains derived from the exercise of any SAR's previously granted to and exercised by the Recipient during the one-year period prior to the termination of the Recipient's employment or engagement with the Company.

12. Securities Laws . The Committee may from time to time impose any conditions on the exercise of the SAR's as it deems necessary or advisable to ensure that all SAR's granted under the Plan, and the exercise thereof, satisfy Rule 16b-3 (or any similar rule) of the Securities and Exchange Commission. Such conditions may include, without limitation, the partial or complete suspension of the right to exercise the SAR's. 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.

13. 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 CDI Stock issuable upon exercise of the SAR's until the date of issuance to the Recipient of a certificate for such shares.

14. SAR's Do 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.

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

16. 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. The Recipient hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee with respect to any questions arising under the Plan or this Agreement. In addition, by entering into this Agreement and accepting this Grant, the Recipient acknowledges that: (a) the 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.

17. 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.

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

RECIPIENT

Signature: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Date: \_\_\_\_\_

CDI Corp.

**TIME-VESTED DEFERRED STOCK AGREEMENT**

1. Grant of Time-Vested Deferred Stock. The Company hereby grants to *[Insert Name]* (the "Recipient") *[Insert Number]* shares of Time-Vested Deferred Stock. 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 **February 25, 2010**.

(f) "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.

(g) "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.

(h) "Grant" means the grant of Time-Vested Deferred Stock to the Recipient which is described in Section 1 of this Agreement.

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

(j) "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.

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3. Vesting. The shares of Time-Vested Deferred Stock will vest at the rate of 20% per year on each of the first five anniversaries. For all shares of Time-Vested Deferred Stock in which the Recipient becomes vested, a stock certificate representing an equal number of shares of CDI Stock will be delivered to the Recipient soon after such shares vest, or if the Recipient chooses, the shares of CDI Stock may be issued in book entry form. The number of shares of CDI Stock payable to the Recipient 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 vesting of shares of Time-Vested Deferred Stock, none of the unvested shares shall ever vest and such shares shall be forfeited as of the date that Recipient's employment with the Company terminates; provided, however, that if the Recipient's employment with the Company terminates as a result of Death, Disability or Retirement, the shares which are scheduled to vest at the next succeeding anniversary of the Date of Grant will vest as of the date of such Death, Disability or Retirement, and any other shares of Time-Vested Deferred Stock which have not vested as of the date of such event shall be forfeited.
  4. Dividends. No dividends shall be paid with respect to the Time-Vested Deferred Stock. In lieu thereof, if vesting occurs, the Recipient will be credited (at the end of the vesting period) with that number of additional whole shares of CDI Stock that can be purchased (based on their Fair Market Value on the date of vesting) 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 end of the vesting period. 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 of the Time-Vested Deferred Stock (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 vesting of the Time-Vested Deferred Stock. 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 date of vesting.
  6. Nontransferability of the Grant. The Time-Vested Deferred Stock 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 acquired by the Recipient upon the vesting of the Time-Vested Deferred Stock.
  8. Awards Policy. This Grant is subject to the terms and conditions of the Policy on Cash Bonus Awards and Equity Awards Clawback for CDI Corp. and its Related Companies.
  9. Cancellation of Time-Vested Deferred Stock 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 then-unvested shares of Time-Vested Deferred Stock granted to

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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 upon the vesting of any Time-Vested Deferred Stock during the one-year period prior to the termination of the Recipient's employment or engagement with the Company.

10. 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 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.

11. 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 Time-Vested Deferred Stock or any shares of CDI Stock issuable upon vesting of the Time-Vested Deferred Stock until the date of issuance to the Recipient of a certificate for shares of CDI Stock.

12. Time-Vested Deferred Stock 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.

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

14. 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) the 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.

15. 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.

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

RECIPIENT

Signature: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Date: \_\_\_\_\_

CDI Corp.

**PERFORMANCE-CONTINGENT DEFERRED STOCK AGREEMENT**

1. Grant of Performance-Contingent Deferred Stock. The Company hereby grants to *[Insert Name]* a target number of *[Insert Number]* shares of Performance-Contingent Deferred Stock ("PCDS"), with a maximum possible payout of up to one hundred and sixty percent of 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 *February 25, 2010*.

(f) "Determination Date" means the date that the calculation of Direct Margin Dollars is approved by the Committee, which is anticipated to be shortly after the audit of the Company's 2010 financial statements are 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, as amended.

(k) "DM" means Direct Margin (or Gross Margin) Dollars, which is the calculation of net revenue minus Cost of Sales. Cost of Sales are the charges or costs directly associated with the product or service being sold, such as material or labor that is billable to a customer. Cost of sales does not include indirect overhead costs such as rent, office or administrative expenses.

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(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.

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 the financial measures as set forth in Attachment 1. 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 (or notice of book entry issuance by the Company’s transfer agent) 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 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.

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6. Nontransferability 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. Awards Policy . This Grant is subject to the terms and conditions of the Policy on Cash Bonus Awards and Equity Awards Clawback for CDI Corp. and its Related Companies.

9. 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.

10. 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.

11. 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 (or book entry issuance) for shares of CDI Stock.

12. 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.

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

14. 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.

15. 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.

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

RECIPIENT

Signature: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Date: \_\_\_\_\_

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**ATTACHMENT 1**

**DM Range (in millions)**

**Percentage of the target number of PCDS  
shares which would be earned**

Note that acquisitions will be factored into the target.

\* For CDI Corporate Executives, the CDI EPS goal must be achieved or exceeded to earn in excess of 100% of the target number of shares.




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## 2010 EXECUTIVE INCENTIVE PROGRAM

### OVERVIEW

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You have been selected to participate in the 2010 Executive Incentive Program (“Incentive Program”) based on your level of responsibility within CDI.

The purpose of the Incentive Program is to recognize and reward key employees of CDI who contribute to the overall financial performance of their area, business unit, and the Corporation overall. By rewarding the successful achievement of selected operating goals, CDI provides the opportunity to enrich your annual cash compensation while driving the behaviors needed to enhance Company performance.

- |   |   |
|---|---|
| <b>Performance Year</b>                 | <ul style="list-style-type: none"> <li>• The performance year for the Incentive Program starts on January 1, 2010 and ends December 31, 2010.</li> </ul>  |
| <b>Incentive Metrics and Weightings</b> | <ul style="list-style-type: none"> <li>• The 2010 Executive Incentive Program is based on the following strategic accomplishments:               <ul style="list-style-type: none"> <li><b><u>Performance Metrics for Corporate Executives:</u></b> <ul style="list-style-type: none"> <li>• 33% CDI Direct Margin</li> <li>• 52% CDI Earnings Per Share</li> <li>• 15% Individual Targets (“ITs”)</li> </ul> </li> <li><b><u>Performance Metrics for Business Unit/Vertical Executives:</u></b> <ul style="list-style-type: none"> <li>• 33% Business Unit/Vertical Direct Margin</li> <li>• 52% Business Unit/Vertical Contribution Margin</li> <li>• 15% Individual Targets (“ITs”)</li> </ul> </li> </ul> </li> </ul> |

**Incentive Metrics  
and Weightings  
cont'd**

The following achievement and payout percentages apply separately to Direct Margin, Earnings Per Share and Contribution Margin performance metrics:

<b>Percent Metric Achievement</b>	<b>Incentive Payout Percentage</b>
< 70%	0%
70%	35%
75%	45.8%
80%	56.7%
85%	67.5%
90%	78.3%
95%	89.2%
100%	100%
105%	110.8%
110%	121.7%
115%	132.5%
120%	143.3%
125%	154.2%
≥ 130%	165%

Note: An incentive payout in between achievement levels will be interpolated.

- For all participants, each financial element will be capped at 100% until CDI achieves the Earnings Per Share threshold. ITs are capped at 100% payout.
- Any financial metric outside of Direct Margin, Earnings Per Share and Contribution Margin will be measured as an IT.

The Compensation Committee will review and consider the effect on incentive compensation of any acquisitions (i.e., the establishment of new financial targets on a pro rata basis) and/or discontinued operations. In addition, the Committee may consider out of pattern events.

- Incentive awards for the achievement of individual ITs will be based on an assessment by the CEO (who receives recommendations from the BU or Corporate executive) on a straight-line basis, e.g., for 80% achievement, the executive will receive an 80% payout, up to a maximum payout of 100% for any IT.

**When Will I  
Receive My  
Award?**

- 2010 incentive awards, if any, are scheduled for payout in 2011, after the completion of CDI's audited financial year-end statements.

All incentive payments at year-end are subject to review, approval, and discretionary adjustment by the Compensation Committee of CDI's Board of Directors. The Compensation Committee and CDI's Board of Directors reserve the right to amend the terms of this plan or make other adjustments as they deem necessary in their sole discretion.

**What If I Become Eligible After the Start of the Plan Year?**

- If you become eligible after the start of the Plan year, you are still eligible to participate in the Incentive Program. However, your award will be prorated for the length of time in which you participated in the Program unless specified otherwise by prior special written agreement.
- Proration of your incentive award depends on when you became eligible to participate. See the following chart to determine the proration formula that corresponds to the date your eligibility started.

On or before 01/31/10	➔	12/12 months (no proration)
02/01/10 – 02/28/10	➔	11/12 months
03/01/10 – 03/31/10	➔	10/12 months
04/01/10 – 04/30/10	➔	9/12 months
05/01/10 – 05/31/10	➔	8/12 months
06/01/10 – 06/30/10	➔	7/12 months
07/01/10 – 07/31/10	➔	6/12 months
08/01/10 – 08/31/10	➔	5/12 months
09/01/10 – 09/30/10	➔	4/12 months
10/01/10 – 12/31/10	➔	Discretionary *

\* Management has the discretion to allocate a prorated target incentive based on months with CDI (up to three months) for newly hired employees. Performance measures must be established and submitted to Corporate Compensation at the beginning of the employee’s tenure in order for the participant to be incentive eligible.

- Example 1: A newly hired employee who starts in July will be eligible to receive 6/12 (or half) of the yearly incentive.
- Example 2: An employee newly promoted into an executive incentive eligible position in September will be eligible to receive 4 months of the yearly target incentive opportunity.

**Will My Target Incentive or Performance Measures Ever Change?**

- The target incentive award and performance measures established for you at the beginning of the Plan Year will remain the same unless there is a significant change in responsibility, such as a promotion to a different position. However, any salary or incentive change that occurs in the fourth quarter will not be reflected in your incentive opportunity until the following year.
- Changes in performance measures and incentive targets are prorated to the month the change is effective for incentive calculation purposes. This is also true of target incentive opportunity changes as well, with the exception of any change that occurs in the fourth quarter. Fourth quarter changes will not be reflected until the following year.
- You will receive notice of a change in target award or performance measures after your Human Resources Executive notifies Corporate Compensation. This process ensures accurate financial accrual, administration, and conformity to Corporate Compensation guidelines.

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**What Happens To  
My Incentive  
If I Leave CDI?**

Subject to the termination provisions below (or set forth in your employment agreement, if applicable), you must be employed by CDI on the day of incentive payouts to be considered for an incentive award.

- If you resign or are terminated by the Company for cause on or before the day of the incentive payout, you will not be eligible to receive an incentive award.
- If your employment with the Company terminates (other than for resignation or for cause), you may be considered for an award at the CEO's discretion and with the approval of the Compensation Committee. If such an award is approved, it will be paid around the time all other incentive awards are paid.
- If your employment with the Company terminates due to retirement, long-term disability or death, a prorated award will be paid according to year-end financial statements, based on months of employment in that year.

**Administration**

- While you are a participant of the Incentive Program, you are not eligible to participate in any other short-term incentive program at CDI.
  - Participants in the Executive Incentive Program are subject to the terms and conditions of CDI's Compliance Program and the Policy on Cash Bonus Awards and Equity Awards "Clawback" for CDI Corp. and its Related Companies; non-compliance may result in a reduction to the incentive in addition to disciplinary consequences.
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