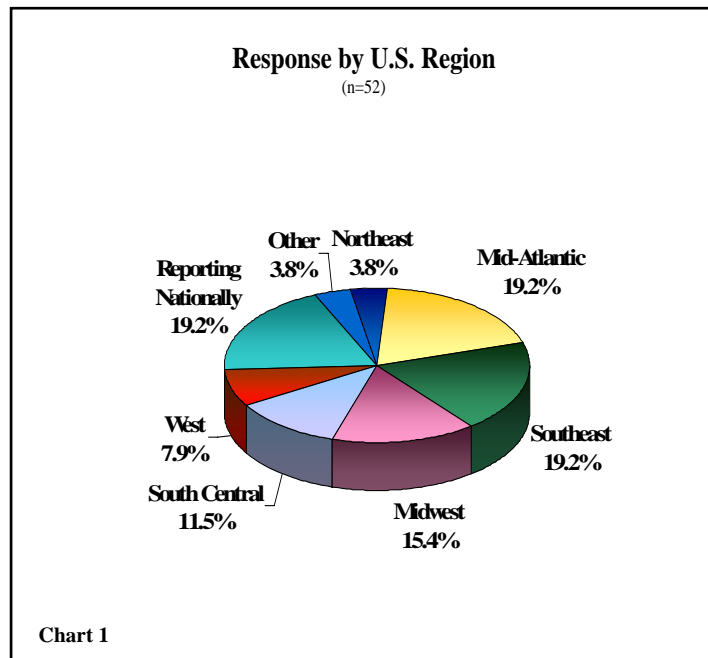


IT SERVICES BUSINESS TRENDS REPORT DECEMBER 2009

PROJECTIONS FOR Q1, AND 2010, LOOK MORE UPBEAT THAN THE PAST YEAR. IT HAS BEEN A TOUGH TWO YEARS, BUT 2009 LOSSES HAVE BEEN TEMPERED A BIT. THE INDUSTRY IS NOW PROJECTED TO CONTRACT ABOUT 6% IN 2009. DEMAND AND GROWTH IS EXPECTED TO INCREASE IN THE NEAR TERM, AND BILLING RATES APPEAR TO HAVE STABILIZED. FEW FIRMS ANTICIPATE ANY GROWTH IN 2009, BUT THE PROSPECTS FOR 2010 ARE IMPROVING. THE IT SERVICES CONFIDENCE INDEX IS FIRMLY IN POSITIVE TERRITORY AT 42.3.

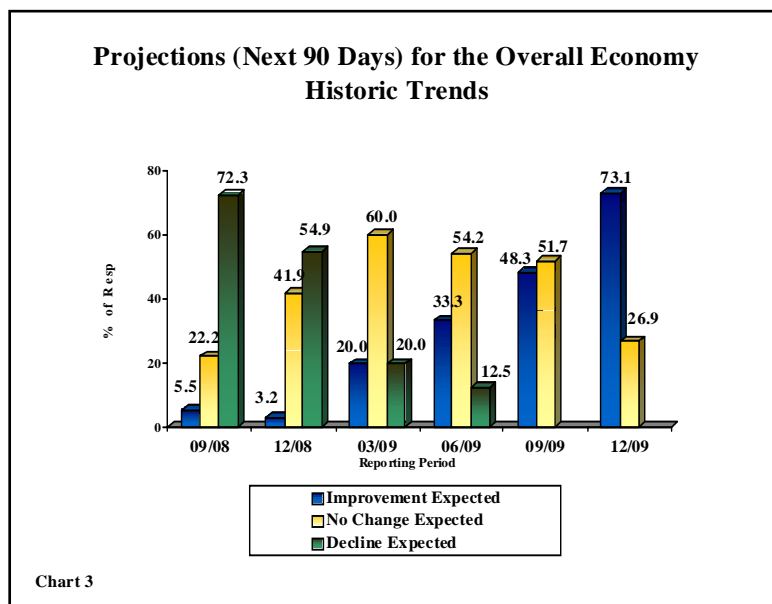
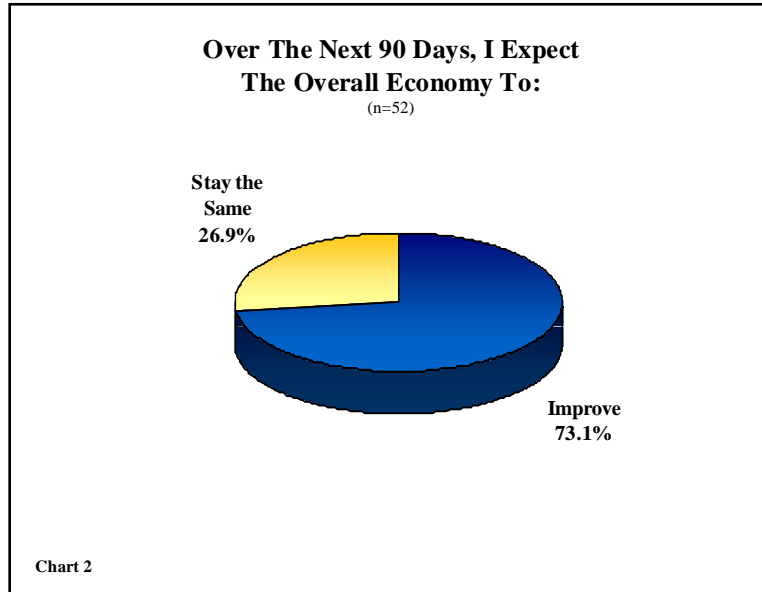
This is the end of year 9 of quarterly, nationwide IT Services trend surveys conducted by Specifics, Inc. and Fairmount Partners. These surveys are designed to tap into several key, high-level IT Services metrics and track them on a regular basis in order to help you plan and forecast your business activities. The number of firms responding to this survey continues to be in the range of 40 - 60 firms.

The data for this survey were collected between December 18 and December 31, 2009. The 52 respondents, from all regions of the United States (see Chart 1) represent companies from all areas of the U.S. Respondents include providers of all types of IT services, and represent an estimated 15% of total U.S. IT Staffing Services industry revenue. Optimism is expressed by most participants. Either the bottom is really behind us or we believe the Wall Street rhetoric about the recovery.

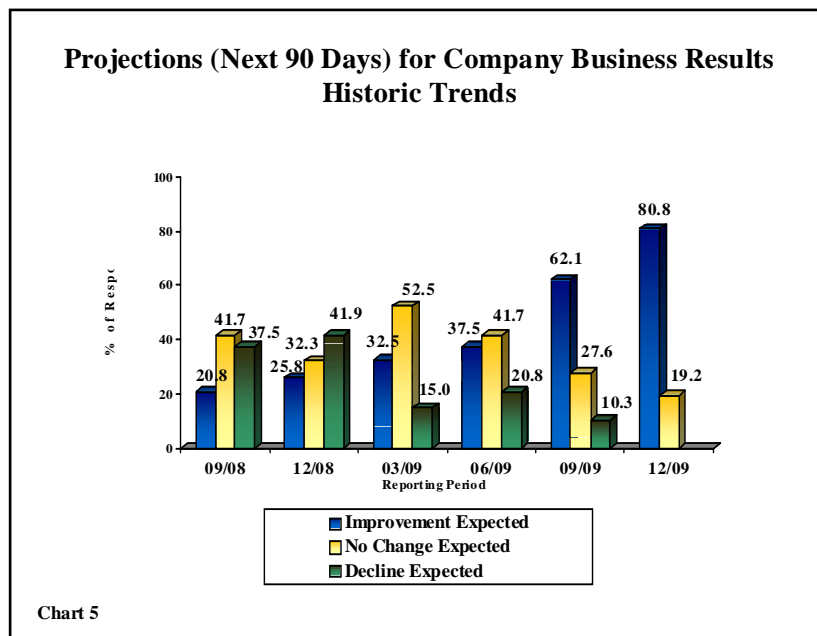
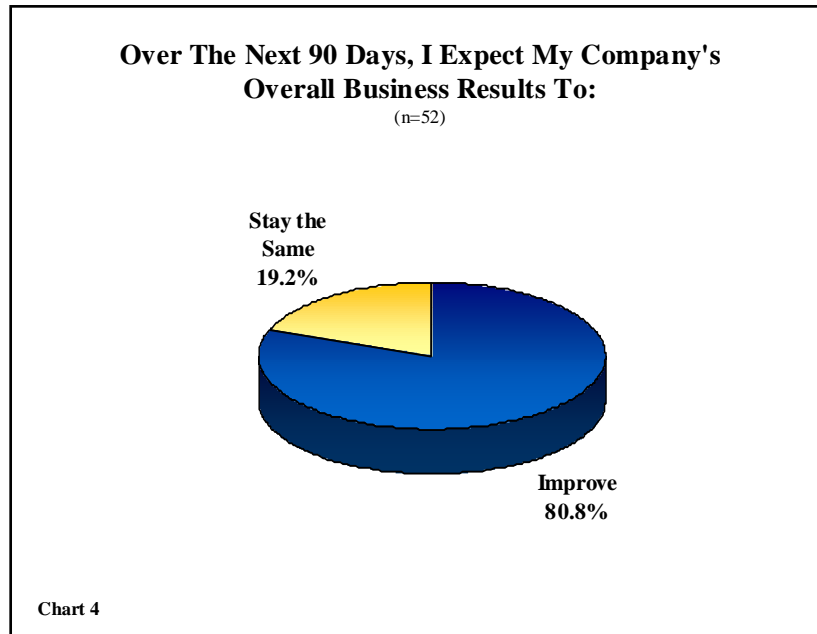


THE ECONOMY

Almost three-fourths (73.1%) of Q4 respondents believe that economic conditions will improve over the next 90 days. The remainder sees no economic improvement, and once again, no respondents see a worsening economy. The shift in Q4 to a more positive sentiment is a further indication that we are headed to better times. This is a long way from an optimistic projection. One change noted in this report is the return of the Financial Services Industry as a projected source of revenue in 2010, and all segments of the country see some improvement there. Billing rates have bottomed and there is the potential for a slight increase, but will rate increases outpace compensation? We think not, as margins will remain tight.

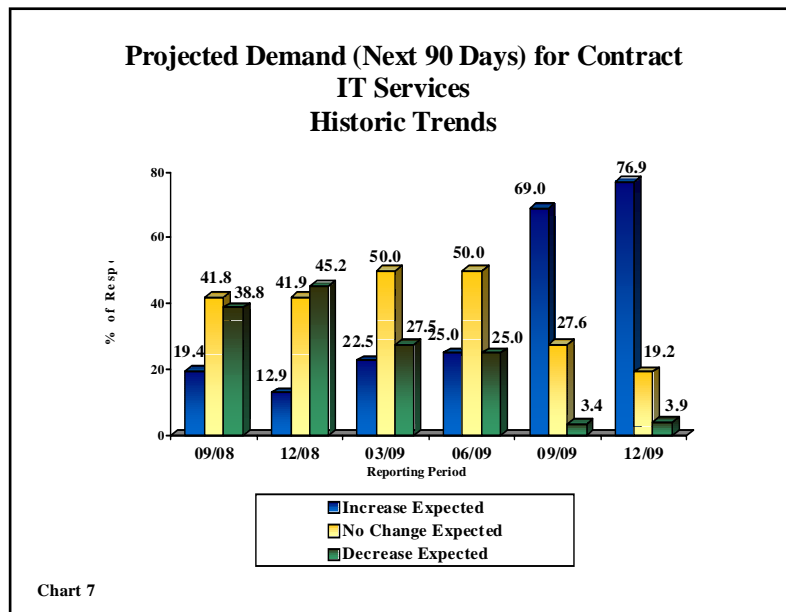
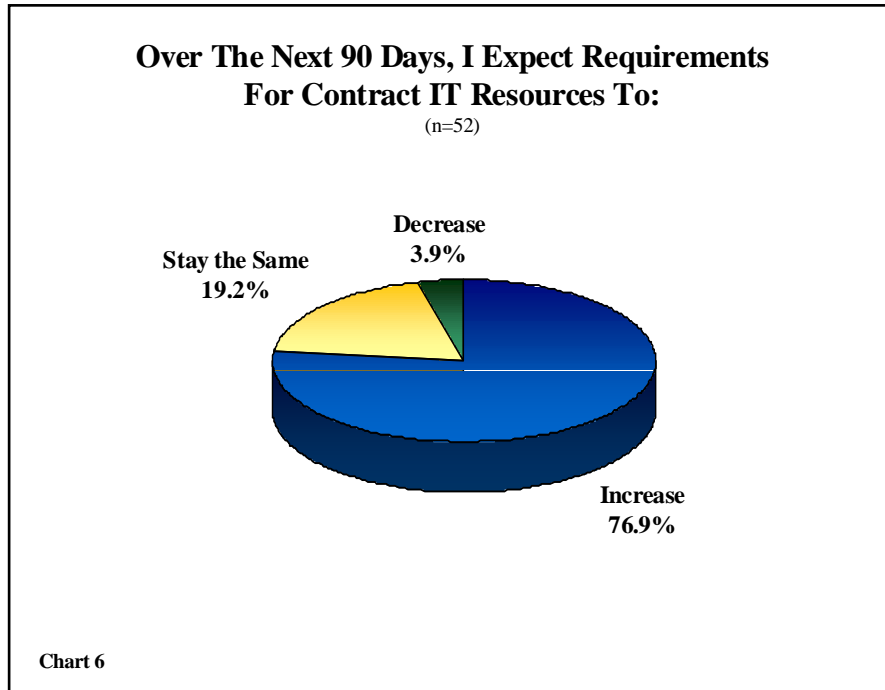


Projections for individual company results usually track projections for the economy as a whole, and this quarter's results show somewhat similar results. Even more respondents this quarter believe that their companies' results will improve in Q1, but it will not be easy growth. No firms believe their company results will worsen. The balance believes their results will stay the same in Q1.

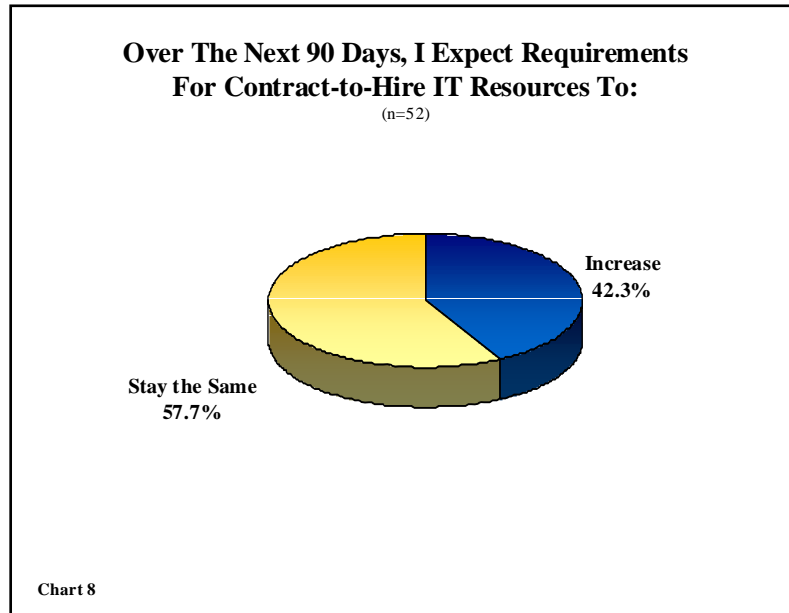


Demand for IT Resources

Projections of near-term demand continue to improve. This quarter 76.9% of firms say contract demand will increase, and no firms forecast a decrease in demand for contractors over the next 90 days. Demand to fill new positions across the board is expected to increase, and companies are optimistic about demand even in light of the pressure on rates and margins.



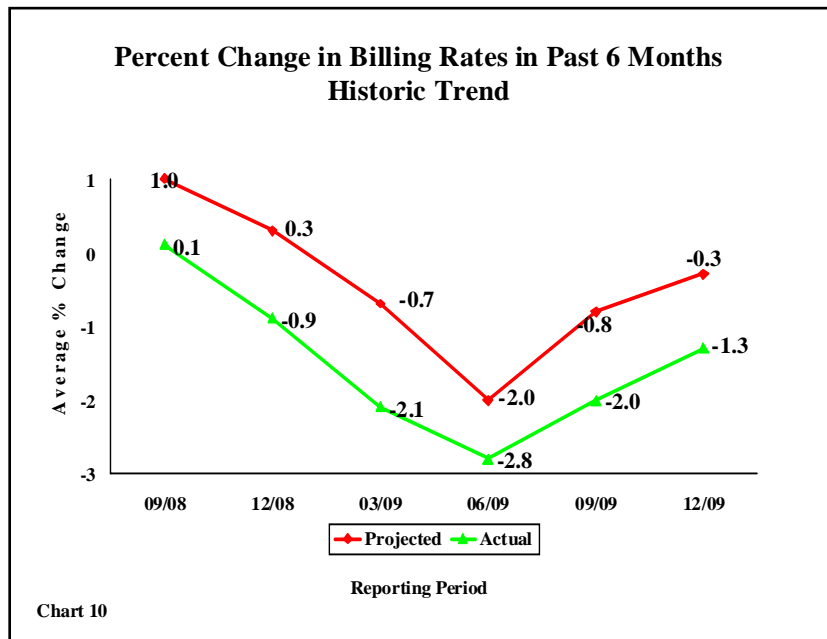
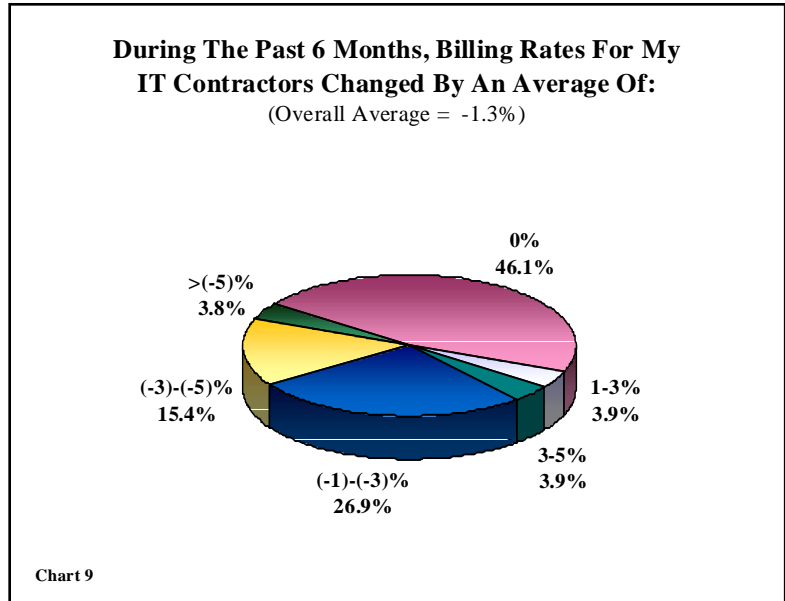
Demand for direct hires and contract-to-hire are projected to increase as well. This measure stays positive to the same degree as last quarter. Once again, no firms project a decrease in this category over the next 90 days. Demand for new positions was off by more than 20% in 2009, but the future looks to recover some of these positions.



Specifics projects that in the future many more jobs will be contract jobs, not permanent positions. The current climate in Washington and the potential increases in healthcare costs and taxes will prevent many companies from hiring full-time employees and they will favor contract workers, not just in IT, but in all jobs and job levels.

BILLING RATES STILL PRESSURED

Contractor billing rates in the past year have decreased by 6%. This has been painful to swallow, but rates are edging up and 2010 could be a time to recover 1/3 to 1/2 of the decline. Few firms reported no decrease in billing rates in 2009. Most firms reported decreases of 3% to 6%. All of the gains in billing rates in the two years prior to 2008 have been dashed by the economy and they are now down 6% or more from the highs. The billing rate declines were a bit more than originally projected, and while rates may have continued to modestly decline in the last six months, they have now stabilized and could inch upwards.

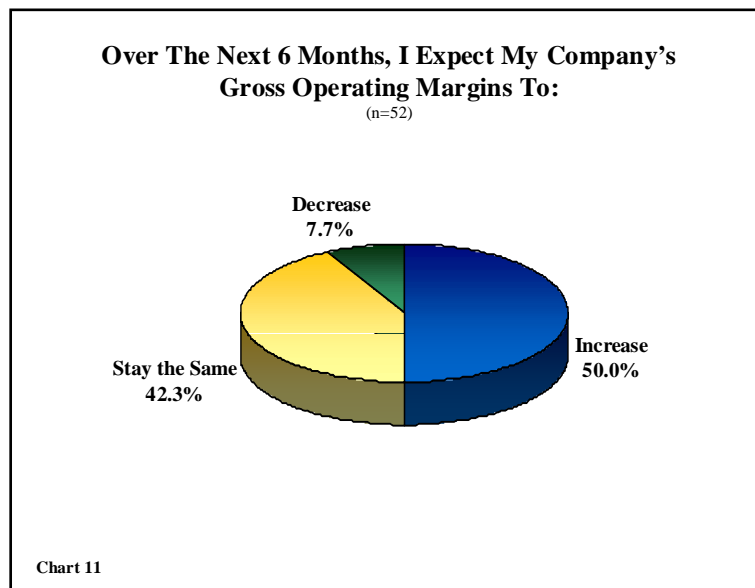


GROSS MARGIN

The data for projected gross margins, which are depicted in Chart 11, show a more optimistic projection than at any time in the past 18 months, with 50.0% of respondents expecting an increase in the next 6 months and only 7.7% expecting a decrease.

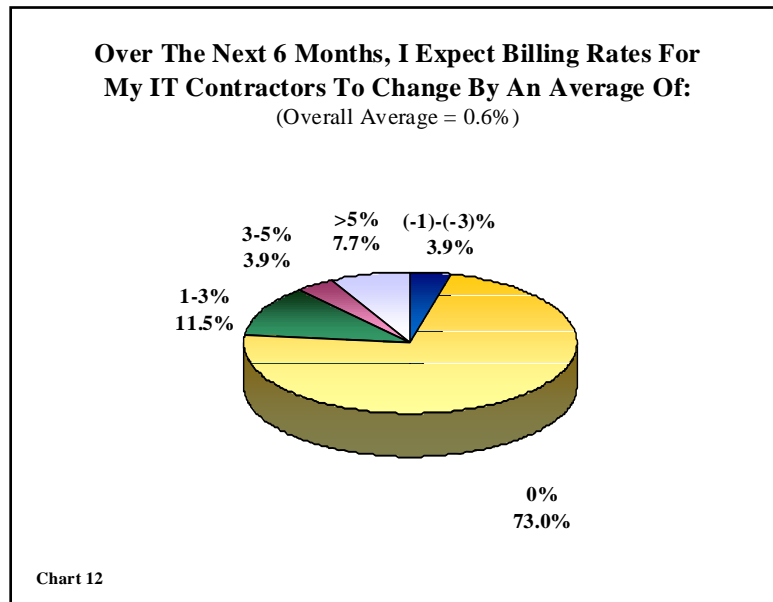
Executive and management compensation dramatically decreased in 2009, as did compensation for sales professionals. **Specifics 2009 Sales and Recruiter Compensation and Headcount Report** showing the declines was just released and is available through www.specifcs.com. Sales and Recruiter headcount has been rebalanced to 2003 levels.

Compensation decreases for technical skills are reflected in **Specifics 2009 Technical Compensation and Billing Rate Survey** (www.specifcs.com). To inquire, send an e-mail to jblumberg@specifcs.com or call 770-391-0013.



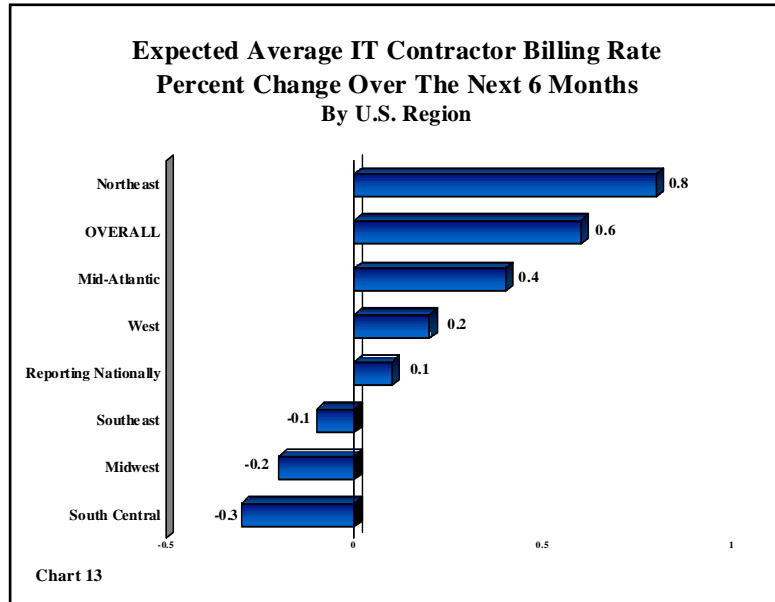
In **Specifics 2009 Financial and Operating Metrics Study**, we see that companies were able to maintain gross margins of 24% on average, primarily by aggressive cutting of certain expenses and reductions of full-time staff. **This survey report was published mid April and data for the 2010 report will be collected starting February 1.**

As illustrated in Chart 12, 23.1% of the respondents now expect their billing rates to increase in the next 6 months, and only 3.9% see further erosion in their billing rates. While rates in the next 6 months will likely stabilize and begin to increase, we will not recoup the losses of 2009.

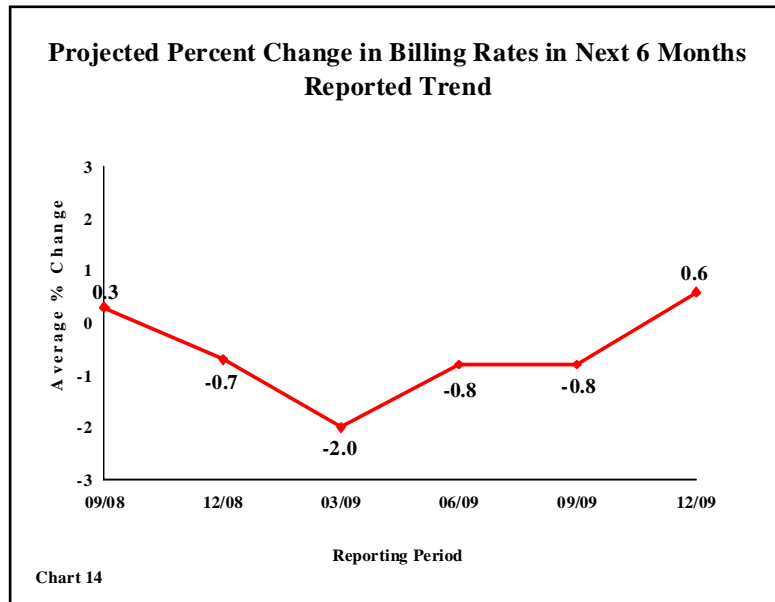


Although IT unemployment is still projected to remain as high as 6.5 or 7%, the Department of Labor still projects IT jobs to increase substantially over the next five years. The economic optimism in this report would lead one to believe that market conditions would tighten, but there is still low overall demand. In the short run, the economy will improve, but unemployment will continue to increase in some regions, putting more IT resources in the labor market. The resources appear to be there, the need is for more jobs.

The sample sizes for Chart 13 are very small (sometimes only one or two companies) and the results vary greatly. Chart 13 shows that, over the next six months, contractor billing rates are expected to continue increase 0.6% overall, an incremental move at best. Only three regions project modest declines. Companies Reporting Nationally project an average increase of 0.1% in contractor billing rates, and the biggest increase is expected in the Northeast Region at 0.8%. This could result from the resurgence of the Financial Services Industry.



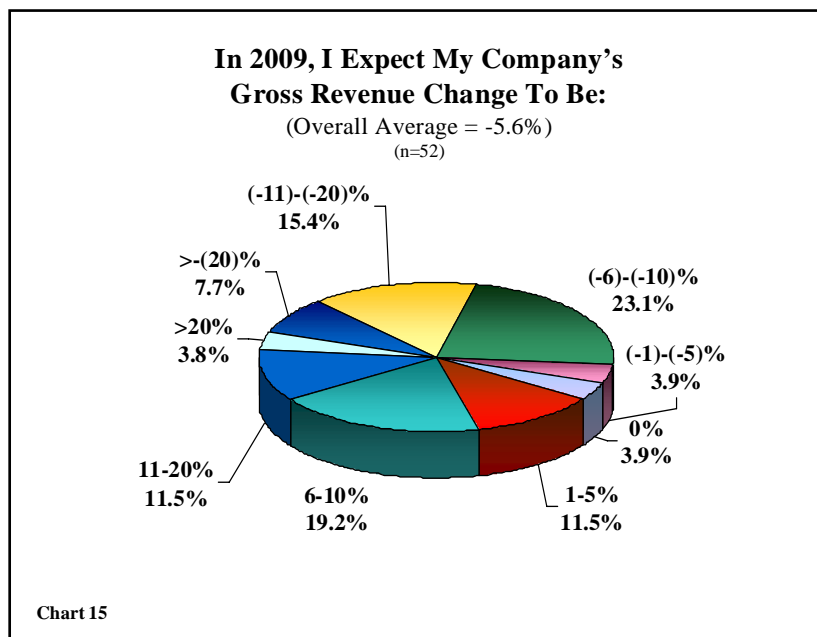
The historic trend for projected changes in billing rates is illustrated in Chart 14. The lingering impact of the 2009 rate decline could last three or more years. It will be very hard, but not impossible, to raise rates in this market.



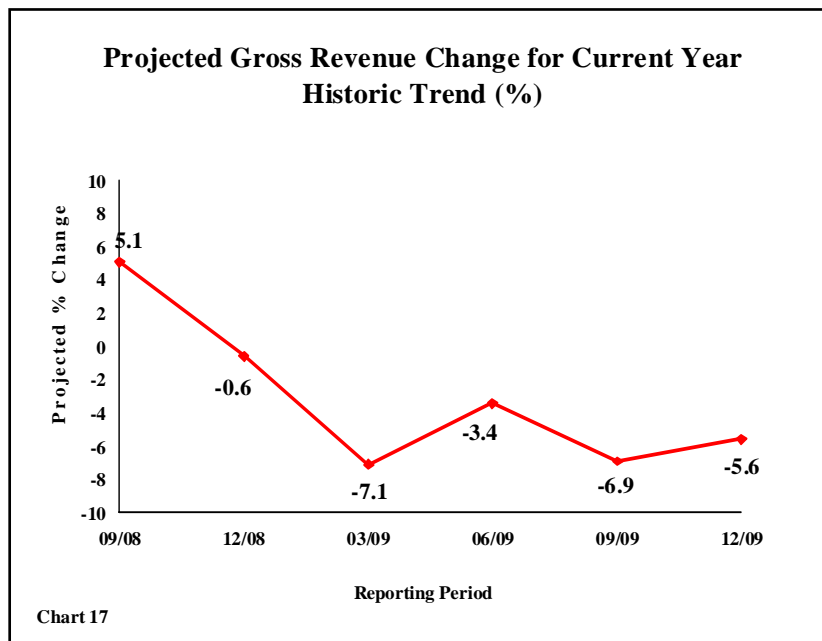
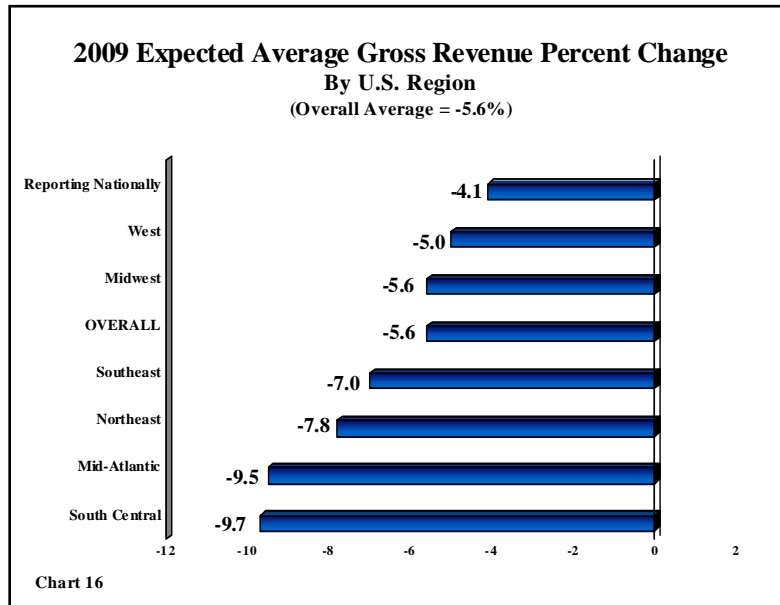
REVENUE PROJECTED TO DECREASE IN 2009, BUT NOT 2010

Chart 15 illustrates that the average 2009 revenue change projection is now -5.6%, which is not as high as the -7.1% projected at the end of Q1. Companies reported in Q3 that the projections might be less, but they now have better clarity for 2009. Mid single-digit growth is now projected by only 30.7% of the sample for 2009, and 23.1% see double-digit decreases in revenue. Only 3.9% of respondents see no change.

Specifics 2009 Sales and Recruiter Compensation and Headcount Report provides details on company headcount redistribution and new operating metrics. It is available through our Website (www.specifics.com) or by calling 770-391-0013.



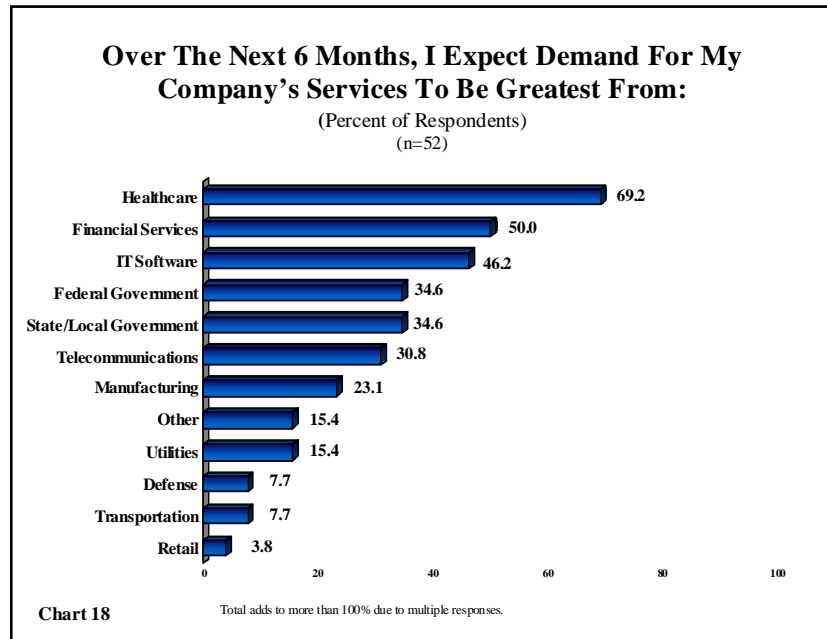
From a regional perspective, Chart 16 illustrates that projected revenue change for 2009 varies somewhat from region to region. These are small sample sizes, and these are average values, so these results are merely indicators. Several regions report average declines of 5% or more. The overall average decline of 5.6% shows continual industry-wide contraction near the level reported in Q3.



HEALTHCARE REMAINS STRONG. FINANCIAL SERVICES JUMPED 15%, BUT TELECOMM DECLINED SLIGHTLY. FEDERAL, STATE AND LOCAL GOVERNMENT MARKET DEMAND STILL REMAINS STABLE, BUT DEFENSE DECLINED PRECIPITOUSLY. UTILITY AND MANUFACTURING DEMAND STABILIZED, BUT THEY ARE STILL AT LOW LEVELS. SOFTWARE INDUSTRY DEMAND SHOWED A HEALTHY INCREASE.

Demand projections for the various market sectors are illustrated in Chart 18. Much of the demand for IT services in the near-term is expected to come from Healthcare, Government, and Financial.

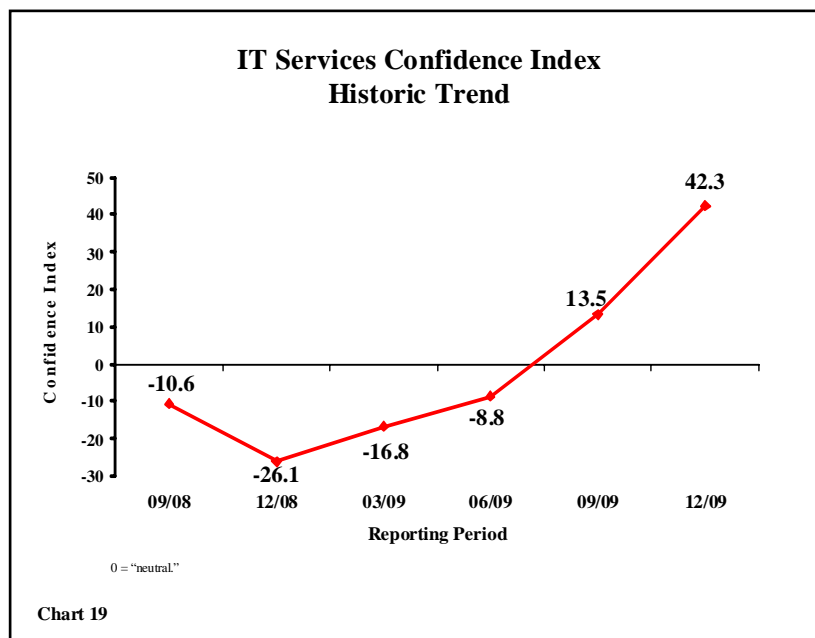
Transportation Industry demand remains low, but increased. These results are only indicators of where companies plan to find business, but this may be simply a function of the sample of companies reporting in this survey. The percentage of potential business in the **Other** category is difficult to define, but this appears to be still focused on the Media and Entertainment industry.



SUMMARY – CONFIDENCE INDEX NOW FIRMLY POSITIVE

The Specifics IT Services Confidence Index is firmly positive at **42.3**, which is up to Q2, 2008 levels. The trend is clearly positive and results stem from the change in perspective about the economy. Pessimism about rate increases and lower growth projections hold the index down. The market for IT services has matured, gross margins have stabilized, and the needle is moving upward. The next year or two could be promising, but margins will remain low.

This index, which is a function of respondents' projections regarding the economy and their companies' business, was driven primarily by the economy in past 30 days and more in the past two weeks. An index value of **-0-** would be completely neutral. With unemployment growing there may be opportunities for the market to loosen and reduce the time to fill any open positions. Index values calculated for the past 18 months are depicted in Chart 19. It forewarned us back in June of 2008, and it said we have reached the bottom in December, 2008. It has taken a year to get back in positive territory, but it is still not as high as in the 2004 recovery.



This Confidence Index will continue to provide a barometer for period-to-period comparisons, and will indicate the expected near-term direction of the IT Services industry. Given the past two years and the current economy it is impossible to predict a CAGR for the next few years. Worldwide political stability and more unusual events that impact the economy will definitely be factors. Participate in future studies and watch for potential swings driven by instability, national security, unemployment and interest rate changes.

Please feel free to distribute this report to any interested parties within your company. The next survey will be conducted in March 2010 – our first real look at 2010. For further information regarding this survey and/or the findings contained herein, or to participate in future IT Services Business Trends surveys, please contact Joe Blumberg at Specifics, Inc. Phone 770-391-0013, e-mail jblumberg@specifics.com, or go to www.specifics.com.

Specifics, Inc. (<http://www.specifcs.com>) – is an independent market research firm serving the IT industry. Specifics is the leading provider of client and employee satisfaction studies to IT services firms, and publisher of the most comprehensive set of IT Services compensation studies and operating company benchmarks available:

- ✓ **IT Services Benchmarking Studies** – to compare performance based on revenue and mix of services:
 - **2009 Financial & Operating Metrics (\$595)**
 - **2009 Sales and Recruiter Compensation and Turnover Trends (\$595)**
- ✓ **2009 IT Services Executive and Management Compensation Study** – comparing base salary and incentives for staffing and solutions firms. (\$595)
- ✓ **2009 IT Technical Compensation and Billing Practices for 60 skill sets.** (\$350 per location- you must provide your data to purchase reports.)

Fairmount Partners (www.fairmountpartners.com) – provides a unique blend of merger and acquisition, private placement, recapitalization, buyout, and strategic-advisory services to fuel the growth of IT and business services firms. Our bankers include former IT services industry entrepreneurs, giving us unique insight into our clients' businesses. Our clients are typically emerging growth companies ranging from \$5 million to \$300 million.

Headquartered in Philadelphia, Fairmount Partners is one of the largest investment banking groups in the region. Our team has global experience, having closed transactions in North America, Europe, and the Middle East. In addition to IT services, Fairmount also serves clients in the software, communications, and healthcare fields. The principals of Fairmount have successfully completed more than 60 engagements in the past three years.

Fairmount's growth-advisory services are specifically geared to help the leaders of IT services firms substantially increase their firm's value. Our services help company leaders prepare and execute strategic plans in order to achieve short- and long-range goals for creating wealth.

Fairmount Partners' clients who have already benefited from this service include public and privately-held companies ranging in enterprise value from \$20 million to \$300 million. A number of these clients have private equity and venture capital investors who want to maximize the value of their position.

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