NUVEEN INSURED DIVIDEND ADVANTAGE MUNICIPAL FUND
Form DEF 14A
June 18, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant þ
Filed by a Party other than the Registrant o
Check the appropriate box:

o Preliminary Proxy Statement.
o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**.
þ Definitive Proxy Statement.
o Definitive Additional Materials.
o Soliciting Material Pursuant to §240.14a-11(c) or §240.14a-12

Nuveen Insured Dividend Advantage Municipal Fund (NVG)

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (check the appropriate box):

þ No fee required.
o Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

Important Notice to Fund Shareholders

June 19, 2009

Although we recommend that you read the complete Proxy Statement, for your convenience, we have provided a brief overview of the issues to be voted on.

Q. Why am I receiving this Proxy Statement?

A. You are receiving this Proxy Statement as a Fund shareholder in connection with the annual shareholders meeting for the Nuveen municipal closed-end funds listed at the top of the Notice of Annual Meeting of Shareholders.

You are being asked to vote on a number of important matters:

(i) Updated Investment Policies (Affected Municipal Funds (as defined in the Proxy Statement)). Nuveen s municipal closed-end funds are seeking to adopt a uniform, up to date set of investment policies (the New Investment Policies). In general, these funds currently have a somewhat diverse set of policies, reflecting when the funds were launched over the past 20 years as well as developments over time in the municipal market, including new types of securities as well as investment strategies.

(ii) Elimination of Fundamental Investment Policies and Approval of New Fundamental Investment Policy (Affected Insured Funds (as defined in the Proxy Statement)). Fund shareholders are being asked to approve the elimination of certain fundamental investment policies and to approve a new fundamental policy or policies (also referred to as, the New Investment Policy or New Investment Policies). These changes are designed to give the Affected Insured Funds important flexibility to respond to on-going developments in the bond insurance market while maintaining their current focus on insured bonds backed by insurers with solid credit ratings.

(iii) Approval of Fund Board Nominees (All Funds). Each year, you and other Fund shareholders must approve the election of Board members to serve on your Fund s Board. This is a requirement for all funds that list their common shares on a stock exchange. The Funds described in this Proxy Statement are holding their annual shareholders meetings at which Board members will be elected. The list of specific nominees is contained in the enclosed Proxy Statement.

Your Fund s Board of Trustees/Directors, including your Board s independent members, unanimously recommends that you vote **FOR** each proposal.

Your vote is very important. We encourage you as a shareholder to participate in your Fund s governance by returning your vote as soon as possible. If enough shareholders don t cast their votes, your Fund may not be able to hold its meeting or the vote on each issue, and will be required to incur additional solicitation costs in order to obtain sufficient shareholder participation.

Q. What are the potential benefits of the New Investment Policies for common shareholders of the Affected Municipal Funds?

A. The potential benefits to common shareholders are:

Enhanced ability of the Affected Municipal Funds to generate attractive tax-free income while retaining their orientation on investment grade quality municipal securities;

Increased flexibility in diversifying portfolio risks and managing duration (the sensitivity of bond prices to interest rate changes) to pursue the preservation of and possible growth of capital, which, if successful, will help to sustain and build net asset value; and

Improved secondary market competitiveness that may lead to a higher relative market price and/or stronger premium/discount performance.

Q. What are the potential benefits of the New Investment Policies for preferred shareholders of the Affected Municipal Funds?

A. The potential benefits to preferred shareholders are increased flexibility in diversifying portfolio risks and managing duration (the sensitivity of bond prices to interest rate changes) to pursue the preservation of and possible growth of capital, which, if successful, will help to sustain and build net asset value and therefore asset coverage levels for preferred shares.

Q. What actions are required in order to implement the New Investment Policies?

A. In order to implement the New Investment Policies and obtain the potential benefits described above, each Affected Municipal Fund or Affected Insured Fund must make certain changes to its existing policies, including certain fundamental policies that require approval of shareholders. In some cases, this may require shareholder approval of the elimination of an existing fundamental policy as well as the implementation of a new replacement fundamental policy. Because each Affected Municipal Fund or Affected Insured Fund tends to be situated somewhat differently, the specific changes required to implement the New Investment Policies often vary from fund to fund.

Q. Why are shareholders of the Affected Insured Funds being asked to approve the elimination of fundamental investment policies and to approve a New Investment Policy?

A. As a result of conditions facing the bond insurance market, shareholders are being asked to approve the elimination of certain fundamental investment policies that are restricting, or may be expected in the future to restrict, each Affected Insured Fund s ability to effectively maintain its existing focus on insured bonds backed by insurers with solid credit ratings. In connection with eliminating the fundamental investment policies, shareholders are being asked to approve a new fundamental investment policy that will provide the Affected Insured Funds with flexibility to respond to on-going developments in the bond insurance market, while ensuring that the Affected Insured Funds continue to invest substantially all (at least 80%) of their investments in insured bonds backed by insurers with solid credit ratings.

Q. What happens if shareholders don t approve the elimination of the fundamental investment policies and/or don t approve the New Investment Policy or Policies?

A. An Affected Municipal Fund or Affected Insured Fund will not be able to implement the New Investment Policies as discussed above. The Affected Municipal Fund or Affected Insured Fund would likely incur further expenses to solicit additional shareholder participation, and may experience potential disruptions to its investment operations. The Boards of the Affected Municipal Funds and Affected Insured Funds urge you to vote without delay in order to avoid the potential for higher costs and/or disruptions to portfolio operations.

Q. Who do I call if I have questions?

A. If you need any assistance, or have any questions regarding the proposals or how to vote your shares, please call Computershare Fund Services, your Fund s proxy solicitor, at (866) 434-7510 Please have your proxy material available when you call.

Q. How do I vote my shares?

A. You can vote your shares by completing and signing the enclosed proxy card, and mailing it in the enclosed postage-paid envelope. Alternatively, you may vote by telephone by calling the toll-free number on the proxy card or by computer by going to the Internet address provided on the proxy card and following the instructions, using your proxy card as a guide.

Q. Will anyone contact me?

A. You may receive a call from Computershare Fund Services, the proxy solicitor hired by your Fund, to verify that you received your proxy materials, to answer any questions you may have about the proposals and to encourage you to vote your proxy.

We recognize the inconvenience of the proxy solicitation process and would not impose on you if we did not believe that the matters being proposed were important and in the best interests of the Fund s shareholders. Once your vote has been registered with the proxy solicitor, your name will be removed from the solicitor s follow-up contact list.

333 West Wacker Drive
Chicago, Illinois 60606
(800) 257-8787

Notice of Annual Meeting
of Shareholders
July 28, 2009

June 19, 2009

Nuveen Municipal Value Fund, Inc. (NUV)
Nuveen Municipal Income Fund, Inc. (NMI)
Nuveen Premium Income Municipal Fund, Inc. (NPI)
Nuveen Performance Plus Municipal Fund, Inc. (NPP)
Nuveen Municipal Advantage Fund, Inc. (NMA)
Nuveen Municipal Market Opportunity Fund, Inc. (NMO)
Nuveen Investment Quality Municipal Fund, Inc. (NQM)
Nuveen Select Quality Municipal Fund, Inc. (NQS)
Nuveen Quality Income Municipal Fund, Inc. (NQU)
Nuveen Premier Municipal Income Fund, Inc. (NPF)
Nuveen Premier Insured Municipal Income Fund, Inc. (NIF)
Nuveen Premium Income Municipal Fund 2, Inc. (NPM)
Nuveen Premium Income Municipal Fund 4, Inc. (NPT)
Nuveen Dividend Advantage Municipal Fund (NAD)
Nuveen Dividend Advantage Municipal Fund 2 (NXZ)
Nuveen Dividend Advantage Municipal Fund 3 (NZF)
Nuveen Municipal High Income Opportunity Fund (NMZ)
Nuveen Municipal High Income Opportunity Fund 2 (NMD)
Nuveen Insured Dividend Advantage Municipal Fund (NVG)
Nuveen Insured Municipal Opportunity Fund, Inc. (NIO)
Nuveen Insured Premium Income Municipal Fund 2 (NPX)
Nuveen Insured Quality Municipal Fund, Inc. (NQI)
Nuveen Insured Tax-Free Advantage Municipal Fund (NEA)
Nuveen Select Maturities Municipal Fund (NIM)
Nuveen Select Tax-Free Income Portfolio (NXP)
Nuveen Select Tax-Free Income Portfolio 2 (NXQ)
Nuveen Select Tax-Free Income Portfolio 3 (NXR)
Nuveen California Select Tax-Free Income Portfolio (NXC)
Nuveen New York Select Tax-Free Income Portfolio (NXN)

To the Shareholders of the Above Funds:

Notice is hereby given that the Annual Meeting of Shareholders (the Annual Meeting) of Nuveen Municipal Value Fund, Inc. (Municipal Value), Nuveen Municipal Income Fund, Inc. (Municipal Income), Nuveen Premium Income Municipal Fund, Inc. (Premium Income), Nuveen Performance Plus Municipal Fund, Inc. (Performance Plus), Nuveen Municipal Advantage Fund, Inc. (Municipal Advantage), Nuveen Municipal Market Opportunity Fund, Inc. (Municipal Market Opportunity), Nuveen Investment Quality Municipal Fund, Inc. (Investment Quality), Nuveen Select Quality Municipal Fund, Inc. (Select Quality), Nuveen Quality Income Municipal Fund, Inc. (Quality Income), Nuveen Insured Municipal Opportunity Fund, Inc. (Insured Municipal Opportunity), Nuveen Insured Quality Municipal Fund, Inc. (Insured Quality), Nuveen Premier Municipal Income Fund, Inc. (Premier Municipal), Nuveen Premier Insured Municipal Income Fund, Inc. (Premier Insured), Nuveen Premium Income Municipal Fund 2, Inc. (Premium Income 2), Nuveen Premium Income Municipal Fund 4, Inc. (Premium Income 4), each a **Minnesota Corporation** (each a Minnesota Fund and collectively, the Minnesota Funds), and Nuveen Dividend Advantage Municipal Fund (Dividend Advantage), Nuveen Insured Dividend Advantage Municipal Fund (Insured Dividend Advantage), Nuveen Insured Premium Income Municipal Fund 2 (Insured Premium Income 2), Nuveen Insured Tax-Free Advantage Municipal Fund (Insured Tax-Free Advantage), Nuveen Dividend Advantage Municipal Fund 2 (Dividend Advantage 2), Nuveen Dividend Advantage Municipal Fund 3 (Dividend Advantage 3), Nuveen Municipal High Income Opportunity Fund (Municipal High Income), Nuveen Municipal High Income Opportunity Fund 2 (Municipal High Income 2), Nuveen Select Maturities Municipal Fund (Select Maturities), Nuveen Select Tax-Free Income Portfolio (Select Portfolio), Nuveen Select Tax-Free Income Portfolio 2 (Select Portfolio 2), Nuveen Select Tax-Free Income Portfolio 3 (Select Portfolio 3), Nuveen California Select Tax-Free Income Portfolio (California Portfolio) and Nuveen New York Select Tax-Free Income Portfolio (New York Portfolio), each a **Massachusetts Business Trust** (individually, a Fund and collectively, the Funds), will be held in the Lobby Conference Room, Nuveen Investments, 333 West Wacker Drive, Chicago, Illinois, on Tuesday, July 28, 2009, at 10:30 a.m., Central time, for the following purposes and to transact such other business, if any, as may properly come before the Annual Meeting:

Matters to Be Voted on by Shareholders:

1. To elect Members to the Board of Directors/Trustees (each a Board and each Director or Trustee a Board Member) of each Fund as outlined below:

   a. For each Minnesota Fund, except Municipal Value and Municipal Income, to elect nine (9) Board Members:

      (i) seven (7) Board Members to be elected by the holders of Common Shares and Municipal Auction Rate Cumulative Preferred Shares (Preferred Shares), voting together as a single class; and

      (ii) two (2) Board Members to be elected by the holders of Preferred Shares only, voting separately as a single class.

   b. For Municipal Value and Municipal Income, to elect three (3) Board Members.

c. For each Massachusetts Business Trust, except Select Maturities, Select Portfolio, Select Portfolio 2, Select Portfolio 3, California Portfolio, New York Portfolio and Municipal High Income 2, to elect four (4) Board Members:

   (i) two (2) Board Members to be elected by the holders of Common Shares and Preferred Shares, voting together as a single class; and

   (ii) two (2) Board Members to be elected by the holders of Preferred Shares only, voting separately as a single class.

d. For Select Maturities, Select Portfolio, Select Portfolio 2, Select Portfolio 3, California Portfolio, New York Portfolio and Municipal High Income 2, to elect three (3) Board Members.

2. To approve the elimination of fundamental investment policies and/or to approve the new fundamental investment policies for Premium Income, Performance Plus, Insured Quality, Insured Municipal Opportunity, Premier Insured, Insured Premium Income 2, Municipal Advantage, Municipal Market Opportunity, Investment Quality, Select Quality, Quality Income, Premier Municipal, Premium Income 2, Premium Income 4, Dividend Advantage, Dividend Advantage 2, Dividend Advantage 3 and Municipal High Income.

3. To approve the elimination of fundamental investment policies and to approve the new fundamental investment policy for Insured Municipal Opportunity, Insured Quality and Insured Dividend Advantage.

4. To transact such other business as may properly come before the Annual Meeting.

Shareholders of record at the close of business on June 8, 2009 are entitled to notice of and to vote at the Annual Meeting.

All shareholders are cordially invited to attend the Annual Meeting. In order to avoid delay and additional expense and to assure that your shares are represented, please vote as promptly as possible, regardless of whether or not you plan to attend the Annual Meeting. You may vote by mail, telephone or over the Internet. To vote by mail, please mark, sign, date and mail the enclosed proxy card. No postage is required if mailed in the United States. To vote by telephone, please call the toll-free number located on your proxy card and follow the recorded instructions, using your proxy card as a guide. To vote over the Internet, go to the Internet address provided on your proxy card and follow the instructions, using your proxy card as a guide.

Kevin J. McCarthy
Vice President and Secretary

333 West Wacker Drive
Chicago, Illinois 60606
(800) 257-8787

Joint Proxy Statement

June 19, 2009

This Joint Proxy Statement is first being mailed to shareholders on or about June 19, 2009.

Nuveen Municipal Value Fund, Inc. (NUV)
Nuveen Municipal Income Fund, Inc. (NMI)
Nuveen Premium Income Municipal Fund, Inc. (NPI)
Nuveen Performance Plus Municipal Fund, Inc. (NPP)
Nuveen Municipal Advantage Fund, Inc. (NMA)
Nuveen Municipal Market Opportunity Fund, Inc. (NMO)
Nuveen Investment Quality Municipal Fund, Inc. (NQM)
Nuveen Select Quality Municipal Fund, Inc. (NQS)
Nuveen Quality Income Municipal Fund, Inc. (NQU)
Nuveen Premier Municipal Income Fund, Inc. (NPF)
Nuveen Premier Insured Municipal Income Fund, Inc. (NIF)
Nuveen Premium Income Municipal Fund 2, Inc. (NPM)
Nuveen Premium Income Municipal Fund 4, Inc. (NPT)
Nuveen Dividend Advantage Municipal Fund (NAD)
Nuveen Dividend Advantage Municipal Fund 2 (NXZ)
Nuveen Dividend Advantage Municipal Fund 3 (NZF)
Nuveen Municipal High Income Opportunity Fund (NMZ)
Nuveen Municipal High Income Opportunity Fund 2 (NMD)
Nuveen Insured Dividend Advantage Municipal Fund (NVG)
Nuveen Insured Municipal Opportunity Fund, Inc. (NIO)
Nuveen Insured Premium Income Municipal Fund 2 (NPX)
Nuveen Insured Quality Municipal Fund, Inc. (NQI)
Nuveen Insured Tax-Free Advantage Municipal Fund (NEA)
Nuveen Select Maturities Municipal Fund (NIM)
Nuveen Select Tax-Free Income Portfolio (NXP)
Nuveen Select Tax-Free Income Portfolio 2 (NXQ)
Nuveen Select Tax-Free Income Portfolio 3 (NXR)
Nuveen California Select Tax-Free Income Portfolio (NXC)
Nuveen New York Select Tax-Free Income Portfolio (NXN)

General Information

This Joint Proxy Statement is furnished in connection with the solicitation by the Board of Directors or Trustees (each a Board and collectively, the Boards, and each Director or Trustee, a Board Member and collectively, the Board Members) of Nuveen Municipal Value Fund, Inc. (Municipal Value), Nuveen Municipal Income Fund, Inc. (Municipal Income), Nuveen Premium Income Municipal Fund, Inc. (Premium Income), Nuveen Performance Plus Municipal Fund, Inc. (Performance Plus), Nuveen Municipal Advantage Fund, Inc. (Municipal Advantage), Nuveen Municipal Market Opportunity Fund, Inc. (Municipal Market Opportunity), Nuveen Investment Quality Municipal Fund, Inc. (Investment Quality), Nuveen Select Quality Municipal Fund, Inc. (Select Quality), Nuveen Quality Income Municipal Fund, Inc. (Quality Income), Nuveen Insured Municipal Opportunity Fund, Inc. (Insured Municipal Opportunity), Nuveen Insured Quality Municipal Fund, Inc. (Insured Quality), Nuveen Premier Municipal Income Fund, Inc. (Premier Municipal), Nuveen Premier Insured Municipal Income Fund, Inc. (Premier Insured), Nuveen Premium Income Municipal Fund 2, Inc. (Premium Income 2), Nuveen Premium Income Municipal Fund 4, Inc. (Premium Income 4), each a **Minnesota Corporation** (each referred to herein as a Minnesota Fund and collectively, the Minnesota Funds), and Nuveen Dividend Advantage Municipal Fund (Dividend Advantage), Nuveen Insured Dividend Advantage Municipal Fund (Insured Dividend Advantage), Nuveen Insured Premium Income Municipal Fund 2 (Insured Premium Income 2), Nuveen Insured Tax-Free Advantage Municipal Fund (Insured Tax-Free Advantage), Nuveen Dividend Advantage Municipal Fund 2 (Dividend Advantage 2), Nuveen Dividend Advantage Municipal Fund 3 (Dividend Advantage 3), Nuveen Municipal High Income Opportunity Fund (Municipal High Income), Nuveen Municipal High Income Opportunity Fund 2 (Municipal High Income 2), Nuveen Select Maturities Municipal Fund (Select Maturities), Nuveen Select Tax-Free Income Portfolio (Select Portfolio), Nuveen Select Tax-Free Income Portfolio 2 (Select Portfolio 2), Nuveen Select Tax-Free Income Portfolio 3 (Select Portfolio 3), Nuveen California Select Tax-Free Income Portfolio (California Portfolio) and Nuveen New York Select Tax-Free Income Portfolio (New York Portfolio), each a **Massachusetts Business Trust** (each referred to herein as a Massachusetts Fund and collectively, the Massachusetts Funds) (the Massachusetts Funds and Minnesota Funds are each, a Fund and collectively, the Funds), of proxies to be voted at the Annual Meeting of Shareholders to be held in the Lobby Conference Room, Nuveen Investments, 333 West Wacker Drive, Chicago, Illinois, on Tuesday, July 28, 2009, at 10:30 a.m., Central time (for each Fund, an Annual Meeting and collectively, the Annual Meetings), and at any and all adjournments thereof.

On the matters coming before each Annual Meeting as to which a choice has been specified by shareholders on the proxy, the shares will be voted accordingly. If a proxy is returned and no choice is specified, the shares will be voted FOR the election of the nominees as listed in this Joint Proxy Statement and FOR the elimination of the fundamental investment policies and the adoption of new fundamental investment policies for the Affected Municipal Funds (as defined below) and the Affected Insured Funds (as defined below). Shareholders who execute proxies may revoke them at any time before they are voted by filing with that Fund a written notice of revocation, by delivering a duly executed proxy bearing a later date, or by attending the Annual Meeting and voting in person.

The Board of each Fund has determined that the use of this Joint Proxy Statement for each Annual Meeting is in the best interest of each Fund and its shareholders in light of the similar matters being considered and voted on by the shareholders.

The following table indicates which shareholders are solicited with respect to each matter:

Matter		**Common Shares**	**Preferred Shares**[(1)]
1(a)(i)	For each Minnesota Fund (except Municipal Value and Municipal Income), election of seven (7) Board Members by all shareholders.	X	X
1(a)(ii)	For each Minnesota Fund (except Municipal Value and Municipal Income), election of two (2) Board Members by Preferred Shares only.	X	X
1(b)	For Municipal Value and Municipal Income, election of three (3) Board Members by all shareholders.	X	N/A
1(c)(i)	For each Massachusetts Fund (except Select Maturities, Select Portfolio, Select Portfolio 2, Select Portfolio 3, California Portfolio, New York Portfolio and Municipal High Income 2), election of two (2) Board Members by all shareholders.	X	X
1(c)(ii)	For each Massachusetts Fund (except Select Maturities, Select Portfolio, Select Portfolio 2, Select Portfolio 3, California Portfolio, New York Portfolio and Municipal High Income 2), election of two (2) Board Members by Preferred Shares only.	X	X
1(d)	For Select Maturities, Select Portfolio, Select Portfolio 2, Select Portfolio 3, California Portfolio, New York Portfolio and Municipal High Income 2, election of three (3) Board Members by all shareholders.	X	N/A
2.	For Premium Income, Performance Plus, Insured Quality, Insured Municipal Opportunity, Premier Insured, Insured Premium Income 2, Municipal Advantage, Municipal Market Opportunity, Investment Quality, Select Quality, Quality Income, Premier Municipal, Premium Income 2, Premium Income 4, Dividend Advantage, Dividend Advantage 2, Dividend Advantage 3 and Municipal High Income (the Affected Municipal Funds), to approve the elimination of fundamental investment policies and/or to	X	X

approve the new fundamental investment policies.

3

Matter		Common Shares	Preferred Shares[(1)]
2(a)	For each Affected Municipal Fund except Insured Quality, Insured Municipal Opportunity, Premier Insured, Insured Premium Income 2, to approve the elimination of the Fund s fundamental investment policies relating to investments in municipal securities and below investment grade securities.	X	X
2(b)	For each Affected Municipal Fund except Insured Quality, Insured Municipal Opportunity, Premier Insured, Insured Premium Income 2, to approve the new fundamental investment policy relating to investments in municipal securities.	X	X
2(c)	For each Affected Municipal Fund, except Dividend Advantage, Dividend Advantage 2, Dividend Advantage 3 and Municipal High Income, to approve the elimination of the fundamental investment policy relating to investing in other investment companies.	X	X
2(d)	For each Affected Municipal Fund, except Dividend Advantage, Dividend Advantage 2, Dividend Advantage 3 and Municipal High Income, to approve the elimination of fundamental investment policies relating to commodities.	X	X
2(e)	For each Affected Municipal Fund, except Dividend Advantage, Dividend Advantage 2, Dividend Advantage 3 and Municipal High Income, to approve the new fundamental investment policy relating to commodities.	X	X
2(f)	For each Affected Municipal Fund, except Dividend Advantage, Dividend Advantage 2, Dividend Advantage 3 and Municipal High Income, to approve the elimination of the fundamental investment policy relating to derivatives and shorts sales.	X	X
3(a)	For Insured Municipal Opportunity, Insured Quality and Insured Dividend Advantage (the Affected Insured Funds), to approve the elimination of fundamental investment policies relating to tax-exempt securities.	X	X

3(b)	For each Affected Insured Fund, to approve a new fundamental investment policy relating to tax-exempt securities.	X	X

(1) Variable Rate Demand Preferred Shares for Dividend Advantage 2 and Insured Premium Income 2 and Municipal Auction Rate Cumulative Preferred Shares (MuniPreferred) for each other Fund are referred to as Preferred Shares. Municipal High Income 2, Municipal Value, Municipal Income, Select Maturities, Select Portfolio, Select Portfolio 2, Select Portfolio 3, California Portfolio and New York Portfolio have not issued Preferred Shares.

A quorum of shareholders is required to take action at each Annual Meeting. A majority of the shares entitled to vote at each Annual Meeting, represented in person or by proxy, will constitute a quorum of shareholders at that Annual Meeting, except that for the election of the two Board Member nominees to be elected by holders of Preferred Shares of each Fund (except Municipal Value, Municipal Income, Select Maturities, Select Portfolio, Select Portfolio 2, Select Portfolio 3, California Portfolio, New York Portfolio and Municipal High Income 2), 331/3% of the Preferred Shares entitled to vote and represented in person or by proxy will constitute a quorum. Votes cast by proxy or in person at each Annual Meeting will be tabulated by the inspectors of election appointed for that Annual Meeting. The inspectors of election will determine whether or not a quorum is present at the Annual Meeting. The inspectors of election will treat abstentions and broker non-votes (i.e., shares held by brokers or nominees, typically in street name, as to which (i) instructions have not been received from the beneficial owners or persons entitled to vote and (ii) the broker or nominee does not have discretionary voting power on a particular matter) as present for purposes of determining a quorum.

For each Fund, the affirmative vote of a plurality of the shares present and entitled to vote at the Annual Meeting will be required to elect the Board Members of that Fund. For purposes of determining the approval of the proposal to elect nominees for each Fund, abstentions and broker non-votes will have no effect on the election of Board Members. For purposes of determining the approval of the elimination of the fundamental investment policies and the approval of the new fundamental investment policies for the Affected Municipal Funds and the Affected Insured Funds, a change will only be consummated if approved by the affirmative vote of the holders of a majority of the outstanding shares of a Fund s common shares and Preferred Shares, voting together as a single class, and of the Preferred Shares, voting as a separate class, as defined in the Investment Company Act of 1940, as amended (the 1940 Act), as (a) 67% or more of the voting securities present at the Annual Meeting, if the holders of more than 50% of the outstanding voting securities are present or represented by proxy; or (b) more than 50% of the outstanding voting securities, whichever is less. For purposes of determining the approval of the elimination of the fundamental investment policies and the approval of the new fundamental investment policies, abstentions and broker non-votes will have the same effect as shares voted against the proposal.

Preferred Shares held in street name as to which voting instructions have not been received from the beneficial owners or persons entitled to vote as of one business day before the Annual Meeting, or, if adjourned, one business day before the day to which the Annual Meeting is adjourned, and that would otherwise be treated as broker non-votes may, pursuant to Rule 452 of the New York Stock Exchange, be voted by the broker on the proposal in the same proportion as the votes cast by all holders of Preferred Shares as a class who have voted on the proposal or in the same proportion as the votes cast by all holders of Preferred Shares of the Fund who have voted on that item. Rule 452 permits proportionate voting of Preferred Shares with respect to a particular item if, among other things, (i) a minimum of 30% of the Preferred Shares or shares of a series of Preferred Shares outstanding has been voted by the holders of such shares with respect to such item and (ii) less than 10% of the Preferred Shares or shares of a series of Preferred Shares outstanding has been voted by the holders of such shares against such item. For the purpose of meeting the 30% test, abstentions will be treated as shares voted and, for the purpose of meeting the 10% test, abstentions will not be treated as shares voted against the item.

Those persons who were shareholders of record at the close of business on June 8, 2009 will be entitled to one vote for each share held and a proportionate fractional vote for each fractional share held. As of June 8, 2009, the shares of the Funds were issued and outstanding as follows:

Fund	**Ticker Symbol***	**Common Shares**	**Preferred Shares**	
Municipal Value	NUV	196,511,139	N/A	
Municipal Income	NMI	8,163,929	N/A	
Premium Income	NPI	63,785,430	Series M	2,900
			Series M2	1,526
			Series T	2,900
			Series W	2,900
			Series TH	2,901
			Series F	2,899
Performance Plus	NPP	59,914,073	Series M	3,553
			Series T	3,552
			Series W	3,551
			Series TH	2,806
			Series F	3,553
Municipal Advantage	NMA	43,214,524	Series M	2,503
			Series T	2,503
			Series W	2,502
			Series TH	1,936
			Series F	2,503
Municipal Market Opportunity	NMO	45,557,788	Series M	3,649
			Series T	3,648
			Series W	2,920
			Series F	3,650
Investment Quality	NQM	35,820,767	Series M	1,750
			Series T	1,750
			Series W	1,749
			Series TH	1,429
			Series F	1,750

Select Quality	NQS	34,015,420	Series M	1,849
			Series T	1,849
			Series W	2,589
			Series TH	1,442
			Series F	2,588
Quality Income	NQU	54,219,374	Series M	2,678
			Series T	2,680
			Series W	2,679
			Series W2	1,857
			Series TH	3,571
			Series F	2,679
Premier Municipal	NPF	19,888,518	Series M	769
			Series T	2,153
			Series TH	2,152

Fund	Ticker Symbol*	Common Shares	Preferred Shares	
Premier Insured	NIF	19,419,608	Series W	678
			Series TH	2,263
			Series F	2,264
Premium Income 2	NPM	40,794,161	Series M	1,600
			Series T	2,401
			Series W	1,600
			Series TH	2,401
			Series F	1,601
			Series F2	1,504
Premium Income 4	NPT	43,236,703	Series M	1,761
			Series T	1,602
			Series T2	1,063
			Series W	1,345
			Series W2	423
			Series TH	2,146
			Series F	1,440
			Series F2	1,062
Dividend Advantage	NAD	39,287,298	Series M	3,618
			Series T	3,617
			Series TH	3,437
Dividend Advantage 2	NXZ	29,436,351	Series 1	1,960
Dividend Advantage 3	NZF	40,378,174	Series W	3,159
			Series TH	3,159
			Series F	3,160
Municipal High Income	NMZ	24,234,875	Series M	1,826
			Series T	987
			Series W	987
Municipal High Income 2	NMD	15,974,681	N/A	

Insured Dividend Advantage	NVG	29,802,900	Series M	2,749
			Series T	2,679
			Series TH	2,678
Insured Municipal Opportunity	NIO	81,138,037	Series M	3,372
			Series T	3,372
			Series W	3,373
			Series W2	2,698
			Series TH	3,372
			Series TH2	3,374
			Series F	3,371
Insured Premium Income 2	NPX	37,353,512	Series 1	2,190
Insured Quality	NQI	38,295,278	Series M	2,009
			Series T	2,010
			Series W	2,011
			Series TH	1,794
			Series F	2,010
Insured Tax-Free Advantage	NEA	18,506,397	Series T	2,573
			Series W	2,573
Select Maturities	NIM	12,405,962	N/A	

Fund	Ticker Symbol*	Common Shares	Preferred Shares
Select Portfolio	NXP	16,443,829	N/A
Select Portfolio 2	NXQ	17,646,933	N/A
Select Portfolio 3	NXR	12,984,661	N/A
California Portfolio	NXC	6,267,289	N/A
New York Portfolio	NXN	3,910,604	N/A

* The Common Shares of all of the Funds are listed on the New York Stock Exchange, except NEA, NVG, NXZ, NZF and NMZ, which are listed on the NYSE Amex.

1. Election of Board Members

Minnesota Corporations

At the Annual Meeting of each Minnesota Corporation, Board Members are to be elected to serve until the next annual meeting or until their successors shall have been duly elected and qualified. Under the terms of each Minnesota Corporation s organizational documents (except Municipal Value and Municipal Income), under normal circumstances, holders of Preferred Shares are entitled to elect two (2) Board Members, and the remaining Board Members are to be elected by holders of Common Shares and Preferred Shares, voting together as a single class. Pursuant to the organizational documents of Municipal Value and Municipal Income, each Board is divided into three classes, with each class being elected to serve until the third succeeding annual meeting subsequent to their election or thereafter in each case when their respective successors are duly elected and qualified. For Municipal Value and Municipal Income, three (3) Board Members are nominated to be elected at this Annual Meeting.

a. **For each Minnesota Corporation, except Municipal Value and Municipal Income:**

(i) seven (7) Board Members are to be elected by holders of Common Shares and Preferred Shares, voting together as a single class. Board Members Amboian, Bremner, Evans, Kundert, Stockdale, Stone and Toth are nominees for election by all shareholders.

(ii) two (2) Board Members are to be elected by holders of Preferred Shares, each series voting together as a single class. Board Members Hunter and Schneider are nominees for election by holders of Preferred Shares.

b. **For Municipal Value and Municipal Income:** three (3) Board Members are to be elected by all shareholders.

With respect to Municipal Value, Board Members Bremner, Evans and Schneider have been designated as Class III Board Members and as nominees for Board Members for a term expiring at the annual meeting of shareholders in 2012 or until their successors have been duly elected and qualified. Board Members Amboian, Hunter, Kundert, Stockdale, Stone and Toth are current and continuing Board Members. Board Members Hunter, Stockdale and Stone have been designated as Class I Board Members for a term expiring at the annual meeting of shareholders in 2010 or until their successors have been duly elected and qualified. Board Members Amboian, Kundert and Toth have

8

been designated as Class II Board Members for a term expiring at the annual meeting of shareholders in 2011 or until their successors have been duly elected and qualified.

With respect to Municipal Income, Board Members Bremner, Evans and Schneider have been designated as Class II Board Members and as nominees for Board Members for a term expiring at the annual meeting of shareholders in 2012 or until their successors have been duly elected and qualified. Board Members Amboian, Hunter, Kundert, Stockdale, Stone and Toth are current and continuing Board Members. Board Members Hunter, Stockdale and Stone have been designated as Class III Board Members for a term expiring at the annual meeting of shareholders in 2010 or until their successors have been duly elected and qualified. Board Members Amboian, Kundert and Toth have been designated as Class I Board Members for a term expiring at the annual meeting of shareholders in 2011 or until their successors have been duly elected and qualified.

Massachusetts Business Trusts

Pursuant to the organizational documents of each Massachusetts Business Trust, each Board is divided into three classes, Class I, Class II and Class III, to be elected by the holders of the outstanding Common Shares and any outstanding Preferred Shares, voting together as a single class to serve until the third succeeding annual meeting subsequent to their election or thereafter, in each case until their successors have been duly elected and qualified. For each Massachusetts Business Trust, except Select Maturities, Select Portfolio, Select Portfolio 2, Select Portfolio 3, California Portfolio, New York Portfolio and Municipal High Income 2, under normal circumstances, holders of Preferred Shares are entitled to elect two (2) Board Members. The Board Members elected by holders of Preferred Shares will be elected to serve until the next annual meeting or until their successors shall have been duly elected and qualified.

c. **For each Massachusetts Business Trust, except Select Maturities, Select Portfolio, Select Portfolio 2, Select Portfolio 3, California Portfolio, New York Portfolio and Municipal High Income 2:**

(i) two (2) Board Members are to be elected by holders of Common Shares and Preferred Shares, voting together as a single class. Board Members Bremner and Evans have been designated as Class III Board Members and as nominees for Board Members for a term expiring at the annual meeting of shareholders in 2012 or until their successors have been duly elected and qualified. Board Members Amboian, Kundert, Stockdale, Stone and Toth are current and continuing Board Members. Board Members Stockdale and Stone have been designated as Class I Board Members for a term expiring at the annual meeting of shareholders in 2010 or until their successors have been duly elected and qualified. Board Members Amboian, Kundert and Toth have been designated as Class II Board Members for a term expiring at the annual meeting of shareholders in 2011 or until their successors have been duly elected and qualified.

(ii) two (2) Board Members are to be elected by holders of Preferred Shares, voting separately as a single class. Board Members Hunter and Schneider are nominees for election by holders of Preferred Shares for a term expiring at the next annual meeting or until their successors have been duly elected and qualified.

d. **For Select Maturities, Select Portfolio, Select Portfolio 2, Select Portfolio 3, California Portfolio, New York Portfolio and Municipal High Income 2:**

Three (3) Board Members are to be elected by all shareholders. Board Members Bremner, Evans and Schneider have been designated as Class III Board Members and as nominees for Board Members for a term expiring at the annual meeting of shareholders in 2012 or until their successors have been duly elected and qualified. Board Members Amboian, Hunter, Kundert, Stockdale, Stone and Toth are current and continuing Board Members. Board Members Hunter, Stockdale and Stone have been designated as Class I Board Members for a term expiring at the annual meeting of shareholders in 2010 or until their successors have been duly elected and qualified. Board Members Amboian, Kundert and Toth have been designated as Class II Board Members for a term expiring at the annual meeting of shareholders in 2011 or until their successors have been duly elected and qualified.

It is the intention of the persons named in the enclosed proxy to vote the shares represented thereby for the election of the nominees listed in the table below unless the proxy is marked otherwise. Each of the nominees has agreed to serve as a Board Member of each Fund if elected. However, should any nominee become unable or unwilling to accept nomination for election, the proxies will be voted for substitute nominees, if any, designated by that Fund s present Board.

For each Minnesota Corporation, except for Municipal Value, Municipal Income, Insured Municipal Opportunity, Insured Quality and Premier Insured, all Board Member nominees were last elected to each Fund s Board at the annual meeting of shareholders held on July 29, 2008 and adjourned to August 29, 2008, September 30, 2008 and October 28, 2008.

For Municipal Value, Board Members Amboian, Kundert and Toth were last elected as Class II Board Members at the annual meeting of shareholders held on July 29, 2008 and adjourned to August 29, 2008. Board Member Hunter was last elected as a Class I Board Member of the Board of Municipal Value at the annual meeting of shareholders held on July 29, 2008 and adjourned to August 29, 2008. Board Members Stockdale and Stone were last elected as Class I Board Members of the Board of Municipal Value at the annual meeting of shareholders held on July 31, 2007.

For Municipal Income, Board Members Amboian, Kundert and Toth were last elected as Class I Board Members at the annual meeting of shareholders held on July 29, 2008 and adjourned to August 29, 2008. Board Member Hunter was last elected as a Class III Board Member of the Board of Municipal Income at the annual meeting of shareholders held on July 29, 2008 and adjourned to August 29, 2008. Board Members Stockdale and Stone were last elected as Class III Board Members of the Board of Municipal Income at the annual meeting of shareholders held on July 31, 2007.

For Insured Municipal Opportunity, Insured Quality and Premier Insured, all Board Member nominees were last elected to each Fund s Board at the annual meeting of shareholders held on June 30, 2008 and adjourned to July 28, 2008, August 29, 2008, September 30, 2008 and October 28, 2008.

For each Massachusetts Business Trust, except Insured Dividend Advantage, Insured Premium Income 2, Insured Tax-Free Advantage, Select Maturities, Select Portfolio, Select Portfolio 2, Select Portfolio 3, California Portfolio, New York Portfolio and Municipal High Income 2, Board

Members Amboian, Kundert and Toth were last elected to each Fund s Board as Class II Board Members and Board Members Schneider and Hunter were last elected to each Fund s Board at the annual meeting of shareholders held on July 29, 2008 and adjourned to August 29, 2008, September 30, 2008 and October 28, 2008. Board Members Stockdale and Stone were last elected to each Fund s Board as Class I Board Members at the annual meeting of shareholders held on July 31, 2007.

For Insured Dividend Advantage, Insured Premium Income 2 and Insured Tax-Free Advantage, Board Members Amboian, Kundert and Toth were last elected to each Fund s Board as Class II Board Members and Board Members Hunter and Schneider were last elected to each Fund s Board at the annual meeting of shareholders held on June 30, 2008 and adjourned to July 28, 2008 and August 29, 2008, and for Insured Premium Income 2, adjourned to September 30, 2008 and for Insured Dividend Advantage, adjourned to September 30, 2008 and October 28, 2008. Board Members Stockdale and Stone were last elected to each Fund s Board as Class I Board Members at the annual meeting of shareholders held on July 31, 2007.

For Select Maturities, Select Portfolio, Select Portfolio 2, Select Portfolio 3, California Portfolio and New York Portfolio, Board Members Amboian, Kundert and Toth were last elected to each Fund s Board as Class II Board Members at the annual meeting of shareholders held on July 29, 2008 and adjourned to August 29, 2008. Board Member Hunter was last elected to each Fund s Board as a Class I Board Member at the annual meeting of shareholders held on July 29, 2008 and adjourned to August 29, 2008. Board Members Stockdale and Stone were last elected as Class I Board Members to each Fund s Board at the annual meeting of shareholders held on July 31, 2007.

For Municipal High Income 2, Board Members Amboian, Kundert and Toth were last elected as Class II Board Members and Board Member Hunter was last elected as a Class I Board Member at the annual meeting of shareholders held on July 29, 2008. Board Members Bremner, Evans, Schneider, Stockdale and Stone were elected by the initial shareholder of the Fund, Nuveen Asset Management (the Adviser or NAM), on November 13, 2007.

Other than Mr. Amboian (for all Funds), all Board Member nominees are not interested persons as defined in the 1940 Act, of the Funds or of the Adviser and have never been an employee or director of Nuveen Investments, Inc. (Nuveen), the Adviser s parent company, or any affiliate. Accordingly, such Board Members are deemed Independent Board Members.

The Board unanimously recommends that shareholders vote FOR the election of the nominees named below.

Board Nominees/Board Members

Name, Address and Birth Date	Position(s) Held with Fund	Term of Office and Length of Time Served(1)	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex Overseen by Board Member	Other Directorships Held by Board Member

Nominees/Board Members who are not interested persons of the Funds

Robert P. Bremner c/o Nuveen Investments, Inc. 333 West Wacker Drive Chicago, IL 60606 (8/22/40)	Chairman of the Board, Board Member	Term: Annual or Class III Board Member until 2009(2)	Private Investor and Management Consultant; Treasurer and Director, Humanities Council of Washington D.C.	200	N/A

11

Name, Address and Birth Date	Position(s) Held with Fund	Term of Office and Length of Time Served[1]	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex Overseen by Board Member	Other Directorships Held by Board Member
		Length of Service: Since 1996; Chairman of the Board since 2008; Lead Independent Director (2005-2008)			
Jack B. Evans c/o Nuveen Investments, Inc. 333 West Wacker Drive Chicago, IL 60606 (10/22/48)	Board Member	Term: Annual or Class III Board Member until 2009[2] Length of Service: Since 1999	President, The Hall-Perrine Foundation, a private philanthropic corporation (since 1996); Director and Vice Chairman, United Fire Group, a publicly held company; Member of the Board of Regents for the State of Iowa University System; Director, Gazette Companies; Life Trustee of Coe College and Iowa College Foundation; Member of the Advisory Council of the Department of Finance in the Tippie College of Business, University of Iowa; formerly, Director, Alliant Energy; formerly, Director, Federal Reserve Bank of Chicago; formerly, President and Chief Operating Officer, SCI Financial Group, Inc.,	200	See Principal Occupation Description

			a regional financial services firm.		
William C. Hunter c/o Nuveen Investments, Inc. 333 West Wacker Drive Chicago, IL 60606 (3/6/48)	Board Member	Term: Annual or Class II Board Member until 2010(2) Length of Service: Since 2004	Dean, Tippie College of Business, University of Iowa (since 2006); Director (since 2004) of Xerox Corporation, a publicly held company; formerly, (2003-2006), Dean and Distinguished Professor of Finance, School of Business at the University of Connecticut; formerly, Senior Vice President and Director of Research at the Federal Reserve Bank of Chicago (1995-2003); formerly, Director, SS&C Technologies, Inc. (May 2005-October 2005); formerly, Director, Credit Research Center at Georgetown University (1997-2007).	200	See Principal Occupation Description
David J. Kundert c/o Nuveen Investments, Inc. 333 West Wacker Drive Chicago, IL 60606 (10/28/42)	Board Member	Term: Annual or Class II Board Member until 2011(2) Length of Service: Since 2005	Director, Northwestern Mutual Wealth Management Company; retired (2004) as Chairman, JPMorgan Fleming Asset Management, President and CEO, Banc One Investment Advisors Corporation, and President, One Group Mutual Funds; prior thereto, Executive Vice President, Bank One Corporation and Chairman and CEO, Banc One Investment Management Group; Board of Regents, Luther College; member of the Wisconsin Bar Association; member of Board of Directors, Friends of Boerner Botanical Gardens;	200	See Principal Occupation Description

			member of Investment Committee, Greater Milwaukee Foundation.		
William J. Schneider c/o Nuveen Investments, Inc. 333 West Wacker Drive Chicago, IL 60606 (9/24/44)	Board Member	Term: Annual or Class III Board Member until 2009(2) Length of Service: Since 1996	Chairman, of Miller-Valentine Partners Ltd., a real estate investment company; formerly, Senior Partner and Chief Operating Officer (retired, 2004) of Miller-Valentine Group; Member, University of Dayton Business School Advisory Council; Member, Dayton Philharmonic Orchestra Board; formerly, Member, Business Advisory Council, Cleveland Federal Reserve Bank; formerly, Director, Dayton Development Coalition.	200	See Principal Occupation Description

12

Name, Address and Birth Date	Position(s) Held with Fund	Term of Office and Length of Time Served[1]	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex Overseen by Board Member	Other Directorships Held by Board Member
Judith M. Stockdale c/o Nuveen Investments, Inc. 333 West Wacker Drive Chicago, IL 60606 (12/29/47)	Board Member	Term: Annual or Class I Board Member until 2010[2] Length of Service: Since 1997	Executive Director, Gaylord and Dorothy Donnelley Foundation (since 1994); prior thereto, Executive Director, Great Lakes Protection Fund (from 1990 to 1994).	200	N/A
Carole E. Stone c/o Nuveen Investments, Inc. 333 West Wacker Drive Chicago, IL 60606 (6/28/47)	Board Member	Term: Annual or Class I Board Member until 2010[2] Length of Service: Since 2007	Director, Chicago Board Options Exchange (since 2006); Commissioner, NYSE Commission on Public Authority Reform (since 2005); formerly Director, New York State Division of the Budget (2000-2004), Chair, Public Authorities Control Board (2000-2004) and Director, Local Government Assistance Corporation (2000-2004); Chair, New York Racing Association Oversight Board (2005-2007).	200	See Principal Occupation Description
Terence J. Toth c/o Nuveen Investments, Inc. 333 West Wacker Drive Chicago, IL	Board Member Nominee	Term: Annual or Class II Board Member until 2011[2] Length of Service:	Director, Legal & General Investment Management America, Inc. (since 2008); Managing Partner, Musso Capital Management (since 2008);	200	See Principal Occupation Description

60606 (9/29/59)		Since 2008	Private Investor (since 2007); CEO and President, Northern Trust Investments (2004-2007); Executive Vice President, Quantitative Management & Securities Lending (2000-2004); prior thereto, various positions with Northern Trust Company (since 1994); Member: Goodman Theatre Board (since 2004); Chicago Fellowship Board (since 2005), University of Illinois Leadership Council Board (since 2007) and Catalyst Schools of Chicago Board (since 2008); formerly Member: Northern Trust Mutual Funds Board (2005-2007), Northern Trust Investments Board (2004-2007), Northern Trust Japan Board (2004-2007), Northern Trust Securities Inc. Board (2003-2007) and Northern Trust Hong Kong Board (1997-2004).		
Nominee/Board Member who is an interested person of the Funds					
John P. Amboian[3] 333 West Wacker Drive Chicago, IL 60606 (6/14/61)	Board Member Nominee	Term: Annual or Class II Board Member until 2011[2] Length of Service: Since 2008	Chief Executive Officer (since July 2007) and Director (since 1999) of Nuveen Investments, Inc.; Chief Executive Officer (since 2007) of Nuveen Asset Management, Nuveen Investments Advisers, Inc. formerly, President (1999-2004) of Nuveen Advisory Corp. and Nuveen Institutional Advisory Corp.[4]	200	See Principal Occupation Description

(1) Length of Time Served indicates the year in which the individual became a Board Member of a fund in the Nuveen fund complex.

(2) For Municipal Value, Select Maturities, Select Portfolio, Select Portfolio 2, Select Portfolio 3, California Portfolio, New York Portfolio and Municipal High Income 2, Board Member Hunter serves as a Class I Board Member and Board Member Schneider serves as a Class III Board Member. For Municipal Income, Board Members Amboian, Kundert and Toth serve as Class I Board Members. Board Members Hunter, Stockdale and Stone are Class III Board Members, and Board Members Bremner, Evans and Schneider are Class II Board Members.

(3) Interested person as defined in the 1940 Act, by reason of being an officer and director of each Fund s adviser.

(4) Nuveen Advisory Corp. and Nuveen Institutional Advisory Corp. were reorganized into Nuveen Asset Management, effective January 1, 2005.

The dollar range of equity securities beneficially owned by each Board Member in each Fund and all Nuveen funds overseen by the Board Member as of December 31, 2008 is set forth in Appendix A. The number of shares of each Fund beneficially owned by each Board Member and by the Board Members and officers of the Funds as a group as of December 31, 2008 is set forth in Appendix A. On December 31, 2008, Board Members and executive officers as a group beneficially owned approximately 640,000 shares of all funds managed by NAM (including shares held by the Board Members through the Deferred Compensation Plan for Independent Board Members and by executive officers in Nuveen s 401(k)/profit sharing plan). As of June 8, 2009, each Board Member s individual beneficial shareholdings of each Fund constituted less than 1% of the outstanding shares of each Fund. As of June 8, 2009, the Board Members and executive officers as a group beneficially owned less than 1% of the outstanding shares of each Fund. As of June 8, 2009, no shareholder beneficially owned more than 5% of any class of shares of any Fund, except as provided in Appendix B.

Compensation

Effective January 1, 2008, for all funds in the Nuveen complex, Independent Board Members receive a $100,000 annual retainer plus (a) a fee of $3,250 per day for attendance in person or by telephone at a regularly scheduled meeting of the Board; (b) a fee of $2,500 per meeting for attendance in person where such in-person attendance is required and $1,500 per meeting for attendance by telephone or in person where in-person attendance is not required at a special, non-regularly scheduled board meeting; (c) a fee of $2,000 per meeting for attendance in person or $1,500 per meeting for by telephone at an audit committee meeting; (d) a fee of $2,000 per meeting for attendance at a regularly scheduled compliance, risk management and regulatory oversight committee meeting for regular quarterly meetings and $1,000 per meeting for attendance of other, non-quarterly meetings; (e) a fee of $1,000 per meeting for attendance in person or by telephone for a meeting of the dividend committee; and (f) a fee of $500 per meeting for attendance in person at all other committee meetings, $1,000 for attendance at shareholder meetings, on a day on which no regularly scheduled board meeting is held in which in-person attendance is required and $250 per meeting for attendance by telephone or in person at such committee meetings (excluding shareholder meetings) where in-person attendance is not required and $100 per meeting when the executive committee acts as pricing committee for IPOs, plus, in each case, expenses incurred in attending such meetings. In addition to the payments described above, the Independent Chairman receives $50,000 annually and the Lead Independent Director, if any, receives $35,000, the chairpersons of the audit committee, dividend committee and the compliance, risk management and regulatory oversight committee receive $7,500 and the chairperson of the nominating and governance committee receives $5,000 as additional retainers to the annual retainer paid to such individuals. Independent Board Members also receive a fee of $2,500 per day for site visits to entities that provide services to the Nuveen funds on days on which no regularly scheduled board meeting is held. When ad hoc committees are organized, the nominating and governance committee will at the time of formation determine compensation to be paid to the members of such committee, however, in general such fees will be $1,000 per meeting for attendance in person at any ad hoc committee meeting where in-person attendance is required and $500 per meeting for attendance by telephone or in person at such meetings where in-person attendance is not required. The annual retainer, fees and expenses are allocated among the funds managed by the Adviser, on the basis of relative net asset sizes although fund management may, in its discretion, establish a minimum amount to be allocated to each fund. The Board Member affiliated with Nuveen and the Adviser serves without any compensation from the Funds.

The boards of certain Nuveen funds (the Participating Funds) established a Deferred Compensation Plan for Independent Board Members (Deferred Compensation Plan). Under the Deferred Compensation Plan, Independent Board Members of the Participating Funds may defer receipt of all, or a portion, of the compensation they earn for their services to the Participating Funds, in lieu of receiving current payments of such compensation. Any deferred amount is treated as though an equivalent dollar amount had been invested in shares of one or more eligible Nuveen funds.

15

Aggregate Compensation from the Funds(2)

Fund	Robert P. Bremner	Jack B. Evans	William C. Hunter	David J. Kundert	William J. Schneider	Judith M. Stockdale	Carole E. Stone	Terence J. Toth
Municipal Value	$ 5,600	$ 4,716	$ 3,133	$ 3,123	$ 3,855	$ 3,983	$ 4,399	$ 730
Municipal Income	264	230	197	228	237	200	197	42
Premium Income	4,239	3,664	2,397	2,368	2,926	3,125	3,377	505
Performance Plus	4,100	3,538	2,317	2,293	2,830	3,015	3,259	510
Municipal Advantage	2,982	2,570	1,683	1,667	2,056	2,193	2,366	374
Municipal Market Opportunity	3,114	2,684	1,757	1,740	2,147	2,291	2,471	390
Investment Quality	2,433	2,100	1,374	1,357	1,677	1,795	1,936	287
Select Quality	2,330	2,008	1,315	1,302	1,607	1,714	1,849	292
Quality Income	3,742	3,229	2,115	2,094	2,583	2,752	2,974	467
Premier Municipal	1,320	1,141	746	737	911	973	1,052	156
Premier Insured	1,336	1,151	754	747	921	982	1,059	168
Premium Income 2	2,758	2,383	1,559	1,541	1,903	2,032	2,196	330
Premium Income 4	2,666	2,302	1,507	1,491	1,840	1,962	2,121	328
Dividend Advantage	2,573	2,218	1,452	1,436	1,773	1,894	2,043	316
Dividend Advantage 2	2,001	1,726	1,130	1,118	1,381	1,473	1,589	246
Dividend Advantage 3	2,701	2,332	1,527	1,510	1,864	1,988	2,149	331
Municipal High Income	1,478	1,277	835	827	1,021	1,088	1,176	182
Municipal High Income 2	746	1,552	479	553	575	1,582	479	111
Insured Dividend Advantage	2,044	1,760	1,153	1,142	1,408	1,502	1,620	258
Insured Municipal Opportunity	5,604	4,829	3,162	3,130	3,862	4,124	4,449	693
Insured Premium Income 2	2,291	1,978	1,294	1,280	1,581	1,688	1,821	278
Insured Quality	2,604	2,245	1,470	1,455	1,796	1,916	2,067	323
Insured Tax-Free Advantage	1,241	1,069	700	693	856	913	984	155
Select Maturities	447	389	316	372	391	338	329	192
Select Portfolio	803	673	431	468	511	579	616	304
Select Portfolio 2	828	695	444	481	526	597	636	309
Select Portfolio 3	622	521	334	362	396	448	477	235

Aggregate Compensation from the Funds[(2)]

Fund	Robert P. Bremner	Jack B. Evans	William C. Hunter	David J. Kundert	William J. Schneider	Judith M. Stockdale	Carole E. Stone	Terence J. Toth
California Portfolio	300	251	161	174	190	216	230	112
New York Portfolio	185	155	99	107	117	133	142	70
Total Compensation from Nuveen Funds Paid to Board Members/Nominees[(1)]	$ 216,138	$ 189,578	$ 120,659	$ 128,240	$ 140,917	$ 160,362	$ 171,750	$ 28,695

(1) Based on the total compensation paid, including deferred fees (including the return from the assumed investment in the eligible Nuveen funds), to the Board Members for the calendar year ended December 31, 2008 for services to the Nuveen open-end and closed-end funds advised by NAM.

(2) Includes deferred fees. Pursuant to a deferred compensation agreement with certain of the Funds, deferred amounts are treated as though an equivalent dollar amount has been invested in shares of one or more eligible Nuveen funds. Total deferred fees for the Funds (including the return from the assumed investment in the eligible Nuveen funds) payable are:

Fund	Robert P. Bremner	Jack B. Evans	William C. Hunter	David J. Kundert	William J. Schneider	Judith M. Stockdale	Carole E. Stone	Terence J. Toth
Municipal Value	593	865	3,133	3,123	3,855	1,029		730
Municipal Income Premium Income	447	669	2,397	2,368	2,926	805		505
Performance Plus	434	647	2,317	2,293	2,830	776		510
Municipal Advantage	316	470	1,683	1,667	2,056	565		374
Municipal Market Opportunity	329	491	1,757	1,740	2,147	590		390
Investment Quality	257	384	1,374	1,357	1,677	462		287
Select Quality	247	368	1,315	1,302	1,607	441		292
Quality Income	396	591	2,115	2,094	2,583	708		467
Premier Municipal	139	208	746	737	911	251		156
Premier Insured	141	211	754	747	921	253		168
Premium Income 2	291	435	1,559	1,541	1,903	524		330
Premium Income 4	282	421	1,507	1,491	1,840	505		328
Dividend Advantage	272	406	1,452	1,436	1,773	488		316
Dividend Advantage 2	212	316	1,130	1,118	1,381	379		246

Dividend Advantage 3	285	427	1,527	1,510	1,864	512	331
Municipal High Income	156	234	835	827	1,021	281	182

17

Fund	Robert P. Bremner	Jack B. Evans	William C. Hunter	David J. Kundert	William J. Schneider	Judith M. Stockdale	Carole E. Stone	Terence J. Toth
Municipal High Income 2								
Insured Dividend Advantage	216	322	1,153	1,142	1,408	386		258
Insured Municipal Opportunity	593	883	3,162	3,130	3,862	1,062		693
Insured Premium Income 2	242	362	1,294	1,280	1,581	435		278
Insured Quality	275	411	1,470	1,455	1,796	494		323
Insured Tax-Free Advantage	131	196	700	693	856	235		155
Select Maturities								
Select Portfolio	93	127	431	468	511	136		304
Select Portfolio 2	96	131	444	481	526	139		309
Select Portfolio 3	72	98	334	362	396	105		235
California Portfolio	35	47	161	174	190	50		112
New York Portfolio	21	29	99	107	117	31		70

Committees

The Board of each Fund has five standing committees: the executive committee, the audit committee, the nominating and governance committee, the dividend committee and the compliance, risk management and regulatory oversight committee.

John P. Amboian, Robert P. Bremner, Chair, and Judith M. Stockdale serve as current members of the executive committee of each Fund. The executive committee, which meets between regular meetings of the Board, is authorized to exercise all of the powers of the Board; provided that the scope of the powers of the executive committee, unless otherwise specifically authorized by the full Board, is limited to: (i) emergency matters where assembly of the full Board is impracticable (in which case management will take all reasonable steps to quickly notify each individual Board Member of the actions taken by the executive committee) and (ii) matters of an administrative or ministerial nature. The number of executive committee meetings of each Fund held during its last fiscal year is shown in Appendix C.

Jack B. Evans, Chair, Judith M. Stockdale and Terence J. Toth are current members of the dividend committee of each Fund. The dividend committee is authorized to declare distributions on the Fund s shares including, but not limited to, regular and special dividends, capital gains and ordinary income distributions. The number of dividend committee meetings of each Fund held during its last fiscal year is shown in Appendix C.

William C. Hunter, William J. Schneider, Chair, Judith M. Stockdale and Carole E. Stone are current members of the compliance, risk management and regulatory oversight committee of each Fund. The compliance, risk management and regulatory oversight committee is responsible for the oversight of compliance issues, risk management, and other regulatory matters affecting the Funds which are not otherwise the jurisdiction of the other Board committees. The number of compliance, risk management and regulatory oversight committee meetings of each Fund held during its last fiscal year is shown in Appendix C.

Each Fund s Board has an audit committee, in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the 1934 Act), that is composed of Independent Board Members who are also independent as that term is defined in the listing standards pertaining to closed-end funds of the New York Stock Exchange or the NYSE Amex, as applicable. Robert P. Bremner, Jack B. Evans, David J. Kundert, Chair, William J. Schneider and Terence J. Toth are current members of the audit committee of each Fund. The audit committee is responsible for the oversight and monitoring of (1) the accounting and reporting policies, procedures and practices and the audit of the financial statements of the Funds, (2) the quality and integrity of the financial statements of the Funds and (3) the independent registered public accounting firm s qualifications, performance and independence. The audit committee reviews the work and any recommendations of the Funds independent registered public accounting firm. Based on such review, it is authorized to make recommendations to the Board. The audit committee is also responsible for the oversight of the Pricing Procedures of the Funds and the internal Valuation Group. The Boards have adopted a written Audit Committee Charter that conforms to the listing standards of the New York Stock Exchange or the NYSE Amex, as applicable. A copy of the Audit Committee Charter is attached as Appendix D. The number of audit committee meetings of each Fund held during its last fiscal year is shown in Appendix C.

Each Fund has a nominating and governance committee that is composed entirely of Independent Board Members who are also independent as defined by New York Stock

Exchange or NYSE Amex US listing standards, as applicable. Robert P. Bremner, Chair, Jack B. Evans, William C. Hunter, David J. Kundert, William J. Schneider, Judith M. Stockdale, Carole E. Stone and Terence J. Toth are current members of the nominating and governance committee of each Fund. The purpose of the nominating and governance committee is to seek, identify and recommend to the Board qualified candidates for election or appointment to each Fund s Board. In addition, the committee oversees matters of corporate governance, including the evaluation of Board performance and processes, and assignment and rotation of committee members, and the establishment of corporate governance guidelines and procedures, to the extent necessary or desirable. The committee operates under a written charter adopted and approved by the Boards of each Fund, a copy of which is available on the Funds website at www.nuveen.com/CEF/Info/Shareholder/. The number of nominating and governance committee meetings of each Fund held during its last fiscal year is shown in Appendix C.

The nominating and governance committee looks to many sources for recommendations of qualified candidates, including current Board Members, employees of the Adviser, current shareholders of the Funds, third party sources and any other persons or entities that may be deemed necessary or desirable by the committee. Shareholders of the Funds who wish to nominate a candidate to their Fund s Board should mail information to the attention of Lorna Ferguson, Manager of Fund Board Relations, Nuveen Investments, 333 West Wacker Drive, Chicago, Illinois 60606. This information must include evidence of Fund ownership of the person or entity recommending the candidate, a full listing of the proposed candidate s education, experience, current employment, date of birth, names and addresses of at least three professional references, information as to whether the candidate is an interested person (as such term is defined in the 1940 Act) in relation to the Fund and such other information that would be helpful to the nominating and governance committee in evaluating the candidate. All satisfactorily completed information regarding candidates will be forwarded to the chairman of the nominating and governance committee and the outside counsel to the Independent Board Members. Recommendations for candidates to the Board will be evaluated in light of whether the number of Board members is expected to change and whether the Board expects any vacancies. All nominations from Fund shareholders will be acknowledged, although there may be times when the committee is not actively recruiting new Board members. In those circumstances nominations will be kept on file until active recruitment is under way.

The nominating and governance committee sets appropriate standards and requirements for nominations to the Board. In considering a candidate s qualifications, each candidate must meet certain basic requirements, including relevant skills and experience, time availability and, if qualifying as an Independent Board Member candidate, independence from the Adviser or other service providers. These experience requirements may vary depending on the current composition of the Board, since the goal is to ensure an appropriate range of skills and experience, in the aggregate. All candidates must meet high expectations of personal integrity, governance experience and professional competence that are assessed on the basis of personal interviews, recommendations, or direct knowledge by committee members. The committee may use any process it deems appropriate for the purpose of evaluating candidates, which process may include, without limitation, personal interviews, background checks, written submissions by the candidates and third party references. There is no difference in the manner in which the nominating and governance committee evaluates candidates when the candidate is submitted by a shareholder. The nominating and governance committee reserves the right to make the final selection regarding the nomination of any prospective Board member.

The number of regular quarterly meetings and special meetings held by the Board of each Fund during the Fund s last fiscal year is shown in Appendix C. During the last fiscal year, each Board Member attended 75% or more of each Fund s Board meetings and the committee meetings (if a member thereof) held during the period for which such Board Member was a Board Member. The policy of the Board relating to attendance by Board Members at annual meetings of the Funds and the number of Board Members who attended the last annual meeting of shareholders of each Fund is posted on the Funds website at www.nuveen.com/CEF/Info/Shareholder/.

The Officers

The following table sets forth information with respect to each officer of the Funds. Officers receive no compensation from the Funds. The officers are elected by the Board on an annual basis to serve until successors are elected and qualified.

Name, Address and Birth date	Position(s) Held with Fund	Term of Office and Length of Time Served(1)	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex Served by Officer

	Years ended December 31, 2010		2009	
		(Dollars in thousands)		
Manufacturing & BPO	$	146,675	$	98,929
Process & Government		43,140		52,003
Energy		22,958		22,674
Sandy Training & Marketing		47,153		45,634
	$	259,926	$	219,240

Manufacturing & BPO revenue increased $47.7 million or 48.3% during the year ended December 31, 2010 compared to 2009. The increase in revenue is due to the following:

- $34.1 million increase in revenue attributable to acquisitions completed during 2009 and 2010, which includes $7.8 million for Milsom, $5.0 million for Option Six, $13.1 million for PerformTech, $7.2 million for Marton House, $0.7 million for Bath Consulting and $0.3 million for AoT;

- $7.5 million net increase in training BPO revenue primarily due to new projects with existing BPO clients in 2010;

- $4.0 million net increase in e-Learning revenue primarily due to a new content development contract awarded by a global software client during 2009;

Table of Contents

- $1.7 million increase in e-Learning sales training for a large pharmaceutical company; and

- $0.7 million net increase in revenue due to increased training services for various clients.

The above revenue increases were offset by a $0.3 million decrease in U.S. dollar revenue recognized from our operations in the United Kingdom due to the change in currency exchange rates compared to 2009.

Process & Government revenue decreased $8.9 million or 17.0% during the year ended December 31, 2010 compared to 2009. The decrease in revenue is primarily due to the following:

- $4.7 million net decrease relating to construction projects for liquefied natural gas (LNG) fueling station facilities primarily due to the completion of a large project in 2009;

- $4.2 million net decrease in revenue from various contracts primarily related to environmental engineering services, homeland security / first responder training services and other technical services, largely due to certain contracts being completed during 2009 or running at reduced volumes in 2010.

Energy group revenue increased $0.3 million or 1.3% during the year ended December 31, 2010 compared to 2009 primarily due to an increase in training product sales.

Sandy Training & Marketing revenue increased $1.5 million or 3.3% during the year ended December 31, 2010 compared to 2009 due to the following:

- $7.7 million increase in revenue primarily due to an increase in training services for new vehicle launch and other new training programs for various automotive customers;

- $1.9 million increase in glove box portfolio revenue due to the addition of products in 2010 and increased vehicle sales volume;

- $4.5 million net decrease in revenue from product sales trainer programs primarily due to a reduction in the number of trainers required and a reduction in related in-dealership training programs; and

- $3.6 million decrease in publication revenue due to the elimination of vehicle brands and a reduction in dealerships which resulted in lower publication volume. We experience quarterly fluctuations in revenue and income related to Sandy s publications business, since revenue and cost on publication contracts are recognized in the period in which the publications ship, based on the output method of performance. Shipments occur at various times throughout the year and the volume of publications shipped could fluctuate from quarter to quarter.

In addition, we have a concentration of revenue from General Motors as well as a market concentration in the automotive sector. Revenue from General Motors accounted for approximately 12% and 16% of our consolidated revenue for the years ended December 31, 2010 and 2009, respectively, and revenue from the automotive industry accounted for approximately 18% and 21% of our consolidated revenue for the years ended December 31, 2010 and 2009, respectively.

Table of Contents

Gross profit

	Years ended December 31,			
	2010		2009	
		% Revenue		% Revenue
	(Dollars in thousands)			
Manufacturing & BPO	$ 22,640	15.4%	$ 13,448	13.6%
Process & Government	6,677	15.5%	7,810	15.0%
Energy	7,263	31.6%	6,306	27.8%
Sandy Training & Marketing	6,110	13.0%	6,527	14.3%
	$ 42,690	16.4%	$ 34,091	15.5%

Manufacturing & BPO gross profit of $22.6 million or 15.4% of revenue for the year ended December 31, 2010 increased by $9.2 million or 68.4% when compared to gross profit of approximately $13.4 million or 13.6% of revenue for the year ended December 31, 2009. Approximately $5.5 million of the increase in gross profit is attributable to the acquisitions we completed in 2009 and 2010. In addition, the remaining increases in gross profit and improved margins as a percentage of revenue were primarily due to increased BPO and training services in 2010 noted above.

Process & Government gross profit of $6.7 million or 15.5% of revenue for the year ended December 31, 2010 decreased by $1.1 million or 14.5% when compared to gross profit of approximately $7.8 million or 15.0% of revenue for the year ended December 31, 2009 primarily due to the revenue decreases discussed above.

Energy gross profit of $7.3 million or 31.6% of revenue for the year ended December 31, 2010 increased by $1.0 million or 15.2% when compared to gross profit of approximately $6.3 million or 27.8% of revenue for the year ended December 31, 2009. This increase in gross profit is primarily due to an increase in higher margin product sales and reduced costs relating to our GPiLearn e-Learning portal.

Sandy Training and Marketing gross profit of $6.1 million or 13.0% of revenue for the year ended December 31, 2010 decreased by $0.4 million or 6.4% when compared to gross profit of $6.5 million or 14.3% for the year ended December 31, 2009. The decrease in gross profit is primarily due to a reduction in higher margin publications revenue as discussed above.

Selling, general and administrative expenses

Selling, general and administrative expenses increased $2.7 million or 12.8% from $20.8 million for the year ended December 31, 2009 to $23.5 million for the year ended December 31, 2010. The increase is largely due to a $0.9 million increase in amortization expense and a $0.7 million increase in labor and benefits expense related to the acquisitions we completed in 2009 and 2010. There were also increases in bad debt expense, software costs and legal expenses totaling approximately $0.8 million. In addition, there was a $0.3 million increase in restructuring charges recognized during 2010 related to facility leases in the United Kingdom.

Change in Fair Value of Contingent Consideration

During the year ended December 31, 2010, we recognized a $1.3 million net gain on the change in fair value of contingent consideration related to acquisitions we completed in 2009 and 2010. Effective January 1, 2009, we adopted Accounting Standards Codification (ASC) Topic 805, *Business Combinations* (ASC Topic 805), which requires that contingent consideration be recognized at fair value on the acquisition date, and re-measured each reporting period with subsequent adjustments recognized in the consolidated statement of operations. We estimate the fair value of contingent consideration liabilities based on financial projections of the acquired companies and estimated probabilities of achievement. We believe our estimates and assumptions are reasonable, however, there is significant judgment involved. At each reporting date, the contingent consideration obligation will be revalued to

Table of Contents

estimated fair value and changes in fair value subsequent to the acquisitions will be reflected in operating income or expense in the consolidated statements of operations, and could cause a material impact to, and volatility in, our operating results. Changes in the fair value of contingent consideration obligations may result from changes in discount periods, changes in the timing and amount of revenue and/or earnings estimates and changes in probability assumptions with respect to the likelihood of achieving the various earn-out criteria. See Note 2 to the Condensed Consolidated Financial Statements for a detailed discussion of the acquisitions we completed subsequent to the adoption of ASC Topic 805 in 2009 and the changes in fair value of contingent consideration during the year ended December 31, 2010.

Goodwill impairment loss

We incurred a goodwill and intangible asset impairment loss of $10.2 million during the second quarter of 2009 related to our Manufacturing & BPO segment and a $5.5 million goodwill impairment loss during the fourth quarter of 2008 related to our Sandy segment. See the *Management Discussion of Critical Accounting Policies* section below for further discussion regarding the factors leading to the goodwill impairments and the valuation methodologies and assumptions used in the goodwill impairment tests.

Interest expense

Interest expense was $0.2 million for both the years ended December 31, 2010 and 2009.

Other income

Other income was $0.6 million and $0.5 million for the years ended December 31, 2010 and 2009, respectively, and consisted primarily of income from a joint venture and interest income, offset by a foreign currency loss in both years.

Income taxes

Income tax expense was $8.1 million for the year ended December 31, 2010 compared to $4.6 million for the year ended December 31, 2009. The increase in income tax expense is primarily due to an increase in income before income taxes in 2010 compared to 2009. We recognized a $1.5 million income tax benefit related to the $10.2 million goodwill and intangible asset impairment loss incurred during the second quarter of 2009 for the portion of goodwill which was deductible for tax purposes. Excluding the impact of the impairment loss in 2009, the effective income tax rate was 38.9% and 45.1% for the years ended December 31, 2010 and 2009, respectively. Approximately 2.1% of the decrease in the effective income tax rate is due to a larger portion of our 2010 income being derived from foreign jurisdictions which are taxed at lower rates and approximately 2.0% of the decrease is due to the closure of our Malaysian operations during 2010 for which we recognized a loss on our investment for tax purposes. In addition, during 2010 in conjunction with the filing of our 2009 tax return, we identified an error in the deferred tax liabilities on the consolidated balance sheet. We recorded a $0.4 million decrease in tax expense during the fourth quarter of 2010 to correct the error which had accumulated over several prior years. The error correction resulted in a 2.0% decrease in our effective income tax rate for 2010 compared to 2009. The Company determined that the out-of-period correction was not material quantitatively or qualitatively to the consolidated financial statements taken as a whole for any of the periods in which the accounts were mis-stated. See Note 9 to the accompanying

Consolidated Financial Statements for further information regarding income taxes.

Year ended December 31, 2009 compared to the year ended December 31, 2008

For the year ended December 31, 2009, we had income before income taxes of $3.4 million compared to $14.2 million for the year ended December 31, 2008. We incurred goodwill and intangible asset impairment losses of $10.2 million during 2009 and $5.5 million in 2008 which are discussed in more detail below. Excluding the goodwill impairment losses in both years, we had a decrease in operating income of $6.0 million, the components of which are discussed below, a decrease in interest expense of $0.5 million and a decrease in other income of $0.6 million. Net loss was $1.2 million, or ($0.07) per diluted share, for the year ended December 31, 2009 compared to net income of $7.8 million, or $0.47 per diluted share, for 2008. Excluding the impact of the goodwill impairment losses in both years, net income was $7.4 million, or $0.47 per diluted share for the year ended December 31, 2009, compared to net income of $11.1 million, or $0.67 per diluted share, for 2008.

Table of Contents

Diluted weighted average shares outstanding were 15.9 million for the year ended December 31, 2009 compared to 16.6 million for the same period in 2008. The decrease in shares outstanding is primarily due to repurchases of our common stock in the open market in connection with our share repurchase program discussed above.

Revenue

	Years ended December 31,			
	2009		2008	
	(Dollars in thousands)			
Manufacturing & BPO	$	98,929	$	123,060
Process & Government		52,003		50,375
Energy		22,674		22,018
Sandy Training & Marketing		45,634		72,440
	$	219,240	$	267,893

Manufacturing & BPO revenue decreased $24.1 million or 19.6% during the year ended December 31, 2009 compared to 2008. The decrease in revenue is due to the following:

- $13.0 million net decrease in revenue from BPO customers primarily due to a slowdown in spending by several customers resulting in an overall decline in the number of training courses run and many training courses running below full capacity;

- $3.1 million decrease in U.S. dollar revenue recognized from our operations in the United Kingdom, which consists of a $3.6 million decrease in revenue due to the unfavorable effect of currency exchange rates and a net decrease of $6.5 million primarily due to a decrease in volume with training outsourcing and other customers, offset by an increase in revenue of $4.8 million due to acquisitions completed in 2008 and 2009 and a $2.2 million increase due to the expansion of government funded training programs in the UK;

- $6.9 million reduction in process and maintenance reliability training services provided primarily to steel industry clients;

- $2.3 million reduction in process, maintenance and reliability training services provided primarily to petrochemical industry clients; and

- $3.2 million reduction in services for a pharmaceutical industry client.

The above decreases within the Manufacturing & BPO segment were offset by other net revenue increases of $4.4 million, primarily attributable to a new content development contract awarded by an existing global software client during 2009.

Process & Government revenue increased $1.6 million or 3.2% during the year ended December 31, 2009 compared to 2008. The increase in revenue is primarily due to a $6.7 million net increase relating to construction projects for liquefied natural gas (LNG) fueling station facilities offset by the following:

- $4.1 million net decrease in revenue primarily related to certain homeland security / first responder training contracts and a reduced volume of chemical demilitarization training services; and

- a $1.0 million decrease in technical services primarily for the aerospace industry.

Energy group revenue increased $0.7 million or 3.0% during the year ended December 31, 2009 compared to 2008. The increase is primarily due to PCS being included for a full first quarter in 2009 as the acquisition was completed on March 1, 2008.

Table of Contents

Sandy Training & Marketing revenue decreased $26.8 million or 37.0% during the year ended December 31, 2009 compared to 2008 due to the following:

- $13.1 million net decrease in revenue from product sales and other training programs for various automotive customers primarily due to a reduction in the number of trainers required, and a reduction in related in-dealership training programs;

- $5.3 million net decrease in revenue related to new vehicle launch programs and related training services provided in 2008 which did not recur in 2009;

- $4.6 million decrease in publications revenue primarily due to a reduction in the volume of publications produced and shipped during 2009 compared to 2008. We experience quarterly fluctuations in revenue and income related to Sandy s publications business, since revenue and cost on publication contracts are recognized in the period in which the publications ship, based on the output method of performance. Shipments occur at various times throughout the year and the volume of publications shipped could fluctuate from quarter to quarter.

- $1.8 million decrease in glovebox portfolios sales due to lower vehicle production volumes; and

- $2.0 million decrease in technical training services provided to automotive customers due to a reduction in plant spending.

In addition, we have a concentration of revenue from General Motors as well as a market concentration in the automotive sector. Revenue from General Motors accounted for approximately 16% and 20% of our consolidated revenue for the years ended December 31, 2009 and 2008, respectively, and revenue from the automotive industry accounted for approximately 21% and 28% of our consolidated revenue for the years ended December 31, 2009 and 2008, respectively.

Gross profit

	Years ended December 31,				
		2009			2008	
		% Revenue			% Revenue
	(Dollars in thousands)				
Manufacturing & BPO	$ 13,448	13.6%	$ 17,928	14.6%
Process & Government	7,810	15.0%	8,858	17.6%
Energy	6,306	27.8%	6,028	27.4%
Sandy Training & Marketing	6,527	14.3%	7,995	11.0%
	$ 34,091	15.5%	$ 40,809	15.2%

Manufacturing & BPO gross profit of $13.4 million or 13.6% of revenue for the year ended December 31, 2009 decreased by $4.5 million or 25.0% when compared to gross profit of approximately $17.9 million or 14.6% of revenue for the year ended December 31, 2008. The decrease in gross profit is primarily attributable to the revenue decreases discussed above. In addition, gross margin decline due to a reduction in services provided to petrochemical industry clients during 2009 which had higher margins in 2008.

Process & Government gross profit of $7.8 million or 15.0% of revenue for the year ended December 31, 2009 decreased by $1.0 million or 11.8% when compared to gross profit of approximately $8.9 million or 17.6% of revenue for the year ended December 31, 2008. The decrease in gross profit is primarily attributable to the following: the decreases in revenue discussed above; lower margins on certain homeland security / first responder contracts during 2009 compared to 2008; and revenue growth in this segment being derived from lower margin LNG services.

Table of Contents

Energy gross profit of $6.3 million or 27.8% of revenue for the year ended December 31, 2009 increased by $0.3 million or 4.6% when compared to gross profit of approximately $6.0 million or 27.4% of revenue for the year ended December 31, 2008. This increase in gross profit is primarily due to the revenue increases discussed above.

Sandy Training and Marketing gross profit of $6.5 million or 14.3% of revenue for the year ended December 31, 2009 decreased by $1.5 million or 18.4% when compared to gross profit of $8.0 million or 11.0% for the year ended December 31, 2008. The decrease in gross profit dollars is primarily due to the revenue decreases discussed above. Gross profit as a percentage of revenue increased in this segment during 2009 compared to 2008, primarily due to increased profitability on publications that were shipped during 2009 compared to 2008, as well as a reduction in personnel and other cost reduction initiatives which also contributed to the increase in gross profit as a percentage of revenue.

Selling, general and administrative expenses

Selling, general and administrative expenses decreased $0.7 million or 3.4% from $21.5 million for the year ended December 31, 2008 to $20.8 million for the year ended December 31, 2009. The net decrease is attributable to a decrease in the provision for doubtful accounts in 2009 compared to 2008, a 2008 write-off of $0.4 million of deferred financing costs related to a terminated equity offering which did not recur in 2009, and decreases in various corporate expenses due to reduced overall spending in 2009 compared to 2008. These decreases in SG&A expenses were offset by an increase due to $0.3 million of transaction costs incurred for the acquisitions completed in 2009.

Goodwill impairment loss

We incurred a goodwill and intangible asset impairment loss of $10.2 million during the second quarter of 2009 related to our Manufacturing & BPO segment and a $5.5 million goodwill impairment loss during the fourth quarter of 2008 related to our Sandy segment. See the *Management Discussion of Critical Accounting Policies* section below for further discussion regarding the factors leading to the goodwill impairments and the valuation methodologies and assumptions used in the goodwill impairment tests.

Interest expense

Interest expense decreased $0.5 million or 69.0% from $0.7 million for the year ended December 31, 2008 to $0.2 million for the year ended December 31, 2009. The decrease in interest expense is primarily due to the repayment of long-term debt obligations in 2008 and a decrease in the interest rate and borrowing balances under our revolving line of credit.

Other income

Other income decreased $0.6 million or 55.4% from $1.1 million for the year ended December 31, 2008 to $0.5 million for the year ended December 31, 2009. The decrease is primarily due to two non-recurring gains in 2008, including a $0.1 million gain on the early extinguishment of debt and a $0.3 million litigation gain, as well as an increase in foreign currency exchange losses during 2009 compared to 2008.

Income taxes

Income tax expense was $4.6 million for the year ended December 31, 2009 compared to $6.3 million for the year ended December 31, 2008. The decrease in income tax expense is primarily due to a decrease in income before income taxes in 2009 compared to 2008. We recognized a $1.5 million income tax benefit related to the $10.2 million goodwill and intangible asset impairment loss incurred during the second quarter of 2009 for the portion of goodwill which was deductible for tax purposes. Excluding the impact of the impairment loss, the effective income tax rate was 45.1% and 44.6% for the years ended December 31, 2009 and 2008, respectively. The increase in the effective income tax rate is primarily due to the decrease in income before income taxes, an increase in tax expense in 2009 compared to 2008 related to disregarded foreign entities for tax purposes and an increase in losses by the foreign subsidiaries for which we receive no income tax benefit (see Note 9 to the accompanying Consolidated Financial Statements).

Table of Contents

Liquidity and Capital Resources

Working Capital

For the year ended December 31, 2010, our working capital increased $9.9 million from $37.4 million at December 31, 2009 to $47.3 million at December 31, 2010. The increase in working capital is primarily due to an increase in our cash balance due to cash generated from operations during 2010. As of December 31, 2010, we had no long-term debt or short-term borrowings outstanding. We believe that cash generated from operations and borrowings available under the General Physics Credit Agreement ($29.8 million of available borrowings as of December 31, 2010), will be sufficient to fund our working capital and other requirements for at least the next twelve months.

During the year ended December 31, 2010, we used $4.6 million of cash to complete acquisitions, $0.5 million of cash to make a deferred payment related to our 2008 acquisition of PCS, and $0.8 million of cash for contingent consideration payments related to our 2009 acquisition of Milsom. In addition to the upfront purchase prices paid for acquisitions, we may be required to pay the following additional contingent consideration in connection with acquisitions we previously completed (dollars in thousands):

	Maximum contingent consideration due in				Recorded Liability as of
Acquisition:	**2011**	**2012**	**2013**	**Total**	**Dec. 31, 2010**
Milsom *	$ 1,160	$ 1,160	$	$ 2,320	$ 1,198
Option Six *	650	1,000		1,650	902
PerformTech *		2,000		2,000	
Marton House *	1,238	1,238	1,238	3,714	2,366
Bath Consulting *	449	851	1,052	2,352	940
Academy of Training *	155			155	132
Other	502	595		1,097	194
Total	$ 4,154	$ 6,844	$ 2,290	$ 13,288	$ 5,732

* In accordance with ASC Topic 805, contingent consideration is recorded at estimated fair value as of the acquisition date (for acquisitions on or after January 1, 2009) and is re-measured each reporting period with any subsequent adjustments recognized in earnings.

Significant Customers & Concentration of Credit Risk

We have a concentration of revenue from General Motors as well as a market concentration in the automotive sector. For the years ended December 31, 2010, 2009 and 2008, revenue from General Motors accounted for approximately 12%, 16% and 20%, respectively, of our consolidated revenue. Revenue from the automotive industry accounted for approximately 18%, 21% and 28% of our consolidated revenue for the years ended December 31, 2010, 2009 and 2008, respectively. Accounts receivable from General Motors totaled $6.1 million as of December 31, 2010 which is reflected in the consolidated balance sheet. Our accounts receivable balance from General Motors is subject to fluctuation related to our publications business, since the volume and timing of publications shipped varies on a quarter to quarter basis.

Table of Contents

Cash Flows

Year ended December 31, 2010 compared to the year ended December 31, 2009

Our cash balance increased $18.1 million from $10.8 million as of December 31, 2009 to $28.9 million as of December 31, 2010. The increase in cash and cash equivalents during the year ended December 31, 2010 resulted from cash provided by operating activities of $26.2 million, cash used in investing activities of $6.7 million, cash used in financing activities of $1.4 million and a $0.1 million negative effect due to exchange rate changes on cash and cash equivalents.

Cash provided by operating activities was $26.2 million for the year ended December 31, 2010 compared to $18.8 million in 2009. The increase in cash provided by operating activities compared to the prior year is primarily due to an increase in net income and favorable changes in working capital items during 2010 compared to 2009.

Cash used in investing activities was $6.7 million for the year ended December 31, 2010 compared to $25.4 million in 2009. The decrease in cash used in investing activities is primarily due to a decrease in cash used for acquisitions during 2010 compared to 2009. We used a total of $5.1 million of cash during the year ended December 31, 2010 for acquisitions, net of cash acquired, compared to $24.2 million of cash during 2009.

Cash used in financing activities was $1.4 million for the year ended December 31, 2010 compared to cash provided by financing activities of $13.2 million in 2009. The decrease in cash is primarily due to $19.6 million of cash proceeds in 2009 from the equity investment by Sagard that did not recur in 2010. In addition, there was a $1.9 million decrease in cash used for share repurchases in 2010 compared to 2009, and $3.2 million in net repayments of short-term borrowings during 2009 compared to zero in 2010. During 2010, we paid $0.8 million of contingent consideration relating to our 2009 acquisition of Milsom in respect of the earnings targets achieved for the first twelve-month period following completion of the acquisition. In accordance with ASC Topic 805, which was adopted effective for all acquisitions after January 1, 2009, the portion of the payment of liability-classified contingent consideration arrangement that is included as part of the initial fair value measurement is classified as a financing activity in the statement of cash flows.

Year ended December 31, 2009 compared to the year ended December 31, 2008

Our cash balance increased $6.8 million from $4.0 million as of December 31, 2008 to $10.8 million as of December 31, 2009. The increase in cash and cash equivalents during the year ended December 31, 2009 resulted from cash provided by operating activities of $18.8 million, cash used in investing activities of $25.4 million, cash provided by financing activities of $13.2 million and a $0.2 million positive effect due to exchange rate changes on cash and cash equivalents.

Cash provided by operating activities was $18.8 million for the year ended December 31, 2009 compared to $24.0 million in 2008. The decrease in cash provided by operating activities compared to the prior year is primarily due to a decrease in net income during 2009 compared to 2008 after adding back non-cash adjustments to net income, as well as unfavorable changes in working capital items during 2009 compared to

2008.

Cash used in investing activities was $25.4 million for the year ended December 31, 2009 compared to $7.6 million in 2008. The increase in cash used in investing activities is primarily due to an increase in cash used for acquisitions during 2009 compared to 2008. We used a total of $24.2 million of cash during the year ended December 31, 2009 for acquisitions, net of cash acquired, compared to $4.7 million of cash during the same period in 2008. During 2009, we used $20.7 million to fund the cash purchase price for three acquisitions and paid $3.5 million of contingent consideration and deferred acquisition costs for prior year acquisitions. During 2008, we used $2.0 million to fund the cash purchase price for acquisitions completed in 2008 and paid $2.7 million of contingent consideration for prior year acquisitions which was accounted for under prevailing GAAP prior to the adoption of ASC Topic 805 on January 1, 2009.

Table of Contents

Cash provided by financing activities was $13.2 million for the year ended December 31, 2009 compared to cash used in financing activities of $15.5 million in 2008. The increase in cash provided by financing activities is primarily due to $19.6 of cash proceeds from the equity investment by Sagard in December 2009, a $6.6 million decrease in cash used for share repurchases in 2009 compared to 2008, and a $3.6 million decrease in net repayments of long-term debt and short-term borrowings during 2009 compared to 2008. These increases in cash provided by financing activities were offset by a $2.0 million decrease in income tax benefits for stock compensation during 2009 compared to 2008.

Short-term Borrowings

General Physics has a $35 million Credit Agreement with a bank that expires on October 31, 2012, with annual renewal options, and is secured by certain assets of General Physics. The maximum interest rate on borrowings under the Credit Agreement is at the daily LIBOR Market Index Rate plus 2.25%. Based upon the financial performance of General Physics, the interest rate can be reduced. As of December 31, 2010, the rate was LIBOR plus 1.25%. The Credit Agreement contains covenants with respect to General Physics minimum tangible net worth, total liabilities ratio, leverage ratio, interest coverage ratio and its ability to make capital expenditures. General Physics was in compliance with all loan covenants under the amended Credit Agreement as of December 31, 2010. The Credit Agreement also contains certain restrictive covenants regarding future acquisitions, incurrence of debt and the payment of dividends. The Credit Agreement permits General Physics to provide GP Strategies up to $10 million of cash to repurchase shares of its outstanding common stock in the open market. There was $6.6 million remaining available for future share repurchases under the $10 million authorized amount as of December 31, 2010. General Physics is otherwise currently restricted from paying dividends or management fees to GP Strategies in excess of $1 million in any year. As of December 31, 2010, there were no borrowings outstanding and $29.8 million of available borrowings under the Credit Agreement, based upon 80% of eligible accounts receivable and 80% of eligible unbilled receivables.

Contractual Payment Obligations

We enter into various agreements that result in contractual obligations in connection with our business activities. These obligations primarily relate to our financing arrangements, such as capital leases, as well operating leases and purchase commitments under non-cancelable contracts for certain products and services. The following table summarizes our total contractual payment obligations as of December 31, 2010 (in thousands):

		Payments due in			
	2011	2012 2013	2014 2015	After 2016	Total
Capital lease commitments	$ 5	$ 14	$	$	$ 19
Operating lease commitments	5,664	8,582	3,892	1,221	19,359
Purchase commitments *	1,578	866			2,444
Total	$ 7,247	$ 9,462	$ 3,892	$ 1,221	$ 21,822

* Excludes purchase orders for goods and services entered into by the Company in the ordinary course of business, which are non-binding and subject to amendment or termination within a reasonable notification period.

The table above excludes contingent consideration in connection with acquisitions which may be payable to the sellers if the revenue and/or earnings targets set forth in the purchase agreements are achieved (see Note 2 to the Consolidated Financial Statements.)

Off-Balance Sheet Commitments

Subsequent to the spin-off of NPDC in 2004, we continued to guaranty the lease of a warehouse used by NPDC s subsidiary, Five Star Products, Inc. In connection with the spin-off of NPDC, NPDC agreed to assume our obligations under the guaranty, to use commercially reasonable efforts to cause us to be released from the guaranty, and to hold us

Table of Contents

harmless from all claims, expenses and liabilities connected with the lease or NPDC s breach of any agreements effecting the spin-off. In connection with the warehouse lease, the landlord subsequently agreed to release us from liability under the guaranty if we delivered a letter of credit for $0.1 million to secure the tenant s obligations under the lease. We delivered the letter of credit in 2010 and understand that the term of the lease ended February 28, 2011. We do not expect to incur any material payments associated with this guaranty, and as such, no liability is reflected in the consolidated balance sheets.

As of December 31, 2010, we had two outstanding letters of credit totaling $0.1 million, which expire in 2011**.** We do not have any off-balance sheet financing except for operating leases and letters of credit entered into in the normal course of business and the items disclosed above.

Management Discussion of Critical Accounting Policies

The preparation of our consolidated financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Our estimates, judgments and assumptions are continually evaluated based on available information and experience. Because of the use of estimates inherent in the financial reporting process, actual results could differ from those estimates.

Certain of our accounting policies require higher degrees of judgment than others in their application. These include revenue recognition, valuation of accounts receivable, stock-based compensation, impairment of intangible assets, including goodwill, valuation of contingent consideration for business acquisitions, and income taxes, which are summarized below. In addition, Note 1 to the accompanying Consolidated Financial Statements includes further discussion of our significant accounting policies.

Revenue Recognition

We provide services under time-and-materials, cost-reimbursable, fixed price and fixed-fee per transaction contracts to both government and commercial customers. Each contract has different terms based on the scope, deliverables and complexity of the engagement, requiring us to make judgments and estimates about recognizing revenue. Revenue is recognized as services are performed.

Under time-and-materials contracts, as well as certain government cost-reimbursable and certain fixed price contracts, the contractual billing schedules are based on the specified level of resources we are obligated to provide. As a result, for these level-of-effort contracts, the contractual billing amount for the period is a measure of performance and, therefore, revenue is recognized in that amount.

Revenue under government fixed price and certain commercial fixed price contracts is recognized using the percentage-of-completion method. Under the percentage-of-completion method, management estimates the percentage-of-completion based upon costs incurred as a percentage of the total estimated costs.

For other commercial fixed price contracts which typically involve a discrete project, such as development of training content and materials, design of training processes, software implementation, or engineering projects, the contractual billing schedules are not based on the specified level of resources we are obligated to provide. These discrete projects generally do not contain milestones or other reliable measures of performance. As a result, revenue on these arrangements is recognized using a percentage-of-completion method based on the relationship of costs incurred to total estimated costs expected to be incurred over the term of the contract. We believe this methodology is a reasonable measure of proportional performance since performance primarily involves personnel costs and services provided to the customer throughout the course of the projects through regular communications of progress toward completion and other project deliverables. In addition, the customer typically is required to pay us for the proportionate amount of work and cost incurred in the event of contract termination.

When total cost estimates exceed revenues, the estimated losses are recognized immediately. The use of the percentage-of-completion method requires significant judgment relative to estimating total contract revenues and

Table of Contents

costs, including assumptions relative to the length of time to complete the project, the nature and complexity of the work to be performed, and anticipated changes in estimated salaries and other costs. Estimates of total contract revenues and costs are continuously monitored during the term of the contract, and recorded revenues and costs are subject to revision as the contract progresses. When revisions in estimated contract revenues and costs are determined, such adjustments are recorded in the period in which they are first identified.

For certain commercial fixed-fee per transaction contracts, such as providing training courses, revenue is recognized during the period in which services are delivered in accordance with the pricing outlined in the contracts.

For certain fixed-fee per transaction and fixed price contracts in which the output of the arrangement is measurable, such as for the shipping of publications and print materials, revenue is recognized when the deliverable is met and the product is delivered based on the output method of performance. The customer is required to pay for the cost incurred in the event of contract termination.

Certain of our fixed price commercial contracts contain revenue arrangements with multiple deliverables. Revenue arrangements with multiple deliverables are evaluated to determine if the deliverables can be divided into more than one unit of accounting. For contracts determined to have more than one unit of accounting, we recognize revenue for each deliverable based on the revenue recognition policies discussed above; that is, we recognize revenue in accordance with work performed and costs incurred, with the fee being allocated proportionately over the service period. Within each multiple deliverable project, there is objective and reliable fair value across all units of the arrangement, as discounts are not offered or applied to one deliverable versus another, and the rates bid across all deliverables are consistent.

As part of our on-going operations to provide services to our customers, incidental expenses, which are commonly referred to as out-of-pocket expenses, are billed to customers, either directly as a pass-through cost or indirectly as a cost estimated in proposing on fixed price contracts. Out-of-pocket expenses include expenses such as airfare, mileage, hotel stays, out-of-town meals and telecommunication charges. Our policy provides for these expenses to be recorded as both revenue and direct cost of services.

In connection with our delivery of products, primarily for publications delivered by our Sandy segment, we incur shipping and handling costs which are billed to customers directly as a pass-through cost. Our policy provides for these expenses to be recorded as both revenue and direct cost of revenue.

Valuation of Accounts Receivable

Trade accounts receivable are recorded at invoiced amounts. We evaluate the collectability of trade accounts receivable based on a combination of factors. When aware that a specific customer may be unable to meet its financial obligations to us, such as in the case of bankruptcy filings or deterioration in the customer s operating results or financial position, we evaluate the need to record a specific reserve for bad debt to reduce the related receivable to the amount we reasonably believe is collectible. We also record reserves for bad debt for all other customers based on a variety of factors, including the length of time the receivables are past due, historical collection experience and trends of past due accounts, write-offs and specific identification and review of past due accounts. Actual collections of trade receivables could differ from management s estimates due to changes in future economic or industry conditions or specific customers financial conditions. The allowance for doubtful accounts was $0.7 million at December 31, 2010.

Stock-Based Compensation

Pursuant to our stock-based incentive plans, we grant stock options, restricted stock, stock units, and equity to officers, employees, and members of the Board of Directors. We recognize compensation expense for all equity-based compensation awards issued to employees using the fair-value measurement method. Determining the appropriate fair value of stock options requires judgment, including estimating stock price volatility and expected life of the award. In addition, determining appropriate forfeiture rates requires judgment, including estimating the number of stock-based compensation awards that are expected to vest.

Table of Contents

We recognize compensation expense on a straight-line basis over the requisite service period for stock-based compensation awards with both graded and cliff vesting terms. We apply a forfeiture estimate to compensation expense recognized for awards that are expected to vest during the requisite service period, and revise that estimate if subsequent information indicates that the actual forfeitures will differ from the estimate. We recognize the cumulative effect of a change in the number of awards expected to vest in compensation expense in the period of change. We do not capitalize any portion of our stock-based compensation. We estimate the fair value of our stock options on the date of grant using the Black-Scholes option pricing model, which requires various assumptions such as expected term, expected stock price volatility and risk-free interest rate. We estimate the expected term of stock options granted taking into consideration historical data related to stock option exercises. We use historical stock price data in order to estimate the expected volatility factor of stock options granted. The risk-free interest rate for the periods within the expected life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

Impairment of Intangible Assets, Including Goodwill

We review goodwill for impairment annually as of December 31 and whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. We perform a two-step impairment test on goodwill. In the first step, we compare the fair value of each reporting unit to its carrying value. A reporting unit is an operating segment, or one level below an operating segment, as defined by U.S. GAAP. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is not impaired and we are not required to perform further testing. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then we must perform the second step of the impairment test in order to determine the implied fair value of the reporting unit s goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit s assets and liabilities in a manner similar to a purchase price allocation, with any residual fair value allocated to goodwill. If the carrying value of a reporting unit s goodwill exceeds its implied fair value, then we record an impairment loss equal to the difference. We evaluate the reasonableness of the fair value calculations of our reporting units by reconciling the total of the fair values of all of our reporting units to our total market capitalization, and adjusting for an appropriate control premium.

Our reporting units are: (i) Manufacturing, (ii) E-Business & Learning Solutions (EBLS), (iii) Process & Government (iv) Energy; and (v) Sandy. The Manufacturing & EBLS reporting units comprise our Manufacturing & BPO segment and the Process & Government, Energy and Sandy reporting units each represent a separate reportable segment. The Process & Government reporting unit previously consisted of two reporting units (Process & Aerospace and Homeland Security Environmental & Emergency Management). In the first quarter of 2010, due to a change in management, the two reporting units became one reporting unit, Process & Government. Our goodwill balances as of December 31, 2010 for each reporting unit were as follows (in thousands):

Reporting Unit		
Manufacturing	$	22,909
EBLS		27,390
Process & Government		14,527
Energy		8,170
Sandy		
	$	72,996

We determine the fair value of our reporting units using a discounted cash flow approach. The discounted cash flow analysis incorporates management s cash flow projections over a five-year period and a terminal value is calculated by applying a capitalization rate to terminal year projections based on an estimated long-term growth rate. The five-year projected cash flows and calculated terminal value are discounted using a weighted average cost of capital (WACC) which takes into account the costs of debt and equity. The cost of equity is based on the risk-free interest rate, equity risk premium, industry and size equity premiums and any additional market equity risk premiums as deemed appropriate for each reporting unit. To arrive at a fair value for each reporting unit, the terminal value is discounted by the WACC and added to the present value of the estimated cash flows over the discrete five-year period. There are a number of other variables which impact the projected cash flows, such as expected revenue growth and profitability

Table of Contents

levels, working capital requirements, capital expenditures and related depreciation and amortization. In addition, we make certain judgments in allocating shared assets and liabilities to determine the carrying values for each of our reporting units.

Annual Impairment Test as of December 31, 2010

We tested the goodwill of each of our reporting units as of December 31, 2010 and the estimated fair values of each reporting unit exceeded their respective carrying values, indicating the underlying goodwill of each unit was not impaired. Each of our reporting units had a substantial excess of fair value over their respective carrying values.

Given the current economic environment and the uncertainties regarding the impact on our business, there can be no assurance that our estimates and assumptions regarding the duration of the ongoing economic downturn, or the period or strength of recovery, made for purposes of our goodwill impairment testing will prove to be accurate predictions of the future. We base our fair value estimates on assumptions we believe to be reasonable but that are unpredictable and inherently uncertain. If our assumptions regarding forecasted revenue or profitability growth rates of certain reporting units are not achieved, we may be required to recognize goodwill impairment charges in future periods, whether in connection with our next annual impairment testing or prior to that, if any such change constitutes a triggering event that requires us to test for impairment during an interim period. We will continue to monitor our goodwill and intangible assets for impairment and conduct formal tests when impairment indicators are present.

Interim Impairment Test as of June 30, 2009

Based upon indicators of impairment in the second quarter of 2009, which included significantly lower than projected revenue and profit and a revised lower outlook for a longer period of time for certain of our reporting units, we performed an interim impairment test on our Manufacturing and Process & Aerospace reporting units as of June 30, 2009. During the second quarter of 2009, the Manufacturing reporting unit s revenue and profit projections were significantly lowered as a result of the impact of the economic recession and the corresponding reduction in spending by several customers. The Process & Aerospace reporting unit s profit projections were decreased due to a lower profit margin as a percentage of revenue experienced by this reporting unit, despite revenue being in line with projections, and a change in projected future profit margin which was lower than previously assumed. We determined that the fair value of our Manufacturing reporting unit was below its carrying value and recognized a goodwill impairment loss of $9.9 million for the three months ended June 30, 2009 related to this reporting unit. We determined that the fair value of our Process & Aerospace reporting unit was above its carrying value and no impairment was indicated as of June 30, 2009. During the second quarter of 2009 and in connection with the goodwill impairment loss discussed above, we also recorded an intangible asset impairment loss of $0.3 million relating to a non-compete agreement that was no longer deemed to have value as of June 30, 2009.

Annual Impairment Test as of December 31, 2009

We tested the goodwill of each of our reporting units as of December 31, 2009 and the estimated fair values of each reporting unit exceeded their respective carrying values, indicating the underlying goodwill of each unit was not impaired. Each of our reporting units had a substantial excess of fair value over their respective carrying values.

Annual Impairment Test as of December 31, 2008

As of December 31, 2008, the carrying value of our Sandy reporting unit exceeded its estimated fair value, indicating the underlying goodwill was impaired at the testing date. As a result of performing the second step of the goodwill impairment test, we recognized an impairment loss of $5.5 million for the year ended December 31, 2008. The goodwill impairment loss was attributable to a significant decline in our market capitalization during the fourth quarter of 2008 and uncertainty regarding the automotive industry, which resulted in a reduction in the future cash flow projections and comparable company multiples used in the fair value calculation as compared to the prior year.

Table of Contents

Valuation of Contingent Consideration for Business Acquisitions

Acquisitions may include contingent consideration payments based on future financial measures of an acquired company. For acquisitions completed before 2009, these obligations were recognized as incurred and accounted for as an adjustment to the initial purchase price of the acquired assets. For acquisitions in 2009 and beyond, contingent consideration is required to be recognized at fair value as of the acquisition date. We estimate the fair value of these liabilities based on financial projections of the acquired companies and estimated probabilities of achievement. We believe our estimates and assumptions are reasonable, however, there is significant judgment involved. At each reporting date, the contingent consideration obligation will be revalued to estimated fair value and changes in fair value subsequent to the acquisition will be reflected in income or expense in the consolidated statements of operations, and could cause a material impact to our operating results. Changes in the fair value of contingent consideration obligations may result from changes in discount periods and rates, changes in the timing and amount of revenue and/or earnings estimates and changes in probability assumptions with respect to the likelihood of achieving the various earn-out criteria.

Income Taxes

We account for income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and for operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. In addition, assessing tax rates that we expect to apply and determining the years when the temporary differences are expected to affect taxable income requires judgment about the future apportionment of our income among the states in which we operate.

The measurement of deferred taxes often involves an exercise of judgment related to the computation and realization of tax basis. Our deferred tax assets and liabilities reflect our assessment that tax positions taken, and the resulting tax basis, are more likely than not to be sustained if they are audited by taxing authorities. We establish accruals for uncertain tax positions taken or expected to be taken in a tax return when it is more likely than not (i.e., a likelihood of more than fifty percent) that the position would be sustained upon examination by tax authorities that have full knowledge of all relevant information. A recognized tax position is then measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. A number of years may elapse before a particular matter, for which we have or have not established an accrual, is audited and finally resolved. Favorable or unfavorable adjustment of the accrual for any particular issue would be recognized as an increase or decrease to our income tax expense in the period of a change in facts and circumstances.

In assessing the realizability of our deferred tax assets, we consider whether it is more likely than not that some portion or all of the deferred tax assets may not be realized. The ultimate realization of the deferred tax assets is dependent upon the generation of future income during the periods in which temporary differences are deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon these factors, we believe it is more likely than not that we will realize the benefits of our deferred tax assets, net of the valuation allowance. The valuation allowance relates to both foreign and domestic net operating loss carryforwards for which we do not believe the benefits may be realized.

The above matters, and others, involve the exercise of significant judgment. Any changes in our practices or judgments involved in the measurement of deferred tax assets and liabilities could materially impact our financial condition or results of operations.

Accounting Standards Issued and Adopted

We discuss recently issued and adopted accounting standards in Note 1 to the accompanying Consolidated Financial Statements.

Table of Contents

Item 7A: Quantitative and Qualitative Disclosures about Market Risk

We are exposed to the impact of interest rate, market risks and currency fluctuations. In the normal course of business, we employ internal processes to manage our exposure to interest rate, market risks and currency fluctuations. Our objective in managing our interest rate risk is to limit the impact of interest rate changes on earnings and cash flows and to lower our overall borrowing costs.

We are exposed to the impact of currency fluctuations because of our international operations. We are not a party to any exchange rate hedging programs to mitigate the effect of exchange rate fluctuations. Our net investment in our foreign subsidiaries, including intercompany balances, at December 31, 2010 was not significant and, accordingly, fluctuations in foreign currency did not have a material impact on our financial position.

Our revenues and profitability are related to general levels of economic activity and employment, principally in the United States and the United Kingdom. As a result, any significant economic downturn or recession in one or both of those countries could harm our business and financial condition. A significant portion of our revenues is derived from Fortune 500 level companies and their international equivalents, which historically have adjusted expenditures for training and other services during economic downturns. If the economies in which these companies operate remain or are further weakened in any future period, these companies may reduce their expenditures on training and other services, which could adversely affect our business and financial condition.

Table of Contents

Item 8: Financial Statements and Supplementary Data

Table of Contents

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

GP Strategies Corporation:

We have audited the accompanying consolidated balance sheets of GP Strategies Corporation and subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of operations, stockholders equity and comprehensive income (loss), and cash flows for each of the years in the three-year period ended December 31, 2010. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule listed under item 15a(2). These consolidated financial statements and financial statement schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of GP Strategies Corporation and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 141(R), *Business Combinations* (ASC Topic 805), on January 1, 2009.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), GP Strategies Corporation and subsidiaries internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 3, 2011 expressed an unqualified opinion on the effectiveness of the Company s internal control over financial reporting.

/s/ KPMG LLP

Baltimore, Maryland

March 3, 2011

Table of Contents

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

GP Strategies Corporation:

We have audited GP Strategies Corporation s internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). GP Strategies Corporation s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Annual Report on Internal Control over Financial Reporting (Item 9A(b)). Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, GP Strategies Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Table of Contents

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of GP Strategies Corporation as of December 31, 2010 and 2009, and the related consolidated statements of operations, stockholders equity and comprehensive income (loss), and cash flows for each of the years in the three-year period ended December 31, 2010, and our report dated March 3, 2011, expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Baltimore, Maryland

March 3, 2011

Table of Contents

GP STRATEGIES CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2010 and 2009

(In thousands, except shares and par value per share)

	2010	2009
Assets		
Current assets:		
Cash and cash equivalents	$ 28,902	$ 10,803
Accounts and other receivables, less allowance for doubtful accounts of $701 in 2010 and $566 in 2009	47,874	45,471
Inventories, net	305	557
Costs and estimated earnings in excess of billings on uncompleted contracts	12,929	10,590
Deferred tax assets	1,759	1,143
Prepaid expenses and other current assets	4,054	5,549
Total current assets	95,823	74,113
Property, plant and equipment, net	2,965	3,121
Goodwill	72,996	67,283
Intangible assets, net	9,795	10,248
Other assets, net	1,617	1,936
	$ 183,196	$ 156,701
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 32,694	$ 23,464
Billings in excess of costs and estimated earnings on uncompleted contracts	15,807	13,272
Total current liabilities	48,501	36,736
Deferred tax liabilities	3,423	1,275
Other noncurrent liabilities	6,485	7,800
Total liabilities	58,409	45,811
Stockholders equity:		
Preferred stock, par value $0.01 per share; Authorized 10,000,000 shares; no shares issued		
Common stock, par value $0.01 per share; Authorized 35,000,000 shares; issued 18,709,260 shares in 2010 and 18,588,391 shares in 2009	187	186
Additional paid-in capital	163,422	161,975
Accumulated deficit	(36,593)	(49,325)
Treasury stock, at cost (219 shares in 2010 and zero shares in 2009)	(2)	
Accumulated other comprehensive loss	(2,227)	(1,946)
Total stockholders equity	124,787	110,890
	$ 183,196	$ 156,701

See accompanying notes to consolidated financial statements.

Table of Contents

GP STRATEGIES CORPORATION AND SUBSIDIARIES

Consolidated Statements of Operations

Years ended December 31, 2010, 2009 and 2008

(In thousands, except per share data)

	2010	2009	2008
Revenue	$ 259,926	$ 219,240	$ 267,893
Cost of revenue	217,236	185,149	227,084
Gross profit	42,690	34,091	40,809
Selling, general and administrative expenses	23,466	20,800	21,538
Gain on change in fair value of contingent consideration, net	1,313		
Goodwill and intangible asset impairment loss		10,163	5,508
Operating income	20,537	3,128	13,763
Interest expense	236	217	699
Other income (including interest income of $105 in 2010, $63 in 2009 and $88 in 2008)	551	484	1,086
Income before income taxes	20,852	3,395	14,150
Income tax expense	8,120	4,585	6,313
Net income (loss)	$ 12,732	$ (1,190)	$ 7,837
Basic weighted average shares outstanding	18,621	15,835	16,516
Diluted weighted average shares outstanding	18,729	15,911	16,638
Per common share data:			
Basic earnings (loss) per share	$ 0.68	$ (0.08)	$ 0.47
Diluted earnings (loss) per share	$ 0.68	$ (0.07)	$ 0.47

See accompanying notes to consolidated financial statements.

Table of Contents

GP STRATEGIES CORPORATION AND SUBSIDIARIES

Consolidated Statements of Stockholders Equity and Comprehensive Income (Loss)

Years ended December 31, 2010, 2009 and 2008

(In thousands, except for par value per share)

	Common stock ($0.01 par)	**Additional paid-in capital**	**Accumulated deficit**	**Treasury stock at cost**	**Accumulated other comprehensive loss**	**Total stockholders equity**	**Comprehensive income**
Balance at December 31, 2007	$ 178	$ 156,422	$ (55,972)	$ (9,785)	$ (461)	$ 90,382	
Net income			7,837			7,837	$ 7,837
Other comprehensive loss					(2,168)	(2,168)	(2,168)
Total comprehensive income							$ 5,669
Repurchases of common stock in the open market				(8,797)		(8,797)	
Stock-based compensation expense		898		155		1,053	
Exercise of warrants		(243)		1,179		936	
Income tax benefit from stock-based compensation		1,964				1,964	
Net issuances of stock pursuant to stock compensation and benefit plans and other		(579)		2,178		1,599	
Balance at December 31, 2008	$ 178	$ 158,462	$ (48,135)	$ (15,070)	$ (2,629)	$ 92,806	
Net loss			(1,190)			(1,190)	$ (1,190)
Other comprehensive income					683	683	683
Total comprehensive loss							$ (507)
Repurchases of common stock in the open market				(2,166)		(2,166)	
Equity investment by Sagard Capital Partners, L.P.	8	3,953		15,620		19,581	
Stock-based compensation expense		1,231		208		1,439	
Net issuances of stock pursuant to stock compensation and benefit plans and other		(1,671)		1,408		(263)	
Balance at December 31, 2009	$ 186	$ 161,975	$ (49,325)	$	$ (1,946)	$ 110,890	
Net income			12,732			12,732	$ 12,732
Other comprehensive loss					(281)	(281)	(281)
Total comprehensive income							$ 12,451
Repurchases of common stock in the open market				(266)		(266)	
Stock-based compensation expense		1,657				1,657	
Net issuances of stock pursuant to stock compensation and benefit	1	(210)		264		55	

plans and other						
Balance at December 31, 2010	$ 187	$ 163,422	$ (36,593)	$ (2)	$ (2,227)	$ 124,787

See accompanying notes to consolidated financial statements.

Table of Contents

GP STRATEGIES CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended December 31, 2010, 2009 and 2008

(In thousands)

	2010	2009	2008
Cash flows from operating activities:			
Net income (loss)	$ 12,732	$ (1,190)	$ 7,837
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Goodwill and intangible asset impairment loss		10,163	5,508
Gain on change in fair value of contingent consideration	(1,313)		
Depreciation and amortization	4,230	3,380	3,448
Non-cash compensation expense	2,012	1,638	2,776
Deferred income taxes	1,064	1,862	66
Changes in other operating items, net of acquired amounts:			
Accounts and other receivables	(13)	2,329	4,941
Inventories	252	(20)	40
Costs and estimated earnings in excess of billings on uncompleted contracts	(1,771)	(1,163)	6,057
Prepaid expenses and other current assets	1,502	637	(1,247)
Accounts payable and accrued expenses	5,145	(2,076)	(3,262)
Billings in excess of costs and estimated earnings on uncompleted contracts	2,084	2,815	(1,736)
Other	266	401	(458)
Net cash provided by operating activities	26,190	18,776	23,970
Cash flows from investing activities:			
Additions to property, plant and equipment	(1,531)	(1,174)	(1,936)
Acquisitions, net of cash acquired	(4,621)	(20,773)	(2,004)
Deferred acquisition payments, including contingent consideration	(500)	(3,464)	(2,665)
Purchase of intellectual property			(1,000)
Net cash used in investing activities	(6,652)	(25,411)	(7,605)
Cash flows from financing activities:			
Net proceeds from (repayment of) short-term borrowings		(3,234)	281
Repayment of long-term debt			(7,085)
Equity investment by Sagard Capital Partners, L.P.		19,581	
Contingent consideration payments	(775)		
Change in negative cash book balance	5	(595)	(1,783)
Repurchases of common stock in the open market	(266)	(2,166)	(8,797)
Income tax benefit from stock-based compensation	129		1,964
Proceeds from issuance of common stock	39	51	55
Other financing activities	(502)	(408)	(137)
Net cash provided by (used in) financing activities	(1,370)	13,229	(15,502)

Table of Contents

GP STRATEGIES CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended December 31, 2010, 2009 and 2008

(In thousands)

	2010	2009	2008
Effect of exchange rate changes on cash and cash equivalents	(69)	248	(770)
Net increase in cash and cash equivalents	18,099	6,842	93
Cash and cash equivalents at beginning of year	10,803	3,961	3,868
Cash and cash equivalents at end of year	$ 28,902	$ 10,803	$ 3,961
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	$ 36	$ 46	$ 374
Income taxes	$ 5,570	$ 3,110	$ 2,430
Non-cash investing and financing activities:			
Accrued contingent consideration	$ 2,880	$ 5,058	$ 2,500
Reduction in carrying value of long-term debt upon exercise of detachable stock purchase warrants			936

See accompanying notes to consolidated financial statements.

Table of Contents

GP STRATEGIES CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(1) Description of Business and Significant Accounting Policies

Business

GP Strategies Corporation (the Company) was incorporated in Delaware in 1959. The Company s business consists of its training, engineering, technical services and consulting business operated by its subsidiary, General Physics Corporation (General Physics or GP). General Physics is a workforce development company that seeks to improve the effectiveness of organizations by providing training, management consulting, e-Learning solutions, engineering and technical services that are customized to meet the specific needs of clients.

FASB Codification

The Company follows accounting standards set by the Financial Accounting Standards Board (FASB). The FASB sets generally accepted accounting principles (GAAP) that the Company follows to ensure it consistently reports its financial condition, results of operations, and cash flows. References to GAAP issued by the FASB in these footnotes are to the *FASB Accounting Standards Codification,* sometimes referred to as the Codification or ASC.

Principles of Consolidation

The consolidated financial statements include the operations of the Company and its majority-owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

Significant Customers & Concentration of Credit Risk

The Company has a concentration of revenue from General Motors Corporation and its affiliates (General Motors) as well as a market concentration in the automotive sector. Revenue from General Motors accounted for approximately 12%, 16% and 20% of the Company s consolidated revenue for the years ended December 31, 2010, 2009 and 2008, respectively, and revenue from the automotive industry accounted for approximately 18%, 21% and 28% of the Company s consolidated revenue for the years ended December 31, 2010, 2009 and 2008, respectively. Accounts receivable from General Motors totaled $6,058,000 and $7,806,000 as of December 31, 2010 and 2009, respectively, which is reflected in the consolidated balance sheet. No other single customer accounted for more than 10% of the Company s revenue in 2010 or accounts receivable as of December 31, 2010.

For the years ended December 31, 2010, 2009 and 2008, sales to the United States government and its agencies represented approximately 22%, 23% and 18%, respectively, of the Company s consolidated revenue. Revenue was derived from many separate contracts with a variety of government agencies that are regarded by the Company as separate customers.

Cash and Cash Equivalents

Cash and cash equivalents consist of short-term highly liquid investments with original maturities of three months or less. Outstanding checks which have been issued but not presented to the banks for payment may create negative book cash balances. We transfer cash on an as-needed basis to fund these items as they clear the bank in subsequent periods. Such negative cash balances are included in accounts payable and accrued expenses and totaled $5,000 and $0 as of December 31, 2010 and 2009, respectively. Changes in negative book cash balances from period to period are reported as a financing activity in the consolidated statement of cash flows.

Allowance for Doubtful Accounts Receivable

Trade accounts receivable are recorded at invoiced amounts. The Company evaluates the collectability of trade accounts receivable based on a combination of factors. When aware that a specific customer may be unable to meet its financial obligations to us, such as in the case of bankruptcy filings or deterioration in the customer s operating results or financial position, the Company evaluates the need to record a specific reserve for bad debt

Table of Contents

to reduce the related receivable to the amount the Company reasonably believes is collectible. The Company also records reserves for bad debt for all other customers based on a variety of factors, including the length of time the receivables are past due, historical collection experience and trends of past due accounts, write-offs and specific identification and review of past due accounts. Actual collections of trade receivables could differ from management s estimates due to changes in future economic or industry conditions or specific customers financial conditions.

Foreign Currency Translation

The functional currency of the Company s international operations is the respective local currency. The translation of the foreign currency into U.S. dollars is performed for balance sheet accounts using current exchange rates in effect at the balance sheet date and for revenue and expense accounts using the weighted average exchange rates prevailing during the year. The unrealized gains and losses resulting from such translation are included as a component of other comprehensive income.

Revenue Recognition

The Company provides services under time-and-materials, cost-reimbursable, and fixed price (including fixed-fee per transaction) contracts to both government and commercial customers. Each contract has different terms based on the scope, deliverables and complexity of the engagement, requiring the Company to make judgments and estimates about recognizing revenue. Revenue is recognized as services are performed.

Under time-and-materials contracts, as well as certain government cost-reimbursable and certain fixed price contracts, the contractual billing schedules are based on the specified level of resources the Company is obligated to provide. As a result, for these level-of-effort contracts, the contractual billing amount for the period is a measure of performance and, therefore, revenue is recognized in that amount.

Revenue under government fixed price and certain commercial fixed price contracts is recognized using the percentage-of-completion method. Under the percentage-of-completion method, management estimates the percentage-of-completion based upon costs incurred as a percentage of the total estimated costs.

For other commercial fixed price contracts which typically involve a discrete project, such as development of training content and materials, design of training processes, software implementation, or engineering projects, the contractual billing schedules are not based on the specified level of resources the Company is obligated to provide. These discrete projects generally do not contain milestones or other reliable measures of performance. As a result, revenue on these arrangements is recognized using a percentage-of-completion method based on the relationship of costs incurred to total estimated costs expected to be incurred over the term of the contract. The Company believes this methodology is a reasonable measure of proportional performance since performance primarily involves personnel costs and services provided to the customer throughout the course of the projects through regular communications of progress toward completion and other project deliverables. In addition, the customer typically is required to pay the Company for the proportionate amount of work and cost incurred in the event of contract termination.

When total cost estimates exceed revenues, the estimated losses are recognized immediately. The use of the percentage-of-completion method requires significant judgment relative to estimating total contract revenues and costs, including assumptions relative to the length of time to complete the project, the nature and complexity of the work to be performed, and anticipated changes in estimated salaries and other costs. Estimates of total contract revenues and costs are continuously monitored during the term of the contract, and recorded revenues and costs are subject to revision as the contract progresses. When revisions in estimated contract revenues and costs are determined, such adjustments are recorded in the period in which they are first identified.

For certain commercial fixed-fee per transaction contracts, such as providing training courses, revenue is recognized during the period in which services are delivered in accordance with the pricing outlined in the contracts.

Table of Contents

For certain fixed-fee per transaction and fixed price contracts in which the output of the arrangement is measurable, such as for the shipping of publications and print materials, revenue is recognized when the deliverable is met and the product is delivered based on the output method of performance. The customer is required to pay for the cost incurred in the event of contract termination.

Certain of the Company s fixed price commercial contracts contain revenue arrangements with multiple deliverables. Revenue arrangements with multiple deliverables are evaluated to determine if the deliverables can be divided into more than one unit of accounting. For contracts determined to have more than one unit of accounting, the Company recognizes revenue for each deliverable based on the revenue recognition policies discussed above; that is, the Company recognizes revenue in accordance with work performed and costs incurred, with the fee being allocated proportionately over the service period. Within each multiple deliverable project, there is objective and reliable fair value across all units of the arrangement, as discounts are not offered or applied to one deliverable versus another, and the rates bid across all deliverables are consistent.

As part of the Company s on-going operations to provide services to its customers, incidental expenses, which are commonly referred to as out-of-pocket expenses, are billed to customers, either directly as a pass-through cost or indirectly as a cost estimated in proposing on fixed price contracts. Out-of-pocket expenses include expenses such as airfare, mileage, hotel stays, out-of-town meals and telecommunication charges. The Company s policy provides for these expenses to be recorded as both revenue and direct cost of services.

In connection with the delivery of products, primarily for publications delivered by the Sandy Training & Marketing segment, the Company incurs shipping and handling costs which are billed to customers directly as a pass-through cost. The Company s policy provides for these expenses to be recorded as both revenue and direct cost of revenue.

Contract Related Assets and Liabilities

Costs and estimated earnings in excess of billings on uncompleted contracts in the accompanying consolidated balance sheets represent unbilled amounts earned and reimbursable under contracts in progress. These amounts become billable according to the contract terms, which usually consider the passage of time, achievement of milestones or completion of the project. Generally, such unbilled amounts will be billed and collected over the next twelve months.

Billings in excess of costs and estimated earnings on uncompleted contracts in the accompanying consolidated balance sheets represent advanced billings to clients on contracts in advance of work performed. Generally, such amounts will be earned and recognized in revenue over the next twelve months.

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income and foreign currency translation adjustments, net of tax.

Inventories

Inventories are stated at lower of cost or market, with cost determined using an average cost method.

Property, Plant and Equipment

Property, plant and equipment are carried at cost (or fair value at acquisition date for assets obtained through business combinations). Major additions and improvements are capitalized, while maintenance and repairs which do not extend the lives of the assets are expensed as incurred. Gain or loss on the disposition of property, plant and equipment is recognized in operations when realized.

Table of Contents

Depreciation of property, plant and equipment is recognized on a straight-line basis over the following estimated useful lives:

Class of assets	**Useful life**
Buildings and improvements	5 to 40 years
Machinery, equipment, and furniture and fixtures	3 to 10 years
Leasehold improvements	Shorter of asset life or term of lease

Impairment of Long-Lived Assets

Long-lived assets, such as property, plant, and equipment, and intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized at the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and would no longer be depreciated.

Goodwill and Intangible Assets

The Company s intangible assets include amounts recognized in connection with acquisitions, including customer relationships, contract backlog and software. Intangible assets are initially valued at fair market value using generally accepted valuation methods appropriate for the type of intangible asset. Amortization is recognized on a straight-line basis over the estimated useful life of the intangible assets, except for contract backlog which is recognized in proportion to the projected revenue streams of the related backlog. Intangible assets with definite lives are reviewed for impairment if indicators of impairment arise. Except for goodwill, the Company does not have any intangible assets with indefinite useful lives.

Goodwill represents the excess of costs over fair value of assets of businesses acquired. The Company reviews its goodwill for impairment annually as of December 31 and whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. The Company performs a two-step impairment test on goodwill. In the first step, the Company compares the fair value of each reporting unit to its carrying value. A reporting unit is an operating segment, or one level below an operating segment, as defined by U.S. GAAP. The Company determines the fair value of its reporting units based on an income approach, whereby it calculates the fair value of each reporting unit based on the present value of estimated future cash flows, which are formed by evaluating historical trends, current budgets, operating plans and industry data. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is not impaired and the Company is not required to perform further testing. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then the Company must perform the second step of the impairment test in order to determine the implied fair value of the reporting unit s goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit s assets and liabilities in a manner similar to a purchase price allocation, with any residual fair value allocated to goodwill. If the carrying value of a reporting unit s goodwill exceeds its implied fair value, then an impairment loss equal to the difference is recorded. The Company evaluates the reasonableness of the fair value calculations of its reporting units by reconciling the total of the fair values of all reporting units to the Company s total market capitalization, and adjusting for an appropriate control premium.

Determining the fair value of a reporting unit is judgmental in nature and involves the use of significant estimates and assumptions. These estimates and assumptions include revenue growth rates and operating margins used to calculate projected future cash flows, risk-adjusted discount rates, future economic and market conditions and determination of appropriate market comparables. The Company bases its fair value estimates on

Table of Contents

assumptions it believes to be reasonable but that are unpredictable and inherently uncertain. Actual future results may differ from those estimates. In addition, the Company makes certain judgments and assumptions in allocating shared assets and liabilities to determine the carrying values for each of its reporting units. The timing and frequency of the Company s goodwill impairment tests are based on an ongoing assessment of events and circumstances that would indicate a possible impairment. The Company will continue to monitor its goodwill and intangible assets for impairment and conduct formal tests when impairment indicators are present.

The Company tested the goodwill of all of its reporting units as of December 31, 2010 and 2009 and the estimated fair values of each reporting unit exceeded their respective carrying values, indicating the underlying goodwill of each unit was not impaired.

Based upon indicators of impairment in the second quarter of 2009, which included significantly lower than projected revenue and profit and a revised lower outlook for certain reporting units, the Company performed an interim impairment test on its Manufacturing and Process & Aerospace reporting units as of June 30, 2009. The Manufacturing reporting unit s revenue and profit projections were significantly lowered as a result of the impact of the economic recession and the corresponding reduction in spending by several customers. The Process & Aerospace reporting unit s profit projections were decreased due to a lower profit margin as a percentage of revenue experienced by this reporting unit, despite revenue being in line with projections, and a change in projected future profit margin which was lower than previously assumed. The Company determined that the fair value of its Manufacturing reporting unit was below its carrying value and recognized a goodwill impairment loss of $9,909,000 for the second quarter of 2009 related to this reporting unit. The Company determined that the fair value of its Process & Aerospace reporting unit was above its carrying value and no impairment was indicated as of June 30, 2009. During the second quarter of 2009 and in connection with the goodwill impairment loss discussed above, the Company also recorded an intangible asset impairment loss of $254,000 relating to a non-compete agreement that was no longer deemed to have value as of June 30, 2009.

As of December 31, 2008, the carrying value of the Company s Sandy reporting unit exceeded its estimated fair value, indicating the underlying goodwill was impaired at the testing date. As a result of performing the second step of the goodwill impairment test, the Company recognized an impairment loss of $5,508,000 for the year ended December 31, 2008. The goodwill impairment loss was attributable to a significant decline in the Company s market capitalization during the fourth quarter of 2008 and uncertainty regarding the automotive industry, which resulted in a reduction in the future cash flow projections and comparable company multiples used in the fair value calculation in the impairment test.

Contingent Consideration for Business Acquisitions

Acquisitions may include contingent consideration payments based on future financial measures of an acquired company. For acquisitions completed before 2009, these obligations were recognized as incurred and accounted for as an adjustment to the initial purchase price of the acquired assets. For acquisitions in 2009 and beyond, contingent consideration is required to be recognized at fair value as of the acquisition date. The Company estimates the fair value of these liabilities based on financial projections of the acquired companies and estimated probabilities of achievement. At each reporting date, the contingent consideration obligation will be revalued to estimated fair value and changes in fair value subsequent to the acquisition will be reflected in income or expense in the consolidated statements of operations, and could cause a material impact to the Company s operating results. Changes in the fair value of contingent consideration obligations may result from changes in discount periods and rates, changes in the timing and amount of revenue and/or earnings estimates and changes in probability assumptions with respect to the likelihood of achieving the various earn-out criteria.

Other Assets

Other assets primarily include deferred financing costs, certain software development and implementation costs, an investment in a joint venture and other assets obtained to fulfill customer related contract obligations. Deferred financing costs are amortized on a straight-line basis over the terms of the related financing arrangement and such amortization is classified as interest expense in the consolidated statements of operations.

Table of Contents

The Company capitalizes the cost of internal-use software in accordance with ASC Topic 350-40, *Internal-Use Software*. These costs consist of payments made to third parties for software development and implementation and are amortized using the straight-line method over their estimated useful lives, typically three to five years. The Company accounts for a 5% interest in a joint venture partnership under the equity method of accounting because significant influence exists due to certain factors, including representation on the partnership s Management Board and voting rights.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and for operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company establishes accruals for uncertain tax positions taken or expected to be taken in a tax return when it is more likely than not (i.e., a likelihood of more than fifty percent) that the position would be sustained upon examination by tax authorities that have full knowledge of all relevant information. A recognized tax position is then measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. Favorable or unfavorable adjustment of the accrual for any particular issue would be recognized as an increase or decrease to income tax expense in the period of a change in facts and circumstances. Interest and penalties related to income taxes are accounted for as income tax expense.

Earnings per Share

Basic earnings per share (EPS) is computed by dividing earnings by the weighted average number of common shares outstanding during the periods. Diluted EPS reflects the potential dilution of common stock equivalent shares that could occur if securities or other contracts to issue common stock were exercised or converted into common stock.

The Company s dilutive common stock equivalent shares consist of stock options, restricted stock units, and warrants to purchase shares of common stock computed under the treasury stock method, using the average market price during the period. The following table presents instruments which were not dilutive and were excluded from the computation of diluted EPS in each period, as well as the weighted average dilutive common stock equivalent shares which were included in the computation of diluted EPS:

	Year ended December 31,		
	2010	**2009**	**2008**
		(In thousands)	
Non-dilutive instruments	1,299	976	1,168
Dilutive common stock equivalents	108	76	122

Stock-Based Compensation

Pursuant to the stock-based incentive plans which are described more fully in Note 11, the Company grants stock options, restricted stock, stock units, and equity to officers, employees, and members of the Board of Directors. The Company recognizes compensation expense for all equity-based compensation awards issued to employees using the fair-value measurement method.

The Company recognizes compensation expense on a straight-line basis over the requisite service period for stock-based compensation awards with both graded and cliff vesting terms. The Company applies a forfeiture

Table of Contents

estimate to compensation expense recognized for awards that are expected to vest during the requisite service period, and revises that estimate if subsequent information indicates that the actual forfeitures will differ from the estimate. The Company recognizes the cumulative effect of a change in the number of awards expected to vest in compensation expense in the period of change. The Company does not capitalize any portion of its stock-based compensation.

The Company estimates the fair value of its stock options on the date of grant using the Black-Scholes option pricing model, which requires various assumptions such as expected term, expected stock price volatility and risk-free interest rate. The Company estimates the expected term of stock options granted taking into consideration historical data related to stock option exercises. The Company uses historical stock price data in order to estimate the expected volatility factor of stock options granted. The risk-free interest rate for the periods within the expected life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, the Company evaluates the estimates used, including but not limited to those related to revenue recognition, the allowance for doubtful accounts receivable, impairments of goodwill and other intangible assets, valuation of intangible assets acquired and contingent consideration issued in business acquisitions, valuation of stock-based compensation awards, self-insurance liabilities and income taxes. Actual results could differ from these estimates.

Fair Value Estimates

ASC Topic 820, *Fair Value Measurements and Disclosure* (Topic 820), defines fair value, establishes a market-based framework or hierarchy for measuring fair value, and expands disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The guidance within Topic 820 is applicable whenever another accounting pronouncement requires or permits assets and liabilities to be measured at fair value. The fair value hierarchy prioritizes the inputs used in valuation techniques into three levels as follows:

- Level 1 unadjusted quoted prices for identical assets or liabilities in active markets;

- Level 2 quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs other than quoted market prices that are observable or that can be corroborated by observable market data by correlation; and

- Level 3 unobservable inputs based upon the reporting entity s internally developed assumptions which market participants would use in pricing the asset or liability.

The carrying value of financial instruments including cash and cash equivalents, accounts receivable, accounts payable and short-term borrowings approximate estimated market values because of short-maturities and interest rates that approximate current rates. The Company s fair value measurements relate to goodwill, intangible assets and contingent consideration recognized in connection with acquisitions and are valued using Level 3 inputs.

Leases

The Company leases various office space, machinery and equipment under noncancelable operating leases which have minimum lease obligations. Several of the leases contain provisions for rent escalations based primarily on increases in real estate taxes and operating costs incurred by the lessor. Rent expense is recognized

Table of Contents

in the statement of operations as incurred except for escalating rents, which are expensed on a straight-line basis over the terms of the leases.

Legal Expenses

The Company is involved, from time to time, in litigation and proceedings arising out of the ordinary course of business. Legal costs for services rendered in the course of these proceedings are charged to expense as they are incurred.

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

Accounting Standard Issued

ASU No. 2009-13 Multiple Deliverable Revenue Arrangements

In October 2009, the FASB issued Accounting Standards Update (ASU) No. 2009-13, *Revenue Recognition* (ASC Topic 605) - *Multiple-Deliverable Revenue Arrangements*, a consensus of the FASB Emerging Issues Task Force (ASU No. 2009-13). ASU No. 2009-13 amends guidance included within ASC Topic 605-25 to require an entity to use an estimated selling price when vendor specific objective evidence or acceptable third party evidence does not exist for any products or services included in a multiple element arrangement. The arrangement consideration should be allocated among the products and services based upon their relative selling prices, thus eliminating the use of the residual method of allocation. ASU No. 2009-13 also requires expanded qualitative and quantitative disclosures regarding significant judgments made and changes in applying this guidance. ASU No. 2009-13 is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Early adoption and retrospective application are also permitted. The Company adopted the provisions of ASU No. 2009-13 for revenue arrangements entered into subsequent to January 1, 2010. The adoption of ASU No. 2009-13 did not have a material impact on the Company s financial statements.

Accounting Standard Adopted

ASC Topic 805, Business Combinations

The Company adopted ASC Topic 805, *Business Combinations* (ASC Topic 805), effective January 1, 2009. ASC Topic 805 requires the acquiring entity in a business combination to recognize the full fair value of assets acquired and liabilities assumed in the transaction (whether a full or partial acquisition); establishes the acquisition date fair value as the measurement objective for all assets acquired and liabilities assumed; requires expensing of most transaction and restructuring costs; and requires the acquirer to disclose the information necessary to evaluate and understand the nature and financial effect of the business combination. In addition, ASC Topic 805 requires that contingent purchase consideration be recognized at fair value on the acquisition date with subsequent adjustments recognized in the consolidated statement of operations. The impact of ASC Topic 805 on the Company s consolidated financial statements will depend upon the nature, terms and size of the acquisitions it completes.

Table of Contents

(2) Acquisitions

The following tables summarize the purchase prices and purchase price allocations for the acquisitions completed during the years ended December 31, 2010 and 2009, with a description of the acquired businesses below each table. The pro-forma impact of the acquisitions in each year is not material to the Company s results of operations for the respective year in which the acquisitions were completed.

	(Dollars in thousands)		
2010 Acquisitions		**Bath**	**Academy of**
Acquired company	**Marton House**	**Consulting**	**Training**
Acquisition date	**4/1/2010**	**11/1/2010**	**12/1/2010**
Cash purchase price	$ 2,752	$ 1,415	$ 1,065
Fair value of contingent consideration	1,614	939	133
Total purchase price	$ 4,366	$ 2,354	$ 1,198
Purchase price allocation:			
Cash	$ 5	$ 106	$ 52
Accounts receivable	1,441	1,044	385
Other current assets	520	102	61
Property, plant and equipment	25	35	37
Customer-related intangible assets	1,044	486	303
Goodwill	3,136	1,517	989
Total assets	6,171	3,290	1,827
Accounts payable and accrued expenses	1,105	800	501
Billings in excess of costs and estimated earnings on uncompleted contracts	408		43
Deferred tax liability	292	136	85
Total liabilities	1,805	936	629
Net assets acquired	$ 4,366	$ 2,354	$ 1,198

Marton House

Effective April 1, 2010, General Physics, through its wholly owned subsidiary, General Physics (UK) Ltd. (GPUK), completed the acquisition of Marton House Plc (Marton House), a provider of custom e-Learning content development with expertise in leadership and product sales training in the United Kingdom. Marton House is included in the Company s Manufacturing & BPO segment and its results of operations have been included in the consolidated financial statements since April 1, 2010. None of the goodwill recorded for financial statement purposes is deductible for tax purposes.

Bath Consulting

Effective November 1, 2010, General Physics, through its wholly owned subsidiary, GPUK, completed the acquisition of Bath Consulting Group (Bath Consulting), a niche leadership and organizational development consulting firm in the United Kingdom. Bath Consulting is included in the Company s Manufacturing & BPO segment and its results of operations have been included in the consolidated financial statements since November 1, 2010. None of the goodwill recorded for financial statement purposes is deductible for tax purposes.

Table of Contents

Academy of Training

Effective December 1, 2010, General Physics, through its wholly owned subsidiary, GPUK, completed the acquisition of Academy of Training (AoT), an independent training provider in the United Kingdom. AoT is included in the Company s Manufacturing & BPO segment and its results of operations have been included in the consolidated financial statements since December 1, 2010. None of the goodwill recorded for financial statement purposes is deductible for tax purposes.

2009 Acquisitions	**(Dollars in thousands)**		
Acquired company	**Milsom**	**Option Six**	**PerformTech**
Acquisition date	**9/1/2009**	**12/1/2009**	**12/31/2009**
Cash purchase price	$ 2,544	$ 4,103	$ 17,626
Fair value of contingent consideration	2,437	827	1,794
Total purchase price	$ 4,981	$ 4,930	$ 19,420
Purchase price allocation:			
Cash	$ 557	$ 947	$ 2,438
Accounts receivable	1,414	616	2,866
Other current assets	466	151	1,220
Property, plant and equipment	259		158
Amortizable intangible assets	1,209	930	2,981
Goodwill	2,876	2,647	10,530
Total assets	6,781	5,291	20,193
Accounts payable and accrued expenses	1,410	215	735
Billings in excess of costs and estimated earnings on uncompleted contracts	51	146	38
Deferred tax liability	339		
Total liabilities	1,800	361	773
Net assets acquired	$ 4,981	$ 4,930	$ 19,420

Milsom

Effective September 1, 2009, General Physics, through its wholly owned subsidiary, GPUK, completed the acquisition of Milsom Industrial Designs Limited (Milsom), a provider of technical documentation, technical publications, technical recruiting and engineering design services in the United Kingdom. Milsom is included in the Company s Manufacturing & BPO segment and its results of operations have been included in the consolidated financial statements since September 1, 2009. None of the goodwill recorded for financial statement purposes is deductible for tax purposes.

Option Six

Effective December 1, 2009, General Physics acquired Option Six, Inc. (Option Six), a provider of custom courseware development services with expertise in the software and pharmaceutical industries. Option Six, located in Bloomington, Indiana, provides blended learning courseware development services. Option Six is included in the Manufacturing & BPO segment and the results of its operations have been included in the consolidated financial statements since December 1, 2009. The Company expects that all of the goodwill recorded for financial statement purposes will be deductible for tax purposes, except that contingent consideration is only deductible when paid. If the actual contingent consideration payments are less than the estimated fair value as of the acquisition date, a portion of goodwill will not be deductible for tax purposes.

Table of Contents

PerformTech

Effective December 30, 2009, General Physics acquired PerformTech, Inc. (PerformTech) a provider of custom courseware development and other training services primarily for the U.S. Government. PerformTech, located in Alexandria, Virginia, is a leading developer of custom training solutions, with a significant presence supporting federal government priorities including border security, anti-terrorism, and highway engineering. PerformTech leverages its extensive past performance, proprietary development tools, and technical expertise in needs analysis, curriculum development (classroom and web-based), and training delivery to address clients mission critical needs. PerformTech is included in the Manufacturing & BPO segment and the results of its operations have been included in the consolidated financial statements since January 1, 2010. The Company expects that all of the goodwill recorded for financial statement purposes will be deductible for tax purposes, except that contingent consideration is only deductible when paid. If the actual contingent consideration payments are less than the estimated fair value as of the acquisition date, a portion of goodwill will not be deductible for tax purposes.

2008 Acquisitions

Performance Consulting Services

On March 1, 2008, General Physics completed the acquisition of Performance Consulting Services, Inc. (PCS), a company specializing in performance engineering support, training, combustion optimization, the implementation of smart equipment condition monitoring systems and testing services for power plants. The final purchase price totaled $2,370,000 and consisted of a final upfront cash payment of $916,000, deferred payments of $1,000,000 paid in two equal installments on January 31, 2009 and January 31, 2010, contingent consideration payments of $305,000 and acquisition costs of $149,000. The purchase price allocation primarily consisted of $1,609,000 of goodwill, which is not deductible for tax purposes, and $465,000 of customer-related intangible assets to be amortized over five years from the acquisition date. PCS is included in the Energy segment and the results of its operations have been included in the consolidated financial statements since March 1, 2008.

Other 2008 Acquisitions

During the fourth quarter of 2008, General Physics, through its wholly owned GPUK subsidiary completed two separate acquisitions of training and consulting companies in the United Kingdom. The total purchase price for these businesses was approximately $900,000 in cash. The purchase price allocations primarily consisted of $788,000 of goodwill and $124,000 of customer related intangible assets to be amortized over three years from the acquisition date. In addition, the purchase agreements require up to an additional $1,600,000 to be paid to the sellers, contingent upon the achievement of certain earnings targets, as defined in the purchase agreements, during periods subsequent to the acquisitions. In December 2009, the Company paid $159,000 of contingent consideration to the sellers of one of the acquired businesses with respect to the first twelve-month period following the completion of the acquisition. As of December 31, 2010, the Company accrued $193,000 of contingent consideration with respect to the second twelve-month period following the completion of one of the acquisitions, which will be payable during the first quarter of 2011.

Contingent Consideration

Effective January 1, 2009, the Company adopted ASC Topic 805, which requires that contingent consideration be recognized at fair value on the acquisition date, and re-measured each reporting period with subsequent adjustments recognized in the consolidated statement of operations. The Company estimates the fair value of contingent consideration liabilities based on financial projections of the acquired companies and estimated probabilities of achievement and discounts the liabilities to present value using a weighted-average cost of capital. Contingent consideration is valued using significant inputs that are not observable in the market which are defined as Level 3 inputs pursuant to fair value measurement accounting. The Company believes its estimates and assumptions are reasonable, however, there is significant judgment involved. At each reporting date, the contingent consideration obligation is revalued to estimated fair value, and changes in fair value

Table of Contents

subsequent to the acquisitions are reflected in income or expense in the consolidated statements of operations, and could cause a material impact to, and volatility in, the Company s operating results. Changes in the fair value of contingent consideration obligations may result from changes in discount periods, changes in the timing and amount of revenue and/or earnings estimates and changes in probability assumptions with respect to the likelihood of achieving the various earn-out criteria.

Below is a summary of the potential contingent consideration the Company may be required to pay in connection with completed acquisitions as of December 31, 2010 (dollars in thousands):

Acquisition:	Original range of potential undiscounted payments	As of December 31, 2010 Maximum contingent consideration due in 2011	2012	2013	Total
Milsom	$0 - $3,600	$ 1,160	$ 1,160	$	$ 2,320
Option Six	$0 - $2,000	650	1,000		1,650
PerformTech	$0 - $4,500		2,000		2,000
Marton House	$0 - $3,714	1,238	1,238	1,238	3,714
Bath Consulting	$0 - $2,352	449	851	1,052	2,352
Academy of Training	$0 - $155	155			155
Other		502	595		1,097
Total		$ 4,154	$ 6,844	$ 2,290	$ 13,288

Below is a summary of the changes in the recorded amount of contingent consideration liabilities from December 31, 2009 to December 31, 2010 for each acquisition (dollars in thousands):

Acquisition:	Liability as of Dec. 31, 2009	2010 Additions (Payments)	Change in Fair Value of Contingent Consideration	Foreign Currency Translation	Liability as of Dec. 31, 2010
Milsom	$ 2,437	(775)	(347)	(117)	$ 1,198
Option Six	827		75		902
PerformTech	1,794		(1,794)		
Marton House		1,614	719	33	2,366
Bath Consulting		939	34	(33)	940
Academy of Training		133		(1)	132
Other		194			194
Total	$ 5,058	2,105	(1,313)	(118)	$ 5,732

As of December 31, 2010 and 2009, contingent consideration included in accounts payable totaled $3,062,000 and $809,000, respectively. As of December 31, 2010 and 2009, the Company also had accrued contingent consideration totaling $2,670,000 and $4,249,000, respectively, related to acquisitions which is included in other long-term liabilities on the consolidated balance sheet and represents the portion of contingent consideration estimated to be payable greater than twelve months from the balance sheet date.

Table of Contents

(3) Intangible Assets

Goodwill

Changes in the carrying amount of goodwill by reportable business segment for the years ended December 31, 2010 and 2009 were as follows (in thousands):

	Manufacturing & BPO	Process & Government	Energy	Sandy	Total
Net book value at Jan. 1, 2009					
Goodwill	$ 37,791	$ 14,612	$ 7,870	$ 5,508	$ 65,781
Accumulated impairment losses				(5,508)	(5,508)
Total	37,791	14,612	7,870		60,273
Acquisitions	16,162		305		16,467
Impairment loss	(9,909)				(9,909)
Foreign currency translation	454				454
Other	88	(85)	(5)		(2)
Net book value at Dec. 31, 2009					
Goodwill	54,495	14,527	8,170	5,508	82,700
Accumulated impairment losses	(9,909)			(5,508)	(15,417)
Total	44,586	14,527	8,170		67,283
Acquisitions	5,836				5,836
Foreign currency translation	(165)				(165)
Other	42				42
Net book value at Dec. 31, 2010					
Goodwill	60,208	14,527	8,170	5,508	88,413
Accumulated impairment losses	(9,909)			(5,508)	(15,417)
Total	$ 50,299	$ 14,527	$ 8,170	$	$ 72,996

The Company recognized a goodwill impairment loss of $9,909,000 for the year ended December 31, 2009 related to the Manufacturing reporting unit and a $5,508,000 goodwill impairment loss for the year ended December 31, 2008 related to the Sandy segment. The goodwill impairment losses were attributable to a significant decline in the Company s market capitalization during the fourth quarter of 2008 and first half of 2009 and worsened financial performance by these reporting units due to the impact of the economic recession, particularly in the manufacturing and automotive industries. See Note 1 for further discussion regarding the valuation methodologies and assumptions used in the goodwill impairment tests.

Table of Contents

Intangible Assets Subject to Amortization

Intangible assets with finite lives are subject to amortization over their estimated useful lives. The primary assets included in this category and their respective balances were as follows (in thousands):

	December 31, 2010		December 31, 2009	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Customer relationships	$ 12,551	$ (3,542)	$ 10,958	$ (2,007)
Contract backlog	374	(339)	385	(174)
Software and other	1,605	(854)	1,609	(523)
	$ 14,530	$ (4,735)	$ 12,952	$ (2,704)

During the second quarter of 2009 and in connection with the goodwill impairment loss in the Manufacturing reporting unit discussed above, the Company recorded an intangible asset impairment loss of $254,000 relating to a non-compete agreement that was no longer deemed to have value as of June 30, 2009.

Amortization expense for intangible assets was $2,256,000, $1,367,000 and $1,095,000, for the years ended December 31, 2010, 2009 and 2008, respectively. Estimated amortization expense for intangible assets included in the Company s balance sheet as of December 31, 2010 is as follows (in thousands):

Fiscal year ending:	
2011	$ 2,203
2012	2,084
2013	1,794
2014	1,612
2015	665
Thereafter	1,437
Total	$ 9,795

As of December 31, 2010, the Company s intangible assets with finite lives had a weighted average remaining useful life of 5.4 years. The Company has no amortizable intangible assets with indefinite useful lives.

(4) Inventories

The Sandy Training & Marketing segment produces brand specific glovebox portfolios, brochures and accessory kits for its customers, which are installed in new cars and trucks at the time of vehicle assembly. Sandy designs these items and outsources their manufacturing to suppliers that provide the raw materials, bind and/or sew the portfolio, assemble its contents, and ship the finished product to its customers assembly plants. Although the inventory is kept at third party suppliers, the Company has title to the inventory and bears the risk of loss. As of

December 31, 2010 and 2009, the Company had inventories of $305,000 and $557,000, respectively, which primarily consisted of raw materials for the glovebox portfolios, brochures and accessory kits.

Table of Contents

(5) Property, Plant and Equipment

Property, plant and equipment consisted of the following (in thousands):

	December 31, 2010	December 31, 2009
Machinery, equipment and vehicles	$ 9,559	$ 8,602
Furniture and fixtures	1,621	1,626
Leasehold improvements	790	784
Buildings	379	390
	12,349	11,402
Accumulated depreciation and amortization	(9,384)	(8,281)
	$ 2,965	$ 3,121

Depreciation expense was $1,577,000, $1,663,000, and $1,763,000, for the years ended December 31, 2010, 2009 and 2008, respectively.

(6) Short-Term Borrowings

General Physics has a $35 million Financing and Security Agreement (the Credit Agreement) with a bank that expires on October 31, 2012 with annual renewal options. The Credit Agreement is secured by certain assets of General Physics and provides for an unsecured guaranty from the Company. The maximum interest rate on the Credit Agreement is the daily LIBOR market index rate plus 2.25%. Based upon the financial performance of General Physics, the interest rate can be reduced. As of December 31, 2010, the rate was LIBOR plus 1.25%. The Credit Agreement contains covenants with respect to General Physics minimum tangible net worth, total liabilities ratio, leverage ratio, interest coverage ratio and its ability to make capital expenditures. General Physics was in compliance with all loan covenants under the amended Credit Agreement as of December 31, 2010. The Credit Agreement also contains certain restrictive covenants regarding future acquisitions, incurrence of debt and the payment of dividends. The Credit Agreement permits General Physics to provide the Company up to an additional $10,000,000 of cash to repurchase shares of its outstanding common stock in the open market. There was $6,566,000 remaining available for future share repurchases under the $10 million authorized amount as of December 31, 2010. General Physics is otherwise currently restricted from paying dividends or management fees to the Company in excess of $1,000,000 in any year.

As of December 31, 2010, there were no borrowings outstanding and $29,778,000 of available borrowings under the Credit Agreement, based upon 80% of eligible accounts receivable and 80% of eligible unbilled receivables.

(7) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consisted of the following (in thousands):

	December 31, 2010	December 31, 2009
Trade accounts payable	$ 8,572	$ 6,327
Accrued salaries, vacation and benefits	10,174	8,130
Accrued contingent consideration	3,062	809
Other accrued expenses	10,886	8,198
	$ 32,694	$ 23,464

Table of Contents

As of December 31, 2010 and 2009, the Company also had accrued contingent consideration totaling $2,670,000 and $4,249,000, respectively, related to acquisitions which is included in other long-term liabilities on the consolidated balance sheet and represents the portion of contingent consideration estimated to be payable greater than twelve months from the balance sheet date.

(8) Employee Benefit Plan

The Company offers a Retirement Savings Plan (the Plan) to its employees. Eligible employees may elect to contribute at any time, and contributions begin as soon as administratively feasible thereafter. The Plan permits pre-tax contributions to the Plan by participants pursuant to Section 401(K) of the Internal Revenue Code (IRC). The Company may make matching contributions at its discretion. In 2010, 2009 and 2008, the Company contributed 48,440, 73,614, and 234,665 shares, respectively, of the Company s common stock directly to the Plan with a value of approximately $440,000, $349,000 and $1,724,000, respectively. In addition, the Company contributed cash of $160,000 and $83,000 to the Plan for matching contributions for the years ended December 31, 2010 and 2009, respectively. For the years ended December 31, 2010, 2009 and 2008, the Company recognized total compensation expense of $601,000, $432,000 and $1,724,000, respectively, in the consolidated statements of operations for matching contributions to the Plan.

(9) Income Taxes

The components of income before income taxes and income tax expense for the years ended December 31, 2010, 2009, and 2008 are as follows (in thousands):

	Years ended December 31,		
	2010	**2009**	**2008**
Income (loss) before income taxes:			
Domestic	$ 17,452	$ 3,642	$ 11,843
Foreign	3,400	(247)	2,307
Total income before income taxes	$ 20,852	$ 3,395	$ 14,150
Income tax expense:			
Current:			
Federal	$ 4,633	$ 829	$ 4,456
State and local	1,095	900	1,092
Foreign	1,328	994	699
Total current	7,056	2,723	6,247
Deferred:			
Federal	1,023	2,088	79
State and local	149	(23)	(30)
Foreign	(108)	(203)	17
Total deferred	1,064	1,862	66
Total income tax expense	$ 8,120	$ 4,585	$ 6,313

The deferred tax expense excludes activity in the net deferred tax assets relating to amounts recorded directly to stockholders equity and goodwill. Income before income tax expense generated from foreign entities was approximately $2,186,000, $125,000, and $802,000 in 2010, 2009 and 2008, respectively.

Table of Contents

The difference between the expense for income tax expense computed at the statutory rate and the reported amount of income tax expense is as follows:

	December 31, 2010	2009	2008
Federal income tax rate	35.0%	35.0%	35.0%
State and local taxes net of federal benefit	3.8	5.4	5.2
Foreign taxes, net of federal benefit	5.2	3.9	4.0
Tax impact of foreign losses for which no U.S. tax benefit has been provided	(3.7)	(0.3)	(2.0)
Permanent differences	0.1	1.7	2.8
Valuation allowance adjustments	(0.5)	(0.4)	0.1
Effect of goodwill impairment loss		90.0	
Other	(1.0)	(0.2)	(0.5)
Effective tax rate	38.9%	135.1%	44.6%

In connection with the $10,163,000 goodwill and intangible asset impairment loss incurred during the second quarter of 2009, the Company recognized a $1,536,000 income tax benefit for the tax deductible portion of goodwill which was written off. Excluding the impact of the impairment loss in 2009, the effective income tax rate was 45.1% for the year ended December 31, 2009 compared to an effective rate of 38.9% for the year ended December 31, 2010. Approximately 2.1% of the decrease in the effective income tax rate is due to a larger portion of the Company s 2010 income being derived from foreign jurisdictions which are taxed at lower rates and approximately 2.0% of the decrease is due to the closure of the Company s Malaysian operations during 2010 for which the Company recognized a loss on its investment for tax purposes. In addition, during 2010 in conjunction with the filing of the 2009 tax return, the Company identified an error in the deferred tax liabilities on the consolidated balance sheet. The Company recorded a $420,000 decrease in tax expense during the fourth quarter of 2010 to correct the error which had accumulated over several prior years. The error correction resulted in a 2.0% decrease in the effective income tax rate for 2010 compared to 2009. The Company determined that the out-of-period correction was not material quantitatively or qualitatively to the consolidated financial statements taken as a whole for any of the periods in which the accounts were mis-stated.

As of December 31, 2010, the Company had utilized all of its available credit carryovers for Federal tax purposes. In addition, as of December 31, 2010, the Company had foreign net operating loss carryforwards of $852,000 which expire in 2011 and beyond. There is a valuation allowance of $769,000 against the foreign net operating loss carryforwards due to the uncertainty of future profitability in foreign jurisdictions.

As of December 31, 2010, the Company had $2,218,000 of unrecognized tax benefits, all of which would impact the effective tax rate if recognized. The Company does not expect any material changes to its uncertain tax positions in the next twelve months. The Company recognizes interest and penalties related to unrecognized tax benefits as a component of income tax expense. For the years ended December 31, 2010, 2009 and 2008, the Company recognized $93,000, $73,000 and $0, respectively, of interest expense related to these tax positions which is reflected as income tax expense in the consolidated statements of operations. As of December 31, 2010, the Company had $166,000 of accrued interest related to these tax positions. Prior to January 2009, the Company did not recognize interest expense due to the existence of net operating loss carryforwards in the years in which the related tax positions were taken. The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction, and various state and foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examination by tax authorities for years prior to 2002.

Table of Contents

The tax effects of temporary differences between the financial reporting and tax basis of assets and liabilities that are included in the net deferred tax assets and liabilities are summarized as follows (in thousands):

	December 31, 2010	December 31, 2009
Deferred tax assets:		
Allowance for doubtful accounts	$ 273	$ 218
Accrued liabilities	926	530
Stock-based compensation expense	811	573
Net federal, state and foreign operating loss carryforwards	855	1,004
Deferred tax assets	2,865	2,325
Deferred tax liabilities:		
Intangible assets, property and equipment, principally due to difference in depreciation and amortization	3,828	1,643
Net deferred tax assets (liabilities)	(963)	682
Less valuation allowance	(701)	(814)
Net deferred tax liabilities, net of valuation allowance	$ (1,664)	$ (132)

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets may not be realized. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences are deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon these factors, management believes it is more likely than not that the Company will realize the benefits of deferred tax assets, net of the valuation allowance.

(10) Comprehensive Income

The following are the components of comprehensive income (loss) (in thousands):

	Years ended December 31, 2010	2009	2008
Net income (loss)	$ 12,732	$ (1,190)	$ 7,837
Other comprehensive income (loss)	(281)	683	(2,168)
Comprehensive income (loss)	$ 12,451	$ (507)	$ 5,669

Other comprehensive income (loss) consists of foreign currency translations adjustments. As of December 31, 2010 and 2009, accumulated other comprehensive loss was $2,227,000 and $1,946,000, respectively, and consisted of foreign currency translation adjustments, net of tax.

Table of Contents

(11) Stock-Based Compensation

Pursuant to the Company s 1973 Non-Qualified Stock Option Plan, as amended (the Non-Qualified Plan), and 2003 Incentive Stock Plan (the 2003 Plan), the Company may grant awards of non-qualified stock options, incentive stock options, restricted stock, stock units, performance shares, performance units and other incentives payable in cash or in shares of the Company s common stock to officers, employees or members of the Board of Directors. The Company is authorized to grant an aggregate of 4,423,515 shares under the Non-Qualified Plan and an aggregate of 2,000,000 shares under the 2003 Plan. The Company may issue new shares or use shares held in treasury to deliver shares to employees for its equity grants or upon exercise of non-qualified stock options.

The following table summarizes the pre-tax stock-based compensation expense included in reported net income (in thousands):

	Years ended December 31, 2010	2009	2008
Non-qualified stock options	$ 794	$ 477	$ 477
Restricted stock units	584	771	433
Board of Director stock grants	279	191	143
Total	$ 1,657	$ 1,439	$ 1,053

The Company recognized a deferred income tax benefit of $551,000, $499,000 and $364,000, respectively, during the years ended December 31, 2010, 2009, and 2008 associated with the compensation expense recognized in its consolidated financial statements. As of December 31, 2010, the Company had non-qualified stock options and restricted stock units outstanding under these plans as discussed below.

Table of Contents

Non-Qualified Stock Options

Non-qualified stock options are granted with an exercise price not less than the fair market value of the Company s common stock at the date of grant, vest over a period up to ten years, and expire at various terms up to ten years from the date of grant.

Summarized information for the Company s non-qualified stock options is as follows:

Stock Options	**Number of options**		**Weighted average exercise price**	**Weighted average remaining contractual term**		**Aggregate intrinsic value**
Outstanding at December 31, 2009	933,011	$	10.40			
Granted	500,000		7.51			
Exercised	(34,621)		4.20			
Forfeited	(6,526)		10.88			
Expired	(14,094)		5.28			
Outstanding at December 31, 2010	1,377,770	$	9.56	3.39	$	1,780,000
Stock options expected to vest	1,258,650	$	9.62	3.32	$	1,556,000
Exercisable at December 31, 2010	419,341	$	10.34	2.35	$	284,000

No stock options were granted during the year ended December 31, 2009. Summarized weighted average information for non-qualified stock options granted to certain key personnel during the years ended December 31, 2010 and 2008 is as follows:

	2010	**2008**
Number of options granted	500,000	12,600
Exercise price	$7.52	$9.66
Vesting term	5 years	3 years
Contractual term	6 years	5 years
Grant-date fair value	$3.15	$2.29
Black-Scholes assumptions:		
Expected term	4.6 years	3.5 years
Expected stock price volatility	47.6%	27.6%
Risk-free interest rate	2.15%	2.34%
Expected dividend yield	%	%

As of December 31, 2010, the Company had approximately $1,833,000 of unrecognized compensation cost related to the unvested portion of outstanding stock options to be recognized on a straight-line basis over a weighted average remaining service period of approximately 3.1 years.

The Company received cash for the exercise price associated with stock options exercised of $39,000, $51,000, and $55,000 during the years ended December 31, 2010, 2009 and 2008, respectively. During the year ended December 31, 2010, the Company settled 24,425 outstanding stock options held by Company employees for

Table of Contents

cash payments totaling $83,000, which represented the fair value of those stock options upon settlement. The total intrinsic value realized by participants on stock options exercised and/or settled was $130,000, $37,000, and $67,000 during the years ended December 31, 2010, 2009 and 2008, respectively. During the years ended December 31, 2010 and 2008, the Company realized income tax benefits of $129,000 and $1,964,000, respectively, related to stock option exercises and restricted stock vesting, which are reflected as an increase to additional paid-in capital on the consolidated statement of stockholders equity.

Restricted Stock Units

In addition to stock options, the Company issues restricted stock units to key employees and members of the Board of Directors based on meeting certain service goals. The stock units vest to the recipients at various dates, up to five years, based on fulfilling service requirements. The Company recognizes the value of the market price of the underlying stock on the date of grant to compensation expense over the requisite service period. Upon vesting, the stock units are settled in shares of the Company s common stock. Summarized share information for the Company s restricted stock units is as follows:

	Year ended December 31, 2010 (In shares)		Weighted average grant date fair value (In dollars)
Outstanding and unvested, beginning of period	314,406	$	6.52
Granted	9,424		8.98
Vested	(121,757)		6.81
Forfeited	(6,457)		6.71
Outstanding and unvested, end of period	195,616	$	6.45
Restricted stock units expected to vest	156,744	$	6.70

The total intrinsic value realized by participants upon the vesting of restricted stock units was $1,071,000, $796,000 and $467,000 during the years ended December 31, 2010, 2009 and 2008, respectively. As of December 31, 2010, the Company had unrecognized compensation cost of $1,018,000 related to the unvested portion of its outstanding restricted stock units expected to be recognized over a weighted average remaining service period of 2.1 years.

(12) Common Stock

The holders of common stock are entitled to one vote per share. As of December 31, 2010, there were 18,709,041 shares of common stock issued and outstanding. In addition, as of December 31, 2010, 1,573,386 shares were reserved for issuance under outstanding equity compensation awards such as stock options and restricted stock units and an additional 113,202 and 1,446,164 shares were available for issuance for future grants of awards under the Company s 2003 Plan and the Non-Qualified Plan, respectively.

Securities Purchase Agreement

On December 30, 2009, the Company entered into a Securities Purchase Agreement (the Purchase Agreement) with a single accredited investor, Sagard Capital Partners, L.P. (Sagard), pursuant to which the Company sold to Sagard, in a private placement, an aggregate of 2,857,143 shares (the Shares) of the Company s common stock, par value $0.01, at a price of $7.00 per share (the Offering), for an aggregate purchase price of $20,000,000. The Offering closed on December 30, 2009.

Table of Contents

Pursuant to the Purchase Agreement, Sagard has certain preemptive rights with respect to future issuances of equity or equity equivalent securities by the Company, which expire under the conditions described in the Purchase Agreement. These preemptive rights allow Sagard to maintain its pro rata ownership in the Company, subject to certain exceptions. Also, during a period ending no later than the second anniversary of the closing of the Offering, Sagard has the additional, special preemptive right to purchase up to $5,000,000 in additional equity or equity equivalent securities issued in future offerings, in each case subject to certain exceptions. In addition, pursuant to the Purchase Agreement, Sagard agreed to certain standstill provisions that, among other things, prohibit Sagard from acquiring beneficial ownership of more than 19.9% of the Company s common stock (calculated on a fully diluted basis) for two years from the date of the Purchase Agreement (excluding, for purposes of this calculation, securities Sagard may acquire pursuant to the special preemptive rights referenced above, which are not subject to the 19.9% maximum), and from acquiring beneficial ownership of more than 23% of the Company s common stock (calculated on a fully diluted basis) thereafter.

Registration Rights Agreement

In connection with the Offering, on December 30, 2009, the Company entered into a Registration Rights Agreement (the Registration Rights Agreement) with Sagard. Pursuant to the Registration Rights Agreement, the Company agreed to prepare and file a registration statement with the Securities and Exchange Commission (the SEC) no later than September 30, 2010 for purposes of registering the resale of the Shares and any shares of common stock issued pursuant to the preemptive rights under Section 4(l) of the Purchase Agreement (or any shares of common stock issuable upon exercise, conversion or exchange of securities issued pursuant to the preemptive rights). The Company agreed to use its reasonable best efforts to cause this registration statement to be declared effective by the SEC no later than December 30, 2010. If the Company failed to meet either of these deadlines, fails to meet filing or effectiveness deadlines with respect to any additional registration statements required by the Registration Rights Agreement, or fails to keep any registration statements continuously effective (with limited exceptions), the Company will be obligated to pay to the holders of the Shares liquidated damages in the amount of 1% of the purchase price for the Shares per month, up to a maximum of $2,400,000. The Company also agreed, among other things, to indemnify the selling holders under the registration statements from certain liabilities and to pay all fees and expenses (excluding underwriting discounts and selling commissions and all legal fees of the selling holders in excess of $25,000) incident to the Company s obligations under the Registration Rights Agreement. The Company filed the registration statement with the SEC on September 27, 2010 and it was declared effective by the SEC on October 8, 2010.

Stock Repurchase Program

Since January 2006, the Company s Board of Directors has authorized a total of $23,000,000 of repurchases of the Company s common stock from time to time in the open market, subject to prevailing business and market conditions and other factors. During the years ended December 31, 2010, 2009 and 2008, the Company repurchased approximately 37,000, 526,000 and 1,091,000 shares, respectively, of its common stock in the open market for a total cost of approximately $266,000, $2,166,000 and $8,797,000, respectively. As of December 31, 2010, there was approximately $2,119,000 available for future repurchases under the buyback program. There is no expiration date for the repurchase program.

Table of Contents

(13) Business Segments

As of December 31, 2010, the Company operated through four reportable business segments: (i) Manufacturing & BPO, (ii) Process & Government, (iii) Energy, and (iv) Sandy Training & Marketing (Sandy). The Company is organized by operating group, primarily based upon the markets served by each group and the services performed. Each operating group consists of strategic business units (SBUs) and business units (BUs) which are focused on providing specific products and services to certain classes of customers or within targeted markets. Across operating groups, SBUs and BUs, the Company integrates similar service lines, technology, information, work products, client management and other resources. Communications and market research, accounting, finance, legal, human resources, information systems and other administrative services are organized at the corporate level. Business development and sales resources are aligned with operating groups to support existing customer accounts and new customer development. The Company s Manufacturing & BPO segment represents an aggregation of two operating groups in accordance with the aggregation criteria in U.S. GAAP, while the Process & Government, Energy and Sandy groups each represent one operating segment. During the first quarter of 2010, the Company transferred the management responsibility for one of its business units from the Process & Government segment to the Manufacturing & BPO segment. The Company has reclassified the segment financial information herein for the prior years to reflect this change and conform to the current period s presentation. Further information regarding each business segment is discussed below. The Company reviews its reportable business segments on a continual basis and could change its reportable business segments from time to time in the event of organizational changes.

Manufacturing & BPO. The Manufacturing & BPO segment delivers training, curriculum design and development, staff augmentation, e-Learning services, system hosting, integration and help desk support, training business process outsourcing, and consulting and technical services primarily to large companies in the electronics and semiconductors, steel, healthcare, pharmaceutical, software, financial and other industries as well as to government agencies. This segment s ability to deliver a wide range of training services allows it to take over the entire learning function for the client, including their training personnel.

Process & Government. The Process & Government segment has over four decades of experience providing consulting, engineering, technical and training services, including emergency preparedness, safety and regulatory compliance, chemical demilitarization and environmental services primarily to federal and state government agencies and large government contractors. This segment also provides design and construction of alternative fuel stations, including LNG and hydrogen fueling stations.

Energy. The Energy segment provides engineering services, products and training primarily to electric power utilities. The Company s proprietary EtaProTM Performance Monitoring and Optimization System provides a suite of performance solutions for power generation plants and is installed at approximately 800 power generating units in over 30 countries. In addition, this segment provides web-based training through our GPiLearnTM portal to over 30,000 power plant personnel in the U.S. and in over 40 countries.

Sandy Training & Marketing. The Sandy segment provides custom product sales training and has been a leader in serving manufacturing customers in the U.S. automotive industry for over 30 years. Sandy provides custom product sales training designed to better educate customer sales forces with respect to new product features and designs, in effect rapidly increasing the sales force knowledge base and enabling them to address detailed customer queries. Furthermore, Sandy helps our clients assess their customer relationship marketing strategy, measure performance against competitors and connect with their customers on a one-to-one basis. This segment also provides technical training services to automotive customers.

The Company does not allocate the following items to the segments: other income and interest expense; GP Strategies selling, general and administrative expense; and income tax expense. Inter-segment revenue is eliminated in consolidation and is not significant.

Table of Contents

The following table sets forth the revenue and operating results attributable to each reportable segment and includes a reconciliation of segment revenue to consolidated revenue and operating results to consolidated income before income tax expense (in thousands):

	Years ended December 31, 2010		2009		2008	
Revenue:						
Manufacturing & BPO	$	146,675	$	98,929	$	123,060
Process & Government		43,140		52,003		50,375
Energy		22,958		22,674		22,018
Sandy Training & Marketing		47,153		45,634		72,440
	$	259,926	$	219,240	$	267,893
Operating income (loss):						
Manufacturing & BPO (a)	$	10,221	$	(5,543)	$	9,010
Process & Government		3,275		3,594		5,242
Energy		5,468		4,474		4,610
Sandy Training & Marketing (b)		1,890		2,411		(3,210)
Corporate and other		(1,630)		(1,808)		(1,889)
Gain on change in fair value of contingent consideration		1,313				
		20,537		3,128		13,763
Interest expense		(236)		(217)		(699)
Other income		551		484		1,086
Income before income tax expense	$	20,852	$	3,395	$	14,150

(a) The operating loss for the Manufacturing & BPO segment includes a $10,163,000 goodwill and intangible asset impairment loss for the year ended December 31, 2009 .

(b) The operating loss for the Sandy segment includes a $5,508,000 goodwill impairment loss for the year ended December 31, 2008.

Additional information relating to the Company s business segments is as follows (in thousands):

	December 31, 2010		2009	
Identifiable assets:				
Manufacturing & BPO	$	119,412	$	94,171
Process & Government		28,046		28,985
Energy		16,583		15,398
Sandy Training & Marketing		19,151		17,253
Corporate and other		4		894
Total assets	$	183,196	$	156,701

Identifiable assets by business segment are those assets that are used in the Company s operations in each segment. Corporate and other assets consist primarily of cash and cash equivalents, other assets, and deferred tax assets and liabilities.

Table of Contents

	Years ended December 31, 2010	2009	2008
Additions to property, plant and equipment:			
Manufacturing & BPO	$ 463	$ 451	$ 1,034
Process & Government	253	76	100
Energy	31	38	162
Sandy Training & Marketing	9	3	332
Corporate and other	775	606	308
	$ 1,531	$ 1,174	$ 1,936
Depreciation and amortization:			
Manufacturing & BPO	$ 2,114	$ 1,323	$ 1,447
Process & Government	37	43	53
Energy	386	397	212
Sandy Training & Marketing	478	581	636
Corporate and other	1,215	1,036	1,100
	$ 4,230	$ 3,380	$ 3,448

Information about the Company s revenue in different geographic regions, which are attributable to the Company s wholly owned subsidiaries located in the United Kingdom, Canada, Mexico, Singapore, China and India is as follows (in thousands):

	Years ended December 31, 2010	2009	2008
United States	$ 214,194	$ 188,181	$ 233,679
United Kingdom	39,734	24,163	26,485
Other	5,998	6,896	7,729
	$ 259,926	$ 219,240	$ 267,893

Information about the Company s total assets in different geographic regions is as follows (in thousands):

	December 31, 2010	2009
United States	$ 151,168	$ 136,035
United Kingdom	28,441	16,445
Other	3,587	4,221
	$ 183,196	$ 156,701

Table of Contents

(14) Related Party Transactions

Pursuant to the terms of the Securities Purchase Agreement with Sagard as discussed in Note 12, the Company agreed to take all corporate and other action necessary to cause one designee of Sagard to be elected or appointed to the Company s Board of Directors, effective as of December 30, 2009, in all cases subject to compliance with relevant NYSE rules and regulations and all other legal and governance requirements regarding service as a director of the Company. Accordingly, on December 18, 2009, the Board of Directors unanimously approved resolutions increasing the number of Directors on the Board of Directors from seven to eight and, effective as of the date of the closing of the Offering, elected Daniel Friedberg to serve on the Board of Directors for an initial term commencing as of the date of the closing of the Offering and ending at the next annual meeting of the shareholders of the Company. In accordance with the terms of the Purchase Agreement, on December 30, 2009, Mr. Friedberg was appointed to each committee of the Board of Directors.

Daniel M. Friedberg has been President and CEO of Sagard Capital Partners Management Corporation, the investment manager of Sagard, since its founding in 2005. Except as described above, Mr. Friedberg is not a party to any other arrangements pursuant to which he was selected as a director. Except in connection with the Transaction, Mr. Friedberg has not been involved in any transaction since the beginning of the Company s last fiscal year, or any currently proposed transaction, in which the Company was or is to be a participant and the amount of which involved exceeds $120,000.

(15) Commitments, Guarantees, and Contingencies

Commitments

Operating Leases

The Company has various noncancelable leases for real property and machinery and equipment. Such leases expire at various dates with, in some cases, options to extend their terms.

Minimum rentals under long-term operating leases are as follows (in thousands):

	Real property	Machinery and equipment	Total
2011	$ 5,058	$ 606	$ 5,664
2012	4,697	275	4,972
2013	3,470	140	3,610
2014	2,591	76	2,667
2015	1,217	8	1,225
Thereafter	1,220	1	1,221

Total	$	18,253	$	1,106	$	19,359

Certain of the leases contain provisions for rent escalation based primarily on increases in a specified Consumer Price Index, real estate taxes and operating costs incurred by the lessor. Rent expense was approximately $5,769,000, $5,504,000 and $5,203,000 for 2010, 2009 and 2008, respectively.

Table of Contents

Other

As of December 31, 2010, the Company had two outstanding letters of credit totaling $135,000, which expire in 2011.

Guarantees

Subsequent to the spin-off of NPDC in 2004, the Company continued to guaranty the lease of a warehouse used by NPDC s subsidiary, Five Star Products, Inc. In connection with the spin-off of NPDC, NPDC agreed to assume the Company s obligations under the guaranty, to use commercially reasonable efforts to cause it to be released from the guaranty, and to hold the Company harmless from all claims, expenses and liabilities connected with the lease or NPDC s breach of any agreements effecting the spin-off. In connection with the warehouse lease, the landlord subsequently agreed to release the Company from liability under the guaranty if it delivered a letter of credit for $0.1 million to secure the tenant s obligations under the lease. The Company delivered the letter of credit in 2010 and understands that the term of the lease was scheduled to end February 28, 2011. The Company does not expect to incur any material payments associated with this guaranty, and as such, no liability is reflected in the consolidated balance sheets.

Contingencies

On February 22, 2011, General Physics Corporation was named as a defendant in a complaint filed by the State of Tennessee in the Chancery Court for the 20th Judicial District of Tennessee. The complaint alleges that defendants Bryan Oil Company (Bryan Oil), an executive of Bryan Oil, General Physics and a former employee of General Physics, violated provisions of the Tennessee Petroleum Underground Storage Tank Act (the UST Act) in connection with the removal of the contents of a waste oil storage tank and the filling of the tank with concrete in 1997 on a site owned by Bryan Oil in Tullahoma, Tennessee. The State of Tennessee is seeking civil penalties in an amount not to exceed $10,000 per day for each violation of the UST Act, post-judgment interest on any award of damages and court costs. The State has also begun an administrative action requiring General Physics to show cause why it should not be removed from the State list of approved corrective action contractors. General Physics is investigating the allegations and believes that its actions complied with the UST Act and applicable regulations and that it has valid defenses against the State s allegations.

Table of Contents

(16) Quarterly Information (unaudited)

The Company s quarterly financial information has not been audited but, in management s opinion, includes all adjustments necessary for a fair presentation.

(In thousands)	Three months ended March 31	June 30	September 30	December 31	Year ended December 31
2010					
Revenue	$ 56,890	$ 66,139	$ 66,078	$ 70,819	$ 259,926
Gross profit	8,184	10,710	11,227	12,569	42,690
Net income	2,171	3,143	3,143	4,275	12,732
Earnings per share:					
Basic	$ 0.12	$ 0.17	$ 0.17	$ 0.23	$ 0.68
Diluted	$ 0.12	$ 0.17	$ 0.17	$ 0.23	$ 0.68
2009					
Revenue	$ 53,591	$ 53,757	$ 54,099	$ 57,793	$ 219,240
Gross profit	7,489	8,735	8,888	8,979	34,091
Goodwill impairment loss		10,163			10,163
Net income (loss)	1,459	(6,619)	1,983	1,987	(1,190)
Earnings (loss) per share:					
Basic	$ 0.09	$ (0.42)	$ 0.13	$ 0.13	$ (0.08)
Diluted	$ 0.09	$ (0.42)	$ 0.13	$ 0.13	$ (0.07)

The sum of the quarterly earnings per share amounts may not equal the total for the year due to the effects of rounding and dilution as a result of issuing common shares during the year.

During 2010 in conjunction with the filing of the 2009 tax return, the Company identified an error in the deferred tax liabilities on the consolidated balance sheet. The Company recorded a $420,000 decrease in tax expense during the fourth quarter of 2010 to correct the error which had accumulated over several prior years. The Company determined that the out-of-period correction was not material quantitatively or qualitatively to the consolidated financial statements taken as a whole for any of the periods in which the accounts were mis-stated.

(17) Subsequent Event

On February 1, 2011, General Physics, through its wholly-owned subsidiaries GP Worldwide Hong Kong Limited and GP (Shanghai) Consulting Co., Ltd., acquired the training business and certain related assets of Cathay/Communication Consulting Limited (Communication Consulting), a Hong Kong-based training and consulting company with offices in Shanghai and Beijing, China, and Haryana (New Delhi) in India. Communication Consulting designs and delivers customized training solutions and specializes in the areas of leadership, communication skills, sales and customer service training. General Physics paid approximately $1,375,000 in cash at closing. In addition, the purchase agreement requires General Physics to pay $125,000 upon the completion of certain post-closing matters and up to an additional $700,000 of contingent consideration, which would be payable subsequent to each of the two twelve-month periods following completion of the acquisition, contingent upon the acquired business achieving certain earnings targets during those periods, as defined in the purchase agreement. The acquired Communication Consulting business will be included in the Manufacturing & BPO segment and the results of its operations will be included in the consolidated financial statements beginning February1, 2011.

Table of Contents

Item 9: Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A: Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our management including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of December 31, 2010 were effective.

(b) Management s Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Exchange Act Rule 13a-15(f). Our internal control processes and procedures are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our consolidated financial statements in accordance with United States generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that reasonably allow us to record, process, summarize, and report information and financial data within prescribed time periods and in accordance with Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of internal control over financial reporting as of December 31, 2010 based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control Integrated Framework* (COSO Framework). Based upon our evaluation, we concluded that our internal control over financial reporting was effective as of December 31, 2010.

Our internal control over financial reporting as of December 31, 2010 has been audited by KPMG LLP, an independent registered public accounting firm, whose report appears in Item 8.

(c) Changes in Internal Control over Financial Reporting

During the year ended December 31, 2010, there has been no change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d 15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect our internal control over financial reporting.

Item 9B: Other Information

None.

Table of Contents

Part III

Item 10. Directors, Executive Officers and Corporate Governance

The additional information required by this item will be either set forth under the *Election of Directors* section in the Proxy Statement for the 2010 Annual Meeting of Shareholders and incorporated herein by reference or provided in an amendment to this Form 10-K to be filed no later than April 30, 2011.

Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Exchange Act requires our officers and directors, and persons who own more than 10% of a registered class of our securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission (SEC) and the New York Stock Exchange (NYSE), and to furnish us with such reports. Based solely on a review of copies of such reports for 2010, we believe that during 2010 all reports applicable to our officers, directors and greater than 10% beneficial owners were filed on a timely basis.

Item 11. Executive Compensation

The information required by this item will be either set forth under the *Executive Compensation* section in the Proxy Statement for the 2011 Annual Meeting of Shareholders and incorporated herein by reference or provided in an amendment to this Form 10-K to be filed no later than April 30, 2011.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The additional information required by this item will be either set forth under the *Principal Stockholders* and *Security Ownership of Directors and Named Executive Officers* sections in the Proxy Statement for the 2011 Annual Meeting of Stockholders and incorporated herein by reference or provided in an amendment to this Form 10-K to be filed no later than April 30, 2011.

Equity Compensation Plan information as of December 31, 2010

[redacted]

Plan category:			
Equity compensation plans not approved by security holders:			
(a)	Number of securities to be issued upon exercise of outstanding options	40,370	
(b)	Weighted average exercise price of outstanding options	$ 3.59	
(c)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in row (a)) (1)	1,446,164	
Equity compensation plans approved by security holders:			
(a)	Number of securities to be issued upon exercise of outstanding options, warrants and rights		1,337,400
(b)	Weighted average exercise price of outstanding options, warrants and rights		$ 9.74
(c)	Number of securities remaining available for future issuance under equity compensation plans		113,202

(1) Does not include shares of common stock that may be issued to directors of the Company in lieu of cash for payment of quarterly director fees.

Table of Contents

For a description of the material terms of the Company s Non-Qualified Stock Option Plan and Incentive Stock Plan, see Note 11 to the Consolidated Financial Statements in Item 8 of this report.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item will be either set forth in the *Certain Relationships and Related Transactions* section of the Proxy Statement for the 2010 Annual Meeting of Shareholders and incorporated herein by reference or provided in an amendment to this Form 10-K to be filed no later than April 30, 2011.

Item 14. Principal Accounting Fees and Services

The information required by this item will be either set forth in the *Ratification of Independent Registered Public Accounting Firm* section of the Proxy Statement for the 2011 Annual Meeting of Shareholders and incorporated herein by reference or provided in an amendment to this Form 10-K to be filed no later than April 30, 2011.

Table of Contents

Part IV

Item 15: Exhibits and Financial Statement Schedules

(a) The following documents are filed as a part of this Report:

(1) Financial Statements of GP Strategies Corporation and Subsidiaries (Part II, Item 8):

Reports of Independent Registered Public Accounting Firm

Consolidated Balance Sheets December 31, 2010 and 2009

Consolidated Statements of Operations Years ended December 31, 2010, 2009 and 2008

Consolidated Statements of Stockholders Equity and Comprehensive Income Years ended December 31, 2010, 2009 and 2008

Consolidated Statements of Cash Flows Years ended December 31, 2010, 2009 and 2008

Notes to Consolidated Financial Statements

(2) Financial Statement Schedule:

Schedule II Valuation and Qualifying Accounts

Schedules other than Schedule II are omitted as not applicable or required.

(3) Exhibits required by Item 601 of Regulation S-K.

Exhibit number

2.1 Asset Purchase Agreement, dated as of December 22, 2006, between General Physics Corporation and ADP, Inc. Incorporated herein by reference to Exhibit 2.1 of the Registrant s Form 8-K filed on December 29, 2006.

2.2 Stock Purchase Agreement dated December 30, 2009 by and among General Physics Corporation and PerformTech, Inc. Incorporated herein by reference to Exhibit 2.1 of the Registrant s Form 8-K filed on January 5, 2010.

3.1 Composite of the Restated Certificate of Incorporation of the Registrant including all amendments through December 10, 2007. Incorporated herein by reference to Exhibit 3.1 of the Registrant s Form 10-K for the year ended December 31, 2008.

3.2 GP Strategies Corporation Amended and Restated By-Laws, including all amendments through September 24, 2009. Incorporated herein by reference to Exhibit 3.1 of the Registrant s Form 8-K filed on September 29, 2009.

10.1 1973 Non-Qualified Stock Option Plan of the Registrant, as amended on December 28, 2006. Incorporated by reference to Exhibit 10.1 of the Registrant s Form 10-K for the year ended December 31, 2006.

10.2 GP Strategies Corporation 2003 Incentive Stock Plan. Incorporated herein by reference to Exhibit 4 of the Registrant s Form 10-Q for the quarter ended September 30, 2003.

10.3 Employment Agreement, dated as of July 1, 1999, between the Registrant and Scott N. Greenberg. Incorporated herein by reference to Exhibit 10.1 of the Registrant s Form 10-Q for the quarter ended September 30, 1999.

Table of Contents

10.4	Amendment, dated January 21, 2005, to Employment Agreement dated as of July 1, 1999 between the Company and Scott N. Greenberg. Incorporated herein by reference to Exhibit 10.1 of the Registrant s Form 8-K filed on January 25, 2005.
10.5	Amendment, dated June 20, 2007, to Employment Agreement dated as of July 1, 1999 between the Company and Scott N. Greenberg. Incorporated herein by reference to Exhibit 10.1 of the Registrant s Form 8-K filed on June 26, 2007.
10.6	Amendment, dated December 30, 2008, to Employment Agreement by and between GP Strategies Corporation and Scott N. Greenberg dated July 1, 1999. Incorporated herein by reference to Exhibit 10.1 of the Registrant s Form 8-K filed on January 6, 2009.
10.7	Employment Agreement, dated as of July 1, 1999, between the Registrant and Douglas E. Sharp. Incorporated herein by reference to Exhibit 10.11 of the Registrant s Form 10-K for the year ended December 31, 2003.
10.8	Amendment, dated January 21, 2005, to Employment Agreement dated as of July 1, 1999 between the Company and Douglas E. Sharp. Incorporated herein by reference to Exhibit 10.2 of the Registrant s Form 8-K filed on January 25, 2005.
10.9	Amendment, dated June 20, 2007, to Employment Agreement dated as of July 1, 1999 between the Company and Douglas E. Sharp. Incorporated herein by reference to Exhibit 10.2 of the Registrant s Form 8-K filed on June 26, 2007.
10.10	Amendment, dated December 30, 2008, to Employment Agreement by and between General Physics Corporation and Douglas Sharp dated July 1, 1999. Incorporated herein by reference to Exhibit 10.2 of the Registrant s Form 8-K filed on January 6, 2009.
10.11	Form of Employment Agreement between the Company and certain of its executive vice presidents. Incorporated herein by reference to Exhibit 10.1 of the Registrant s Form 8-K filed on October 4, 2007.
10.12	Form of Employment Agreement between General Physics Corporation and certain of its senior vice presidents. Incorporated herein by reference to Exhibit 10.4 of the Registrant s Form 10-Q for the quarter ended September 30, 2007.
10.13	Form of Stock Unit Agreement between the Registrant s subsidiary, General Physics Corporation and certain officers, dated April 11, 2005. Incorporated herein by reference to Exhibit 10.2 of the Registrant s Form 10-Q for the quarter ended June 30, 2005.
10.14	Form of Non-Qualified Stock Option Agreement between the Registrant and certain officers, dated June 26, 2007. Incorporated herein by reference to Exhibit 10.1 of the Registrant s Form 10-Q for the quarter ended June 30, 2007.
10.15	Form of Stock Unit Agreement between the Registrant s subsidiary, General Physics Corporation and certain officers, dated November 7, 2008. Incorporated herein by reference to Exhibit 10.15 of the Registrant s Form 10-K for the year ended December 31, 2008.
10.16	Second Amended and Restated Financing and Security Agreement, dated November 5, 2008, by and between General Physics Corporation as Borrower and Wachovia Bank, National Association, as Lender. Incorporated herein by reference to Exhibit 10.1 of the Registrant s Form 8-K filed on November 7, 2008.
10.17	Guaranty of Payment Agreement dated August 13, 2003 by GP Strategies Corporation for the benefit of Wachovia Bank, National Association. Incorporated herein by reference to Exhibit 10.11 to the Registrant s Form 10-Q for the quarter ended June 30, 2003.

Table of Contents

10.18	Lease Agreement dated as of July 5, 2002 between the Registrant s wholly owned subsidiary, General Physics Corporation and Riggs Company. Incorporated herein by reference to Exhibit 10.36 to the Registrant s Form 10-K for the year ended December 31, 2002.
10.19	Securities Purchase Agreement, dated as of December 30, 2009, between the Company and Sagard Capital Partners, L.P. Incorporated herein by reference to Exhibit 10.1 to the Registrant s Form 8-K filed December 31, 2009.
10.20	Registration Rights Agreement, dated as of December 30, 2009, between the Company and Sagard Capital Partners, L.P. Incorporated herein by reference to Exhibit 10.2 to the Registrant s Form 8-K filed December 31, 2009.
10.21	Amendment, dated December 30, 2009, to Employment Agreement by and between GP Strategies Corporation and Scott N. Greenberg dated July 1, 1999. Incorporated herein by reference to Exhibit 10.3 to the Registrant s Form 8-K filed December 31, 2009.
10.22	Amendment, dated December 30, 2009, to Employment Agreement by and between General Physics Corporation and Douglas Sharp dated July 1, 1999. Incorporated herein by reference to Exhibit 10.4 to the Registrant s Form 8-K filed December 31, 2009.
10.23	Form of Non-Qualified Stock Option Agreement between the Registrant and certain officers, dated January 21, 2010. Incorporated herein by reference to Exhibit 10.23 to the Registrant s Annual Report on Form 10-K for the year ended December 31, 2009.
10.24	Code of Ethics Policy. Incorporated herein by reference to Exhibit 14.1 of the Registrant s Annual Report on Form 10-K for the year ended December 31, 2003.
10.25	Form of Indemnification Agreement. Incorporated herein by reference to Exhibit 10.1 of the Registrant s Form 8-K dated December 23, 2005.
21	Subsidiaries of the Registrant*
23	Consent of KPMG LLP, Independent Registered Public Accounting Firm*
31.1	Certification of Chief Executive Officer*
31.2	Certification of Chief Financial Officer*
32.1	Certification Pursuant to Section 18 U.S.C. Section 1350*

* Filed herewith.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

GP STRATEGIES CORPORATION

Dated: March 3, 2011	By	/s/ Scott N. Greenberg Scott N. Greenberg *Chief Executive Officer*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ Scott N. Greenberg Scott N. Greenberg	Chief Executive Officer (Principal Executive Officer and Director)	March 3, 2011
/s/ Sharon Esposito-Mayer Sharon Esposito-Mayer	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 3, 2011
/s/ Harvey P. Eisen Harvey P. Eisen	Chairman of the Board of Directors	March 3, 2011
/s/ Daniel M. Friedberg Daniel M. Friedberg	Director	March 3, 2011
/s/ Marshall S. Geller Marshall S. Geller	Director	March 3, 2011
/s/ Sue W. Kelly Sue W. Kelly	Director	March 3, 2011
/s/ Richard C. Pfenniger, Jr. Richard C. Pfenniger, Jr.	Director	March 3, 2011
/s/ A. Marvin Strait A. Marvin Strait	Director	March 3, 2011
/s/ Gene A. Washington Gene A. Washington	Director	March 3, 2011

Table of Contents

GP STRATEGIES CORPORATION AND SUBSIDIARIES

Schedule of Valuation and Qualifying Accounts

Schedule II

(In thousands)

Allowance for doubtful accounts (A)	Balance at beginning of year	Additions	Deductions (B)	Balance at end of year
Year ended December 31, 2010:	$ 566	139	(4)	$ 701
Year ended December 31, 2009:	$ 938	2	(374)	$ 566
Year ended December 31, 2008:	$ 865	191	(118)	$ 938

(A) Deducted from accounts and other receivables on Consolidated Balance Sheets.

(B) Write-off of uncollectible accounts, net of recoveries.