

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 2011

Commission File Number: 001-33045

ICF INTERNATIONAL, INC.

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

**9300 Lee Highway
Fairfax, VA**

(Address of principal executive offices)

22-3661438

(IRS Employer
Identification Number)

22031

(Zip Code)

**Registrant's telephone number, including area code:
(703) 934-3000**

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

Title of Each Class
Common Stock, \$0.001 par value

Name of Exchange on which Registered
The NASDAQ Stock Market LLC

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant as of the last business day of the Registrant's most recently completed second fiscal quarter was approximately \$487 million based upon the closing price per share of \$25.38, as quoted on the NASDAQ Global Select Market on June 30, 2011. Shares of the outstanding common stock held by each executive officer and director have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of February 27, 2012, 19,800,267 shares of the Registrant's common stock, \$0.001 par value, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates information by reference from the definitive proxy statement for the Annual Meeting of Stockholders expected to be held in June 2012.

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FORWARD-LOOKING STATEMENTS

Some of the statements in this Annual Report on Form 10-K constitute forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. These statements involve known and unknown risks, uncertainties, and other factors that may cause our actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by such forward-looking statements. In some cases, you can identify these statements by forward-looking words such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “should,” “will,” “would,” or similar words. You should read statements that contain these words carefully. The factors described in Item 1A of Part I of this Annual Report on Form 10-K captioned “Risk Factors,” or otherwise described in our filings with the Securities and Exchange Commission (“SEC”), as well as any cautionary language in this Annual Report on Form 10-K, provide examples of risks, uncertainties, and events that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements, including, but not limited to:

- our dependence on contracts with federal, state, and local government agencies and departments for the majority of our revenue;
- changes in the economic and political climate that may affect spending patterns and priorities of our clients;
- failure by Congress or other governmental bodies to approve budgets in a timely fashion;
- results of government audits and investigations;
- failure to receive the full amount of our backlog;
- difficulties implementing our acquisition strategy;
- difficulties expanding our service offerings and client base; and
- liabilities arising from our major contract with the State of Louisiana, which was completed in 2009.

Our forward-looking statements are based on the beliefs and assumptions of our management and the information available to our management at the time these disclosures were prepared. Although we believe the expectations reflected in these statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. You should not place undue reliance on these forward-looking statements, which apply only as of the date of this Annual Report on Form 10-K. We undertake no obligation to update these forward-looking statements, even if our situation changes in the future.

The terms “we,” “our,” “us,” and “the Company,” as used throughout this Annual Report on Form 10-K, refer to ICF International, Inc. and its consolidated subsidiaries, unless otherwise indicated. The term “federal government” refers to the United States (U.S.) government, unless otherwise indicated.

PART I

ITEM 1. BUSINESS

COMPANY OVERVIEW

We provide management, technology, and policy consulting and implementation services to government, commercial, and international clients. We help our clients conceive, develop, implement, and improve solutions that address complex natural resource, social, and national security issues. Our services primarily address three key markets:

- Energy, Environment, and Transportation;
- Health, Education, and Social Programs; and
- Homeland Security and Defense.

We provide services across these three markets that deliver value throughout the entire life of a policy, program, project, or initiative, from concept analysis and design through implementation and improvement. Our primary services include:

- **Advisory Services.** We provide policy, regulatory, technology, and other advice to our clients to help them address and respond to the challenges they face. Our advisory services include needs and market assessments, policy analysis, strategy and concept development, organizational assessment and strategy, enterprise architecture, and program design.
- **Implementation Services.** We implement and manage technological, organizational, and management solutions for our clients, including information technology solutions, project and program management, project delivery, strategic communications, and training. These services often relate to the advisory services we provide.
- **Evaluation and Improvement Services.** We provide evaluation and improvement services that help our clients increase the effectiveness and transparency of their programs. Our evaluation and improvement services include program evaluations, continuous improvement initiatives, performance management, benchmarking, and return-on-investment analyses.

We serve federal, state, local, and foreign government clients, as well as major domestic and international corporations and multilateral institutions. Our clients utilize our advisory services because we offer a combination of deep subject-matter expertise and institutional experience in our market areas. We believe that our domain expertise and the program knowledge developed from our advisory engagements further position us to provide implementation and evaluation services.

As of December 31, 2011, we had more than 4,000 employees, including many recognized as thought leaders in their respective fields. We serve clients globally from our headquarters in the metropolitan Washington, D.C. area, our more than 60 regional offices throughout the United States, and our international offices in Beijing, New Delhi, Singapore, Ottawa, Toronto, Brussels, London, Moscow, and Rio de Janeiro.

We generated revenue of \$840.8 million, \$764.7 million, and \$674.4 million in 2011, 2010, and 2009, respectively. Our total backlog was approximately \$1,662 million and \$1,367 million as of December 31, 2011, and 2010, respectively. See “Contract Backlog” for a discussion of how we calculate backlog, as well as our financial statements and the related notes included elsewhere in this Annual Report on Form 10-K.

OUR COMPANY INFORMATION

Our principal operating subsidiary was founded in 1969. ICF International, Inc. was formed as a Delaware limited liability company in 1999 under the name ICF Consulting Group Holdings, LLC in connection with the

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purchase of our business from a larger services organization. A number of our current senior managers participated in this buyout transaction along with private equity investors. We converted to a Delaware corporation in 2003 and changed our name to ICF International, Inc. in 2006.

We completed our initial public offering (“IPO”) in October 2006 and filed a shelf registration statement on Form S-3 in September 2009, pursuant to which we sold additional shares of our common stock to the public in December 2009. Since our IPO, we have completed a number of acquisitions and business combinations, including: Energy and Environmental Analysis, Inc. (“EEA”) and Advanced Performance Consulting Group, Inc. (“APCG”) in January 2007; Z-Tech Corporation (“Z-Tech”) in June 2007; Simat, Helliesen & Eichner, Inc. (“SH&E”) in December 2007; Jones & Stokes Associates, Inc. (“Jones & Stokes”) in February 2008; Macro International Inc. (“Macro”) in March 2009; Jacob & Sundstrom, Inc. (“JASI”) in December 2009; Marbek Resource Consultants Ltd. (“MARBK”) in January 2011; AeroStrategy L.L.C. (“AeroStrategy”) in September 2011; and Ironworks Consulting L.L.C. (“Ironworks”) in December 2011. Our more recent acquisitions are discussed further in “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Acquisitions and Business Combinations.”

Our principal executive office is located at 9300 Lee Highway, Fairfax, Virginia 22031, and our telephone number is (703) 934-3000.

We maintain an internet website at www.icfi.com. We make available our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, current reports on Form 8-K, and amendments to such reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and other information related to us, free of charge, on this site as soon as reasonably practicable after we electronically file those documents with, or otherwise furnish them to, the SEC. Our internet website and the information contained therein or connected thereto are not intended to be incorporated into this Annual Report on Form 10-K.

MARKET OPPORTUNITY, SERVICES, AND SOLUTIONS

Complex, long-term market factors, as well as secular trends, are changing the way we live and the way government and industry operate and interact. Some of the most critical factors are centered firmly in our three major market areas. In the energy, environment, and transportation market, these factors include rising energy demand and increasing focus on alternative fuels and energy efficiency, energy independence, aging transportation infrastructure, and environmental degradation. In the health, education, and social programs market, these factors include the increasing level of healthcare expenditures relative to the economy, growing aging populations, increasing military and veteran health demands, continued focus on disease prevention, the perceived declining performance of the U.S. educational system compared to other countries, and the need for job creation. The continuing threat of terrorism, including cyber threats, and changing national security priorities are affecting the defense and homeland security markets, as well as infrastructure protection in the commercial sector. In addition to these market-based factors, secular trends across all of our markets are increasing the demand for advisory and implementation services that drive our business. These trends include: increased government focus on efficiency and measuring outcomes, the aging federal workforce, the emphasis on transparency and accountability, and an increased demand for combining domain knowledge of client mission and programs with information-technology solutions.

We believe that demand for our services will continue to grow as government, industry, and other stakeholders seek to understand and respond to these and other factors within the constraints of growing deficits that drive the need for government agencies at all levels to deliver more with fewer resources. We expect that our government clients will continue to utilize professional services firms with domain expertise in their program areas to assist with designing new programs, enhancing existing ones, and offering transformational solutions based on relevant evaluation and improvement experience. In addition, commercial organizations affected by these programs will need to understand such changes, as well as their implications, in order for them to plan appropriately. We believe that our institutional knowledge and our subject-matter expertise in our three key markets are distinct competitive advantages in providing our clients with practical, innovative solutions, directly

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applicable to their mission or business, with a faster deployment of the right resources. Moreover, we believe we will be able to leverage the domain expertise and program knowledge we have developed through our advisory assignments and our experience on implementation projects to win larger engagements, thereby increasing returns on business development investment and enhancing employee utilization.

Energy, Environment, and Transportation

We have long been involved in advising on energy and environmental issues, including the impact of human activity on natural resources, and in helping develop solutions for infrastructure-related challenges. In addition to addressing government policy and regulation in these areas, our work focuses on industries that are affected by these policies and regulations, particularly the industries most heavily involved in the use and delivery of energy. Significant factors affecting suppliers, users, and regulators of energy are driving private and public sector demand for professional services firms, including:

- Changing power markets, sources of supply, and an increased demand for alternative fuels;
- Ongoing efforts to upgrade the energy infrastructure to meet new power, transmission, environmental, and cybersecurity requirements;
- The need to manage energy demand and increase efficient energy use in an era of supply constraints and environmental concerns; and
- The impacts of addressing carbon and other emissions.

We assist energy enterprises and energy consumers worldwide in their efforts to analyze, develop, and implement strategies related to their business operations and the interrelationships of those operations with the environment and applicable government regulations. We utilize our policy expertise, deep industry knowledge, and proprietary modeling tools to advise government and industry clients on key topics related to electric power, traditional fuels, and renewable sources of energy. Our areas of expertise include power market analysis and modeling, transmissions analysis, electric system reliability standards, energy asset valuation and due diligence, regulatory and litigation support, fuels market analysis, air regulatory strategy, and renewable energy and green power. We also support government and commercial clients in designing, implementing, and evaluating demand-side energy management strategies in a wide range of areas, including energy efficiency and peak load management. Our work includes numerous engagements supporting the ENERGY STARSM suite of programs at the federal and state levels.

Although global climate change is no longer part of the U.S. federal legislative agenda, carbon emissions is still an important focus of governments (including many states within the U.S.) and multinational corporations around the world. Reducing or offsetting greenhouse gas (“GHG”) emissions continues to be the subject of both public and private sector interest, and the regulatory landscape in this area is still evolving. The need to address carbon and other harmful emissions has significantly changed the way the world’s governments and industries interact and continues to be one of the drivers of the interest in energy efficiency.

We have decades of experience in designing, evaluating, and implementing environmental policies and transportation infrastructure projects and believe that a number of key issues are driving increased demand for the services we provide in these areas, including:

- Increased focus on the proper stewardship and regulation of natural resources;
- Historic under-investment in transportation infrastructure; and
- Changing patterns of economic development that require transportation systems to adapt to new patterns of demand.

By leveraging our interdisciplinary skills, which range from finance and economics to earth and life sciences, and information technology and program management, we are able to provide a wide range of services

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that includes complex environmental impact assessments, environmental management information systems, air quality assessments, program evaluation, transportation planning, and regulatory reinvention. Our experience in environmental policy and planning allows us to help clients deal specifically with the inter-related environmental, business, and social implications of transportation modes and infrastructure. From the environmental management of complex infrastructure engagements to strategic and operational concerns of airlines and airports, our solutions draw upon our expertise and institutional knowledge in transportation planning, urban and land use planning, industry management practices, financial analysis, environmental sciences, and economics.

Health, Education, and Social Programs

Our advisory, implementation, and improvement expertise is also applied to social resources in areas such as health, education, and social programs. We believe that a confluence of factors is expected to drive an increased need for public spending in the United States on health, human services, and social programs. These factors include, among others:

- An aging population;
- Attempts to expand healthcare services to under-served segments of the population;
- Rising healthcare expenditures, requiring the evaluation of the effectiveness and efficiency of current and new programs;
- Growing awareness of the threats from the global spread of disease;
- The emphasis on improving the effectiveness of the educational system;
- The need to address the foreclosure crisis and its effects on homeowners and communities;
- The need for greater transparency and accountability of public sector programs;
- Increasing focus on cybersecurity requirements;
- Military personnel returning home from active duty with health and social service needs; and
- The need to address the potential health and social consequences of threats from terrorism, natural disasters, and epidemics.

We believe we are well positioned to provide research, consulting, implementation, and improvement services to help our clients develop and manage effective programs in the areas of health, education, and social programs at the national, regional, and local levels. Our subject-matter expertise includes public health, mental health, international health and development, health communications, education, children and families, disaster recovery, housing and communities, military personnel recruitment and retention, and substance abuse. Our combination of health-domain knowledge and our experience in information technology applications provides us with strong capabilities in health informatics, which we believe will be of increasing importance as the need to manage health and biomedical information grows. We partner with our clients in the government, commercial, and non-profit sectors to increase their knowledge base, support program development, enhance program operations, evaluate program results, and improve program effectiveness.

In the area of health, we support many programs within the Department of Health and Human Services (“HHS”), including the National Institutes of Health (“NIH”) and the Centers for Disease Control, conducting primary data collection and analyses, assisting in designing, delivering, and evaluating programs, managing technical assistance centers, providing instructional systems, developing information technology applications, and managing information clearinghouse operations. In the area of human services, we provide training and technical assistance for early care and educational programs (such as Head Start), services for victims of crime at the Department of Justice (“DOJ”), and health and demographic surveys in developing countries for the Department of State (“DOS”). In the area of social programs, we provide extensive training, technical assistance, and program analysis and support services for a number of the housing and rural and community development

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programs of the Department of Housing and Urban Development (“HUD”) and the U.S. Department of Agriculture (“USDA”). In the area of education, we provide research, program design, evaluation, and training at the federal and state level.

Homeland Security and Defense

Homeland security programs continue to be a critical priority at the federal level, as well as the state and local levels. We believe that the following key homeland security trends, in both the government and commercial sectors, will continue to drive an increased need for our services in this area:

- Vulnerability of critical infrastructure to cyber and terrorist threats;
- Broadened homeland security concerns to include areas such as health, food, energy, water, and transportation;
- Reassessment of the emergency management functions of homeland security in the face of natural disasters;
- Increased dependence on private sector personnel and organizations in emergency response; and
- The need to ensure that critical functions and sectors are able to recover quickly after attacks.

In addition, the Department of Defense (“DoD”) is undergoing major transformations in its approach to strategies, processes, organizational structures, and business practices due to several complex, long-term factors, including:

- The changing nature of global security threats, including cybersecurity threats;
- Family issues associated with globally deployed armed forces; and
- The increasing complexity of war-fighting strategies, the need for real-time information sharing and logistics modernization, network-centric warfare requirements, and the global nature of combat arenas.

We provide key services to the Department of Homeland Security (“DHS”) and DoD. At DHS, we assist in shaping and managing critical programs to ensure the safety of communities, developing critical infrastructure protection plans and processes, establishing goals and capabilities for national preparedness at all levels of government in the United States, and managing the national program to test radiological emergency preparedness at the state and local levels in communities adjacent to nuclear power facilities. We also provide cybersecurity and emergency management services to the commercial sector, especially the utility industry. We support DoD by providing high-end strategic planning, analysis, and technology solutions in the areas of logistics management, operational support, command and control, and cybersecurity. We also provide the defense sector with environmental management, human capital assessment, military community research, and technology-enabled solutions. Finally, we pursue opportunities that reside at the intersection of homeland security and defense and believe that the interrelationships and strengthened ties among traditional defense requirements and homeland security, such as disaster preparedness and response and recovery, create significant demands for professional services.

COMPETITIVE STRENGTHS

We possess the following key business strengths:

We have a highly educated professional staff with deep subject-matter knowledge

We possess strong intellectual capital that provides us with a deep understanding of policies, processes, and programs across our major markets. Our thought leadership is based on years of training, experience, and education. Our clients are able to draw on the in-depth knowledge of our subject-matter experts and our experience developed over decades of providing advisory services. As of December 31, 2011, approximately

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40% of our benefits-eligible staff held post-graduate degrees in diverse fields such as the social sciences, business and management, physical sciences, public policy, human capital, information technology and mathematics, engineering, planning, economics, life sciences, and law. These qualifications, and the complementary nature of our markets, enable us to deploy multi-disciplinary teams to identify, develop, and implement solutions that are creative, pragmatic, and tailored to our clients' specific needs.

We believe our diverse range of markets, services, and projects, provide a stimulating work environment for our employees and enhances their professional development. The use of multi-disciplinary teams provides our staff the opportunity to develop and refine common skills required in many types of engagements. Our approach to managing human resources fosters collaboration and significant cross-utilization of the skills and experience of both industry experts and other personnel who can develop creative solutions by drawing upon their different experiences. The types of services we provide, and the manner in which we do so, enable us to attract and retain talented professionals from a variety of backgrounds while maintaining a culture that fosters teamwork and excellence.

We have strong long-standing relationships with clients across a diverse set of markets

The long-term relationships we maintain with many of our clients reflect our successful track record of fulfilling our clients' needs. We have advised both the Environmental Protection Agency ("EPA") and HHS for more than 30 years, the Department of Energy ("DOE") for more than 25 years, and DoD for more than 20 years, and have multi-year relationships with many of our other clients. We have numerous contacts at various levels within our clients' organizations, ranging from key decision-makers to functional managers. The long-standing nature and breadth of our client relationships adds greatly to our institutional knowledge, which, in turn, helps us carry out our client engagements more effectively and maintain and expand such relationships. Our extensive experience and client contacts, together with our prime-contractor position on a substantial majority of our contracts and onsite presence, gives us clearer visibility into future opportunities and emerging requirements. In addition, as of December 31, 2011, approximately 380 of our employees held an active federal security clearance (with approximately 120 additional employees having a terminated clearance eligible for reinstatement), which affords us client access at appropriate levels and further strengthens our client relationships. We believe our balance between civilian and defense agencies, our commercial presence, and the diversity of the markets we serve help mitigate the impact of annual shifts in our clients' budgets and priorities.

Our advisory role positions us to capture a full range of engagements

We believe our advisory approach, which is based on our subject-matter expertise combined with an understanding of our clients' requirements and objectives, is a significant competitive differentiator that helps us gain access to key client decision-makers during the initial phases of a policy, program, project, or initiative. We use our expertise and understanding to formulate customized recommendations for our clients. We believe this domain expertise and the program knowledge developed from our advisory engagements further position us to provide implementation and evaluation services. Implementation and evaluation engagements, in turn, allow us to understand better our clients' requirements and objectives as they evolve over time. We then use this knowledge to provide evaluation and improvement services that maintain the relevance of our recommendations. As a result, we believe we are able to offer services across the entire life cycle of a particular policy, program, project, or initiative.

Our technology solutions are driven by our deep subject-matter expertise

Government and commercial decision-makers have become increasingly aware that, to be effective, technology solutions need to be seamlessly integrated with people and processes. We possess strong knowledge in information technology and a thorough understanding of human and organizational processes. This combination of skills, along with our domain knowledge, allows us to deliver technology-enabled solutions tailored to our clients' business and organizational needs and with less ramp-up time required to understand customer issues.

Our proprietary analytics and methods allow us to deliver superior solutions to our clients

We believe our innovative, and often proprietary, analytics and methods are key competitive differentiators because they enhance our ability to deliver customized solutions, and enable us to deliver services in a more cost-effective manner than our competitors. For example, we have developed industry-standard energy and environmental models that are used by governments and commercial entities around the world for energy planning and air quality analyses, and have also developed a suite of proprietary climate change tools to help the private sector develop strategies for complying with GHG emission reduction requirements. We maintain proprietary databases that we continually refine and that are available to be incorporated quickly into our analyses on client engagements. In addition, we also have proprietary program management methodologies and services that we believe can help governments improve performance measurement, support chief information officer and science and engineering program activities, and reduce security risks.

We are led by an experienced management team

Our management team, consisting of approximately 250 officers with the title of vice president or higher, possesses extensive industry experience and had an average tenure of 13 years with us as of December 31, 2011 (including prior service with companies we have acquired). This low turnover allows us to retain institutional knowledge. Our managers are experienced both in marketing efforts and in successfully managing and executing advisory, implementation, and evaluation assignments. Our management team also has experience in acquiring other businesses and integrating those operations within our own. A number of our managers are industry-recognized thought leaders. Based on these factors, we believe that our management's successful past performance and deep understanding of our clients' needs have been differentiating factors in competitive situations.

STRATEGY

Our strategy to increase our revenue and stockholder value involves the following key elements:

Leverage advisory work into implementation and full life-cycle solutions

We plan to continue to leverage our advisory services and strong client relationships to increase our revenue from implementation support services. These services include: information services and technology solutions, project and program management, business process solutions, strategic communications, and technical assistance and training. Our advisory services provide us with insight and understanding of our clients' missions and goals. We believe the domain expertise and program knowledge we develop from these advisory assignments position us to capture a greater portion of larger implementation engagements. We will, however, need to undertake such expansion carefully to avoid actual, potential, and perceived conflicts of interest. See "Risk Factors—Risks Related to our Business—The diversity of the services we provide and the clients we serve may create actual, potential, and perceived conflicts of interest and conflicts of business that limit our growth and lead to liability for us."

Pursue larger contract opportunities

We believe that continuing to expand our client engagements into implementation, evaluation, and improvement services enables us to pursue larger prime contract opportunities, which should provide a greater return on our business development efforts and allow for enhanced employee utilization. We plan to continue to target larger and longer-term opportunities through greater emphasis on early identification of opportunities, strategic capture and positioning, and enhanced brand recognition. We believe that the resulting increase in the scale, scope, and duration of our contracts will help us continue our growth.

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Expand and deepen our presence in federal and state governmental agencies

Given the growth in the scope of our service offerings, many of our current federal clients are not utilizing the full array of services that we offer, especially with regard to implementation. We will specifically target deeper penetration of those agencies that currently procure services only from one or two of our business areas. We believe we can leverage many of our long-term client relationships by introducing these existing clients, where appropriate, to our other services. For example, we plan to introduce many of our advisory clients to our capabilities to provide associated information technology, cybersecurity, large-scale program management, and strategic communications services. Given the increasing focus on deficit reduction and transparency, we can also offer clients our extensive performance measurement, program evaluation, and performance management services. Finally, having grown to more than 60 offices across the United States, we can focus more of our business development efforts on addressing the needs of federal agencies with operations outside of the metropolitan Washington, D.C. area.

Expand our commercial business

We see growth opportunities in our current commercial business in the utility and air transport industries, as well as significant potential for us to expand our business in other commercial sectors, both domestically and internationally. Although we believe the utility industry will continue to be a strong market for advisory services in light of the growing focus on regulatory actions and alternative fuels, we intend to leverage our existing relationships and institutional expertise to pursue and capture additional, typically higher-margin opportunities. First, we believe we can continue to expand beyond our advisory-based businesses and into implementation services such as assisting with implementing energy efficiency programs, informational technology applications, and environmental management services for the larger utilities. Second, the growth of interest in sustainability and energy efficiency issues has created opportunities to offer these types of services to new clients in sectors beyond our traditional clients. We expect other sectors, such as information service providers and hotel and tourist-related services, to continue to expand as these industries better understand their energy consumption options and the positive benefits of demonstrating environmental stewardship. Finally, the recent acquisition of Ironworks provides an opportunity to sell our information technology (“IT”), strategic communications, and customer engagement services to a broader range of commercial clients, especially in the fast-growing health care sector.

Replicate our business model globally across government and industry

We believe the services we provide to the energy, environment, and transportation markets have especially strong business drivers throughout the world. Europe’s growing need for cutting-edge climate change, energy and environmental solutions plays well to our domain expertise. Moreover, four of our offices outside of the United States are located in the BRIC countries (Brazil, Russia, India, and China), each of which represents a substantial market with rapidly growing demands for new sources of energy, a need for transportation infrastructure improvements, and severe air and carbon pollution issues. Asia, especially, is increasing its demand for clean energy and energy efficiency services. We believe our ability to offer energy, infrastructure, climate change, and environmental services to both commercial and government clients in these countries from local offices, typically staffed by native citizens, positions us to help clients address these key issues and therefore to expand our market presence. We are also positioned to grow our international development business across multiple regions.

Focus on higher-margin projects

We plan to pursue higher-margin commercial projects and to continue to shift our federal, state, and local government contract base to increase margins. We believe we have strong global client relationships in both the commercial energy and air transport markets, where our margins have historically been higher than those in our government business. We view the energy industry as a particularly attractive market for us over the next decade due to concerns over controlling energy costs and limiting climate and environmental impacts, increased state

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and federal regulation, and the need for cleaner and more diverse sources of energy. We believe these factors, coupled with our expanding national and global footprint, will result in a greater number of engagements that will also be larger in size and scope.

Pursue strategic acquisitions and business combinations

We plan to augment our organic growth with selected acquisitions and business combinations. During the past few years, we have added a number of companies including: Ironworks, Marbek, and AeroStrategy in 2011, Macro and JASI in 2009; Jones & Stokes in 2008; and SH&E, Z-Tech, EEA, and APCG in 2007. Our more recent acquisitions are discussed in “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Acquisitions and Business Combinations.” We plan to continue a disciplined acquisition strategy to obtain new clients, increase our size and market presence, and obtain capabilities that complement our existing portfolio of services, while focusing on cultural compatibility and financial impact.

CONTRACTS

Domestic government clients (including U.S. federal, state, and local governments), domestic commercial clients, and international clients (including government and commercial clients outside the United States) accounted for approximately 76%, 20%, and 4%, respectively, of our 2011 revenue, approximately 81%, 14%, and 5%, respectively, of our 2010 revenue, and approximately 79%, 16%, and 5%, respectively, of our 2009 revenue. Our clients span a broad range of defense and civilian agencies and commercial enterprises. Our contract periods typically extend from one month to five years, including option periods. Many of our government contracts provide for option periods that may be exercised by the client. Our largest contract in 2009, The Road Home contract with the State of Louisiana, completed in June 2009, accounted for approximately 9% of our revenue. In 2011, 2010, and 2009, no other single contract accounted for more than 4% of our revenue. Including The Road Home contract, our top 10 contracts in 2011, 2010, and 2009 collectively accounted for approximately 21%, 20%, and 21% of our revenue, respectively. Excluding The Road Home contract, our top 10 contracts in 2011, 2010, and 2009 collectively accounted for approximately 21%, 20%, and 12% of our revenue, respectively. In 2011, we received approximately 22%, 8%, and 6% of our revenue, respectively, from our three largest clients, HHS, DoD, and DOS. Most of our revenue is derived from prime contracts, which accounted for approximately 86%, 85% and 85% of our revenue for 2011, 2010, and 2009, respectively. Unless the context otherwise requires, we use the term “contracts” to refer to contracts and any task orders or delivery orders issued under a contract.

Our U.S. and international clients accounted for revenues of approximately \$805.3 million and \$35.5 million, respectively, in 2011, \$728.1 million and \$36.6 million, respectively, in 2010; and \$639.8 million and \$34.6 million, respectively, in 2009. Our U.S. clients include federal, state, and local governments and domestic commercial clients. Non-profit entities and universities are considered commercial clients. Entities such as the World Bank and the United Nations are considered international clients, while DOS and the U.S. Agency for International Development are considered U.S. government clients. In general, a client is considered international if it is located outside the United States. If we are a subcontractor, then the client is not considered to be the prime contractor but rather the ultimate client receiving the services from the prime contractor team. Our foreign operations pose special risks, as discussed below in “Risk Factors—Risks Related to Our Business—Our international operations pose special and unusual risks to our profitability and operating results.”

CONTRACT BACKLOG

We define *total backlog* as the future revenue we expect to receive from our contracts and other engagements. We generally include in our backlog the estimated revenue represented by contract options that have been priced, but not exercised. We do not include any estimate of revenue relating to potential future delivery orders that might be awarded under our General Services Administration Multiple Award Schedule (“GSA Schedule”) contracts, other Indefinite Delivery/Indefinite Quantity (“IDIQ”) contracts, or other contract vehicles that are also held by a large number of firms and under which potential future delivery orders or task

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orders might be issued by any of a large number of different agencies or departments, and are likely to be subject to a competitive bidding process. We do, however, include potential future work expected to be awarded under IDIQ contracts that are available to be utilized by a limited number of potential clients and are held either by us alone or by a limited number of firms.

We include expected revenue in *funded backlog* when we have been authorized by the client to proceed under a contract up to the dollar amount specified by our client, and this amount will be owed to us under the contract after we provide the services pursuant to the authorization. If we do not provide services authorized by a client prior to the expiration of the authorization, we remove amounts corresponding to the expired authorization from backlog. We do include expected revenue under an engagement in funded backlog when we do not have a signed contract or contract modification if we have received client authorization to begin or continue working and we expect to sign a contract or contract modification for the engagement. In this case, the amount of funded backlog is limited to the amount authorized. Our funded backlog does not represent the full revenue potential of our contracts because many government clients, and sometimes other clients, authorize work under a particular contract on a yearly or more frequent basis, even though the contract may extend over several years. Most of our services to commercial clients are provided under contracts with relatively short durations. As a consequence, our backlog attributable to these clients is typically reflected in funded backlog and not in unfunded backlog.

We define *unfunded backlog* as the difference between total backlog and funded backlog. Our revenue estimates for purposes of determining unfunded backlog for a particular contract are based, to a large extent, on the amount of revenue we have recently recognized on that contract, our experience in utilizing contract capacity on similar types of contracts, and our professional judgment. Our revenue estimate for a contract included in backlog is sometimes lower than the revenue that would result from our client utilizing all remaining contract capacity.

Although we expect our contract backlog to result in revenue, the timing of revenue associated with both funded and unfunded backlog will vary based on a number of factors, and we may not recognize revenue associated with a particular component of backlog when anticipated, or at all. Our government clients generally have the right to cancel any contract, or ongoing or planned work under any contract, at any time. In addition, there can be no assurance that revenue from funded or unfunded backlog will have similar profitability to previous work or will be profitable at all. Generally speaking, we believe the risk that a particular component of backlog will not result in future revenue is higher for unfunded backlog than for funded backlog. See “Risk Factors—Risks Related to Our Business—We may not receive revenue corresponding to the full amount of our backlog, or may receive it later than we expect, which could adversely affect our revenue and operating results.”

Our funded and estimates of unfunded and total backlog at the dates indicated were as follows:

	December 31.		
	2011	2010	2009
	(In millions)		
Funded	\$ 730.4	\$ 649.0	\$ 536.0
Unfunded	931.4	718.2	825.5
Total	<u>\$1,661.8</u>	<u>\$1,367.2</u>	<u>\$1,361.5</u>

Included in our total 2011 backlog is \$64.4 million related to a signed federal government contract under protest. Management believes there is a strong probability that the contract award to us will be upheld.

BUSINESS DEVELOPMENT

Our business development efforts are critical to our organic growth. A firm-wide business development process, referred to as the Business Development Life Cycle (“BDLC”), is used to guide sales activities in a disciplined manner from lead identification, through lead qualification, to capture and proposal. An internally

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developed tool is used to track all sales opportunities throughout the BDLC, as well as to manage our aggregate sales pipeline. The pursuits of major sales opportunities are each led by a capture manager and are reviewed by management during their life cycle to ensure alignment with our corporate strategy and effective use of resources.

Business development efforts in priority market areas, which include some of our largest federal agency accounts (HHS, DOE, DoD, DHS, and EPA) and our commercial business, are executed through account teams, each of which is headed by a corporate account executive and supported by dedicated corporate business development professionals and senior staff from the relevant operational area. Each account executive has significant authority and accountability to set priorities and bring to bear the correct resources. Each team participates in regular executive reviews. This account-based approach allows deep insight into the needs of our clients. It also helps us anticipate their evolving requirements over the coming 12 to 18 months and position ourselves to meet those requirements. Each of our operational areas is responsible for maximizing sales in our existing accounts and finding opportunities in closely related accounts. Their efforts are complemented by our corporate business development function, which is responsible for large and strategically important pursuits.

The corporate business development function also includes a market research and competitive intelligence group, a proposal group, a marketing group, a communications group, and a strategic capture unit. Our contracts and administration function leads our pricing decisions in partnership with the business development account teams and operational areas.

COMPETITION

We operate in a highly competitive and fragmented marketplace and compete against a number of firms in each of our key markets. Some of our principal competitors include: Abt Associates Inc.; Booz Allen Hamilton Holding; Cambridge Systematics, Inc.; CRA International, Inc.; Deloitte LLP; Eastern Research Group, Inc.; Cardno ENTRIX, Inc.; L-3 Communications Corporation; Lockheed Martin Corporation; Navigant Consulting, Inc.; Northrop Grumman Corporation; PA Consulting Group; SAIC, Inc.; Research Triangle Institute; SRA International, Inc.; and Westat, Inc. In addition, within each of our key markets, we have numerous smaller competitors, many of which have narrower service offerings and serve niche markets. Some of our competitors are significantly larger than us and have greater access to resources and stronger brand recognition than we do. See “Risk Factors—Risks Related to Our Business—We face intense competition from many firms that have greater resources than we do, as well as from smaller firms that have narrower service offerings and serve niche markets. This competition could result in price reductions, reduced profitability, and loss of market share.”

We consider the principal competitive factors in our market to be client relationships, reputation and past performance of the firm, client references, technical knowledge and industry expertise of employees, quality of services and solutions, scope of service offerings, and pricing.

INTELLECTUAL PROPERTY

We own a number of trademarks and copyrights that help maintain our business and competitive position. We do not have any patents. Sales and licenses of our intellectual property do not currently comprise a substantial portion of our revenue or profit. We rely on the technology and models, proprietary processes, and other intellectual property we own or have rights to use in our analyses and other work we perform for our clients. We use these innovative, and often proprietary, analytical models and tools throughout our service offerings. Our staff regularly maintains, updates, and improves these models based on our corporate experience. In addition, we sometimes retain limited rights in software applications we develop for clients. We use a variety of means to protect our intellectual property, but there can be no assurance that it will be adequately protected.

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EMPLOYEES

As of December 31, 2011, we had more than 4,000 benefits-eligible (full-time and regular part-time) employees, approximately 40% of whom held post-graduate degrees in diverse fields such as social sciences, business and management, physical sciences, public policy, human capital, information technology and mathematics, engineering, planning, economics, life sciences, and law, and approximately 78% of whom held a bachelor's degree or equivalent or higher. As of December 31, 2011, approximately 380 of our employees held an active federal security clearance, and approximately 120 additional employees held a terminated clearance eligible for reinstatement.

Our professional environment encourages advanced training to acquire industry-recognized certifications, rewards strong job performance with advancement opportunities, and fosters ethical and honest conduct. Our salary structure, incentive compensation, and benefit packages are competitive within our industry.

ITEM 1A. RISK FACTORS

The following discussion of "risk factors" identifies the most significant factors that may adversely affect our business, operations, financial position or future financial performance. This information should be read in conjunction with Management's Discussion and Analysis and the consolidated financial statements and related notes incorporated by reference into this Annual Report on Form 10-K. These and other factors could cause future results to differ from those in forward-looking statements and from historical trends.

RISKS RELATED TO OUR INDUSTRY

We rely substantially on government clients for our revenue, and government spending priorities may change in a manner adverse to our business.

We derived approximately 66%, 71%, and 60% of our revenue in 2011, 2010, and 2009, respectively, from contracts with federal agencies and departments, and approximately 10%, 10%, and 19% of our revenue from contracts with state and local governments in 2011, 2010, and 2009, respectively. Approximately 9% of our revenue in 2009 was from The Road Home contract with the State of Louisiana, as discussed in more detail below. Expenditures by our federal clients may be restricted or reduced by presidential or congressional action or by action of the Office of Management and Budget or otherwise limited. In addition, many states are not permitted to operate with budget deficits and nearly all states face considerable challenges in balancing budgets that anticipate reduced revenues. We expect some of our clients will delay some payments due to us, may eventually fail to pay what they owe us, and may delay some programs and projects. For some clients, we may face an unwelcome choice: turn down (or stop) work with the risk of damaging a valuable client relationship, or perform work with the risk of not getting paid in a timely fashion or perhaps at all. Federal, state, and local elections could also affect spending priorities and budgets at all levels of government. In addition, increased deficits and debt at all levels of government, both domestic and foreign, may lead to reduced spending in agencies, departments, projects, or programs we support. Even the perception that such reductions could occur could affect the value of our stock.

The failure of Congress to approve budgets in a timely manner for the federal agencies and departments we support could delay and reduce spending, cause us to lose revenue and profit, and affect our cash flow.

On an annual basis, Congress must approve budgets that govern spending by each of the federal agencies and departments we support. When Congress is unable to agree on budget priorities, and thus is unable to pass annual appropriations bills on a timely basis, which has happened frequently in recent years, it typically enacts a continuing resolution. Continuing resolutions generally allow federal agencies and departments to operate at spending levels based on the previous budget cycle. When agencies and departments must operate on the basis of a continuing resolution, funding we expect to receive from clients for work we are already performing and new initiatives may be delayed or cancelled. Thus, the failure by Congress to approve budgets in a timely manner can

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result in the loss of revenue and profit in the event federal agencies and departments are required to cancel or change existing or new initiatives, or the deferral of revenue and profit to later periods due to delays in implementing existing or new initiatives. There is also the possibility, which has occurred in the past, that Congress will not enact either a budget or a continuing resolution in a timely manner. In such an event, many parts of the federal government, including agencies, departments, programs, and projects we support, may “shut down,” which will immediately begin substantially negatively affecting our revenue, profit, and cash flow. The budgets of many of our state and local government clients are also subject to similar budget processes, and thus subject us to similar risks and uncertainties.

Our failure to comply with complex laws, rules, and regulations relating to government contracts could cause us to lose business and subject us to a variety of penalties.

We must comply with laws, rules, and regulations relating to the formation, administration, and performance of government contracts, which affect how we do business with our government clients and impose added costs on our business. Each government client has its own laws, rules, and regulations affecting its contracts. Among the more significant strictures affecting federal government contracts are:

- the Federal Acquisition Regulation, and agency and department regulations analogous or supplemental to it;
- the Truth in Negotiations Act;
- the Procurement Integrity Act;
- the Civil False Claims Act;
- the Cost Accounting Standards; and
- laws, rules and regulations restricting (i) the use and dissemination of information classified for national security purposes, (ii) the exportation of specified products, technologies, and technical data, and (iii) the use and dissemination of sensitive but unclassified data.

The federal government and other governments with which we do business may in the future change their procurement practices or adopt new contracting laws, rules, or regulations, that could be costly to satisfy or that could impair our ability to obtain new contracts and reduce our revenue and profit, for example, by curtailing the use of services firms or increasing the use of firms with a “preferred status,” such as small business. Any failure to comply with applicable federal, state, or local strictures could subject us to civil and criminal penalties and administrative sanctions, including termination of contracts, repayment of amounts already received under contracts, forfeiture of profits, suspension of payments, fines, and suspension or debarment from doing business with federal and even state and local government agencies and departments, any of which could adversely affect our reputation, our revenue, our operating results, and the value of our stock. Failure to abide by laws applicable to our work for governments outside the United States could have similar effects.

Unfavorable government audit results could force us to adjust previously reported operating results, could affect future operating results, and could subject us to a variety of penalties and sanctions.

Federal government agencies, including the Defense Contract Audit Agency and NIH, and many states, audit and review our contract performance, pricing practices, cost structure, financial responsibility, and compliance with applicable laws, regulations, and standards. Audits could raise issues that have significant adverse effects on our operating results, including, but not limited to, substantial adjustments to our previously reported operating results and substantial effects on future operating results. If a government audit, review, or investigation uncovers improper or illegal activities, we may be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, repayment of amounts already received under contracts, forfeiture of profits, suspension of payments, fines, and suspension or debarment from doing business with federal and even state and local government agencies and departments. We may also lose business if we are found not to be sufficiently financially responsible. In addition, we could suffer serious harm to our reputation

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and our stock price could decline if allegations of impropriety are made against us, whether or not true. Federal audits have been completed on our incurred contract costs only through 2006; audits for costs incurred on work performed since then have not yet been completed. In addition, non-audit reviews by the government may still be conducted on all our government contracts.

Our U.S. government contracts contain provisions that are unfavorable to us and permit our government clients to terminate our contracts partially or completely at any time prior to completion.

Our government contracts contain provisions not typically found in commercial contracts, including provisions that allow our clients to terminate or modify these contracts at the government's convenience upon short notice. If a government client terminates one of our contracts for convenience, we may only bill the client for work completed prior to the termination, plus any project commitments and settlement expenses the client agrees to pay, but not for any work not yet performed. In addition, many of our government contracts and task and delivery orders are incrementally funded as appropriated funds become available. The reduction or elimination of such funding can result in options not being exercised and further work on existing contracts and orders being curtailed. In any such event, we would have no right to seek lost fees or other damages. If a government client were to terminate, decline to exercise an option under, or curtail further performance under one or more of our significant contracts, our revenue and operating results would be materially harmed.

RISKS RELATED TO OUR BUSINESS

We depend on contracts with federal agencies and departments for a substantial portion of our revenue and profit, and our business, revenue, and profit levels could be materially and adversely affected if our relationships with these agencies and departments deteriorate.

Contracts with U.S. federal agencies and departments accounted for approximately 66%, 71%, and 60%, of our revenue in 2011, 2010, and 2009, respectively. We believe that U.S. federal contracts will continue to be a significant source of our revenue and profit for the foreseeable future.

Because we have a large number of contracts with our clients, we continually bid for and execute new contracts, and our existing contracts continually become subject to re-competition and expiration. Upon the expiration of a contract, we typically seek a new contract or subcontractor role relating to that client to replace the revenue generated by the expired contract. There can be no assurance that those expiring contracts we are servicing will continue after their expiration, that the client will re-procure those requirements, that any such re-procurement will not be restricted in a way that would eliminate us from the competition (e.g., set aside for small business), or that we will be successful in any such re-procurements. If we are not able to replace the revenue from these contracts, either through follow-on contracts or new contracts for those requirements or for other requirements, our revenue and operating results will be materially harmed.

Our reliance on GSA Schedule and other IDIQ contracts creates the risk of volatility in our revenue and profit levels.

We believe that one of the key elements of our success is our position as a prime contractor under GSA Schedule contracts and other IDIQ contracts. As these types of contracts have increased in importance over the last several years, we believe our position as a prime contractor has become increasingly important to our ability to sell our services to federal clients. However, these contracts require us to compete for each delivery order and task order, rather than having a more predictable stream of activity and, therefore, revenue and profit, during the term of a contract. There can be no assurance that we will continue to obtain revenue from such contracts at these levels, or in any amount, in the future. To the extent that federal agencies and departments choose to employ GSA Schedule and other contracts encompassing activities for which we are not able to compete or provide services, we could lose business, which would negatively affect our revenue and profitability.

Our commercial business depends on certain sectors of the global economy which are highly cyclical and can lead to substantial variations in revenue and profit from period to period.

Historically, our commercial business has been heavily concentrated in the energy and air transport industries, which are highly cyclical. Demand for our services from energy and air transport industry clients has declined when either industry has experienced a downturn, and we expect a decline in demand for our services when either of these industries experiences a downturn in the future. Unrest in various countries around the world, particularly in the Middle East, could have a negative impact on these aspects of our commercial business. Other factors that could cause a downturn in the energy industry include, but are not limited to, a decline in general economic conditions, changes in political stability in oil producing regions, and government regulations affecting the energy sector. Other factors leading to a downturn in the air transport industry include, but are not limited to, a decline in general economic conditions, acts of terrorism or war, changes in the worldwide geopolitical climate, increases in the cost of energy, the financial condition of major airlines or airports, changes in weather patterns, and government regulations affecting the air transport industry.

With our acquisition of Ironworks Consulting, L.L.C. on December 31, 2011, our commercial clientele was expanded, particularly within the health, energy, and financial services industries. As is the case with energy and air transport, we would expect a decline in demand for our services in the health, energy, and financial services industries when any of these industries experiences a downturn in the future.

We may not receive revenue corresponding to the full amount of our backlog, or may receive it later than we expect, which could adversely affect our revenue and operating results.

The calculation of backlog is highly subjective and is subject to numerous uncertainties and estimates, and there can be no assurance that we will in fact receive the amounts we have included in our backlog. Our assessment of a contract's potential value is based on factors such as the amount of revenue we have recently recognized on that contract, our experience in utilizing contract capacity on similar types of contracts, and our professional judgment. In the case of contracts that may be renewed at the option of the client, we generally calculate backlog by assuming that the client will exercise all of its renewal options; however, the client may elect not to exercise its renewal options. In addition, federal contracts rely on congressional appropriation of funding, which is typically provided only partially at any point during the term of federal contracts, and all or some of the work to be performed under a contract may require future appropriations by Congress and the subsequent allocation of funding by the procuring agency or department to the contract. An increase in protests of contracts awarded to us, as is currently being experienced in our industry, could also adversely affect our backlog and our potential associated revenue. Our estimate of the portion of backlog that we expect to recognize as revenue in any future period is likely to be inaccurate because the receipt and timing of this revenue often depends on subsequent appropriation and allocation of funding and is subject to various contingencies, such as timing of task orders and delivery orders, many of which are beyond our control. In addition, we may never receive revenue from some of the engagements that are included in our backlog, and this risk is greater with respect to unfunded backlog. Although we adjust our backlog periodically to reflect modifications to or renewals of existing contracts, awards of new contracts, or approvals of expenditures, if we fail to realize revenue corresponding to our backlog, our revenue and operating results could be adversely affected.

Because much of our work is performed under task orders, delivery orders, and short-term assignments, we are exposed to the risk of not having sufficient work for our staff, which can affect revenue and profit.

We perform some of our work under short-term contracts. Even under many of our longer-term contracts, we perform much of our work under individual task orders and delivery orders, many of which are awarded on a competitive basis. If we cannot obtain new work in a timely fashion, whether through new contracts, task orders, or delivery orders, modifications to existing contracts, task orders, or delivery orders, or otherwise, we may not be able to keep our staff profitably utilized. It is difficult to predict when such new work or modifications will be obtained. There can be no assurance that we can profitably manage the utilization of our staff.

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Litigation, claims, disputes, audits, reviews, and investigations in connection with the completed Road Home contract expose us to many different types of liability, may divert management attention, and could increase our costs.

In June 2006, our subsidiary, ICF Emergency Management Services, LLC, was awarded the Road Home contract by the State of Louisiana, Office of Community Development, to manage a program designed primarily to help homeowners and landlords of small rental properties affected by Hurricanes Rita and Katrina by providing them compensation for the uninsured, uncompensated damages they suffered from the hurricanes. The Road Home contract was our largest contract throughout its three-year duration. It was completed on June 11, 2009, as scheduled.

The Road Home contract provided us with significant opportunities, but also created substantial risks. A number of these risks continue beyond the term of the contract. We have a number of lawsuits pending and other claims have been made against us in connection with the Road Home contract. New lawsuits may be filed and new claims may be made against us including, but not limited to, claims by homeowners, rental housing owners, and others who are dissatisfied with the amount of money they have received from, or their treatment under, the Road Home program. Claims have also been made against us by subcontractors and a claim made by an agency of the State of Louisiana, and other claims may be made against us in the future in connection with the Road Home contract. We have defended such actions vigorously and plan to continue to do so, but we have not prevailed in every case and may not prevail in future cases. Although the contract provides that, with several exceptions, we are allowed to charge as an expense under the contract reasonable costs and fees incurred in defending and paying claims brought by third parties arising out of our performance, there can be no assurance that our costs and fees will be reimbursed. The State of Louisiana has not reimbursed us for the majority of such costs or fees and has not reimbursed any such costs or fees since 2008.

In addition, the Road Home contract has been, and we expect it to continue to be, audited, investigated, reviewed, and monitored frequently by federal and state authorities and their representatives. These activities consume significant management time and effort; further, the contract provides that we are subject to audits for more than five years after the expiration of the contract. Findings from any audit, investigation, review, monitoring, or similar activity could subject us to civil and criminal penalties and administrative sanctions from state or federal authorities, which could substantially adversely affect our reputation, our revenue, our operating results, and the value of our stock.

We face intense competition from many firms that have greater resources than we do, as well as from smaller firms that have narrower service offerings and serve niche markets. This competition could result in price reductions, reduced profitability, and loss of market share.

We operate in highly competitive markets and generally encounter intense competition to win contracts, task orders, and delivery orders. If we are unable to compete successfully for new business, our revenue and operating margins may decline. Many of our competitors are larger and have greater financial, technical, marketing, and public relations resources, larger client bases, and greater brand or name recognition than we do. We also have numerous smaller competitors, many of which have narrower service offerings and serve niche markets. Our competitors may be able to compete more effectively for contracts and offer lower prices to clients, causing us to lose contracts, as well as lowering our profit or even causing us to suffer losses on contracts that we do win. Some of our subcontractors are also competitors, and some of them may in the future secure positions as prime contractors, which could deprive us of work we might otherwise have won under such contracts. On contracts where we are a subcontractor, the prime contractors or our teaming partners may also deprive us of work we might otherwise have performed. Our competitors may be able to provide clients with different and greater capabilities and benefits than we can provide.

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We derive significant revenue and profit from contracts awarded through a competitive bidding process, which can impose substantial costs on us, and we will lose revenue and profit if we fail to compete effectively.

We derive significant revenue and profit from contracts that are awarded through a competitive bidding process. Competitive bidding imposes substantial costs and presents a number of risks, including:

- the substantial cost and managerial time and effort that we spend to prepare bids and proposals;
- the need to estimate accurately the resources and costs that will be required to service any contracts we are awarded, sometimes in advance of the final determination of their full scope;
- the expense and delay that may arise if our competitors protest or challenge awards made to us pursuant to competitive bidding, a practice becoming more common in our industry, and the risk that such protests or challenges could result in the requirement to resubmit bids, and in the termination, reduction, or modification of the awarded contracts; and
- the opportunity cost of not bidding on and winning other contracts we might otherwise pursue.

To the extent we engage in competitive bidding and are unable to win particular contracts, we not only incur substantial costs in the bidding process that negatively affect our operating results, but we may lose the opportunity to operate in the market for the services provided under those contracts for a number of years. Even if we win a particular contract through competitive bidding, our profit margins may be depressed or we may even suffer losses as a result of the costs incurred through the bidding process and the need to lower our prices to overcome competition.

We may lose money on some contracts if we underestimate the resources we need to perform under them.

We provide services to clients primarily under three types of contracts: time-and-materials contracts; cost-based contracts; and fixed-price contracts. Each of these types of contracts, to differing degrees, involves the risk that we could underestimate our cost of fulfilling the contract, which may reduce the profit we earn or lead to a financial loss on the contract, which would adversely affect our operating results.

- Under time-and-materials contracts, we are paid for labor at negotiated hourly billing rates and for certain expenses, and we assume the risk that our costs of performance may exceed the negotiated hourly rates.
- Under our cost-based contracts, which frequently cap many of the various types of costs we can charge and which impose overall and individual task order or delivery order ceilings, we are reimbursed for certain costs incurred, which must be allowable and at or below the caps under the terms of the contract and applicable regulations. If we incur unallowable costs in the performance of a contract, the client will not reimburse those costs, and if our allowable costs exceed any of the applicable caps or ceilings, we will not be able to recover those costs. Under some cost-based contracts, we receive no fees.
- Under fixed-price contracts, we perform specific tasks for a set price. Compared to cost-plus-fee contracts and time-and-materials contracts, fixed-price contracts involve greater financial risk because we bear the full impact of cost overruns.

Our clients typically determine which type of contract will be awarded to us. In the past, cost-based contracts have been the least profitable of our contract types, although the relative profitability of the three types of contracts may change in the future. To the extent that the relative profitability of these three types of contracts changes, our mix of contract types changes, our indirect rates change for any reason, or we acquire companies with a different mix of contract types or whose contract types have different levels of profitability than ours, our operating margin and operating results may suffer.

In order to determine the appropriate revenue to recognize on our contracts in each accounting period, we must use judgment relative to assessing risks, estimating contract revenue and costs, and making assumptions for

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schedule and technical issues. From time to time, facts develop that require us to revise our estimated total costs and revenue on a contract, which could cause us to reduce the amount of revenue or profit previously recognized. In addition, the full amount of an anticipated loss on any type of contract is recognized in the period in which it becomes probable and can be reasonably estimated. As a result, our operating results could be affected by revisions to prior accounting estimates.

Our international operations pose special and unusual risks to our profitability and operating results.

We have offices in Beijing, New Delhi, Singapore, Ottawa, Toronto, Brussels, London, Moscow, and Rio de Janeiro, among others. We also perform work in other foreign countries, some of which have a history of political instability or may expose our employees and subcontractors to physical danger, and we expect to continue to expand our international operations and offices. One element of our strategy to improve our competitiveness is to perform some of our work in countries with lower cost structures, such as India. There can be no assurance that this strategy will be successful and it could create problems for our ability to compete for U.S. federal, state, or local government contracts to the extent that the clients prefer or mandate that the work be performed in the U.S. or by U.S. citizens. In addition, expansion into new geographic regions requires considerable management and financial resources, the expenditure of which may negatively impact our results, and we may never see any return on our investment. Our operations are subject to risks associated with operating in, and selling to and in, foreign countries, including, but not limited to:

- compliance with the laws, regulations, policies, legal standards, and enforcement mechanisms of the United States and the other countries in which we operate, which are sometimes inconsistent;
- currency fluctuations and devaluations and limitations on the conversion of foreign currencies into U.S. dollars;
- restrictions on the ability to repatriate profits to the United States or otherwise move funds;
- potential personal injury to personnel who may be exposed to military conflicts and other hostile situations in foreign countries;
- expropriation and nationalization of our assets or those of our subcontractors, and other inability to protect our property rights; and/or
- difficulties in managing and staffing foreign operations, dealing with differing local business cultures and practices, and collecting accounts receivable.

Any or all of these factors could, directly or indirectly, adversely affect our international and domestic operations and our overall revenue, profit, and operating results.

As we develop new services, new clients and new practices, enter new lines of business, and focus more of our business on providing more implementation and improvement services rather than advisory services, our operating risks increase.

We currently assist our clients both in advisory capacities and by helping them implement and improve the solutions to their problems. As part of our corporate strategy, we are attempting to sell more services relating to implementation and improvement, and we are regularly searching for ways to provide new services to clients. In addition, we plan to extend our services to new clients, into new lines of business, and into new geographic locations. As we focus more on implementation and improvement; attempt to develop new services, new clients, new practice areas and new lines of business; open new offices; and do business in new geographic locations, those efforts could harm our results of operations and could be unsuccessful.

Such growth efforts place substantial additional demands on our management and staff, as well as on our information, financial, administrative and operational systems. We may not be able to manage these demands successfully. Growth may require increased recruiting efforts, opening new offices, increased business development, selling, marketing and other actions that are expensive and entail increased risk. We may need to

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invest more in our people and systems, controls, compliance efforts, policies and procedures than we anticipate. Therefore, even if we do grow, the demands on our people and systems, controls, compliance efforts, policies and procedures may be sufficiently great that the quality of our work, our operating margins and our operating results suffer.

Efforts involving a different focus, new services, new clients, new practice areas, new lines of business, new offices and new geographic locations entail inherent risks associated with inexperience and competition from mature participants in those areas. Our inexperience may result in costly decisions that could harm our profit and operating results. In particular, implementation services often relate to the development and implementation of critical infrastructure or operating systems that our clients may view as “mission critical,” and if we fail to satisfy the needs of our clients in providing these services, our clients could incur significant costs and losses for which they could seek compensation from us.

If we fail to meet client expectations or otherwise fail to perform our contracts properly, the value of our stock could decrease.

We could lose revenue, profit, and clients, and be exposed to liability if we have disagreements with our clients or fail to meet their expectations. We create, implement, and maintain solutions that are often critical to our clients’ operations, and the needs of our clients are rapidly changing. Perceived poor performance on even a single contract could lead to substantial liability and could impair our ability to secure new work and hire and retain qualified staff. For example, a failure by one or more of our subcontractors to perform satisfactorily the agreed-upon services on a timely basis may compromise our ability to perform our obligations as a prime contractor, which could, among other things, cause us to lose future contracts, suffer negative publicity, or otherwise incur liability for performance deficiencies we did not create. Such outcomes could, in turn, have a material adverse effect upon our operations, financial performance, and the value of our stock.

Our failure to obtain and maintain necessary security clearances may limit our ability to perform classified work for federal clients, which could cause us to lose business.

Some federal contracts require us to maintain facility security clearances and require some of our employees to maintain individual security clearances. The federal government has the right to grant and terminate such clearances. If our employees lose or are unable to obtain needed security clearances in a timely manner, or we lose or are unable to obtain a needed facility clearance in a timely manner, federal clients can limit our work under or terminate some contracts. To the extent we cannot obtain the required facility clearances or security clearances for our employees or we fail to obtain them on a timely basis, we may not derive our anticipated revenue and profit, which could harm our operating results. In addition, a security breach relating to any classified or sensitive but unclassified information entrusted to us could cause serious harm to our business, damage our reputation, and result in a loss of our facility or individual employee security clearances.

Our relations with other contractors are important to our business and, if disrupted, could cause us damage.

We derive a portion of our revenue from contracts under which we act as a subcontractor or from “teaming” arrangements in which we and other contractors jointly bid on particular contracts, projects, or programs. As a subcontractor or team member, we often lack control over fulfillment of a contract, and poor performance on the contract could tarnish our reputation, result in a reduction of the amount of our work under or termination of that contract or other contracts, and cause us not to obtain future work, even when we perform as required. Moreover, our revenue and operating results could be materially and adversely affected if any prime contractor or teammate does not pay our invoices in a timely fashion, chooses to offer products or services of the type that we provide, teams with other companies to provide such products or services, or otherwise reduces its reliance upon us for such products or services.

The diversity of the services we provide and the clients we serve may create actual, potential, and perceived conflicts of interest and conflicts of business that limit our growth and lead to liability for us.

Because we provide services to a wide array of both government and commercial clients, occasions arise where, due to actual, potential, or perceived conflicts of interest or business conflicts, we cannot perform work for which we are qualified. A number of our contracts contain limitations on the work we can perform for others, such as, for example, when we are assisting a government agency or department in developing regulations or enforcement strategies. Actual, potential, and perceived conflicts limit the work we can do and, consequently, can limit our growth, adversely affect our operating results, and reduce the value of our Company. In addition, if we fail to address actual or potential conflicts properly or even if we simply fail to recognize a perceived conflict, we may be in violation of our existing contracts, may otherwise incur liability, and may lose future business for not preventing the conflict from arising, and our reputation may suffer.

We depend on our intellectual property and our failure to protect it could harm our competitive position.

Our success depends in part upon our internally developed technology and models, proprietary processes, and other intellectual property that we utilize to provide our services and incorporate in our products. If we fail to protect our intellectual property, our competitors could market services or products similar to our services and products, which could reduce demand for our offerings. Federal clients typically retain a perpetual, world-wide, royalty-free right to use the intellectual property we develop for them in a manner defined within the federal regulations, including providing it to other federal agencies or departments, as well as to our competitors in connection with their performance of federal contracts. When necessary, we seek authorization to use intellectual property developed for the federal government or to secure export authorization. Federal clients may grant us the right to commercialize software developed with federal funding, but they are not required to do so. If we were to use intellectual property improperly, that was even partially funded by the federal government, the government could seek damages and royalties from us, sanction us, and prevent us from working on future federal contracts. Actions could also be taken against us if we improperly use intellectual property belonging to others besides the federal government.

We may be harmed by intellectual property infringement claims.

We have been subject to and are likely to be subject to additional claims that intellectual property we use in delivering services and business solutions to our clients infringe upon intellectual property rights of others. Our employees develop much of the intellectual property that we use to provide our services and business solutions to our clients, but we also engage third parties to assist us and we license technology from other vendors. If our vendors, our employees or third parties assert claims that we or our clients are infringing on their intellectual property, we could incur substantial costs to defend those claims, even if we prevail. In addition, if any of these infringement claims are ultimately successful, we could be required to:

- pay substantial damages;
- cease selling and using products and services that incorporate the challenged intellectual property;
- obtain a license or additional licenses from our vendors or other third parties, which may not be available on commercially reasonable terms or at all; and
- redesign our products and services that rely on the challenged intellectual property, which may be very expensive or commercially impractical.

Any of these outcomes could further adversely affect our operating results.

Systems and/or service failures could interrupt our operations, leading to reduced revenue and profit.

Any interruption in our operations or any systems failures, including, but not limited to: (1) inability of our staff to perform their work in a timely fashion, whether caused by limited access to, and/or closure of, our and/or

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our clients' offices or otherwise, (2) failure of network, software and/or hardware systems, and (3) other interruptions and failures, whether caused by us, a third-party service provider, unauthorized intruders and/or hackers, computer viruses, natural disasters, power shortages, terrorist attacks or otherwise, could cause loss of data and interruptions or delays in our business or that of our clients, or both. In addition, the failure or disruption of mail, communications and/or utilities could cause an interruption or suspension of our operations or otherwise harm our business. Our property and business interruption insurance may be inadequate to compensate us for all losses that may occur as a result of any system or operational failure or disruption and, as a result, our actual results could differ materially and adversely from those anticipated.

Improper disclosure of confidential commercial and personal data could result in liability and harm our reputation.

We store and process increasingly large amounts of confidential information concerning our employees, customers and vendors. In addition, we store confidential information on behalf of our customers (such as information regarding applicants in programs that we coordinate through our contractual relationships with customers). Although we take appropriate measures to protect such information, the continued occurrence of high-profile data breaches provides evidence of an external environment increasingly hostile to information security. This environment demands that we continuously improve our design and coordination of security controls throughout our Company. Despite these efforts, it is possible that our security controls over data, our training of employees and vendors on data security, and other practices we follow may not prevent the improper disclosure of personally identifiable or other confidential information. Improper disclosure of this information could harm our reputation, lead to legal exposure to customers, or subject us to liability under laws that protect personal or other confidential data, resulting in increased costs or loss of revenue.

RISKS RELATED TO ACQUISITIONS

Growing through acquisitions is a key element of our business strategy, and we are constantly reviewing acquisition opportunities. These activities may be costly and divert the attention of management from existing operations and initiatives.

One of our principal growth strategies is to make selective acquisitions. We believe that pursuing acquisitions actively is necessary for a public company of our size in our business. As a result, at any given time, we may be evaluating several acquisition opportunities. Our normal practice is not to disclose potential acquisitions until definitive agreements are executed and, in some cases, material conditions precedent are satisfied. When we are able to identify an appropriate acquisition candidate, we may not be able to negotiate the price and other terms of the acquisition successfully or finance the acquisition on terms satisfactory to us. Our out-of-pocket expenses in identifying, researching, and negotiating potential acquisitions has been and will likely continue to be significant, even if we do not ultimately acquire identified businesses. In addition, negotiations of potential acquisitions and the integration of acquired business operations divert management attention away from day-to-day operations and may reduce staff utilization and adversely affect our revenue and operating results.

When we undertake acquisitions, they may present integration challenges, fail to perform as expected, increase our liabilities, and/or reduce our earnings.

When we complete acquisitions, it may be difficult and costly to integrate the acquired businesses due to differences in the locations of personnel and facilities, differences in corporate cultures, disparate business models, or other reasons. If we are unable to integrate companies we acquire successfully, our revenue and operating results could suffer. In addition, we may not be successful in achieving the anticipated cost efficiencies and synergies from these acquisitions, which could include offering our services to existing clients of acquired companies or offering the services of acquired companies to our existing clients to increase our revenue and profit. In addition, our costs for managerial, operational, financial, and administrative systems may increase and be higher than anticipated. We may also experience attrition, including key employees of acquired and existing

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businesses, during and following integration of an acquired business into our Company. Any attrition or loss of business could adversely affect our future revenue and operating results and prevent us from achieving the anticipated benefits of the acquisition. Finally, acquisitions of businesses or other material operations may require additional debt or equity financing or both, resulting in additional leverage or dilution of ownership, or both.

As a result of our acquisitions, we have substantial amounts of goodwill and intangible assets, and changes in business conditions could cause these assets to become impaired, requiring substantial write-downs that would adversely affect our operating results.

All of our acquisitions have been accounted for as purchases and involved purchase prices well in excess of tangible asset values, resulting in the creation of a significant amount of goodwill and other intangible assets. As of December 31, 2011, goodwill and purchased intangibles accounted for approximately 58% and 5%, respectively, of our total assets. Under U.S. generally accepted accounting principles, we do not amortize goodwill and intangible assets acquired in a purchase business combination that are determined to have indefinite useful lives, but instead review them annually (or more frequently if impairment indicators arise) for impairment. Although we have to date determined that such assets have not been impaired, future events or changes in circumstances that result in an impairment of goodwill or other intangible assets would have a negative impact on our profitability and financial results.

RISKS RELATED TO OUR CAPITAL STRUCTURE

Provisions of our charter documents and Delaware law may inhibit potential acquisition bids and other actions that you and other stockholders may consider favorable, and the market price of our common stock may be lower as a result.

Our charter documents contain the following provisions that could have an anti-takeover effect:

- divide our board of directors into three classes, making it more difficult for stockholders to change the composition of the board;
- allow directors to be removed only for cause;
- do not permit our stockholders to call a special meeting of the stockholders;
- require all stockholder actions to be taken by a vote of the stockholders at an annual or special meeting or by a written consent signed by all of our stockholders;
- require our stockholders to comply with advance notice procedures to nominate candidates for election to our board of directors or to place stockholders' proposals on the agenda for consideration at stockholder meetings; and
- require the approval of the holders of capital stock representing at least two-thirds of the Company's voting power to amend our indemnification obligations, director classifications, stockholder proposal requirements, and director candidate nomination requirements set forth in our amended and restated certificate of incorporation and amended and restated bylaws.

In addition, we are subject to the anti-takeover provisions of Section 203 of the Delaware General Corporation Law, which regulates corporate acquisitions. These provisions could discourage potential acquisition proposals; delay or prevent a change-in-control transaction; discourage others from making tender offers for our common stock; and/or prevent changes in our management.

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We have incurred substantial amounts of debt in the past and expect to incur additional debt, which could substantially reduce our profitability, limit our ability to pursue certain business opportunities, and reduce the value of our stock.

As a result of our business activities and acquisitions, we have incurred substantial debt in the past, and we expect to incur significant additional debt in the future. Such debt could increase our risks, including those described in this Annual Report on Form 10-K, and lead to other risks. Our debt could have important consequences for our stockholders, such as:

- our future ability to obtain additional financing for working capital, capital expenditures, product and service development, acquisitions, general corporate purposes, and other purposes may be impaired;
- a substantial portion of our cash flow from operations could be dedicated to the payment of the principal and interest on our debt;
- our vulnerability to economic downturns and rises in interest rates will be increased;
- our flexibility in planning for and reacting to changes in our business and the marketplace may be limited;
- we may be placed at a competitive disadvantage relative to other firms;
- in order to comply with the terms of our financing agreements, we may take actions that are based on short-term rather than long-term results; and
- we may be unable to comply with the terms of our financing agreements, which could result in a default under these agreements.

Servicing our debt in the future may require a significant amount of cash. Our ability to repay or refinance our debt depends on, among other things, our successful financial and operating performance and the interest rates on our debt. Our financial and operating performance and the interest rates we pay in turn depend on a number of factors, many of which are beyond our control.

Our continued success depends in part on our ability to comply with the terms of our financing agreements and raise capital on commercially reasonable terms when, and in the amounts, needed. If additional financing is required, including refinancing existing debt, there can be no assurances that we will be able to obtain such additional financing on terms acceptable to us and at the times required, if at all. If we are unable to comply with the terms of our financing agreements or obtain additional required financing, we may be required to raise additional equity by issuing additional stock, alter our business plan materially, curtail all or part of our business expansion plans, sell part or all of our business or other assets, or be subject to actions such as bankruptcy or other financial restructuring in the event of default. Any of these results could have a significant adverse effect on the value of our stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We lease our offices and do not own any real estate. As of December 31, 2011, we leased approximately 290,000 square feet of office space at our corporate headquarters at 9300 Lee Highway, Fairfax, Virginia (in the metropolitan Washington, D.C. area) and an adjoining building through December 2022 (the "Fairfax Offices"). The Fairfax Offices house a portion of our operations and almost all of our corporate functions, including executive management, treasury, accounting, legal, human resources, business and corporate development, facilities management, information services, and contracts.

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As of December 31, 2011, we had leases in place for approximately 900,000 square feet of office space in more than 60 other office locations throughout the United States and around the world, with various lease terms expiring over the next 10 years. As of December 31, 2011, approximately 20,000 square feet of the space we leased was subleased to other parties. We believe that our current office space, together with the office space to be assumed over the next three years under the current Fairfax Offices lease and other office space we expect to be able to lease, will meet our needs for the next several years. Lastly, a portion of our operations staff is housed at client-provided facilities, pursuant to the terms of a number of our client contracts.

ITEM 3. LEGAL PROCEEDINGS

We are involved in various legal matters and proceedings arising in the ordinary course of business. While these matters and proceedings cause us to incur costs, including, but not limited to, attorneys' fees, we currently believe that any ultimate liability arising out of these matters and proceedings will not have a material adverse effect on our financial position, results of operations, or cash flows.

ITEM 4. REMOVED AND RESERVED

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock trades on The NASDAQ Global Select Market under the symbol "ICFI." The high and low sales prices of our common stock for each quarter for the two years 2011 and 2010 are as follows:

	Sales Price Per Share (in dollars)	
	High	Low
2011 Fourth Quarter	\$27.55	\$ 17.68
2011 Third Quarter	\$25.97	\$ 18.29
2011 Second Quarter	\$ 26.01	\$ 20.20
2011 First Quarter	\$ 26.47	\$ 19.58
2010 Fourth Quarter	\$ 28.13	\$ 23.39
2010 Third Quarter	\$ 25.34	\$ 20.86
2010 Second Quarter	\$25.98	\$ 20.90
2010 First Quarter	\$ 27.23	\$ 22.02

Holders

As of February 27, 2012, there were 54 registered holders of record of our common stock. This number is not representative of the number of beneficial holders because many of the shares are held by depositories, brokers, or nominees.

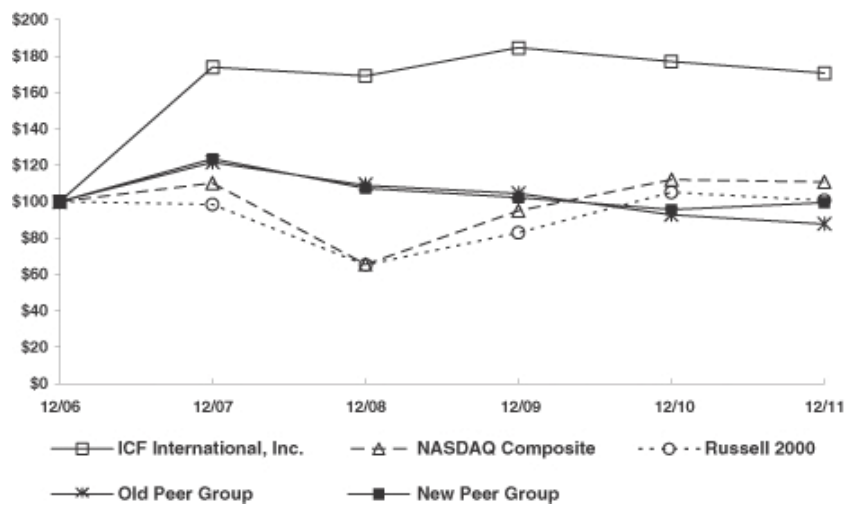
Dividends

We have neither declared nor paid any cash dividends on our common stock and presently intend to retain our future earnings, if any, to fund the development and growth of our business. Therefore, we do not anticipate paying cash dividends in the foreseeable future.

Stock Performance Graph

The following graph compares the cumulative total stockholder return on our common stock from December 31, 2006 through December 31, 2011, with the cumulative total return on (i) the NASDAQ Composite, (ii) the Russell 2000 stock index, (iii) our previous peer group, which we used for our Annual Report on Form 10-K for the year 2010, composed of other governmental and commercial service providers: CACI International Inc.; CRA International, Inc.; Dynamics Research Corporation; FTI Consulting, Inc.; Huron Consulting Group Inc.; ManTech International Corporation; Maximus, Inc.; Navigant Consulting, Inc.; NCI, Inc.; and SAIC, Inc. (the “old peer group”) and (iv) a new peer group composed of other governmental and commercial service providers: Booz Allen Hamilton Holding; CACI International Inc.; CRA International, Inc.; Dynamics Research Corporation; FTI Consulting, Inc.; Huron Consulting Group Inc.; ManTech International Corporation; Maximus, Inc.; Navigant Consulting, Inc.; and NCI, Inc. (the “new peer group”). In 2011, SRA International, Inc. was acquired, and has therefore been removed from the old peer group. We selected the new peer group, which includes Booz Allen Hamilton Holding and removes SAIC Inc., because it reflects the companies to which we believe we are the closest in comparability. The comparison below assumes that all dividends are reinvested and all returns are market-cap weighted. The historical information set forth below is not necessarily indicative of future performance.

COMPARISON OF 5 YEARS CUMULATIVE TOTAL RETURN*
Among ICF International, Inc, the NASDAQ Composite Index, the Russell 2000 Index,
Old Peer Group, and New peer Group



* \$100 invested on 12/31/06 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

	December 31, 2007	December 31, 2008	December 31, 2009	December 31, 2010	December 31, 2011
ICF International, Inc.	\$ 173.97	\$ 169.21	\$ 184.57	\$ 177.13	\$ 170.66
NASDAQ Composite	110.26	65.65	95.19	112.10	110.81
Russell 2000 Index	98.43	65.18	82.89	105.14	100.75
Old Peer Group	121.61	109.11	104.69	92.86	87.85
New Peer Group	123.51	107.48	102.44	95.80	99.53

[Table of Contents](#)**Recent Sales of Unregistered Securities**

During the three months ended December 31, 2011, we issued the following securities that were not registered under the Securities Act of 1933, as amended (“Securities Act”). No underwriters were involved in the following issuances of securities.

(a) Issuances of Common Stock:

On October 1, 2011, we issued an aggregate 1,474 shares of unregistered common stock to two of our directors in lieu of cash for director fee compensation, with an aggregate value of \$27,726.

Each of these issuances was made in reliance upon the exemption from the registration provisions of the Securities Act, set forth in Section 4(2) thereof relative to sales by an issuer not involving any public offering and the rules and regulations thereunder. The recipients of securities in each case acquired the securities for investment only and not with a view to the distribution thereof. Each of the recipients of securities in these transactions was an accredited or sophisticated person and had adequate access, through employment, business, or other relationships, to information about us.

Purchases of Equity Securities by Issuer

During the three months ended December 31, 2011, we purchased 2,497 shares of common stock for an aggregate of \$60,233 from employees to pay required withholding taxes and the exercise price due upon the exercise of options and the settlement of restricted stock units (“RSUs”), in accordance with the applicable long-term incentive plan. The average fair value of the common stock purchased was \$24.12 per share.

The following table summarizes stock repurchases for the three months ended December 31, 2011:

<u>Period</u>	<u>(a) Total Number of Shares Purchased</u>	<u>(b) Average Price Paid per Share</u>	<u>(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs</u>
October 1 – October 31	—	—	None	None
November 1 – November 30	2,497	24.12	None	None
December 1 – December 31	—	—	None	None
Total	2,497	\$ 24.12	None	None

ITEM 6. SELECTED FINANCIAL DATA

The following table presents selected historical financial data derived from our audited financial statements, and other Company information for each of the five years presented. This information should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our audited financial statements. The selected financial data reflect our performance of The Road Home contract from June 2006 through its completion in June 2009. At the client’s request, our performance was accelerated during the first half of the contract term. For further information regarding The Road Home contract, see “Risk Factors—Risks Related to our Business—Litigation, claims, disputes, audits, reviews, and investigations in connection with the completed Road Home contract expose us to many different types of liability, may divert management attention, and could increase our costs.” The selected financial data include non-cash compensation recognized related to stock options and awards. The data also reflect the results or impact of our acquisitions and business combinations, since the date the entities were purchased, of APCG and EEA in January 2007, Z-Tech in June 2007, SH&E in December 2007, Jones & Stokes in February 2008, Macro in March 2009, JASI in December 2009, Marbek in January 2011 and AeroStategy in September 2011. There was no impact to the Statement of Earnings in 2011 as a result of the Ironworks acquisition, because Ironworks was acquired on December 31, 2011.

	Year Ended December 31,				
	2011	2010	2009	2008	2007
(in thousands, except per share amounts)					
Statement of Earnings Data:					
Gross Revenue	\$ 840,775	\$ 764,734	\$ 674,399	\$ 697,426	\$ 727,120
Direct costs	520,522	476,187	411,334	460,002	532,153
Operating costs and expenses:					
Indirect and selling expenses	241,062	218,533	203,428	170,360	118,128
Depreciation and amortization	10,757	10,775	9,416	5,407	2,432
Amortization of intangible assets	9,550	12,326	11,137	8,683	3,884
Operating Income	58,884	46,913	39,084	52,974	70,523
Interest expense	(2,248)	(3,403)	(5,107)	(4,082)	(1,944)
Other income	124	172	1,005	581	519
Income before income taxes	56,760	43,682	34,982	49,473	69,098
Income tax expense	21,895	16,511	12,626	20,750	28,542
Net income	<u>\$ 34,865</u>	<u>\$ 27,171</u>	<u>\$ 22,356</u>	<u>\$ 28,723</u>	<u>\$ 40,556</u>
Earnings per share:					
Basic	\$ 1.77	\$ 1.40	\$ 1.45	\$ 1.96	\$ 2.87
Diluted	\$ 1.75	\$ 1.38	\$ 1.40	\$ 1.88	\$ 2.72
Weighted-average shares:					
Basic	19,684	19,375	15,433	14,641	14,152
Diluted	19,928	19,626	15,914	15,270	14,896

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	Year Ended December 31,				
	2011	2010	2009	2008	2007
	(Unaudited) (in thousands)				
Other Operating Data:					
EBITDA ⁽¹⁾	\$ 79,191	\$ 70,014	\$ 59,637	\$ 67,064	\$ 76,839
Non-cash compensation charge included in EBITDA	6,658	7,533	7,192	6,473	3,680
	(in thousands)				
Consolidated balance sheet data:					
Cash and cash equivalents	\$ 4,097	\$ 3,301	\$ 2,353	\$ 1,536	\$ 2,733
Net working capital	96,257	77,688	88,364	63,925	37,470
Total assets	694,615	572,819	582,227	401,017	393,025
Long-term debt	145,000	85,000	145,000	80,000	47,079
Total stockholders' equity	393,028	352,733	317,560	202,917	164,791

⁽¹⁾ EBITDA, a measure used by us to evaluate performance, is earnings before interest, tax, and depreciation and amortization. We believe EBITDA is useful to investors because similar measures are frequently used by securities analysts, investors, and other interested parties in evaluating companies in our industry. EBITDA is not a recognized term under generally accepted accounting principles and does not purport to be an alternative to net income as a measure of operating performance, or to cash flows from operating activities as a measure of liquidity. Because not all companies use identical calculations, this presentation of EBITDA may not be comparable to other similarly titled measures used by other companies. EBITDA is not intended to be a measure of free cash flow for management's discretionary use, as it does not consider certain cash requirements such as interest payments, tax payments, capital expenditures, and debt service. Our credit agreement includes covenants based on EBITDA, subject to certain adjustments. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources." A reconciliation of net income to EBITDA follows:

	Year ended December 31,				
	2011	2010	2009	2008	2007
	(In thousands)				
Net income	\$ 34,865	\$ 27,171	\$ 22,356	\$ 28,723	\$ 40,556
Other (income)	(124)	(172)	(1,005)	(581)	(519)
Interest expense	2,248	3,403	5,107	4,082	1,944
Income tax expense	21,895	16,511	12,626	20,750	28,542
Depreciation and amortization	20,307	23,101	20,553	14,090	6,316
EBITDA	<u>\$79,191</u>	<u>\$ 70,014</u>	<u>\$59,637</u>	<u>\$67,064</u>	<u>\$76,839</u>

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the "Selected Financial Data" and the consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. This discussion and analysis contains forward-looking statements that involve risks, uncertainties, and assumptions, such as statements of our plans, objectives, expectations, and intentions. The cautionary statements made in this Annual Report on Form 10-K should be read as applying to all related forward-looking statements wherever they appear in this Annual Report on Form 10-K. Our actual results could differ materially from those anticipated in the forward-looking statements. Factors that could cause or contribute to our actual results differing materially from those anticipated include those discussed in "Risk Factors" and elsewhere in this Annual Report on Form 10-K.

OVERVIEW

We provide management, technology, and policy consulting and implementation services to government, commercial, and international clients. We help our clients conceive, develop, implement, and improve solutions that address complex economic, social, and national security issues. Our services primarily address three key markets: energy, environment, and transportation; health, education, and social programs; and homeland security and defense. We believe that demand for our services will continue to grow as government, industry, and other stakeholders seek to address critical long-term societal and natural resource issues in these market areas due to heightened concerns about clean energy and energy efficiency; health promotion, treatment, and cost control; and ever-present homeland security threats.

Our clients utilize our services because we combine diverse institutional knowledge and experience in their activities with the deep subject-matter expertise of our highly educated staff, which we deploy in multi-disciplinary teams. Our federal government clients have included every cabinet-level department, including HHS, DoD, DOS, EPA, DHS, USDA, HUD, Department of Transportation ("DOT"), Department of Interior ("DOI"), DOJ, DOE, National Science Foundation ("NSF"), and Department of Education ("ED"). U.S. federal government clients generated approximately 66%, 71%, and 60% of our revenue in 2011, 2010, and 2009, respectively. State and local government clients generated approximately 10%, 10%, and 19% of our revenue in 2011, 2010, and 2009, respectively. The Road Home contract with the State of Louisiana, which accounted for the majority of our state and local revenue for its three-year duration, ended as scheduled on June 11, 2009. We also serve domestic commercial and international clients, primarily in the air transportation and energy sectors, including airlines, airports, electric and gas utilities, oil companies, and law firms. Our domestic commercial and international clients, including government clients outside the United States, generated approximately 24%, 19%, and 21% of our revenue in 2011, 2010, and 2009, respectively. We have successfully worked with many of our clients for decades, with the result that we have a unique and knowledgeable perspective on their needs.

We report operating results and financial data as a single segment based on the information used by our chief operating decision-makers in evaluating the performance of our business and allocating resources. Our single segment represents our core business—professional services for government and commercial clients. Although we describe our multiple service offerings to three markets to provide a better understanding of our business, we do not manage our business or allocate our resources based on those service offerings or markets.

CRITICAL ACCOUNTING ESTIMATES

The preparation of our financial statements in accordance with accounting principles generally accepted in the United States of America requires that we make estimates and judgments that affect the reported amount of assets, liabilities, revenue, and expenses, as well as the disclosure of contingent assets and liabilities. If any of these estimates or judgments prove to be incorrect, our reported results could be materially affected. Actual results may differ significantly from our estimates under different assumptions or conditions. We believe that the estimates, assumptions, and judgments involved in the accounting practices described below have the greatest potential impact on our financial statements and therefore consider them to be critical accounting policies.

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Revenue Recognition

We recognize revenue when persuasive evidence of an arrangement exists, services have been rendered, the contract price is fixed or determinable, and collectability is reasonably assured. We enter into contracts that are time-and-materials contracts, cost-based contracts, fixed-price contracts, or a combination of these. This mix of contract types requires the application of various accounting rules and increases the complexity of our revenue recognition process.

Revenue recognition requires us to use judgment relative to assessing risks, estimating contract revenue and costs or other variables, and making assumptions for schedule and technical issues. Due to the size and nature of many of our contracts, the estimation of revenue and estimates at completion can be complicated and are subject to many variables. Contract costs include labor, subcontracting costs, and other direct costs, as well as allocation of allowable indirect costs. We must also make assumptions regarding the length of time to complete the contract because costs include expected increases in wages, prices for subcontractors, and other direct costs. From time to time, facts develop that require us to revise our estimated total costs or hours and thus the associated revenue on a contract. To the extent that a revised estimate affects contract profit or revenue previously recognized, we record the cumulative effect of the revision in the period in which the facts requiring the revision become known. Provision for the full amount of an anticipated loss on any type of contract is recognized in the period in which it becomes probable and can be reasonably estimated. As a result, operating results could be affected by revisions to prior accounting estimates.

We may proceed with work based upon written client direction prior to the completion and signing of formal contract documents. We have a formal review process for approving any such work. Revenue associated with such work is recognized only when it can reliably be estimated and realization is probable. We base our estimates on a variety of factors, including previous experiences with the client, communications with the client regarding funding status, and our knowledge of available funding for the contract.

Goodwill and the amortization of intangible assets

Goodwill represents the excess of costs over fair value of assets of businesses acquired. Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but instead reviewed annually (or more frequently if impairment indicators arise) for impairment. Intangible assets with estimable useful lives must be amortized over such lives and reviewed for impairment.

We have elected to perform our annual goodwill impairment review as of September 30 of each year. For the purposes of performing this review, we have concluded that the Company is one reporting unit. We have adopted the amended guidance under Accounting Standards Update (“ASU”) 2011-08 issued in September 2011. We evaluated, on the basis of the weight of evidence, the significance of all identified events and circumstances in the context of determining whether it is more likely than not that the fair value of our one reporting unit is less than its carrying amount. This evaluation included macroeconomic, industry and market specific considerations, financial performance indicators and measurements, and other factors. We have determined that it is not more likely than not that the fair value of our one reporting unit is less than its carrying amount and that the two-step impairment test is not required to be performed for 2011. Therefore, based upon management’s review, no goodwill impairment charge was required as of September 30, 2011.

We are required to review long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset might not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds its fair value. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less cost to sell.

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New accounting standards

New accounting standards are discussed in “Note B—*Summary of Significant Accounting Policies—Recent Accounting Pronouncements*” of our “Notes to Consolidated Financial Statements” appearing in this Annual Report on Form 10-K.

REVENUE

We earn revenue from services that we provide to clients in three key markets:

- Energy, environment, and transportation;
- Health, education, and social programs; and
- Homeland security and defense.

The following table shows the approximate percentage of our revenue from each of our three markets for the periods indicated. Although we changed the names of our key markets in 2010, the scope of each market is the same as 2009, and the revenue for 2009 for each market is therefore unchanged. For each client, we have attributed all revenue from that client to the market we consider to be the client’s primary market, even if a portion of that revenue relates to a different market.

	Year ended December 31,		
	2011	2010	2009
Energy, environment, and transportation	43%	40%	42%
Health, education, and social programs	43%	45%	44%
Homeland security and defense	14%	15%	14%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

The increase in energy, environment, and transportation revenue in 2011 compared to 2010 was primarily attributable to revenue growth in domestic, energy-related clients.

Our primary clients are the agencies and departments of the U.S. federal government. The following table shows the approximate percentage of our revenue for each type of client for the periods indicated.

	Year ended December 31,		
	2011	2010	2009
U.S. federal government	66%	71%	60%
U.S. state and local government	10%	10%	19%
Domestic commercial	20%	14%	16%
International	4%	5%	5%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

The increase in domestic commercial revenue in 2011 compared to 2010, and the decrease in U.S. federal government revenue for the same period, was primarily attributable to revenue growth in domestic, energy-related clients. The decrease in U.S. state and local government revenue in 2011 and 2010 compared to 2009 was primarily a result of a reduction in revenue resulting from the completion of The Road Home contract with the State of Louisiana in June 2009.

Most of our revenue is from contracts on which we are the prime contractor, which we believe provides us strong client relationships. In 2011, 2010, and 2009, approximately 86%, 85%, and 85%, of our revenue, respectively, was from prime contracts.

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Contract mix

Our contracts with clients include time-and-materials contracts, fixed-price contracts, and cost-based contracts (including cost-based fixed fee, cost-based award fee, and cost-based incentive fee, as well as grants and cooperative agreements). Our contract mix varies from year to year due to numerous factors, including our business strategies and the procurement activities of our clients. Unless the context requires otherwise, we use the term “contracts” to refer to contracts and any task orders or delivery orders issued under a contract.

The following table shows the approximate percentage of our revenue from each of these types of contracts for the periods indicated.

	Year ended December 31,		
	2011	2010	2009
Time-and-materials	49%	49%	51%
Fixed-price	28%	28%	29%
Cost-based	23%	23%	20%
Total	100%	100%	100%

Time-and-materials contracts. Under time-and-materials contracts, we are paid for labor at fixed hourly rates and generally reimbursed separately for allowable materials, other direct costs, and out-of-pocket expenses. Our actual labor costs may vary from the expected costs that formed the basis for our negotiated hourly rates if we utilize different employees than anticipated, need to hire additional employees at higher wages, increase the compensation paid to existing employees, or are able to hire employees at lower-than-expected rates. Our non-labor costs, such as fringe benefits, overhead, and general and administrative costs, also may be higher or lower than we anticipated. To the extent that our actual labor and non-labor costs under a time-and-materials contract vary significantly from our expected costs or the negotiated hourly rates, we can generate more or less than the targeted amount of profit or, perhaps, incur a loss.

Fixed-price contracts. Under fixed-price contracts, we perform specific tasks for a pre-determined price. Compared to time-and-materials and cost-based contracts, fixed-price contracts involve greater financial risk because we bear the full impact of labor and non-labor costs that exceed our estimates, in terms of costs per hour, number of hours, and all other costs of performance, in return for the full benefit of any cost savings. We therefore may generate more or less than the targeted amount of profit or, perhaps, incur a loss.

Cost-based contracts. Under cost-based contracts, we are paid based on the allowable costs we incur, and usually receive a fee. All of our cost-based contracts reimburse us for our direct labor and fringe-benefit costs that are allowable under the contract; however, certain contracts limit the amount of overhead and general and administrative costs we can recover, which may be less than our actual overhead and general and administrative costs. In addition, our fees are constrained by fee ceilings and, in certain cases, such as with grants and cooperative agreements, we may receive no fee. Because of these limitations, our cost-based contracts, on average, are our least profitable type of contract, and we may generate less than the expected return or, perhaps, incur a loss. Cost-based fixed-fee contracts specify the fee to be paid. Cost-based incentive-fee and cost-based award-fee contracts provide for increases or decreases in the contract fee, within specified limits, based upon actual results as compared to contractual targets for factors such as cost, quality, schedule, and performance.

DIRECT COSTS

Direct costs consist primarily of costs incurred to provide services to clients, the most significant of which are subcontractors and employee salaries and wages, plus associated fringe benefits, relating to specific client engagements. Direct costs also include the costs of third-party materials and any other related direct costs, such as travel expenses.

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We generally expect the ratio of direct costs as a percentage of revenue to decline when our own labor increases relative to subcontracted labor or outside consultants. Conversely, as our labor decreases relative to subcontracted labor or outside consultants, we expect the ratio to increase.

Changes in the mix of services and other direct costs provided under our contracts can result in variability in our direct costs as a percentage of revenue. For example, when we perform work in the area of implementation, we expect that more of our services will be performed in client-provided facilities and/or with dedicated staff. Such work generally has a higher proportion of direct costs than much of our current advisory work, and we anticipate that higher utilization of such staff will decrease indirect expenses. In addition, to the extent we are successful in winning larger contracts, our own labor services component could decrease because larger contracts typically are broader in scope and require more diverse capabilities, potentially resulting in more subcontracted labor, more other direct costs, and lower margins. Although these factors could lead to a higher ratio of direct costs as a percentage of revenue, the economics of these larger jobs are nonetheless generally favorable because they increase income, broaden our revenue base, and have a favorable return on invested capital.

OPERATING EXPENSES

Our operating expenses consist of indirect and selling expenses, including non-cash compensation, and depreciation and amortization.

Indirect and selling expenses

Indirect and selling expenses include our management, facilities, and infrastructure costs for all employees, as well as salaries and wages, plus associated fringe benefits, not directly related to client engagements. Among the functions covered by these expenses are marketing, business and corporate development, bids and proposals, facilities, information technology and systems, contracts administration, accounting, treasury, human resources, legal, corporate governance, and executive and senior management. We include all of our cash incentive compensation in this item, as well as all our non-cash compensation, such as stock-based compensation provided to employees, whose compensation and other benefit costs are included in both direct costs and indirect and selling expenses.

Stock Incentive Plans and non-cash compensation

On June 4, 2010, our stockholders ratified the ICF International, Inc. 2010 Omnibus Incentive Plan (the "Omnibus Plan"), which was adopted by us on March 8, 2010. The Omnibus Plan replaced the 2006 Long-Term Equity Incentive Plan (the "2006 Plan"), which we had used for equity and incentive awards since becoming a publicly traded company in 2006. The Omnibus Plan provides for the granting of options, stock appreciation rights, restricted stock, RSUs, performance shares, performance units, cash-based awards, and other stock-based awards to all officers, key employees, and non-employee directors. The Omnibus Plan allowed for us to grant an additional 1.8 million shares in addition to the remaining shares from the 2006 Plan, for a total of approximately 2.7 million shares. Shares awarded that are not stock options or stock appreciation rights are counted as 1.9 shares deducted from the Omnibus Plan for every one share delivered under those awards. Shares awarded that are stock options or stock appreciation rights are counted as a single share deducted from the Omnibus Plan for every one share delivered under those awards. As of December 31, 2011, the Company had 1.8 million shares available to grant under the Omnibus Plan.

We recognized stock-based compensation expense of \$6.7 million, \$7.5 million and \$7.2 million for the years ended December 31, 2011, 2010, and 2009, respectively.

Depreciation and amortization

Depreciation and amortization includes depreciation of computers, furniture, leasehold improvements, and other equipment; the amortization of the costs of software we use internally; and amortization of other intangible assets arising from acquisitions.

INCOME TAX EXPENSE

Our effective tax rate of approximately 38.6% including state and foreign taxes net of federal benefit for the year ended December 31, 2011, was lower than the statutory tax rate for the year ended December 31, 2011, primarily due to one-time downward permanent adjustments, the generation of foreign tax credits, and certain state tax credits, partially offset by an increase for certain unrecognized tax benefits and permanent differences related to expenses not deductible for tax purpose.

ACQUISITIONS AND BUSINESS COMBINATIONS

A key element of our growth strategy is to pursue acquisitions and other business combinations. In 2011, we added Ironworks, AeroStrategy, and Marbek, and, in 2009, Macro and JASI. We did not close any acquisitions in 2010.

Ironworks. Effective December 31, 2011, we acquired Ironworks Consulting, L.L.C. (“Ironworks”), an interactive web development firm that provides customer engagement solutions across web, mobile, and social media platforms to companies in the health, energy, and financial services industries, as well as to U.S. federal government agencies and nonprofit organizations. The addition of Ironworks complements our existing services and provides us new selling opportunities in the federal, commercial energy, and nonprofit space, while offering additional opportunities in the financial and commercial health segments.

The aggregate purchase price of approximately \$102.9 million in cash, including the working capital adjustment required by the stock purchase agreement, was funded by our Credit Facility. We have engaged an independent valuation firm to assist management in the allocation of the purchase price to goodwill and to other acquired intangible assets. The excess of the purchase price over the estimated fair value of the net tangible assets acquired was approximately \$89.5 million. We have preliminarily allocated approximately \$74.3 million to goodwill and \$15.2 million to other intangible assets. The intangible assets consist of approximately \$14.7 million of customer-related intangibles that are being amortized over seven years, and \$0.5 million of marketing-related intangibles that are being amortized over one year. Ironworks was an asset purchase for tax purposes, and therefore the goodwill and the amortization of intangibles are deductible over a fifteen-year period and will give rise to certain deferred tax assets and liabilities. The results of operations for Ironworks have been included in our financial statements as of December 31, 2011; however, because the acquisition occurred on the last day of the year in 2011, the operations of Ironworks had no impact on the statement of earnings. We are still evaluating the fair value of acquired assets and liabilities and pre-acquisition contingencies; therefore, the final allocation of the purchase price has not been completed. See “Note F—Business Combinations” of our “Notes to Consolidated Financial Statements” appearing in this Annual Report on Form 10-K for a more detailed discussion of this acquisition.

AeroStrategy. Effective September 2011, we hired the staff and purchased select assets and liabilities of AeroStrategy L.L.C., a Michigan limited liability company, and AeroStrategy Limited, a limited company organized under the laws of England, an international aviation and aerospace management consulting firm. The purchase was immaterial to the financial statements taken as a whole. The purchase strengthened our aviation consulting business with additional services and an expanded client base.

Marbek. Effective January 2011, we completed the acquisition of Marbek Resource Consultants Ltd., a Canadian energy and environmental consulting firm. The acquisition was immaterial to the financial statements taken as a whole. The acquisition created an integrated energy, climate, and environmental consultancy with a strong presence in Canada.

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JASI. Effective December 2009, we acquired all of the outstanding common stock of JASI, an information technology firm specializing in providing cybersecurity and identity management services to U.S. federal civilian and defense agencies. The acquisition was immaterial to the financial statements taken as a whole. With the acquisition, we are able to offer an expanded range of advisory and implementation solutions across our federal and energy industry client base to assist in mitigating emerging cybersecurity threats and vulnerabilities.

Macro. Effective March 2009, we acquired all of the outstanding common shares of Macro. Macro provides research and evaluation, management consulting, marketing communications, and information services to key agencies and departments of the federal government. Macro is recognized for its expertise in research, evaluation, consulting, and implementation services, particularly in federal health programs, covering a wide range of health issues in the U.S. and internationally. In addition to its health-related expertise, Macro has strong credentials in housing, labor, and veterans affairs issues. We undertook the acquisition to expand our health-related and large project implementation capabilities across key federal markets, to add service offerings and clients in one of our largest markets, and to provide significant growth potential and cross-selling opportunities.

The aggregate purchase price of approximately \$157.6 million in cash, including the working capital adjustment required by the stock purchase agreement, was funded by our revolving credit facility. We engaged an independent valuation firm to assist management in the allocation of the purchase price to goodwill and to other acquired intangible assets. The excess of the purchase price over the estimated fair value of the net tangible assets acquired was approximately \$129.5 million. We allocated approximately \$104.1 million to goodwill and \$25.4 million to other intangible assets. The intangible assets consisted of approximately \$24.6 million of customer-related intangibles that are being amortized over seven years, and \$0.8 million of marketing-related intangibles that were amortized over nine months. Macro was purchased under the election provisions of Internal Revenue Code Section 338(h)(10), and, therefore, goodwill and the amortization of intangibles are deductible for tax purposes over a fifteen-year period and will generate deferred taxes. The results of operations for Macro have been included in our consolidated statement of earnings for periods subsequent to March 31, 2009.

Our acquisitions to date have all involved purchase prices well in excess of net tangible asset values, resulting in the creation of a significant amount of goodwill and other intangible assets. Increased levels of finite-lived intangible assets will increase our amortization charges. At December 31, 2011, goodwill accounted for approximately 58% of our total assets, and purchased intangibles accounted for approximately 5% of our total assets. We test our goodwill for impairment at least annually, and if we conclude that it is impaired, we will be required to write down its carrying value on our consolidated balance sheet and record an impairment charge in our consolidated statement of earnings.

We plan to continue to acquire businesses if and when opportunities arise. We expect future acquisitions to generate significant amounts of goodwill and other intangible assets. We expect to incur additional debt for future acquisitions and, in some cases, to use our stock as acquisition consideration in addition to, or in lieu of, cash. Any issuance of stock may have a dilutive effect on our stock outstanding.

FLUCTUATION OF QUARTERLY RESULTS AND CASH FLOW

Our results of operations and cash flow may vary significantly from quarter to quarter depending on a number of factors, including, but not limited to:

- progress of contract performance;
- number of billable days in a quarter;
- timing of client orders;
- timing of award fee notices;
- changes in the scope of contracts;

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- variations in purchasing patterns under our contracts;
- federal and state government and other clients' spending levels;
- timing of billings to, and payments by, clients;
- timing of receipt of invoices from, and payments to, employees and vendors;
- commencement, completion, and termination of contracts;
- strategic decisions we make, such as acquisitions, consolidations, divestments, spin-offs, joint ventures, strategic investments, and changes in business strategy;
- timing of significant costs and investments (such as bid and proposal costs and the costs involved in planning or making acquisitions);
- our contract mix and use of subcontractors;
- additions to and departures of staff;
- changes in staff utilization;
- vacation and sick days taken by our employees;
- level and cost of our debt;
- changes in accounting principles and policies; and/or
- general market and economic conditions.

Because a significant portion of our expenses, such as personnel, facilities, and related costs, are fixed in the short term, contract performance and variation in the volume of activity, as well as in the number and volume of contracts commenced or completed during any quarter, may cause significant variations in operating results from quarter to quarter.

EFFECT OF APPROVAL OF FEDERAL BUDGET

The federal government's fiscal year ends on September 30 of each year. If a federal budget for the next fiscal year has not been approved by that date, some of our clients may have to suspend engagements on which we are working or may delay new engagements until a budget has been approved. Any such suspension or delay may reduce our revenue in the quarter ending September 30 (our third quarter) or the subsequent quarter. The federal government's fiscal year end can also trigger increased contracting activity, which could affect our third and/or fourth quarter revenue, profit, and cash flow. In addition, it is possible that Congress could enact a continuing resolution or, in the alternative, fail to approve a budget or a continuing resolution in a timely manner, resulting in a government "shut down." A continuing resolution could delay or reduce our revenue, profit, and cash flow, while a government "shut down" will more immediately and substantially reduce our revenue, profit, and cash flow.

EFFECTS OF INFLATION

We generally have been able to price our contracts in a manner to accommodate the rates of inflation experienced in recent years, although we cannot ensure that we will be able to do so in the future.

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RESULTS OF OPERATIONS

The following table sets forth certain items from our consolidated statements of operations as an approximate percentage of revenue for the periods indicated.

Consolidated Statement of Earnings
Years Ended December 31, 2011, 2010, and 2009
(dollars in thousands)

	Year Ended December 31,						Year to Year Change			
	2011			2010			2010 to 2011		2009 to 2010	
	2011	2010	2009	2011	2010	2009	Dollars	Percent	Dollars	Percent
Gross Revenue	\$ 840,775	\$ 764,734	\$ 674,399	100.0%	100.0%	100.0%	\$ 76,041	9.9%	\$ 90,335	13.4%
Direct Costs	520,522	476,187	411,334	61.9%	62.3%	61.0%	44,335	9.3%	64,853	15.8%
Operating Costs and Expenses										
Indirect and selling expenses	241,062	218,533	203,428	28.7%	28.6%	30.2%	22,529	10.3%	15,105	7.4%
Depreciation and amortization	10,757	10,775	9,416	1.3%	1.4%	1.4%	(18)	(0.2)%	1,359	14.4%
Amortization of intangible assets	9,550	12,326	11,137	1.1%	1.6%	1.7%	(2,776)	(22.5)%	1,189	10.7%
Total Operating Costs and Expenses	<u>261,369</u>	<u>241,634</u>	<u>223,981</u>	<u>31.1%</u>	<u>31.6%</u>	<u>33.3%</u>	<u>19,735</u>	<u>8.2%</u>	<u>17,653</u>	<u>7.9%</u>
Operating Income	58,884	46,913	39,084	7.0%	6.1%	5.8%	11,971	25.5%	7,829	20.0%
Other (Expense) Income										
Interest expense	(2,248)	(3,403)	(5,107)	(0.2)%	(0.4)%	(0.7)%	1,155	33.9%	1,704	33.4%
Other	124	172	1,005	—	—	0.1%	(48)	(27.9)%	(833)	(82.9)%
Income Before Income Taxes	56,760	43,682	34,982	6.8%	5.7%	5.2%	13,078	29.9%	8,700	24.9%
Provision for Income Taxes	<u>21,895</u>	<u>16,511</u>	<u>12,626</u>	<u>2.7%</u>	<u>2.2%</u>	<u>1.9%</u>	<u>5,384</u>	<u>32.6%</u>	<u>3,885</u>	<u>30.8%</u>
Net Income	<u>\$ 34,865</u>	<u>\$ 27,171</u>	<u>\$ 22,356</u>	<u>4.1%</u>	<u>3.6%</u>	<u>3.3%</u>	<u>\$ 7,694</u>	<u>28.3%</u>	<u>\$ 4,815</u>	<u>21.5%</u>

Year ended December 31, 2011, compared to year ended December 31, 2010

Gross Revenue. Revenue for the year ended December 31, 2011, was \$840.8 million, compared to \$764.7 million for the year ended December 31, 2010, representing an increase of \$76.0 million, or 9.9%. The increase was primarily due to growth in the domestic commercial market of \$57.2 million and growth in the U.S. government market of \$14.5 million.

Direct costs. Direct costs for the year ended December 31, 2011, were \$520.5 million, compared to \$476.2 million for the year ended December 31, 2010, an increase of \$44.3 million, or 9.3%. The increase in direct costs was primarily attributable to an increase in subcontractor expense and direct labor expense. Direct costs as a percent of revenue were 61.9% for the year ended December 31, 2011, compared to 62.3% for the year ended December 31, 2010.

Indirect and selling expenses. Indirect and selling expenses for the year ended December 31, 2011, were \$241.1 million, or 28.7% of revenue, compared to \$218.5 million, or 28.6% of revenue for the year ended December 31, 2010. The increase in indirect and selling expenses of \$22.5 million is primarily attributable to an increase in indirect labor and general and administrative expense.

Depreciation and amortization. Depreciation and amortization was \$10.8 million for each of the years ended December 31, 2011 and 2010.

Amortization of intangible assets. Amortization of intangible assets for the year ended December 31, 2011, was \$9.6 million, compared to \$12.3 million for the year ended December 31, 2010. The 22.5% decrease in amortization expense was primarily from amortization related to intangible assets that were fully amortized prior to December 31, 2011, but were not fully amortized as of December 31, 2010.

Operating Income. For the year ended December 31, 2011, operating income was \$58.9 million, compared to \$46.9 million for the year ended December 31, 2010, an increase of \$12.0 million, or 25.5%. Operating income as a percent of revenue increased to 7.0% for the year ended December 31, 2011, from 6.1% for the year ended December 31, 2010. Operating income and operating income as a percent of revenue increased primarily due to an increase in gross revenue of 9.9%, partially offset by an increase in direct costs of 9.3% and an increase in operating costs and expenses of 8.2% for the year ended December 31, 2011, compared to the year ended December 31, 2010.

Interest expense. For the year ended December 31, 2011, interest expense was \$2.2 million, compared to \$3.4 million for the year ended December 31, 2010. The 33.9% decrease was due primarily to a lower average debt balance in 2011, as compared to the year ended December 31, 2010.

Other income. For the year ended December 31, 2011, other income was \$0.1 million, compared to \$0.2 million for the year ended December 31, 2010.

Provision for income taxes. Our income tax rate for the year ended December 31, 2011 was 38.6% compared to 37.8% for the year ended December 31, 2010. The increase in the effective rate for the year ended December 31, 2011, compared to December 31, 2010, is primarily due to a one-time decrease in 2010 in our unrecognized tax benefits, a previously recorded liability, due to the expiration of the applicable statute of limitations, and higher state tax credits recognized in 2010.

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

Gross Revenue. Revenue for the year ended December 31, 2010, was \$764.7 million, compared to \$674.4 million for the year ended December 31, 2009, representing an increase of \$90.3 million, or 13.4%. The increase was primarily due to growth in contracts of \$89.2 million, and revenue associated with the operations of Macro,

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acquired March 31, 2009, whose revenue is included in the twelve months ended December 31, 2010, but is not included in the first three months of 2009, and the operations of JASI, acquired in December 2009, whose revenue is included in the twelve months ended December 31, 2010, but is only included in December of 2009, partially offset by a reduction in revenue of \$60.4 million associated with the conclusion of The Road Home contract in June 2009.

Direct costs. Direct costs for the year ended December 31, 2010, were \$476.2 million, compared to \$411.3 million for the year ended December 31, 2009, an increase of \$64.9 million or 15.8%. The increase in direct costs was primarily due to costs associated with a growth in contracts, the operations of Macro, acquired March 31, 2009, whose results are included in the twelve months ended December 31, 2010, but are not included in the first three months of 2009, and the operations of JASI, acquired in December 2009, whose results are included in the twelve months ended December 31, 2010, but are only included in December of 2009, partially offset by the effect of the conclusion of The Road Home contract in June 2009.

Indirect and selling expenses. Indirect and selling expenses for the year ended December 31, 2010, were \$218.5 million, or 28.6% of revenue, compared to \$203.4 million, or 30.2% of revenue for the year ended December 31, 2009. The decrease in indirect and selling expenses as a percentage of revenue was due principally to increased contract revenue, partially offset by an increase in indirect and selling expenses of 7.4%, for the year ended December 31, 2010, compared to the year ended December 31, 2009. The increase in indirect and selling expenses of \$15.1 million is primarily attributable to costs associated with a growth in contracts and the operations of JASI, acquired in December 2009, and the operations of Macro, acquired March 31, 2009, whose results are included in the twelve months ended December 31, 2010, but are partially included in the twelve months ended December 31, 2009.

Depreciation and amortization. Depreciation and amortization for the year ended December 31, 2010, was \$10.8 million, compared to \$9.4 million for the year ended December 31, 2009. The 14.4% increase in depreciation and amortization resulted primarily from depreciation related to assets from recently acquired businesses and new assets placed into service in 2010.

Amortization of intangible assets. Amortization of intangible assets for the year ended December 31, 2010, was \$12.3 million, compared to \$11.1 million for the year ended December 31, 2009. The 10.7% increase in amortization expense was primarily due to the amortization of intangibles related to acquisitions we completed in 2009, partially offset by a decrease in amortization expense related to earlier acquisitions.

Operating Income. For the year ended December 31, 2010, operating income was \$46.9 million, compared to \$39.1 million for the year ended December 31, 2009, an increase of \$7.8 million or 20%. Operating income increased primarily due to increased contract revenue, partially offset by an increase in operating costs and expenses of 7.9% for the year ended December 31, 2010, compared to the year ended December 31, 2009.

Interest expense. For the year ended December 31, 2010, interest expense was \$3.4 million, compared to \$5.1 million for the year ended December 31, 2009. The decrease was due primarily to a lower average debt balance in 2010 as compared to the average debt balance in 2009.

Other income. For the year ended December 31, 2010, other income was \$0.2 million, compared to \$1.0 million for the year ended December 31, 2009. The activity in other income for the year ended December 31, 2009, was primarily attributable to funds received from indemnity claims related to prior acquisitions.

Provision for income taxes. Our income tax rate for the year ended December 31, 2010 was 37.8% compared to 36.1% for the year ended December 31, 2009. The increase was predominately related to a greater release of certain unrecognized tax benefits and greater one-time prior year adjustments in 2009, partially offset by a reduction of the permanent differences related to expenses not deductible for tax purposes and an increase in state tax credits during 2010.

LIQUIDITY AND CAPITAL RESOURCES

Credit Facility. We entered into the Second Amended and Restated Business Loan and Security Agreement (“Credit Facility”) on February 20, 2008, with a syndication of nine commercial banks to allow for borrowings of up to \$350.0 million for a period of five years (maturing February 20, 2013) under a revolving line of credit. The Credit Facility provides for borrowings of up to \$275.0 million without a borrowing base requirement and also provides for an “accordion feature,” which permits additional revolving credit commitments of up to \$75.0 million, subject to lenders’ approval. The Credit Facility has provided pre-approval by the lenders for acquisitions with individual purchase prices of up to \$75.0 million, if certain conditions are met. The Credit Facility is collateralized by substantially all of our assets, and requires that we remain in compliance with certain financial and non-financial covenants. The financial covenants, as defined by the Credit Facility, require that we maintain, on a consolidated basis for each quarter, a Fixed Charge Coverage Ratio of not less than 1.00 to 1.25 and a Leverage Ratio of not more than 1.0 to 3.5. As of December 31, 2011, we were in compliance with the covenants under the Credit Facility.

On March 31, 2009, the Credit Facility was amended to allow for the acquisition of Macro, for permission to sell capital stock in one or more offerings (provided that the proceeds are used to pay down the Credit Facility), and to increase the interest rate margins we pay to borrow funds under the Credit Facility. On September 22, 2011, the Credit Facility was amended to allow for increased spending on annual capital expenditures from 1.5% to 2.0% of gross annual revenue. We have the ability to borrow funds under the Credit Facility at interest rates based on both LIBOR and prime rates, at our discretion, plus their applicable margins. Interest rates on debt outstanding ranged from 1.97% to 2.14% during 2011.

Financial Condition. There were several significant changes in our balance sheet during the year ended December 31, 2011. Contract receivables, net, increased by \$32.5 million to \$209.4 million in 2011, compared to \$177.0 million in 2010. This increase in 2011 was primarily due to the acquisition of Ironworks and an increase in the amount of billable revenue compared to the prior year. Not including the impact of the acquisition of Ironworks, days-sales-outstanding were 75 days at December 31, 2011, and 72 days at December 31, 2010. Goodwill increased to \$401.1 million as of December 31, 2011, from \$323.5 million as of December 31, 2010, due to acquisitions in 2011. Current liabilities grew to \$134.3 million as of December 31, 2011, from \$116.2 million as of December 31, 2010, due to increases in accounts payable, accrued salaries and benefits, and accrued expenses. Not including the impact of the acquisition of Ironworks, days-payable-outstanding were 52 days at December 31, 2011, compared to 48 days at December 31, 2010. Long-term debt increased to \$145.0 million on December 31, 2011, from \$85.0 million on December 31, 2010, primarily as a result of the acquisition of Ironworks, partially offset by payments made on the Credit Facility due to operating cash flow, and a decrease in working capital requirements during the year. Total stockholders’ equity grew to \$393.0 million at the end of 2011, from \$352.7 million at the end of 2010, due to net income of \$34.9 million and an increase of additional paid-in capital.

Liquidity and Borrowing Capacity. Short-term liquidity requirements are created by our use of funds for working capital, capital expenditures, and the need to provide any debt service. We expect to meet these requirements through a combination of cash flow from operations and borrowings under our Credit Facility. As of December 31, 2011, we had \$145.0 million borrowed under our revolving line of credit, outstanding letters of credit of \$1.7 million, resulting in unused borrowing capacity of \$128.3 million on our Credit Facility, which is available for our working capital needs and for other purposes.

We anticipate that our long-term liquidity requirements, including any future acquisitions, will be funded through a combination of cash flow from operations, borrowings under our Credit Facility, additional secured or unsecured debt, or the issuance of common or preferred stock, each of which may be initially funded through borrowings under our Credit Facility.

We believe that the combination of internally generated funds, available bank borrowings, and cash and cash equivalents on hand will provide the required liquidity and capital resources necessary to fund on-going

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operations, customary capital expenditures, and other working capital requirements. We are continuously analyzing our capital structure to ensure we have sufficient capital to fund future acquisitions and internal growth. We monitor the state of the financial markets on a regular basis to assess the availability and cost of additional capital resources both from debt and equity sources. We believe that we will be able to access these markets on commercially reasonable terms and conditions if we need additional borrowings or capital.

Cash and Cash Equivalents. We consider cash on deposit and all highly liquid investments with original maturities of three months or less when purchased to be cash and cash equivalents. Cash was \$4.1 million and \$3.3 million on December 31, 2011, and December 31, 2010, respectively.

Cash Flow. The following table sets forth our sources and uses of cash for the following years.

	Year ended December 31,		
	2011	2010	2009
		(In thousands)	
Net cash provided by operating activities	\$ 59,521	\$ 68,178	\$ 48,554
Net cash used in investing activities	(118,243)	(7,677)	(197,177)
Net cash provided by (used in) financing activities	59,799	(59,366)	149,505
Effect of exchange rate on cash	(281)	(187)	(65)
Increase in cash	\$ 796	\$ 948	\$ 817

Our operating cash flow is primarily affected by the overall profitability of our contracts, our ability to invoice and collect from our clients in a timely manner, and our ability to manage our vendor payments. We bill most of our clients monthly after services are rendered. Operating activities provided cash in each of the years 2011, 2010, and 2009 of \$59.5 million, \$68.2 million, and \$48.6 million, respectively. Cash flows from operating activities for 2011 were positively impacted by net income, depreciation and amortization, and accounts payable, partially offset by contract receivables. Cash flows from operating activities for 2010 were positively impacted by net income, depreciation and amortization, and accrued salaries and benefits, partially offset by deferred income taxes and contract receivables. Cash flows from operating activities in 2009 were positively impacted by net income, depreciation and amortization and contract receivables, partially offset by accrued expenses and prepaid expenses and other assets.

Our cash flow used in investing activities consists primarily of capital expenditures and acquisitions. During the year ended 2011, we paid approximately \$108.0 million for business acquisitions, net of cash acquired, and purchased capital assets totaling \$10.2 million. During the year ended 2010, we paid for purchased capital assets totaling \$7.3 million. During the year ended 2009, we paid approximately \$188.7 million for business acquisitions, net of cash acquired, and purchased capital assets totaling \$8.1 million.

Our cash flow from financing activities consists primarily of debt and equity transactions. For the year ended 2011, cash flow provided by financing activities was primarily due to a \$60.3 million net increase on our Credit Facility. For the year ended 2010, cash flow used in financing activities was primarily due to a net pay down on our Credit Facility of \$60.0 million. For the year ended 2009, cash flow provided by financing activities included approximately \$83.3 million in net proceeds from our secondary offering and \$65.0 million from our Credit Facility.

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OFF-BALANCE SHEET ARRANGEMENTS

CONTRACTUAL OBLIGATIONS

The following table summarizes our contractual obligations as of December 31, 2011 that require us to make future cash payments. For contractual obligations, we include payments that we have an unconditional obligation to make.

	Total	Payments due by Period (In thousands)			
		Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Rent of facilities	\$ 248,493	\$29,239	\$ 48,900	\$42,761	\$ 127,593
Operating lease obligations	2,932	1,631	1,031	270	—
Long-term debt obligation	145,000	—	145,000	—	—
Total	<u>\$396,425</u>	<u>\$ 30,870</u>	<u>\$ 194,931</u>	<u>\$ 43,031</u>	<u>\$ 127,593</u>

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to certain financial market risks, the most predominant being fluctuations in interest rates for borrowings under our Credit Facility, as well as foreign exchange rate risk.

Interest rate fluctuations are monitored by our management as an integral part of our overall risk management program, which recognizes the unpredictability of financial markets and seeks to reduce the potentially adverse effect on our results of operations. As part of this strategy, we may use interest rate swap arrangements to manage or hedge our interest rate risk. We do not use derivative financial instruments for speculative or trading purposes.

Our exposure to market risk includes changes in interest rates for borrowings under our Credit Facility. These borrowings accrue interest at variable rates. Based upon our borrowings under this facility in 2011, a 1% increase in interest rates would have increased interest expense by approximately \$0.8 million and would have decreased our annual pre-tax cash flow by a comparable amount.

Since our IPO, we have followed an investment policy that requires that we invest excess cash in high-quality investments that preserve principal, provide liquidity, and minimize investment risk. During 2011, any excess cash was applied to repayment of outstanding borrowings incurred under our Credit Facility.

Because of the size and nature of our international operations, we are not currently exposed to substantial risks relating to exchange rate fluctuations. As our mix of business changes in the future, however, this exposure could become material.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements of ICF International, Inc. and subsidiaries are provided in Part IV in this Annual Report on Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

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 interim Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (“Exchange Act”). Based upon that evaluation, our Chief Executive Officer and interim Chief Financial Officer concluded that our disclosure controls and procedures were effective to provide reasonable assurance as of the end of the period covered by this report.

Management’s Annual Report on Internal Control Over Financial Reporting. Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and interim Chief Financial Officer, we conducted an assessment of the effectiveness of our internal control over financial reporting as of the end of the period covered by this report, based on the framework in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment under the framework in *Internal Control—Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of the end of the period covered by this report. Grant Thornton LLP, our independent registered public accounting firm, has audited the financial statements included in this report and issued an opinion on our internal control over financial reporting. This opinion appears in the Report of Independent Registered Public Accounting Firm on page F-1 of this Annual Report on Form 10-K.

This assessment excluded the internal control over financial reporting of Ironworks, which was acquired on December 31, 2011. The total acquired net assets, based on the preliminary purchase price allocation, is approximately 15% of the Company’s consolidated total assets. Because the acquisition occurred on the last day of the year in 2011, the operations of Ironworks had no impact on the consolidated statement of earnings.

Change in Internal Controls. During the fourth quarter of fiscal year 2011, there were no changes in our internal control over financial reporting that have materially affected these controls, or are reasonably likely to materially affect these controls subsequent to the evaluation of these controls.

Limitations on the Effectiveness of Controls. Control systems, no matter how well conceived and operated, are designed to provide a reasonable, but not an absolute, level of assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Because of the inherent limitations in any control system, misstatements due to error or fraud may occur and not be detected.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item will be included in our Proxy Statement for the 2012 Annual Meeting of Stockholders (the “2012 Proxy Statement”) and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item will be included in the 2012 Proxy Statement and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item will be included in the 2012 Proxy Statement and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item will be included in the 2012 Proxy Statement and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item will be included in the 2012 Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(1) Financial Statements

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(2) Financial Statement Schedules

None.

(3) Exhibits

The following exhibits are included with this report or incorporated herein by reference:

<u>Exhibit Number</u>	<u>Exhibit</u>
2.1	Membership Interest Purchase Agreement by and among ICF Consulting Group, Inc., Scott K. Walker, William F. Loving, Thomas K. Luck, as trustee of the John D. Whitlock 2010 Irrevocable Trust, and Hot Technology Holdings, L.L.C., dated as of December 12, 2011.
3.1	Amended and Restated Certificate of Incorporation (Incorporated by reference to exhibit 4.1 to the Company's Registration Statement on Form S-8 (File No. 333-137975), effective as of October 12, 2006).
3.2	Amended and Restated Bylaws of ICF International, Inc. (Incorporated by reference to exhibit 3.1 to the Company's Form 8-K, filed on September 23, 2008).
4.1	Specimen common stock certificate (Incorporated by reference to exhibit 4.1 to the Company's Form S-1).
4.2	See exhibits 3.1 and 3.2 for provisions of the Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws of the Registrant defining the rights of holders of common stock of the Company.
10.1	2006 Employee Stock Purchase Plan (Incorporated by reference to exhibit 10.3 to the Company's Form S-1).
10.2	ICF International, Inc. Nonqualified Deferred Compensation Plan (Incorporated by reference to exhibit 10.3 to the Company's Form 10-Q, filed May 12, 2008).
10.3	ICF International, Inc. 2010 Omnibus Incentive Plan (incorporated by reference to Exhibit A to the Definitive Proxy Statement on Schedule 14A relating to the Company's Annual Meeting of Stockholders held on June 4, 2010 and filed April 23, 2010).
10.4	Form of Restricted Stock Unit Award Under the 2010 Omnibus Incentive Plan. (incorporated by reference to exhibit 10.4 to the Company's Form 10-K filed March 4, 2011).
10.5	Form of Stock Option Award under the 2010 Omnibus Incentive Plan (incorporated by reference to exhibit 10.5 to the Company's Form 10-K filed March 4, 2011).

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<u>Exhibit Number</u>	<u>Exhibit</u>
10.6	Restated Employment Agreement dated December 29, 2008 between the Company and Sudhakar Kesavan (Incorporated by reference to exhibit 10.1 to the Company's Form 8-K, filed December 30, 2008).
10.7	Restated Severance Protection Agreement dated December 29, 2008 between the Company and Sudhakar Kesavan (Incorporated by reference to exhibit 10.2 to the Company's Form 8-K, filed December 30, 2008).
10.8	Restated Severance Protection Agreement dated December 12, 2008 between the Company and John Wasson (Incorporated by reference to exhibit 10.2 to the Company's Form 8-K, filed December 18, 2008).
10.9	Amended Severance Letter Agreement dated December 12, 2008 between the Company and John Wasson (Incorporated by reference to exhibit 10.4 to the Company's Form 8-K filed December 18, 2008).
10.10	Employment Terms By and Between the Company and Ronald P. Vargo, dated January 28, 2010 (Incorporated by reference to exhibit 10.1 to the Company's Form 10-Q, filed May 6, 2010).
10.11	Severance Protection Agreement By and Between the Company and Ronald P. Vargo, dated March 1, 2010 (Incorporated by reference to exhibit 10.2 to the Company's Form 10-Q, filed May 6, 2010).
10.12	Severance Letter Agreement By and Between the Company and Sandra Murray, dated August 23, 2011 (Incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q, filed November 3, 2011).
10.13	Second Amended and Restated Business Loan and Security Agreement dated as of February 20, 2008 by and among ICF International, Inc. and ICF Consulting Group, Inc., as Borrowers, Citizens Bank of Pennsylvania, as a Lender and Administrative Agent, Bank of America, N.A., as a Lender and Syndication Agent, CitiBank, N.A. and SunTrust Bank, as Lenders and Documentation Agents, Branch Banking and Trust Company, Commerce Bank, N.A., HSBC Bank USA, National Association, PNC Bank, National Association, and Chevy Chase Bank, N.A. as Lenders, and RBS Securities Corporation (d/b/a RBS Greenwich Capital), as sole and exclusive lead arranger and book running manager (Incorporated by reference to exhibit 10.1 to the Company's Form 8-K, filed February 25, 2008).
10.14	First Modification to Second Amended and Restated Business Loan and Security Agreement and other Loan Documents, dated as of March 31, 2009 By and Among Citizens Bank of Pennsylvania, ICF Consulting Group, Inc. and ICF International, Inc.
10.15	Second Modification to Second Amended and Restated Business Loan and Security Agreement and other Loan Documents, dated as of September 22, 2011, By and Among Citizens Bank of Pennsylvania, ICF Consulting Group, Inc. and ICF International, Inc. (Incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q, filed November 3, 2011.)
10.17	Deed of Lease by and between Hunters Branch Leasing, LLC and ICF Consulting Group, Inc., effective April 1, 2010 (Incorporated by reference to exhibit 10.6 to the Company's Form 10-K, filed March 11, 2010).
21.0	Subsidiaries of the Registrant
23.1	Consent of Grant Thornton LLP.
31.1	Certificate of the Principal Executive Officer Pursuant to Exchange Act Rule 13a-14(a) and 15d-14(a).
31.2	Certificate of the Principal Financial and Accounting Officer Pursuant to Exchange Act Rule 13a-14(a) and 15d-14(a).
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Interim Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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<u>Exhibit Number</u>	<u>Exhibit</u>
101	The following materials from the ICF International, Inc. Annual Report on Form 10-K for the year ended December 31, 2011 formatted in eXtensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Earnings, (iii) Consolidated Statements of Stockholders' Equity, (iv) Consolidated Statements of Cash Flow and Notes to Consolidated Financial Statements.*

* Submitted electronically herewith.

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
ICF International, Inc., and Subsidiaries

We have audited the accompanying consolidated balance sheets of ICF International, Inc., and Subsidiaries (a Delaware corporation) (the “Company”) as of December 31, 2011 and 2010, and the related consolidated statements of earnings, stockholders’ equity, and cash flows for each of the three years in the period ended December 31, 2011. We also have audited the Company’s internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for their assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company’s internal control over financial reporting based on our audits. Our audit of, and opinion on, the Company’s internal control over financial reporting does not include internal control over financial reporting of Ironworks Consulting, L.L.C., a wholly owned subsidiary, whose financial statements reflect total assets of 15 percent of the related consolidated financial statement amounts as of December 31, 2011. As indicated in Management’s Annual Report on Internal Control Over Financial Reporting, Ironworks Consulting, L.L.C. was acquired on December 31, 2011 and therefore, management’s assertion on the effectiveness of the Company’s internal control over financial reporting excluded internal control over financial reporting of Ironworks Consulting, L.L.C.

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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall consolidated financial statement presentation. Our audit of internal control over financial reporting 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 audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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 consolidated 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 consolidated 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 consolidated 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, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ICF International, Inc., and Subsidiaries as of December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control—Integrated Framework* issued by COSO.

/s/ Grant Thornton LLP

McLean, Virginia
March 2, 2012

ICF International, Inc., and Subsidiaries
Consolidated Balance Sheets
(in thousands, except share amounts)

<u>December 31,</u>	<u>2011</u>	<u>2010</u>
Assets		
Current Assets		
Cash	\$ 4,097	\$ 3,301
Contract receivables, net	209,426	176,963
Prepaid expenses and other	7,948	6,995
Income tax receivable	1,155	1,628
Deferred income taxes	7,963	4,973
Total current assets	230,589	193,860
Total property and equipment, net	21,067	18,887
Other assets:		
Goodwill	401,134	323,467
Other intangible assets, net	33,740	26,148
Restricted cash	1,208	3,179
Other assets	6,877	7,278
Total Assets	<u>\$694,615</u>	<u>\$572,819</u>
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	\$ 38,685	\$ 29,866
Accrued salaries and benefits	46,215	40,750
Accrued expenses	29,252	25,522
Deferred revenue	20,180	20,034
Total Current Liabilities	134,332	116,172
Long-term Liabilities:		
Long-term debt	145,000	85,000
Deferred rent	7,223	5,142
Deferred income taxes	9,247	10,068
Other	5,785	3,704
Total Liabilities	301,587	220,086
Commitments and Contingencies		
Stockholders' Equity		
Preferred stock, par value \$.001 per share; 5,000,000 shares authorized; none issued	—	—
Common stock, \$.001 par value; 70,000,000 shares authorized; 19,887,459 and 19,618,659 shares issued; and 19,792,499 and 19,567,571 shares outstanding as of December 31, 2011, and December 31, 2010, respectively	20	20
Additional paid-in capital	227,577	220,891
Retained earnings	168,502	133,637
Treasury stock	(2,266)	(1,291)
Accumulated other comprehensive loss	(805)	(524)
Total Stockholders' Equity	<u>393,028</u>	<u>352,733</u>
Total Liabilities and Stockholders' Equity	<u>\$694,615</u>	<u>\$572,819</u>

The accompanying notes are an integral part of these statements.

ICF International, Inc., and Subsidiaries
Consolidated Statements of Earnings
(in thousands, except per share amounts)

<u>Year ended December 31,</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Gross Revenue	\$ 840,775	\$ 764,734	\$ 674,399
Direct Costs	520,522	476,187	411,334
Operating costs and expenses			
Indirect and selling expenses	241,062	218,533	203,428
Depreciation and amortization	10,757	10,775	9,416
Amortization of intangible assets	9,550	12,326	11,137
Total operating costs and expenses	<u>261,369</u>	<u>241,634</u>	<u>223,981</u>
Operating Income	58,884	46,913	39,084
Other (Expense) Income			
Interest expense	(2,248)	(3,403)	(5,107)
Other	124	172	1,005
Income Before Income Taxes	56,760	43,682	34,982
Provision for Income Taxes	<u>21,895</u>	<u>16,511</u>	<u>12,626</u>
Net Income	<u>\$ 34,865</u>	<u>\$ 27,171</u>	<u>\$ 22,356</u>
Earnings per Share:			
Basic	\$ 1.77	\$ 1.40	\$ 1.45
Diluted	\$ 1.75	\$ 1.38	\$ 1.40
Weighted-average Common Shares Outstanding:			
Basic	19,684	19,375	15,433
Diluted	19,928	19,626	15,914

The accompanying notes are an integral part of these statements.

ICF International, Inc., and Subsidiaries
Consolidated Statements of Stockholders' Equity
(in thousands)

Years ended December 31, 2011, 2010 and 2009	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock		Stockholder Notes Receivable	Accumulated Other Comprehensive Loss	Total
	Shares	Amount			Shares	Amount			
January 1, 2009	<u>15,107</u>	<u>\$ 15</u>	<u>\$ 120,550</u>	<u>\$ 84,110</u>	<u>82</u>	<u>\$ (1,474)</u>	<u>\$ (12)</u>	<u>\$ (272)</u>	<u>\$202,917</u>
Net income	—	—	—	22,356	—	—	—	—	22,356
Other Comprehensive Income									
Foreign currency translation adjustment	—	—	—	—	—	—	—	(65)	(65)
Total Comprehensive Income									22,291
Issuance of shares pursuant to secondary offering	3,565	4	83,290	—	—	—	—	—	83,294
Equity compensation	—	—	7,192	—	—	—	—	—	7,192
Exercise of stock options	337	—	1,093	—	(93)	1,739	—	—	2,832
Issuance of shares pursuant to vesting of restricted stock units	409	—	(3,914)	—	(141)	3,914	—	—	—
Net payments for stockholder issuances and buybacks	(139)	—	88	—	152	(4,179)	—	—	(4,091)
Tax impact of stock option exercises and award vesting	—	—	3,113	—	—	—	—	—	3,113
Proceeds on stockholder notes	—	—	—	—	—	—	12	—	12
December 31, 2009	<u>19,279</u>	<u>\$ 19</u>	<u>\$ 211,412</u>	<u>\$ 106,466</u>	<u>—</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (337)</u>	<u>\$317,560</u>
Net income	—	—	—	27,171	—	—	—	—	27,171
Other Comprehensive Income									
Foreign currency translation adjustment	—	—	—	—	—	—	—	(187)	(187)
Total Comprehensive Income									26,984
Equity compensation	—	—	7,533	—	—	—	—	—	7,533
Exercise of stock options	110	—	966	—	—	—	—	—	966
Issuance of shares pursuant to vesting of restricted stock units	207	1	—	—	—	—	—	—	1
Net payments for stockholder issuances and buybacks	(28)	—	66	—	51	(1,291)	—	—	(1,225)
Tax impact of stock option exercises and award vesting	—	—	914	—	—	—	—	—	914
December 31, 2010	<u>19,568</u>	<u>\$ 20</u>	<u>\$ 220,891</u>	<u>\$ 133,637</u>	<u>51</u>	<u>\$ (1,291)</u>	<u>\$ —</u>	<u>\$ (524)</u>	<u>\$352,733</u>
Net income	—	—	—	34,865	—	—	—	—	34,865
Other Comprehensive Income									
Foreign currency translation adjustment	—	—	—	—	—	—	—	(281)	(281)
Total Comprehensive Income									34,584
Equity compensation	—	—	6,658	—	—	—	—	—	6,658
Exercise of stock options	39	—	478	—	—	—	—	—	478
Issuance of shares pursuant to vesting of restricted stock units	176	—	—	—	—	—	—	—	—
Net payments for stockholder issuances and buybacks	9	—	77	—	44	(975)	—	—	(898)
Tax impact of stock option exercises and award vesting	—	—	(527)	—	—	—	—	—	(527)
December 31, 2011	<u>19,792</u>	<u>\$ 20</u>	<u>\$ 227,577</u>	<u>\$168,502</u>	<u>95</u>	<u>\$ (2,266)</u>	<u>\$ —</u>	<u>\$ (805)</u>	<u>\$393,028</u>

The accompanying notes are an integral part of these statements.

ICF International, Inc., and Subsidiaries
Consolidated Statements of Cash Flows
(in thousands)

<u>Year ended December 31,</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Cash Flows from operating activities			
Net income	\$ 34,865	\$ 27,171	\$ 22,356
Adjustments to reconcile net income to net cash provided by operating activities:			
Bad debt expense	(64)	543	241
Deferred income taxes	(4,623)	(5,224)	2,203
(Gain) loss on disposal of fixed assets	(13)	110	(14)
Non-cash equity compensation	6,658	7,533	7,192
Depreciation and amortization	20,307	23,101	20,553
Deferred rent	2,235	1,153	106
Changes in operating assets and liabilities, net of the effect of acquisitions:			
Contract receivables	(18,147)	(3,386)	15,948
Prepaid expenses and other assets	(1,043)	(778)	(3,962)
Accounts payable	7,996	2,396	(3,763)
Accrued salaries and benefits	4,703	8,677	(2,517)
Accrued expenses	2,822	5,832	(17,503)
Deferred revenue	(692)	664	4,341
Income tax payable	466	2,547	1,150
Restricted cash	1,971	(1,056)	2,135
Other liabilities	2,080	(1,105)	88
Net Cash Provided by Operating Activities	59,521	68,178	48,554
Cash Flows from Investing Activities			
Capital expenditures	(10,206)	(7,283)	(8,068)
Payments for business acquisitions, net of cash received	(108,009)	—	(188,672)
Capitalized software development costs	(28)	(394)	(437)
Net Cash Used in Investing Activities	(118,243)	(7,677)	(197,177)
Cash Flows from Financing Activities			
Advances from working capital facilities	213,138	43,317	315,784
Payments on working capital facilities	(153,138)	(103,317)	(250,784)
Debt issue costs	(8)	(21)	(655)
Proceeds from secondary offering, net	—	—	83,294
Proceeds from exercise of options	478	966	2,832
Tax benefits of stock option exercises and award vesting	227	914	3,113
Issuances of stock	77	66	88
Shares reacquired in net share issuance	(975)	(1,291)	(4,179)
Payments received on stockholder notes	—	—	12
Net Cash Provided by (Used in) Financing Activities	59,799	(59,366)	149,505
Effect of Exchange Rate on Cash	(281)	(187)	(65)
Increase in Cash	796	948	817
Cash, beginning of period	3,301	2,353	1,536
Cash, end of period	\$ 4,097	\$ 3,301	\$ 2,353
Supplemental disclosure of cash flow information:			
Cash paid during the period for:			
Interest	\$ 2,334	\$ 3,873	\$ 4,664
Income taxes	\$ 26,411	\$ 18,977	\$ 7,644

The accompanying notes are an integral part of these statements.

ICF International, Inc., and Subsidiaries
Notes to Consolidated Financial Statements
(dollar amounts in tables in thousands, except per share data)

NOTE A—BASIS OF PRESENTATION AND NATURE OF OPERATIONS

Basis of Presentation and Nature of Operations

The accompanying consolidated financial statements include the accounts of ICF International, Inc. (“ICFI”), and its subsidiary, ICF Consulting Group, Inc. (“Consulting”), (collectively, “the Company”). Consulting is a wholly owned subsidiary of ICFI. ICFI is a holding company with no operations or assets, other than its investment in the common stock of Consulting. The operations of Consulting are conducted within the following subsidiaries:

- ICF Resources, L.L.C.
- ICF Associates, L.L.C.
- ICF Consulting Limited (U.K)
- ICF Consulting India Private, Ltd.
- ICF International Consulting (Beijing) Company Ltd. (China)
- ICF Consulting Canada, Inc.
- ICF Consulting Pty. Ltd. (Australia)
- ICF/EKO (Russia)
- ICF Services Company, L.L.C.
- ICF Consulting Services, L.L.C.
- ICF Consultoria do Brasil, Ltda.
- Systems Applications International, L.L.C.
- ICF Incorporated, L.L.C.
- ICF Emergency Management Services, L.L.C.
- Caliber Associates, Inc.
- Advanced Performance Consulting Group, Inc.
- ICF Z-Tech, Inc.
- ICF SH&E, Inc.
- ICF SH&E Limited (UK)
- ICF Jones & Stokes, Inc.
- ICF Macro, Inc.
- ICF Jacob & Sundstrom, Inc.
- Ironworks Consulting, L.L.C.

All subsidiaries are wholly owned by Consulting. All significant intercompany transactions and balances have been eliminated.

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Nature of Operations

The Company provides management, technology, and policy professional services in the areas of energy, environment, and transportation; health, education, and social programs; and homeland security and defense. The Company's major clients are United States ("U.S.") government departments and agencies, especially the Department of Health and Human Services ("HHS"), Department of Defense ("DoD"), Department of State ("DOS"), Environmental Protection Agency ("EPA"), Department of Homeland Security ("DHS"), U.S. Department of Agriculture ("USDA"), Department of Housing and Urban Development ("HUD"), Department of Transportation ("DOT"), Department of Interior ("DOI"), Department of Justice ("DOJ"), Department of Energy ("DOE"), and Department of Education ("ED"); state and local government departments and agencies; commercial and international clients, primarily in the air transportation and energy sectors, including airlines, airports, electric and gas utilities, oil companies, and law firms; and other government organizations throughout the U.S. and the world. The Company offers a full range of services to these clients, including strategy, analysis, program management, and information technology solutions that combine experienced professional staff, industry and institutional knowledge, and analytical methods.

The Company, incorporated in Delaware, is headquartered in Fairfax, Virginia, with over 60 domestic regional offices (as of December 31, 2011), and international offices in Beijing, New Delhi, Singapore, Ottawa, Toronto, Brussels, London, Moscow, and Rio de Janeiro.

Reclassifications

Certain amounts in the 2009 consolidated financial statements have been reclassified to conform to the current year presentation.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

The Company recognizes revenue when persuasive evidence of an arrangement exists, services have been rendered, the contract price is fixed or determinable, and collectability is reasonably assured. The Company enters into contracts that are time-and-materials, cost-based, fixed-price, or a combination of these.

- **Time-and-Materials Contracts.** Revenue for time-and-materials contracts is recorded on the basis of allowable labor hours worked multiplied by the contract-defined billing rates, plus the costs of other items used in the performance of the contract. Profit and losses on time-and-materials contracts result from the difference between the cost of services performed and the contract-defined billing rates for these services.
- **Cost-Based Contracts.** Revenue under cost-based contracts is recognized as costs are incurred. Applicable estimated profit, if any, is included in earnings in the proportion that incurred costs bear to total estimated costs. Incentives, award fees, or penalties related to performance are also considered in estimating revenue and profit rates based on actual and anticipated awards.
- **Fixed-Price Contracts.** Revenue for fixed-price contracts is recognized when earned, generally as work is performed. Services performed vary from contract to contract and are not always uniformly performed over the term of the arrangement. We recognize revenue in a number of different ways on fixed-price contracts, including:
 - **Proportional Performance:** Revenue on certain fixed-price contracts is recorded each period based upon certain contract performance measures (labor hours, labor costs, or total costs) incurred expressed as a proportion of a total project estimate. Thus, labor hours, labor costs, or total contract costs incurred to date are compared with the total estimate for these items at

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completion. Performance is based on the ratio of the incurred hours or costs to the total estimate. Progress on a contract is monitored regularly to ensure that revenue recognized reflects project status. When hours or costs incurred are used as the basis for revenue recognition, the hours or costs incurred represent a reasonable surrogate for output measures of contract performance, including the presentation of deliverables to the client. Clients are obligated to pay as services are performed, and in the event that a client cancels the contract, payment for services performed through the date of cancellation is negotiated with the client.

- **Contractual Outputs:** Revenue on certain fixed-price contracts is recognized based upon outputs completed to date expressed as a percentage of total outputs required in the contract or based upon units delivered to the customer multiplied by the contract-defined unit price.
- **Straight-Line:** When services are performed or are expected to be performed consistently throughout an arrangement, revenue on those fixed-price contracts is recognized ratably over the period benefited.
- **Completed Contract:** Revenue on certain fixed-price contracts is recognized at completion if the final act is so significant to the arrangement that value is deemed to be transferred only at completion.

Revenue recognition requires us to use judgment relative to assessing risks, estimating contract revenue and costs or other variables, and making assumptions for schedule and technical issues. Due to the size and nature of many of our contracts, the estimation of revenue and estimates at completion can be complicated and are subject to many variables. Contract costs include labor, subcontracting costs, and other direct costs, as well as an allocation of allowable indirect costs. The Company must also make assumptions regarding the length of time to complete the contract because costs include expected increases in wages, prices for subcontractors, and other direct costs. From time to time, facts develop that require us to revise its estimated total costs or hours and thus the associated revenue on a contract. To the extent that a revised estimate affects contract profit or revenue previously recognized, The Company records the cumulative effect of the revision in the period in which the facts requiring the revision become known. Provision for the full amount of an anticipated loss on any type of contract is recognized in the period in which it becomes probable and can be reasonably estimated. As a result, operating results could be affected by revisions to prior accounting estimates.

The Company generates invoices to clients in accordance with the terms of the applicable contract, which may not be directly related to the performance of services. Unbilled receivables are invoiced based upon the achievement of specific events as defined by each contract, including deliverables, timetables, and incurrence of certain costs. Unbilled receivables are classified as a current asset. Advanced billings to clients in excess of revenue earned are recorded as deferred revenue until the revenue recognition criteria are met. Reimbursements of out-of-pocket expenses are included in revenue with corresponding costs incurred by us included in cost of revenue.

The Company may proceed with work based upon written client direction prior to the completion and signing of formal contract documents. The Company has a formal review process for approving any such work. Revenue associated with such work is recognized only when it can reliably be estimated and realization is probable. We base our estimates on a variety of factors, including previous experiences with the client, communications with the client regarding funding status, and our knowledge of available funding for the contract.

Approximately 66%, 71%, and 60% of the Company's revenue for the years 2011, 2010, and 2009, respectively, were derived under prime contracts and subcontracts with agencies and departments of the U.S. federal government.

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The approximate percentage of revenue by contract type was as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Cost-based	23%	23%	20%
Time-and-materials	49%	49%	51%
Fixed-price	28%	28%	29%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

For the years ending December 31, 2011, 2010, and 2009, revenue from various branches of the HHS accounted for approximately 22% or \$184.5 million, 21% or \$157.7 million, and 17% or \$113.6 million, respectively, of the Company's revenue. The accounts receivable due from HHS contracts as of December 31, 2011 and 2010 was approximately \$17.2 million and \$25.0 million, respectively.

In June of 2006, the Company was awarded a contract by the State of Louisiana, which ended in June 2009. For the year ending December 31, 2009, revenue from the State of Louisiana accounted for approximately 9% or \$60.4 million of the Company's revenue.

Payments to the Company on cost-based contracts with the U.S. government are provisional payments subject to adjustment upon audit by the government. Such audits have been finalized through December 31, 2006 and any adjustments have been immaterial. Contract revenue for subsequent periods has been recorded in amounts that are expected to be realized upon final audit and settlement of costs in those years.

Cash and Cash Equivalents

The Company considers cash on deposit and all highly liquid investments with original maturities of three months or less to be cash and cash equivalents.

Property and Equipment

Property and equipment are carried at cost and are depreciated using the straight-line method over their estimated useful lives, which range from two to seven years. Leasehold improvements are amortized on a straight-line basis over the shorter of the economic life of the improvement or the related lease term. Assets acquired in acquisitions are recorded at fair value.

Goodwill and Other Intangible Assets

Goodwill represents the excess of costs over fair value of assets of businesses acquired. Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but instead reviewed annually (or more frequently if impairment indicators arise) for impairment. Intangible assets with estimable useful lives must be amortized over such lives and reviewed for impairment.

The Company performs its annual goodwill impairment review as of September 30 of each year. For the purposes of performing this review, the Company concluded that it is one reporting unit. The Company estimates fair value of its one reporting unit using a market based approach.

The Company adopted the amended guidance under Accounting Standards Update ("ASU") 2011-08 issued in September 2011. It evaluated, on the basis of the weight of evidence, the significance of all identified events and circumstances in the context of determining whether it is more likely than not that the fair value of its one reporting unit is less than its carrying amount. This evaluation included macroeconomic and industry and market specific considerations, financial performance indicators and measurements, and other factors. The Company has determined that it is not more likely than not that the fair value of its one reporting unit is less than its carrying amount and that the two-step impairment test is not required to be performed for 2011. Therefore, based upon management's review, no goodwill impairment charge was required in 2011.

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Capitalized Software

The Company capitalizes eligible, internally developed costs for enhancements and upgrades to software. Amortization expense is recorded on a straight-line basis over the expected economic life, typically five years.

Equity Compensation

Incentive stock awards are measured at fair value. The Company has elected to use the Black-Scholes-Merton option pricing model to value any options granted and to amortize compensation expense relating to share-based payments on a straight-line basis over the requisite service period. The Company will reconsider its use of the Black-Scholes-Merton model if additional information becomes available in the future that indicates another model would be more appropriate or if grants issued in future periods have characteristics that prevent their value from being reasonably estimated using this model.

Long-lived Assets

The Company is required to review long-lived assets and identifiable intangibles subject to amortization for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset might not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds its fair value. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less cost to sell.

Foreign Currency Translation

As of December 31, 2011 and 2010, the Company held approximately \$2.2 million and \$3.0 million, respectively, in foreign financial institutions.

The financial positions and results of operations of the Company's foreign affiliates are based on the local currency as the functional currency and are translated to U.S. dollars for financial reporting purposes. Assets and liabilities of the affiliates are translated at the exchange rate in effect at year-end. Income statement accounts are translated at the average rate of exchange prevailing during the year. Translation adjustments arising from the use of differing exchange rates from period to period are included in accumulated other comprehensive income (loss) in stockholders' equity. Gains and losses resulting from foreign currency transactions included in operations are not material for any of the periods presented.

Deferred Rent

The Company recognizes rent expense on a straight-line basis over the term of each lease. Lease incentives or abatements received at or near the inception of leases are accrued and amortized ratably over the life of the lease.

Fair Value of Financial Instruments

The Company believes the carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, and other current liabilities approximate their estimated fair values at December 31, 2011, due to their short maturities. The Company believes the carrying value of its lines of credit payable approximate the estimated fair value for debt with similar terms, interest rates, and remaining maturities currently available to companies with similar credit ratings at December 31, 2011.

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Income Taxes

The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The Company evaluates its ability to benefit from all deferred tax assets and establishes valuation allowances for amounts it believes are not more likely than not to be realizable. For uncertain tax positions, the Company uses a more likely than not recognition threshold based on the technical merits of the income tax position taken. Income tax positions that meet the more likely than not recognition threshold are measured in order to determine the tax benefit recognized in the financial statements.

Treasury Shares

Treasury shares are accounted for under the cost method.

Segment

The Company has concluded that it operates in one segment based upon the information used by its chief operating decision maker in evaluating the performance of its business and allocating resources. This single segment represents the Company's core business, professional services primarily for government clients. Although the Company describes multiple service offerings to three markets to provide a better understanding of the Company's business operations, the Company does not manage its business or allocate resources based upon those service offerings or markets.

Risks and Uncertainties

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and contract receivables. The majority of the Company's cash transactions are processed through one U.S. commercial bank. Cash in excess of daily requirements is used to reduce any amounts outstanding under the Company's Credit Facility or invested in overnight investment sweeps. To date, the Company has not incurred losses related to cash and cash equivalents.

The Company's contract receivables consist principally of contract receivables from agencies and departments of, as well as from prime contractors to, the U.S. government, other governments, and commercial organizations. The Company extends credit in the normal course of operations and does not require collateral from its clients.

The Company has historically been, and continues to be, heavily dependent upon contracts with the U.S. government and is subject to audit by audit agencies of the government. Such audits determine, among other things, whether an adjustment of invoices rendered to the government is appropriate under the underlying terms of the contracts. Management does not expect any significant adjustments, as a result of government audits, that will adversely affect the Company's financial position.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Accounting Pronouncements Recently Adopted

ASU 2011-08, Intangibles – Goodwill and Other (Topic 350): Testing Goodwill for Impairment. In September 2011, the Financial Accounting Standards Board (“FASB”) revised the guidance related to testing goodwill for impairment. The new guidance permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, as a basis for determining whether it is necessary to perform the first step of the two-step goodwill impairment test required under existing guidance. The more likely than not threshold is defined as having a likelihood of more than 50 percent. If, upon assessing the qualitative factors in their totality, an entity determines that it is not more likely than not that the fair value of a reporting unit is less than its carrying value, then performing the two-step impairment test is unnecessary. However, if an entity determines that it is more likely than not, then it is required to perform the first step of the two-step impairment test. In addition, an entity is no longer permitted to carry forward its detailed calculation of a reporting unit’s fair value from a prior year as previously permitted. Early adoption is permitted for annual and interim goodwill impairment tests and the Company has elected to do so. As a result of the adoption, the Company determined that it was not more likely than not that the fair value of its one reporting unit was less than its carrying value and therefore did not perform any further testing.

ASU 2009-14, Software (Topic 985): Certain Revenue Arrangements That Include Software Elements. In October 2009, the FASB also revised the guidance related to software revenue and multiple-element arrangements with software components. The new guidance related to software revenue recognition excludes arrangements with tangible products containing software and non-software components that function together to deliver a product’s essential functionality. Prior to the new guidance, vendor-specific-objective-evidence (“VSOE”) of fair value was required for the undelivered elements in the arrangement in order for the Company to account for the elements separately. However, as a result of the new guidance noted below with respect to multiple-deliverable arrangements and the guidance related to software revenue recognition, VSOE may not be required if another topic of the accounting standards codification provides guidance on how to allocate the consideration for contract deliverables. Thus, if there are software and non-software components within the same contract and the software components fall within the scope of the *Software Elements* topic of the code, but that topic addresses solely separation and not allocation, one can now refer back to the *Multiple Deliverables* topic of the codification for guidance on consideration allocation. The *Multiple Deliverables* guidance allows consideration to be allocated based upon a relative fair value basis using the entity’s best estimate of fair value, which is no longer limited to VSOE or third-party evidence, but may entail management’s best estimate of selling price. The guidance was effective for the Company beginning January 1, 2011. The new guidance did not have a material impact on the Company’s financial condition or results of operations.

ASU 2009-13, Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements. In October 2009, the FASB revised the accounting guidance pertaining to revenue arrangements with multiple deliverables. Prior to this guidance, in order for deliverables within an arrangement to be separated, the items must have stand-alone value as defined by the statement and there must be objective and reliable evidence of fair value for all elements or at a minimum the undelivered elements within the arrangement. Objective and reliable evidence of fair value meant there was VSOE of fair value, which consisted of the price charged when the deliverable was sold separately or a price established by management with the authority to establish the price for the item before it was to be sold separately. If VSOE did not exist, third-party evidence was also acceptable. The new standard allows for the use of an estimated management selling price to determine the value of deliverables within an arrangement when VSOE or third-party evidence does not exist. The new guidance also eliminated the use of the residual method of allocation allowed in the previous guidance. The guidance was effective for the Company beginning January 1, 2011. The new guidance did not have a material impact on the Company’s financial condition or results of operations.

NOTE C—CONTRACT RECEIVABLES

Contract receivables consisted of the following at December 31:

	<u>2011</u>	<u>2010</u>
Billed	\$ 147,248	\$ 126,448
Unbilled	59,637	49,102
Retainages	2,477	2,331
Other	1,810	1,004
Allowance for doubtful accounts	(1,746)	(1,922)
Contract receivables, net	<u>\$209,426</u>	<u>\$176,963</u>

Contract receivables, net of the established allowance, are stated at amounts expected to be realized in future periods. Unbilled receivables result from revenue that has been earned in advance of billing. Unbilled receivables can be invoiced at contractually defined intervals or milestones, as well as upon completion of the contract or government audits. The Company anticipates that the majority of unbilled receivables will be substantially billed and collected within one year, and therefore, classifies them as current assets in accordance with industry practice.

The Company considers a number of factors in its estimate of allowance for doubtful accounts including the customer's financial condition, historical collection experience, and other factors that may bear on collectability of the receivables. The Company writes off contract receivables when such amounts are determined to be uncollectible. Losses have historically been within management's expectations.

NOTE D—PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2011</u>	<u>2010</u>
Leasehold improvements	\$ 8,324	\$ 8,003
Software	21,602	19,430
Furniture and equipment	10,765	7,991
Computers	21,244	15,707
	61,935	51,131
Accumulated depreciation and amortization	(40,868)	(32,244)
	<u>\$ 21,067</u>	<u>\$18,887</u>

Depreciation expense for property and equipment for the years ended December 31, 2011, 2010, and 2009, was approximately \$10.3 million, \$10.3 million, and \$9.0 million, respectively.

NOTE E—GOODWILL AND OTHER INTANGIBLE ASSETS**Goodwill**

The changes in the carrying amount of goodwill for the fiscal years ended December 31 were as follows:

	<u>2011</u>	<u>2010</u>
Balance as of January 1	\$ 323,467	\$ 323,467
Goodwill resulting from the Marbek business combination	2,381	—
Goodwill resulting from the AeroStrategy business combination	1,026	—
Goodwill resulting from the Ironworks business combination	74,260	—
Balance as of December 31	<u>\$ 401,134</u>	<u>\$ 323,467</u>

Other Intangible Assets

Intangible assets are primarily amortized over periods ranging from approximately 1 to 10 years. The weighted-average period of amortization for all intangible assets as of December 31, 2011, is 7.3 years. The customer-related intangible assets, which consist of customer contracts, backlog, and non-contractual customer relationships, related to the acquisitions are being amortized based on estimated cash flows and respective estimated economic benefit of the assets. The weighted-average period of amortization of the customer-related intangibles is 7.4 years. Intangible assets related to acquired developed technology are being amortized on an accelerated basis over a weighted-average period of 5.8 years. Marketing trade names obtained in connection with business combinations are being amortized on a straight-line basis over a weighted-average period of 1.2 years. Other intangibles consisted of the following at December 31:

	<u>2011</u>	<u>2010</u>
Customer-related intangibles	\$ 57,933	\$ 41,396
Developed technology	2,352	2,352
Marketing trade name	605	420
	<u>60,890</u>	<u>44,168</u>
Less: accumulated amortization	<u>(27,150)</u>	<u>(18,020)</u>
	<u>\$ 33,740</u>	<u>\$ 26,148</u>

Aggregate amortization expense for the years ended December 31, 2011, 2010, and 2009, was approximately \$9.6 million, \$12.3 million, and \$11.1 million, respectively. The estimated future amortization expense relating to intangible assets is as follows:

<u>Year ending December 31,</u>	
2012	\$ 13,827
2013	9,218
2014	5,188
2015	2,573
2016	1,432
Thereafter	<u>1,502</u>
	<u>\$ 33,740</u>

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Capitalized Software

Capitalized software development costs of \$1.5 million are included in other assets for the years ended December 31, 2011 and 2010, respectively. Aggregate amortization expense for 2011 was \$0.3 million. There was no amortization in 2010. These costs are for enhancements and upgrades to software used in our project management services.

NOTE F—BUSINESS COMBINATIONS

Ironworks

Effective December 31, 2011, the Company acquired Ironworks Consulting, L.L.C. (“Ironworks”), an interactive web development firm that provides customer engagement solutions across web, mobile, and social media platforms to companies in the health, energy, and financial services industries, as well as to U.S. federal government agencies and nonprofit organizations. The addition of Ironworks complements the Company’s existing services and provides new selling opportunities in the federal, commercial energy, and nonprofit space, while offering additional opportunities in the financial and commercial health segments.

The aggregate purchase price of approximately \$102.9 million in cash, including the working capital adjustment required by the stock purchase agreement, was funded by the Company’s Credit Facility. The Company has engaged an independent valuation firm to assist management in the allocation of the purchase price to goodwill and to other acquired intangible assets. The excess of the purchase price over the estimated fair value of the net tangible assets acquired was approximately \$89.5 million. The Company has preliminarily allocated approximately \$74.3 million to goodwill and \$15.2 million to other intangible assets. The intangible assets consist of approximately \$14.7 million of customer-related intangibles that are being amortized over seven years, and \$0.5 million of marketing-related intangibles that are being amortized over one year. Ironworks was an asset purchase for tax purposes, and therefore the goodwill and the amortization of intangibles are deductible over a fifteen-year period and will give rise to certain deferred tax assets and liabilities. The results of operations for Ironworks have been included in the Company’s financial statements as of December 31, 2011; however, because the acquisition occurred on the last day of the year in 2011, the operations of Ironworks had no impact on the statement of earnings. The Company is still evaluating the fair value of acquired assets and liabilities and pre-acquisition contingencies; therefore, the final allocation of the purchase price has not been completed.

The Company incurred approximately \$0.4 million of transaction expenses in 2011 related to the acquisition. The expenses are recorded on the statement of earnings as indirect and selling expenses.

The fair values as reported below represent management’s estimates of the fair values as of the acquisition date.

The purchase price allocation is as follows (in thousands):

Cash	\$ 1,108
Contract receivables	12,584
Other current and non-current assets	200
Customer-related intangibles	14,726
Marketing-related intangibles	484
Goodwill	74,260
Property and equipment	<u>1,609</u>
Total Assets	104,971
Accounts payable	872
Accrued salaries and benefits	365
Billings in excess of costs	<u>837</u>
Total Liabilities	2,074
Net Assets	<u>\$ 102,897</u>

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The Company does not intend to maintain Ironworks as a separate stand-alone operation and has been in the process of integrating its operations and projects, including line and staff personnel, into the rest of the Company.

Pro forma Information (Unaudited)

The following unaudited condensed pro forma information presents combined financial information as if the acquisition of Ironworks had been effective at the beginning of each twelve-month period presented. The pro forma information includes adjustments reflecting changes in the amortization of intangibles, acquisition-related expense, and interest expense, and records income tax effects as if Ironworks had been included in the Company's results of operations:

<u>Year Ended December 31 (in thousands except per share amounts)</u>	<u>2011</u>	<u>2010</u>
Revenue	\$898,528	\$811,316
Operating income	63,061	48,778
Net income	36,309	27,021
Earnings per share:		
Basic earnings per share	\$ 1.84	\$ 1.39
Diluted earnings per share	\$ 1.82	\$ 1.38

AeroStrategy

In September 2011, the Company hired the staff and purchased select assets and liabilities of AeroStrategy L.L.C., a Michigan limited liability company, and AeroStrategy Limited, a limited company organized under the laws of England (collectively, "AeroStrategy"), an international aviation and aerospace management consulting firm. The purchase was immaterial to the financial statements taken as a whole. The purchase strengthened ICF's aviation consulting business with additional services and an expanded client base.

Marbek

In January 2011, the Company completed the acquisition of Marbek Resource Consultants Ltd. ("Marbek"), a Canadian energy and environmental consulting firm. The acquisition was immaterial to the financial statements taken as a whole. The acquisition created an integrated energy, climate, and environmental consultancy with a strong presence in Canada.

JASI

Effective December 2009, the Company acquired all of the outstanding common stock of JASI, an information technology firm specializing in providing cybersecurity and identity management services to U.S. federal civilian and defense agencies. The acquisition was immaterial to the financial statements taken as a whole. With the acquisition, the Company is able to offer an expanded range of advisory and implementation solutions across our federal and energy industry client base to assist in mitigating emerging cybersecurity threats and vulnerabilities.

Macro

Effective March 2009, the Company acquired all of the outstanding common shares of Macro. Macro provides research and evaluation, management consulting, marketing communications, and information services to key agencies and departments of the federal government. Macro is recognized for its expertise in research, evaluation, consulting, and implementation services, particularly in federal health programs, covering a wide range of health issues in the U.S. and internationally. In addition to its health-related expertise, Macro has strong

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credentials in housing, labor, and veterans affairs issues. The Company undertook the acquisition to expand its health-related and large project implementation capabilities across key federal markets, to add service offerings and clients in one of its largest markets, and to provide significant growth potential and cross-selling opportunities.

The aggregate purchase price of approximately \$157.6 million in cash, including the working capital adjustment required by the stock purchase agreement, was funded by the revolving credit facility. The Company engaged an independent valuation firm to assist management in the allocation of the purchase price to goodwill and to other acquired intangible assets. The excess of the purchase price over the estimated fair value of the net tangible assets acquired was approximately \$129.5 million. The Company allocated approximately \$104.1 million to goodwill and \$25.4 million to other intangible assets. The intangible assets consist of approximately \$24.6 million of customer-related intangibles that are being amortized over seven years, and \$0.8 million of marketing-related intangibles that were amortized over nine months. Macro was purchased under the election provisions of Internal Revenue Code Section 338(h)(10), and, therefore, goodwill and the amortization of intangibles are deductible for tax purposes over a fifteen-year period and will generate deferred taxes. The results of operations for Macro have been included in the Company's statement of earnings for periods beginning after March 31, 2009.

NOTE G—ACCRUED SALARIES AND BENEFITS

Accrued salaries and benefits consisted of the following at December 31:

	<u>2011</u>	<u>2010</u>
Accrued vacation	\$ 15,264	\$ 12,368
Accrued salaries	14,487	13,569
Accrued bonuses and commissions	12,593	10,656
Accrued medical	2,085	2,027
Other	1,786	2,130
	<u>\$46,215</u>	<u>\$ 40,750</u>

NOTE H—ACCRUED EXPENSES

Accrued expenses consisted of the following at December 31:

	<u>2011</u>	<u>2010</u>
Accrued subcontractor costs	\$ 14,987	\$ 12,985
Deposits	3,861	5,402
Accrued incentives	2,297	—
Accrued IT and software licensing costs	2,120	2,437
Accrued insurance premiums	1,138	1,125
Accrued professional services	710	584
Accrued taxes	442	461
Accrued rent	165	335
Other accrued expenses	3,532	2,193
	<u>\$29,252</u>	<u>\$25,522</u>

NOTE I—LONG-TERM DEBT

The Company entered into its Credit Facility on February 20, 2008, with a syndication of nine commercial banks to allow for borrowings of up to \$350.0 million for a period of five years (maturing February 20, 2013) under a revolving line of credit. The Credit Facility provides for borrowings of up to \$275.0 million without a borrowing base requirement and also provides for an “accordion feature,” which permits additional revolving credit commitments of up to \$75.0 million, subject to lenders’ approval. The Credit Facility provides for pre-approval by the lenders for acquisitions with individual purchase prices of up to \$75.0 million, if certain conditions are met. The Credit Facility is collateralized by substantially all of the assets of the Company, and requires that the Company remain in compliance with certain financial and non-financial covenants. The financial covenants, as defined by the Credit Facility, require that the Company maintain, on a consolidated basis for each quarter, a Fixed Charge Coverage Ratio of not less than 1.00 to 1.25 and a Leverage Ratio of not more than 1.0 to 3.5. As of December 31, 2011, the Company was in compliance with the covenants under the Credit Facility.

On March 31, 2009, the Credit Facility was amended to allow for the acquisition of Macro, for permission to sell capital stock in one or more offerings (provided that the proceeds are used to pay down the Credit Facility), and to increase the interest rate margins the Company pays to borrow funds under the Credit Facility. The Company has the ability to borrow funds under its Credit Facility at interest rates based on both LIBOR and prime rates, at its discretion, plus their applicable margins. Interest rates on debt outstanding ranged from 1.97% to 2.14% in 2011.

The Company’s debt issuance costs are amortized over the term of indebtedness. Amortizable debt issuance costs were \$2.6 million, as of December 31, 2011 and 2010. Accumulated amortization related to debt issuance costs was \$2.0 million and \$1.5 million, as of December 31, 2011 and 2010, respectively. Amortization expense of \$0.5 million, \$0.5 million, and \$0.4 million was recorded for the years ended December 31, 2011, 2010, and 2009, respectively.

Long-term debt consisted of the following at December 31:

	<u>2011</u>	<u>2010</u>
Revolving Line of Credit/Swing Line provides for borrowings up to \$275 million and matures in February 2013. Outstanding borrowings bear daily interest at a base rate (based on the U.S. Prime Rate, which was 3.25% at December 31, 2011, and 3.25% at December 31, 2010, plus a spread) or LIBOR (1, 3, or 6 month rates) plus a spread, payable monthly	<u>\$ 145,000</u>	<u>\$ 85,000</u>

Letters of Credit

At December 31, 2011 and 2010, the Company had outstanding letters of credit totaling approximately \$1.7 million. These letters of credit are renewed annually.

NOTE J—INCOME TAXES

Income tax expense consisted of the following at December 31:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Current:			
Federal	\$20,632	\$ 17,661	\$ 7,959
State	4,274	3,447	1,431
Foreign	801	627	652
	<u>25,707</u>	<u>21,735</u>	<u>10,042</u>
Deferred:			
Federal	(3,173)	(4,142)	2,840
State	(630)	(931)	99
Foreign	(9)	(151)	(355)
	<u>(3,812)</u>	<u>(5,224)</u>	<u>2,584</u>
Income Tax Expense	<u>\$21,895</u>	<u>\$16,511</u>	<u>\$12,626</u>

Deferred tax assets (liabilities) consisted of the following at December 31:

	<u>2011</u>	<u>2010</u>
Deferred Tax Assets		
Current:		
Stock option compensation	\$ 106	\$ 175
Allowance for bad debt	416	686
Accrued vacation	5,184	3,857
Accrued bonus	5,016	4,216
Foreign tax credits	81	62
Other	208	650
Total current deferred tax asset	<u>11,011</u>	<u>9,646</u>
Non-current:		
Foreign net operating loss (NOL) carry forward	159	148
Stock option compensation	2,090	1,827
Deferred rent	2,361	1,028
Deferred compensation	990	668
Foreign tax credits	688	591
Other	2,045	1,241
Total non-current deferred tax assets	<u>8,333</u>	<u>5,503</u>
Total Deferred Tax Assets	<u>19,344</u>	<u>15,149</u>
Deferred Tax Liabilities		
Current:		
Retention	(762)	(704)
Section 481(a) adjustment	(674)	(1,934)
Prepays	(1,229)	(936)
Payroll taxes	(383)	(454)
Amortization	—	(645)
Total current deferred liability	<u>(3,048)</u>	<u>(4,673)</u>
Non-current:		
Depreciation	(3,450)	(2,438)
Amortization	(12,841)	(11,160)
Section 481(a) adjustment	(674)	(1,347)
Other	(615)	(626)
Total non-current deferred tax liabilities	<u>(17,580)</u>	<u>(15,571)</u>
Total Deferred Tax Liabilities	<u>(20,628)</u>	<u>(20,244)</u>
Total Net Deferred Tax Asset (Liability)	<u>\$ (1,284)</u>	<u>\$ (5,095)</u>

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The need to establish valuation allowances for deferred assets is based on a more-likely-than-not threshold that the benefit of such assets will be realized in future periods. Appropriate consideration is given to all available evidence, including historical operating results, projections of taxable income, and tax planning alternatives.

Effective January 1, 2009, the Company has made no provisions for deferred U.S. income taxes or additional foreign taxes on any unremitted earnings of our controlled foreign subsidiaries because the Company considers these earnings to be permanently invested. If these earnings were repatriated, in the form of dividends or otherwise, the Company would be subject to U.S. income tax on these earnings. Determination of the amount of unrecognized deferred U.S. income tax liability is not practicable due to the complexities associated with this hypothetical calculation; however, unrecognized foreign tax credit carry forwards would be available to reduce some portion of the U.S. tax liability. The Company has \$0.8 million of foreign tax credits available for carry forward related to deemed dividend inclusions from its controlled foreign corporations, as well as its foreign branch operations as of December 31, 2011.

The total amount of unrecognized tax benefits as of December 31, 2011, and December 31, 2010, were \$1.1 million and \$0.9 million, respectively. Included in the balance at December 31, 2011, and December 31, 2010, were \$0.5 million of each year, of tax positions that, if recognized, would impact the effective tax rate.

The Company does not anticipate a significant increase or decrease to the total unrecognized tax benefit during 2011. Its 2008 through 2011 tax years remain subject to examination by the Internal Revenue Service for U.S. federal tax purposes.

The unrecognized tax benefit reconciliation, excluding penalty and interest, is as follows:

Unrecognized tax benefits at January 1, 2009	\$ 1,240
Increase attributable to tax positions taken during a prior period	92
Increase attributable to tax positions taken during the current period	361
Decrease attributable to settlements with taxing authorities	(168)
Decrease attributable to lapse of statute of limitations	(211)
Unrecognized tax benefits at December 31, 2009	1,314
Decrease attributable to tax positions taken during the prior period	(15)
Increase attributable to tax positions taken during the current period	147
Decrease attributable to settlements with taxing authorities	(83)
Decrease attributable to lapse of statute of limitations	(419)
Unrecognized tax benefits at December 31, 2010	944
Increase attributable to tax positions taken during a prior period	117
Unrecognized tax benefits at December 31, 2011	<u>\$ 1,061</u>

During 2008 and 2009, the Company filed federal, state, and foreign tax returns for prior years related to one of its 2007 acquisitions. The effect of these returns was to reduce our unrecognized tax benefits by a total of \$1.1 million and for us to pay total net tax of \$0.4 million.

The Company's policy is to not recognize accrued interest and penalties related to unrecognized tax benefits as a component of tax expense. The Company had approximately \$0.4 million of accrued penalty and interest at December 31, 2009. During 2011, there was less than a \$0.1 million change, which was adjusted through the penalty and interest expense and reflected in indirect and selling expenses and interest expense, respectively. The Company had approximately \$0.5 million of accrued penalty and interest at December 31, 2011.

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The Company's provision for income taxes differs from the anticipated United States federal statutory rate. Approximate differences between the statutory rate and the Company's provision are as follows:

	2011	2010	2009
Taxes at statutory rate	35.0%	35.0%	35.0%
State taxes, net of federal benefit	4.6%	4.6%	4.6%
Foreign tax rate differential and U.S. unrepatriated earnings	— %	(0.1)%	(0.6)%
Other permanent differences	0.6%	0.8%	1.6%
Change in valuation allowance	— %	— %	(0.4)%
Prior year tax adjustments and changes in unrecognized tax benefits	(1.2)%	(1.3)%	(3.4)%
Tax credits	(0.4)%	(1.2)%	(0.7)%
	<u>38.6%</u>	<u>37.8%</u>	<u>36.1%</u>

NOTE K—ACCOUNTING FOR STOCK-BASED COMPENSATION***Stock Incentive Plans***

On June 4, 2010, the Company's stockholders ratified the ICF International, Inc. 2010 Omnibus Incentive Plan (the "Omnibus Plan"), which was adopted by the Company on March 8, 2010. The Omnibus Plan replaced the 2006 Long-Term Equity Incentive Plan (the "2006 Plan"), which the Company had used for equity and incentive awards since becoming a publicly traded company in 2006. The Omnibus Plan provides for the granting of options, stock appreciation rights, restricted stock, restricted stock units ("RSUs"), performance shares, performance units, cash-based awards, and other stock-based awards to all officers, key employees of the Company, and non-employee directors. The Omnibus Plan, upon adoption by the Company on March 8, 2010, allowed for the Company to grant an additional 1.8 million shares in addition to the remaining shares from the 2006 Plan, for a total of approximately 2.7 million shares. Shares awarded that are not stock options or stock appreciation rights are counted as 1.9 shares deducted from the Omnibus Plan for every one share delivered under those awards. Shares awarded that are stock options or stock appreciation rights are counted as a single share deducted from the Omnibus Plan for every one share delivered under those awards. As of December 31, 2011, the Company had 1.8 million shares available to grant under the Omnibus Plan.

Total compensation expense relating to stock-based compensation was approximately \$6.7 million, \$7.5 million, and \$7.2 million for the years ended December 31, 2011, 2010, and 2009, respectively.

As of December 31, 2011, the total unrecognized compensation expense related to non-vested stock awards totaled approximately \$16.5 million. These amounts are expected to be recognized over a weighted-average period of 2.5 years.

The assumptions of post-vesting employment termination forfeiture rates used in the determination of fair value of stock awards issued during calendar year 2011 were based on the Company's historical ten-year average. The expected annualized forfeiture rates used varied from 3.6 percent to 6.3 percent, and the Company does not expect these termination rates to vary significantly in the future.

Stock Options

Option awards are granted with an exercise price equal to the fair value of the Company's common stock on the date of grant. All options outstanding as of December 31, 2011, have a 10-year contractual term. The Company expenses the value of these option grants over the requisite service period, generally, the vesting period. The Company recorded approximately \$1.1 million, \$0.6 million, and \$0.5 million of compensation expense related to stock options for the years ended December 31, 2011, 2010, and 2009, respectively. The fair

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value of the options is estimated on the date of grant using the Black-Scholes-Merton pricing model. The fair value assumptions for awards in 2011 were 5.6 years for the expected life, 42.3% for historical volatility, and 2.2% for the risk-free rate. The fair value assumptions for awards in 2010 were a range of 5.1 to 5.5 years for the expected life, a range of 45.0 percent to 45.7 percent for historical volatility, and a range of 2.3% to 2.6% for the risk-free rate. No options were granted during the year ended December 31, 2009. At December 31, 2011, unrecognized expense related to stock options totaled approximately \$2.0 million, and these costs are expected to be recognized through 2014.

The following table summarizes the changes in outstanding stock options:

	Shares	Weighted-Average Exercise Price	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2009	658,832	\$ 10.19	\$ 9,474
Exercised	(336,956)	\$ 8.40	\$ (6,200)
Forfeited/Expired	(8,903)	\$ 9.98	\$ (150)
Outstanding at December 31, 2009	312,973	\$ 12.12	\$ 4,594
Exercised	(110,237)	\$ 8.76	\$ (1,870)
Granted	196,133	\$ 24.44	\$ 251
Forfeited/Expired	(6,500)	\$ 6.16	\$ (127)
Outstanding at December 31, 2010	392,369	\$ 19.32	\$ 2,511
Exercised	(39,487)	\$ 12.11	\$ (500)
Granted	190,552	\$ 21.77	\$ 574
Forfeited/Expired	(82,781)	\$ 21.85	\$ (243)
Outstanding at December 31, 2011	460,653	\$ 20.50	\$ 1,972
Vested plus expected to vest at December 31, 2011	451,573	\$ 20.46	\$ 1,951
Exercisable at December 31, 2011	206,538	\$ 17.67	\$ 1,468

The aggregate intrinsic value in the preceding table is based on the Company's closing stock price of \$24.78 as of December 31, 2011. The weighted average grant date fair value of options granted was \$9.18 and \$10.64 per share for the years ended December 31, 2011, and 2010, respectively. As of December 31, 2011, the weighted-average remaining contractual term for options vested and expected to vest was 7.3 years, and 5.5 years for exercisable options.

Information regarding stock options outstanding as of the dates indicated is summarized below:

Range of Exercise Prices	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
	Number Outstanding As of 12/31/11	Weighted Average Remaining Contractual Term	Weighted Average Exercise Price	Number Exercisable As of 12/31/11	Weighted Average Exercise Price
\$ 5.00 - \$ 7.00	7,021	0.35	\$ 6.10	7,021	\$ 6.10
\$ 7.01 - \$10.00	32,000	3.41	\$ 8.17	32,000	\$ 8.17
\$18.01 - \$23.00	294,094	7.54	\$ 20.30	125,000	\$ 18.31
\$23.01 - \$25.00	127,538	8.25	\$ 24.84	42,517	\$ 24.84
\$5.00 to \$25.00	460,653	7.34	\$20.50	206,538	\$ 17.67

Restricted Stock Awards

Pursuant to the Omnibus Plan, the Company issued 48,356 shares of restricted stock awards to its directors in the year ended December 31, 2011. The average grant date fair value of these restricted stock awards was \$24.32 per share.

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Compensation expense related to restricted stock awards computed under the fair value method for the years ended December 31, 2011, 2010, and 2009, was approximately \$0.8 million, \$0.6 million, and \$0.7 million, respectively. Unrecognized expense related to restricted stock awards was approximately \$0.4 million for the year ended December 31, 2011, and is expected to be recognized over a weighted-average period of 0.4 years.

A summary of the Company's restricted stock awards is presented below.

	Number of Shares	Weighted- Average Grant Date Fair Value	Aggregate Intrinsic Value (in thousands)
Non-vested restricted stock awards at January 1, 2009	58,025	\$ 13.62	\$ 1,555
Granted	7,615	\$ 25.99	\$ 204
Vested	(54,346)	\$ 14.54	\$ (1,456)
Cancelled	(4,500)	\$ 12.00	\$ (121)
Non-vested restricted stock awards at December 31, 2009	6,794	\$ 21.20	\$ 182
Granted	20,002	\$ 24.38	\$ 514
Vested	(23,400)	\$ 23.92	\$ (601)
Cancelled	—	\$ —	\$ —
Non-vested restricted stock awards at December 31, 2010	3,396	\$ 21.19	\$ 87
Granted	48,356	\$ 24.32	\$ 1,198
Vested	(17,088)	\$ 23.87	\$ (423)
Cancelled	—	\$ —	\$ —
Non-vested restricted stock awards at December 31, 2011	34,664	\$ 24.23	\$ 859

The aggregate intrinsic value in the preceding table is based on the Company's closing stock price of \$24.78 as of December 31, 2011.

Restricted Stock Units

During the year ended December 31, 2011, the Company awarded 350,375 restricted stock units to employees that vest over four years. Upon vesting, the employee is issued one share of stock for each restricted stock unit he or she holds. Restricted stock units were valued based on the grant date value of a share of common stock and are expensed on a straight-line basis over the vesting period of the award. The weighted-average grant date fair value of restricted stock units granted during the year ended December 31, 2011 was \$21.69 per share.

Compensation expense related to restricted stock units computed under the fair value method for the years ended December 31, 2011, 2010, and 2009, was approximately \$4.8 million, \$6.3 million, and \$6.0 million, respectively.

At December 31, 2011, unrecognized expense related to restricted stock units totaled approximately \$14.1 million. These costs are expected to be recognized over a weighted-average period of 2.7 years. The aggregate intrinsic value of restricted stock units at December 31, 2011 that are expected to vest was approximately \$18.1 million.

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A summary of the Company's restricted stock units is presented below.

	Number of Shares	Weighted- Average Grant Date Fair Value	Aggregate Intrinsic Value (in thousands)
Non-vested restricted stock units at January 1, 2009	623,671	\$ 19.16	\$ 16,714
Granted	306,883	\$ 25.78	\$ 8,244
Vested	(409,084)	\$ 28.33	\$ (10,963)
Cancelled	(35,453)	\$ 21.13	\$ (950)
Non-vested restricted stock units at December 31, 2009	486,017	\$ 15.48	\$ 13,025
Granted	423,092	\$ 24.90	\$ 10,882
Vested	(206,400)	\$ 24.62	\$ (5,298)
Cancelled	(50,385)	\$ 25.64	\$ (1,296)
Non-vested restricted stock units at December 31, 2010	653,324	\$ 25.05	\$ 16,803
Granted	350,375	\$ 21.69	\$ 8,682
Vested	(176,251)	\$ 22.56	\$ (4,367)
Cancelled	(58,429)	\$ 24.01	\$ (1,448)
Non-vested restricted stock units at December 31, 2011	769,019	\$ 23.67	\$ 19,056
Restricted stock units expected to vest in the future	730,354	\$ 24.78	\$ 18,098

The aggregate intrinsic value in the preceding table is based on the Company's closing stock price of \$24.78 per share as of December 31, 2011.

NOTE L—EARNINGS PER SHARE***Earnings Per Share***

Basic earnings per share (EPS) is computed by dividing reported net income by the weighted-average number of shares outstanding. Diluted EPS considers the potential dilution that could occur if common stock equivalents were exercised or converted into stock. The difference between the basic and diluted weighted-average equivalent shares with respect to the Company's EPS calculation is due entirely to the assumed exercise of stock options and the vesting of restricted stock and restricted stock units. The effect of 653 and 541 restricted stock units had no impact upon the years ended December 31, 2011, and 2010, because they were anti-dilutive to EPS. The dilutive effect of stock options and awards for each period reported is summarized below:

	2011	2010	2009
		(in thousands)	
Basic weighted-average shares outstanding	19,684	19,375	15,433
Effect of potential exercise of stock options and unvested restricted stock and restricted stock units	244	251	481
Diluted weighted-average shares outstanding	19,928	19,626	15,914

NOTE M—SHARE REPURCHASE PROGRAM AND SECONDARY OFFERING

In 2011, the Company's Board of Directors approved a share repurchase program, authorizing the Company to repurchase in the aggregate up to \$35.0 million of its outstanding common stock. Purchases under this program may be made from time to time at prevailing market prices in open market purchases or in privately-negotiated transactions in accordance with applicable insider trading and other securities laws and regulations.

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The purchases will be funded from existing cash balances and/or borrowings, and the repurchased shares will be held in treasury and used for general corporate purposes. The timing and extent to which the Company repurchases its shares will depend upon market conditions and other corporate considerations as may be considered in the Company's sole discretion. As of December 31, 2011, the Company had not repurchased any shares under the share repurchase program.

On December 16, 2009, the Company sold 3,565,000 shares of its common stock at \$24.56 per share in conjunction with a secondary public offering, which included 465,000 shares sold following exercise by the underwriters of their over-allotment option to purchase additional shares. The \$83.3 million of proceeds (net of underwriting fees and expenses) from the sale of stock was applied to repayment of outstanding borrowings incurred under the Company's Credit Facility.

NOTE N—CONTINGENCIES AND COMMITMENTS

Litigation and Claims

The Company is involved in various legal matters and proceedings arising in the ordinary course of business. While these matters and proceedings cause it to incur costs, including, but not limited to, attorneys' fees, the Company currently believes that any ultimate liability arising out of these matters and proceedings will not have a material adverse effect on our financial position, results of operations, or cash flows.

Road Home Contract

Although no legal proceeding has been commenced, the Company has received correspondence from the Office of Community Development of the State of Louisiana, claiming that the Company is responsible for the overpayment of Road Home program grant funds. The Company believes this claim has no merit, and intends to vigorously defend its position, and has therefore not recorded a liability as of December 31, 2011.

Operating Leases

In April 2011, the Company entered into a new lease for operating space in Gaithersburg, Maryland, which will consolidate certain operations into a single location. Rent expense will be recognized on a straight line basis over the term of the lease beginning in the second quarter of 2012. Aggregate rent expense over the 12-year, 8-month period will be approximately \$43.8 million.

On March 8, 2010, the Company entered into a new lease that replaced its prior headquarters lease, which was due to expire in October 2012. The new lease is initially for 201,707 square feet, with 57,025 square feet of additional space to be subsequently added. The lease commenced on April 1, 2010, and will expire on December 31, 2022. Base rent under the agreement is approximately \$0.5 million per month with annual escalations fixed at 2.5% per year, yielding a total lease commitment of approximately \$89.3 million over the twelve-year term of the lease. The Company did not incur any early termination penalties for the termination of the original lease.

The Company has entered into various other operating leases for equipment and office space. Certain facility leases may contain fixed escalation clauses, certain facility leases require the Company to pay operating expenses in addition to base rental amounts, and seven leases require the Company to maintain letters of credit. Rent expense is recognized on a straight-line basis over the lease term. Rent expense and sub-lease income for operating leases were approximately \$32.0 million and \$0.2 million, respectively, for 2011, approximately \$31.2 million and \$0.3 million, respectively, for 2010, and approximately \$29.5 million and \$0.9 million, respectively, for 2009.

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Future minimum rental payments under all non-cancelable operating leases are as follows:

<u>Year ending December 31,</u>	
2012	\$ 30,870
2013	27,554
2014	22,377
2015	22,019
2016	21,012
Thereafter	127,593
	<u>\$ 251,425</u>
Less: Sublease Income	(234)
	<u>\$251,191</u>

Long-Term Agreements

The Company entered into an amended and restated employment agreement with Chief Executive Officer Sudhakar Kesavan as of the effective date of the initial public offering, which was subsequently amended on December 29, 2008, to bring it into compliance with Section 409A of the Internal Revenue Code. Mr. Kesavan may terminate this agreement by giving 45 days prior written notice to the Company, and the Company may terminate this agreement either without cause upon 30 days prior written notice or at any time for cause upon written notice. Absent a change in control, if he is involuntarily terminated without cause or resigns for good reason, as defined in the agreement, he will be paid all accrued salary, a severance payment equal to two times his base salary payable in 24 equal monthly installments, and bonus and other incentive compensation prorated through his termination date and payable pursuant to its regular payment schedule. Additionally, the vesting of his unvested options, if any, on his termination date will be accelerated in connection with such a termination and exercisable for the balance of their term(s).

The Company has entered into severance protection agreements with Messrs. Kesavan and Wasson (Chief Operating Officer and President), allowing them to receive certain payments and benefits if they are terminated without cause or resign for good reason within 24 months following a change in control. In the event of such termination, the executive will receive, among other payments and benefits, (i) his base salary earned through the date of termination and pro rata bonus for the year of termination and (ii) a lump-sum payment equal to three times the executive's average annual taxable W-2 compensation during the three years prior to termination subject to reduction after taking into account the excise tax under Section 4999 of the Internal Revenue Code to maximize the net amount after taxes.

The Company has also entered into other severance arrangements with Mr. Wasson pursuant to a separate severance letter agreement, entitling him to certain payments in the event of termination of employment by the Company other than for cause. In the event of termination under such circumstances, Mr. Wasson would be entitled to (i) continuation of his base salary for 12 months and (ii) an amount equal to the average annual bonus paid to him over the three years prior to his termination.

On September 6, 2011, the Company entered into a severance letter agreement with Sandra B. Murray, the Company's Interim Chief Financial Officer and Senior Vice President. Ms. Murray's severance agreement will remain in effect until the earlier of (i) June 30, 2012 or (ii) a new Company CFO, other than Ms. Murray, is selected and the Company has no other viable position for her or one in which she is interested in performing. Subject to certain restrictions and terms, her severance agreement generally provides that, in the event the Company involuntarily terminates Ms. Murray's employment without Cause (as defined in the severance agreement) or she elects to voluntarily resign due to the selection of a new CFO, then she is entitled to the following benefits: (i) a pro-rated share of her targeted bonus of \$150,000 based on the number of months she acts in the capacity of Interim CFO in the calendar year in which her appointment ends; (ii) seven months'

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severance benefits calculated based upon her current annualized salary of \$305,594 plus her last paid bonus, to be paid out over 15 biweekly pay dates following her separation from service; and (iii) Ms. Murray and her dependents will be provided with health care coverage on the same terms in effect on her separation from service date, for the period of time that severance benefits are paid.

NOTE O—EMPLOYEE BENEFIT PLANS

Retirement Savings Plan

Effective June 30, 1999, the Company established the ICF Consulting Group Retirement Savings Plan (the Retirement Savings Plan). The Retirement Savings Plan is a defined contribution profit sharing plan with a cash or deferred arrangement under Section 401(k) of the Internal Revenue Code.

Participants in the Retirement Savings Plan are able to elect to defer up to 70% of their compensation subject to statutory limitations, and were entitled to receive 100% employer matching contributions for the first 3% and 50% for the next 2% of their compensation. Contribution expense related to the Retirement Savings Plan for the years ended December 31, 2011, 2010, and 2009, was approximately \$10.3 million, \$9.2 million, and \$7.7 million, respectively.

Deferred Compensation Plan

Certain key employees of the Company are eligible to defer a specified percentage of their cash compensation by having it contributed to a nonqualified deferred compensation plan. Eligible employees may elect to defer up to 80% of their base salary and up to 100% of performance bonuses, reduced by any amounts withheld for the payment of taxes or other deductions required by law. Participants are at all times 100% vested in their account balances. The Company funds its deferred compensation liabilities by making cash contributions to a Rabbi Trust at the time the salary or bonus being deferred would otherwise be payable to the employee. Gains or losses on amounts held by the Rabbi Trust are fully allocable to plan participants. As a result, the plan has no net impact on the Company's results of operations and the liability to plan participants is fully funded at all times.

Employee Stock Purchase Plan

The Company has a 2006 Employee Stock Purchase Plan ("ESPP"). The ESPP allows eligible employees to purchase shares of the Company's stock at a discount not to exceed 5% of the market value on the date of purchase. The Company does not recognize compensation expense related to the ESPP.

NOTE P—SUBSEQUENT EVENTS

Acquisition of GHK Holdings Limited (GHK)

In February 2011, the Company completed the acquisition of GHK Holdings Limited (GHK). With its headquarters in London, GHK is a multi-disciplinary consultancy serving government and commercial clients on environment, employment, health, education and training, transportation, social policy, business and economic development, and international development issues.

NOTE Q—SUPPLEMENTAL INFORMATION**Valuation and Qualifying Accounts****Allowance for Doubtful Accounts**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Balance at beginning of period	\$1,922	\$ 2,333	\$ 3,378
Additions	—	543	463
Recoveries/write-offs	(176)	(954)	(1,508)
Balance at end of period	<u>\$1,746</u>	<u>\$1,922</u>	<u>\$ 2,333</u>

Allowance for Deferred Tax Assets

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Balance at beginning of period	\$—	\$—	\$ 115
Additions	—	—	—
Releases and other reductions	—	—	(115)
Balance at end of period	<u>\$—</u>	<u>\$—</u>	<u>\$ —</u>

NOTE R—SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

	<u>2011</u>				<u>2010</u>			
	<u>1Q</u>	<u>2Q</u>	<u>3Q</u>	<u>4Q</u>	<u>1Q</u>	<u>2Q</u>	<u>3Q</u>	<u>4Q</u>
Contract revenue	\$194,742	\$213,395	\$218,691	\$213,947	\$174,438	\$199,647	\$197,711	\$192,938
Operating income	13,419	15,504	16,094	13,867	10,100	12,661	12,505	11,647
Net income	\$ 7,726	\$ 8,963	\$ 9,334	\$ 8,842	\$ 5,420	\$ 7,201	\$ 7,393	\$ 7,157
Earnings per share:								
Basic	0.39	\$ 0.46	\$ 0.47	\$ 0.45	0.28	\$ 0.37	\$ 0.38	\$ 0.37
Diluted	0.39	0.45	0.47	0.44	0.28	0.37	0.38	0.36
Weighted-average common shares outstanding								
Basic	19,580	19,688	19,728	19,738	19,282	19,351	19,413	19,489
Diluted	19,780	19,847	19,860	19,956	19,504	19,568	19,630	19,751

Note: Amounts do not sum to annual numbers in all cases due to rounding.

MEMBERSHIP INTEREST PURCHASE AGREEMENT

This MEMBERSHIP INTEREST PURCHASE AGREEMENT (this "Agreement") is made as of this 12th day of December, 2011, by and among ICF Consulting Group, Inc., a Delaware corporation ("Purchaser"), Scott K. Walker ("Walker"), William F. Loving ("Loving"), Thomas K. Luck, as Trustee of the John D. Whitlock 2010 Irrevocable Trust ("Whitlock"), and Hot Technology Holdings, L.L.C., a Virginia limited liability company ("HTH") (Walker, Loving, Whitlock and HTH each, individually, an "Initial Member" and, collectively, the "Initial Members").

RECITALS

A. Ironworks Consulting, LLC, a Virginia limited liability company (the "Company"), is a provider of technology and related consulting services to government and commercial clients.

B. The Initial Members own, as of the date hereof, 100% of the issued and outstanding equity interests of the Company (the "Initial Members Interests").

C. Prior to Closing, the Initial Members intend to cause the Company to issue additional membership interests in the Company as described on Exhibit A hereto (the "Additional Interests" and, together with the Initial Members Interests, the "Interests") to certain employees of the Company as listed on Exhibit A (the "Additional Members" and, together with the Initial Members, the "Members").

D. At Closing, the Members will own, and the Interests will represent, 100% of the issued and outstanding equity interests of the Company.

E. Prior to the execution of this Agreement, and as a condition to Purchaser entering into this Agreement, the Designated Employees have (i) accepted employment offers from Purchaser on mutually acceptable terms, with such employment to become effective at Closing, (ii) executed Purchaser's standard employment documentation, and (iii) executed non-compete, non-solicitation and non-disparagement agreements, which will become effective at Closing (such documents and agreements collectively referred to herein as the "Designated Employee Agreements").

F. Purchaser desires to purchase and acquire, and the Initial Members desire to sell, assign and transfer to Purchaser, all of the Initial Members Interests, on the terms and subject to the conditions of this Agreement.

G. Purchaser desires to purchase and acquire, and the Initial Members desire to cause the Additional Members to sell, assign and transfer to Purchaser, all of the Additional Interests, on the terms and subject to the conditions of this Agreement.

AGREEMENT

In consideration of the foregoing recitals and in further consideration of the respective covenants, agreements, representations and warranties contained herein, the parties hereto agree as follows:

**ARTICLE I
DEFINITIONS**

1.1 Defined Terms. Unless otherwise defined, capitalized terms used herein shall have the following meanings:

"401(k) Plan" shall mean the Ironworks Consulting 401(k) Plan.

“Action” shall mean any action, claim, suit, litigation, proceeding, investigation, arbitration or mediation, including any administrative proceeding of or before a Governmental Entity.

“AFC” shall mean Audio Fidelity Communications Corp., a Virginia corporation, d/b/a “Whitlock”.

“AFC Exit” shall mean a sales event whereby AFC (or the assets thereof) is sold to an unaffiliated third-party, bona-fide purchaser for value whereby no Affiliate of AFC as of the date hereof is a beneficial owner, either directly or indirectly, of such purchaser.

“Affiliate” shall mean a Person that directly, or indirectly through one or more intermediaries, Controls, is controlled by, or is under common control with, the Person referred to.

“Ancillary Agreements” shall mean the BB&T Escrow Agreement, the SunTrust Escrow Agreement, the Assignments of Membership Interests, the Conversion Agreements and the Withdrawal Agreement.

“Assets” shall mean all properties, assets and rights of any nature or kind owned by the Company, whether tangible or intangible, real or personal or mixed, wherever located.

“Assignments of Membership Interests” shall mean the assignments to be delivered by the Members at Closing substantially in the form attached hereto as Exhibit B.

“Audited Financial Statements” shall mean the Company’s 2010 audited financial statements.

“BB&T” shall mean BB&T Bank or such related entity designated thereby.

“BB&T Escrow Agreement” shall mean that certain agreement between BB&T, the Members’ Representative and Purchaser in the form attached hereto as Exhibit C.

“BB&T Escrow Amount” shall mean an amount equal to Eight Million Dollars (\$8,000,000).

“Books and Records” shall mean all of the Company’s books, ledgers, files, records, manuals, and other materials (in any form or medium, including electronic and computer files), including (a) all correspondence, personnel records, payroll records, purchasing materials and records, vendor lists, operation and quality control records and procedures, research and development files, Intellectual Property disclosures and documentation, accounting records, accounting systems, sales order files, purchase order files, advertising materials, mailing lists, customer files, customer lists, distribution lists, sales and promotional materials, and (b) all books and records acquired by the Company pursuant to any prior acquisition.

“Business Day” shall mean any day of the year, other than a Saturday, Sunday or any day on which major banks are closed for business in the City of New York.

“Capital Lease Obligations” shall mean the obligations of the Company to pay rent or other amounts under a lease of (or other agreement conveying the right to use) real and/or personal property, which obligations are required to be classified and accounted for as a capital lease on a balance sheet of the Company under GAAP and, for purposes of this Agreement, the amount of such obligations shall be the capitalized amount thereof, determined in accordance with GAAP.

“Classified Contract” shall mean any Government Contract that involves a government classified program or that certain information that for purposes of national security has been classified at or above the level of secret.

“Closing Schedule Escrow” shall mean an amount equal to \$2,000,000.

“Code” shall mean the Internal Revenue Code of 1986, as amended.

“Company Software” shall mean Software proprietary to the Company.

“Confidentiality Agreement” shall mean the Mutual Nondisclosure Agreement, dated July 6, 2011, between the Company and Purchaser.

“Contracts” shall mean all contracts (including all master services agreements), arrangements, licenses, leases, powers of attorney and other agreements to which the Company is subject or a party, whether express, implied, written or oral, together with any amendments, modifications and supplements thereto.

“Control” (including the terms “controlled by” and “under common control with”) shall mean the power to direct or cause the direction of the management and policies of a Person by having the legal, beneficial or equitable ownership or control, directly or indirectly, of more than fifty percent (50%) of the ownership interest of such Person.

“Copyrights” shall mean United States and foreign registered copyrights and pending applications to register the same.

“Corporate Records” shall mean the corporate records of the Company, including (i) all charter documents and operating agreement, (ii) all minutes of meetings and resolutions of members and officers, and (iii) the ownership interest books, register, register of transfer, and register of members.

“Customer Contracts” shall mean, collectively, all Government Contracts and contracts with other customers.

“Damages” shall mean any loss, Liability, damage or expense, including interest, penalties and attorneys’, accountants’ and experts’ fees and costs of investigation and defense (including the reasonable cost of time spent by employees) incurred as a result thereof.

“DCAA” shall mean the Defense Contract Audit Agency and any successor thereto.

“Debt” shall mean all (i) Liabilities for borrowed money, including indebtedness owed to any Member, former member, employee or former employee (and including any installment payment obligations, unpaid principal, premium, accrued and unpaid interest, related expenses (net of reimbursements chargeable to clients), prepayment penalties (including make whole payments and other amounts payable in connection with the prepayment of any Debt), commitment and other fees, reimbursements, indemnities and all other amounts payable in connection therewith), (ii) Liabilities for the payment of a deferred purchase price for goods or services (other than Accounts Payable included in the calculation of the Closing Adjustment Amount), (iii) obligations secured by an Encumbrance on any Assets or any Interests, (iv) all Capital Lease Obligations, (v) obligations, contingent or otherwise, under acceptance credit, letters of credit, performance bond or similar facilities, (vi) Liabilities of the Company evidenced by bonds, debentures, notes, or other similar instruments or debt securities, (vii) all Liabilities of the Company arising out of interest rate and currency swap arrangements and any other arrangements designed to provide protection against fluctuations in interest or currency rates, (viii) any deferred purchase price Liabilities of the Company related to past acquisitions, (ix) any indebtedness of the Company created or arising under any conditional sale or other title retention agreement with respect to acquired property, (x) any outstanding checks or cash overdrafts, (xi) any unearned revenue, and (xii) any guaranty of any of the foregoing; provided, that none of the foregoing items will be considered Debt for the purposes of the adjustment in Exhibit 3.4, clause (h), if such item has already otherwise been included in the calculation of the Closing Adjustment Amount.

“Debt Payoff Amount” shall mean the aggregate amount owed by the Company as reflected in the Debt Schedule and Payoff Letters.

“Designated Employees” shall mean the persons listed as Designated Employees on Exhibit A.

“Disclosure Schedule” shall mean the Disclosure Schedule dated the date hereof delivered by the Initial Members to Purchaser.

“Dollars”, “dollars” or “\$” shall mean United States dollars.

“EM” shall mean Fahrenheit Emerging Media, a division of The Fahrenheit Group, Inc., a Virginia corporation.

“EM Exit” shall mean a sales event whereby EM (or the assets thereof) is sold to an unaffiliated third-party, bona-fide purchaser for value whereby no Affiliate of EM as of the date hereof is a beneficial owner, either directly or indirectly, of such purchaser.

“EM Restricted Business” shall mean the provision, delivery, sale or marketing of consulting services for , directly or indirectly, (i) the design, development, implementation and maintenance of enterprise web portal and enterprise content management software, technologies, systems and solutions, and (ii) business and IT alignment services.

“Employee Benefit Plan(s)” shall mean any incentive compensation, commissions, vacation pay, unemployment benefits, holiday pay, scholarship or tuition reimbursement, dependent care assistance, immigration assistance, salary continuation, legal benefits, employee loan or loan guarantee, split dollar arrangement, deferred compensation plan, severance or termination pay, bonus plan, profit sharing plan, stock option plan, stock purchase plan, restricted stock, stock appreciation right, phantom stock, retirement, pension, insurance, medical, dental, vision care, hospital, life insurance, disability, prescription drugs and any other employee benefit plan, agreement, arrangement, policy, program, practice or commitment maintained by the Company or any Affiliate of the Company or the Members (or with respect to which the Company participates or derives benefits), or to which the Company contributes or is required to contribute, or under which the Company may incur any Liability, which covers any present or former employee, officer, manager or director of the Company (or beneficiary, survivor or dependent thereof).

“Encumbrance” shall mean any claim, lien, pledge, option, charge, easement, security interest, deed of trust, mortgage, right-of-way, encroachment, restriction, encumbrance or other right of third parties, of any kind or nature.

“Environmental, Health, and Safety Requirements” shall mean all Laws concerning public health and safety, worker health and safety, and pollution or protection of the environment, including all those relating to the presence, use, production, generation, handling, transportation, treatment, storage, disposal, distribution, labeling, testing, processing, discharge, release, threatened release, control or cleanup of any hazardous materials, substances, or wastes, chemical substances or mixtures, pesticides, pollutants, contaminants, toxic chemicals, petroleum products or byproducts, asbestos, polychlorinated biphenyls, noise, or radiation, and all Permits issued pursuant to such Laws and other statutory requirements.

“Escrow Agents” shall mean SunTrust and BB&T.

“Escrow Agreements” shall mean the BB&T Escrow Agreement and the SunTrust Escrow Agreement.

“Escrow Amount” shall mean the sum of the Closing Schedule Escrow and the Indemnity Escrow.

“Excess Amount” shall mean the amount, if any, by which the Closing Adjustment Amount exceeds the Estimated Adjustment Amount, which amount shall be expressed as a positive number.

“FAR” shall mean Laws under the Federal Acquisition Regulation and any agency supplements.

“GAAP” shall mean United States generally accepted accounting principles.

“Genesis” shall mean Genesis Consulting Partners, LLC, a Virginia limited liability company.

“Genesis Exit” shall mean a sales event whereby Genesis (or the assets thereof) is sold to an unaffiliated third-party, bona-fide purchaser for value whereby no Affiliate of Genesis as of the date hereof is a beneficial owner, either directly or indirectly, of such purchaser.

“Genesis Restricted Business” shall mean the provision, delivery, sale or marketing of consulting services related to (i) the design, development, implementation and maintenance of enterprise web, portal and content management software, technologies, systems and solutions, and (ii) business and IT alignment services. For clarity, business and IT alignment services shall specifically exclude (a) the design, implementation and deployment of SAP Business Process, Business Analytics and Technology solutions, and (b) Lean and Agile software development implementation and coaching.

“Government Bid” shall mean any quotation, bid or proposal made by the Company that, if accepted or awarded, would lead to a Contract with a Governmental Entity, or with a prime contractor or a higher-tier subcontractor to any Governmental Entity, for the design, manufacture or sale of products or the provision of services by the Company.

“Government Contract” shall mean any prime contract, subcontract, teaming agreement or arrangement, basic ordering agreement, letter contract, purchase order, delivery order, task order, binding bid, binding proposal or other legally binding commitment thereunder, in connection with, or relating to, Governmental Entity procurements, as well as any Contracts between the Company and either the Governmental Entity or any other prime contractor or subcontractor thereunder at any tier.

“Governmental Entity” shall mean any nation or government, including the federal, state and municipal governments of the United States, any foreign government, or supranational or international body, or quasi-governmental body, any state, local or political subdivision thereof, any court, board, tribunal, rule or regulation making entity, any administrative agency or other regulatory body, instrumentality, authority or other entity or official thereof exercising executive, legislative, judicial, regulatory or administrative functions thereof.

“HSR Act” shall mean the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the regulations thereunder.

“Incentive Plan” shall mean the Performance Interest Incentive Plan effective June 1, 2001.

“Indemnity Escrow” shall mean an amount equal to \$15,000,000.

“Intellectual Property” shall mean all: (i) Patent Rights and statutory invention registrations, (ii) Trademarks, (iii) Copyrights, (iv) Software, (v) websites, domains and domain names, (vi) business and trade names, logos and designs, (vii) trade secrets and know-how, (viii) proprietary information, proprietary models, analytics, data sets, tools and other similar assets, and (ix) Contracts, licenses, sublicenses and assignments which relate or pertain to any of the foregoing.

“knowledge of the Initial Members”, “to the knowledge of the Initial Members” and similar phrases shall mean the knowledge of the Initial Members, Sally Cunningham, Marnie Bates, Mandy Lombard, Chris Cook, Bhadresh Patel, Jon Bohlman, Elisa Parkin and Andrew Wolff, including the knowledge such persons would have had if such persons had made due inquiry of the Company’s employees and their files with respect to the matters in question.

“Laws” shall mean all applicable laws, including all applicable federal, state, local, or foreign statutes, regulations, ordinances, orders, decrees, bylaws, and all policies, guidelines, notices and protocols of any Governmental Entity (to the extent that they have force of law), and any other laws or principles of common law, including those now or at any time hereafter in effect.

“Liabilities” shall mean any and all debts, liabilities and obligations, whether accrued or unaccrued, known or unknown, or contingent or liquidated.

“Licensed Intellectual Property” shall mean all Third Party Software or Intellectual Property licensed to the Company.

“Material Adverse Change” shall mean any event, circumstance, effect or change that is or would be (or could reasonably be expected to be) materially adverse to (i) the condition (financial or otherwise), operating results, operations, or business prospects of the Company, or (ii) the ability of the Initial Members to consummate the transactions contemplated by this Agreement; provided, however, that Material Adverse Change shall not be deemed to include the impact of (a) changes in tax or other laws of general applicability that do not disproportionately affect the Company relative to similarly situated Persons in similar businesses, (b) changes in GAAP or regulatory accounting requirements applicable to the Company that do not disproportionately affect the Company relative to similarly situated Persons in similar businesses or (c) changes in economic conditions affecting the Company’s industry generally.

“Owned Intellectual Property” shall mean all Intellectual Property owned by the Company.

“Patent Rights” shall mean United States and foreign patents, patent applications, continuations, continuations-in-part, divisions and reissues.

“Permits” shall mean all franchises, permits, licenses, qualifications, municipal and other approvals, authorizations, orders, consents and other rights from, and filings with, any Governmental Entity relating to the conduct of the Company’s business (other than Government Contracts).

“Person” shall mean and include an individual, a partnership, a joint venture, a corporation, a limited or unlimited liability company, a trust, an unincorporated organization, any other form of entity, a group and a Governmental Entity.

“Post-Closing Covenants” shall mean the covenants and agreements in this Agreement that by their terms apply or are to be performed in whole or in part after the Closing.

“Post-Closing Period” shall mean, with respect to the Company, any Tax period commencing after the Closing Date, including that portion of any Straddle Period ending after the Closing Date.

“Pre-Closing Covenants” shall mean the covenants and agreements in this Agreement that by their terms apply or are to be performed in their entirety on or prior to the Closing.

“Pre-Closing Period” shall mean, with respect to the Company, any Tax period ending on or before the Closing Date, including that portion of any Straddle Period ending on the Closing Date.

“Price Reductions Clause” shall mean the provisions and text contained at 48 C.F.R. 552.238-75, Price Reductions, as set forth in the Company’s multiple award schedule Government Contract.

“Representatives” shall mean any officer, director, principal, shareholder, member, manager, partner, attorney, accountant, advisor, agent, trustee, employee or other representative of a party.

“Restricted Area” shall mean the United States.

“Restricted Business” shall mean the provision, delivery, sale or marketing of consulting services related to: (i) research, design, development, implementation, monitoring, and maintenance of web, mobile, social media, and related applications, including the use of portal, content management, search engine, and other software, technologies, systems and solutions, (ii) business intelligence and data analytics, (iii) systems integration, (iv) custom application development, (v) enterprise architecture, (vi) service oriented architecture, (vii) information technology strategy, planning, assessment, governance, and change management, (viii) strategic planning, business transformation and business process management, (ix) program and project management, and (x) creative and interactive marketing research, design, development and monitoring.

“Set-aside Contract” shall mean any Contract awarded based, in whole or in part, on size, socio-economic status or other preferential status.

“Shortfall Amount” shall mean the amount, if any, by which the Estimated Adjustment Amount exceeds the Closing Adjustment Amount, which amount shall be expressed as a positive number.

“Software” shall mean any computer program, operating system, applications system, firmware or software of any nature, whether operational, or under development, including all object code, source code, data files, rules, databases, compilations, tool sets, compilers, higher level or “proprietary” languages, definitions or methodology derived from the foregoing and any derivations, updates, enhancements and customization of any of the foregoing, operating procedures, technical manuals, user manuals and other documentation and materials related thereto, whether in machine-readable form, programming language or any other language or symbols and whether stored, encoded, recorded or written on disk, tape, film, memory device, paper or other media of any nature, but excluding all commercially available or off-the-shelf software, or software subject to click-through or shrink wrap agreements.

“Straddle Period” shall mean any taxable year or period beginning on or before the Closing Date and ending after the Closing Date.

“Subsidiaries” shall mean, with respect to any Person, any corporation, entity or other organization, whether incorporated or unincorporated, of which (i) such first Person directly or indirectly owns or Controls at least a majority of the securities or other interests having by their terms voting power to elect a majority of the board of directors or others performing similar functions or (ii) such first Person is, in the case of a partnership, a general partner or, in the case of a limited liability company, a manager or managing member.

“SunTrust” shall mean SunTrust Bank, a Georgia banking corporation.

“SunTrust Escrow Agreement” shall mean that certain agreement between SunTrust, the Members’ Representative and Purchaser in the form attached hereto as Exhibit D.

“SunTrust Escrow Amount” shall mean an amount equal to Nine Million Dollars (\$9,000,000).

“Tax” or “Taxes” shall mean any federal, state, local or foreign income, gross receipts, capital, escheat/unclaimed property, gains, documentary, goods and services, ad valorem, fuel, excess profits, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental (including taxes under Code § 59A), customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax of any kind whatsoever, including any interest, penalty, or additional thereto, whether disputed or not and including any obligations to indemnify or otherwise pay, assume or succeed to the Tax Liability of any other Person pursuant to federal, state, local or foreign Law, by contract or otherwise.

“Tax Authority” shall mean, with respect to any Tax, the Governmental Entity or political subdivision thereof that imposes such Tax, and the agency (if any) charged with the collection of such Taxes for such entity or subdivision.

“Tax Return” shall mean any statement, estimate, designation, election, return, report, information return or other document (including any related or supporting information) filed or required to be filed with Governmental Entity or other authority in connection with the determination, assessment or collection of any Tax or the administration of any Laws, regulations or administrative requirements relating to any Tax and all claims for refunds of Taxes and including any amendment of any such Tax Return.

“Third Party Software” shall mean all Software owned by third parties that is licensed to the Company.

“Trademarks” shall mean United States and foreign registered trademarks, service marks and trademark rights, including all associated goodwill, and pending applications to register the foregoing.

“Transaction Expense Amount” shall mean the aggregate amount of Transaction Expenses set forth on the Transaction Expense Schedule.

“Transaction Expenses” shall mean the amount of all fees, costs and expenses incurred, payable or distributable by the Company, the Members or their respective Affiliates and to be paid by the Company in conjunction with, or as a result of, the negotiation, preparation, execution and consummation of this Agreement and the transactions contemplated thereby, including any retention amounts, bonuses, incentives and other amounts payable in connection with, or as a result of, the transactions contemplated herein, fees and expenses of attorneys and accountants, and the employer’s share of employment Taxes and/or withholding payable in connection with the payments made pursuant to this Agreement, or payment of Transaction Expenses.

“Transfer Taxes” shall mean any Taxes (other than Taxes imposed on net income or gains) imposed on the sale of the Interests, or the deemed sale of any assets of the Company, pursuant to or in connection with the transactions contemplated in this Agreement.

1.2 Other Defined Terms. The following capitalized terms shall have the meanings given to them in the Sections set forth below:

<u>Term</u>	<u>Section</u>
Accounting Firm	3.4.3
Accounts Receivable	Exhibit 3.4
Accounts Payable	Exhibit 3.4
Additional Interests	Recital C
Additional Members	Recital C
Agreement	Introduction
At Risk	4.31(j)
Balance Sheet	4.10
Bank Accounts	4.30
Base Amount	3.2
Base Backlog Report	4.27(d)
Basket	10.2(f)(i)
Cap	10.2(f)(ii)
Cash	Exhibit 3.4
Claim	10.2(c)
Claim Notice	10.2(c)
Clients	4.27(a)
Closing	3.7
Closing Adjustment Amount	Exhibit 3.4
Closing Date	3.7
Closing Payment	3.3(a)
Company	Recital A
Conversion Agreements	2.1.1
Contract Impropriety	4.31(e)(i)
Customer Advance Payments	Exhibit 3.4
Debt Schedule	6.7
Designated Employee Agreements	Recital E
DOL	4.20(e)
Estimated Adjustment Amount	3.4.1
Excluded Parties Listing	4.31(f)
EAA	4.33(b)
External Investigation	4.31(e)(iii)
Financial Statements	4.10
FCPA	4.33(a)
Fundamental Representations	10.1
GSA	4.31(m)
Guaranty	4.16.1(u)
HTH	Introduction
IGS	4.6(b)
Indemnified Party	10.2(c)
Indemnified Pre-Closing Liabilities	10.2(a)(iii)
Indemnifying Party	10.2(c)
IEEPA	4.33(b)(i)
Initial Members	Introduction
Initial Members Indemnified Persons	10.2(b)
Initial Members Interests	Recital B
Interests	Recital C
IRS	4.20(c)

<u>Term</u>	<u>Section</u>
Lease	4.29(b)
Loving	Introduction
Material Contracts	4.16.2
Members	Recital C
Members' Representative	6.12.1
NISPOM	4.32
Non-Government Bids	4.27(b)
Objection Notice	3.4.3
Payoff Letters	6.7
PBGC	4.20(g)
Pre-Closing Period Tax Returns	11.1(a)
Preliminary Closing Schedule	3.4.2
Purchase Price	3.2
Purchase Price Cap	10.2(f)(iii)
Purchaser	Introduction
Purchaser Indemnified Persons	10.2(a)
Real Property	4.29(c)
Restricted Period	12.1(a)
Security Clearances	4.32
Suppliers	4.27(a)
Termination Date	9.1(b)
Third Party Claim	10.2(c)
Transaction Expense Schedule	6.15
Walker	Introduction
Withdrawal Agreement	7.21
Whitlock	Introduction

ARTICLE II
ADDITIONAL INTERESTS

2.1 Issuance of Additional Interests. Prior to Closing, the Initial Members shall cause the Company to issue the Additional Interests to the Additional Members as follows:

2.1.1 Prior to Closing, the Company and Initial Members shall cause the Additional Members to execute conversion agreements, in the form attached hereto as Exhibit 2.1.1, pursuant to which all optional phantom equity arrangements under the Incentive Plan will be converted into the Additional Interests (the "Conversion Agreements").

2.1.2 The Company will not execute the Conversion Agreements, and such Conversion Agreements shall be of no force or effect, until confirmation from Purchaser that all of conditions in Article VIII of this Agreement have been satisfied or waived and the deliveries under Section 3.7.1(ii) and (iii) of this Agreement have been delivered to the Initial Members' counsel in escrow, and Purchaser has confirmed that it has funds available to pay, and is prepared to pay, the Closing Payment and the Escrow Amount.

2.1.3 Upon the satisfaction of the conditions in Section 2.1.2, the Company will execute the Conversion Agreements and deliver such executed copies to the Additional Members.

2.2 Delivery to Purchaser. Simultaneously with the execution of this Agreement, the Initial Members shall deliver to Purchaser fully executed copies of the Conversion Agreements between the Company and the individuals listed on Exhibit 2.2. No later than seven (7) days following the date of this Agreement, the Initial Members shall deliver to Purchaser fully executed copies of the Conversion Agreements between the Company and all Additional Members (other than those listed on Exhibit 2.2).

2.3 Amounts to be Paid. The Members acknowledge that the Closing Payment represents the aggregate amount payable to them hereunder at Closing after the payment of Debt and Transaction Expenses. The Members intend to allocate the entire Escrow Amount to the Initial Members and pay the Additional Members as if the Escrow Amount had been received by the Members at Closing, as more specifically described in Exhibit 3.3. For the avoidance of doubt, the Additional Members shall not be entitled to any payment hereunder other than their allocated portion of the Closing Payment, and it is the express intention of the parties not to pay any portion of the Escrow Amount or any Excess Amount to the Additional Members.

ARTICLE III
PURCHASE AND SALE OF THE INTERESTS

3.1 Purchase and Sale of the Interests. On the terms and subject to the conditions of this Agreement, at the Closing, (i) Purchaser shall purchase from the Initial Members, and the Initial Members shall sell, transfer and assign to Purchaser, all of the Initial Members Interests, free and clear of all Encumbrances, and (ii) Purchaser shall purchase from the Additional Members, and the Initial Members shall cause the Additional Members to sell, transfer and assign to Purchaser, all of the Additional Interests, free and clear of all Encumbrances.

3.2 Purchase Price. The purchase price for the Interests (the "Purchase Price") shall be an amount equal to One Hundred Million Dollars (\$100,000,000) (the "Base Amount"), as such amount may be adjusted pursuant to Section 3.4 below.

3.3 Payment of Purchase Price. Purchaser shall pay the Purchase Price as follows:

(a) at Closing, by wire transfer, to the Members (based on the allocation set forth on Exhibit 3.3 hereto), an amount equal to (i) the Base Amount, less (ii) the Escrow Amount, less (iii) the Transaction Expense Amount, less (iv) the Debt Payoff Amount, plus (v) the Estimated Adjustment Amount, if such amount is a positive number, less (vi) the Estimated Adjustment Amount, if such amount is a negative number (the "Closing Payment");

(b) at Closing, to BB&T Bank, the BB&T Escrow Amount to be held and disbursed pursuant to the terms of the BB&T Escrow Agreement;

(c) at Closing, to SunTrust, the SunTrust Escrow Amount to be held and disbursed pursuant to the terms of the SunTrust Escrow Agreement;

(d) at Closing, to the Persons listed on the Transaction Expense Schedule, such Persons' respective portion of the Transaction Expense Amount as set forth on the Transaction Expense Schedule;

(e) at Closing, to the Persons listed in the Payoff Letters, such Persons' respective portion of the Debt Payoff Amount as set forth on the Payoff Letters;

(f) the remainder of the Purchase Price shall be paid pursuant to the terms of Section 3.4 and the Escrow Agreements.

3.4 Estimate; Post-Closing Adjustment.

3.4.1 Not later than five (5) Business Days prior to the Closing Date, the Initial Members will deliver to Purchaser a statement setting forth the Initial Members' good faith estimate of the Closing Adjustment Amount, as defined in Exhibit 3.4 hereto, as of the Closing Date and its calculation thereof, which will be prepared and determined in accordance with Exhibit 3.4 and GAAP applied consistently with the principles reflected in the Audited Financial Statements, so long as such application is permitted in accordance with U.S. generally accepted accounting principles (the "Estimated Adjustment Amount").

3.4.2 As soon as reasonably practicable following the Closing Date, but in no event more than sixty (60) calendar days after Closing, Purchaser shall prepare and deliver to the Initial Members a statement

setting forth Purchaser's preliminary calculation of the Closing Adjustment Amount as of the Closing Date (the "Preliminary Closing Schedule"), which calculation will be determined in accordance with GAAP applied consistently with the principles reflected in the Audited Financial Statements, so long as such application is permitted in accordance with U.S. generally accepted accounting principles.

3.4.3 Unless the Initial Members notify Purchaser in writing, within thirty (30) calendar days after receipt of the Preliminary Closing Schedule, that the Initial Members object to the calculations contained therein, specifying in detail the basis for such objection (the "Objection Notice"), the Preliminary Closing Schedule, and Purchaser's calculation of the Closing Adjustment Amount, shall be final and binding upon the parties. The calculations set forth in the Preliminary Closing Schedule shall not be disputed as to accounting principles, procedures or methodologies so long as the principles, procedures and methodologies used are in accordance with GAAP applied consistently with the principles reflected in the Audited Financial Statements, so long as such application is permitted in accordance with U.S. generally accepted accounting principles. For thirty (30) calendar days following Purchaser's receipt of any Objection Notice, the parties shall, in good faith, negotiate to resolve all objections set forth in the Objection Notice, and any such resolutions shall be incorporated by Purchaser into the Preliminary Closing Schedule and the calculation of the Closing Adjustment Amount. If the Initial Members and Purchaser are unable to resolve all objections set forth in the Objection Notice within thirty (30) calendar days following Purchaser's receipt of the Objection Notice (or within such extended time period as is mutually agreed to by the parties), unresolved objections shall be referred for a final determination of such unresolved objections (but only such matters) to an accounting firm mutually acceptable to the Initial Members and Purchaser, in each case acting reasonably (the "Accounting Firm"). Purchaser and the Initial Members shall instruct the Accounting Firm to make final determination of the disputed items and to incorporate such final determination into the calculation of the Closing Adjustment Amount and any corresponding Excess Amount or Shortfall Amount in accordance with the guidelines and procedures set forth in this Agreement. Purchaser and the Initial Members shall cooperate with the Accounting Firm during the term of its engagement (including by executing an engagement letter in customary form with the Accounting Firm reflecting the terms of this Agreement and any other customary provisions mutually agreed upon by Purchaser and the Initial Members). Purchaser and the Initial Members shall instruct the Accounting Firm not to, and the Accounting Firm shall not, assign a value to any item in dispute greater than the greatest value for such item assigned by Purchaser, on the one hand, or the Initial Members, on the other hand, or less than the smallest value for such item assigned by Purchaser, on the one hand, or the Initial Members on the other hand. Purchaser and the Initial Members shall also instruct the Accounting Firm to make its determination based solely on presentations by Purchaser and the Initial Members which are in accordance with the guidelines and procedures set forth in this Agreement (i.e., not on the basis of an independent review). The resulting calculation of the Closing Adjustment Amount and the corresponding Excess Amount or Shortfall Amount by the Accounting Firm shall become final and binding on the parties hereto (and may be relied upon by SunTrust) on the date the Accounting Firm delivers its final resolution in writing to Purchaser and the Initial Members (which final resolution shall be requested by the parties to be delivered not more than forty-five (45) calendar days following submission of such disputed matters), and such resolution by the Accounting Firm shall not be subject to court review or otherwise appealable except in the case of fraud of the Company, one of the parties or the Accounting Firm, or willful misconduct of the Accounting Firm. The fees and expenses of the Accounting Firm shall be paid by the Initial Members, on the one hand, and Purchaser on the other hand, based on the ratio of the disputed amount not awarded to such Person to the total amount actually disputed by the Initial Members and Purchaser. For example, if the aggregate amount disputed by the Initial Members is \$1,000, and if Purchaser contests only \$500 of the amount disputed by the Initial Members, and if the Accounting Firm ultimately resolves the dispute by finding that the Initial Members properly disputed \$300 of the \$500, then the fees and expenses of the Accounting Firm will be paid 60% (i.e., 300 divided by 500) by Purchaser and 40% (i.e., 200 divided by 500) by the Initial Members. The parties agree that, from and after the Closing, the provisions of this Section 3.4.3 and the arbitration provisions contemplated hereby shall be the exclusive remedy and exclusive forum of the parties with respect to the determination of the Closing Adjustment Amount.

3.4.4 The Initial Members and Purchaser shall provide the other and their Representatives with reasonable access during normal working hours to the employees, books, records and other supporting information and documents as reasonably requested in connection with the preparation and review of the Preliminary Closing Schedule and any objections thereto.

3.4.5 In the event an Excess Amount exists, Purchaser shall remit the Excess Amount to the Initial Members pursuant to Section 3.4.6, and Purchaser and the Initial Members shall promptly (but in any event within three (3) Business Days) direct (and the Initial Members shall cause the Members' Representative to direct) SunTrust, in accordance with the terms of the SunTrust Escrow Agreement, to remit to the Initial Members the entire Closing Schedule Escrow. In the event a Shortfall Amount exists and is less than the Closing Schedule Escrow, Purchaser and the Initial Members shall (and the Initial Members shall cause the Members' Representative to) promptly (but in any event within three (3) Business Days) direct SunTrust, in accordance with the terms of the SunTrust Escrow Agreement, to remit (i) an amount equal to the Shortfall Amount from the Closing Schedule Escrow to Purchaser, and (ii) the remainder of the Closing Schedule Escrow to the Initial Members. In the event a Shortfall Amount exists and exceeds the Closing Schedule Escrow, Purchaser and the Initial Members shall (and the Initial Members shall cause the Members' Representative to) promptly (but in any event within three (3) Business Days) direct the SunTrust, in accordance with the terms of the SunTrust Escrow Agreement, to remit the entire Closing Schedule Escrow to Purchaser, and the Initial Members shall remit to Purchaser an amount equal to such difference pursuant to Section 3.4.6. For the avoidance of doubt, any adjustment pursuant to this Section 3.4 shall not be applied toward the Basket. Purchaser shall not be entitled to Damages for a breach of representation, warranty, covenant or agreement with respect to Assets or Liabilities of the Company to the extent that Purchaser receives an adjustment pursuant to this Section 3.4 with respect to such Asset or Liability and, as a result of such adjustment, is compensated for such Damages.

3.4.6 Any payment required under Section 3.4.5 shall be paid in accordance with the instructions of the appropriate recipient (i) within the lesser of thirty-five (35) calendar days after delivery by Purchaser of the Preliminary Closing Schedule, or five (5) calendar days after the Initial Members notify Purchaser that they do not object to the amounts set forth on the Preliminary Closing Schedule; or (ii) if the Initial Members shall have delivered an Objection Notice to Purchaser, within five (5) calendar days following final determination of the disputed items pursuant to Section 3.4.3.

3.5 Allocation of Purchase Price. The Initial Members and Purchaser agree that the Purchase Price (as adjusted in accordance with this Agreement) and any liabilities properly taken into account under the Code shall be allocated to the assets of the Company in accordance with the tax basis of such assets as of the Closing Date, with the excess allocated to goodwill (i.e. classes VI and VII), for all Tax purposes. The Company, the Initial Members and Purchaser shall file all Tax Returns (including claims for refund) in a manner consistent with such allocation and will report any adjustment to the Purchase Price (as adjusted in accordance with this Agreement) consistent with such allocation.

3.6 Tax Treatment. The parties acknowledge and agree that, for U.S. federal and applicable state income tax purposes, pursuant to Internal Revenue Service Rev. Rul. 99-6 (and corresponding applicable state Law), the purchase by Purchaser of the Interests will be treated as a deemed liquidation of the Company and a deemed distribution of the Company's assets to the Members followed by a deemed purchase by Purchaser of all the Company's assets. In accordance with Rev. Rul. 99-6, the Members shall be treated as having sold partnership interests in accordance with Section 741 of the Code. Each party shall report the transaction consistently with such treatment on their respective U.S. federal and state income tax returns.

3.7 Closing. Subject to the terms and conditions hereof, the closing of the sale and purchase of the Interests (the "Closing") shall be held at a mutually acceptable location on December 31, 2011 or on such other date as may be mutually agreed to by the parties. The date on which the Closing occurs is referred to herein as the "Closing Date." The time at which the Closing shall be deemed to occur is 11:59 p.m. local time on the Closing Date.

3.7.1 Purchaser's Obligations at Closing. At the Closing, Purchaser shall:

- (i) Closing Payment. Deliver to the Members the Closing Payment in accordance with Section 3.3 hereof.
- (ii) Certificate. Deliver to the Initial Members the certificate contemplated in Section 8.3.
- (iii) Escrow Agreements. Execute and deliver to the Initial Members the Escrow Agreements.

3.7.2 The Initial Members' Obligations at Closing. At the Closing, the Initial Members shall:

- (i) Membership Interest Assignments. Deliver to Purchaser, and cause the Additional Members to deliver to Purchaser, duly executed Assignments of Membership Interests.
- (ii) Certificates. Deliver to Purchaser the certificates contemplated in Section 7.4.
- (iii) Resignations. Deliver to Purchaser written letters of resignation, effective as of the Closing, resigning their respective title, from each of the directors, officers and managers of the Company.
- (iv) Escrow Agreements. Execute and deliver to Purchaser the Escrow Agreements.
- (v) Fact Certificate. Deliver to Purchaser a certificate of fact from the Commonwealth of Virginia as to the legal existence of the Company.
- (vi) Tax Matters. The Company and the Initial Members shall furnish Purchaser affidavits, stating, under penalty of perjury, the applicable Person's taxpayer identification number and that the applicable Person is not a foreign person, pursuant to Section 1445(b)(2) of the Code.
- (vii) Legal Opinion. Deliver to Purchaser the executed legal opinion of Williams Mullen, the Initial Members' counsel, in a form mutually acceptable to the respective counsel for Purchaser and the Initial Members and addressing the opinion items described on Exhibit 3.7.2(vii) hereto.

ARTICLE IV REPRESENTATIONS AND WARRANTIES OF THE INITIAL MEMBERS

In connection with the execution of this Agreement, the Members have caused to be delivered the Disclosure Schedule listing items of disclosure in connection with the representations, warranties, covenants and agreements herein. Neither the specification of any dollar amount in the representations and warranties contained in the Agreement nor the inclusion of any specific item in the Disclosure Schedule shall be considered an admission by the Initial Members that such amounts, higher or lower amounts, the items so included or any undisclosed item or information of comparable or greater significance are or are not material. Headings and subheadings in the Disclosure Schedule have been inserted therein for convenience of reference only and shall to no extent have the effect of amending or changing the express description hereof as set forth in the Agreement. Disclosure in any Section of the Disclosure Schedule shall apply to the indicated Section(s) of the Agreement and to any other Section(s) of the Agreement to the extent that it is specifically cross referenced to such Section. This information in the Disclosure Schedules is subject to the confidentiality provisions of this Agreement and the Confidentiality Agreement. The Initial Members hereby jointly and severally represent and warrant to Purchaser as of the date of this Agreement and, if Closing occurs, on the Closing Date, subject to the disclosures set forth in the Disclosure Schedule to the extent as described above, as follows:

4.1 Organization and Existence. The Company is a limited liability company, duly organized and validly existing under the laws of the Commonwealth of Virginia. The Company has the requisite power and authority to own its properties and operate its business as presently conducted. The Company is qualified to do business in each jurisdiction in which the conduct of its business or the ownership or leasing of its properties makes such qualification necessary, except to the extent that the failure to obtain such qualification would not reasonably be

expected to result in a Material Adverse Change. Disclosure Schedule 4.1 sets forth the jurisdictions in which the Company is qualified to do business. True and complete copies of the articles of organization and operating agreement of the Company have been delivered to Purchaser.

4.2 Authorization. The execution, delivery and performance of this Agreement and the Ancillary Agreements have been duly authorized by all necessary action required to be taken by the Initial Members, the Members' Representative (as representative for the Initial Members), and the Company who are parties to such agreements. The Initial Members, the Members' Representative (as representative for the Initial Members), and the Company have the requisite power and authority to enter into this Agreement and the Ancillary Agreements to which they are a party, to perform their respective obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby.

4.3 Due Execution; Binding Obligations. This Agreement has been duly executed and delivered by the Initial Members. This Agreement constitutes, and the Ancillary Agreements will constitute when executed, a legal, valid and binding agreement of the Initial Members, the Members' Representative (as representative for the Initial Members), and the Company (where such Persons are parties thereto), enforceable against the Initial Members, the Members' Representative (as representative for the Initial Members), and the Company (where such Persons are parties thereto) in accordance with their respective terms.

4.4 Books and Records. The Books and Records are (i) maintained by the Company at office locations leased by the Company, and (ii) complete and correct in all material respects. The Company maintains a system of accounting and internal controls and procedures sufficient to insure that its (i) transactions are executed in accordance with its management's general or specific authorization, and (ii) transactions are recorded as necessary to permit the preparation of financial statements in conformity with GAAP and to maintain reasonable accountability for the Company's assets. The Books and Records have been made available to Purchaser. The Corporate Records are complete and accurate and all corporate proceedings and actions reflected in the Corporate Records have been conducted or taken in compliance with all applicable Laws and with the articles of organization and operating agreement of the Company. There are no significant deficiencies or material weaknesses in the design or operation of internal controls over financial reporting that could reasonably be expected to adversely affect the Company's ability to record, process, summarize and report financial information, and there is no fraud that involves management of the Company. The Company's Software is sufficient to provide access to, and use of, the Books and Records.

4.5 Membership Interests. The Initial Members own, beneficially and of record, all of the Initial Members Interests, free and clear of all Encumbrances, which Initial Members Interests comprise, as of the date of this Agreement, 100% of the issued and outstanding equity interests of the Company. As of Closing the Members shall own, and upon Closing the Purchaser shall acquire, beneficially and of record, all of the Interests, free and clear of all Encumbrances, which Interests shall comprise 100% of the issued and outstanding equity interests of the Company. The Initial Members Interests were issued, and the Additional Interests will be issued, in compliance with all applicable Laws and the Interests are not, and will not be, subject to, nor were they issued, or will be issued, in violation of, any preemptive rights. Except as set forth on Disclosure Schedule 4.5, no equity interests of the Company are reserved for issuance and there are no outstanding or authorized options, warrants, rights, subscriptions, claims of any character, agreements, obligations, convertible or exchangeable securities, or other commitments, contingent or otherwise, relating to the capital of the Company, pursuant to which the Company is or may become obligated to issue any equity interests or any securities convertible into, exchangeable for, or evidencing the right to subscribe for, any equity interests in the Company. Except as set forth on Disclosure Schedule 4.5, there are no voting trusts, proxies or other agreements or understandings to which the Company or the Members is a party with respect to the voting of the Interests. Except for Purchaser's right under this Agreement, no Person has any written or oral agreement, option or warrant or any right or privilege (whether by Law, pre-emptive or contractual) capable of becoming such for (i) the purchase or acquisition from the Members of any of the Interests, or (ii) the purchase, subscription, allotment or issuance of any equity interests or other securities of the Company.

4.6 Subsidiaries.

(a) Except as set forth on Disclosure Schedule 4.6(a), the Company does not directly or indirectly own, and has not previously directly or indirectly owned, any Subsidiary or any other equity or similar interest in, or any interest convertible into or exchangeable or exercisable for any equity or similar interest in, any Person.

(b) The Company formed Ironworks Government Solutions, LLC (“IGS”) on March 30, 2009. IGS was never capitalized and is, and at all prior times has been, a dormant shell entity. Except for the Company’s use of IGS’s web site to brand the Company’s government contracts business, IGS has never conducted any operations, has never owned any assets or rights and has never had or been subject to any Liabilities.

4.7 No Conflict or Violation. Except as set forth on Disclosure Schedule 4.7, neither the execution and delivery of this Agreement or the Ancillary Agreements, nor the consummation of the transactions contemplated hereby or thereby, will result in or has resulted in (a) a violation of, or a conflict with, the charter documents of the Company or any Member or any subscription, operating, members or similar agreements or understandings to which any of the Members or the Company is or was a party; (b) a material breach of, or a material default under (or an event which, with notice or lapse of time or both, would constitute a material default under), any contract, Encumbrance or Permit to which any Members or the Company is or was a party or by which any Member or the Company is or was bound; (c) the termination of, the acceleration of performance required by, or the creation of a right of termination, acceleration, or payment under, any contract, Encumbrance or Permit to which any Members or the Company is or was a party or by which any Member or the Company is or was bound; (d) the payment by, or the creation of any obligation (absolute or contingent) to pay on behalf of, the Company of any severance, termination, change of control, “golden parachute,” or other similar payment pursuant to any employment agreement or other Contract or the triggering of any severance notice obligation with respect to any of the employees of the Company; (e) a violation by the Company or the Members of any applicable Law; (f) a violation of any order, judgment, writ, injunction decree, or award to which the Members or the Company is a party or subject; or (g) an imposition of any Encumbrance on the Interests or any property or asset of the Company.

4.8 Consents and Approvals. Except as set forth on Disclosure Schedule 4.8, no consent, Permit, approval or authorization of, or declaration, filing, application, transfer or registration with, any Governmental Entity or regulatory authority or any other Person is required to be made or obtained by the Members or the Company (a) by virtue of the execution, delivery or performance of this Agreement; (b) to avoid the loss of any material Permit or the material breach of any Contract or the creation of an Encumbrance on any of the assets or properties of the Company as a result of the transactions contemplated hereunder; or (c) to enable Purchaser to own the Interests and continue the operations of the Company following the Closing Date as presently conducted.

4.9 Litigation. Except as set forth on Disclosure Schedule 4.9, there is no pending or, to the knowledge of the Initial Members, threatened, Action, (i) to which the Company is a party, (ii) affecting the Members or the Company which could affect the enforceability of this Agreement, or (iii) which could adversely affect any of the assets or properties of the Company, the ability of the Members to consummate the sale of the Interests contemplated by this Agreement, or the ability of the Members or the Company to perform their respective obligations under this Agreement. Neither the Company nor any Initial Members is subject to any outstanding injunction, judgment, order, decree or ruling. To the knowledge of the Initial Members, there is no existing state of facts, circumstances or contemplated event that is reasonably likely to give rise to a material Action against the Company.

4.10 Financial Statements. Attached hereto as Disclosure Schedule 4.10 are copies of (i) audited balance sheets of the Company as of December 31, 2010, December 31, 2009 and December 31, 2008 (the December 31, 2010 balance sheet referred to herein as the “Balance Sheet”), (ii) audited statements of operations and changes in members’ capital for the years then ended, (iii) audited cash flow statements for the years ended December 31, 2010 and December 31, 2009, and (iv) monthly financial statements in respect to the period January 1, 2011

through October 31, 2011 (collectively, the “Financial Statements”). The Financial Statements have been prepared in accordance with GAAP applied consistently with the principles reflected in the Audited Financial Statements, so long as such application is permitted in accordance with U.S. generally accepted accounting principles, from the Books and Records and present fairly and accurately, in all material respects, the financial position, results of operations and cash flows of the Company for the respective periods then ended in conformity with GAAP applied consistently with the principles reflected in the Audited Financial Statements, so long as such application is permitted in accordance with U.S. generally accepted accounting principles. The Company has provided to Purchaser true and correct copies of all internal audit reports and management letters for the past three (3) years relating to the Company, including reports on internal controls.

4.11 Undisclosed Liabilities. Except as set forth on Disclosure Schedule 4.11, the Company has no Liabilities or commitments (absolute, accrued, contingent or otherwise and whether or not required to be accrued on the financial statements of the Company) except (a) Liabilities reflected on the Balance Sheet, (b) Liabilities incurred in the ordinary course of business since the date of the Balance Sheet, and which are in nature and amount consistent with those reflected in the Balance Sheet, (c) executory obligations to provide services under Contracts entered into by the Company in the ordinary course of business that are not in respect of any breach, violation or default by the Company thereunder and (d) immaterial (individually and in the aggregate) Liabilities not required to be reflected on the Balance Sheet or the notes thereto under GAAP applied consistently with the principles reflected in the Audited Financial Statements, so long as such application is permitted in accordance with U.S. generally accepted accounting principles. As of Closing, the Company will have no Liability for borrowed money or under any Capital Lease.

4.12 Absence of Certain Changes or Events. Except as set forth on Disclosure Schedule 4.12, since December 31, 2010, the business and affairs of the Company have been conducted only in the ordinary course of business consistent with past practice and (i) there has been no Material Adverse Change, and (ii) no fact or condition exists or is contemplated or threatened which could reasonably be anticipated to result in a Material Adverse Change. Without limiting the foregoing, since December 31, 2010:

(a) The Company has not borrowed any amount (or increased any borrowing) or created, assumed, guaranteed or incurred any material expenses, Liabilities or obligations of any kind (whether contingent or otherwise), except in the ordinary course of business consistent with past practice;

(b) The Company has not (i) entered into any new Material Contract (except as disclosed on Disclosure Schedule 4.16), (ii) waived any material rights, or (iii) entered into any transactions or agreements other than in the ordinary course of business consistent with past practice;

(c) The Company has not, other than immaterial increases in salaries arising in the ordinary course of business consistent with past practices, (i) increased the level of benefits under any Employee Benefit Plan, the salary or other compensation (including severance) payable or to become payable to any of the officers, managers, directors or employees of the Company, (ii) obligated itself to pay any bonus or other additional salary or compensation to any such officers, directors or employees or (iii) terminated any officer or other senior employee;

(d) The Company has not amended, waived, rescinded or terminated (or not renewed) any existing Material Contract, and no such Material Contract has accelerated, expired or terminated (and not been renewed) by its terms;

(e) The Company has not made or committed to make any capital expenditure (or series of related capital expenditures) that exceeds \$25,000;

(f) The Company has not made any capital investment in, any loan to, or any acquisition of the securities or assets of, any other Person (or series of related capital investments, loans and acquisitions), other than trade accounts receivable in the ordinary course of business consistent with past practices;

(g) The Company has not sold, transferred, disposed of, or agreed to sell, transfer, or dispose of, any of its assets, other than (i) the sale, transfer or disposition of obsolete or unusable assets immaterial to the Company, (ii) the payment of salaries, and (iii) the use of supplies in the ordinary course of business;

(h) The Company has not created, permitted or incurred any Encumbrance upon any of its Assets;

(i) The Company has not made any material change in the manner of conducting its business or changed any method of Tax practice, accounting or accounting practices whether for general financial or Tax purposes, or any change in depreciation or amortization policies or rates adopted therein;

(j) No material (individually or in the aggregate) asset or property used by the Company has been destroyed, damaged or otherwise lost (whether or not covered by insurance), which damage, destruction or loss exceeded \$25,000, individually or in the aggregate;

(k) The Company has not failed to repay any material obligation when due;

(l) There has been no material revaluation by the Company of any of its assets or liabilities, including any material write-offs, material increases or decreases in any reserves or any material write-up of the value of property, plant, equipment or any other asset;

(m) The Company has not declared, set aside or paid any dividend or other distribution or payment (whether in cash, equity interest or property), other than cash distributions that have been paid by the Company in full;

(n) Other than the Additional Interests, the Company has not issued or committed to issue, any shares or other equity securities or obligations or any securities convertible into or exchangeable or exercisable for membership interests or other equity interests;

(o) None of the charter documents, the operating agreement or other organizational documents of the Company has been amended, revised or changed;

(p) The Company has not accelerated the collection of any Accounts Receivable, cancelled and reissued invoices to alter the invoice date for the Accounts Receivable aging report, or delayed the payment of any accounts payables;

(q) The Company has not suffered any strike, walkout, labor trouble or any other new or continued event, development or condition of similar character;

(r) No severance, retention, bonus or similar arrangement benefiting any employee or officer of the Company has been entered into;

(s) No Initial Member and, to the Initial Members' knowledge, no other officer of the Company or Designated Employee (A) has accepted any offer of employment (or any offer for a similar contracting arrangement) from any third party, or (B) is a member of the board of directors, board of managers or similar body governing the affairs of any third party commercial enterprise;

(t) The Company has not, to the Initial Members' knowledge, suffered any loss or threat of loss of any customer who is a party to a Material Contract; and

(u) None of the Initial Members or the Company has entered into any commitment (contingent or otherwise) to do any of the foregoing.

4.13 Properties. The Company has good, valid and marketable title to all of the property, tangible or intangible, reflected in its Books and Records as being owned by the Company, in each case free and clear of all Encumbrances. The properties and assets owned, leased or licensed by the Company comprise all properties and assets used in and/or necessary for the continued conduct of the business of the Company as now being conducted, are adequate for the purposes for which such properties and assets are currently used or held for use and, to the knowledge of the Initial Members, are in good repair and operating condition (subject to normal wear and tear). Subject to the receipt of any required consents listed in Disclosure Schedule 4.7 or 4.8, there are no

assets or properties used in the conduct of the business of the Company and owned by any Person other than the Company that will not continue to be leased or licensed to the Company under valid, current leases or licenses following the Closing. Disclosure Schedule 4.13(a) contains a complete and correct list of all leases of personal property, along with a list of the assets leased thereunder. Disclosure Schedule 4.13(b) contains a complete and correct list of all Governmental Entity-owned property or Governmental Entity-furnished equipment provided under, necessary to perform the obligation under, or for which the Company could be held accountable under, the Government Contracts, and such Governmental Entity-owned property and Governmental Entity-furnished equipment are maintained by the Company in accordance with a property management system approved by the appropriate Governmental Entity. No Person has any written or oral agreement, option, understanding or commitment, or any right or privilege capable of becoming such for the purchase or other acquisition from the Company of any of its assets or properties.

4.14 Unclaimed Property. The Company has established and followed procedures to identify any unclaimed property and, to the extent required by applicable Laws, remit such unclaimed property to the respective Governmental Entity. To the knowledge of the Initial Members, the Company has no liability or obligation to remit any unclaimed property to any Governmental Entity. To the knowledge of the Initial Members, the Company's records are adequate to permit Governmental Entities or outside auditors to confirm the representations and warranties contained in this Section 4.14.

4.15 Receivables. Disclosure Schedule 4.15 contains a summary aging schedule of all accounts receivable of the Company as of October 31, 2011. To the Initial Member's knowledge, such accounts receivable will be collectible in full subject to any specific reserves therefore included in the Books and Records.

4.16 Contracts.

4.16.1 Disclosure Schedule 4.16.1 lists each of the following Contracts (with such Disclosure Schedule organized and divided by each subpart listed below):

(a) any Customer Contract which, including all work orders and statements of work associated therewith, (i) accounted for revenues in excess of \$300,000 during the year ended December 31, 2010, or (ii) is reasonably expected to account for revenues in excess of \$300,000 during the year ended December 31, 2011;

(b) any Customer Contract for which, to the Initial Members' knowledge, the remaining cost to perform such Customer Contract, as estimated by the Initial Members' in good faith, will exceed the amounts left to be billed under such Customer Contract assuming Purchaser operates the Company's business on a basis generally consistent with the Company's past practices;

(c) other than pursuant to Customer Contracts, any agreements, contracts or commitments that provide for the sale, licensing or distribution of any Intellectual Property of the Company;

(d) any independent contractor, consultant, subconsultant, subcontractor or similar agreement, contract or commitment pursuant to which the Company (i) made payments in excess of \$10,000 during the year ended December 31, 2010, or (ii) reasonably expects to make payments in excess of \$10,000 during the year ending December 31, 2011;

(e) any collective bargaining or union agreements, contracts or commitments with respect to the employees of the Company;

(f) any contract, agreement or commitment for or relating to any Debt;

(g) any Set-aside Contract;

(h) any advance, loan or other similar arrangement to any Person (other than trade accounts receivable in the ordinary course of business consistent with past practices);

(i) any contract or commitment (other than any Contract disclosed pursuant to subpart (d) of Disclosure Schedule 4.16.1) with a remaining obligation for the purchase of materials, supplies, goods, services, equipment or other assets that provides for annual payments by the Company of \$25,000 or more;

(j) any contract or agreement providing for notice, the payment of compensation or other benefits, or creating or triggering any rights of acceleration, consent, termination, modification, cancellation, loss of rights or other rights or obligations in the event of a sale or change in control of the Company;

(k) any lease of real estate;

(l) any lease of personal property with annual lease payments in excess of \$10,000;

(m) any agreement concerning an investment, partnership or joint venture;

(n) any agreement concerning confidentiality (other than Customer Contracts);

(o) any profit sharing, stock option, stock purchase, stock appreciation, deferred compensation, severance, stay or retention, or other material plan or arrangement for the benefit of its current or former directors, managers, members, officers, and employees;

(p) any agreement for the employment of any individual, whether on a full-time, part-time or other basis;

(q) any agreement to be performed relating to capital expenditures in excess of \$25,000 in the aggregate;

(r) any agreements relating to the sale, transfer or disposition of any assets of the Company, other than agreements for the disposal, in the ordinary course of business, of obsolete or unusable assets immaterial to the Company;

(s) any agreement with data protection or data storage requirements (other than Customer Contracts);

(t) any agreement, contract or commitment requiring the Company to indemnify or hold harmless any Person other than any Customer Contract entered into in the ordinary course of business consistent with past practices;

(u) any guaranty or similar undertaking extended by the Company with respect to the obligations of any other Person (a “Guaranty”);

(v) any non-competition, non-solicitation or exclusive dealing agreement, including any agreement or obligation which purports to limit or restrict in any respect (i) future contracting rights or opportunities of the Company, (ii) the ability of the Company to solicit customers, including any restrictions based on conflict of interest provisions, or employees, or (iii) the manner in which, or the localities of which, all or any portion of the business of the Company can or could be conducted;

(w) any agreement providing for any uncapped or unlimited indemnification obligation or Liability;

(x) any agreement which includes any most favored customer clause;

(y) any Government Contract under which the Company is performing work “At Risk”;

(z) any agreement relating to any prior acquisition or divestiture of any assets or equity interests with respect to which any contingent payment or other obligations or Liabilities exist;

(aa) any power of attorney or other grant of authority by the Company; and

(bb) any other material agreement entered into outside of the ordinary course of the business of the Company.

4.16.2 The foregoing agreements, documents and contracts are referred to herein as “Material Contracts”. A true and correct copy of each written Material Contract has been provided to Purchaser by the Initial Members, and a description of each oral Material Contract is included on Disclosure Schedule 4.16.2.

4.16.3 All of the Material Contracts are valid, binding, in full force and effect, and enforceable by the Company in accordance with their respective terms except as such enforceability may be limited by applicable bankruptcy, insolvency, moratorium or similar Laws affecting the rights of creditors' generally and general equity principles (regardless of whether enforceability is considered a proceeding at or in equity). Neither the Company nor, to the Initial Members' knowledge, any other party is in material default under or in material breach or material violation of any Material Contract. To the Initial Members' knowledge, there are no outstanding claims or disputes against the Company relating to any Material Contract nor any facts or allegations that could give rise to such a claim or dispute in the future. No Contract which is not a Material Contract is reasonably likely to result in a material Liability to the Company.

4.16.4 Except as set forth on Disclosure Schedule 4.16.4, no Customer Contract has been terminated for default since December 31, 2006. Since December 31, 2006, the Company has not received any notice terminating or indicating an intent to terminate any Customer Contract for default.

4.16.5 No competitive procurement for any Customer Contract has been limited to a pool or group of Persons based, in whole or in part, on size or socio-economic status.

4.16.6 Except as set forth on Disclosure Schedule 4.16.6, no facts exist that could give rise to a material claim for price adjustment or to any claim for a material reduction in the price of any Customer Contract.

4.16.7 Disclosure Schedule 4.16.7 sets forth the Initial Members' good faith estimate of the remaining cost to perform the Customer Contracts listed on Disclosure Schedule 4.16.1(b), together with the amounts left to be billed under such listed Customer Contracts.

4.17 Environmental Matters.

(a) The Company has complied and is in compliance with all Environmental, Health, and Safety Requirements in all material respects. The Company has not been required by any Governmental Entity to (i) alter any of the Real Property to be in compliance with Environmental, Health, and Safety Requirements, or (ii) perform any environmental closure, decommissioning, rehabilitation, restoration or post-remedial investigations on, about or in connection with any of the Real Property.

(b) The Company has obtained and complied with, and is in compliance with, all Permits that are required pursuant to Environmental, Health, and Safety Requirements for the occupation of its facilities and the operation of its business. All such Permits are in full force and effect.

(c) There is no Action pending or, to the Initial Members' knowledge, threatened against or involving the Company in respect to any environmental matter, including any Environmental, Health, and Safety Requirement. Except as provided in the Lease, the Company has not retained or assumed, or provided any indemnification or guarantee with respect to, either contractually or by operation of law, any Liability or Contract of any other Person relating to any environmental matter, including any Environmental, Health, and Safety Requirement.

(d) The Company has not received any written or oral notice, demand, report or other information regarding any actual or alleged violation of Environmental, Health, and Safety Requirements, or any Liabilities or potential Liabilities, including any investigatory, remedial or corrective obligations, relating to it or its facilities arising under Environmental, Health, and Safety Requirements.

(e) To the knowledge of the Initial Members, no facts, events or conditions relating to the past or present facilities, properties or operations of the Company will prevent, hinder or limit continued compliance with Environmental, Health, and Safety Requirements, give rise to any investigatory, remedial or corrective obligations pursuant to Environmental, Health, and Safety Requirements, or give rise to any other Liabilities pursuant to Environmental, Health, and Safety Requirements, including any relating to onsite or offsite releases or threatened releases of hazardous materials, substances or wastes, personal injury, property damage or natural resources damage.

(f) The Initial Members have made available to Purchaser all environmental investigations, studies, audits, tests, reviews and other analyses pertaining to the Company or any property or facility now or previously owned, leased or operated by the Company that are in the possession, custody, or control of the Company or their Representatives.

4.18 Intellectual Property.

(a) Disclosure Schedule 4.18(a) sets forth a true and complete list of all Owned Intellectual Property (including Software).

(b) Disclosure Schedule 4.18(b) sets forth a true and complete list of all prior, current or future material (individually or in the aggregate) Intellectual Property rights of the Company which have been sold, transferred or assigned by the Company to any third party during the past two (2) years.

(c) Disclosure Schedule 4.18(c) sets forth a true and complete list of all Third Party Software and Licensed Intellectual Property (other than so called “off-the-shelf” products and “shrink wrap” or “click through” software licensed to the Company in the ordinary course of business). The Initial Members have made available to Purchaser true and complete copies of all licenses, sublicenses or other agreements relating to the Licensed Intellectual Property. All such licenses, sublicenses or other agreements relating to the Licensed Intellectual Property are in full force and effect, and enforceable by the Company in accordance with their respective terms, regardless of whether such enforceability is considered in a proceeding at law or in equity. Neither the Company nor, to the Initial Members’ knowledge, any other party to any such license, sublicense or agreement is in material breach or default thereof, and no event has occurred which, with notice or lapse of time, would constitute a material breach or default or permit termination, modification, or acceleration thereunder.

(d) Disclosure Schedule 4.18(d) identifies all licenses, sublicenses and other agreements (as licensee or licensor) that the Company is a party to relating to the Owned Intellectual Property.

(e) The Company owns each item of Owned Intellectual Property free and clear of all Encumbrances, and has full right or license to use the Owned Intellectual Property and Licensed Intellectual Property in the conduct of its business as presently conducted and there are no Intellectual Property Rights used by the Company which are owned or licensed by the Initial Members or their Affiliates (other than the Company).

(f) The Owned Intellectual Property and Licensed Intellectual Property include all of the Intellectual Property used for the conduct of the business of the Company as presently conducted.

(g) (i) All registrations for Owned Intellectual Property are in force without challenge, and all applications to register any Owned Intellectual Property are pending and in good standing, except for such issuances, registrations or applications that the Company has permitted to expire or has cancelled or abandoned in its reasonable business judgment; (ii) all necessary annuities, filing, registration, maintenance, renewal fees in conjunction with any Owned Intellectual Property have been paid; (iii) the Company has the sole and exclusive right to bring actions for infringement or unauthorized use of the Owned Intellectual Property; and (iv) to the Initial Members’ knowledge, no Owned Intellectual Property Rights are presently being infringed. Upon Closing, the Company will maintain all of its right, title and interest in and to the Owned Intellectual Property, including all rights, claims and damages regarding past infringements of the Owned Intellectual Property by any third party (and the Company’s right to seek enforcement of all such rights to prevent the infringement or misappropriation thereof), free and clear of all Encumbrances.

(h) Subject to the receipt of any required consents listed in Disclosure Schedule 4.7 or 4.8, each item of Owned Intellectual Property and Licensed Intellectual Property immediately prior to the Closing will be owned or available for use by the Company on identical terms and conditions immediately subsequent to the Closing hereunder.

(i) There are no pending or, to the knowledge of the Initial Members, threatened (i) interferences, re-examinations, oppositions or cancellation proceedings involving any Owned Intellectual Property, or (ii) claims or litigation contesting the validity or the Company's ownership or right to use, sell, license, distribute or dispose of the Owned Intellectual Property.

(j) To the knowledge of the Initial Members, the operations and activities of the Company do not infringe on any Intellectual Property of any other Person.

(k) In each case where the Company has acquired any material Owned Intellectual Property from any Person, the Company has obtained a valid, enforceable, and irrevocable transfer of all right, title, and interest to such Owned Intellectual Property.

(l) No Action is pending or, to the Initial Members' knowledge, is threatened which challenges the legality, validity, enforceability, use, or ownership of any Owned Intellectual Property.

(m) The Company has not agreed to indemnify any Person for or against any interference, infringement, misappropriation, or other conflict with respect to any Owned Intellectual Property.

(n) To the knowledge of the Initial Members, the Company possesses (i) documentation sufficient to establish and evidence the Company's ownership and right to utilize and modify all Owned Intellectual Property, and (ii) documentation sufficient for the creation, operation, use, maintenance and upgrade of all Owned Intellectual Property.

(o) All Persons, including the Members who have contributed to or participated in the creation or development of any Owned Intellectual Property on behalf of the Company either: (i) are a party to an agreement, including any "work-for-hire" agreement, under which the Company is deemed to be the original owner/author of all Intellectual Property rights therein; or (ii) have executed an assignment or an agreement to assign in favor of the Company of all right, title and interest in such Intellectual Property. The Company has agreements in place with all such Persons sufficient to maintain the confidentiality of the confidential Owned Intellectual Property and the Company has taken commercially reasonable actions to protect its rights in, and the secrecy of, the Owned Intellectual Property.

4.19 Employment Matters.

(a) Disclosure Schedule 4.19(a) sets forth a complete and accurate list of all the employees of the Company, whether full-time or part-time, setting forth for each employee (i) title, (ii) location of employment, (iii) original hire date, (iv) current annual base salary, (v) two (2) year salary history, (vi) current bonus targets, (vii) bonuses received over the past two (2) years, and (viii) if applicable, status as a temporary employee. Neither Purchaser nor the Company will incur any Liability for the improper classification by the Company of such employees as independent contractors or leased employees prior to the Closing or as being exempt from overtime pay.

(b) There are no collective bargaining agreements with any union or other bargaining group for any employees of the Company and the Initial Members have no knowledge of any union organizational efforts involving such employees.

(c) Disclosure Schedule 4.19(c) sets forth a list of employees who have left the Company since January 1, 2009. No current employee has indicated any present or future intention or, to the Initial Members' knowledge, intends to terminate his or her employment with the Company or not to engage in employment with Purchaser. No Initial Member and, to the Initial Members' knowledge, no other officer or Designated Employee of the Company has any open offer of employment (or open offer for a similar contacting arrangement) from any third party.

(d) The Company is and, during all periods for which applicable statute of limitations for potential Actions have not yet expired, has been in material compliance with all applicable Laws respecting labor, employment, industrial relations, employment practices, terms and conditions of employment and wages and hours including, (i) Laws regarding terms and conditions of employment, wages and hours, equal

opportunity, affirmative action, employee benefits, plant closing and mass layoff, occupational safety and health, immigration and workers' compensation, (ii) Laws relating to the employment of persons who are not citizens or lawful permanent residents of the United States, (iii) Laws relating to the documentation and recordkeeping of employees' identity and work authorization, and (iv) the Service Contract Act of 1965, as amended. The Company is not and has not engaged in any unfair labor practice and is not a party to any Action involving a violation or alleged violation of any of the foregoing Laws.

(e) All amounts due or accrued due for all salary, wages, bonuses, commissions, vacation with pay, and benefits under Employee Benefit Plans have either been paid or are accurately reflected in the Books and Records. There are no outstanding assessments, penalties, fines, liens, charges, surcharges or other amounts due or owing pursuant to any applicable workplace safety or insurance Laws, and the Company has not been reassessed under such Laws during the past three years, and to the knowledge of the Initial Members, no audit of the Company is currently being performed with respect to any applicable workplace safety and insurance legislation.

(f) Except as disclosed on Disclosure Schedule 4.19(f), each of the Company's employees has provided the Company a proper Form I9 indicating he or she is a United States citizen.

4.20 Employee Benefit Plans.

(a) Disclosure Schedule 4.20(a) hereto sets forth a list of all Employee Benefit Plans for the benefit of any employee, officer, manager, director, retiree or former employee, officer or director of, or consultant to, the Company (or beneficiary, survivor or dependent of any). The Initial Members have provided to Purchaser a true and complete copy of each such Employee Benefit Plan and each relevant brochure or summary plan description provided to employees.

(b) Except as set forth on Disclosure Schedule 4.20(b), none of Purchaser, the Initial Members or the Company is a party to, bound by, or will incur any Liability under, any severance agreement, deferred compensation agreement, stay or retention agreement, employment agreement, similar agreement, or Employee Benefit Plan as a result of the consummation of the transactions contemplated by this Agreement, either alone or together with another event. No employee or officer of the Company is or may become entitled to any benefits under any severance agreement, deferred compensation agreement, employment agreement, or similar agreement.

(c) Except as set forth on Disclosure Schedule 4.20(c), each Employee Benefit Plan that is an "employee pension benefit plan" (as defined in Section 3(2) of ERISA) that is intended to be a qualified plan meets the requirements of Section 401(a) of the Code; the trust, if any, forming part of such plan is exempt from U.S. federal income tax under Section 501(a) of the Code; a favorable determination letter has been issued by the Internal Revenue Service ("IRS") after January 1, 2002. None of the Initial Members or the Company has received any correspondence or written or verbal notice from the IRS, the U.S. Department of the Treasury, the Employee Benefits Security Administration, any participant in, or beneficiary of, an Employee Benefit Plan, or any agent representing any of the foregoing that brings into question the compliance referred to in this Section 4.20.

(d) The Company has no "leased employees" within the meaning of Section 414(n) of the Code.

(e) With respect to each Employee Benefit Plan, the Initial Members have heretofore delivered to Purchaser complete and correct copies of the following documents, where applicable: (i) the most recent annual report (Form 5500), together with schedules, as required, filed with the Department of Labor ("DOL"), and any financial statements and opinions required by Section 103(a)(3) of ERISA or, for each top-hat plan, a copy of all filings with the DOL, (ii) the most recent determination letter issued by the IRS, (iii) the most recent summary plan description and all modifications, (iv) the text of the Employee Benefit Plan and of any trust, insurance, or annuity contracts maintained in connection therewith including any and all amendments thereto, (v) the most recent actuarial report, if any, relating to the Employee Benefit Plan, and (vi) the most recent actuarial valuation, study, or estimate of any retiree medical and life insurance benefits plan or supplemental retirement benefits plan.

(f) None of the Employee Benefit Plans is a “multiemployer plan” (within the meaning of Section 3(37) or 4001(a)(3) of ERISA) or a single employer pension plan (within the meaning of Section 4001(a)(15) of ERISA), including a single employer plan for which the Company could incur Liability under Section 4063 or 4064 of ERISA. The Company does not maintain or contribute to or in any way directly or indirectly have any Liability (whether contingent or otherwise) with respect to any “multi-employer plan.”

(g) No Employee Benefit Plan is subject to Title IV of ERISA. No contingent or other Liability with respect to which the Company has or could have any Liability existing under Title IV of ERISA to the Pension Benefit Guaranty Corporation (the “PBGC”) or to any Employee Benefit Plan or any plan sponsored by an employee organization that provides benefits to the Company’s employees, and no assets of the Company are subject to an Encumbrance under Section 4064 or 4068 of ERISA.

(h) All contributions (including all employer contributions and employee salary reduction contributions) required to be made to or with respect to each Employee Benefit Plan with respect to the service of employees or former employees as of the Closing Date and all contributions for any period ending on or before the Closing Date that are not yet due have been made or have been accrued for in the Books and Records of the Company. Except as set forth on Disclosure Schedule 4.20(h), the assets under each Employee Benefit Plan that is an “employee pension benefit plan” (as such term is defined in ERISA Section 3(2)) equal or exceed the present value of all vested and unvested liabilities thereunder, as determined in accordance with the terms of such Employee Benefit Plan, the Code, ERISA, and to the extent applicable, PBGC methods, factors, and assumptions applicable to employee pension benefit plans on the date of such determination.

(i) Each Employee Benefit Plan has been administered in accordance with the applicable provisions of ERISA, the Code, and applicable Law and with the terms and provisions of all documents or Contracts pursuant to which such Employee Benefit Plan is maintained.

(j) The Company has no obligation to any former employee, or any current employee upon retirement, under any Employee Benefit Plan or otherwise, other than those disclosed in Disclosure Schedules 4.20(a) through 4.20(h) hereto, and any Employee Benefit Plans can be terminated as of or after Closing without resulting in any Liability to Purchaser or the Company for any additional contributions, penalties, premiums, fees, fines, Taxes, or any other charges or Liabilities.

4.21 Compliance with Laws. The Company is, and has been, in material compliance with, and has no material (individually or in the aggregate) Liability under (except for Taxes that are not yet due and payable), any and all Laws affecting the assets, properties, liabilities, condition, operations or business of the Company. The Company has not received any written notice from, or to the knowledge of the Initial Members, otherwise been advised that, any Governmental Entity or other Person is claiming any such violation or potential violation of any Law.

4.22 Permits. The Company owns, holds or possesses all Permits necessary to entitle it to own or lease, operate and use its properties and to carry on and conduct its business as currently conducted, except to the extent that the failure to obtain such a Permit would not materially impact the ongoing operations of the Company. The Company has fulfilled and performed its respective obligations under each material Permit and no event has occurred or condition or state of facts exists which constitutes or, after notice or lapse of time or both, would constitute a material breach or default under any such Permit. No written notice of cancellation, of default or of any dispute concerning any such Permit, or of any event, condition or state of facts described in the preceding sentence, has been received by the Initial Members or the Company. There is no proceeding pending or, to the Initial Members’ knowledge, threatened to revoke, modify or otherwise fail to renew any such Permit. Each Permit is valid, subsisting and in full force and effect.

4.23 Brokers. Except in connection with the engagement of Signal Hill (whose fees shall constitute a Transaction Expense hereunder), none of the Initial Members or the Company has paid or become obligated to pay any fee or commission to any broker, finder, investment banker or other intermediary in connection with the transactions contemplated by this Agreement.

4.24 Taxes.

(a) Except as set forth on Disclosure Schedule 4.24(a), the Company has filed or caused to be filed, within the times and in the manner prescribed by applicable Tax Law, all Tax Returns which are required to be filed by, or with respect to, the Company. All such Tax Returns reflect correctly and completely all Liability for Taxes of the Company for the periods covered thereby. All Taxes payable by, or due from, the Company have been fully paid or adequately disclosed and fully provided for in the Financial Statements of the Company in accordance with GAAP (as Taxes payable or accrued Taxes). The Company has made adequate and timely installments of Taxes required to be made. All Taxes the Company is required by Law to withhold or to collect for payment have been duly withheld and collected, and have been paid or accrued and entered on the Books and Records of the Company. The unpaid Taxes of or with respect to the Company did not, as of the date of the most recent Financial Statements, exceed the reserve for Tax liability (excluding any reserve for deferred Taxes established to reflect timing differences between book and Tax income) set forth on the face of such Financial Statements and since the date of the Financial Statements.

(b) [This section is intentionally left blank]

(c) There are no outstanding agreements or waivers extending the statutory period of limitation or any agreement or request made of the Company providing for any extension of time for the filing applicable to any Tax Return of the Company. The Company has not received approval to make or agreed to a change in any accounting method (or any adjustment under Section 481(a) of the Code) or has any written application pending with any Tax Authority requesting permission for any such change. The Company is not bound by any contractual obligation requiring the indemnification or reimbursement of any Person with respect to the payment of any Tax.

(d) To the knowledge of the Initial Members, no claim or assertion has been made by any Tax Authority in a jurisdiction where the Company does not file Tax Returns that the Company is or may be subject to Taxes by that jurisdiction. The Initial Members have delivered to Purchaser complete and correct copies of all federal, state, provincial, local and foreign Tax Returns filed by the Company for all open years. Other than with respect to Taxes shown on Tax Returns described in this subsection, to the knowledge of the Initial Members, the Company is not subject to any Tax in any jurisdiction or by any Tax Authority.

(e) Except as set forth in Disclosure Schedule 4.24(e), no Action is pending or, to the knowledge of the Initial Members, threatened, by any Tax Authority for any audit, adjustment, examination, deficiency, assessment or collection from the Company of any Taxes; no unresolved claim for any deficiency, assessment or collection of any Taxes has been asserted against the Company and, to the knowledge of the Initial Members, no basis exists for any such Action, and the Company, to the knowledge of the Initial Members, will not be subject to any assessments, reassessments, levies, penalties or interest with respect to Taxes which will result in any Liability in respect of the Pre-Closing Period. All formal or informal Tax sharing, Tax allocation and Tax indemnity arrangements, if any, will terminate prior to Closing and the Company will have no Liability thereunder on or after Closing.

(f) There are no Encumbrances for Taxes (other than for current Taxes not yet due and payable) upon the assets of the Company.

(g) All Tax deficiencies determined as a result of any past completed audit have been satisfied. The Initial Members have delivered to Purchaser complete and correct copies of all audit reports and statements of deficiencies with respect to any Tax assessed against or agreed to by the Company for all open years. No

powers of attorney or other authorizations are in effect that grant to any Person the authority to represent the Company in connection with any Tax matter or proceeding. The Company is not a party to or bound by any closing agreement or offer in compromise with any Tax Authority.

(h) No property owned by the Company (a) is property required to be treated as being owned by another person pursuant to the provisions of Section 168(f)(8) of the Internal Revenue Code of 1954, as amended and in effect immediately prior to the enactment of the Tax Reform Act of 1986, (b) constitutes "tax-exempt use property" within the meaning of Section 168(h)(1) of the Code or (c) is "tax-exempt bond financed property" within the meaning of Section 168(g) of the Code.

(i) Disclosure Schedule 4.24(i) lists all federal, state, local and foreign income Tax Returns filed with respect to the Company for open taxable periods, and indicates those returns that have been audited. The Initial Members have delivered to Purchaser correct and complete copies of all such federal, state, local or foreign income Tax Returns, together with all examination reports, and statements of deficiencies assessed against or agreed to by the Company with respect thereto. The Company has never been a member of an affiliated group filing a consolidated, unitary or combined federal, state or local income Tax Return and has no Liability for the Taxes of any Person (other than the Company) as a transferee or successor, by contract, or otherwise.

(j) The Company has not participated in and will not participate in an international boycott within the meaning of Section 999 of the Code.

(k) The Company is not and has not been a party to either (i) any "reportable transaction," as defined in Code Section 6707A(c)(1) or Treas. Reg. Section 1.6011-4(b) or (ii) any "listed transaction" as defined in Code Section 6707A(c)(2) or Treas. Reg. Section 1.6011-4(b)(2).

(l) Except as set forth on Disclosure Schedule 4.24(l), the Company will not be required to include any item of income in, or exclude any item of deduction from, taxable income for any Post-Closing Period as a result of any:

- (i) change in method of accounting for a taxable period ending or prior to the Closing Date;
- (ii) "Closing Agreement" as described in Code Section 7121 (or any corresponding or similar provision of state, local or foreign income Tax Law) executed on or before the Closing Date;
- (iii) installment sales or open transaction disposition made on or prior to the Closing Date; or
- (iv) prepaid amount received on or before the Closing Date.

(m) The Company and the Initial Members are not persons other than a United States person within the meaning of the Code. The Company does not have and has not had a permanent establishment in any foreign country, as defined in any applicable tax treaty or convention between the United States and such foreign country.

(n) The transaction contemplated herein is not subject to the tax withholding provisions of Section 3406 of the Code or of any other provisions of the Code or any Law.

4.25 Members Services. Disclosure Schedule 4.25 sets forth a description of all services (other than employment) provided by the Initial Members or their respective Affiliates to the Company, as well as a description of all transactions and relationships between the Company on the one hand, and the Initial Members or their respective Affiliates (other than the Company) on the other, all of which occurred in the ordinary course of business. Except as provided in this Agreement, the consummation of the transactions contemplated herein will not result in any payment arising or becoming due from the Company to the Initial Members or their respective Affiliates.

4.26 Transactions with Affiliates. Except as provided in Disclosure Schedule 4.26, to the Initial Members' knowledge, no officer, director, manager or employee of the Company, the Members or any Affiliate of the

Members owns any shares of stock or other securities (other than ownership of publicly traded securities) of, or has any other direct or indirect interest in, any Person which has a business relationship (as creditor, lessor, lessee, licensor, licensee, supplier, dealer, distributor, franchisee, customer or otherwise) with the Company. Except as provided in Disclosure Schedule 4.25, no Designated Employee, officer, director or, to the Initial Members' knowledge, any other employee of the Company, the Members or their respective Affiliates has any business relationship (other than as an employee) with the Company. Except as provided in Disclosure Schedule 4.26, as of Closing, no current or former member, officer, director, manager or employee of the Company, or any Affiliate thereof, will owe any indebtedness to the Company.

4.27 Suppliers and Clients; Bids; Backlog; Ceiling.

(a) To the knowledge of the Initial Members, the relationship of the Company with its clients and customers (collectively "Clients") and independent contractors, consultants, business referral sources and other similar service providers (collectively, "Suppliers") is satisfactory. Disclosure Schedule 4.27(a) sets forth a list, for the preceding two (2) years and for the period January 1, 2011 through October 31, 2011, of (i) all of the Company's Suppliers who supplied the Company goods or services and invoiced the Company in excess of \$25,000 in the aggregate during such period by the dollar volume of services supplied, together with the aggregate value of services supplied by such Supplier, and (ii) all Clients of the Company who are parties to a Contract of the type described in Section 4.16.1(a) or 4.16.1(b) by dollar volume of goods or services purchased, and the amount purchased by each such Client. Except as set forth on Disclosure Schedule 4.27(a), none of the Suppliers or Clients listed or required to be listed on Disclosure Schedule 4.27(a) has discontinued or materially curtailed its business with the Company over the last two (2) years or, to the knowledge of the Initial Members, notified the Members or the Company of an intention to do so in the future. To the knowledge of the Initial Members, the transactions contemplated herein will not adversely affect the ongoing relationship of the Company's business with any Supplier or Client.

(b) Non-Governmental Bids. Disclosure Schedule 4.27(b) sets forth a true and correct list of each (i) quote, (ii) bid, (iii) proposal, (iv) response to a request for proposals, or (v) application for any agreement, that has not been accepted or rejected for a contract award, other than Government Bids (the "Non-Government Bids"). The Non-Government Bids were based on the Company's historical pricing practices and any resulting Contract and the performance thereof by the Company will not have a material negative impact on the Company or its financial results.

(c) Government Bids. Disclosure Schedule 4.27(c) sets forth true a true and correct list of each Government Bid and accurately identifies for each Government Bid complete and accurate information regarding: the project name; the contracting agency or prime contractor (as applicable); the customer agency; and the request for proposal number or other solicitation number and, (if such Government Bid is for a task order under a prime contract) the applicable prime contract number. The Government Bids were based on the Company's historical pricing practices and any resulting Government Contract and the performance thereof by the Company will not have a material negative impact on the Company or its financial results.

(d) Disclosure Schedule 4.27(d) is a true and correct copy of the Company's Government Contract backlog report as of October 31, 2011 (the "Base Backlog Report"). The Base Backlog Report accurately sets forth, as of October 31, 2011, (i) a true and correct list of all outstanding Government Contracts, (ii) the contract ceiling amount by Government Contract (including direct labor, subcontractor and other direct expenses), (iii) the funded contract value for each Government Contract, (iv) gross billings by Government Contract since inception and for the Company's fiscal year to date period, (v) remaining funding or unbilled amounts by Government Contract, and (vi) pending change orders by Government Contract. Since the date of the Base Backlog Report, there have been no material changes in the information described in subparts (i) through (vi) above.

(e) The Company has not exceeded the billing ceiling on any of its active non-Government Customer Contracts and, so long as Purchaser operates the Company's business on a basis generally consistent with

the Company's past practices, adequate ceiling value remains on each of such active Contracts to bill any unbilled accounts receivable balance and any remaining work to be performed under each such Contract, provided, however, the Initial Member's shall not be deemed to have breached this representation and there shall not be any Damages incurred by Purchaser with respect to this representation except to the extent the aggregate of (i) all unbilled amounts, plus (ii) all uncollected amounts, in excess of non-Government Customer Contract ceilings incurred by the Company in the year where an alleged breach of this representation occurs exceeds seven percent (7%) of the annual billings for such year.

(f) The Company has not exceeded the billing ceiling on any of its active Government Contracts and, so long as Purchaser operates the Company's business on a basis generally consistent with the Company's past practices, adequate ceiling value remains on each of such active Contracts to bill any unbilled accounts receivable balance and any remaining work to be performed under each such Contract.

4.28 Insurance. Disclosure Schedule 4.28(a) sets forth a list and description of all policies of insurance presently held or within the past three (3) years held by or for the benefit of the Company. The Company is the sole owner and beneficiary under each such policy. All insurance policies of the Company are in full force and effect and provide insurance in such amounts and against such risks as the management of the Company reasonably has determined to be prudent, taking into account the market conditions and industries in which the Company operates and is sufficient to comply with applicable Law. All premiums for such policies have been paid and the Company is not in breach or default, and the Company has not taken any action or failed to take any action which, with or without notice or the lapse of time, would constitute such a breach or default, or permit termination or modification of, any of such insurance policies. No notice has been received by the Initial Members or the Company from any insurance carrier purporting to cancel or refuse renewal, reduce or dispute coverage under any such insurance policy. Disclosure Schedule 4.28(b) includes a true and complete list of all claims made under any such policies during the preceding three (3) years, including any claims made under any directors and officers plan.

4.29 Real Property.

(a) The Company does not own, and has not previously owned, any real property.

(b) Disclosure Schedule 4.29(b) sets forth all real property leased or subleased to or by the Company. The Initial Members have delivered to Purchaser true, correct and complete copies of each lease or sublease (each, a "Lease") with respect to such real property. With respect to each of the Leases:

- (i) such Lease is legal, valid, binding, enforceable and in full force and effect without amendment and creates a valid leasehold estate in such leased property;
- (ii) except as set forth on Disclosure Schedules 4.7 and 4.8, the transactions contemplated by this Agreement do not require the consent of any other party to such Lease, will not result in a breach of or default under such Lease, and will not otherwise cause such Lease to cease to be legal, valid, binding, enforceable and in full force and effect on identical terms following the Closing;
- (iii) all rents and additional rents have been paid when due, no waiver, indulgence or postponement of the lessee's obligations has been granted by the lessor, none of the Company's possession and quiet enjoyment of the leased real property under such Lease has been disturbed and there are no disputes with respect to such Lease;
- (iv) neither the Company nor any other party to the Lease is in breach or default under such Lease, and no event has occurred or circumstance exists which, with the delivery of notice, the passage of time or both, would constitute such a breach or default, or permit the termination, modification or acceleration of rent under such Lease;
- (v) no security deposit or portion thereof deposited with respect to such Lease has been applied in respect of a breach or default under such Lease which has not been redeposited in full.

(c) The Company's use and occupancy of the leased real property identified in Disclosure Schedule 4.29(b) (collectively, the "Real Property"), is in compliance with all applicable Laws and all insurance requirements affecting the Real Property.

4.30 Bank Accounts. Disclosure Schedule 4.30 sets forth a true and complete list of each bank, deposit, lock-box or cash collection, management or other account, and each credit card account or program, owned or utilized by, or relating to the business conducted by, the Company (the "Bank Accounts"), including the owner of the account, the title and number of the account, the financial or other institution at which such account is located and the name of every Person authorized to draw thereon or having access thereto. All Bank Accounts will be owned by the Company following the Closing.

4.31 Government Contracts.

(a) List of Government Contracts. Disclosure Schedule 4.31(a) sets forth, by category (including a separate category for Set-aside Contracts) as of the date of this Agreement, all Government Contracts (including subcontracts) which either are currently active in performance or which have been active in performance since January 1, 2005 (excluding any Government Contracts which are no longer active in performance and for which the Company has been released from all Liability by such customer or supplier). True copies of all Government Contracts entered into by the Company have been provided to the Purchaser, including all amendments and modifications thereto (all of which amendments or modifications thereto are described in Disclosure Schedule 4.31(a)). Disclosure Schedule 4.31(a) accurately identifies for each such Government Contract, and any statements of work and change requests issued thereunder, current, complete and accurate information regarding: the contract name; the contract number; the contracting agency or prime contractor (as applicable); the customer agency; the contract award date; the security classification level (e.g., Confidential, Secret, Top Secret, etc.); and the type of contract. For Classified Contracts, the information set forth directly above will be provided in a classified annex to Disclosure Schedule 4.31(a), which shall provide the relevant information for Classified Contracts that may be reviewed by representatives of the Purchaser with the required United States Government personnel security clearance.

(b) Government Bids. None of the outstanding bids to Governmental Entities for prime contracts were or are designated in the solicitation as a Set-aside Contract or other order or contract requiring small business or other preferential bidder status nor did the Company claim "small business" or other "set-aside" or any other preferential bidder status. All Government Bids were submitted in the ordinary course of business of the Company and were based upon assumptions believed by the management of the Company to be reasonable and at profit margins consistent with existing Government Contracts and not as a "buy-in" or "loss-leader."

(c) Compliance. With respect to any and all Government Contracts and Government Bids to which the Company is or has been a party, the Company represents that at all times prior to the Closing Date:

- (i) each Government Contract listed in Disclosure Schedule 4.31(a) is in full force and effect and constitutes a legal, valid and binding agreement (and each Government Bid is a legal, valid and binding offer), enforceable in accordance with its terms;
- (ii) the Company and its predecessors are, and have been, in compliance with all terms and conditions of each Government Contract (including all provisions and requirements incorporated expressly, by reference or by operation of applicable Laws and regulations) and with all requirements of applicable Laws and regulations pertaining to each Government Contract and Government Bid and all requirements of Governmental Entities regarding such with respect to each Government Contract and Government Bid;
- (iii) except as set forth on Disclosure Schedule 4.16.1(g), none of the Government Contracts were awarded to the Company based, in whole or in part, on the Company's size or socio-economic status, including designation as a Set-aside Contract or other order or contract

requiring small business or other preferential bidder status nor did the Company claim “small business” or other “set-aside” or any other preferential bidder status in seeking award of any existing Government Contracts;

- (iv) neither the Company nor, to the Initial Members’ knowledge, any other party to a Government Contract is currently in breach of, or in default under, in any material respect, or has improperly terminated, revoked or accelerated, such Government Contract and no event has occurred which, with the passage of time or the giving of notice or both, would result in a condition of default or breach of contract or a violation of any applicable Laws and regulations with respect to a Government Contract or Government Bid;
- (v) the Company has not received any written (or, to the knowledge of the Initial Members, oral) notice or assertion regarding an alleged (A) breach, cure, show cause, stop work, default or similar notice or assertion regarding performance under a Government Contract or (B) violation of a requirement (including all provisions and requirements incorporated expressly, by reference or by operation of Law therein) in connection with a Government Contract or Government Bid, whether from a Governmental Authority or from any prime contractor, subcontractor, vendor or other third party;
- (vi) no Government Contract listed in Disclosure Schedule 4.31(a) has been the subject of a termination (whether for default, convenience or otherwise) of a Government Contract or, to the knowledge of the Initial Members, a communication threatening such a termination;
- (vii) all representations and certifications executed, acknowledged or set forth in or pertaining to each Government Contract and Government Bid (including any statements made in connection with the Procurement Integrity Law, 41 U.S.C. § 423, the Lobbying Disclosure Act of 1995, 2 U.S.C. § 1601-1612, the Byrd Amendment, 31 U.S.C. § 1352, and their associated implementing regulations) were current, accurate and complete in all respects as of their effective date, and such representations and certifications continued to be current, accurate and complete (and the Company has fully complied with such representations and certifications in all respects) to the extent required by the terms of the applicable Government Contract or Government Bid or by applicable Laws;
- (viii) the Company has maintained systems of internal controls (including cost accounting systems, estimating systems, purchasing systems, proposal systems, billing systems and management systems) that are and have been in compliance with all requirements of the Government Contracts and of applicable Laws and no such systems of internal controls has been determined by any Governmental Entity to be in noncompliance with any such requirement and, without limiting the foregoing, the practices and procedures used by the Company and its predecessors in estimating costs and pricing proposals and accumulating, recording, segregating, reporting and invoicing costs are in full compliance with FAR Part 31 and all applicable provisions of FAR Part 99 (Cost Accounting Standards) and related regulations;
- (ix) to the knowledge of the Initial Members, neither the Company nor any of its members, partners, principals, officers, employees, Affiliates, consultants, agents or representatives have had access to confidential or non-public information to which they were not entitled by Law;
- (x) neither the Company nor any of its partners, principals, officers, employees, Affiliates, and, to the knowledge of the Initial Members, consultants, agents or representatives has violated any applicable Law or administrative or contractual restriction associated with the employment of (or discussions concerning possible employment with) current or former officials or employees of a Governmental Entity (regardless of the branch of government),

including the so-called “revolving door” and “financial interest” restrictions set forth at 18 U.S.C. § 207 and § 208 in connection with any of the Company’s Government Contracts and Government Bids;

- (xi) (A) all pricing discounts and rebates have been properly reported to and credited to the customer under each Government Contract, and no Government Contract currently in performance is subject to, or anticipated to be subject to, price discounts at any level (including invoice discounts, “spot” discounts at individual rates, courtesy discounts or other discounts of any nature) or any price reduction, and (B) with respect to any Government Contract or other Contract with a customer that requires the Company to provide the lowest rate for the same or similar work for the same or similar customers, the Company has monitored and maintained any required discounting practices so as not to invoke any remedies that any customer may have with respect to discounting or lowest rate applicability;
- (xii) Disclosure Schedule 4.31(c)(xii) sets forth a description of all customer-furnished property including under what Government Contract such was provided to, or purchased by, the Company; customer-furnished property and equipment is properly accounted for and (i) is in the possession of the Company and in good operating condition and state of repair (reasonable wear and tear excepted) or (ii) has been returned to the customer and there are no outstanding loss, damage or destruction reports that have been or should have been submitted to any customer in respect of any customer-furnished property or equipment; and
- (xiii) there are no financing arrangements (including any assignments pursuant to the Assignment of Claims Act) with respect to any Government Contract or Government Bid.

(d) No Claims, Cost Challenges or Disallowances. There are no outstanding requests for equitable adjustment, Claims or requests for waiver or deviation from applicable requirements by or to any Governmental Entity or by any prime contractor, subcontractor, vendor or other third party arising under or relating to any Government Contract or Government Bid, and asserted by or against a Governmental Entity or any prime contractor, subcontractor, vendor or other third party arising under or relating to any Government Contract or Government Bid. There are no (i) outstanding disputes between the Company, on the one hand, and any Governmental Entity, on the other hand, under the Contract Disputes Act or any other federal or state Law governing disputes arising under public contracts; (ii) outstanding disputes between the Company, on the one hand, and any prime contractor, subcontractor or vendor, on the other hand, arising under or relating to any such Government Contract or Government Bid; or (iii) to the knowledge of the Initial Members facts upon which such a request for equitable adjustment, Action or dispute under a Government Contract or Government Bid may be based in the future. All invoices and Claims for payment, reimbursement or adjustment, including requests for progress payments and provisional or progress cost payments, submitted during the five-year period prior to the Closing Date by the Company or its predecessors in connection with a Government Contract or Government Bid were current, accurate and complete in all respects as of their respective submission dates, and the Company is not aware of any evidence that they are not still current, accurate and complete in all respects. To the Initial Members’ knowledge, no Governmental Entity has provided the Company with written notice, during the five-year period prior to the Closing Date, challenging, questioning or disallowing any costs aggregating, with respect to any Government Contract, in excess of \$10,000 incurred by the Company. Nor has there been any withholding, recoupment or set-off of any payment by a Governmental Entity or prime contractor or higher-tier subcontractor nor, to the knowledge of the Initial Members, has there been any attempt to withhold, recoup or set-off any money due under any Government Contract on any basis. If the Company has not received approved rates from the DCAA due solely to the timing of the Closing Date and not due to inaccuracies or other problems with the Company’s rate submission to the DCAA, and, as a result, the Company is operating under provisionally approved rates, to the Initial Members’ knowledge, there are no issues that would prevent the final approved rates from being received in a timely manner or would result in the final approved rates being materially different than the provisional rates;

(c) No Civil or Criminal Investigations. Neither the Company nor, to the Initial Members' knowledge, any of its members, managers, directors, principals, officers, employees, Affiliates, consultants, agents or representatives is currently under, or has been threatened to be (within the past five years) made the subject of, any audit or civil or criminal investigation by the United States Department of Justice, the Defense Criminal Investigative Service or any other Governmental Entity. At all times during the five-year period prior to the Closing Date:

- (i) the Company has not been and is not, and has not received any written (or, to the knowledge of the Initial Members, oral) notice of any allegation, complaint or determination by a Governmental Entity (or a prime contractor or subcontractor or anyone on behalf of a Governmental Entity) regarding any suspected, alleged or possible (1) defective pricing, (2) FAR and/or CAS noncompliance, (3) fraud, (4) false claims or false statements, (5) unallowable costs as defined in the FAR at Part 31, including those that may be included in indirect cost claims for prior years that have not yet been finally agreed to by the Defense Contract Audit Agency and/or the Administrative Contracting Officer, (6) any other monetary claims relating to the performance or administration of a Government Contract, or (7) any mischarging, improper payments, unauthorized release of information, or other irregularity, misstatement, omission or violation of Law or any administrative or contractual requirement related to a Government Contract or Government Bid (a "Contract Impropriety"), nor to the knowledge of the Initial Members do any set of facts exist that would constitute valid grounds for the assertion of any such Contract Impropriety;
- (ii) except for the subpoena described in Section 10.2(a)(iv) hereof, the Company has not received document requests, subpoenas, search warrants or civil investigative demands addressed to or requesting information involving the Company or its predecessors, members, managers, partners, principals, officers, employees, Affiliates, consultants, agents or representatives in connection with or concerning any information related to a Government Contract or Government Bid;
- (iii) to the knowledge of the Initial Members, neither the Company nor any of its members, partners, principals, officers, employees, affiliates, consultants, agents or representatives, has been under administrative, civil or criminal investigation, or any indictment or criminal information with respect to any aspects of performance or other activity relating to any Government Contract or Government Bid (an "External Investigation");
- (iv) the Company has not received any written (or, to the knowledge of the Initial Members, oral) notice of any judicial, administrative or contractual penalties or damages imposed or threatened to be imposed on the Company or its predecessors related to any Government Contract or Government Bid;
- (v) the Company has not made any voluntary disclosure or mandatory disclosure to, been required under Governmental Entity regulations to make any mandatory disclosure to, or entered into a consent order or administrative agreement (including a Corporate Integrity Agreement) with a Governmental Entity with respect to any suspected, alleged or possible fraud, defective pricing, mischarging, improper payments, unauthorized release of information, irregularity, misstatement, omission or violation of Law or any administrative or contractual requirement related to a Government Contract or Government Bid;
- (vi) to the knowledge of the Initial Members there are no draft or final reports of any audit or External Investigation or other investigation conducted with respect to any Government Contract (or Government Bid); and
- (vii) neither the Company nor the Initial Members has, in connection with the award, performance, or closeout of a Government Contract on which the contractor has received final payment in the last three (3) years, credible evidence of (a) a violation of Federal

criminal law involving fraud, conflict of interest, bribery, or gratuity violations found in Title 18 of the United States Code; or
(b) a violation of the civil False Claims Act; or (c) credible evidence of a significant overpayment.

(f) No Suspension or Debarment. Neither the Company nor, to the knowledge of the Initial Members, its members, partners, Affiliates, principals, officers, Employees, agents, representatives, consultants, suppliers or subcontractors is currently or within the past five years has been the subject of a finding of non-responsibility or ineligibility for U.S. government contracts or any government contracting with any Governmental Authority or a determination debarment, suspension or exclusion from participation in programs funded by any Governmental Authority or in the award of any Government Contract, nor have any of them been listed on the List of Parties Excluded from Federal Procurement and Nonprocurement Programs ("Excluded Parties Listing") maintained by the government of the United States of America, nor to the knowledge of the Initial Members has any such debarment, suspension or exclusion proceeding or proposed Excluded Parties Listing been initiated or threatened in the past five years and the Company does not have any reasonable basis to expect any such proceedings will be initiated.

(g) Past Performance Determinations. Neither the Company nor its predecessors received any written (or, to the knowledge of the Initial Members, oral) notice of a past performance evaluation with an overall rating of less than "satisfactory" performance (or other similar rating denoting less than satisfactory performance) in connection with any Government Contract in the past five years.

(h) Organizational Conflicts of Interest. Neither the Company nor any of its members, officers, employees, Affiliates, or to the knowledge of the Initial Members, the Company's consultants, agents or representatives have had access to confidential or non-public information, nor provided systems engineering, technical direction, consultation, technical evaluation, source selection services or services of any type, nor prepared specifications or statements of work, nor engaged in any other conduct that would create an actual, apparent or potential Organizational Conflict of Interest, as defined in FAR 9.501, with respect to the work performed or anticipated to be performed under any Government Contract or proposed contract in connection with a Government Bid or other business of the Company or, to the knowledge of the Initial Members, that would restrict the Company's future business activities or the future business activities of the Purchaser. No Governmental Entity nor any prime contractor or subcontractor has provided the Company with any notice asserting or regarding any actual, apparent or potential Organizational Conflict of Interest.

(i) Lack of Recourse. The Company has no Liabilities due to a lack of recourse against any subcontractor with respect to any indemnification demand the Company may receive pursuant to a Government Contract.

(j) At Risk. Except as set forth on Disclosure Schedule 4.31(j), the Company is not performing work under any Government Contract, or any anticipated option exercise or modification thereof prior to award, option exercise or modification, or has made any expenditures or incurred costs or obligations in excess of any applicable limitation of government liability, limitation of cost, limitation of funds or other similar clause(s) limiting any Governmental Entity's liability on any Government Contract (collectively, "At Risk").

(k) Assignments. Except as set forth on Disclosure Schedule 4.31(k), the Company has not made any assignment of any Government Contract, or of any right, title or interest in or to any Government Contract to any Person. The Company has not entered into any financing arrangements with respect to the performance of any Government Contract.

(l) No Contingent Fees. No facts, events or other circumstances exist that violate or otherwise constitute a basis on which any Governmental Entity or any other Person might reasonably claim to violate the covenant against contingent fees under any Government Contract.

(m) Multiple Award Schedules.

- (i) With respect to each multiple award schedule Government Contract, the Company has correctly tracked all sales to the basis of award customer (or category of customers) and diligently and accurately ensured that it has maintained the Governmental Entity's price or discount relationship to the identified basis of award customer (or category of customers) agreed to by General Services Administration ("GSA") and the Company at time of award or pricing of such Government Contract.
- (ii) Disclosure Schedule 4.31(m)(ii) sets forth a description of the processes that the Company has implemented to track sales to the basis of award customer (or category of customer) to assure compliance with the Price Reductions Clause in each multiple award schedule Government Contract. The Company has not submitted any Commercial Sales Practices, discounting information, or pricing data that was not current, accurate or complete in all material respects as of the certification date in connection with the award or renewal of the Company's multiple award schedule Government Contracts. The Company has complied with the notice and pricing requirements of the Price Reductions Clause in each multiple award schedule Government Contract, and there are no facts or circumstances that could reasonably be expected to result in a demand by any Governmental Entity for a refund based upon the Company's failure to comply with the Price Reductions Clause, or an assertion by any Government Entity of defective pricing.
- (iii) Except as set forth on Disclosure Schedule 4.31(m)(iii), the Company has filed all reports related to, and paid all industrial funding fees required to be paid by it under, any multiple award schedule Government Contract.
- (iv) Disclosure Schedule 4.31(m)(iv) lists each pre-award and post-award audit or review conducted by GSA of the Company's multiple award schedule Government Contracts. A complete and accurate copy of the report of each such audit has been made available by the Company to Purchaser.

4.32 Security Clearances. The Company is in compliance with all applicable Laws regarding national security, including those obligations specified in the National Industrial Security Program Operating Manual, DOD 5220.22-M (January 1995) ("NISPOM"), and any supplements, amendments or revised editions thereof, and including all applicable Laws relating to contract security, government security, personnel clearances, confidentiality and secrecy legislation and import and export requirements. Disclosure Schedule 4.32 sets forth a list and description of all security clearances currently held by or for the benefit of the Initial Members, the Company or its employees (the "Security Clearances"). The Security Clearances constitute all security clearances necessary or appropriate for the operation of the Company and its business. No event has occurred or condition or state of facts exists which constitutes or would constitute a violation or breach of any such Security Clearance. No notice of cancellation, of violation or of any dispute concerning any such Security Clearance has been received by the Initial Members or the Company. There is no proceeding pending or, to the Initial Members' knowledge, threatened to revoke, modify or otherwise fail to renew any such Security Clearance. Each Security Clearance is valid, subsisting and in full force and effect. Disclosure Schedule 4.32 describes any actions that must be taken in respect to the Security Clearances to ensure that such Security Clearances remain in place following Closing.

4.33 Foreign Corrupt Practices; Export Compliance.

(a) Foreign Corrupt Practices. Neither the Company nor any Affiliate of the Company, nor any other Person associated with or acting for or on behalf of the any of the foregoing, has directly or indirectly taken any action that would cause the Company to be in violation of the United States Foreign Corrupt Practices Act of 1977, as amended ("FCPA"). Neither the Company, nor any Affiliate of the Company, nor any other Person associated with or acting for or on behalf of any of the foregoing, has directly or indirectly (a) made

any contribution, gift, bribe, rebate, payoff, influence payment, kick-back, or other similar payment to any Person, private or public, regardless of form, whether in money, property or services (i) to obtain preferential treatment in securing business, (ii) to pay for preferential treatment for business secured, (iii) to obtain special concessions or for special concessions already obtained, for or in respect of the Company or any Affiliate of the Company, or (iv) in violation of any applicable Laws, or (b) established or maintained any fund or asset that has not been recorded, or made any false or fictitious entries to disguise any such payment, in the Books and Records of the Company. All payments to agents, consultants and others made by the Company have been in payment of bona fide fees and commissions.

(b) Export Compliance.

- (i) The Company has complied, in all respects, with the Arms Export Control Act, the International Traffic in Arms Regulations, the Export Administration Act (“EAA”), the Export Administration Regulations, the International Emergency Economic Powers Act (“IEEPA”), the antiboycott and embargo regulations and guidelines issued under the EAA and IEEPA (and other legal authority), the economic sanctions regulations of the U.S. Department of the Treasury, Office of Foreign Assets Control, U.S./Canada Joint Certification Program and U.S. Customs requirements, including the Laws enforced by the U.S. Department of Homeland Security, Customs & Border Protection.
- (ii) The Company and the officers, managers and directors of the Company are not the subject of any indictment for nor have they been convicted of violating the FCPA or any of the statutes or regulations referenced in Section 4.33(b)(i), nor are they ineligible to contract with, or to receive a license or other approval to export or import articles or services subject to U.S. export control statutes and regulations from, or to receive an export license or other approval from, any agency of the United States Government.

4.34 Disclosure and Reliance. Neither the information set forth in this Agreement nor the disclosures in the Disclosure Schedule contain any untrue statement of material fact or omit to state any material fact necessary in order to make the Initial Members’ representations, warranties or disclosures not misleading in light of the circumstances in which made. The representations and warranties made herein are made by the Initial Members with the expectation that Purchaser is placing reliance thereon.

ARTICLE V
REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser hereby represents and warrants to the Initial Members as follows:

5.1 Organization; Authority. Purchaser is a corporation duly organized, validly existing, and in good standing under the laws of the State of Delaware. Purchaser has the requisite corporate power and authority to enter into this Agreement and the Ancillary Agreements to which it is a party, to perform its obligations hereunder and thereunder, and to consummate the transactions contemplated hereby and thereby.

5.2 Authorization. The execution, delivery and performance by Purchaser of this Agreement and the Ancillary Agreements to which it is a party, have been duly authorized by all necessary corporate action on the part of Purchaser.

5.3 Due Execution; Binding Obligations. This Agreement has been duly executed and delivered by Purchaser. This Agreement constitutes a legal, valid and binding agreement of Purchaser, enforceable against Purchaser in accordance with its terms.

5.4 No Conflict or Violation. Neither the execution and delivery of this Agreement and the Ancillary Agreements, nor the consummation of the transactions contemplated hereby and thereby will result in (a) a

violation of, or a conflict with, charter documents of Purchaser or any subscription, shareholders, or similar agreements or understandings to which Purchaser is a party; (b) a breach of, or a default (or an event which, with notice or lapse of time or both would constitute a default) under, or result in the termination of, or accelerate the performance required by, or create a right of termination under any material contract or any encumbrance or Permit to which Purchaser is a party or by which its property or business is bound or affected; (c) a violation by Purchaser of any applicable Law; (d) a violation by Purchaser of any order, judgment, writ, injunction decree or award to which Purchaser is a party or by which Purchaser is affected or (e) an imposition of an Encumbrance on any property or asset of Purchaser.

5.5 Consents and Approvals. No consent, Permit, approval or authorization of, or declaration, filing, application, transfer or registration with, any Governmental Entity or any other Person is required to be made or obtained by Purchaser by virtue of the execution, delivery or performance of this Agreement.

5.6 Brokers. Purchaser has not paid or become obligated to pay any fee or commission to any broker, finder, investment banker or other intermediary in connection with the transactions contemplated by this Agreement.

5.7 Ability to Make Payment. On the date hereof, Purchaser has and, as of the Closing Date, Purchaser will have, sufficient funds with which to pay the Purchase Price.

5.8 No Other Representations. In entering into this Agreement, Purchaser acknowledges that, except for the specific representations and warranties of the Initial Members set forth in this Agreement or the certificates delivered pursuant hereto, the Initial Members have not made to Purchaser any other representations or warranties.

ARTICLE VI COVENANTS AND AGREEMENTS

6.1 Access to Information. Between the date of this Agreement and the Closing Date, the Initial Members shall, and shall cause the Company to, provide Purchaser and its Representatives full access during normal business hours to all personnel, properties, customers, Books and Records, Corporate Records, Contracts, Permits and other documents of or relating to the Company to make such investigation as shall reasonably be deemed desirable; provided that access to customers and employees shall be subject to the prior written consent of the Company, such consent not to be unreasonably withheld or delayed. The Initial Members shall furnish or cause to be furnished to Purchaser and its Representatives all data and information concerning the Company and its business, assets and properties as may reasonably be requested, including access to officers and employees and representatives of the Company. Notwithstanding any such investigation, whether occurring before or after the date of this Agreement, Purchaser has the unqualified right to rely upon, and has relied upon, each of the representations, warranties and covenants made by the Initial Members in this Agreement, subject to the disclosures in the Disclosure Schedules, and no such investigation performed or information received by Purchaser or its Representatives shall affect in any way the Liability of the Initial Members with respect to any representations, warranties or covenants contained herein. Without limiting the generality of the foregoing, the Initial Members shall, as promptly as practicable, inform Purchaser in writing of any change or event which renders any representation or warranty or any Disclosure Schedule inaccurate or incomplete in any material respect, it being understood that no such disclosure after the date hereof shall in any way limit the Initial Members' Liability for any breach of any representation or warranty set forth in this Agreement. For the avoidance of doubt all such access shall be subject to the Confidentiality Agreement, the terms and conditions of which survive the execution and delivery of this Agreement.

6.2 Conduct of Business. Except as specifically contemplated by this Agreement, from the date hereof through the Closing Date, the Initial Members covenant that the Company shall conduct and operate its business in the ordinary course and consistent with past practice, and will use commercially reasonable efforts to preserve intact its business relationships, to keep available the services of its employees and to maintain satisfactory relationships with its customers and other Persons having a business relationship with it. Except as provided on

Exhibit 6.2 and as contemplated by this Agreement, without limiting the generality of the foregoing, the Initial Members shall not, and shall cause the Company not to, without the prior written consent of Purchaser:

- (a) enter into, amend, waive, rescind, terminate, or submit a bid or proposal for any Material Contract, other than immaterial change orders in the ordinary course of business consistent with past practice;
- (b) enter into any Customer Contract that provides for, or amend any Customer Contract to provide for, contract billing rates which vary from those rates which apply as of the date of this Agreement;
- (c) increase in any manner the compensation of, or enter into any new bonus, incentive, employee benefits, severance or termination agreement or arrangement with, any employee;
- (d) make any capital investment in, any loan to, or any acquisition of the securities or assets of, any other Person (or series of related capital investments, loans and acquisitions);
- (e) sell, transfer, dispose of, or agree to sell, transfer, assign or dispose of, or create an Encumbrance on, any assets, properties, Intellectual Property, know-how, inventions or trade secrets or other rights, other than (i) the sale, transfer or disposition of obsolete or unusable assets immaterial to the Company, (ii) the payment of salaries and (iii) the use of supplies in the ordinary course of business;
- (f) declare, set aside or pay any dividend or other distribution or similar payment, other than cash dividends which will be paid in full prior to Closing;
- (g) authorize for issuance, issue or commit to issue, any membership interests or other equity securities, other than the Additional Interests contemplated herein, or any securities convertible into or exchangeable or exercisable for membership interests or other equity interests;
- (h) accelerate the collection of any Accounts Receivable or delay the payment of any Accounts Payable, except in the ordinary course of business consistent with past practice;
- (i) initiate, send, accelerate or otherwise seek to collect, any client billings, other than in the normal ordinary course consistent with past practice and consistent the terms of the applicable Contract;
- (j) adopt or propose any amendment or supplement to or restatement of the charter documents, operating agreement or other organizational documents of the Company; and
- (k) enter into any commitment (contingent or otherwise) to do any of the foregoing.

The Initial Members shall, and shall cause the Company, to keep intact all existing insurance arrangements and Employee Benefits Plans existing as of the date hereof until the Closing, and shall not amend such arrangements or Plans, except as necessary to perform their obligations under this Agreement (including, without limitation, as needed to terminate the 401(k) Plan and transfer Employee Benefit Plans to Affiliates, each as of Closing). From the date hereof through the Closing Date, the Initial Members shall not permit the Company to (i) hire any new employee with a base salary in excess of \$100,000 without obtaining Purchaser's prior written consent, or (ii) terminate any Designated Employee without obtaining Purchaser's prior written consent. The Company shall not engage in any transaction with any of its Affiliates without the prior written consent of Purchaser, which consent may be withheld in Purchaser's sole discretion.

6.3 Negotiations. From the date of this Agreement, the Initial Members shall not, and shall not permit the Company to, directly or indirectly, through any Representative or otherwise, provide information to, solicit or entertain offers from, negotiate with or in any manner encourage, discuss, accept or consider any proposal of any other Person relating to the acquisition of the Interests or of any of the assets of the Company, in whole or in part, whether through direct purchase, merger, consolidation, sale of equity interest or other business combination or joint venture. The Company and the Initial Members will immediately notify Purchaser regarding any contact between the Company, the Initial Members or any of their Representatives and any other Person regarding any such offer or proposal or any related inquiry.

6.4 Reasonable Efforts. Each of the parties hereto agrees to use their commercially reasonable efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary to satisfy the conditions set forth herein as soon as practicable, including commercially reasonable efforts necessary to obtain all waivers, Permits, consents, approvals, authorizations and clearances and to effect all registrations, filings and notices with or to third parties or Governmental Entities which are necessary or desirable in connection with the transactions contemplated by this Agreement (including filings under the HSR Act and any requests for supplemental information in connection therewith). No party hereto will take any action for the purpose of delaying, impairing or impeding the receipt of any required consent, authorization, order or approval or the making of any required filing or registration. In case at any time before or after the Closing any further action is necessary or desirable to carry out the purposes of this Agreement, each of the parties will cooperate with the other and take such further action (including the execution and delivery of such further instruments and documents) as the other party reasonably may request. Notwithstanding anything to the contrary in this Agreement, nothing in this Agreement shall require Purchaser or its Affiliates to dispose of or make any change in or to any portion of its business or to incur any other burden to obtain any consent, clearance, waiver, authorization or approval.

6.5 Publicity. Except to the extent otherwise required by Law or applicable stock exchange, none of the parties shall issue or authorize to be issued any press release or similar announcement concerning this Agreement or any of the transactions contemplated hereby without the prior written approval of the others, which approval shall not be unreasonably withheld. The parties agree that they will consult with each other concerning any such proposed press release or other announcement and shall use reasonable commercial efforts to agree upon the text of any such press release or the making of any such announcement.

6.6 Payment of Bonuses, Commissions, or Other Incentives. Immediately prior to Closing, the Initial Members shall take all action necessary to cause the Company to pay all bonuses, commissions and other incentive compensation relating to the period through the Closing Date, including all bonuses and incentive compensation for calendar year 2011, or payable as a result of, or in connection with, the transaction contemplated by this Agreement.

6.7 Indebtedness. Not later than three (3) Business Days prior to the Closing Date, the Initial Members shall deliver to Purchaser (i) a schedule setting forth all Debt as of the Closing Date, which schedule shall set forth the name of each Debt holder and the amount owed by the Company thereto (the “Debt Schedule”), and (ii) appropriate payoff letters, in form and substance reasonably acceptable to Purchaser, from each such Debt holder (the “Payoff Letters”). Prior to Closing, the Company shall have received payment in full for any and all indebtedness owed to the Company by any current or former member, officer, director, manager or employee of the Company, or any Affiliate thereof.

6.8 Receivables. Any Accounts Receivable that remain uncollected one hundred eighty (180) calendar days after the Closing Date shall be, at Purchaser’s option, immediately repurchased by the Initial Members at their face value as stated in the calculation of the Closing Adjustment Amount, net of any applicable bad debt reserve associated therewith and included in the calculation of the Closing Adjustment Amount, plus interest thereon from the Closing Date to the date of repurchase at a rate of eight percent (8%) per annum. Following Closing, to the extent that Purchaser, on the one hand, or the Initial Members, on the other, (or their Affiliates) receives payment of receivables owned by the other party (or their Affiliates), Purchaser, and the Initial Members agree to promptly remit such proceeds to the other party. For the avoidance of doubt, any repurchase pursuant to this Section 6.8 shall not be applied toward the satisfaction of the Basket. Nothing set forth in this Agreement shall be deemed to restrict in any way the Initial Members right to collect any Accounts Receivable purchased pursuant to this Section 6.8 and Purchaser shall pay over to the Initial Members any amounts received by Purchaser or Company in respect of any such Accounts Receivable. Purchaser shall not be entitled to Damages for a breach of the representation set forth in Section 4.15 to the extent that an Account Receivable is repurchased by the Initial Members in accordance with this Section 6.8.

6.9 Bids; Backlog. At or before Closing, the Initial Members shall update and provide to Purchaser, as of the date two Business Days prior to the Closing Date, Disclosure Schedules 4.27(b), 4.27(c), and 4.27(d).

6.10 Insurance. At or before Closing, the Company shall purchase, at the expense of the Initial Members, three (3) year prepaid extended reporting period coverage for the directors and officers, errors and omissions, professional and employment practice liability insurance policies from the current provider of the Company's insurance policies providing coverage substantially equivalent to existing insurance policies and endorsements.

6.11 401(k) Plan. Immediately prior to Closing, the Initial Members shall take all action necessary to cause the Company to terminate, by resolution adopted by the Company's members, in form acceptable to Purchaser, effective as of Closing, without post-Closing Liability to the Company, the 401(k) Plan. Such termination shall provide that all participants in the 401(k) Plan shall be fully vested in their account balances under the 401(k) Plan.

6.12 Initial Members' Representative Agreement.

6.12.1 Each Initial Member hereby irrevocably appoints Karen Booth Adams (the "Members' Representative") as the sole representative of the Initial Members to act as their agent and on behalf of such Initial Members regarding any matter relating to or under this Agreement, including for the purposes of: (i) making decisions with respect to the adjustments under Section 3.4 or disbursing Escrow Amounts with respect thereto; (ii) taking any and all actions that may be necessary or desirable, as determined by Members' Representative, in her sole discretion, in connection with this Agreement or the Escrow Agreements; and (iii) taking any and all actions that may be necessary or desirable, as determined by Members' Representative, in her sole discretion, in connection with negotiating or entering into settlements and compromises of any claim for indemnification pursuant to Article X or disbursing the Escrow Amounts with respect thereto. As the representative of the Initial Members, the Members' Representative shall act as the agent for all Initial Members, shall have the authority to bind each such Person in accordance with this Agreement, and Purchaser may rely on such appointment and authority until the receipt of notice of the appointment of a successor upon two (2) Business Days' prior written notice to Purchaser. Purchaser may conclusively rely upon, without independent verification or investigation, all decisions made by the Members' Representative in connection with this Agreement or the Escrow Agreements.

6.12.2 The Members' Representative shall not resign her position without the written consent of the Purchaser (which consent shall not be unreasonably withheld). If the Members' Representative resigns, dies or becomes disabled and is unable to perform her duties under this Agreement, then the Initial Members holding a majority of the Initial Member Interests (as of immediately prior to the Closing) shall promptly appoint a replacement Members' Representative, and will promptly notify Purchaser of such replacement, including a duly executed acceptance from such replacement, in form and substance reasonably acceptable to Purchaser.

6.12.3 Neither the Members' Representative nor any of her Affiliates, as the case may be, will have any Liability to the Initial Members or to any other Person with respect to actions taken or omitted to be taken by the Members' Representative in that capacity, except that the foregoing shall not relieve the Members' Representative of any Liability with respect to any action which is finally determined by a court of competent jurisdiction to constitute gross negligence, bad faith or willful misconduct on the part of the Members' Representative.

6.12.4 Each of the Initial Members hereby agree to indemnify and hold harmless the Members' Representative and her Affiliates (the "Members' Representative Parties"), from any losses that a Members' Representative Party may suffer or incur in connection with the performance of the Members' Representative's duties and obligations in connection with this Agreement, or any of the Ancillary Agreements (including the Escrow Agreements), except to the extent such actions are finally determined by a court of competent jurisdiction to constitute gross negligence, bad faith or willful misconduct on the part of such Members' Representative.

6.12.5 The fees, costs and expenses of the Members' Representative incurred following the Closing Date, including any fees and expenses incurred by it in connection with the retention of any legal counsel,

experts (including expert witnesses), consultants and other representatives engaged by her whether involving a claim for indemnification or otherwise, shall be borne solely by the Initial Members pro rata and in accordance with their the Initial Member Interests (as of immediately prior to the Closing) within ten (10) Business Days after a written request therefore is made by the Members' Representative.

6.13 Incentive Plan. Immediately prior to Closing, the Initial Members shall take all action necessary to cause the Company to (i) terminate, effective as of Closing, without post-Closing Liability to the Company, the Incentive Plan, and (ii) convert all outstanding incentive units under the Incentive Plan to Additional Interests, as further described in Section 2 hereof.

6.14 Benefit Plans. The Company may assign or otherwise transfer its health, dental and other benefit plans identified on Exhibit 6.14 to one or more Affiliates prior to Closing, provided that such assignment or transfer does not adversely impact the Company or Purchaser. As of Closing, the Company's employees shall cease to participate in the Company's (and its Affiliates') benefit plans and shall begin participation in certain plans of Purchaser or its Affiliates. Effective as of the Closing, the Company shall take such actions as required, including executing plan amendments, to transfer sponsorship of the employee benefit plans identified on Exhibit 6.14, together with all assets, including cash, cash equivalents or other mutually acceptable property, and all Liabilities, including loans, with respect to the account balances of each participant thereunder, to one or more Affiliates of the Company, and following the Closing, neither Purchaser nor the Company shall assume or retain any employee benefit plans identified on Exhibit 6.14 or any Liability whatsoever related to such employee benefit plans. Effective as of the Closing, the Company shall assign its rights, duties, and obligations under any trust agreements and under any agreements with service providers related to any employee benefit plan identified on Exhibit 6.14 to one or more Affiliates of the Company. Prior to Closing, the Company shall terminate its status as "plan administrator" for any employee benefit plan identified on Exhibit 6.14. The Company shall take such actions as required, including executing plan amendments, to cause Company's employees to cease to be eligible to participate in the employee benefit plan identified on Exhibit 6.14. The Initial Members shall use their reasonable best efforts to take all actions, including the execution and delivery of all documents, prior to Closing to effect and carry out the items and actions described in this Section 6.14. Notwithstanding anything to the contrary in this Agreement, the Initial Members shall promptly reimburse Purchaser and the Company upon demand for all reasonable costs and expenses incurred by Purchaser or the Company on or after the Closing Date to effect or carry out the items described in this Section 6.14.

6.15 Transaction Expenses. Not later than three (3) Business Days prior to the Closing Date, the Initial Members shall deliver to Purchaser a schedule setting forth all unpaid Transaction Expenses as of the Closing Date, which schedule shall set forth (i) each Person entitled to payment of a Transaction Expense, (ii) amount of the Transaction Expense owed by the Company to each such Person as of the Closing Date, and (iii) wire transfer instructions for each such Person (the "Transaction Expense Schedule").

6.16 Salaries. Immediately prior to Closing, the Company shall pay all salaries and wages owed to employees through the Closing Date.

6.17 Schedule Update. The Initial Members shall have the right after the date of this Agreement, but not later than three (3) Business Days prior to the Closing Date, to amend and supplement the information contained in (i) Disclosure Schedule 4.16.1, but solely to disclose any new Contracts which have been entered into after the date hereof by the Company as permitted by, and in accordance with, Section 6.2 hereof, (ii) Disclosure Schedules 4.19(a) and 4.19(c), but solely to disclose changes which occurred after the date hereof, without violation of the terms of this Agreement, to the items required to be disclosed pursuant to the first sentence of Section 4.19(a) and the first sentence of Section 4.19(c), and (iii) Disclosure Schedule 4.19(f), but solely to disclose the immigration status of any employee hired in accordance with applicable law after the date hereof by the Company as permitted by, and in accordance with, Section 6.2 hereof.

6.18 Withdrawal Agreement. The Initial Members shall cause the Withdrawal Agreement to be executed and delivered to Purchaser at Closing by the Additional Members and the Initial Members.

ARTICLE VII
CONDITIONS PRECEDENT TO PURCHASER'S PERFORMANCE

The obligation of Purchaser to consummate the transactions contemplated by this Agreement is subject to the satisfaction, at or before the Closing, of each of the following conditions, unless waived in writing by Purchaser, in its sole discretion:

7.1 Accuracy of Representations and Warranties. All representations and warranties of the Initial Members contained in this Agreement or in any document attached hereto shall be true and correct in all material respects (or, where the representation and warranty is qualified by materiality, it shall be true and correct in all respects, subject to such materiality qualifier) when made and on and as of the Closing Date as though made at that time, except to the extent that any such representation or warranty is made as of a specified date, in which case such representation or warranty shall be true and correct in all material respects (or, where the representation and warranty is qualified by materiality, it shall be true and correct in all respects, subject to such materiality qualifier) as of such date.

7.2 Performance of Covenants. All covenants, agreements and obligations required by the terms of this Agreement to be performed, satisfied or complied with by the Initial Members or the Company at or before the Closing Date shall have been duly and properly performed.

7.3 No Material Adverse Change. Since the date of this Agreement, there shall have been no event or circumstance which has resulted in, or could reasonably be expected to result in, a Material Adverse Change.

7.4 Officer's Certificate. Purchaser shall have received a certificate, dated the Closing Date, signed by each Initial Member certifying that the conditions specified in Sections 7.1, 7.2 and 7.3 have each been fulfilled.

7.5 No Injunction, etc. There will not be any order of any court or governmental agency restraining or invalidating the transactions which are the subject of this Agreement or any pending litigation or other Action by an unrelated third party to such effect or seeking damages from Purchaser or the Company if the transactions which are the subject of this Agreement are completed.

7.6 HSR Act. All applicable waiting periods specified in the HSR Act shall have expired or been terminated.

7.7 Designated Employees. Each of the Designated Employees shall have confirmed to Purchaser at Closing their compliance with the terms and conditions of the Designated Employee Agreements and their intention to continue employment after Closing with Purchaser pursuant to the terms and conditions of the Designated Employee Agreements.

7.8 Other Employees. At least ninety percent (90%) of the Company's full-time, direct billable employees, other than Designated Employees, as of October 31, 2011, and who have been offered employment by Purchaser, shall have accepted such offers, and shall have executed Purchaser's standard employment documentation provided by Purchaser.

7.9 Consents. The consents, authorizations, and approvals listed on Disclosure Schedule 4.7 and 4.8 shall have been duly obtained or made.

7.10 Approval of Actions and Documents. All actions to be taken by the Initial Members and the Company in connection with the consummation of the transactions contemplated hereby and the form and substance of all certificates, instruments and other documents delivered to Purchaser under this Agreement shall be reasonably satisfactory in all respects to Purchaser.

7.11 Termination of Arrangements. The Initial Members shall have delivered to Purchaser evidence reasonably satisfactory to Purchaser of (i) the termination or satisfaction of all Debt not reflected in the Payoff

Letters described in Section 6.7, including the termination of all underlying credit and related Contracts, (ii) the termination and release of any and all Encumbrances relating to the Company or any of its Assets, other than those Encumbrances referred to and addressed to Purchaser's satisfaction in the Payoff Letters, (iii) the termination and release of any Guaranty made by the Company, (iv) the termination of the Company's 401(k) Plan as described in Section 6.11 hereof, (v) the termination of the Company's Incentive Plan as described in Section 6.13, and conversion of all outstanding units under the Incentive Plan to Additional Interests, (vi) the payment of all employee bonuses, commissions or other incentive compensation as described in Section 6.6, (vii) the termination of the Contracts listed on Exhibit 7.11(a), or the amendment of such Contracts to eliminate any noncompete obligations of the Company thereunder, (viii) the termination of the Contracts listed on Exhibit 7.11(b), and (ix) the delivery by the Company of written notice of Contract termination with respect to the Contracts listed on Exhibit 7.11(c).

7.12 Backlog. There shall have been not material (individually or in the aggregate) changes reflected in the updated backlog report provided pursuant to Section 6.9 from the Base Backlog Report, other than performance, billing and collections in the ordinary course consistent with the Customer Contracts reflected therein.

7.13 Incentive Plan. The Company shall amend the Incentive Plan in a manner reasonably acceptable to Purchaser so that all payments thereunder are permitted payments under Code Section 409A.

7.14 IGS. IGS shall, prior to Closing, be liquidated and dissolved in a manner reasonably acceptable to Purchaser.

7.15 Ironworks Ventures, LLC. The Initial Members shall, prior to Closing, change the name of Ironworks Ventures, LLC so that it does not include the word "Ironworks".

7.16 Related Entities. Walker and Loving shall have delivered to Purchaser evidence reasonably satisfactory to Purchaser of the sale of Walker's and Loving's, and their Affiliates', direct and indirect ownership interests in Genesis Consulting to one or more of the other current owners thereof or to another unrelated third party reasonably acceptable to Purchaser. Walker, Loving and HTH shall have delivered to Purchaser evidence reasonably satisfactory to Purchaser of the sale of Walker's, Loving's, HTH's, and their Affiliates', direct and indirect ownership interests in Spitfire Group to one or more of the other current owners thereof or to another unrelated third party reasonably acceptable to Purchaser.

7.17 Change of Control Agreements. The Initial Members shall have delivered to Purchaser evidence reasonably satisfactory to Purchase of the assignment to the Initial Members of the Contracts listed on Exhibit 7.17 and the full and complete release of the Company of and from any Liability under such Contracts.

7.18 EM Agreement. The Initial Members shall have delivered to Purchaser an inducement agreement, in form reasonably acceptable to Purchaser, pursuant to which EM shall have agreed to be directly subject to and bound by the terms set forth in Sections 12.1.2, 12.1.4, 12.2, 12.3, 12.4, 12.5, 12.6, 12.7 and 12.8 of this Agreement.

7.19 Genesis Agreement. The Initial Members shall have delivered to Purchaser an inducement agreement, in form reasonably acceptable to Purchaser, pursuant to which Genesis shall have agreed to be directly subject to and bound by the terms set forth in Sections 12.1.3, 12.1.5, 12.2, 12.3, 12.4, 12.5, 12.6, 12.7 and 12.8 of this Agreement.

7.20 AFC Agreement. The Initial Members shall have delivered to Purchaser an inducement agreement, in form reasonably acceptable to Purchaser, pursuant to which AFC shall have agreed to be directly subject to and bound by the terms set forth in Sections 12.1.1, 12.1.6, 12.2, 12.3, 12.4, 12.5, 12.6, 12.7 and 12.8 of this Agreement.

7.21 Withdrawal and Termination Agreement. The Initial Members shall have delivered to Purchaser at Closing a Withdrawal and Termination Agreement, substantially in the form attached hereto as Exhibit 7.21, duly executed by the Initial Members and the Additional Members (the "Withdrawal Agreement").

ARTICLE VIII
CONDITIONS PRECEDENT TO THE INITIAL MEMBERS' PERFORMANCE

The obligation of the Initial Members to consummate the transactions contemplated by this Agreement is subject to the satisfaction, at or before the Closing, of each of the following conditions, unless waived in writing by the Initial Members, in their sole discretion:

8.1 Accuracy of Purchaser's Representations and Warranties. All representations and warranties of Purchaser contained in this Agreement or in any document attached hereto shall be true and correct in all material respects (or, where the representation and warranty is qualified by materiality, it shall be true and correct in all respects, subject to such materiality qualifier) when made and on and as of the Closing Date as though made at that time, except to the extent that any such representation or warranty is made as of a specified date, in which case such representation or warranty shall be true and correct in all material respects (or, where the representation and warranty is qualified by materiality, it shall be true and correct in all respects, subject to such materiality qualifier) as of such date.

8.2 Performance of Covenants. All covenants, agreements and obligations required by the terms of this Agreement to be performed, satisfied or complied with by Purchaser at or before the Closing Date shall have been duly and properly performed.

8.3 Officer's Certificate. The Initial Members shall have received a certificate, dated the Closing Date, signed by the Secretary of Purchaser, in such officer's capacity as such, certifying that the conditions specified in Sections 8.1 and 8.2 have each been fulfilled.

8.4 No Injunction, etc. There will not be any order of any court or governmental agency restraining or invalidating the transactions which are the subject of this Agreement or any pending litigation or other Action by an unrelated third party to such effect or seeking damages from the Initial Members or the Company if the transactions which are the subject of this Agreement are completed.

8.5 HSR Act. All applicable waiting periods specified in the HSR Act shall have expired or been terminated.

8.6 Approval of Actions and Documents. All actions to be taken by Purchaser in connection with the consummation of the transactions contemplated hereby and the form and substance of all certificates, instruments and other documents delivered to the Initial Members under this Agreement shall be reasonably satisfactory in all respects to the Initial Members.

ARTICLE IX
TERMINATION PRIOR TO CLOSING

9.1 Termination. This Agreement may be terminated, and the transactions contemplated hereby may be abandoned, at any time prior to the Closing Date:

(a) by mutual written agreement of the Initial Members and Purchaser;

(b) by either the Initial Members or Purchaser, if Closing shall not have occurred on or before December 31, 2011, provided that each of Purchaser and the Initial Members shall have the right to extend such date until February 28, 2012 upon written notice to the other given prior to December 31, 2011 (such date, as may be extended, the "Termination Date"); provided that the party seeking to terminate this Agreement pursuant to this Section 9.1(b) (and its Affiliates) shall not have breached in any material respect its (or their) obligations under this Agreement; and further provided that the right to extend the Termination Date to February 28, 2012 shall only be available to Purchaser and the Initial Members, respectively, if the party seeking to extend the Termination Date (i) has not failed to satisfy any condition to closing set forth in this Agreement that it is required to satisfy, and (ii) is ready, willing and able to complete its obligations to close the transactions contemplated by this Agreement;

(c) by either the Initial Members or Purchaser, if any permanent injunction, order, decree or ruling by any Governmental Entity of competent jurisdiction preventing the consummation of the transactions contemplated herein shall have become final and nonappealable; provided, however, that the party seeking to terminate this Agreement pursuant to this Section 9.1(c) (and its Affiliates) shall have used reasonable best efforts to remove such injunction or overturn such action;

(d) by Purchaser, if (i) there has been a material breach of the representations or warranties, covenants or agreements of the Initial Members set forth in this Agreement, which breach is not curable or, if curable, is not cured within thirty (30) days after written notice of such breach is given by Purchaser to the Initial Members, or (ii) there has occurred any Material Adverse Change; and

(e) by the Initial Members, if there has been a material breach of any of the representations or warranties, covenants or agreements of Purchaser set forth in this Agreement, which breach is not curable or, if curable, is not cured within thirty (30) days after written notice of such breach is given by the Initial Members to Purchaser.

9.2 Effect of Termination. In the event of termination of this Agreement pursuant to this Section 9, the transactions contemplated hereby shall be deemed abandoned and this Agreement shall forthwith become void, except that the provisions of this Section 9.2, all of Section 13 and the terms of the Confidentiality Agreement shall survive any termination of this Agreement; provided, however, that nothing in this Agreement shall relieve any party from Liability for any breach of this Agreement.

ARTICLE X POST CLOSING

10.1 Survival. Regardless of any investigation at any time made by or on behalf of any party, or of any information any party may have in respect thereof, (A) all representations and warranties made hereunder or pursuant hereto or in connection with the transactions contemplated hereby shall survive the Closing for eighteen (18) months, except (i) as otherwise provided in Section 11.8, (ii) those representations and warranties set forth in Section 4.17 (Environmental Matters), and Section 4.20 (Employee Benefit Plans), which shall survive through the applicable statute of limitations, (iii) those representations and warranties set forth in Section 4.7 (No Conflict or Violation), Section 4.8 (Consents and Approvals), Section 4.16 (Contracts), Section 4.21 (Compliance with Laws), Section 4.29(a) (Real Property-Ownership), Section 4.31 (Government Contracts) and Section 4.33 (Foreign Corrupt Practices; Export Compliance), which shall survive the Closing for three (3) years, and (iv) those representations and warranties set forth in Section 4.1 (Organization and Existence), Section 4.2 (Authorization), Section 4.3 (Due Execution; Binding Obligations), (Section 4.5 (Membership Interests), and Section 4.6 (Subsidiaries) (collectively, the "Fundamental Representations"), which shall survive without limitation; (B) all obligations of the Initial Members pursuant to Section 10.2(a)(iii) shall survive the Closing for eighteen (18) months; (C) all Pre-Closing Covenants, except as provided in Section 11.8, shall survive the Closing for eighteen (18) months; (D) all Post-Closing Covenants, except as provided in Section 11.8, shall survive through the applicable statute of limitations; and (E) any claim predicated on fraud shall survive the Closing through the applicable statute of limitations; provided, however, that as to any matters with respect to which a written claim shall have been made or an action at law or in equity shall have commenced before the end of such period, survival shall continue (but only with respect to, and to the extent of, such claim) until the final resolution of such claim or action, including all applicable periods for appeal; and further provided, however, that to the extent any claim is made based on fraud or fraudulent misrepresentation, all representations and warranties relating to the subject matter of such claim shall be deemed to survive through the applicable statute of limitations, unless a longer survival period is specified above.

10.2 Indemnification Obligations.

(a) Indemnification by the Initial Members. The Initial Members, jointly and severally, shall indemnify and hold harmless Purchaser, the Company and their respective Representatives and Affiliates (the "Purchaser Indemnified Persons"), and shall reimburse the Purchaser Indemnified Persons on demand, for

any Damages (including any Damages suffered after the end of any applicable survival period, provided that notice of the respective claim has been given pursuant to this Article 10 prior to the end of such survival period) resulting from, arising out of, relating to or caused by:

- (i) Any breach or default by the Initial Members or the Company of any covenant or agreement of the Members or the Company contained herein or in any Exhibit hereto or in any certificate delivered or to be delivered by or on behalf of the Members or the Company pursuant hereto;
- (ii) Any breach of any warranty or representation made by the Initial Members herein or in any Exhibit hereto or thereto, or in any certificate delivered or to be delivered by or on behalf of the Members or the Company pursuant hereto;
- (iii) Any Liabilities actually incurred by the Company following Closing arising out of circumstances existing, or from business conducted, before Closing, to the extent such Liabilities are not (i) accrued or reserved in the calculation of the Closing Adjustment Amount, and (ii) executory obligations to provide services under Contracts entered into by the Company in the ordinary course of business that are not in respect of any breach, violation or default by the Company (the “Indemnified Pre-Closing Liabilities”);
- (iv) Any Liabilities incurred by a Purchaser Indemnified Person arising out of or relating to the following: (i) the Employee Benefit Plans of the Company and related to a period on or before the Closing Date; (ii) the Company’s classification of natural Persons as independent contractors instead of employees for federal income tax purposes on or before the Closing Date; (iii) the third party informational subpoena received by the Company on January 25, 2010 (U.S. Government Subpoena No. 001388) in connection with an investigation of a U.S. Department of the Interior employee; or (iv) any agreement relating to any prior acquisition of any material assets or equity interests by the Company;
- (v) Any Liabilities based in whole or in part on the fact that a Person is or was a director, officer or employee of the Company and arising out of actions or omissions or alleged actions or omissions occurring on or prior to the Closing Date, except to the extent of any recovery by the Company pursuant to any insurance coverages;
- (vi) All Damages and Liabilities incurred by a Purchaser Indemnified Person resulting from: any defective pricing by the Company prior to Closing or violation prior to Closing of the Truth in Negotiations Act by the Company in relation to any Government Contract or Government Bid; any failure by the Company prior to Closing to comply with the Price Reductions Clause in any Government Contract; any violation of the False Claims Act (FCA), 31 U.S.C. §3729 *et seq.*, in relation to any Government Contract or Government Bid; the failure by the Company prior to Closing to offer the Government the best commercial pricing in violation of the terms of the Company’s multiple award schedule Government Contract or Government Bid; and any amounts, costs, Damages, penalties or other amounts payable to any Governmental Entity as a result of any one or more or combination of the foregoing described failures;
- (vii) The indemnity claim asserted by Scripps Networks Interactive, Inc., Scripps Networks, LLC and Television Food Network, G.P. d/b/a Food Network, related to the lawsuit captioned *DietGoal Innovations LLC v. Arby’s Restaurant Group, Inc., et al.*, C.A. No. 2:11-cv-00418-DF;
- (viii) Any Liability relating to the matters disclosed in item 1 of Disclosure Schedule 4.9, including any hiring or soliciting prior to Closing of current or former CarMax employees;
- (ix) Any Liabilities associated with the Hodges Agreement (as defined in the Disclosure Schedules hereto);

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- (x) Any Liabilities relating to the failure of the Federal Deposit Insurance Corporation or Pyramid Systems, Inc. to pay any amounts billed by the Company following the date hereof under the Pyramid Systems Agreement (as defined in the Disclosure Schedules), other than any failure to pay as a consequence of a post-Closing breach by the Company of the Pyramid Systems Agreement; or
 - (xi) Any Liabilities for any non-billable time incurred by the Company in providing services under the Federal Home Loan Mortgage Corporation Agreements (as defined in the Disclosure Schedules).

(b) Indemnification by Purchaser. Purchaser shall indemnify and hold harmless the Initial Members and their Representatives and Affiliates (the “Initial Members Indemnified Persons”), and shall reimburse the Initial Members Indemnified Persons on demand, for any Damages resulting from any of the following:

- (i) Any breach or default in the performance by Purchaser of any covenant or agreement of Purchaser contained herein, in any agreement contemplated hereby, or in any Exhibit hereto or thereto, or in any certificate delivered or to be delivered by or on behalf of Purchaser pursuant hereto or thereto; or
- (ii) Any breach of any warranty or representation made by Purchaser herein, in any agreement contemplated hereby, or in any Exhibit hereto or thereto, or in any certificate delivered or to be delivered by or on behalf of Purchaser pursuant hereto or thereto.

(c) Claims for Indemnity. If a claim for Damages (a “Claim”) is proposed to be made by a party entitled to indemnification hereunder (the “Indemnified Party”) against the party from whom indemnification is claimed (the “Indemnifying Party”), the Indemnified Party shall give written notice (a “Claim Notice”) to the Indemnifying Party as soon as practicable after the Indemnified Party becomes aware of any fact, condition or event which may give rise to Damages for which indemnification may be sought under this Section 10.2. If any Claim is made against any party entitled to the benefit of indemnity hereunder by a Person who is not an Affiliate or Representative of a party hereto (“Third Party Claim”), written notice thereof shall be given to the Indemnifying Party as promptly as practicable (and in any event within twenty (20) Business Days after the service of the citation or summons). The failure of any Indemnified Party to give timely notice hereunder shall not affect rights to indemnification hereunder, except to the extent that the Indemnifying Party demonstrates actual damage caused by such failure. Notwithstanding the foregoing, a Claim Notice that relates to a matter that is subject to a survival period set forth in Section 10.1 must be made within such survival period, whether or not the Indemnifying Party is prejudiced by any failure to give a Claim Notice relating thereto. A Claim Notice shall describe in reasonable detail the nature of the Claim and the basis of the Indemnified Party’s request for indemnification under this Agreement.

(d) Defense of Claims. After receipt of a Claim Notice relating to a Third Party Claim, the Indemnifying Party shall be entitled to participate in the defense of such Third Party Claim and, to the extent that it desires (unless (x) the Indemnifying Party is also a Person against whom the Third Party Claim is made and the Indemnified Party determines in good faith that joint representation would be inappropriate, (y) greater than 50% of the Damages are reasonably anticipated to be incurred by the Indemnified Party because such Damages exceed the applicable maximum limit (if any) for indemnification contained in Section 10.2(f), or (z) material equitable or other non-monetary relief is sought from any Indemnified Party pursuant to such Third Party Claim) to assume the defense of such Third Party Claim. After notice from the Indemnifying Party to the Indemnified Party of its election to assume the defense of such Third Party Claim, the Indemnifying Party shall not, so long as it diligently conducts such defense, be liable to the Indemnified Party under this Section 10.2 for any fees of other counsel with respect to the defense of such Third Party Claim subsequently incurred by the Indemnified Party in connection with the defense of such Third Party Claim, other than reasonable costs of investigation. If the Indemnifying Party assumes the defense of a Third Party Claim, (i) such assumption will conclusively establish for purposes of this Agreement that the claims made in that Third Party Claim are within the scope of and subject to indemnification (but no such

assumption shall affect the applicability of any limit on indemnification contained in this Section 10.2), and (ii) no compromise or settlement of such Third Party Claims may be effected by the Indemnifying Party without the Indemnified Party's consent (which consent shall not be unreasonably withheld, conditioned or delayed) unless (A) there is no finding or admission of any violation of Law and (B) the sole relief provided is monetary damages that are paid in full by the Indemnifying Party. The Indemnified Party shall have no Liability with respect to any compromise or settlement of such Third Party Claims effected without its consent if such consent is required pursuant to the immediately preceding sentence. If the Indemnifying Party does not, within twenty (20) days after receipt of a Claim Notice, give written notice to the Indemnified Party of its election to assume the defense of such Third Party Claim, the Indemnified Party may assume control of the defense; provided that no compromise or settlement of such Third Party Claims may be effected by an Indemnified Party without the Indemnified Party's consent (which consent shall not be unreasonably withheld, conditioned or delayed) unless (A) there is no finding or admission of any violation of Law and (B) no monetary damages are awarded that will be the subject of a claim for indemnification by the Indemnified Party against the Indemnifying Party. In the event the Indemnifying Party reserves its right to dispute its indemnity obligation with respect to a Third Party Claim, (i) the Indemnifying Party shall have no right to control or assume the defense of such Third Party Claim unless the Indemnified Party otherwise agrees in writing, and (ii) legal counsel utilized by the Indemnified Party with respect to such Third Party Claim shall be reasonably acceptable to the Indemnifying Party.

(e) Cooperation. With respect to any Third Party Claim subject to indemnification under this Section 10.2: (i) both the Indemnified Party and the Indemnifying Party, as the case may be, shall keep the other Person reasonably informed of the status of such Third Party Claim and any related proceedings at all stages thereof where such Person is not represented by its own counsel, and (ii) the Parties agree (each at its own expense) to render to each other such assistance as they may reasonably require of each other and to reasonably cooperate with each other in the defense of any Third Party Claim.

(f) Indemnification Basket and Cap.

- (i) Any right of the Purchaser Indemnified Persons to indemnification under Section 10.2(a)(ii) or Section 10.2(a)(iii) of this Agreement shall not apply to any claim arising under Section 10.2(a)(ii) or Section 10.2(a)(iii) until the aggregate of all such claims total Five Hundred Thousand Dollars (\$500,000) (the "Basket"), in which event such indemnity shall apply to all such claims, including such initial Five Hundred Thousand Dollars (\$500,000).
- (ii) In no event shall the total liability of the Initial Members for all claims arising under Section 10.2(a)(ii) or Section 10.2(a)(iii) of this Agreement, or with respect to any breach of any Pre-Closing Covenants, exceed Twenty-Five Million Dollars (\$25,000,000) (the "Cap").
- (iii) In no event shall the total liability of the Initial Members for all claims arising out of (i) the breach of any Fundamental Representations, or (ii) the breach of those representations and warranties set forth in Section 4.17 (Environmental Matters), Section 4.20 (Employee Benefit Plans) and Section 4.24 (Taxes), exceed the portion of the Purchase Price payable to the Initial Members (the "Purchase Price Cap").
- (iv) Notwithstanding the foregoing, (A) the Basket and the Cap shall not apply to any claims with respect to the Fundamental Representations or any Indemnified Pre-Closing Liabilities related thereto (and, for the avoidance of doubt, any liability of the Initial Members pursuant to any claims with respect to the Fundamental Representations, or any Indemnified Pre-Closing Liabilities related thereto, shall not apply against or toward the Basket), (B) the Basket and the Cap shall not apply to any claims arising under Section 4.17 (Environmental Laws), Section 4.20 (Employee Benefit Plans) or Section 4.24 (Taxes), or any Indemnified Pre-Closing Liabilities related thereto (and, for the avoidance of doubt, any liability of the Initial Members pursuant to such Sections, or any Indemnified Pre-Closing Liabilities related

thereto, shall not apply against or toward the Basket, the Purchase Price Cap or the Cap), and (C) the Basket, the Purchase Price Cap and the Cap shall not apply to any fraud or fraudulent misrepresentation of the Company or the Initial Members.

- (v) For purposes of determining under Section 10.2(a) whether there has been a breach or default of any representation, warranty, covenant or agreement, and the amount of any Damages associated therewith, the parties agree (a) that all references to any materiality, Material Adverse Change and knowledge qualifier(s) will be disregarded and (b) that the representations, warranties, covenants and agreements are made and given for purposes of Section 10.2(a) as if those disregarded words were not included.

(g) No Contribution. In the event any Purchaser Indemnified Person asserts an indemnity claim against the Initial Members, the Initial Members shall not have any rights of contribution from, or subrogation against, the Company, with respect to such claim.

(h) Indemnity Escrow. Without limitation to any other rights, the Purchaser Indemnified Persons shall have the right to satisfy any indemnification claims hereunder from the Indemnity Escrow in accordance with the terms of the Escrow Agreements.

10.3 Sole Remedy. Notwithstanding anything to the contrary contained in this Agreement and notwithstanding any otherwise available right or remedy of the parties, at law or in equity, from and after the Closing, the parties agree that the sole and exclusive remedy for any breach of this Agreement by another party, including any breach of any representation, warranty or covenant, or for any other Damages, cost or expense relating to, arising out of or otherwise connected with this Agreement (other than in connection with Section 3.4, Section 3.5, Section 6.5, Section 6.8, Article XI and Article XII), shall be the right of indemnification as and to the extent set forth in this Article X (or with respect to Taxes, indemnification pursuant to Article XI), and in all events subject to all of the limitations herein, the parties waiving all and each other remedy available to it at law or in equity for any breach of this Agreement. This provision is not intended and will not be construed as limiting in any fashion the right of any of the parties to assert and pursue any claims based on fraud or fraudulent misrepresentation.

ARTICLE XI TAX MATTERS

11.1 Tax Returns.

(a) The Initial Members shall prepare and file, or cause to be prepared and filed, on a timely basis, all of the Tax Returns for the Company for all taxable years or periods ending on or before the Closing Date (to the extent not already filed by the Company) (sometimes referred to as “Pre-Closing Period Tax Returns”). Such Tax Returns shall be prepared accurately, using the accounting methods and other practices that are consistent with those used by the Company in their prior Tax Returns except as otherwise required by Law. Items to be taken into account in any Pre-Closing Period Tax Return for the short taxable period ending on the Closing Date will be determined under the Treasury Regulation Section 1.706-1 (or any similar provision of state, local or foreign Law). The parties agree that the federal income and applicable state income Tax Returns of the Company shall each be prepared on the basis that the taxable year of the Company for the year of the Closing ends on the Closing Date and such taxable year is not a Straddle Period for any such income Tax purposes. At least fifteen (15) calendar days before any Pre-Closing Period Tax Return’s due date, the Initial Members shall submit to Purchaser a full and complete draft of each such Tax Return for Purchaser’s review prior to filing with the applicable Tax Authority. Purchaser shall have the right to propose reasonable comments regarding such Tax Return, which comments the Initial Members shall consider in good faith. Subject to Section 11.3, the Company and/or the Members, as applicable, will pay to the applicable Tax Authority, or cause the payment to the applicable Tax Authority of, any Taxes shown as due in such Pre-Closing Period Tax Returns.

(b) Subject to the Initial Members' review, if applicable, Purchaser will prepare and file, or cause to be prepared and filed, all Tax Returns of the Company for all taxable years or periods ending after the Closing Date, and Purchaser will pay, or cause to be paid, all Taxes shown as due thereon; provided, that with respect to any Straddle Period, Purchaser will be entitled to indemnification as set forth in Section 11.3. At least thirty (30) calendar days before any Straddle Period Tax Return's due date, Purchaser shall submit to the Initial Members a full and complete draft of each such Tax Return for the Initial Members review and comment prior to filing with the applicable Tax Authority. Purchaser shall not amend any Pre-Closing Period Tax Return without the prior written consent of the Initial Members.

11.2 Apportionment of Taxes Other than Income Taxes. With respect to any Straddle Period of the Company with respect to Taxes other than income Taxes, Purchaser, the Company and the Initial Members will, to the extent permitted by Law, elect to treat the Closing Date as the last day of the taxable year or period of the Company. In any case where applicable Law does not permit the Company to treat the Closing Date as the last day of the taxable year or period for any such Taxes, any such Taxes arising out of or relating to a Straddle Period will be apportioned to the Pre-Closing Period based on a closing of the books of the Company; provided, however, that exemptions, allowances or deductions that offset Taxes other than income Taxes that are calculated on an annualized basis will be apportioned on a daily pro rata basis. Notwithstanding the foregoing, Taxes imposed with respect to a time period (e.g., property taxes) shall be apportioned to the Pre-Closing Period on a daily pro rata basis.

11.3 Indemnification. The Initial Members will, jointly and severally, indemnify and hold harmless the Purchaser Indemnified Persons for, and will pay to, or on behalf of, the Purchaser Indemnified Persons an amount equal to (a) any Taxes of the Company for the Pre-Closing Period that have not been paid prior to the Closing Date, except to the extent of non-income Taxes included in the calculation of the Closing Adjustment Amount, (b) any Taxes relating to any member of an affiliated group with which the Company has filed a Tax Return on a consolidated, combined or unitary basis for a Pre-Closing Period, (c) any Tax deficiency, resulting from, or in connection with, any breach of the Initial Members' representations in Section 4.24 or the Initial Members' covenants contained in this Article 11, and (d) with respect to each of the foregoing clauses (a), (b) and (c) of this Section 11.3, all related, reasonable legal, accounting and experts' fees and expenses.

11.4 Indemnification Process. In the event of a third-party claim for Taxes arising out of or relating to any taxable year or period of the Company ending on or before the Closing Date, the indemnification procedures will be in accordance with Section 10.2. Any indemnification payments due under this Section 11 shall be paid within fifteen (15) calendar days from the date of a final determination (as defined in Section 1313(a) of the Code or similar provisions of federal, state or foreign Law) of the amount of Tax due.

11.5 Characterization of Indemnity Payments. All amounts paid by the Initial Members by reason of Sections 10.2(a) or 11.3 will be treated to the extent permitted under applicable Law as adjustments to the Purchase Price for all Tax purposes.

11.6 Transfer Taxes. Notwithstanding any other provision of this Agreement, all Transfer Taxes will be borne by the Initial Members (pro rata and in accordance with their Initial Member Interests prior to Closing), regardless of which party is obligated to pay such Tax under applicable Law. The Initial Members will prepare and file, or cause to be prepared and filed, on a timely basis, all Tax Returns that may be required to comply with Law relating to such Taxes.

11.7 Tax Records. The Initial Members will make available to Purchaser such records as Purchaser may require for the preparation of any Post-Closing Period Tax Return and such records as Purchaser may require for the defense of any proceeding concerning any Tax Return of the Company.

11.8 Survival. The covenants and agreements of the parties contained in this Section 11 and the representations and warranties contained in Section 4.24 will survive the Closing and will remain in full force

and effect until six (6) months following the expiration of the applicable underlying statutes of limitations (including extensions) with respect to any Taxes that would be indemnifiable by the Initial Members under Section 11.3.

11.9 Refunds. Any income Tax refunds that are received by Purchaser to the extent relating to periods prior to Closing shall be for the account of the Members, and Purchaser shall pay over to the Members any net, after tax amount of such refund (net of any costs or expenses incurred by Purchaser, at the Initial Members' request, in collecting such amount) within fifteen (15) days after receipt.

ARTICLE XII RESTRICTIVE COVENANTS

12.1 Non-Compete Covenants.

12.1.1 From the Closing Date until the fifth anniversary thereof (the "Restricted Period"), the Initial Members shall not, and shall not permit any Affiliate of the Initial Members to, within the Restricted Area, either directly or indirectly without the prior written consent of Purchaser (other than as an employee of Purchaser, Company or their Affiliates after Closing), (i) engage in the Restricted Business; (ii) own or control any interest in (except as a passive investor of less than two percent (2%) of the capital stock or publicly traded notes or debentures of a publicly held company) any Person or business enterprise that is engaged, directly or indirectly, in the Restricted Business; (iii) act as an employee, advisor, consultant, commission agent, officer, director, partner, member, manager or joint venturer of any Person or business enterprise that is engaged, directly or indirectly, in the Restricted Business; (iv) lend credit or money for the purpose of establishing or operating any Person or business enterprise that is engaged, directly or indirectly, in the Restricted Business; or (v) allow such individual's or entity's name or reputation to be used by any Person or business enterprise that is engaged in, directly or indirectly, any Restricted Business. In addition, during such period, the Initial Members shall not, directly or indirectly, and shall not permit any Affiliate of the Initial Members to, influence or attempt to influence any Person who is a contracting party with the Company as of the date of this Agreement or the Closing Date to terminate or adversely amend any existing written or oral agreement. The Initial Members acknowledge that the Company conducts, and Purchaser will conduct, the Restricted Business throughout the Restricted Area and this Section 12.1 therefore shall be effective with respect to the Restricted Area. Notwithstanding the foregoing, (i) HTH shall not be restricted by this Section 12.1 from owning or controlling an interest in EM or Genesis so long as EM complies with the terms and conditions of Section 12.1.2 and Genesis complies with the terms and conditions of Section 12.1.3, and (ii) Whitlock and its Affiliates shall not be restricted by this Section 12.1 from providing, through AFC, services for audio visual systems.

12.1.2 HTH agrees that EM shall not, and HTH shall cause EM not to, within the Restricted Area and during the Restricted Period, either directly or indirectly without the prior written consent of Purchaser (i) engage in the EM Restricted Business; (ii) own or control any interest in (except as a passive investor of less than two (2%) of the capital stock or publicly traded notes or debentures of a publicly held company) any Person or business enterprise that is engaged, directly or indirectly, in the EM Restricted Business; (iii) act as an advisor, consultant, commission agent, partner, member, manager or joint venture of any Person or business enterprise that is engaged, directly or indirectly, in the EM Restricted Business; (iv) lend credit or money for the purpose of establishing or operating any Person or business enterprise that is engaged, directly or indirectly, in the EM Restricted Business; or (v) allow such entity's name or reputation to be used by any Person or business enterprise that is engaged in, directly or indirectly, the EM Restricted Business. In addition, during such period, HTH shall cause EM to not, directly or indirectly, and shall not permit any Affiliate of EM to, influence or attempt to influence any Person who is a contracting party with the Company as of the date of this Agreement or the Closing Date to terminate or adversely amend any existing written or oral agreement. HTH acknowledges that the Company conducts, and Purchaser will conduct, the EM Restricted Business throughout the Restricted Area and this Section 12.1 therefore shall be effective with respect to the Restricted Area.

12.1.3 HTH agrees that Genesis shall not, and HTH shall cause Genesis not to, within the Restricted Area and during the Restricted Period, either directly or indirectly without the prior written consent of Purchaser (i) engage in the Genesis Restricted Business; (ii) own or control any interest in (except as a passive investor of less than two (2%) of the capital stock or publicly traded notes or debentures of a publicly held company) any Person or business enterprise that is engaged, directly or indirectly, in the Genesis Restricted Business; (iii) act as an advisor, consultant, commission agent, partner, member, manager or joint venture of any Person or business enterprise that is engaged, directly or indirectly, in the Genesis Restricted Business; (iv) lend credit or money for the purpose of establishing or operating any Person or business enterprise that is engaged, directly or indirectly, in the Genesis Restricted Business; or (v) allow such entity's name or reputation to be used by any Person or business enterprise that is engaged in, directly or indirectly, the Genesis Restricted Business. In addition, during such period, HTH shall cause Genesis to not, directly or indirectly, and shall not permit any Affiliate of Genesis to, influence or attempt to influence any Person who is a contracting party with the Company as of the date of this Agreement or the Closing Date to terminate or adversely amend any existing written or oral agreement. HTH acknowledges that the Company conducts, and Purchaser will conduct, the Genesis Restricted Business throughout the Restricted Area and this Section 12.1 therefore shall be effective with respect to the Restricted Area.

12.1.4 Notwithstanding the above, the restrictions in Section 12.1.2 with respect to EM shall terminate on the first anniversary of the Closing Date if an EM Exit is consummated within such first year and upon the date of such EM Exit if consummated thereafter within the Restricted Period. Further, in no event shall the buyer of EM in an EM Exit, as an Affiliate or otherwise, be subject to the restrictions in Section 12.1.2 as the result of such buyer's purchase of EM provided that EM, or the operation of the assets thereof, as the case may be, shall continue to be subject to such restriction. In the event of an EM Exit structured as an asset sale, HTH and EM shall cause the buyer of such assets to operate such assets in a manner that such operations continue to comply with the restrictions set forth in Section 12.1.2, subject to the proviso set forth above.

12.1.5 Notwithstanding the above, the restrictions in Section 12.1.3 with respect to Genesis shall terminate on the first anniversary of the Closing Date if an Genesis Exit is consummated within such first year and upon the date of such Genesis Exit if consummated thereafter within the Restricted Period. Further, in no event shall the buyer of Genesis in an Genesis Exit, as an Affiliate or otherwise, be subject to the restrictions in Section 12.1.3 as the result of such buyer's purchase of Genesis provided that Genesis, or the operation of the assets thereof, as the case may be, shall continue to be subject to such restriction. In the event of an Genesis Exit structured as an asset sale, HTH and Genesis shall cause the buyer of such assets to operate such assets in a manner that such operations continue to comply with the restrictions set forth in Section 12.1.3, subject to the proviso set forth above.

12.1.6 Notwithstanding the above, the restrictions in Section 12.1.1 with respect to AFC shall terminate on the first anniversary of the Closing Date if an AFC Exit is consummated within such first year and upon the date of such AFC Exit if consummated thereafter within the Restricted Period. Further, in no event shall the buyer of AFC in an AFC Exit, as an Affiliate or otherwise, be subject to the restrictions in Section 12.1.1 as the result of such buyer's purchase of AFC provided that AFC, or the operation of the assets thereof, as the case may be, shall continue to be subject to such restriction. In the event of an AFC Exit structured as an asset sale, Whitlock and AFC shall cause the buyer of such assets to operate such assets in a manner that such operations continue to comply with the restrictions set forth in Section 12.1.1, subject to the proviso set forth above.

12.2 Non-Disparagement. The Initial Members covenant and agree that for a period of five (5) years following the Closing, they will not, directly or indirectly, make (i) any public statement (including by way of posting on internet bulletin boards) that is intended by the Initial Members to be understood or which is reasonably understood to cast doubt on the Company, Purchaser, their products, services, finances, financial condition, capabilities or other aspects of their business or on any of their employees, officers, directors, or Affiliates, or (ii) any statement about the Company's or Purchaser's products or services that is untrue or

misleading and is made to influence or tends to influence the public (including any client or potential client of Purchaser or the Company) not to engage Purchaser or the Company to provide such products or services. Notwithstanding any term to the contrary herein, no Initial Member shall be in breach of this Section 12.2 (i) for any actions taken or statements made to enforce his, her or its rights under this Agreement, or (ii) for making any truthful statement under oath. The Initial Members acknowledge that their support and promotion of the Company's business has been important in connection with the past growth and success of such business and that their agreement to provide continued support and promotion of the Company and Purchaser is a significant inducement to Purchaser's agreement to consummate the transactions contemplated herein.

12.3 Confidential Information.

(a) After the Closing Date, the Initial Members shall not, and shall cause their Affiliates not to, at any time disclose to any Person other than Purchaser or use any Intellectual Property or confidential information owned, possessed, licensed or used by or relating to the Company, whether or not such information is embodied in writing or other physical form. Each of the Initial Members recognizes and agrees that all documents and objects containing any confidential information or Intellectual Property, whether developed by the Company or by someone else for the Company, will after the Closing Date become the exclusive property of Purchaser.

(b) At Closing, the Initial Members shall promptly deliver to Purchaser all documents and other materials containing all confidential information relating to the Company, to the extent it is in physical form (including electronic form), including writings, designs, documents, records, memoranda, photographs, sound recordings, electronic and computer files, tapes and disks containing software, computer source code listings, routines, file layouts, record layouts, system design information, models, manuals, documentation, notes and any material concerning costs, uses, methods, designs, applications, purchasers of or experience with products made or sold by the Company or any secret or confidential service or process, used, developed, acquired or investigated by the Company; in each case, to the extent in the possession of the Initial Members.

12.4 No-Hire. During the Restricted Period, the Initial Members shall not, and shall not permit any of their Affiliates, including EM, Genesis, AFC and Ironworks Ventures, LLC, to, directly or indirectly, employ any employees of the Company who were employees of the Company as of the Closing Date or any of the consultants, contractors or subcontractors listed on Exhibit 12.4.

12.5 Reasonableness of Restrictions. Each of the Initial Members and Purchaser recognizes that the limitations set forth in Sections 12.1, 12.2, 12.3 and 12.4 are reasonable and not burdensome, and in the event that such limitations are deemed to be unreasonable by a court of competent jurisdiction, then the Initial Members and Purchaser agree to submit to a modification or reduction of such limitations as such court shall deem reasonable.

12.6 Injunctive Relief. The Initial Members each acknowledge that his, her or its expertise in the business of the Company is of a special, unique, unusual, extraordinary and intellectual character, which gives such expertise a peculiar value, and that a breach by it of the covenants contained in this Article 12 cannot be reasonably or adequately compensated in damages in an Action at law and that such breach will cause Purchaser and the Company irreparable injury and damage. The Initial Members further acknowledge that they possess unique skills, knowledge and ability and that competition in violation of this Article 12 would be extremely detrimental to Purchaser and the Company. By reason thereof, the Initial Members, on the one hand, and Purchaser, on the other hand, agrees that the other shall be entitled, in addition to any other remedies it may have under this Agreement or otherwise, to temporary, preliminary and/or permanent injunctive and other equitable relief to prevent or curtail any breach of this Article 12, without proof of actual damages that have been or may be caused to Purchaser or the Company by such breach or threatened breach.

12.7 Use of Name. Following Closing, the Initial Members shall not use, or allow any Affiliate of the Initial Members to use, any name which bears any resemblance to "Ironworks".

12.8 Divested Interests. Following the sales referred to in Section 7.16 hereof, during the Restricted Period, (i) Walker, Loving and their Affiliates shall have no further association with Genesis Consulting, and (ii) Walker, Loving, HTH and their Affiliates shall have no further association with Spitfire Group.

ARTICLE XIII
MISCELLANEOUS PROVISIONS

13.1 Entire Agreement. This Agreement, together with the agreements referred to herein and the Exhibits hereto and thereto, constitute the full and entire agreement and understanding between the parties with regard to the subject matter of this Agreement. All prior and contemporaneous agreements, covenants, representations and warranties, express or implied, oral and written, of the parties with regard to the subject matter of this Agreement are superseded by this Agreement, the Exhibits to this Agreement, and the documents referred to or implementing the provisions of this Agreement.

13.2 Applicable Law. This Agreement and the legal relations among the parties hereto shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia applicable to contracts made and performed in Virginia.

13.3 Consent to Jurisdiction. The Initial Members and Purchaser hereby irrevocably submit to the exclusive jurisdiction of (i) the United States Federal Court for the Eastern District of Virginia-Alexandria Division, or (ii) the Circuit Court of Fairfax County Virginia, with respect to any Action arising out of or relating to this Agreement, and the Initial Members and Purchaser hereby irrevocably agree that all claims in respect to such Action shall be heard and determined in any such court and irrevocably waive any objection it may now or hereafter have as to the venue of any such Action brought in such court or that such court is an inconvenient forum.

13.4 Waiver of Jury Trial. The Initial Members and Purchaser waive any right to a trial by jury in any Action to enforce or defend any right under this Agreement, any related agreement (including the Ancillary Agreements) or any amendment, instrument, document or agreement delivered, or which may in the future be delivered, in connection with this Agreement or any related agreement (including the Ancillary Agreements) and agree that any Action shall be tried before a court and not before a jury.

13.5 Attorneys' Fees. If any Action is commenced by any party hereto concerning this Agreement, the prevailing party shall recover from the losing party reasonable attorneys' fees and costs and expenses, including those of appeal and not limited to taxable costs, incurred by the prevailing party, in addition to all other remedies to which the prevailing party may be entitled.

13.6 Interpretation. The language in all parts of this Agreement shall be in all cases construed simply according to its fair meaning and not strictly for or against any party. The captions and headings of the Sections and Subsections of this Agreement are for convenience only and shall not affect the construction or interpretation of any of the provisions of this Agreement.

13.7 Waiver and Amendment. This Agreement may be amended, supplemented, modified and/or rescinded only through an express written instrument signed by all parties or their respective successors and permitted assigns. Any party may specifically and expressly waive in writing any portion of this Agreement or any breach hereof, but only to the extent such provision is for the benefit of the waiving party, and no such waiver shall constitute a further or continuing waiver of any preceding or succeeding breach of the same or any other provision. The consent by one party to any act for which such consent was required shall not be deemed to imply consent or waiver of the necessity of obtaining such consent for the same or similar acts in the future, and no forbearance by a party to seek a remedy for noncompliance or breach by another party shall be construed as a waiver of any right or remedy with respect to such noncompliance or breach.

13.8 Assignment. Except as specifically provided otherwise in this Agreement, neither this Agreement nor any interest herein shall be assignable (voluntarily, involuntarily, by judicial process, operation of Law, or otherwise), in whole or in part, by any party without the prior written consent of all other parties. Notwithstanding the foregoing, (i) Purchaser may, without the consent of the Initial Members, assign all of its rights under this Agreement in connection with the assignment of a security interest to any lender of Purchaser, or to any Affiliate of Purchaser, provided that Purchaser remains liable for all of its obligations hereunder, (ii) in the case of an Initial Member who is a natural person, the estate or personal representative of such Person shall be entitled to enforce any and all of the rights of the Initial Member hereunder upon the death of such Initial Member, and (iii) it is expressly understood and agreed that Purchaser has collaterally assigned to the Citizens Bank of Pennsylvania, as Administrative Agent (the "Purchaser's Senior Lender"), all of the Purchaser's right, title and interest in, to and under this Agreement and the documents relating hereto and/or arising herefrom, and that, upon written demand made by the Purchaser's Senior Lender to the Initial Members, the Purchaser's Senior Lender shall be entitled to exercise any and all rights and remedies of the Purchaser set forth herein or therein and/or contemplated hereby or thereby, subject to the terms, covenants and conditions hereof or thereof, without further consent of the Purchaser.

13.9 Further Assurances. The Initial Members, at any time before or after the Closing and without further consideration, will execute, acknowledge and deliver any further deeds, assignments, conveyances and other assurances, documents and instruments of transfer, reasonably requested by Purchaser, and will take any other action consistent with the terms of this Agreement that may reasonably be requested by Purchaser, for the purpose of assigning, transferring, granting, conveying and confirming to Purchaser, or reducing to possession, any or all property to be conveyed and transferred by this Agreement and for the purpose of carrying out the purposes of this Agreement.

13.10 Expenses. Except as otherwise specifically provided herein, each of the parties shall pay all costs and expenses incurred by it or on its behalf in connection with this Agreement and the transactions contemplated hereby, including, without limiting the generality of the foregoing, fees and expenses of its own financial consultants, accountants and counsel. For the avoidance of doubt, the Initial Members shall be responsible for and pay any fees, costs or expenses of the Initial Members and the Company in connection with the transactions contemplated by this Agreement. Notwithstanding the above, the Initial Members and Purchaser shall each pay one-half of all HSR filing fees.

13.11 Successors and Assigns. Each of the terms, provisions, and obligations of this Agreement shall be binding upon, shall inure to the benefit of, and shall be enforceable by the parties and their respective legal representatives, successors and permitted assigns.

13.12 Notices. All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed to have been given or made if in writing and delivered personally or sent by registered or express mail (postage prepaid) or by facsimile to the parties at the following addresses and facsimile numbers:

if to Purchaser to:

ICF International, Inc.
9300 Lee Highway
Fairfax, VA 22031
Attention: General Counsel
Facsimile: (703) 934-3675

and:

ICF International, Inc.
9300 Lee Highway
Fairfax, VA 22031
Attention: Chief Financial Officer
Facsimile: (703) 934-3740

with copies (which shall not constitute notice) to:

McGrath North Mullin & Kratz, PC LLO
First National Bank Tower
1601 Dodge Street, Suite 3700
Omaha, NE 68102
Attention: Roger W. Wells
Facsimile: (402) 341-0216

if to the Initial Members to:

Karen Booth Adams
Hot Technology Holdings LLC
5207 Hickory Parks Drive, Suite E
Glen Allen, Virginia 23059
Facsimile: (804) 935-8900

with copies to:

Williams Mullen
200 South 10th Street
P.O. Box 1320 (23218-1320)
Richmond, VA 23219
Attention : Gregory R. Bishop
Facsimile: 804.420.6507

13.13 Severability. Each provision of this Agreement is intended to be severable. Should any provision of this Agreement or the application thereof be judicially declared to be or become illegal, invalid, unenforceable or void, the remainder of this Agreement will continue in full force and effect and the application of such provision to other persons or circumstances will be interpreted so as reasonably to effect the intent of the parties.

13.14 Joint and Several Liability. Notwithstanding anything herein to the contrary, for all purposes of this Agreement, each Initial Members agrees that it shall be jointly and severally liable for all representations, warranties, obligations, agreements and covenants of the Initial Members herein.

13.15 Cumulative Remedies. No remedy made available hereunder by any of the provisions of this Agreement is intended to be exclusive of any other remedy, and each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at Law or in equity or by statute or otherwise.

13.16 No Third-Party Beneficiaries. Except as provided in Article X and Article XI with respect to Purchaser Indemnified Persons and Initial Member Indemnified Persons, nothing in this Agreement will be construed as giving any Person, other than the parties hereto and their respective heirs, successors and permitted assigns, any right, remedy or claim under or in respect of this Agreement or any provision hereof. It is specifically acknowledged and agreed that the Additional Members are not, are not intended to be, and shall not be deemed to be intended third party beneficiaries of this Agreement, including Article 2 hereof.

13.17 Construction. The parties hereto agree that they have been represented by counsel during the negotiation and execution of this Agreement and have participated jointly in the drafting of this Agreement and, therefore, waive the application of any applicable Law or rule of construction providing that an agreement or other document shall be construed more strictly against the parties thereto drafting such agreement or document. Each definition used in this Agreement includes the singular and the plural, and reference to the neuter gender includes the masculine and feminine where appropriate. Except as otherwise stated, reference to Articles, Sections, Exhibits and Disclosure Schedules means the Articles, Sections, Exhibits and Disclosure Schedules of

this Agreement. The words “including” or “includes” or similar terms used herein shall be deemed to be followed by the words “without limitation,” whether or not such additional words are actually set forth herein. Except as otherwise stated, references to “day” or “days” are to calendar days. Text enclosed in parentheses has the same effect as text that is not enclosed in parentheses. The Exhibits and Disclosure Schedules referred to throughout this Agreement are hereby incorporated by reference into, and shall be deemed a part of, this Agreement.

13.18 Counterparts. This Agreement may be executed in one or more counterparts, including counterparts by facsimile each of which shall be deemed an original, but all of which together shall constitute a single agreement.

[Signature page follows]

IN WITNESS WHEREOF, each of the parties has executed this Agreement as of the date first set forth above.

INITIAL MEMBERS:

/s/ Scott K. Walker
Scott K. Walker

/s/ William F. Loving
William F. Loving

/s/ Thomas K. Luck
Thomas K. Luck, as Trustee of the John D. Whitlock 2010 Irrevocable Trust

Hot Technology Holdings, L.L.C.,
a Virginia limited liability company

By: /s/ Karen Booth Adams
Its: CEO

PURCHASER:

ICF CONSULTING GROUP, INC.

By: /s/ Sudhakar Kesavan
Name: Sudhakar Kesavan
Title: Chairman and Chief Executive Officer

**FIRST MODIFICATION TO SECOND AMENDED AND RESTATED BUSINESS LOAN
AND SECURITY AGREEMENT AND OTHER LOAN DOCUMENTS**

THIS FIRST MODIFICATION TO SECOND AMENDED AND RESTATED BUSINESS LOAN AND SECURITY AGREEMENT AND OTHER LOAN DOCUMENTS (this "Modification"), dated as of March 31, 2009, is made by and among (i) CITIZENS BANK OF PENNSYLVANIA, a Pennsylvania state chartered bank ("**Citizens Bank**"), acting in its capacity as the administrative agent for the Lenders (the "**Administrative Agent**"), having offices at 8521 Leesburg Pike, Suite 405, Vienna, Virginia 22182; and (ii) ICF CONSULTING GROUP, INC., a Delaware corporation ("**ICFG**"), ICF INTERNATIONAL, INC., a Delaware corporation ("**ICF International**"), and each other "Borrower" party to the hereinafter referenced Loan Agreement from time to time (together with ICFG and ICF International, each, a "**Borrower**" and collectively, the "**Borrowers**"), each having offices at 9300 Lee Highway, Fairfax, Virginia 22031. Capitalized terms used but not defined herein shall have the meanings attributed to such terms in the Loan Agreement.

WITNESSETH THAT:

WHEREAS, pursuant to the terms of a certain Second Amended and Restated Business Loan and Security Agreement dated as of February 20, 2008 (as amended, modified or restated from time to time, the "**Loan Agreement**"), by and among the Borrowers, the Administrative Agent and the Lenders, the Borrowers obtained loans and certain other financial accommodations (collectively, the "**Loan**") from the Lenders in the aggregate maximum principal amount of Two Hundred Seventy-five Million and No/100 Dollars (\$275,000,000.00); and

WHEREAS, the Loan is evidenced by the Notes and secured by, among other things, the collateral described in the Loan Agreement; and

WHEREAS, the Borrowers have requested that the Administrative Agent and the Lenders consent to the sale, in one or more offerings, of up to Two Hundred Million and No/100 Dollars (\$200,000,000.00) of capital stock of ICF International (the "**Stock Sale**"); and

WHEREAS, the Borrowers have also requested that the Administrative Agent and the Lenders consent to the proposed acquisition by ICFG of all of the issued and outstanding Capital Stock of Macro International Inc. ("**Macro**"), pursuant to that certain Stock Purchase Agreement dated as of March 27, 2009 (the "**Macro Acquisition Agreement**"), by and among the ICF International, ICFG, infoGroup Inc. and Opinion Research Corporation, the sole shareholder of Macro (the "**Macro Acquisition**"); and

WHEREAS, the Administrative Agent and Lenders have agreed to grant the Borrowers' requests set forth above, subject to the Borrowers' agreement to modify the interest rates charged on amounts advanced under the Facilities, as well as other terms and provisions of the Loan Agreement more particularly described herein; and

WHEREAS, the Borrowers, the Administrative Agent and the Lenders desire to enter into this Modification to memorialize the agreements and understanding of the parties with respect to the foregoing matters, as hereinafter provided.

NOW THEREFORE, for Ten and No/100 Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **Recitals**. The foregoing recitals are hereby incorporated herein by this reference and made a part hereof, with the same force and effect as if fully set forth herein.

2. Consent to the Stock Sale. Subject to the terms and conditions of this Modification and the other Loan Documents, the Administrative Agent and the Lenders hereby consent, for all purposes for which such consent may be necessary or required pursuant to Sections 7.1(b) and 7.8(a) of the Loan Agreement, to the Stock Sale; provided that (i) the Stock Sale shall occur on or before September 30, 2010, (ii) the Stock Sale shall be consummated in accordance with all applicable laws, and (iii) the proceeds of the Stock Sale, net of normal and customary fees, costs and expenses incurred by the Borrowers with respect thereto, shall be immediately used by the Borrowers to reduce the outstanding principal balance of the Loans.

3. Consent to the Macro Acquisition. The Borrowers hereby represent and warrant that the Macro Acquisition would have constituted a "Permitted Acquisition" under Section 7.1(d) of the Loan Agreement, but for the fact that the Macro Acquisition would violate Section 7.1(d)(ii)(H) of the Loan Agreement absent the prior written consent of the Required Lenders. The Administrative Agent and the Lenders hereby consent to the Macro Acquisition, subject to the following terms, covenants and conditions:

(a) ICFG shall acquire one hundred percent (100%) of the issued and outstanding Capital Stock of Macro, free and clear of all liens, claims, encumbrances and other restrictions or limitations on transfer thereof (other than Permitted Liens);

(b) the Macro Acquisition shall be consummated substantially in accordance with the Macro Acquisition Agreement (a copy of which shall be provided to the Administrative Agent and its counsel prior to the Borrowers' use of any Loan proceeds for the Macro Acquisition), subject to the grant of any waivers thereunder or modifications thereto;

(c) the Borrowers shall cause Macro to be joined to the Loan Agreement, the Notes and the other Loan Documents as a "Borrower" or "Maker" party thereto (as applicable) pursuant to Section 1.10 of the Loan Agreement by executing and/or delivering to the Administrative Agent a Joinder Agreement and such other documents, instruments and agreements requested by the Administrative Agent in connection therewith; and

(d) the Borrowers shall timely comply with all other requirements of Section 7.1(d) of the Loan Agreement applicable to a "Permitted Acquisition."

4. Modification to Pricing Grid. As a material inducement for the consents granted by the Administrative Agent and the Lenders herein, the Borrowers hereby agree to an increase in the interest rates charged on amounts outstanding under the Loans. Accordingly, Exhibit 7 attached to the Loan Agreement is hereby deleted in its entirety, and Exhibit 7 attached to this Modification substituted in lieu thereof. It is understood and agreed, however, that the Borrowers shall not be entitled to any reduction in the Applicable Interest Rate below the rates corresponding to Level II set forth on Exhibit 7 attached to this Modification until the date on which a change in the pricing level would occur based on the Borrowers' audited financial statements for the Fiscal Year ended December 31, 2009 submitted to the Administrative Agent and the Lenders pursuant to the terms of the Loan Agreement. By way of example and not of limitation, if the Borrowers' Total Leverage Ratio as of any date of determination shall be greater than or equal to 3.00 to 1.00, the Applicable Interest Rate shall be set at Level I, and if the Borrowers' Total Leverage Ratio as of any date of determination shall be less than 3.00 to 1.00, the Applicable Interest Rate shall be set at Level II. Following the Administrative Agent's and the Lenders' receipt of the Borrowers' Quarterly Covenant Compliance /Non-Default Certificate based on the audited financial statements for the Fiscal Year ended December 31, 2009, interest rate adjustments shall be made in the manner set forth in the Notes, the Loan Agreement and the exhibits attached thereto.

5. Conditions Precedent. As a condition precedent to the effectiveness of this Modification, the Administrative Agent and its counsel shall have received the following, each in form and substance satisfactory to the Administrative Agent and its counsel in all respects, a fully executed copy of this Modification and such other documents, instruments, certificates of good standing, corporate resolutions, limited liability company consents, UCC financing statements, opinions, certifications, and agreements as the Administrative Agent may reasonably request, each in such form and content and from such parties as the Administrative Agent shall require.

6. Miscellaneous.

(a) Without limiting the Borrowers' obligation under Section 1.7(e) of the Loan Agreement to pay the Administrative Agent's costs and expenses incurred in connection with the Loan (including, without limitation, reasonable attorneys' fees), simultaneously with the execution and delivery of this Modification (and as a condition precedent to its effectiveness), the Borrowers shall pay (i) to the Lead Arranger, in immediately available funds, an upfront fee (for the ratable benefit of the Lenders approving this Modification) in the amount of Five Hundred Fifty Thousand and No/100 Dollars (\$550,000.00); (ii) to the Lead Arranger, those fees set forth in that certain Letter Agreement dated as of March 5, 2009 among the Lead Arranger, the Administrative Agent and ICF International; and (iii) to the Administrative Agent, all of the Administrative Agent's reasonable legal costs and expenses associated with this Modification and the transactions referenced herein or contemplated hereby, including, without limitation, the Administrative Agent's reasonable legal fees and expenses.

(b) Each Borrower hereby represents, warrants, acknowledges and agrees that as of the date hereof (i) there are no set-offs, defenses, deductions or counterclaims against and no defaults under any of the Notes, the Loan Agreement or any other Loan Document; (ii) no act, event or condition has occurred which, with notice or the passage of time, or both, would constitute a default under any of the Notes, the Loan Agreement or any other Loan Document; (iii) all of the representations and warranties of the Borrowers contained in the Loan Agreement are true and correct as of the date hereof (except to the extent that such representations and warranties expressly relate solely to an earlier date), unless the Borrowers are unable to remake and redate any such representation or warranty, in which case the Borrowers have previously disclosed the same to the Administrative Agent and the Lenders in writing, and such inability does not constitute or give rise to an Event of Default; (iv) all schedules attached to the Loan Agreement with respect to any particular representation and warranty of the Borrowers set forth in the Loan Agreement (as modified) remain true, accurate and complete, as updated in writing to the Administrative Agent as of the date of this Modification; (v) all accrued and unpaid interest and fees payable with respect to the Loan have been paid; and (vi) there has been no material adverse change in the business, property or condition (financial or otherwise) of the Borrowers since December 31, 2008.

(c) The Borrowers, and their respective representatives, successors and assigns, hereby jointly and severally, knowingly and voluntarily RELEASE, DISCHARGE, and FOREVER WAIVE and RELINQUISH any and all claims, demands, obligations, liabilities, defenses, affirmative defenses, setoffs, counterclaims, actions, and causes of action of whatsoever kind or nature, whether known or unknown, which they have, may have, or might have or may assert now or in the future against the Administrative Agent and/or the Lenders directly or indirectly, arising out of, based upon, or in any manner connected with any transaction, event, circumstance, action, failure to act, or occurrence of any sort or type, in each case related to, arising from or in connection with the Loan, whether known or unknown, and which occurred, existed, was taken, permitted, or begun prior to the date hereof (including, without limitation, any claim, demand, obligation, liability, defense, counterclaim, action or cause of action relating to or arising from the grant by the Borrowers to the Administrative Agent and/or the Lenders of a security interest in or encumbrance on collateral that is, was or may be subject to, or an agreement by which the Borrowers are bound and which contains, a prohibition on further mortgaging or encumbering the same). The Borrowers hereby acknowledge and agree that the execution of this Modification by the Administrative Agent and the Lenders shall not constitute an acknowledgment of or an admission by the Administrative Agent and/or the Lenders of the existence of any such claims or of liability for any matter or precedent upon which any liability may be asserted.

(d) Except as expressly set forth herein, nothing contained in this Modification is intended to or shall otherwise act to nullify, discharge, or release any obligation incurred in connection with the Notes, the Loan Agreement and/or the other Loan Documents or to waive or release any collateral given by any Borrower to secure the Notes, nor shall this Modification be deemed or considered to operate as a novation of the Notes, the Loan Agreement or the other Loan Documents. Except to the extent of any express conflict with this Modification or except as otherwise expressly contemplated by this Modification, all of the terms and conditions of the Notes, the Loan Agreement and the other Loan Documents shall remain in full force and effect, and the

same are hereby expressly approved, ratified and confirmed. In the event of any express conflict between the terms and conditions of the Notes, the Loan Agreement or the other Loan Documents and this Modification, this Modification shall be controlling and the terms and conditions of such other documents shall be deemed to be amended to conform with this Modification.

(e) If any term, condition, or any part thereof, of this Modification, the Loan Agreement or of the other Loan Documents shall for any reason be found or held to be invalid or unenforceable by any court or governmental agency of competent jurisdiction, such invalidity or unenforceability shall not affect the remainder of such term, provision or condition nor any other term, provision, or condition of this Modification, the Loan Agreement and the other Loan Documents, and this Modification, the Loan Agreement and the other Loan Documents shall survive and be construed as if such invalid or unenforceable term, provision or condition had not been contained therein.

(f) Each Borrower acknowledges that, at all times prior to and through the date hereof, the Administrative Agent and the Lenders have acted in good faith and have conducted themselves in a commercially reasonable manner in their relationship with such Borrower in connection with this Modification and in connection with the obligations of the Borrowers to the Administrative Agent and the Lenders under the Loan; the Borrowers hereby waiving and releasing any claims to the contrary.

(g) Each Borrower, Lender and the Administrative Agent hereby acknowledges and agrees that, from and after the date hereof, all references to the "Loan Agreement" set forth in any Loan Document shall mean the Loan Agreement, as modified pursuant to this Modification and any other modification of the Loan Agreement dated prior to the date hereof.

(h) Each Borrower hereby represents and warrants that, as of the date hereof, such Borrower is indebted to the Lenders in respect of the amounts due and owing under the Notes, all such amounts remain outstanding and unpaid and all such amounts are payable in full, without offset, defenses, deduction or counterclaim of any kind or character whatsoever.

(i) Each Borrower acknowledges (a) that it has participated in the negotiation of this Modification, and no provision of this Modification shall be construed against or interpreted to the disadvantage of any party hereto by any court or other governmental or judicial authority by reason of such party having or being deemed to have structured, dictated or drafted such provision; (b) that it has had access to an attorney of its choosing in the negotiation of the terms of and in the preparation and execution of this Modification, and it has had the opportunity to review, analyze, and discuss with its counsel this Modification, and the underlying factual matters relevant to this Modification, for a sufficient period of time prior to the execution and delivery hereof; (c) that all of the terms of this Modification were negotiated at arm's length; (d) that this Modification was prepared and executed without fraud, duress, undue influence, or coercion of any kind exerted by any of the parties upon the others; and (e) that the execution and delivery of this Modification is the free and voluntary act of such Borrower.

(j) This Modification shall be governed by the laws of the Commonwealth of Virginia (without regard to conflict of laws provisions) and shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

(k) This Modification may be executed in any number of counterparts, each of which shall be deemed an original and all of which together shall be deemed one and the same instrument. Signature pages may be exchanged by facsimile or electronic mail and each party hereto agrees to be bound by its facsimile or PDF signature.

[The Remainder of This Page Intentionally Left Blank]

IN WITNESS WHEREOF, the undersigned have executed this Modification as of the date first above written.

ATTEST:
[Corporate Seal]

By: /s/ Terrance McGovern
Name: Terrance McGovern

ATTEST:
[Corporate Seal]

By: /s/ Terrance McGovern
Name: Terrance McGovern

WITNESS:

By: /s/ Susan Wolf
Name: Susan Wolf

WITNESS:

By: /s/ Susan Wolf
Name: Susan Wolf

WITNESS:

By: /s/ Susan Wolf
Name: Susan Wolf

BORROWERS:

ICF INTERNATIONAL, INC.,
a Delaware corporation

By: /s/ Alan Stewart
Name: Alan Stewart
Title: CFO

ICF CONSULTING GROUP, INC.,
a Delaware corporation

By: /s/ Alan Stewart
Name: Alan Stewart
Title: CFO

ICF CONSULTING LIMITED,
a private limited company organized under the
laws of England and Wales

By: /s/ Alan Stewart
Name: Alan Stewart
Title: CFO

ICF CONSULTING PTY LTD,
an Australian corporation

By: /s/ Alan Stewart
Name: Alan Stewart
Title: CFO

ICF/EKO, a Russian corporation

By: /s/ Alan Stewart
Name: Alan Stewart
Title: CFO

ICF CONSULTORIA DO BRASIL LTDA.,
a Brazilian limited liability company

By: ICF CONSULTING GROUP, INC.,
a Delaware corporation

By: /s/ Terrance McGovern
Name: Terrance McGovern
Title: Treasurer

By: /s/ Alan Stewart
Name: Alan Stewart
Title: CFO

By: ICF CONSULTING SERVICES, L.L.C.,
a Delaware limited liability company

By: /s/ Terrance McGovern
Name: Terrance McGovern
Title: Treasurer

By: /s/ Alan Stewart
Name: Alan Stewart
Title: CFO

ICF INCORPORATED, L.L.C.
ICF RESOURCES, L.L.C.
SYSTEMS APPLICATIONS INTERNATIONAL, L.L.C.
ICF ASSOCIATES, L.L.C.
ICF SERVICES COMPANY, L.L.C.
ICF CONSULTING SERVICES, L.L.C.
ICF EMERGENCY MANAGEMENT SERVICES, LLC
ICF CONSULTING CANADA, INC.
CALIBER ASSOCIATES, INC.
ADVANCED PERFORMANCE CONSULTING GROUP, INC.
Z-TECH CORPORATION
SIMAT, HELLIESEN & EICHNER, INC.
SH&E LIMITED
JONES & STOKES ASSOCIATES, INC.

Attest/Witness:

By: /s/ Terrance McGovern
Name: Terrance McGovern

By: /s/ Alan Stewart
Name: Alan Stewart
Title: CFO

ADMINISTRATIVE AGENT AND LENDERS:

CITIZENS BANK OF PENNSYLVANIA, a Pennsylvania state chartered bank, as Administrative Agent, Swing Line Lender and Lender, on behalf of itself and the other Lender parties to this Agreement pursuant to an Authorization

By: /s/ Tracy Van Riner

Name: Tracy Van Riner

Title: Vice President

**SUBSIDIARIES OF
ICF INTERNATIONAL, INC.**

<u>NAME</u>	<u>JURISDICTION OF INCORPORATION/ ORGANIZATION</u>
ICF Consulting Group, Inc.	Delaware
ICF Consulting Pty. Ltd.	Australia
ICF Consultoria do Brasil, Ltda.	Brazil
ICF Consulting Canada, Inc.	Canada
ICF Associates, L.L.C.	Delaware
(d/b/a ICF Associates, L.L.C.(Delaware) in Georgia)	
(d/b/a ICF Consulting Associates in Washington)	
ICF Consulting Services, L.L.C.	Delaware
ICF Emergency Management Services, L.L.C.	Delaware
ICF Incorporated, L.L.C.	Delaware
(d/b/a ICF (Delaware), L.L.C. in Arizona)	
(d/b/a ICF Consulting, L.L.C. in California)	
(d/b/a ICF, L.L.C. in Michigan)	
(d/b/a ICF Minnesota, L.L.C. in Minnesota)	
(d/b/a ICF (Delaware), L.L.C. in Missouri)	
(d/b/a ICF Delaware in New York)	
(d/b/a ICF Ohio, L.L.C. in Ohio)	
(d/b/a ICF PA, L.L.C. in Pennsylvania)	
(d/b/a ICF, L.L.C. in Texas)	
(d/b/a ICF, L.L.C. in Virginia)	
ICF Resources, L.L.C.	Delaware
Systems Applications International, L.L.C.	Delaware
ICF Services Company, L.L.C.	Delaware
ICF Consulting India Private, Ltd.	India
ICF/EKO	Russia
ICF Consulting Limited	U.K.
Caliber Associates, Inc.	Virginia
(d/b/a Caliber Associates, Inc. of Virginia in Washington)	
Advanced Performance Consulting Group, Inc.	Maryland
ICF Z-Tech, Inc.	Maryland
ICF SH&E, Inc.	Delaware
ICF SH&E Limited	U.K.
(d/b/a ICF SH&E Limited (Singapore Branch) in Singapore)	
ICF Jones & Stokes, Inc.	Delaware
ICF International Consulting (Beijing) Company, Ltd.	China
ICF Jacob & Sundstrom, Inc.	Maryland
ICF Macro, Inc.	Delaware
Ironworks Consulting, L.L.C.	Virginia

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our report dated March 2, 2012, with respect to the consolidated financial statements and internal control over financial reporting included in the Annual Report of ICF International, Inc., and Subsidiaries on Form 10-K for the year ended December 31, 2011. We hereby consent to the incorporation by reference of said report in the Registration Statements of ICF International, Inc., and Subsidiaries on Form S-3 (File No. 333-161896, effective September 29, 2009) and on Forms S-8 (File No. 333-168608, effective August 6, 2010, File No. 333-165474, effective March 15, 2010, File No. 333-159053, effective May 8, 2009, File No. 333-150932, effective May 15, 2008, File No. 333-142265, effective April 20, 2007 and File No. 333-137975, effective October 13, 2006).

/s/ Grant Thornton LLP

McLean, Virginia

March 2, 2012

CERTIFICATION BY PRINCIPAL EXECUTIVE OFFICER

I, Sudhakar Kesavan, certify that:

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

Dated this 2nd day of March, 2012.

By: _____ /s/ SUDHAKAR KESAVAN

Sudhakar Kesavan
Chairman and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION BY PRINCIPAL FINANCIAL OFFICER

I, Sandra B. Murray, certify that:

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

Dated this 2nd day of March, 2012.

/s/ SANDRA B. MURRAY

Sandra B. Murray
Interim Chief Financial Officer
(Principal Financial Officer)

**Certification of Principal Executive Officer
Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)**

In connection with the Annual Report on Form 10-K for the year ended December 31, 2011 (the "Report") of ICF International, Inc. (the "Registrant"), as filed with the Securities and Exchange Commission on the date hereof, I, Sudhakar Kesavan, Chairman and Chief Executive Officer of the Registrant, hereby certify that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: March 2, 2012

By:

/s/ SUDHAKAR KESAVAN

Sudhakar Kesavan
Chairman and Chief Executive Officer
(Principal Executive Officer)

**Certification of Principal Financial Officer
Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)**

In connection with the Annual Report on Form 10-K for the year ended December 31, 2011 (the "Report") of ICF International, Inc. (the "Registrant"), as filed with the Securities and Exchange Commission on the date hereof, I, Sandra B Murray, Interim Chief Financial Officer of the Registrant, hereby certify that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: March 2, 2012

By:

/s/ SANDRA B MURRAY

Sandra B. Murray
Interim Chief Financial Officer
(Principal Financial Officer)

