**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, 2014**

**Commission File Number: 001-33045**

## ICF INTERNATIONAL, INC.
**(Exact name of Registrant as specified in its charter)**

| **Delaware** | **22-3661438** |
|---|---|
| **(State or other jurisdiction of incorporation or organization)** | **(IRS Employer Identification Number)** |
| **9300 Lee Highway Fairfax, VA** | **22031** |
| **(Address of principal executive offices)** | **(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** | **Name of Exchange on which Registered** |
|---|---|
| **Common Stock, $0.001 par value** | **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 $650 million based upon the closing price per share of $35.36, as quoted on the NASDAQ Global Select Market on June 30, 2014. 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 20, 2015, 19,435,765 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 Proxy Statement for the 2015 Annual Meeting of Stockholders expected to be held in June 2015.

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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, as amended. 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 risk 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 U.S. federal, state and local, and international governments, agencies and departments for the majority of our revenue;
- failure by Congress or other governmental bodies to approve budgets in a timely fashion and reductions in government spending including, but not limited to, budgetary cuts resulting from automatic sequestration under the Budget Control Act of 2011;
- results of routine and non-routine government audits and investigations;
- dependence of our commercial work on certain sectors of the global economy that are highly cyclical;
- failure to receive the full amount of our backlog;
- difficulties in integrating acquisitions generally;
- risks resulting from expanding our service offerings and client base;
- liabilities arising from our completed Road Home contract with the State of Louisiana; and
- additional risks as a result of having international operations.

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 and commercial clients. We help our clients conceive, develop, implement, and improve solutions that address complex business, natural resource, social, technological, and public safety issues. Our services primarily address three key markets:

- Energy, Environment, and Infrastructure;
- Health, Social Programs, and Consumer/Financial; and
- Public Safety and Defense.

We provide services across these three markets that deliver value throughout the entire life cycle of a policy, program, project, or initiative, from strategy, concept analysis and design through implementation/execution, evaluation, and, when applicable, ongoing support and improvement/innovation. Our primary services include:

- Research and Analytic Services. We research critical policy, industry, and stakeholder issues, trends, and behavior. We collect and analyze wide varieties of data to understand critical issues and options for our clients.
- Assessment and Advisory Services. We measure/assess results and their impact and, based on those assessments, we provide advice to our clients on how to navigate societal, market, business, communication, and technology challenges.
- Design and Management Services. We design, develop, and manage plans, frameworks, programs and tools that are key to our clients' mission or business performance. These programs often relate to the analytics and advice we provide.
- Solution Identification and Implementation Services. We identify, define, and implement technology systems and business tools that make our clients' organizations more effective and efficient. These solutions are implemented through a wide range of standard and customized methodologies designed to match our clients' business context.
- Engagement Services. We inform and engage our clients' constituents, customers, and employees through marketing, multichannel and strategic communications, and enterprise training programs. Our engagement services frequently rely on our digital design and implementation skills.

Within our three markets, we perform work for both government and commercial clients. Our government clients include U.S. federal clients, U.S. state and local clients, as well as governments outside the United States. Our commercial clients include both U.S. and international clients. Our clients utilize our services because we offer a combination of deep subject-matter expertise, technical solutions, and institutional experience in our market areas. We believe that our domain expertise and the program knowledge developed from our research and analytic and assessment and advisory engagements (which we refer to hereafter as "research and advisory services) further position us to provide our full suite of services.

We generated revenue of $1,050.1 million, $949.3 million, and $937.1 million in 2014, 2013, and 2012, respectively. Our total backlog was approximately $1.9 billion, $1.7 billion, and $1.5 billion as of December 31, 2014, 2013, and 2012, respectively. See further discussion in "Contract Backlog."

As of December 31, 2014, we had more than 5,000 employees around the globe, including many recognized as thought leaders in their respective fields. We serve clients globally from our headquarters in the Washington, D.C. metropolitan area, our more than 55 regional offices throughout the United States, and over 15 offices outside the United States, including offices in the United Kingdom, Belgium, China, India and Canada.

We report operating results and financial data in one operating and reportable segment. See our revenue, net profit and total assets as presented in the consolidated financial statements and the related notes included elsewhere in this Annual Report.

**OUR COMPANY INFORMATION**

ICF International, Inc. began as a Delaware limited liability company formed in 1999 under the name ICF Consulting Group Holdings, LLC. It was formed to purchase our principal operating subsidiary, which was founded in 1969, from a larger services organization. A number of our current senior managers participated in this 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.

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 (the "Exchange Act"), 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 key market areas.

In the energy, environment, and infrastructure market, these factors include: the changing mix of sources used to generate electricity and the related policy and infrastructure issues resulting from those changes; the changing position of the United States in the world's energy markets overall; an increasing focus on renewables and energy efficiency; an aging transportation infrastructure; increasing drought and need to invest in water infrastructure/conservation; and environmental degradation.

In the health, social programs, and consumer/financial market, these factors include: the increasing level of healthcare expenditures and efforts at health reform; global public health and health security issues, including potential global epidemics; aging populations across the globe; 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; the desire to find more efficient means to deliver social and educational programs; increased use of interactive data technologies to link organizations with consumers and other stakeholders in more varied and personalized ways; changing industry structures in marketing and advertising services; the desire for greater return on marketing investment; and the continued elevation of data analytics as a business management and marketing tool.

In the public safety and defense market, these factors include: the continuing spectrum of all-hazard threats, including cybersecurity threats, terrorism, severe weather and climatological changes, as well as infrastructure protection.

In addition to these market-based factors, secular trends across all of our markets are increasing the demand for research and advisory services that drive our business. These trends include: increased government focus on efficiency and mission performance management; generational changes; the emphasis on transparency and accountability; and an increased demand for combining domain knowledge of client mission and programs with innovative technology-enabled solutions.

We believe that demand for our services will continue as government, industry, and other stakeholders seek to understand and respond to these and other factors. 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 as well as deployment of innovative information and communications technology. 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. More broadly, we believe our commercial clients will demand innovative services and solutions that can help them connect with customers and stakeholders in an increasingly connected and crowded marketplace. We believe that our institutional knowledge and subject-matter expertise in our three key markets are distinct competitive advantages in providing our clients with practical, innovative solutions, directly 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 research and advisory assignments and our experience on execution projects to win larger engagements, thereby increasing returns on business development investment and increasing employee utilization. Rapid changes in technology, including the omnipresent influence of mobile, social, and cloud technologies, also demand new ways of communicating, evaluating and implementing programs across all of our markets, and we are focused on leveraging our technology expertise to capitalize on those changes.

Our future results will depend on the success of our strategy to capitalize on our competitive strengths, including our success in maintaining our long-standing client relationships, to seek larger engagements across the program life cycle in our three key markets and to complete and successfully integrate additional acquisitions. In our three key markets, we will continue to focus on building scale in vertical and horizontal domain expertise; developing business with both our government and commercial clients; and replicating our business model geographically in selective regions of the world. In doing so, we will continue to evaluate acquisition opportunities that enhance our subject matter knowledge, broaden our service offerings, and/or provide scale in specific geographies.

**Energy, Environment, and Infrastructure**

For decades, we have advised on energy and environmental issues, including the impact of human activity on natural resources, and have helped 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 those 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 sources of energy;
- Ongoing efforts to upgrade energy infrastructure to meet new power, transmission, environmental, and cybersecurity requirements and to enable more distributed forms of generation; and
- The need to manage energy demand and increase efficient energy use in an era of environmental concerns, especially carbon and other emissions.

We assist energy enterprises 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 assist commercial and government clients in designing, implementing, and evaluating energy efficiency programs both for residential and for commercial and industrial sectors. Utility companies must balance the changing demand for energy with a price-sensitive, environmentally conscious consumer base. We help utilities meet these needs, guiding them through the entire lifecycle of energy efficiency programs to include policy and planning, technical requirements, implementation and improvement.

Carbon emissions are an important focus of U.S. federal regulation, international governments, many U.S. state and local governments, 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. Moreover, how government and business adapt to the effects of climate change is growing in importance. We support U.S. governments at the federal and state level, ministries and agencies of the government of the United Kingdom ("UK") and European Commission, and industry on these and related issues.

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

- Increased focus on the proper stewardship of natural resources;
- Aging water, energy, and transportation infrastructure, particularly in the United States;
- Under-investment historically in U.S. transportation infrastructure; and
- Changing patterns of economic development that require transportation systems and energy infrastructure to adapt to new patterns of demand.

By leveraging our interdisciplinary skills, which range from finance and economics to earth and life sciences, information technology, and program management, we are able to provide a wide range of services that includes complex environmental impact assessments, environmental management information systems, air quality assessments, program evaluation, transportation planning and operational improvement, strategic communications, and regulatory reinvention. We help clients deal specifically with the inter-related environmental, business, and social implications of issues surrounding all 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, urban and land use planning, industry management practices, financial analysis, environmental sciences, and economics.

**Health, Social Programs, and Consumer/Financial**

We also apply our expertise across our full suite of services in areas such as health, social programs, and consumer/financial markets. We believe that a confluence of factors will drive an increased need for public and private focus on these areas, including, among others:

- An aging population across the globe;
- Expanded 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 U.S. and other countries' educational systems;
- The need for greater transparency and accountability of public sector programs;
- Increasing focus on privacy and cybersecurity requirements;
- A changing regulatory environment; and
- Military personnel returning home from active duty with health and social service needs.

We believe we are well positioned to provide our services to help our clients develop and manage effective programs in the areas of health, social programs, and consumer/financial at the international, national, regional, and local levels. Our subject-matter expertise includes public health, mental health, international health and development, health communications and associated interactive technologies, education, children and families, housing and communities, 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 and commercial sectors to increase their knowledge base, support program development, enhance program operations, evaluate program results, and improve program effectiveness.

In the area of public 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 and Prevention ("CDC"), 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. Increasingly, we provide multichannel communications and messaging for public health programs using capabilities similar to our commercial marketing business. We also provide training and technical assistance for early care and educational programs (such as Head Start), 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 programs of the Department of Housing and Urban Development ("HUD") and the U.S. Department of Agriculture ("USDA"). In addition, we provide research, program design, evaluation, and training for educational initiatives at the federal and state level. We provide similar services to a variety of UK ministries, as well as several directorates-general of the European Commission.

In the area of consumer/financial, we combine our expertise in strategic communications, marketing and creative services and public relations with our strengths in interactive and mobile technologies to help companies develop stronger relationships and engage with their customers and stakeholders across all channels, whether via traditional or digital media, to drive better business results. In an effort to enhance our positioning and build awareness outside of our traditional client set, we have combined capabilities from our recent acquisitions to create a full-service, technology-rooted interactive agency that guides brands digitally through informed strategy, inspired creative design, and technical know-how. We have the capability to complete projects big or small across any channel, such as web, social, mobile, intranets and emerging platforms, through end-to-end technology implementations for local and global clients. Target customer areas include healthcare, energy, travel and hospitality, financial services, non-profits/associations, manufacturing, retail, and distribution.

**Public Safety and Defense**

Public safety programs continue to be a critical priority of the federal government, state and local governments, international governments (especially in Europe), and in the commercial sector. We believe we are positioned to meet the following key public safety concerns:

- Vulnerability of critical infrastructure to cyber and terrorist threats;
- Broadened homeland security concerns that 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;
- Public safety issues around crime and at-risk behavior;
- 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.

These public safety concerns create demand for government programs that can identify, prevent, and mitigate key societal issues.

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 need for real-time information sharing and logistics modernization, network-centric planning requirements, and the global nature of conflict arenas.

We provide key services to the Department of Homeland Security ("DHS"), Department of Justice ("DOJ"), DoD, and analogous departments at the European Commission. 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. At DOJ, we provide technical and communications assistance to programs that help victims of crime and at-risk youths. 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. At the European Commission, we provide support and analytical services related to justice and home affairs issues within the European context.

**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 40 years of providing research and advisory services. As of December 31, 2014, approximately 33% 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, 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 that 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, DoD for more than 20 years, certain commercial clients in our energy and markets for more than 20 years, the European Commission for more than ten years, and have multi-year relationships with many of our other clients in both our government and commercial client base. 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. 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 research and advisory services position us to capture a full range of engagements**

We believe our research and 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 research and advisory engagements further position us to provide a full suite of services across the entire life cycle of a particular policy, program, project, or initiative. As a result, we are able to understand our clients' requirements and objectives as they evolve over time. We then use this knowledge to provide continuous improvement across our entire range of services that maintain the relevance of our recommendations.

**Our technology-enabled solutions are driven by our subject-matter expertise and creativity**

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 with less start-up time required to understand client issues. In addition, many of our clients seek to deploy cutting-edge solutions to communicate and transact with citizens, stakeholders, and customers in a multichannel environment, and doing so takes both our constantly refreshed technical know-how and world-class creativity.

**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 to our clients, 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 265 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, 2014 (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 our key services. Our management team also has experience in acquiring other businesses and integrating those operations with our own. A number of our managers are industry-recognized thought leaders. We believe that our management's successful past performance and deep understanding of our clients' needs have been differentiating factors in competitive situations.

**We have a broad global presence**

We have significantly broadened our geographic presence in recent years through strategic acquisitions and internal growth and now serve our clients with a global network of more than 55 regional offices throughout the United States, and over 15 offices in key markets outside the United States, including offices in the United Kingdom, Belgium, China, India and Canada. Our global presence also gives us access to many of the leading experts on a variety of issues around the world, allowing us to expand our knowledge base and areas of functional expertise. Over the past year, we worked in dozens of countries, helping government and commercial clients with energy, environment, infrastructure, healthcare, marketing, interactive technology/e-commerce, and air transport matters.

## STRATEGY

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

### Pursue strategic acquisitions

We plan to augment our organic growth with selected acquisitions. Since the beginning of 2011, we have added a number of companies including: Marbek Resource Consultants Ltd. ("Marbek") in January 2011; AeroStrategy L.L.C. ("AeroStrategy") in September 2011; Ironworks Consulting L.L.C. ("Ironworks") in December 2011; GHK Holdings Limited ("GHK") in February 2012; Symbiotic Engineering, L.L.C. ("Symbiotic") in September 2012; Ecommerce Accelerator LLC ("ECA") in July 2013; Mostra SA ("Mostra") in February 2014; CityTech, Inc. ("CityTech") in March 2014; and OCO Holdings, Inc. ("Olson") in November 2014. Our more recent acquisitions are discussed further 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 positive financial impact.

### Expand our commercial businesses

We continue to see growth opportunities in our current commercial business in the utility sector, as well as significant potential for us to expand our business in other commercial areas, such as aviation and digital marketing and interactive services, both domestically and internationally. Although we believe the utility industry will continue to be a strong market for research and advisory services in light of the growing focus on regulatory actions and alternative energy sources, 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 our implementation services in areas 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 beyond our traditional sectors. We expect other sectors, such as information service providers and travel and tourism, to continue to expand their interest in these services as these industries better understand their energy consumption options and the positive benefits of demonstrating environmental stewardship. Our broad range of services to the aviation industry make us well positioned to capitalize on significant industry changes, including massive airline equipment upgrade cycles utilizing newer, more efficient aircraft models in a cost constrained environment; renovations of older airports to adapt to the newer aircraft and develop concession strategies to attract more customers; and the construction wave of new airports globally.

Our engagement services including marketing, interactive technology, and strategic communications offerings, are well-positioned to support the continuing growth of multichannel engagement and e-commerce. In particular, our acquisitions of CityTech and Olson in 2014 broadened our offerings to clients including capabilities in the areas of content management and marketing and digital services. We can now offer complete end-to-end solutions for chief marketing officers, chief communications officers, and chief technology officers as they invest in digital marketing platforms and solutions. We deliver cutting-edge digital strategy support as well as the creative services that help brands, products and services succeed in the crowded marketplace.

### Replicate our business model globally across government and industry

We believe the services we provide to our energy, environment, and infrastructure market have especially strong business drivers throughout the world. Europe's growing need for cutting-edge climate change, energy, and environmental solutions is well suited to our domain expertise. Our acquisition of GHK in early 2012 and Mostra in 2014 have increased our offerings to the UK government and to the European Commission. Moreover, many of our offices in Asia represent substantial markets with rapidly growing demands for new sources of energy, clean energy and energy efficiency services, a need for transportation infrastructure improvements, and severe air and carbon pollution issues. We believe our ability to offer energy, infrastructure, climate change, and environmental services to both commercial and government clients in this region from local offices, typically staffed by native citizens, positions us to help clients address these key issues and to expand our market presence. We are also positioned to grow our international development business across multiple regions.

**Strengthen our technology base**

With our acquisitions of Ironworks in 2011, ECA in 2013, and CityTech and Olson in 2014, we strengthened our services in the interactive data, CRM-driven and loyalty marketing, and end-to-end e-commerce field. We are positioned to increase these services by expanding the technological underpinnings of our business, while bringing these interactive and e-commerce solutions, as well as expanded data management and analytics offerings, to clients in the energy, infrastructure, health, retail and social program areas to allow them to link themselves with consumers and other stakeholders better.

**Leverage research and advisory work into full life cycle solutions**

We plan to continue to leverage our research and advisory services and strong client relationships to increase our revenue from longer running engagements. These engagements could include: information services and technology solutions, project and program management, business process solutions, marketing and communications delivery, strategic communications, and technical assistance and training. Our research and 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 assignments position us to capture a greater portion of larger execution 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 potential liabilities for us."

**Defend, expand, and deepen our presence in core federal and state governmental markets**

The current environment of federal budgetary constraints has created challenging market conditions for all competitors in the federal government sector. We will focus not only on defending our current market footprint, but also on innovating to continue expanding across key growth markets, such as federal government health-related and cybersecurity initiatives. We will continue to provide innovative solutions that help our public sector clients "do more with less." We will specifically target deeper penetration of those agencies that currently procure services only from one or two of our service 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 research and 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 55 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 Washington, D.C. metropolitan area.

**Pursue larger prime contract opportunities**

We believe that continuing to expand our client engagements into services we offer as part of our end-to-end client solutions enables us to pursue larger prime contract opportunities, which should provide a greater return on our business development efforts and allow for increased 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.

**Focus on higher-margin commercial projects**

We plan to pursue higher-margin commercial projects. 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 market. 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 and federal regulation, the need for cleaner and more diverse sources of energy, and the concomitant need for additional infrastructure to transport and/or convert those new energy sources. We also believe that the combination of our vertical domain expertise with our digital marketing expertise makes us a provider of choice for high value-added assignments in that arena. 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.

## CLIENT AND CONTRACT MIX

Government clients (including U.S. federal, U.S. state and local, and international governments) and commercial clients (including U.S. and international) accounted for approximately 70% and 30%, respectively, of our 2014 revenue, approximately 72% and 28%, respectively, of our 2013 revenue, and approximately 73%, and 27%, respectively, of our 2012 revenue. Our clients span a broad range of civilian and defense agencies and commercial enterprises. Commercial clients include non-profit organizations and universities, while government clients include the World Bank and the United Nations. In general, a client is considered government if the primary funding of that client is from a government agency or institution. 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.

In 2014, 2013, and 2012, our three largest clients were HHS, DOS, and DoD. The following table summarizes the percentage of our total revenue for each of these.

| | Year ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| Department of Health and Human Services | 17% | 18% | 19% |
| Department of State | 8% | 8% | 7% |
| Department of Defense | 6% | 7% | 8% |
| Total | 31% | 33% | 34% |

Most of our revenue is derived from prime contracts, which accounted for approximately 86%, 86%, and 87% of our revenue for 2014, 2013, and 2012, 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 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. In 2014, 2013, and 2012, no single contract accounted for more than 4% of our revenue. Our 10 largest contracts by revenue collectively accounted for approximately 14% of our revenue in 2014 and approximately 16% in each of 2013 and 2012.

Our international operations pose special risks, as discussed below in “Risk Factors—Risks Related to Our Business—Our international operations pose additional risks to our profitability and operating results.” The table below details information on our domestic and international revenues (in thousands) for each of the three years presented. Revenue is attributed to location based on the geographic areas to which a contract is awarded. Certain amounts in the prior year have been reclassified to conform to current year presentation.

| | Year ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| | | (In thousands) | |
| United States | $ 919,120 | $ 865,976 | $ 866,874 |
| International | 131,014 | 83,327 | 70,259 |
| Total | $ 1,050,134 | $ 949,303 | $ 937,133 |

## 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 total 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, Master Service Agreements (“MSAs”), or other contract vehicles that are also held by a large number of firms and under which potential future delivery orders or task orders might be issued by any of a large number of different agencies, 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 funded backlog. We do include expected revenue under an engagement in funded backlog when we do not have a signed contract, but only in situations when we have received client authorization to begin or continue working and we expect to sign a contract 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 the services we provide to commercial clients are provided under contracts or task orders under MSAs 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 estimate of unfunded backlog for a particular contract is 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. Accordingly, our estimate of total backlog for a contract included in unfunded backlog is sometimes lower than the revenue that would result from our client utilizing all remaining contract capacity.

Although we expect our total 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, | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| | | (In millions) | |
| Funded | $ 849.9 | $ 696.5 | $ 695.3 |
| Unfunded | 1,018.4 | 959.8 | 816.5 |
| Total backlog | $ 1,868.3 | $ 1,656.3 | $ 1,511.8 |

There were no awards included in our 2014, 2013 and 2012 backlog amounts that were under protest.

**BUSINESS DEVELOPMENT**

Our business development efforts are critical to our organic growth. Our business development processes and systems are designed to enable agility and speed-to-market over the business development life cycle, especially given the distinctions between commercial and public sectors. Business development efforts in priority market areas, which include some of our largest federal agency accounts (HHS, DOS, DoD, DOE, DHS, and EPA) and our commercial businesses, 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 appropriate resources, focusing on larger and strategically important pursuits. 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 our clients’ 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. In the commercial aviation and energy sectors, for example, we have dedicated corporate account executives who focus on key accounts (acquisition/new buyers and penetration) and key initiatives within their sectors. The account executives partner with senior operations staff to bring enterprise-wide solutions to our clients.

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. The marketing group engages in brand marketing and strategic marketing program development and execution to raise awareness of our services and solutions in the federal agency and commercial markets, and to generate leads for further pursuit by sales personnel. 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.; AECOM Technology Corporation; Booz Allen Hamilton Holding Corporation; CACI International Inc.; Cambridge Systematics, Inc.; CRA International, Inc.; Deloitte LLP; Eastern Research Group, Inc.; Cardno ENTRIX, Inc.; L-3 Communications Corporation; Leidos Holdings, Inc.; Lockheed Martin Corporation; ManTech International Corporation; Navigant Consulting, Inc.; Northrop Grumman Corporation; Omnicom Group Inc.; PA Consulting Group; PricewaterhouseCoopers (PwC); SAIC, Inc.; Sapient Corporation; Research Triangle Institute; SRA International, Inc.; Tetra Tech Inc.; Westat, Inc., and WPP Plc. 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 we are and have greater access to resources and have stronger brand recognition than we do.

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, and have an issued patent and pending patent applications that help maintain our business and competitive position. 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.

**EMPLOYEES**

As of December 31, 2014, we had more than 5,000 benefits-eligible (full-time and regular part-time) employees, approximately 33% 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 69% of whom held a bachelor’s degree or equivalent or higher. 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" sets forth some of the most significant factors that may adversely affect our business, operations, financial position or future financial performance, reputation and/or value of our stock. 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. Because of the following factors, as well as other factors affecting our business, operations, financial position or future financial performance, reputation and/or value of our stock, past financial performance should not be considered to be a reliable indicator of future performance, and investors should not use historical trends to anticipate results or trends in future periods.

### RISKS RELATED TO OUR INDUSTRY

**Although our percentage of revenue from commercial clients is growing, we continue to rely on government clients for the majority of our revenue, and government spending priorities may change in a manner adverse to our business.**

We derived approximately 51%, 58% and 60% of our revenue in 2014, 2013, and 2012, respectively, from contracts with U.S. federal government clients, and approximately 19%, 14% and 13% of our revenue from contracts with U.S. state and local governments and international governments in 2014, 2013, and 2012, respectively. Expenditures by our U.S. federal clients may be restricted or reduced by presidential or congressional action, by action of the Office of Management and Budget, by action of individual agencies or departments, or by other actions. In addition, many state and local governments are not permitted to operate with budget deficits and nearly all state and local governments face considerable challenges in balancing their budgets. Accordingly, we expect that some of our government clients may delay payments due to us, may eventually fail to pay what they owe us, and may delay certain programs and projects. For some government 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. U.S. 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 international, may lead to reduced spending by agencies and departments on projects or programs we support.

**The failure of Congress to approve budgets in a timely manner for the U.S. federal agencies and departments we support, or the failure of the President and Congress to reach an agreement on fiscal issues, could delay and reduce spending, cause us to lose revenue and profit, and affect our cash flow.**

On an annual basis, Congress is required to approve budgets that govern spending by each of the U.S. 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, it typically enacts a continuing resolution. Continuing resolutions generally allow U.S. federal agencies and departments to operate at spending levels based on the previous budget cycle. When agencies and departments operate on the basis of a continuing resolution, funding we expect to receive from clients for work we are already performing and for new initiatives may be delayed or cancelled. Thus, the failure by Congress to approve budgets in a timely manner can result in the loss of revenue and profit when U.S. 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 that Congress will enact neither a budget nor a continuing resolution in a timely manner. In such an event, many parts of the U.S. federal government, including agencies, departments, programs, and projects we support, may "shut down," which could have a substantial negative affect on our revenue, profit, and cash flow. The budgets of many of our U.S. state and local government clients are also subject to similar budget processes, and thus subject us to similar risks and uncertainties.

In addition, in an effort to control the U.S. federal budget deficit, Congress passed the Budget Control Act of 2011 (the "Budget Act"), which mandated the reduction of discretionary spending by the U.S. federal government by $1.2 trillion over 10 years. While some of these reductions have been rescinded, the spending caps through 2021 remain in place and, unless they are also rescinded, could significantly constrain federal discretionary spending for the services we provide. Because we derive a significant portion of our revenue from contracts with U.S. federal government clients, a decline in federal government expenditures and/or a shift of expenditures away from programs we support, whether as a result of the Budget Act or otherwise, would likely have a negative impact on our business and results.

**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 and sanctions.**

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. Some of the more significant ones affecting U.S. federal government contracts are:

- The U.S. 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.

Any failure to comply with applicable U.S. federal, state, or local laws, rules and regulations 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 U.S. federal and even U.S. state and local government agencies and departments, any of which could adversely affect our reputation, our revenue, our operating results, and/or the value of our stock.

In addition, the U.S. federal government and other governments with which we do business may 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 businesses.

Recent acquisitions and increased contracting with international governments, agencies, and departments have increased our presence in countries outside of the United States. Failure to abide by laws, rules and regulations applicable to our work for governments outside the United States could have similar effects to those described above.

**We are subject to various routine and non-routine governmental reviews, audits and investigations, and 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.**

U.S. federal government departments and agencies, including the NIH, and many states audit and review our contract performance, pricing practices, cost structure, financial responsibility, and compliance with applicable laws, rules, and regulations. Audits could raise issues that have significant adverse effects, 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 U.S. federal and even U.S. state and local government agencies and departments, any of which could adversely affect our reputation, our revenue, our operating results, and/or the value of our stock. 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 and our stock price could decline if allegations of impropriety are made against us, whether true or not. U.S. 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 federal, state and local governments may still be conducted on all our government contracts, even for periods before 2006.

**Our government contracts contain provisions that are unfavorable to us and permit our government clients to, among other things, terminate our contracts partially or completely at any time prior to completion.**

Our U.S. and international 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 contract 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 options under, or curtail further performance under one or more of our major contracts, our revenue and operating results could be materially harmed.

In addition, certain contracts with international government clients may have more severe and/or different contract clauses than what we are accustomed to with U.S. federal, state and local government clients, such as penalties for any delay in performance.

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

Historically, our revenue has predominantly come from contracts with the U.S. federal government. However, in recent years, we have significantly expanded our work with commercial clients, due in large part to strategic acquisitions. This increased reliance on commercial clients presents new risks and challenges. For example, our commercial work is heavily concentrated in cyclical industries such as energy, air transport, environmental, health, retail and financial services. Demand for our services from our commercial clients has historically declined when their industries have experienced downturns, and we expect a decline in demand for our services when these industries experience a downturn in the future. Other factors that could negatively affect our commercial business include, but are not limited to, a decline in general economic conditions, changes in the worldwide geopolitical climate, increases in the cost of energy, the financial condition of our clients, and government regulations.

**RISKS RELATED TO OUR BUSINESS**

**Although our work with commercial clients is growing, we depend on contracts with U.S. 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.**

We believe that U.S. federal contracts will continue to be a significant source of our revenue and profit for the foreseeable future, even as we continue to grow our commercial client base. Because we have a large number of contracts with U.S. federal government 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 businesses), or that we will be successful in any such re-procurements or in obtaining subcontractor roles. 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 may be materially affected.

**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 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 U.S. 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 during the term of a contract. There can be no assurance that we will continue to obtain revenue from such contracts at current levels, or in any amount, in the future. To the extent that U.S. federal agencies and departments choose to employ GSA Schedule contracts and other IDIQ 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.

**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, U.S. federal contracts rely on congressional appropriation of funding, which is typically provided only partially at any point during the term of U.S. 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. 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 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 and delivery orders, and sometimes under 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, or otherwise, we may not be able to keep our staff profitably utilized, which may result in challenges related to retaining talented members of our staff. 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, or retain, our staff.

**If we are unable to accurately estimate and control our contract costs, then we may incur losses on our contracts, which could decrease our operating margins and reduce our profits. In particular, our fixed-price contracts could increase the unpredictability of our earnings.**

It is important for us to accurately estimate and control our contract costs so that we can maintain positive operating margins and profitability. As described elsewhere in this Form 10-K, we generally enter into three principal types of contracts with our clients: fixed-price, time-and-materials and cost-plus.

The U.S. federal government and some clients have increased the use of fixed-price contracts. We derived 34% of our revenue from fixed-price contracts in 2014. Under fixed-price contracts, we receive a fixed price irrespective of the actual costs we incur and, consequently, we are exposed to a number of risks. We realize a profit on fixed-price contracts only if we can control our costs and prevent cost overruns on our contracts. Fixed-price contracts require cost and scheduling estimates that are based on a number of assumptions, including those about future economic conditions, costs, and availability of labor, equipment and materials, and other exigencies. We could experience cost overruns if these estimates are inaccurate as a result of errors or ambiguities in the contract specifications, or become inaccurate as a result of a change in circumstances following the submission of the estimate due to, among other things, unanticipated technical problems, difficulties in obtaining permits or approvals, changes in local laws or labor conditions, weather delays, or the inability of our vendors or subcontractors to perform. If cost overruns occur, we could experience reduced profits or, in some cases, a loss for that project. If a project is significant, or if there are one or more common issues that impact multiple projects, costs overruns could increase the unpredictability of our earnings, as well as have a material adverse impact on our business and earnings.

**In the area of consumer/financial, which has recently been expanded by the acquisition of Olson, we provide ad-media services in a highly competitive and constantly evolving market. Our success in this market depends upon our ability to develop and integrate new technologies into our business and enhance our existing products and services, as well as in our ability to respond to rapid changes in technology, in order to remain competitive.**

In the area of consumer/financial, which has recently been expanded by the acquisition of Olson, we provide ad-media services in highly competitive markets. We compete principally with large systems consulting and implementation firms, traditional and digital advertising and marketing agencies, offshore consulting and outsourcing companies, and clients' internal information systems departments. To a lesser extent, other competitors include boutique consulting firms that maintain specialized skills and/or are geographically focused. We expect these competitors to devote significant effort to maintaining and growing their respective market shares. If we cannot respond effectively to advances by our competitors in this market, or grow our own business efficiently, our overall business and operating results could be adversely affected.

Our success in this competitive ad-media market depends in part on our ability to adapt to rapid technological advances and evolving standards in computer hardware and software development and media infrastructure, changing and increasingly sophisticated customer needs and frequent new ad-media services and platform introductions and enhancements. If, within this market, we are unable to develop new or sufficiently differentiated products and services, enhance and improve our products and support services in a timely manner or to position and/or price our products and services to meet demand, our overall business and operating results could be adversely affected.

**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.

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 still have lawsuits pending, and other claims have been made against us in connection with this contract. New lawsuits may be filed and new claims may be made against us in the future including, but not limited to, claims by subcontractors and others who are dissatisfied with the amount of money they have received from, or their treatment under, the Road Home program. We have defended such lawsuits and claims 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. The outstanding accounts receivable related to defending and paying claims were fully reserved at December 31, 2014.

In addition and as discussed in "Note O—Contingencies and Commitments" in our financial statements, the State of Louisiana, Office of Community Development, has made a significant claim against us for alleged overpayments to grant applicants, currently totaling approximately $107.0 million. The State has also indicated that as it continues to review homeowner grant calculations, it expects to assert additional demands in the future, increasing the aggregate claim amount. We have communicated with the State in an effort to resolve its claim, and intend to defend our position vigorously, believing the State's claim to be unfounded and improper. However, there is no guarantee that we will be successful in our efforts. The Company believes this claim has no merit, and has therefore not recorded a liability as of December 31, 2014.

As discussed above, the Road Home contract has been, and we expect it to continue to be, audited, investigated, reviewed, and monitored frequently by U.S. federal and state authorities and their representatives. These activities may consume significant management time and effort; further, the contract provides that we are subject to audits for a period after the date of the last payment made under the contract. Findings from any audit, investigation, review, monitoring, or similar activity could subject us to civil and criminal penalties and administrative sanctions from U.S. federal and state authorities, which could substantially adversely affect our reputation, our revenue, our operating results, and the value of our stock.

**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, as discussed below; and
- the opportunity cost of not bidding on and winning other contracts we may have otherwise pursued.

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.

**Our business could be adversely affected by delays caused by our competitors protesting contract awards received by us, which could stop our work. Likewise, we may protest the contracts awarded to some of our competitors, a process that takes the time and energy of our management and incurs outside costs.**

Due in part to the competitive bidding process under which U.S. federal government contracts are awarded, we are at risk of incurring expenses and delays if one or more of our competitors protest contracts awarded to us. Contract protests are becoming more common in our industry and may result in a requirement to resubmit offers for the protested contract or in the termination, reduction, or modification of the awarded contract. It can take many months to resolve contract protests and, in the interim, the contracting U.S. federal agency or department may suspend our performance under the contract pending the outcome of the protest. Even if we prevail in defending the contract award, the resulting delay in the startup and funding of the work under these contracts may adversely affect our operating results.

Moreover, in order to protect our competitive position, we may protest the contract awards of our competitors. This process takes the time and energy of our executives and employees, is likely to divert management’s attention from other important matters, and incurs additional outside expenses.

**Our international operations pose additional risks to our profitability and operating results.**

We have offices in the United Kingdom, Belgium, China, India and Canada, among others, and expect to continue to have international operations and offices. We have opened other foreign offices, either directly or through acquisitions, some of which are in under-developed countries that do not have a well-established business infrastructure. We also perform work in some countries where we do not have a physical office. Some of the countries in which we work have a history of political instability or may expose our employees and subcontractors to physical danger. 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, countries other than the United States, including, but not limited to:

- compliance with the laws, rules, 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 inabilities to protect our property rights; and/or
- difficulties in managing and staffing such 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.

**Our results of operations may suffer if we are not able to manage our increasing exposure to foreign exchange rate risks successfully.**

As our work with international clients grows, certain of our revenues and costs are increasingly denominated in other currencies. Where such revenues and costs are denominated in other currencies, they are translated to U.S. dollars for financial reporting purposes. Our revenues and profits may decrease as a result of currency fluctuations. We currently have two forward contract agreements (“hedges”) related to our operations in Europe. We recognize changes in the fair-value of the hedges in our results of operations. As we continue to implement our international growth strategy, we may increase the number, size and scope of our hedges as we analyze options for mitigating our foreign exchange risk. We cannot be sure that our hedges will be successful in reducing the risks to us of our exposure to foreign currency fluctuations and, in fact, the hedges may adversely affect our operating results.

**As we develop new services, clients and practices, enter new lines of business, and focus more of our business on providing a full range of client solutions, our operating risks increase.**

As part of our corporate strategy, we are attempting to leverage our research and advisory services to sell a full range of services across the life cycle of a policy, program, project, or initiative, 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, clients, practice areas and lines of business; open new offices; and do business in new geographic locations, those efforts could be unsuccessful and adversely affect our results of operations.

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 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, at least in the short-term, and perhaps in the long-term.

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 our 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 and improvement services often relate to the development, implementation and improvement 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. Finally, as our business continues to evolve and we provide a wider range of services, we will become increasingly dependent upon our employees, particularly those operating in business environments less familiar to us. Failure to identify, hire, train and retain talented employees who share our values could have a negative effect on our reputation and 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 could lead to potential liabilities 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 and adversely affect our operating results. 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. Particularly as we grow our commercial business, we anticipate that conflicts of interest and business conflicts will pose a greater risk.

**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, whether resulting from our performance or the performance of another contractor, 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, profit 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.

**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 incorporate in our products and utilize to provide our services. 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. U.S. 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 U.S. federal regulations, including providing it to other U.S. federal agencies or departments, as well as to our competitors in connection with their performance of U.S. federal contracts. When necessary, we seek authorization to use intellectual property developed for the U.S. federal government or to secure export authorization. U.S. federal clients may grant us the right to commercialize software developed with U.S. federal funding, but they are not required to do so. If we improperly use intellectual property that was even partially funded by the U.S. federal government, the U.S. federal government could seek damages and royalties from us, sanction us, and prevent us from working on future U.S. federal contracts. Actions could also be taken against us if we improperly use intellectual property belonging to others besides the U.S. federal government.

**We may be harmed by intellectual property infringement claims.**

We have been subject to claims, and are likely to be subject to future claims, that the intellectual property we use in delivering services and business solutions to our clients infringes upon the 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 acquire or obtain rights to use intellectual property through mergers or acquisitions of other companies, engage third parties to assist us in the development of intellectual property and 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: (i) the 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 our clients' offices or otherwise, (ii) the failure of network, software and/or hardware systems, and (iii) 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, revenue, profits and operating results could be adversely affected.

**Improper disclosure of confidential 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, as well as confidential information on behalf of our customers (such as information regarding applicants in programs on which we perform services through our contractual relationships with customers). Therefore, we must ensure that we are at all times compliant with the various privacy laws, rules, and regulations in all of the countries within which we are operating. These laws, rules, and regulations can vary significantly from country to country, with many being more onerous than those in the United States. The risk of failing to comply with these laws, rules, and regulations increases as we continue to expand globally. Moreover, we must ensure that all of our vendors who have access to such information also have the appropriate privacy policies, procedures and protections in place.

Although we take appropriate measures to protect such information, the continued occurrence of high-profile data breaches of other companies provides evidence of an external environment increasingly hostile to information security. Cybersecurity attacks in particular are evolving, and we face the constant risk of cybersecurity threats, including computer viruses, attacks by computer hackers and other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of confidential or otherwise protected information and corruption of data. In particular, as a U.S. federal contractor, we face a heightened risk of a security breach or disruption with respect to personally identifiable, sensitive but unclassified, classified, or otherwise protected data resulting from an attack by computer hackers, foreign governments and cyber terrorists. Improper disclosure of this information could harm our reputation, lead to legal exposure to customers, or subject us to liability under laws, rules and regulations that protect personal or other confidential data, resulting in increased costs or loss of revenue.

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, and other practices we follow may not prevent the improper disclosure of personally identifiable or other confidential information.

## RISKS RELATED TO ACQUISITIONS

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

One of our growth strategies is to make selective acquisitions. When we complete acquisitions, it may be challenging 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 successfully integrate acquired companies, our revenue and operating results could suffer. In addition, we may not successfully achieve the anticipated cost efficiencies and synergies from these acquisitions. Also, our costs for managerial, operational, financial, and administrative systems may increase and be higher than anticipated. During and following the integration of an acquired business, we may experience attrition, including losing key employees and/or clients of the acquired business, which could adversely affect our future revenue and operating results and prevent us from achieving the anticipated benefits of the acquisition.

Businesses we acquire may have liabilities or adverse operating issues, or both, that we either fail to discover through due diligence or underestimate prior to the consummation of the acquisition. These liabilities and/or issues may include the acquired business' failure to comply with, or other violations of, applicable laws, rules, or regulations or contractual or other obligations or liabilities. As the successor owner, we may be financially responsible for, and may suffer harm to our reputation or otherwise be adversely affected by, such liabilities and/or issues. An acquired business also may have problems with internal controls over financial reporting, which could in turn cause us to have significant deficiencies or material weaknesses in our own internal controls over financial reporting. These and any other costs, liabilities, issues, and/or disruptions associated with any past or future acquisitions could harm our operating results.

**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 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, 2014, goodwill and purchased intangibles accounted for approximately 62% and 7%, respectively, of our total assets. Under U.S. generally accepted accounting principles ("GAAP"), 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 operating results.

## RISKS RELATED TO OUR CORPORATE AND CAPITAL STRUCTURE

**Provisions of our charter documents and Delaware law may prevent or deter potential acquisition bids to acquire our Company and other actions that 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:

- our board of directors is divided into three classes, making it more difficult for stockholders to change the composition of the board;
- directors may be removed only for cause;
- our stockholders are not permitted to call a special meeting of the stockholders;
- all stockholder actions are required 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;

- our stockholders are required 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

- the approval of the holders of capital stock representing at least two-thirds of the Company's voting power is required 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.

**There are risks associated with our outstanding and future indebtedness which could reduce our profitability, limit our ability to pursue certain business opportunities and reduce the value of our stock.**

As a result of our acquisitions we have incurred substantial debt in the past. As of December 31, 2014, we had an aggregate of $350.1 million of outstanding indebtedness under a credit facility that will mature in May 2019. Subject to the limits contained in the agreements governing our outstanding debt, we may incur additional debt in the future. Our ability to pay interest and repay the principal for our indebtedness is dependent upon our ability to manage our business operations, generate sufficient cash flows to service such debt and other factors discussed in this section. If we are unable to comply with the terms of our financing agreements or obtain additional required financing, this could ultimately result in a significant adverse effect on our financial results and the value of our stock. Among other things, our debt could:

- make it difficult to obtain additional financing for working capital, capital expenditures, acquisitions, or other general corporate purposes;

- result in a substantial portion of our cash flow from operations dedicated to the payment of the principal and interest on our debt, as well as used to make debt service payments;

- limit our flexibility in planning for, and reacting to, changes in our business and the marketplace;

- place us at a competitive disadvantage relative to other less leveraged firms; and

- increase our vulnerability to economic downturns and rises in interest rates.

Should any of these or other unforeseen consequences arise, they could have an adverse effect on our business, financial condition, results of operations, future business opportunities and/or ability to satisfy our obligations under our debt.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

## ITEM 2. PROPERTIES

We lease our offices and do not own any real estate. As of December 31, 2014, we leased approximately 330,000 square feet of office space at our corporate headquarters at 9300/9302 Lee Highway, Fairfax, Virginia (in the Washington, D.C. metropolitan area) through December 2022 (the "Fairfax Offices"). The Fairfax Offices house a portion of our operations and almost all of our corporate functions, including most of our staff within executive management, treasury, accounting, legal, human resources, business and corporate development, facilities management, information services, and contracts.

As of December 31, 2014, we had leases in place for approximately 1.4 million square feet of office space in more than 70 office locations throughout the United States and around the world, with various lease terms expiring over the next 12 years. As of December 31, 2014, approximately 4,000 square feet of the space we leased was subleased to other parties. We believe that our current office space 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. MINE SAFETY DISCLOSURES

Not applicable.

## 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 2014 and 2013 are as follows:

| | Sales Price Per Share (in dollars) | |
|---|---|---|
| | High | Low |
| 2014 Fourth Quarter | $ 42.48 | $ 30.33 |
| 2014 Third Quarter | $ 36.59 | $ 30.75 |
| 2014 Second Quarter | $ 40.95 | $ 33.92 |
| 2014 First Quarter | $ 44.34 | $ 32.85 |
| 2013 Fourth Quarter | $ 36.29 | $ 32.18 |
| 2013 Third Quarter | $ 36.00 | $ 31.33 |
| 2013 Second Quarter | $ 31.90 | $ 24.91 |
| 2013 First Quarter | $ 27.84 | $ 22.34 |

### Holders

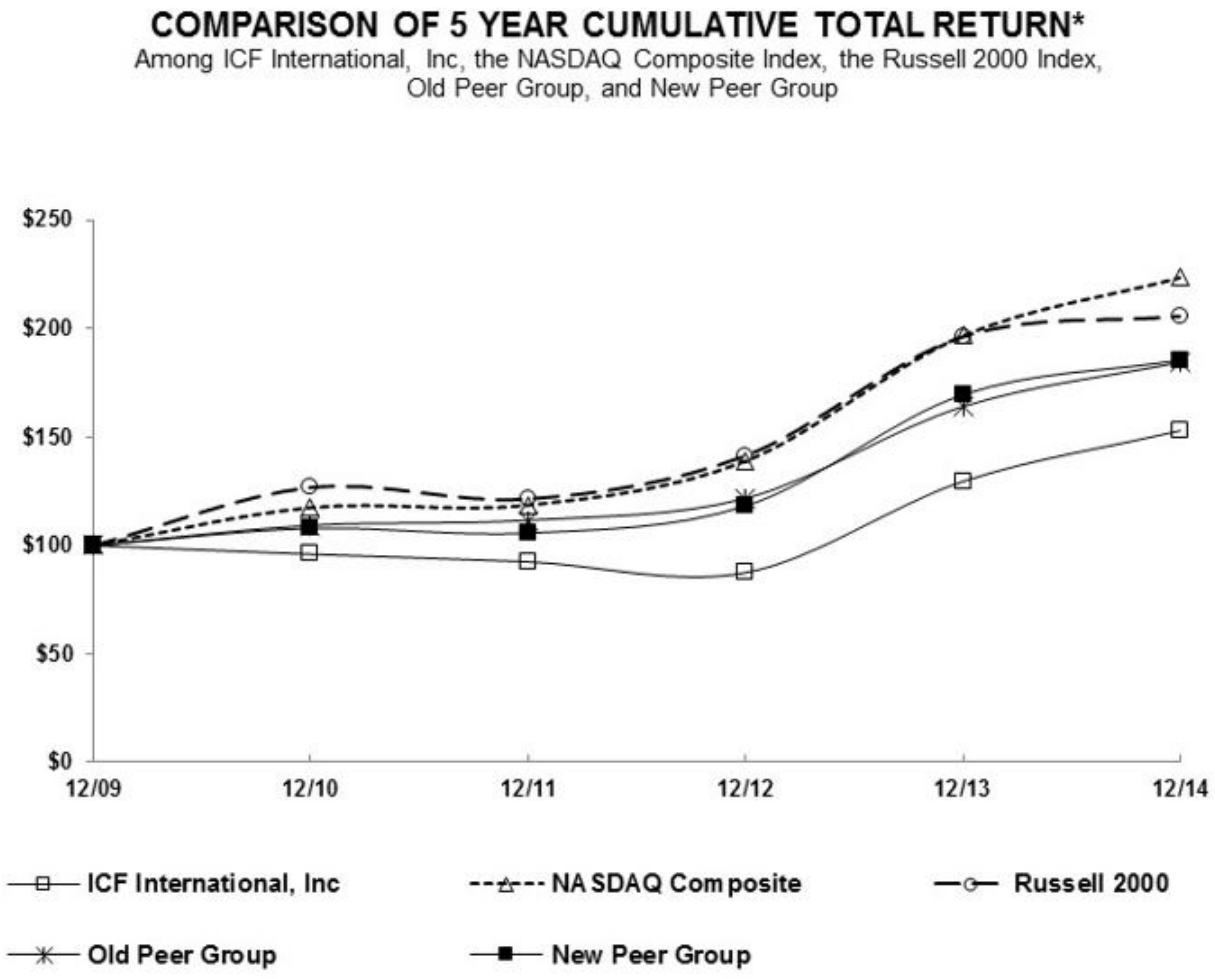
As of February 20, 2015, there were 40 registered holders of record of our common stock. This number is not representative of the number of beneficial holders because many of the shares are held by depositories, brokers, or nominees.

### 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.

### Stock Performance Graph

The following graph compares the cumulative total stockholder return on our common stock from December 31, 2009 through December 31, 2014, 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 2013, composed of other governmental and commercial service providers: Booz Allen Hamilton Holding Corporation; CACI International Inc.; CBIZ, Inc.; CRA International, Inc.; Exponent Inc.; FTI Consulting, Inc.; Huron Consulting Group Inc.; IHS Inc.; ManTech International Corporation; Maximus, Inc.; Navigant Consulting, Inc.; NCI, Inc.; Resources Connection Inc.; Sapient Corporation; and Tetra Tech, Inc. (the "Old Peer Group") and (iv) a new peer group composed of other governmental and commercial service providers: The Advisory Board Company; Booz Allen Hamilton Holding Corporation; CACI International Inc.; CBIZ, Inc.; CDI Corporation; Convergys Corporation; The Corporate Executive Board Company; CRA International, Inc.; Exponent Inc.; FTI Consulting, Inc.; Gartner, Inc.; GP Strategies Corporation; Huron Consulting Group Inc.; IHS Inc.; Leidos Holdings, Inc.; ManTech International Corporation; Maximus, Inc.; Navigant Consulting, Inc.; NCI, Inc.; Resources Connection Inc.; Sapient Corporation; Science Applications International Corporation (SAIC); Tetra Tech, Inc.; Unisys Corporation; and VSE Corporation (the "New Peer Group"). As part of the annual process of reviewing our peer group, management ensures that the selected companies remain aligned with our evolving business strategy. Due to our recent acquisitions of Olson, Mostra, and CityTech, we have broadened our services and increased our activity in certain market areas, particularly those related to technology. As a result, we believe the companies selected for the New Peer Group better reflect our current mix of services. The Old and New Peer Groups exclude Dynamics Research Corporation since it was acquired during 2014. 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.




| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| ICF International, Inc. | $ 95.97 | $ 92.46 | $ 87.46 | $ 129.51 | $ 152.91 |
| NASDAQ Composite | 117.61 | 118.70 | 139.00 | 196.83 | 223.74 |
| Russell 2000 Index | 126.86 | 121.56 | 141.43 | 196.34 | 205.95 |
| Old Peer Group | 109.29 | 111.64 | 121.74 | 164.06 | 184.52 |
| New Peer Group | 107.87 | 105.71 | 118.21 | 169.50 | 185.49 |

**Recent Sales of Unregistered Securities**

During the three months ended December 31, 2014, 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:

For the three months ended December 31, 2014, a total of 4,670 shares of unregistered common stock, valued at an aggregate of $180,721 were issued to five directors of the Company on October 1, 2014 and December 31, 2014 for director-related compensation.

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**

The following table summarizes our share repurchase activity for the three months ended December 31, 2014:

| Period | Total Number of Shares Purchased (a) | Average Price Paid per Share (a) | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (b) | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (b) |
|---|---|---|---|---|
| October 1 – October 31 | — | $ — | — | $ 5,243,929 |
| November 1 – November 30 | 566 | $ 37.25 | — | $ 5,243,929 |
| December 1 – December 31 | — | $ — | — | $ 5,243,929 |
| Total | 566 | $ 37.25 | — | |

(a) The total number of shares purchased during the three months ended December 31, 2014 represents 566 shares purchased from employees for an aggregate cost of $21,083 to pay required withholding taxes and the exercise price due upon the exercise of options and the settlement of restricted stock units in accordance with our applicable long-term incentive plan. These shares are not part of our publicly-announced share repurchase plan discussed further in footnote (b) below.

(b) Our Board of Directors approved a share repurchase plan effective in November 2013 and expiring in November 2015, authorizing us to repurchase in the aggregate up to $35.0 million of our outstanding common stock. During the three months ended December 31, 2014, we did not repurchase any shares under this program.

**ITEM 6. SELECTED FINANCIAL DATA**

The following table presents selected historical financial data derived from our audited consolidated 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 and the related notes included elsewhere in this Annual Report. The financial information below reflects the results or impact of our acquisitions since the date the entities were purchased.

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2014 | 2013 | 2012 | 2011 | 2010 |
| | (in thousands, except per share amounts) | | | | |
| **Statement of Earnings Data:** | | | | | |
| Gross Revenue | $ 1,050,134 | $ 949,303 | $ 937,133 | $ 840,775 | $ 764,734 |
| Direct costs | 654,946 | 591,516 | 583,195 | 520,522 | 476,187 |
| Operating costs and expenses: | | | | | |
| Indirect and selling expenses | 302,020 | 272,387 | 263,878 | 240,964 | 218,526 |
| Depreciation and amortization | 13,369 | 11,238 | 9,789 | 10,258 | 10,275 |
| Amortization of intangible assets | 10,437 | 9,477 | 14,089 | 9,550 | 12,326 |
| Operating Income | 69,362 | 64,685 | 66,182 | 59,481 | 47,420 |
| Interest expense | (4,254) | (2,447) | (3,946) | (2,747) | (3,903) |
| Other (expense) income | (958) | (12) | (325) | 26 | 165 |
| Income before income taxes | 64,150 | 62,226 | 61,911 | 56,760 | 43,682 |
| Provision for income taxes | 24,120 | 22,896 | 23,836 | 21,895 | 16,511 |
| Net income | $ 40,030 | $ 39,330 | $ 38,075 | $ 34,865 | $ 27,171 |
| | | | | | |
| Earnings per share ("EPS"): | | | | | |
| Basic | $ 2.04 | $ 1.99 | $ 1.94 | $ 1.77 | $ 1.40 |
| Diluted | $ 2.00 | $ 1.95 | $ 1.91 | $ 1.75 | $ 1.38 |
| Weighted-average shares: | | | | | |
| Basic | 19,608 | 19,755 | 19,663 | 19,684 | 19,375 |
| Diluted | 19,997 | 20,186 | 19,957 | 19,928 | 19,626 |
| | | | (Unaudited) (in thousands) | | |
| **Other Operating Data:** | | | | | |
| Service revenue[1] | $ 774,394 | $ 709,774 | $ 705,295 | $ 619,806 | $ 569,047 |
| EBITDA[2] | 93,168 | 85,400 | 90,060 | 79,289 | 70,021 |
| Adjusted EBITDA[2] | 98,626 | 86,303 | 90,736 | 80,971 | 70,021 |
| Adjusted EPS[3] | 2.19 | 1.98 | 1.93 | 1.80 | 1.38 |

| | As of December 31, | | | | |
|---|---|---|---|---|---|
| | 2014 | 2013 | 2012 | 2011 | 2010 |
| | | | (in thousands) | | |
| **Consolidated balance sheet data:** | | | | | |
| Cash | $ 12,122 | $ 8,953 | $ 14,725 | $ 4,097 | $ 3,301 |
| Net working capital | 85,186 | 76,124 | 91,671 | 96,257 | 77,688 |
| Total assets | 1,110,340 | 700,914 | 709,721 | 694,615 | 572,819 |
| Long-term debt | 350,052 | 40,000 | 105,000 | 145,000 | 85,000 |
| Total stockholders' equity | 500,689 | 474,091 | 428,750 | 393,028 | 352,733 |

(1) Service revenue represents gross revenue less subcontractor and other direct costs such as third-party materials and travel expenses. Service revenue is not a recognized term under U.S. GAAP and does not purport to be an alternative to revenue as a measure of operating performance. Service revenue is a measure used by us to evaluate our margins for services performed and, therefore, we believe it is useful to investors. We generally expect the ratio of direct costs as a percentage of revenue to increase when our own labor decreases relative to subcontractor labor or outside consultants. A reconciliation of gross revenue to service revenue follows:

| | Year ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2014 | 2013 | 2012 | 2011 | 2010 |
| | (In thousands) | | | | |
| Gross revenue | $ 1,050,134 | $ 949,303 | $ 937,133 | $ 840,775 | $ 764,734 |
| Subcontractor and other direct costs | (275,740) | (239,529) | (231,838) | (220,969) | (195,687) |
| Service revenue | $ 774,394 | $ 709,774 | $ 705,295 | $ 619,806 | $ 569,047 |

(2) EBITDA, earnings before interest and other income and/or expense, tax, and depreciation and amortization, is a measure we use to evaluate performance. 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. Adjusted EBITDA is EBITDA further adjusted to eliminate the impact of certain items that we do not consider to be indicative of the performance of our ongoing operations. We evaluate these adjustments on an individual basis based on both the quantitative and qualitative aspects of the item, including its size and nature and whether or not we expect it to occur as part of our normal business on a regular basis. We believe that the adjustments applied in calculating adjusted EBITDA are reasonable and appropriate to provide additional information to investors.

EBITDA and adjusted EBITDA are not recognized terms under U.S. GAAP and do 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 and adjusted EBITDA may not be comparable to other similarly titled measures used by other companies. EBITDA and adjusted EBITDA are not intended to be a measure of free cash flow for management's discretionary use, as they do not consider certain cash requirements such as interest payments, tax payments, capital expenditures, and debt service. We have a revolving line of credit that includes covenants based on EBITDA, subject to certain adjustments. A reconciliation of net income to EBITDA and adjusted EBITDA follows:

| | Year ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2014 | 2013 | 2012 | 2011 | 2010 |
| | (In thousands) | | | | |
| Net income | $ 40,030 | $ 39,330 | $ 38,075 | $ 34,865 | $ 27,171 |
| Other expense (income) | 958 | 12 | 325 | (26) | (165) |
| Interest expense | 4,254 | 2,447 | 3,946 | 2,747 | 3,903 |
| Provision for income taxes | 24,120 | 22,896 | 23,836 | 21,895 | 16,511 |
| Depreciation and amortization | 23,806 | 20,715 | 23,878 | 19,808 | 22,601 |
| EBITDA | 93,168 | 85,400 | 90,060 | 79,289 | 70,021 |
| Acquisition-related expenses | 2,243 | 903 | 676 | 1,682 | — |
| Special charges related to severance for staff realignment | 1,931 | — | — | — | — |
| Special charges related to office closures | 1,284 | — | — | — | — |
| Adjusted EBITDA | $ 98,626 | $ 86,303 | $ 90,736 | $ 80,971 | $ 70,021 |

(3) Adjusted EPS represents diluted EPS excluding the impact of certain items that we do not consider to be indicative of the performance of our ongoing operations. Adjusted EPS is not a recognized term under U.S. GAAP and does not purport to be an alternative to basic or diluted EPS. Because not all companies use identical calculations, this presentation of adjusted EPS may not be comparable to other similarly titled measures used by other companies. We believe that the supplemental adjustments applied in calculating adjusted EPS are reasonable and appropriate to provide additional information to investors. A reconciliation of diluted EPS to adjusted EPS follows:

| | Year ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2014 | 2013 | 2012 | 2011 | 2010 |
| Diluted EPS | $ 2.00 | $ 1.95 | $ 1.91 | $ 1.75 | $ 1.38 |
| Acquisition-related expenses, net of tax | 0.07 | 0.03 | 0.02 | 0.05 | — |
| Special charges related to severance for staff realignment, net of tax | 0.06 | — | — | — | — |
| Special charges related to office closures, net of tax | 0.04 | — | — | — | — |
| Foreign currency loss related to office closure, net of tax | 0.02 | — | — | — | — |
| Adjusted EPS | $ 2.19 | $ 1.98 | $ 1.93 | $ 1.80 | $ 1.38 |

## 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 AND OUTLOOK

We provide management, technology, and policy consulting and implementation services to government and commercial clients. We help our clients conceive, develop, implement, and improve solutions that address complex business, natural resource, social, technological, and public safety issues. Our services primarily address three key markets: energy, environment, and infrastructure; health, social programs, and consumer/financial; and public safety and defense. We provide services across these three markets that deliver value throughout the entire life cycle of a policy, program, project, or initiative, from strategy, concept analysis and design through implementation/execution, evaluation, and, when applicable, ongoing support and improvement/innovation.

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. We categorize our clients into two client classifications, government and commercial. Within the government classification, we present three client sub-classifications: U.S. federal government, U.S. state and local government, and international government. In the third quarter of 2014, we changed the name of our non-U.S. government client classification to international government. The criteria for determining the clients, and related revenue, presented in the two classifications remained the same. Within the commercial classification, there are no sub-classifications; it includes both U.S. and international clients. With the implementation of our international growth strategy and our recent acquisitions, providing one consolidated commercial category reflects our current business and growth because our commercial business utilizes both U.S. and international employees to support commercial clients, many of which have a global presence.

Our major clients are federal government departments and agencies. Our federal government clients have included every cabinet-level department, most significantly HHS, DOS, and DoD. U.S. federal government clients generated approximately 51%, 58%, and 60% of our revenue in 2014, 2013, and 2012, respectively. State and local government clients generated approximately 10% of our revenue in 2014, 9% of our revenue in 2013 and 10% of our revenue in 2012. International government clients generated approximately 9%, 5%, and 3% of our revenue in 2014, 2013, and 2012, respectively.

We also serve a variety of commercial clients, primarily in aviation, energy, health, retail and financial services industries, including airlines, airports, electric and gas utilities, oil companies, hospitals and health-related companies, banks and other financial services companies, travel and hospitality, non-profits/associations, law firms, manufacturing, retail, and distribution. Our commercial clients, which include clients outside the United States, generated approximately 30%, 28%, and 27% of our revenue in 2014, 2013, and 2012, 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-maker 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.

In 2014, we saw growth in commercial client revenue, international government revenue, and U.S. state and local government revenue, while U.S. federal government revenue declined. Gross revenue increased to $1,050.1 million representing an increase of approximately 10.6% for the year ended December 31, 2014 compared to the prior year period. Operating income increased 7.2% to $69.4 million, and net income increased 1.8% to $40.0 million for the year ended December 31, 2014 compared to the prior year period. During 2014, we recorded expenses related to improving our cost structure and operations including approximately $1.9 million for severance costs related to the staff realignment announced in the second quarter of 2014. We also incurred charges totaling approximately $1.8 million as a result of closing certain international offices, which includes approximately $0.5 million of realized foreign currency translation losses. In addition, severe weather experienced by our operations on the east coast of the United States negatively impacted our first quarter revenue and operating income by approximately $4.0 million to $5.0 million and approximately $1.6 million to $2.0 million, respectively.

We anticipate that our recent acquisitions will contribute to the continued diversification of our revenue sources, consistent with our growth strategy. During 2014, we acquired three companies, Olson, Mostra and CityTech. See “Acquisitions and Business Combinations” for a more detailed discussion of these acquisitions. The acquisition of Olson, a leading provider of marketing technology and digital services, was significant and was completed on November 5, 2014. The aggregate purchase price of approximately $296.4 million in cash, which includes the estimated working capital adjustment required by the Agreement and Plan of Merger (the “Merger Agreement”), was funded by our Fourth Amended and Restated Business Loan and Security Agreement (the “Credit Facility”). We modified the Credit Facility on November 5, 2014 to increase the available commitments from $400.0 million to $500.0 million, giving effect to the $100.0 million available under the accordion, and to reinstate the borrowing capacity under the accordion for an additional $100.0 million. Due to the increased level of debt outstanding under our Credit Facility, applicable interest rates, as determined by the pricing matrices in the agreement, increased approximately one percentage point following the acquisition. As a result of the acquisitions of Olson, Mostra and CityTech, we expect our concentration of business to both commercial clients and within the health, social programs, and consumer/financial market will continue to grow as a percentage of our total revenue.

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 our key markets due to heightened concerns about clean energy and energy efficiency; health promotion, treatment, and cost control; and ever-present homeland security threats. Our future results will depend on the success of our strategy to enhance our client relationships and seek larger engagements across the program life cycle in our three key markets, and to complete and successfully integrate additional acquisitions. In our three markets, we will continue to focus on building scale in vertical and horizontal domain expertise; developing business with both our government and commercial clients; and replicating our business model geographically throughout the world. In doing so, we will continue to evaluate acquisition opportunities that enhance our subject matter knowledge, broaden our service offerings, and/or provide scale in specific geographies.

While we continue to see favorable long-term market opportunities, there are certain near-term challenges facing all government service providers including top-line legislative constraints on federal government discretionary spending that limit expenditure growth through 2021. Actions by Congress could result in a delay or reduction to our revenue, profit, and cash flow and could have a negative impact on our business and results of operations; however, we believe we are well positioned in markets that have been, and will continue to be, priorities to the federal government.

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 operations, potential acquisitions, customary capital expenditures, and other current working capital requirements.

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;
- extraordinary economic events and natural disasters;
- number of billable days in a quarter;

- timing of client orders;
- timing of award fee notices;
- changes in the scope of contracts;
- 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;
- paid time off 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.

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.

**CRITICAL ACCOUNTING POLICIES**

The preparation of our financial statements in accordance with GAAP 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.

**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 three types of contracts: time-and-materials, cost-based and fixed-price.

- **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. Profits 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, taking into consideration factors such as the Company's prior award experience and communications with the customer regarding performance.

- **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 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, or when we are compensated on a retainer or fixed-fee basis and thus regardless of level of effort, revenue is recognized ratably over the period benefited.

  - ***Completed Contract***: Revenue and costs on certain fixed-price contracts are 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 scheduling 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, subcontractor costs, and other direct costs, as well as an allocation of allowable indirect costs. At times, 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. A 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.

Our contractual arrangements are evaluated to assess whether revenue should be recognized on a gross versus net basis. Management's assessment when determining gross versus net revenue recognition is based on several factors such as whether we serve as the primary service provider, have autonomy in selecting subcontractors, or have credit risk; all of which are primary indicators that we serve as the principal to the transaction and revenue is recognized on a gross basis. When such indicators are not present and we are primarily functioning as an agent under an arrangement, revenue is recognized on a net basis.

We generate 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 the cost of revenue.

We may proceed with work based upon client direction prior to the completion and signing of formal contract documents. We have a 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 Other Intangible Assets**

The purchase price of an acquired business is allocated to the tangible assets and separately identifiable intangible assets acquired less liabilities assumed based upon their respective fair values, with the excess recorded as goodwill. Goodwill represents the excess of costs over the 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 for impairment, or more frequently if impairment indicators arise. Intangible assets with estimable useful lives are amortized over such lives and reviewed for impairment.

We 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. For the annual impairment review as of September 30, 2014, a two-step goodwill impairment test was performed, which includes a comparison of the fair value of the reporting unit to the carrying value. If the estimated fair value of the reporting unit is less than the carrying value, a second calculation is required to measure the amount of goodwill impairment loss to be recognized for that reporting unit, if any.

We estimate the fair value of our one reporting unit using a market-based approach, which includes certain premiums. We conduct a market comparison in which we assess implied control premiums paid in excess of market price in acquisitions of publicly-traded companies occurring within the past four years of our review. In our comparison, we take into consideration the market, industry, geographic location, and other relevant information of such companies in order to identify companies similar to us. The implied control premiums for each of the acquisitions considered are calculated by comparing the enterprise values of the target companies one month prior to the transaction to their purchase prices on an enterprise value basis. Based on an analysis of the implied control premiums for the four-year period, we select an appropriate control premium based on these factors and apply it to our implied enterprise value derived from our market capitalization as of the impairment test date. We view premiums paid in excess of market price to be derived from potential synergies and benefits gained as a result of the acquisition and, accordingly, we believe the inclusion of these premiums in our determination of fair value is appropriate.

Based upon management's most recent review, we determined that the estimated fair value of our one reporting unit was not less than the carrying value and that no goodwill impairment charge was required as of September 30, 2014. Historically, we have recorded no goodwill impairment charges.

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.

**Stock-based 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 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 officers, key employees, and non-employee directors. On June 7, 2013, our stockholders ratified an amendment (the "Amendment") to the Omnibus Plan (the "Amended Plan"). The Amendment allows us to grant an additional 1.75 million shares under the Omnibus Plan, for a total of approximately 3.55 million shares. Under the Amended Plan, shares awarded that are not stock options or stock appreciation rights are counted as 1.93 shares deducted from the Amended 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 Amended Plan for every one share delivered under those awards. Options and RSUs generally have a vesting term of three or four years. As of December 31, 2014, we had approximately 1.6 million shares available to grant under the Amended Plan.

In addition, the Company utilizes cash-settled RSUs ("CSRSUs"), which are settled only in cash payments. The cash payment is based on the fair value of the Company's stock price at the vesting date, calculated by multiplying the number of CSRSUs vested by our closing stock price on the vesting date. The payment is subject to a maximum payment cap and a minimum payment floor. CSRSUs have no impact on the shares available for grant under the Omnibus Plan, and have no impact on the calculated shares used in earnings per share calculations.

The Company also grants awards of unregistered shares to its non-employee directors under its Annual Equity Election program which replaced the previous restricted stock awards program. The awards are issued from the Company's treasury stock and have no impact on the shares available for grant under the Omnibus Plan.

We recognized total compensation expense relating to stock-based compensation of $13.4 million, $11.9 million, and $8.8 million for the years ended December 31, 2014, 2013, and 2012, respectively. We recognize stock-based compensation expense on a straight-line basis over the requisite service period, which is generally the vesting period. Compensation expense is based on the estimated fair value of these instruments and the estimated number of shares we ultimately expect will vest. Non-employee director awards do not include vesting conditions and therefore are expensed when issued. The fair value of stock options, restricted stock awards, RSUs and non-employee director awards is estimated based on the fair value of a share of common stock at the grant date. We treat CSRSUs as liability-classified awards, and therefore account for them at fair value estimated based on the closing price of our stock at the reporting date.

The calculation of the fair value of our awards requires certain inputs that are subjective and changes to the estimates used will cause the fair values of our stock awards and related stock-based compensation expense to vary. We have elected to use the Black-Scholes-Merton option pricing model to determine the fair value of stock options. The fair value of a stock option award is affected by our stock price on the date of grant as well as other assumptions used as inputs in the valuation model including the estimated volatility of our stock price over the term of the awards, the estimated period of time that we expect employees to hold their stock options and the risk-free interest rate assumption. In addition, we are required to reduce stock-based compensation expense for the effects of estimated forfeitures of awards over the expense recognition period. Although we estimate the rate of future forfeitures based on historical experience, actual forfeitures may differ.

**Recent Accounting Pronouncements**

New accounting standards are discussed in "Note B—Summary of Significant Accounting Policies" in the "Notes to Consolidated Financial Statements."

**SELECTED KEY METRICS**

The following table shows our revenue from each of our three key markets as a percentage of total revenue for the periods indicated. 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, | | |
|---|---|---|---|
| | **2014** | **2013** | **2012** |
| Energy, environment, and infrastructure | 38% | 39% | 39% |
| Health, social programs, and consumer/financial | 52% | 49% | 47% |
| Public safety and defense | 10% | 12% | 14% |
| Total | 100% | 100% | 100% |

The increase in health, social programs and consumer/financial revenue as a percent of total revenue, for the year ended December 31, 2014, compared to the year ended December 31, 2013, is primarily attributable to the acquisitions of Olson, Mostra and CityTech.

Our primary clients are the agencies and departments of the federal government and commercial clients. The following table shows our revenue by type of client as a percentage of total revenue for the periods indicated.

| | Year ended December 31, | | |
|---|---|---|---|
| | **2014** | **2013** | **2012** |
| U.S. federal government | 51% | 58% | 60% |
| U.S. state and local government | 10% | 9% | 10% |
| International government | 9% | 5% | 3% |
| **Government** | 70% | 72% | 73% |
| **Commercial** | 30% | 28% | 27% |
| Total | 100% | 100% | 100% |

The decrease in U.S. federal government revenue and the increase in commercial and international government revenue as a percent of total revenue, for the year ended December 31, 2014, compared to the year ended December 31, 2013, is primarily attributable to the acquisitions of Olson, Mostra, and CityTech.

Most of our revenue is from contracts on which we are the prime contractor, which we believe provides us strong client relationships. In 2014, 2013, and 2012, approximately 86%, 86%, and 87% of our revenue, respectively, was from prime contracts.

**Contract mix**

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, | | |
|---|---|---|---|
| | **2014** | **2013** | **2012** |
| Time-and-materials | 47% | 52% | 49% |
| Fixed-price | 34% | 29% | 30% |
| Cost-based | 19% | 19% | 21% |
| Total | 100% | 100% | 100% |

The increase in fixed-price contracts revenue as a percent of total revenue and the decrease in time-and-materials contracts revenue as a percent of total revenue, for the year ended December 31, 2014, compared to the year ended December 31, 2013, is primarily due to the increase in fixed-price contracts from the acquisitions of Olson and Mostra.

***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, (which include cost-based fixed fee, cost-based award fee, and cost-based incentive fee contracts, as well as grants and cooperative agreements), 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 profit, 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.

**ACQUISITIONS AND BUSINESS COMBINATIONS**

A key element of our growth strategy is to pursue acquisitions. In 2014, we added Mostra, CityTech and Olson; in 2013, we added ECA; and in 2012, we added Symbiotic and GHK.

***Olson.*** On November 5, 2014, we completed the acquisition of Olson, a leading provider of marketing technology and digital services based in Minneapolis, Minnesota. The aggregate purchase price of approximately $296.4 million in cash, which includes the estimated working capital adjustment required by the Merger Agreement, was funded by our Credit Facility. As contemplated by the Merger Agreement, Olson became our wholly-owned subsidiary. The acquisition expands our existing digital technology and strategic communications work and strengthens our ability to bring more integrated solutions to an expanded client base including multi-channel marketing initiatives across web, mobile, email, social, print, broadcast and off-premise platforms.

The acquisition was accounted for under the purchase method. The preliminary allocation of the total purchase price to the tangible and intangible assets and liabilities of Olson is based on management's preliminary estimate of fair value as of the acquisition date and is subject to revision until the purchase price adjustments and valuations of intangible assets and goodwill are finalized, which will occur prior to November 5, 2015. 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 $289.9 million. We have allocated approximately $225.1 million to goodwill and $64.8 million to other intangible assets. The goodwill recorded as part of the acquisition primarily reflects the value of providing an established platform to leverage our existing digital interactive technologies and domain expertise, synergies expected to arise from providing end-to-end customer solutions to a combined client-base across all channels, as well as any intangible assets that do not qualify for separate recognition. The weighted average amortization period for the amount allocated to other intangible assets in total is 9.6 years from the acquisition date. The intangible assets consist of approximately $60.3 million of customer-related intangibles that are being amortized over 10.2 years from the acquisition date, $3.9 million of marketing-related intangibles that are being amortized over 1.2 years from the acquisition date, and $0.6 million of technology intangibles that are being amortized over 6.2 years from the acquisition date. Olson was a stock purchase for tax purposes; therefore, goodwill and amortization of other intangibles created via this acquisition are not deductible for income tax purposes. For the year ended December 31, 2014, Olson contributed net revenues of $23.0 million and net earnings of $2.2 million, excluding transaction-related acquisition costs of $1.6 million, as well as interest expense, amortization of intangible assets resulting from the acquisition, stock-based compensation expense, corporate allocations and integration costs. 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.

***Mostra.*** In February 2014, we completed the acquisition of Mostra, a strategic communications consulting company based in Brussels, Belgium. Mostra offers end-to-end, multichannel communications solutions to assist government and commercial clients, in particular the European Commission. The acquisition extends our strategic communications capabilities globally to complement our policy work and enhance our strategy of providing a full suite of services that leverage our research and advisory services.

***CityTech.*** In March 2014, we acquired CityTech, a Chicago-based digital interactive consultancy specializing in enterprise applications development, web experience management, mobile application development, cloud enablement, managed services, and customer experience management solutions. The acquisition adds expertise to our content management capabilities and complements our digital and interactive business.

***ECA.*** In July 2013, we hired the staff of, and purchased certain assets and liabilities from, ECA, an e-commerce technology services firm based in New York, New York. The addition of ECA enhanced our multi-channel, end-to-end e-commerce solutions. In connection with the acquisition, we recorded a contingent consideration payable reflected in other long-term liabilities at the estimated fair value of $2.8 million at December 31, 2013. The fair value of the contingent liability was reduced to zero in the first quarter of 2014 and the change in the fair value measurement of $2.8 million was recorded as a reduction to indirect and selling expenses. We are no longer required to pay contingent consideration to ECA, as the parties mutually agreed to the release of this potential obligation in the third quarter of 2014.

***Symbiotic.*** In September 2012, we hired the staff and purchased certain assets from Symbiotic, a company based in Boulder, Colorado. The purchase included the Sustainability Information System (“SIMS”) platform, which brought us new opportunities to provide utility clients information and analyses for better managing costs, promoting energy efficiency, protecting the environment, and creating consumer value.

***GHK.*** In February 2012, we completed the acquisition of GHK. With its headquarters in London, GHK is a multi-disciplinary consultancy serving governmental and commercial clients on environment, employment, health, education and training, transportation, social policy, business and economic development, and international development issues. The acquisition complemented and significantly strengthened our existing European operations and created additional capabilities in Asian markets.

**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, 2014, 2013, and 2012**
**(dollars in thousands)**

| | Year Ended December 31, | | | | | | Year to Year Change | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2012 | 2014 | 2013 | 2012 | 2013 to 2014 | | 2012 to 2013 | |
| | | Dollars | | | Percentages | | Dollars | Percent | Dollars | Percent |
| **Gross Revenue** | $ 1,050,134 | $ 949,303 | $ 937,133 | 100.0% | 100.0% | 100.0% | $ 100,831 | 10.6% | $ 12,170 | 1.3% |
| **Direct Costs** | 654,946 | 591,516 | 583,195 | 62.4% | 62.3% | 62.2% | 63,430 | 10.7% | 8,321 | 1.4% |
| **Operating Costs and Expenses** | | | | | | | | | | |
| Indirect and selling expenses | 302,020 | 272,387 | 263,878 | 28.7% | 28.7% | 28.2% | 29,633 | 10.9% | 8,509 | 3.2% |
| Depreciation and amortization | 13,369 | 11,238 | 9,789 | 1.3% | 1.2% | 1.1% | 2,131 | 19.0% | 1,449 | 14.8% |
| Amortization of intangible assets | 10,437 | 9,477 | 14,089 | 1.0% | 1.0% | 1.5% | 960 | 10.1% | (4,612) | (32.7)% |
| **Total Operating Costs and Expenses** | 325,826 | 293,102 | 287,756 | 31.0% | 30.9% | 30.8% | 32,724 | 11.2% | 5,346 | 1.9% |
| **Operating Income** | 69,362 | 64,685 | 66,182 | 6.6% | 6.8% | 7.0% | 4,677 | 7.2% | (1,497) | (2.3)% |
| **Other Expense** | | | | | | | | | | |
| Interest expense | (4,254) | (2,447) | (3,946) | (0.4)% | (0.3)% | (0.4)% | (1,807) | 73.8% | 1,499 | (38.0)% |
| Other expense | (958) | (12) | (325) | (0.1)% | — | — | (946) | 7,883.3% | 313 | (96.3)% |
| **Income Before Income Taxes** | 64,150 | 62,226 | 61,911 | 6.1% | 6.5% | 6.6% | 1,924 | 3.1% | 315 | 0.5% |
| **Provision for Income Taxes** | 24,120 | 22,896 | 23,836 | 2.3% | 2.4% | 2.5% | 1,224 | 5.3% | (940) | (3.9)% |
| **Net Income** | $ 40,030 | $ 39,330 | $ 38,075 | 3.8% | 4.1% | 4.1% | $ 700 | 1.8% | $ 1,255 | 3.3% |
| Foreign currency translation adjustments, net of tax | (1,491) | 251 | (436) | (0.1)% | 0.1% | (0.1)% | (1,742) | (694.0)% | 687 | (157.6)% |
| **Comprehensive Income, net of tax** | $ 38,539 | $ 39,581 | $ 37,639 | 3.7% | 4.2% | 4.0% | $ (1,042) | (2.6)% | $ 1,942 | 5.2% |

**Year ended December 31, 2014, compared to year ended December 31, 2013**

***Gross Revenue.*** Revenue for the year ended December 31, 2014, was $1,050.1 million, compared to $949.3 million for the year ended December 31, 2013, representing an increase of $100.8 million or 10.6%. The increase in revenue is due to the 7.1% increase in government revenue, as well as the 19.5% increase in revenue from commercial clients. The increase in government revenue is primarily attributable to international government revenue from the acquisition of Mostra, as well as revenue generated from U.S. state and local government clients. The increase in revenue from commercial clients is primarily driven by growth in digital interactive program revenues from the Olson and CityTech acquisitions, as well as energy and healthcare related program revenues. The growth in government and commercial revenue was partially offset by a decline in U.S. federal government revenue, largely driven by a decline in the public safety and defense market and the impact of severe weather experienced by our operations on the east coast of the United States in the first quarter of 2014. We estimate the impact of the severe weather on first quarter revenues to be approximately $4.0 million to $5.0 million. We anticipate we will continue to see revenue growth from our commercial and international government clients during fiscal year 2015.

***Direct Costs.*** Direct costs for the year ended December 31, 2014, were $654.9 million compared to $591.5 million for the year ended December 31, 2013, an increase of $63.4 million or 10.7%. The increase in direct costs is primarily attributable to the acquisition of Olson, Mostra and CityTech. Direct costs as a percent of revenue of 62.4% for the year ended December 31, 2014 were consistent with direct costs as a percent of revenue of 62.3% for the year ended December 31, 2013.

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 research and 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.

***Indirect and selling expenses.*** Indirect and selling expenses for the year ended December 31, 2014, were $302.0 million compared to $272.4 million for the year ended December 31, 2013, an increase of $29.6 million or 10.9%. Indirect and selling expenses include our management, facilities, and infrastructure costs for all employees, as well as salaries and wages, including stock-based compensation provided to employees whose compensation and other benefit costs are included in indirect and selling expenses, plus associated fringe benefits, not directly related to client engagements. The increase in indirect and selling expenses is primarily attributable to the Olson, Mostra and CityTech acquisitions. This increase was partially offset by a decrease in non-labor expense, driven by a reduction in the fair value of contingent consideration related to the acquisition of ECA of $2.8 million, as further described in “Note L —Fair Value Measurement” in the “Notes to Consolidated Financial Statements.” Indirect and selling expenses were 28.7% as a percent of revenue for the years ended December 31, 2014 and December 31, 2013.

***Depreciation and amortization*.** Depreciation and amortization was $13.4 million for the year ended December 31, 2014, compared to $11.2 million for the year ended December 31, 2013. Depreciation and amortization includes depreciation of property and equipment and the amortization of the costs of software we use internally. The increase in depreciation and amortization of 19.0% was primarily due to an increase in expenses for assets acquired in the latter part of 2013 related to opening new offices, as well as the acquisition of Olson and Mostra.

***Amortization of intangible assets*.** Amortization of intangible assets for the year ended December 31, 2014, was $10.4 million compared to $9.5 million for the year ended December 31, 2013. The 10.1% increase was primarily due to amortization resulting from the Olson, Mostra and CityTech acquisitions, partly offset by lower amortization of intangible assets related to acquisitions in prior years.

***Operating Income*.** For the year ended December 31, 2014, operating income was $69.4 million compared to $64.7 million for the year ended December 31, 2013, an increase of $4.7 million or 7.2%. Operating income as a percent of revenue decreased to 6.6% for the year ended December 31, 2014, from 6.8% for the year ended December 31, 2013. During fiscal year 2014, operating income includes actions taken to improve our cost structure and operations including $1.9 million for severance costs and $1.3 million as a result of closing certain international offices. Operating income also includes $2.2 million of acquisition costs, approximately $2.7 million of losses incurred on projects acquired as part of our acquisition of ECA, and approximately $1.6 million to $2.0 million of losses due to severe weather experienced by our operations on the east coast of the United States. The negative margin impact of these items were partially offset by a change in the fair value of contingent consideration in the amount of $2.8 million related to the acquisition of ECA, and the positive impact on operating income from the Olson, Mostra and CityTech acquisitions.

***Interest expense*.** For the year ended December 31, 2014, interest expense was $4.3 million, compared to $2.4 million for the year ended December 31, 2013. This increase was driven by a higher average debt balance during the year ended December 31, 2014, primarily due to borrowings to fund the acquisitions of Olson, Mostra and CityTech, and an increase in the applicable interest rates under our Credit Facility due to the increased level of debt outstanding.

***Other expense*.** Other expense was $1.0 million for the year ended December 31, 2014 primarily due to the reclassification of $0.5 million of foreign currency translation losses from accumulated other comprehensive loss into earnings as a result of closing one of our international offices.

***Provision for Income Taxes*.** The effective income tax rate for the year ended December 31, 2014, and December 31, 2013, was 37.6% and 36.8%, respectively. The rate increase is primarily related to non-deductible acquisition costs and other expenses offset by favorable adjustments resulting from the true-up of our 2013 tax provision to our U.S. federal and foreign tax return filings, state tax credits, and non-taxable income. Our effective tax rate, including state and foreign taxes net of federal benefit, for the year ended December 31, 2014, was lower than the statutory tax rate for the year primarily due to the true-up of our 2013 tax provision, non-taxable income, foreign and state tax credits partially offset by permanent differences related to acquisition costs and other expenses not deductible for tax purposes.

**Year ended December 31, 2013, compared to year ended December 31, 2012**

***Gross Revenue.*** Revenue for the year ended December 31, 2013, was $949.3 million, compared to $937.1 million for the year ended December 31, 2012, representing an increase of $12.2 million, or 1.3%. Revenue compared to the prior year period increased approximately 6.9% from our commercial clients led by energy efficiency program revenues and decreased approximately 0.7% from our government clients due primarily to lost revenue in the fourth quarter from the government "shut down" that occurred in October 2013. We achieved revenue growth in our health, social programs, and consumer/financial market of approximately 4.0%, and in our energy, environment, and infrastructure market of approximately 1.7%. Revenue decreased in our public safety and defense market by approximately 9.2%.

***Direct costs.*** Direct costs for the year ended December 31, 2013, were $591.5 million, compared to $583.2 million for the year ended December 31, 2012, an increase of $8.3 million, or 1.4%. The increase in direct costs is primarily attributable to an increase in subcontractor expense. Direct costs as a percent of revenue increased slightly to 62.3% for the year ended December 31, 2013, compared to 62.2% for the year ended December 31, 2012. We generally expect the ratio of direct costs as a percentage of revenue to increase when our own labor decreases relative to subcontractor labor or outside consultants.

***Indirect and selling expenses.*** Indirect and selling expenses for the year ended December 31, 2013, were $272.4 million, compared to $263.9 million for the year ended December 31, 2012, an increase of $8.5 million, or 3.2%. The increase in indirect and selling expenses is primarily attributable to an increase in indirect labor and benefits, partially offset by a decrease in non-labor expense. Indirect costs as a percent of revenue increased to 28.7% for the year ended December 31, 2013, compared to 28.2% for the year ended December 31, 2012.

***Depreciation and amortization*.** Depreciation and amortization was $11.2 million for the year ended December 31, 2013, compared to $9.8 million for the year ended December 31, 2012. The increase in depreciation and amortization of 14.8% was primarily due to a benefit from a change of the estimated useful lives of certain technology-related assets in the first quarter of 2012, an increase in expenses for newly-acquired assets related to the opening of offices in 2013, and an additional technology-related license agreement.

***Amortization of intangible assets*.** Amortization of intangible assets arising from acquisitions for the year ended December 31, 2013, was $9.5 million, compared to $14.1 million for the year ended December 31, 2012. The 32.7% decrease resulted primarily from reduced amortization of intangible assets related to acquisitions in prior years.

***Operating Income.*** For the year ended December 31, 2013, operating income was $64.7 million, compared to $66.2 million for the year ended December 31, 2012, a decrease of $1.5 million, or 2.3%. Operating income as a percent of revenue was 6.8% for the year ended December 31, 2013, compared to 7.0% for the year ended December 31, 2012. Operating income decreased primarily due to lost revenue in the fourth quarter from the government "shut down" that occurred in October 2013.

***Interest expense.*** For the year ended December 31, 2013, interest expense was $2.4 million, compared to $3.9 million for the year ended December 31, 2012. The $1.5 million decrease was due primarily to a decrease in the average debt balance.

***Provision for income taxes.*** Our effective income tax rate for the year ended December 31, 2013 was 36.8% compared to 38.5% for the year ended December 31, 2012. The decrease in the effective rate for the year ended December 31, 2013 compared to December 31, 2012 is primarily due to the true-up of our 2012 tax provision, higher state tax credits generated in 2013, a decrease in our unrecognized tax benefits and favorable settlement of a state income tax audit examination. Our effective tax rate, including state and foreign taxes net of federal benefit, for the year ended December 31, 2013, was lower than the statutory tax rate for the year primarily due to the true-up of our 2012 tax provision, non-taxable income, foreign and state tax credits, and a decrease in unrecognized tax benefits partially offset by permanent differences related to expenses not deductible for tax purposes.

**LIQUIDITY AND CAPITAL RESOURCES**

***Credit Facility.*** On May 16, 2014, we entered into our Credit Facility with a syndication of 11 commercial banks. We amended our Credit Facility to allow for borrowing in foreign currencies and to enter into local financial arrangements for our foreign subsidiaries. The amendment also extended the term of our Credit Facility from March 14, 2017 to May 16, 2019 (five years from the closing date). The amended Credit Facility continued to allow for borrowings of up to $400.0 million without a borrowing base requirement, taking into account financial, performance-based limitations and provided for an "accordion," which permits additional revolving credit commitments of up to $100.0 million, subject to lenders' approval. On November 5, 2014, the Company modified the Credit Facility to increase the available commitments from $400.0 million to $500.0 million, giving effect to the $100.0 million available under the accordion, and to reinstate the borrowing capacity under the accordion for an additional $100.0 million. The Credit Facility provides for stand-by letters of credit aggregating up to $30.0 million that reduce the funds available under the revolving line of credit when issued. We incurred approximately $1.2 million in additional debt issuance costs during fiscal year 2014 related to amending and modifying our Credit Facility, which are amortized over the term of the agreement.

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 in our Credit Facility, require, among other things, that we maintain, on a consolidated basis for each quarter, a fixed charge coverage ratio of not less than 1.25 to 1.00 and a leverage ratio of not more than 3.75 to 1.00. As of December 31, 2014, we were in compliance with our covenants under our Credit Facility.

We have the ability to borrow funds under our 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 1.40% to 4.25% during 2014.

***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, 2014, we had $350.1 million borrowed under our revolving line of credit and outstanding letters of credit of $4.4 million, resulting in unused borrowing capacity of $145.5 million on our Credit Facility (excluding the accordion), which is available for our working capital needs and for other purposes. Taking into account certain financial, performance-based limitations, available borrowing capacity (excluding the accordion) was $140.1 million under our Credit Facility.

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 operations, customary capital expenditures, and other current 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 at commercially reasonable terms and conditions if we need additional borrowings or capital.

***Financial Condition.*** There were several changes in our balance sheet during the year ended December 31, 2014. Cash increased to $12.1 million on December 31, 2014, from $9.0 million on December 31, 2013. Long-term debt increased to $350.1 million on December 31, 2014, from $40.0 million on December 31, 2013, primarily due to our acquisitions of Olson, Mostra and CityTech. Accounts receivable, net, increased $55.2 million compared to December 31, 2013, and days-sales-outstanding increased to 74 days on December 31, 2014, as compared to 72 days on December 31, 2013. The increase in accounts receivable was due primarily to the Olson acquisition. Excluding the Olson acquisition, days-sales-outstanding on December 31, 2014 was 73 days. Goodwill and other intangible assets increased $268.9 million and $64.5 million, respectively, due to the acquisitions of Olson, Mostra and CityTech during the year ended December 31, 2014. Accounts payable increased $20.2 million and days-payables-outstanding increased from 52 days as of December 31, 2013 to 58 days as of December 31, 2014 primarily due to the acquisition of Olson. Excluding the Olson acquisition, days-payables-outstanding on December 31, 2014 was 54 days. Treasury stock increased $28.4 million primarily due to stockholder buybacks under our share repurchase plan. The $1.5 million increase in accumulated other comprehensive loss was primarily driven by the devaluation of the Euro as compared to the U.S. dollar.

With the continued expansion and implementation of our international growth strategy, we have explored various options of mitigating the risk associated with potential fluctuations in the foreign currencies in which we conduct transactions. We currently have two forward contract agreements ("hedges") in an amount proportionate to work anticipated to be performed under certain contracts in Europe. We recognize changes in the fair-value of the hedge in our results of operations. As we continue to implement our international growth strategy, we may increase the number, size and scope of our hedges as we analyze options for mitigating our foreign exchange risk. The current impact of the hedge to the consolidated financial statements is immaterial.

***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 $12.1 million and $9.0 million on December 31, 2014 and 2013, respectively.

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

| | Year ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| | | (In thousands) | |
| Net cash provided by operating activities | $ 79,160 | $ 80,813 | $ 87,761 |
| Net cash used in investing activities | (360,845) | (18,924) | (23,535) |
| Net cash provided by (used in) financing activities | 285,858 | (68,131) | (52,642) |
| Effect of exchange rate changes on cash | (1,004) | 470 | (956) |
| Increase (decrease) in cash | $ 3,169 | $ (5,772) | $ 10,628 |

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 2014, 2013, and 2012 of $79.2 million, $80.8 million, and $87.8 million, respectively. Cash flows from operating activities for 2014 were positively impacted by net income, accounts payable and accrued salaries and benefits partially offset by income tax receivable and payable, contract receivables and deferred revenue. Cash flows from operating activities for 2013 were positively impacted by net income, income tax receivable and payable and accrued salaries and benefits partially offset by prepaid and other assets. Cash flows from operating activities for 2012 were positively impacted by net income and contract receivables, partially offset by accrued salaries and benefits and income tax receivable and payable.

Our cash flow used in investing activities consists primarily of capital expenditures and acquisitions. During the year ended 2014, we paid approximately $347.9 million for business acquisitions, net of cash acquired, and purchased capital assets totaling $13.0 million. During the year ended 2013, we paid approximately $4.8 million for business acquisitions, net of cash acquired, and purchased capital assets totaling $14.2 million. During the year ended 2012, we paid approximately $10.0 million for business acquisitions, net of cash acquired, and purchased capital assets totaling $13.6 million.

Our cash flow from financing activities consists primarily of debt and equity transactions. For the year ended 2014, cash flow used in financing activities was primarily due to net advances on our Credit Facility of $310.1 million, primarily as a result of acquisitions, and share repurchases under our share repurchase plan of $24.4 million. For the year ended 2013, cash flow used in financing activities was primarily due to a net pay down on the Credit Facility of $65.0 million, and share repurchases under our share repurchase plan of $5.4 million. For the year ended 2012, cash flow used in financing activities was primarily due to a net pay down on the Credit Facility of $40.0 million, and share repurchases under our share repurchase plan of $10.5 million.

**OFF-BALANCE SHEET ARRANGEMENTS**

**Contractual Obligations**

We use off-balance sheet arrangements to finance the lease of facilities. We have financed the use of all of our office and storage facilities through operating leases. Operating leases are also used from time to time to finance the use of computers, servers, copiers, telephone systems, and to a lesser extent, other fixed assets, such as furnishings, and we also obtain operating leases in connection with business acquisitions. We generally assume the lease rights and obligations of businesses acquired in business combinations and continue financing facilities and equipment under operating leases until the end of the lease term following the acquisition date.

As of December 31, 2014, we had 10 outstanding letters of credit provided for under our Credit Facility with a total value of $4.4 million primarily related to deposits to support our facility leases.

The following table summarizes our contractual obligations as of December 31, 2014 that require us to make future cash payments. For contractual obligations, we include payments that we have an unconditional obligation to make.

| | | Payments due by Period (In thousands) | | | |
|---|---|---|---|---|---|
| | Total | Less than 1 year | 1 to 3 years | 3 to 5 years | More than 5 years |
| Rent of facilities | $ 271,571 | $ 35,337 | $ 67,646 | $ 63,005 | $ 105,583 |
| Operating lease obligations | 2,026 | 876 | 881 | 269 | — |
| Long-term debt obligation (1) | 387,399 | 8,536 | 17,095 | 361,768 | — |
| Total | $ 660,996 | $ 44,749 | $ 85,622 | $ 425,042 | $ 105,583 |

(1) Represents the obligation for principal and variable interest payments related to the Credit Facility assuming the principal amount outstanding and interest rates at December 31, 2014 remain fixed through maturity. These assumptions are subject to change in future periods.

**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 the Credit Facility, and, to a lesser extent, 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 potentially adverse effects 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 the Credit Facility. These borrowings accrue interest at variable rates. Based upon our borrowings under this facility in 2014, a 1% increase in interest rates would have increased interest expense by approximately $1.6 million and would have decreased our annual pre-tax cash flow by a comparable amount.

As a result of conducting business in currencies other than the U.S. dollar and our international operations where transactions are in currencies other than the U.S. dollar, we are subject to market risk with respect to adverse fluctuations in currency exchange rates. In general, our currency risk is mitigated largely by matching costs with revenues in a given currency, however, our exposure to fluctuations in other currencies against the U.S. dollar increases as revenue in currencies other than the U.S. dollar increase. In addition, we currently have two hedges in place to mitigate our foreign exchange risk related to our operations in Europe; however, there is some risk that revenue and profits will be affected by foreign currency exchange fluctuations. We do not use derivative instruments for trading or speculative purposes.

We use a sensitivity analysis to assess the impact of movement in foreign currency exchange rates on revenue. During the year ended December 31, 2014, approximately 12% of our revenue was generated from our international operations based on the location to which a contract was awarded. As a result, a 10% increase or decrease in the value of the U.S. dollar against all currencies would have an estimated impact on revenue of approximately 1%, or $13 million, a portion of which would be offset by expenses incurred in local currency. Actual gains and losses in the future could differ materially from this analysis based on the timing and amount of both foreign currency exchange rate movements and our actual exposure. As of December 31, 2014, we held approximately $10.1 million in cash in foreign bank accounts to be utilized on behalf of our foreign subsidiaries, thereby partially mitigating foreign currency conversion risks.

## 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.*** Based on an evaluation under the supervision and with the participation of the Company's management, the Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act were effective as of December 31, 2014 to provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and (ii) accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

***Management's Annual Report on Internal Control Over Financial Reporting.*** The Company's 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). Management conducted an assessment of the effectiveness of the Company's internal control over financial reporting based on the criteria set forth in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the assessment, management has concluded that its internal control over financial reporting was effective as of December 31, 2014. The Company's independent registered public accounting firm, Grant Thornton LLP, has issued an audit report on the Company's internal control over financial reporting, which appears on page F-2 of this Form 10-K.

This assessment excluded the internal control over financial reporting of Olson, which was acquired on November 5, 2014. Olson's total assets and revenues represented 6% and 2%, respectively, of the related consolidated financial statement amounts for the Company as of and for the year ended December 31, 2014. Total assets for Olson are based on the preliminary purchase price allocation excluding amounts for goodwill and other intangibles assets.

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

***Changes in Internal Control Over Financial Reporting.*** There were no changes in the Company's internal control over financial reporting during the fourth quarter of 2014, which were identified in connection with management's evaluation required by paragraph (d) of Rules 13a-15 and 15d-15 under the Exchange Act, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

***Inherent Limitations Over Internal Controls.*** A control system, no matter how well designed and operated, can provide only reasonable, not absolute, 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 internal 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 may not be detected. Also, any evaluation of the effectiveness of controls in future periods are subject to the risk that those internal controls may become inadequate because of changes in business conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**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 2015 Annual Meeting of Stockholders (the "2015 Proxy Statement") and is incorporated herein by reference.

### ITEM 11. EXECUTIVE COMPENSATION

The information required by this item will be included in the 2015 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 2015 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 2015 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 2015 Proxy Statement and is incorporated herein by reference.

## PART IV

## ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

**(1) Financial Statements**



**(2) Financial Statement Schedules**

None.

**(3) Exhibits**

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

| Exhibit Number | Exhibit |
|---|---|
| 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 (Incorporated by reference to Exhibit 2.1 to the Company's Form 10-K filed March 2, 2012). |
| 2.2 | Agreement and Plan of Merger by and among OCO Holdings, Inc., ICF International, Inc., ICF 2014 Merger Corp. and OCO Rep Services LLC, dated as of October 21, 2014.*(1) |
| 3.1 | Amended and Restated Certificate of Incorporation (Incorporated by reference to Exhibit 4.1 to the Company's Form S-8 (File No. 333-137975), filed October 13, 2006). |
| 3.2 | Amended and Restated Bylaws (Incorporated by reference to Exhibit 3.1 to the Company's Form 8-K, filed April 22, 2009). |
| 4.1 | Specimen common stock certificate (Incorporated by reference to Exhibit 4.1 to the Company's Form S-1/A (File No. 333-134018), filed September 12, 2006). |
| 4.2 | See Exhibits 3.1 and 3.2, above, for provisions of the Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws of the Company 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 (File No. 333-134018), filed May 11, 2006). |
| 10.2 | ICF International, Inc. Nonqualified Deferred Compensation Plan, as amended and restated as of January 1, 2012 (Incorporated by reference to Exhibit 10.2 to the Company's Form 10-K, filed March 1, 2013). |
| 10.3 | ICF International, Inc. 2010 Omnibus Incentive Plan, as amended (Incorporated by reference to Exhibit A to the Company's Definitive Proxy Statement for the 2013 Annual Meeting of Stockholders, filed April 26, 2013). |
| 10.4 | Form of Restricted Stock Unit Award under the 2010 Omnibus Incentive Plan, as amended (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, as amended (Incorporated by reference to Exhibit 10.5 to the Company's Form 10-K filed March 4, 2011). |
| 10.6 | Restated Employment Agreement by and between the Company and Sudhakar Kesavan, dated December 29, 2008 (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K, filed December 30, 2008). |

| | |
|---|---|
| 10.7 | Restated Severance Protection Agreement by and between the Company and Sudhakar Kesavan, dated December 29, 2008 (Incorporated by reference to Exhibit 10.2 to the Company's Form 8-K, filed December 30, 2008). |
| 10.8 | Restated Severance Protection Agreement by and between the Company and John Wasson, dated December 12, 2008 (Incorporated by reference to Exhibit 10.2 to the Company's Form 8-K, filed December 18, 2008). |
| 10.9 | Amended Severance Letter Agreement by and between the Company and John Wasson, dated December 12, 2008 (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 James C. Morgan, dated June 8, 2012 (Incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q, filed August 6, 2012). |
| 10.11 | Severance Benefit/Protection Agreement by and between the Company and James C. Morgan, dated June 8, 2012 (Incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q, filed August 6, 2012). |
| 10.12 | Severance Letter Agreement by and between the Company and Isabel S. Reiff, dated February 21, 2012 (Incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q, filed May 4, 2012). |
| 10.13 | Severance Letter Agreement by and between the Company and Ellen Glover, dated February 21, 2012 (Incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q, filed May 4, 2012). |
| 10.14 | Fourth Amended and Restated Business Loan and Security Agreement by and among ICF International, Inc., ICF Consulting Group, Inc., and various other subsidiaries of ICF International, Inc. as Borrowers, and a group of Lenders for which Citizens Bank of Pennsylvania, acted as Administrative Agent and RBS Citizens, N.A. and PNC Capital Markets, LLC, acted in the capacity of joint lead arrangers and joint book running managers, dated May 16, 2014 (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K, filed May 21, 2014). |
| 10.15 | First Modification to Fourth Amended and Restated Business Loan and Security Agreement and Other Loan Documents, dated as of November 5, 2014.* |
| 10.16 | 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 Rules 13a-14(a) and 15d-14(a).* |
| 31.2 | Certificate of the Principal Financial and Accounting Officer Pursuant to Exchange Act Rules 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 Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.* |
| 101 | The following materials from the ICF International, Inc. Annual Report on Form 10-K for the year ended December 31, 2014 formatted in eXtensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Comprehensive Income, (iii) Consolidated Statements of Stockholders' Equity, (iv) Consolidated Statements of Cash Flow and (v) Notes to Consolidated Financial Statements. * |

(1) Certain confidential information contained in this exhibit was omitted by means of redacting a portion of the text and replacing it with an asterisk. This exhibit has been filed separately with the Secretary of the Securities and Exchange Commission without the redaction pursuant to a confidential treatment request under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

* Submitted electronically herewith.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

February 27, 2015

ICF INTERNATIONAL, INC.

By: /s/ SUDHAKAR KESAVAN
**Sudhakar Kesavan**
**Chairman and Chief Executive Officer**

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

| Signature | Title | Date |
|---|---|---|
| /s/ SUDHAKAR KESAVAN<br>**Sudhakar Kesavan** | Chairman, Chief Executive Officer and Director (Principal Executive Officer) | February 27, 2015 |
| /s/ JAMES MORGAN<br>**James Morgan** | Chief Financial Officer (Principal Financial Officer) | February 27, 2015 |
| /s/ PHILLIP ECK<br>**Phillip Eck** | Controller (Principal Accounting Officer) | February 27, 2015 |
| /s/ EILEEN O'SHEA AUEN<br>**Eileen O'Shea Auen** | Director | February 27, 2015 |
| /s/ EDWARD H. BERSOFF<br>**Dr. Edward H. Bersoff** | Director | February 27, 2015 |
| /s/ SRIKANT M. DATAR<br>**Dr. Srikant M. Datar** | Director | February 27, 2015 |
| /s/ CHERYL GRISÉ<br>**Cheryl Grisé** | Director | February 27, 2015 |
| /s/ LESLYE KATZ<br>**Leslye Katz** | Director | February 27, 2015 |
| /s/ S. LAWRENCE KOCOT<br>**S. Lawrence Kocot** | Director | February 27, 2015 |
| /s/ PETER SCHULTE<br>**Peter Schulte** | Director | February 27, 2015 |

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
ICF International, Inc.

We have audited the accompanying consolidated balance sheets of ICF International, Inc. (a Delaware corporation) and subsidiaries (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ICF International, Inc., and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2014, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 27, 2015 expressed an unqualified opinion.

/s/ GRANT THORNTON LLP

McLean, Virginia
February 27, 2015

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
ICF International, Inc.

We have audited the internal control over financial reporting of ICF International, Inc. (a Delaware corporation) and subsidiaries (the "Company") as of December 31, 2014, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting ("Management's Report"). Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. Our audit of, and opinion on, the Company's internal control over financial reporting does not include the internal control over financial reporting of OCO Holdings, Inc., a wholly-owned subsidiary, whose financial statements reflect total assets and revenues constituting 6 and 2 percent, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2014. As indicated in Management's Report, OCO Holdings, Inc. was acquired during 2014. Management's assertion on the effectiveness of the Company's internal control over financial reporting excluded internal control over financial reporting of OCO Holdings, Inc.

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

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

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

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company as of and for the year ended December 31, 2014, and our report dated February 27, 2015 expressed an unqualified opinion on those financial statements.

/s/ GRANT THORNTON LLP

McLean, Virginia
February 27, 2015

**ICF International, Inc., and Subsidiaries**

**Consolidated Balance Sheets**
**(in thousands, except share amounts)**

| December 31, | 2014 | 2013 |
|---|---|---|
| ***Assets*** | | |
| **Current Assets** | | |
| Cash | $ 12,122 | $ 8,953 |
| Contract receivables, net | 260,254 | 205,062 |
| Prepaid expenses and other | 10,338 | 7,847 |
| Income tax receivable | 5,715 | 4,482 |
| **Total current assets** | 288,429 | 226,344 |
| **Total property and equipment, net** | 43,241 | 30,214 |
| **Other assets:** | | |
| Goodwill | 687,778 | 418,839 |
| Other intangible assets, net | 76,707 | 12,239 |
| Restricted cash | 1,478 | 1,864 |
| Other assets | 12,707 | 11,414 |
| **Total Assets** | $ 1,110,340 | $ 700,914 |
| | | |
| ***Liabilities and Stockholders' Equity*** | | |
| **Current Liabilities** | | |
| Accounts payable | $ 65,755 | $ 45,544 |
| Accrued salaries and benefits | 56,314 | 45,994 |
| Accrued expenses and other current liabilities | 42,308 | 32,256 |
| Deferred revenue | 31,554 | 20,282 |
| Deferred income taxes | 7,312 | 6,144 |
| **Total Current Liabilities** | 203,243 | 150,220 |
| **Long-term Liabilities:** | | |
| Long-term debt | 350,052 | 40,000 |
| Deferred rent | 19,997 | 12,912 |
| Deferred income taxes | 27,886 | 10,780 |
| Other | 8,473 | 12,911 |
| **Total Liabilities** | 609,651 | 226,823 |
| **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; 21,035,654 and 20,617,270 shares issued; and 19,430,154 and 19,764,634 shares outstanding as of December 31, 2014, and December 31, 2013, respectively | 21 | 21 |
| Additional paid-in capital | 267,206 | 250,698 |
| Retained earnings | 285,937 | 245,907 |
| Treasury stock | (49,994) | (21,545) |
| Accumulated other comprehensive loss | (2,481) | (990) |
| **Total Stockholders' Equity** | 500,689 | 474,091 |
| **Total Liabilities and Stockholders' Equity** | $ 1,110,340 | $ 700,914 |

*The accompanying notes are an integral part of these statements.*

**ICF International, Inc., and Subsidiaries**

**Consolidated Statements of Comprehensive Income**
**(in thousands, except per share amounts)**

| Years ended December 31, | 2014 | 2013 | 2012 |
|---|---|---|---|
| **Gross Revenue** | $ 1,050,134 | $ 949,303 | $ 937,133 |
| **Direct Costs** | 654,946 | 591,516 | 583,195 |
| **Operating costs and expenses** | | | |
| Indirect and selling expenses | 302,020 | 272,387 | 263,878 |
| Depreciation and amortization | 13,369 | 11,238 | 9,789 |
| Amortization of intangible assets | 10,437 | 9,477 | 14,089 |
| Total operating costs and expenses | 325,826 | 293,102 | 287,756 |
| **Operating Income** | 69,362 | 64,685 | 66,182 |
| Interest expense | (4,254) | (2,447) | (3,946) |
| Other expense | (958) | (12) | (325) |
| **Income Before Income Taxes** | 64,150 | 62,226 | 61,911 |
| **Provision for Income Taxes** | 24,120 | 22,896 | 23,836 |
| **Net Income** | $ 40,030 | $ 39,330 | $ 38,075 |
| **Earnings per Share:** | | | |
| Basic | $ 2.04 | $ 1.99 | $ 1.94 |
| Diluted | $ 2.00 | $ 1.95 | $ 1.91 |
| **Weighted-average Common Shares Outstanding:** | | | |
| Basic | 19,608 | 19,755 | 19,663 |
| Diluted | 19,997 | 20,186 | 19,957 |
| **Other comprehensive income (loss):** | | | |
| **Foreign currency translation adjustments, net of tax** | (1,491) | 251 | (436) |
| **Comprehensive income, net of tax** | $ 38,539 | $ 39,581 | $ 37,639 |

*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, 2014, 2013 and 2012 | Common Stock | | Additional Paid-in | Retained | Treasury Stock | | Accumulated Other Comprehensive | |
|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Capital | Earnings | Shares | Amount | Loss | Total |
| **January 1, 2012** | 19,792 | $ 20 | $ 227,577 | $ 168,502 | 95 | $ (2,266) | $ (805) | $ 393,028 |
| Net income | — | — | — | 38,075 | — | — | — | 38,075 |
| Other comprehensive loss | — | — | — | — | — | — | (436) | (436) |
| Equity compensation | — | — | 8,770 | — | — | — | — | 8,770 |
| Exercise of stock options | 11 | — | 78 | — | — | — | — | 78 |
| Issuance of shares pursuant to vesting of restricted stock units | 231 | — | — | — | — | — | — | — |
| Net payments for stock issuances and buybacks | (475) | — | 33 | — | 517 | (11,602) | — | (11,569) |
| Tax impact of stock option exercises and award vesting | — | — | 804 | — | — | — | — | 804 |
| **December 31, 2012** | 19,559 | $ 20 | $ 237,262 | $ 206,577 | 612 | $ (13,868) | $ (1,241) | $ 428,750 |
| Net income | — | — | — | 39,330 | — | — | — | 39,330 |
| Other comprehensive income | — | — | — | — | — | — | 251 | 251 |
| Equity compensation | — | — | 8,786 | — | — | 105 | — | 8,891 |
| Exercise of stock options | 159 | 1 | 3,102 | — | — | — | — | 3,103 |
| Issuance of shares pursuant to vesting of restricted stock units | 294 | — | — | — | (5) | — | — | — |
| Net payments for stock issuances and buybacks | (247) | — | 335 | — | 246 | (7,782) | — | (7,447) |
| Tax impact of stock option exercises and award vesting | — | — | 1,213 | — | — | — | — | 1,213 |
| **December 31, 2013** | 19,765 | $ 21 | $ 250,698 | $ 245,907 | 853 | $ (21,545) | $ (990) | $ 474,091 |
| Net income | — | — | — | 40,030 | — | — | — | 40,030 |
| Other comprehensive income | — | — | — | — | — | — | (1,491) | (1,491) |
| Equity compensation | — | — | 10,680 | — | — | 328 | — | 11,008 |
| Exercise of stock options | 85 | — | 1,831 | — | — | — | — | 1,831 |
| Issuance of shares pursuant to vesting of restricted stock units | 333 | — | — | — | — | — | — | — |
| Net payments for stock issuances and buybacks | (753) | — | 454 | — | 753 | (28,777) | — | (28,323) |
| Tax impact of stock option exercises and award vesting | — | — | 3,543 | — | — | — | — | 3,543 |
| **December 31, 2014** | 19,430 | $ 21 | $ 267,206 | $ 285,937 | 1,606 | $ (49,994) | $ (2,481) | $ 500,689 |

*The accompanying notes are an integral part of these statements.*

**ICF International, Inc., and Subsidiaries**

**Consolidated Statements of Cash Flows**
**(in thousands)**

| Years ended December 31, | 2014 | 2013 | 2012 |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| Net income | $ 40,030 | $ 39,330 | $ 38,075 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Bad debt expense | 272 | 112 | 336 |
| Deferred income taxes | 4,071 | 2,434 | 13,621 |
| Non-cash equity compensation | 11,008 | 8,891 | 8,770 |
| Depreciation and amortization | 23,806 | 20,715 | 23,878 |
| Deferred rent | 2,685 | 2,606 | 3,594 |
| Other adjustments, net | (3,015) | 1,972 | 793 |
| Changes in operating assets and liabilities, net of the effect of acquisitions: | | | |
| Contract receivables | (2,464) | 233 | 12,129 |
| Prepaid expenses and other assets | (1,743) | (3,633) | (533) |
| Accounts payable | 9,424 | 390 | 3,164 |
| Accrued salaries and benefits | 4,286 | 3,753 | (4,198) |
| Accrued expenses | 683 | (1,091) | 2,229 |
| Deferred revenue | (2,099) | (2,407) | (2,638) |
| Income tax receivable and payable | (6,453) | 6,749 | (10,451) |
| Restricted cash | 387 | 150 | (807) |
| Other liabilities | (1,718) | 609 | (201) |
| **Net Cash Provided by Operating Activities** | 79,160 | 80,813 | 87,761 |
| **Cash Flows from Investing Activities** | | | |
| Capital expenditures for property and equipment and capitalized software | (12,974) | (14,161) | (13,561) |
| Payments for business acquisitions, net of cash received | (347,871) | (4,763) | (9,974) |
| **Net Cash Used in Investing Activities** | (360,845) | (18,924) | (23,535) |
| **Cash Flows from Financing Activities** | | | |
| Advances from working capital facilities | 733,032 | 139,215 | 172,270 |
| Payments on working capital facilities | (422,980) | (204,215) | (212,270) |
| Debt issue costs | (1,245) | — | (1,955) |
| Proceeds from exercise of options | 1,831 | 3,103 | 78 |
| Tax benefits of stock option exercises and award vesting | 3,543 | 1,213 | 804 |
| Net payments for stockholder issuances and buybacks | (28,323) | (7,447) | (11,569) |
| **Net Cash Provided by (Used in) Financing Activities** | 285,858 | (68,131) | (52,642) |
| **Effect of Exchange Rate Changes on Cash** | (1,004) | 470 | (956) |
| **Increase (Decrease) in Cash** | 3,169 | (5,772) | 10,628 |
| **Cash, beginning of period** | 8,953 | 14,725 | 4,097 |
| **Cash, end of period** | $ 12,122 | $ 8,953 | $ 14,725 |
| Supplemental disclosure of cash flow information: | | | |
| Cash paid during the period for: | | | |
| Interest | $ 2,728 | $ 2,459 | $ 3,243 |
| Income taxes | $ 24,335 | $ 13,670 | $ 20,377 |
| Non-cash investing and financing transactions: | | | |
| Fair value of contingent consideration payable in connection with acquisition | $ — | $ 2,842 | $ — |

*The accompanying notes are an integral part of these statements.*

## 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," and together with ICFI, "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. All other subsidiaries of the Company are wholly owned by Consulting. All significant intercompany transactions and balances have been eliminated.

### Nature of Operations

The Company provides management, technology, and policy professional services in the areas of energy, environment, and infrastructure; health, social programs, and consumer/financial; and public safety and defense. The Company's major clients are U.S. federal government departments and agencies, most significantly Department of Health and Human Services ("HHS"), Department of State and Department of Defense. We also serve U.S. state and local government departments and agencies; international governments; and commercial clients worldwide, such as airlines, airports, electric and gas utilities, oil companies, hospitals and health-related companies, banks and other financial services companies, travel and hospitality, non-profits/associations, law firms, manufacturing, retail, and distribution. 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. It maintains offices throughout the world, including over 55 offices in the United States and over 15 offices in key markets outside the United States, including offices in the United Kingdom, Belgium, China, India and Canada.

### Reclassifications

Certain amounts in the 2013 and 2012 consolidated financial statements have been reclassified to conform to the current year presentation.

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## 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 three types of contracts: time-and-materials, cost-based, and fixed-price.

- **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. Profits 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, taking into consideration factors such as the Company's prior award experience and communications with the customer regarding performance.

- **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 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, or when we are compensated on a retainer or fixed-fee basis and thus regardless of level of effort, revenue is recognized ratably over the period benefited.

- ***Completed Contract***: Revenue and costs on certain fixed-price contracts are 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 scheduling 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, subcontractor costs, and other direct costs, as well as an allocation of allowable indirect costs. At times, 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. A 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.

Our contractual arrangements are evaluated to assess whether revenue should be recognized on a gross versus net basis. Management's assessment when determining gross versus net revenue recognition is based on several factors such as whether we serve as the primary service provider, have autonomy in selecting subcontractors, or have credit risk; all of which are primary indicators that we serve as the principal to the transaction and revenue is recognized on a gross basis. When such indicators are not present and we are primarily functioning as an agent under an arrangement, revenue is recognized on a net basis.

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

| | Year ended December 31, | | |
|---|---|---|---|
| | **2014** | **2013** | **2012** |
| Time-and-materials | 47% | 52% | 49% |
| Fixed-price | 34% | 29% | 30% |
| Cost-based | 19% | 19% | 21% |
| Total | 100% | 100% | 100% |

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.

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 the cost of revenue.

The Company may proceed with work based upon client direction prior to the completion and signing of formal contract documents. We have a 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. The Company bases its estimates on a variety of factors, including previous experiences with the client, communications with the client regarding funding status, and its knowledge of available funding for the contract.

Approximately 61%, 67%, and 70% of the Company's revenue for the years 2014, 2013, and 2012, respectively, were derived under prime contracts and subcontracts with agencies and departments of the U.S. federal government and state and local governments. For the years ending December 31, 2014, 2013, and 2012, our largest client was HHS, the various branches of which accounted for approximately 17% or $182.3 million, 18% or $173.7 million, and 19% or $180.1 million, respectively, of the Company's revenue. The accounts receivable due from HHS contracts as of December 31, 2014 and 2013 were approximately $14.5 million and $11.8 million, respectively.

The Company's international operations offer services to both commercial and non-U.S. government customers. Revenue is attributed to location based on the geographic areas to which a contract is awarded. The Company's international revenue as a percentage of total revenue was approximately 12%, 9%, and 7% for the years ended December 31, 2014, 2013 and 2012.

***Cash and Cash Equivalents***

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

***Restricted Cash***

The Company has restricted cash representing amounts held in escrow accounts and/or not readily available due to contractual restrictions.

***Allowance for Doubtful Accounts***

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.

***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.

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.

***Goodwill and Other Intangible Assets***

The purchase price of an acquired business is allocated to the tangible assets and separately identifiable intangible assets acquired less liabilities assumed based upon their respective fair values, with the excess recorded as goodwill. Goodwill and intangible assets acquired in a business combination and determined to have an indefinite useful life are not amortized, but instead reviewed for impairment annually, or more frequently if impairment indicators arise. 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 has concluded that it is one reporting unit. For the annual impairment review as of September 30, 2014, a two-step goodwill impairment test was performed which includes a comparison of the fair value of the reporting unit to the carrying value. If the estimated fair value of the reporting unit is less than the carrying value, a second calculation is required to measure the amount of goodwill impairment loss to be recognized for that reporting unit, if any.

The Company estimates the fair value of its one reporting unit using a market-based approach, which includes certain premiums. The Company conducts a market comparison in which it assesses implied control premiums paid in excess of market price in acquisitions of publicly-traded companies occurring within the past four years of its review. In its comparison, the Company takes into consideration the market, industry, geographic location, and other relevant information of such companies in order to identify companies similar to it. The implied control premiums for each of the acquisitions considered are calculated by comparing the enterprise values of the target companies one month prior to the transaction to their purchase prices on an enterprise value basis. Based on an analysis of the implied control premiums for the four-year period, the Company selects an appropriate control premium based on these factors and applies it to its implied enterprise value derived from the Company's market capitalization as of the impairment test date. The Company views premiums paid in excess of market price to be derived from potential synergies and benefits gained as a result of the acquisition and, accordingly, the Company believes the inclusion of these premiums in its determination of fair value is appropriate.

Based upon management's most recent review, the Company determined that the estimated fair value of the Company's one reporting unit was not less than the carrying value and that no goodwill impairment charge was required as of September 30, 2014. Historically, the Company has recorded no goodwill impairment charges.

The Company is 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.

***Capitalized Software***

The Company capitalizes eligible costs to develop enhancements and upgrades to internal-use software that are incurred subsequent to the preliminary project stage. Amortization expense is recorded on a straight-line basis over the expected economic life, typically five years. During the years ended December 31, 2014, 2013 and 2012, the costs capitalized for the development of internal- use software were not material to our consolidated financial statements.

***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.

***Stock-based Compensation***

The Company recognizes stock-based compensation expense related to share-based payments to employees, including grants of employee stock options, restricted stock awards, restricted stock units ("RSUs") and cash-settled restricted stock units ("CSRSUs"), on a straight-line basis over the requisite service period, which is generally the vesting period. Compensation expense is based on the estimated fair value of these instruments and the estimated number of shares we ultimately expect will vest. Non-employee director awards do not include vesting conditions and therefore are expensed when issued.

The fair value of stock options, restricted stock awards, RSUs and non-employee director awards is estimated based on the fair value of a share of common stock at the grant date. The Company has elected to use the Black-Scholes-Merton option pricing model to determine the fair value of stock options. CSRSUs are settled only in cash payments. The cash payment is based on the fair value of the Company's stock price at the vesting date, calculated by multiplying the number of CSRSUs vested by the Company's closing stock price on the vesting date. The payment is subject to a maximum payment cap and a minimum payment floor. The Company treats these awards as liability-classified awards, and therefore accounts for them at fair value estimated based on the closing price of the Company's stock at the reporting date.

***Other Comprehensive Income (Loss)***

Other comprehensive income (loss) represents foreign currency translation adjustments arising from the use of differing exchange rates from period to period. The financial positions and results of operations of the Company's foreign subsidiaries 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 subsidiaries are translated at the exchange rate in effect at each period-end. Income statement accounts are translated at the average rate of exchange prevailing during the period. 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.

The activity included in other comprehensive income (loss) related to foreign currency translation adjustments for each period reported is summarized below:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2014 | 2013 | 2012 |
| Foreign currency translation adjustments | $ (2,017) | $ 251 | $ (436) |
| Realized losses reclassified into earnings[1] | 526 | — | — |
| Other comprehensive (loss) income, net of tax | $ (1,491) | $ 251 | $ (436) |

(1) For the year ended December 31, 2014, amount represents the reclassification of foreign currency translation adjustments from accumulated other comprehensive loss into earnings as a result of closing one of our international offices. Amount is included in the other (expense) income line item in the statements of comprehensive income.

***Fair Value of Financial Instruments***

The Company's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, and other current liabilities, are carried at cost, which the Company believes approximates their fair values at December 31, 2014 and 2013, 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, 2014 and 2013. The Company applies the provisions of ASC 820, *Fair Value Measurements and Disclosures* ("ASC 820,") to its assets and liabilities that are required to be measured at fair value pursuant to other accounting standards, including contingent liabilities related to acquisitions and two foreign currency forward contract agreements not eligible for hedge accounting. The impact of the hedge to the consolidated financial statements was immaterial. The additional fair value disclosures are included in "Note L—Fair Value Measurement."

***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. Penalties, if probable and reasonably estimable, and interest expense related to uncertain tax positions are not recognized as a component of income tax expense but recorded separately in indirect expenses.

***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 for government and commercial 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 held domestically in excess of daily requirements is used to reduce any amounts outstanding under the Company's Credit Facility. As of December 31, 2014 and 2013, the Company held approximately $10.1 million and $5.3 million, respectively, of cash in foreign bank accounts. 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 federal government, other governments, and commercial organizations. The Company believes that this credit risk, with respect to contract receivables, is limited due to the credit worthiness of the U.S. government. 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 federal government and is subject to audit by agencies of the federal 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.

***Recent Accounting Pronouncements***

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606) (the "ASU"). The ASU provides a single comprehensive revenue recognition framework and supersedes almost all existing revenue recognition guidance. Included in the new principles-based revenue recognition model are changes to the basis for deciding on the timing for revenue recognition. In addition, the standard expands and improves revenue disclosures. The ASU is effective for the Company in the first quarter of 2017 and can be adopted either retrospectively to each prior reporting period presented or as a cumulative effect adjustment as of the date of adoption. Early adoption of the ASU is not permitted. The Company is currently evaluating the impact of adopting the ASU.

**NOTE C—CONTRACT RECEIVABLES**

Contract receivables consisted of the following at December 31:

| | 2014 | 2013 |
|---|---|---|
| Billed | $ 162,976 | $ 102,995 |
| Unbilled | 90,419 | 96,243 |
| Retainages | 5,788 | 3,914 |
| Other | 2,958 | 3,663 |
| Allowance for doubtful accounts | (1,887) | (1,753) |
| Contract receivables, net | $ 260,254 | $ 205,062 |

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 increase in billed receivables is primarily due to the recent acquisitions of Olson, Mostra and CityTech and the decrease in unbilled receivables is primarily due to the number of days in the related billing cycles at December 31, 2014 compared to December 31, 2013. 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.

**D—PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at December 31:

| | 2014 | 2013 |
|---|---|---|
| Leasehold improvements | $ 19,097 | $ 9,224 |
| Software | 31,364 | 27,677 |
| Furniture and equipment | 23,466 | 17,127 |
| Computers | 27,671 | 25,415 |
| | 101,598 | 79,443 |
| Accumulated depreciation and amortization | (58,357) | (49,229) |
| Total property and equipment, net | $ 43,241 | $ 30,214 |

Depreciation expense for property and equipment for the years ended December 31, 2014, 2013, and 2012, was approximately $13.4 million, $11.2 million, and $9.8 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:

| | 2014 | 2013 |
|---|---|---|
| Balance as of January 1 | $ 418,839 | $ 410,583 |
| Goodwill resulting from the GHK business combination | — | (101) |
| Goodwill resulting from the ECA business combination | 141 | 8,357 |
| Goodwill resulting from the Mostra business combination | 24,118 | — |
| Goodwill resulting from the CityTech business combination | 19,563 | — |
| Goodwill resulting from the Olson business combination | 225,117 | — |
| Balance as of December 31 | $ 687,778 | $ 418,839 |

***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, 2014, is 8.5 years. The customer-related intangible assets related to the business combinations, which consist of customer contracts, backlog, and non-contractual customer relationships, 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 8.8 years. Intangible assets related to acquired developed technology are being amortized on an accelerated basis over a weighted-average period of 5.3 years. Marketing-related intangible assets 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:

| | 2014 | | |
|---|---|---|---|
| | Gross Carrying Value | Accumulated Amortization | Net Carrying Value |
| Customer-related | $ 118,957 | $ (46,703) | $ 72,254 |
| Developed technology | 1,538 | (494) | 1,044 |
| Marketing-related | 4,262 | (853) | 3,409 |
| Total intangible assets | $ 124,757 | $ (48,050) | $ 76,707 |

| | 2013 | | |
|---|---|---|---|
| | Gross Carrying Value | Accumulated Amortization | Net Carrying Value |
| Customer-related | $ 58,829 | $ (47,301) | $ 11,528 |
| Developed technology | 960 | (249) | 711 |
| Total intangible assets | $ 59,789 | $ (47,550) | $ 12,239 |

Aggregate amortization expense for the years ended December 31, 2014, 2013, and 2012, was approximately $10.4 million, $9.5 million, and $14.1 million, respectively. The estimated future amortization expense relating to intangible assets is as follows:

| Year ending December 31, | |
|---|---|
| 2015 | $ 17,180 |
| 2016 | 12,929 |
| 2017 | 11,298 |
| 2018 | 8,480 |
| 2019 | 6,162 |
| Thereafter | 20,658 |
| | $ 76,707 |

**NOTE F—BUSINESS COMBINATIONS**

***Olson***

On November 5, 2014, the Company completed the acquisition of OCO Holdings, Inc. ("Olson"), a leading provider of marketing technology and digital services based in Minneapolis, Minnesota. The aggregate purchase price of approximately $296.4 million in cash, which includes the estimated working capital adjustment required by the Merger Agreement, was funded by the Company's Credit Facility. As contemplated by the Merger Agreement, Olson became a wholly-owned subsidiary of the Company. The acquisition expands our existing digital technology and strategic communications work and strengthens our ability to bring more integrated solutions to an expanded client base including multi-channel marketing initiatives across web, mobile, email, social, print, broadcast and off-premise platforms.

The acquisition was accounted for under the purchase method. The preliminary allocation of the total purchase price to the tangible and intangible assets and liabilities of Olson is based on management's preliminary estimate of fair value as of the acquisition date and is subject to revision until the purchase price adjustments and valuations of intangible assets and goodwill are finalized, which will occur prior to November 5, 2015. 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 $289.9 million. The Company has allocated approximately $225.1 million to goodwill and $64.8 million to other intangible assets. The goodwill recorded as part of the acquisition primarily reflects the value of providing an established platform to leverage the Company's existing digital interactive technologies and domain expertise, synergies expected to arise from providing end-to-end customer solutions to a combined client-base across all channels, as well as any intangible assets that do not qualify for separate recognition. The weighted average amortization period for the amount allocated to other intangible assets in total is 9.6 years from the acquisition date. The intangible assets consist of approximately $60.3 million of customer-related intangibles that are being amortized over 10.2 years from the acquisition date, $3.9 million of marketing-related intangibles that are being amortized over 1.2 years from the acquisition date, and $0.6 million of technology intangibles that are being amortized over 6.2 years from the acquisition date. Olson was a stock purchase for tax purposes; therefore, goodwill and amortization of other intangibles created via this acquisition are not deductible for income tax purposes. For the year ended December 31, 2014, Olson contributed net revenues of $23.0 million and net earnings of $2.2 million, excluding transaction-related acquisition costs of $1.6 million, as well as interest expense, amortization of intangible assets resulting from the acquisition, stock-based compensation expense, corporate allocations and integration costs.

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

| | | |
|---|---|---|
| Cash | $ | 8,816 |
| Contract receivables | | 36,879 |
| Other current and non-current assets | | 1,512 |
| Property and equipment | | 15,867 |
| Customer-related intangibles | | 60,338 |
| Marketing-related intangibles | | 3,947 |
| Developed technology intangibles | | 578 |
| Goodwill | | 225,117 |
| Total Assets | | 353,054 |
| | | |
| Accounts payable | | 9,792 |
| Accrued expenses and other liabilities | | 12,989 |
| Accrued salaries and benefits | | 5,157 |
| Deferred revenue | | 9,742 |
| Deferred taxes and income tax payable | | 18,984 |
| Total Liabilities | | 56,664 |
| Net Assets | $ | 296,390 |

**Pro forma Information (Unaudited)**

The following unaudited condensed pro forma information presents combined financial information as if the acquisition of Olson had been effective at the beginning of fiscal year 2013. As a result, fiscal year 2014 represents the pro forma results for year two of the acquisition. The pro forma information includes adjustments reflecting changes in the amortization of intangibles, acquisition-related expense, stock-based compensation expense, and interest expense, and records income tax effects as if Olson had been included in the Company's results of operations. The pro forma information for fiscal year 2014 also includes an adjustment to eliminate $2.6 million of operating income related to the reduction of an Olson contingent liability that was settled as a result of the acquisition.

**Year Ended December 31 (in thousands except per share amounts)**

| | 2014 | 2013 |
|---|---|---|
| Revenue | $ 1,167,787 | $ 1,067,511 |
| Operating income | 78,518 | 67,051 |
| Net income | 42,461 | 35,992 |
| Earnings per share: | | |
| Basic earnings per share | $ 2.17 | $ 1.82 |
| Diluted earnings per share | $ 2.12 | $ 1.78 |

***CityTech***

In March 2014, the Company acquired CityTech, Inc. ("CityTech"), a Chicago-based digital interactive consultancy specializing in enterprise applications development, web experience management, mobile application development, cloud enablement, managed services, and customer experience management solutions. The purchase was immaterial to the Company's financial statements taken as a whole. The acquisition adds expertise to the Company's content management capabilities and complements its digital and interactive business.

***Mostra***

In February 2014, the Company completed its acquisition of Mostra SA ("Mostra"), a strategic communications consulting company based in Brussels, Belgium. Mostra offers end-to-end, multichannel communications solutions to assist government and commercial clients, in particular the European Commission. The purchase was immaterial to the Company's financial statements taken as a whole. The acquisition extends the Company's strategic communications capabilities globally to complement its policy work and enhance its strategy of providing a full suite of services that leverage its research and advisory services.

***ECA***

In July 2013, the Company hired the staff of, and purchased certain assets and liabilities from, Ecommerce Accelerator LLC ("ECA"), an e-commerce technology services firm based in New York, New York. In connection with the acquisition, we recorded a contingent consideration payable reflected in other long-term liabilities at the estimated fair value of $2.8 million at December 31, 2013. The fair value of the contingent liability was reduced to zero in the first quarter of 2014 and the change in the fair value measurement of $2.8 million was recorded as a reduction to indirect and selling expenses. We are no longer required to pay contingent consideration to ECA, as the parties mutually agreed to the release of this potential obligation in the third quarter of 2014. The purchase was immaterial to the Company's financial statements taken as a whole. The addition of ECA enhanced ICF's multi-channel, end-to-end e-commerce solutions.

***Symbiotic***

In September 2012, the Company hired the staff and purchased certain assets from Symbiotic, a company based in Boulder, Colorado. The purchase was immaterial to the Company's financial statements taken as a whole. The purchase included the Sustainability Information System ("SIMS") platform, which brought the Company new opportunities to provide utility clients information and analyses for better managing costs, promoting energy efficiency, protecting the environment, and creating consumer value.

***GHK***

In February 2012, 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. The purchase was immaterial to the Company's financial statements taken as a whole. The acquisition complemented and significantly strengthened the Company's existing European operations and created additional capabilities in Asian markets.

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**NOTE G—ACCRUED SALARIES AND BENEFITS**

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

| | 2014 | 2013 |
|---|---|---|
| Accrued paid time off ("PTO") and leave | $ 10,291 | $ 7,769 |
| Accrued salaries | 22,033 | 18,707 |
| Accrued bonuses, liability-classified awards and commissions | 15,451 | 13,368 |
| Accrued medical | 2,514 | 3,238 |
| Other | 6,025 | 2,912 |
| Total accrued salaries and benefits | $ 56,314 | $ 45,994 |

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**NOTE H—ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

Accrued expenses consisted of the following at December 31:

| | 2014 | 2013 |
|---|---|---|
| Accrued subcontractor and other direct costs | $ 26,084 | $ 19,480 |
| Deposits | 4,475 | 3,530 |
| Accrued IT and software licensing costs | 3,566 | 4,173 |
| Accrued insurance premiums | 1,646 | 1,454 |
| Accrued professional services | 1,112 | 1,120 |
| Other accrued expenses and current liabilities | 5,425 | 2,499 |
| Total accrued expenses and other current liabilities | $ 42,308 | $ 32,256 |

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**NOTE I—LONG-TERM DEBT**

The Company entered into a Fourth Amended and Restated Business Loan and Security Agreement (the "Credit Facility") on May 16, 2014 with a syndication of 11 commercial banks. The Company amended the Credit Facility to allow for borrowing in foreign currencies and to enter into local financial arrangements for its foreign subsidiaries. The amendment also extended the term of our Credit Facility from March 14, 2017 to May 16, 2019 (five years from the closing date). The amended Credit Facility continued to allow for borrowings of up to $400.0 million without a borrowing base requirement, taking into account financial, performance-based limitations and provided for an "accordion," which permits additional revolving credit commitments of up to $100.0 million, subject to lenders' approval. On November 5, 2014, the Company modified the Credit Facility to increase the available commitments from $400.0 million to $500.0 million, giving effect to the $100.0 million available under the accordion, and to reinstate the borrowing capacity under the accordion for an additional $100.0 million. The Credit Facility provides for stand-by letters of credit aggregating up to $30.0 million that reduce the funds available under the revolving line of credit when issued. The Company incurred approximately $1.2 million in additional debt issuance costs during 2014 related to amending and modifying the Credit Facility, which are amortized over the term of the agreement.

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 in the Credit Facility, require, among other things, that the Company maintain, on a consolidated basis for each quarter, a fixed charge coverage ratio of not less than 1.25 to 1.00 and a leverage ratio of not more than 3.75 to 1.00. As of December 31, 2014, the Company was in compliance with its covenants 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 1.40% to 4.25% during 2014.

As of December 31, 2014, the Company had $350.1 million in long-term debt outstanding, $4.4 million in outstanding letters of credit, and available borrowing capacity of $145.5 million under the Credit Facility (excluding the accordion). Taking into account the financial, performance-based limitations, available borrowing capacity (excluding the accordion) was $140.1 million as of December 31, 2014.

The Company's debt issuance costs are amortized over the term of indebtedness. Amortizable debt issuance costs were $5.8 million and $4.6 million as of December 31, 2014 and 2013, respectively. Accumulated amortization related to debt issuance costs was $3.5 million and $3.1 million, as of December 31, 2014 and 2013, respectively. Amortization expense of $0.5 million, $0.5 million, and $0.6 million was recorded for the years ended December 31, 2014, 2013, and 2012, respectively.

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

| | 2014 | 2013 |
|---|---|---|
| Revolving Line of Credit/Swing Line. Outstanding borrowings bear daily interest at a base rate (based on the U.S. Prime Rate, which was 3.25% at December 31, 2014 and December 31, 2013, plus a spread) or LIBOR (1, 3, or 6 month rates) plus a spread, payable monthly | $ 350,052 | $ 40,000 |

***Letters of Credit***

At December 31, 2014 and 2013, the Company had outstanding letters of credit totaling approximately $4.4 million and $3.0 million, respectively. These letters of credit are renewed annually.

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**NOTE J—INCOME TAXES**

Income tax expense consisted of the following at December 31:

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| Current: | | | |
| Federal | $ 13,383 | $ 15,154 | $ 7,730 |
| State | 3,151 | 3,247 | 1,328 |
| Foreign | 3,563 | 1,651 | 1,184 |
| | 20,097 | 20,052 | 10,242 |
| Deferred: | | | |
| Federal | 3,264 | 2,523 | 10,977 |
| State | 399 | 323 | 2,550 |
| Foreign | 360 | (2) | 67 |
| | 4,023 | 2,844 | 13,594 |
| Income Tax Expense | $ 24,120 | $ 22,896 | $ 23,836 |

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and income tax purposes. Such amounts are classified in the consolidated statements of financial position as current or non-current assets or liabilities based upon the classification of the related assets and liabilities.

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

| | 2014 | 2013 |
|---|---|---|
| **Deferred Tax Assets** | | |
| Current: | | |
| Stock option compensation | $ 319 | $ 503 |
| Allowance for bad debt | 789 | 687 |
| Accrued PTO | 1,975 | 2,647 |
| Accrued bonus | 608 | 524 |
| Foreign tax credits | 322 | 642 |
| Accrued liabilities | 1,890 | 1,474 |
| Total current deferred tax asset | 5,903 | 6,477 |
| Non-current: | | |
| Foreign net operating loss (NOL) carry forward | 542 | 513 |
| Federal/state net operating loss (NOL) carry forward | 3,447 | 271 |
| Stock option compensation | 3,757 | 2,237 |
| Deferred rent | 5,086 | 4,096 |
| Deferred compensation | 2,823 | 2,273 |
| Foreign tax credits | 2,060 | 947 |
| State tax credits | 1,016 | 712 |
| Federal tax credits | 225 | — |
| Foreign exchange | 447 | — |
| Accrued liabilities and other | 1,375 | 2,592 |
| Total non-current deferred tax assets | 20,778 | 13,641 |
| **Less: Valuation Allowance** | (542) | (513) |
| **Total Deferred Tax Assets** | $ 26,139 | $ 19,605 |
| | | |
| **Deferred Tax Liabilities** | | |
| Current: | | |
| Retention | $ (1,899) | $ (1,319) |
| Prepaids | (1,549) | (946) |
| Payroll taxes | (1,064) | (819) |
| Unbilled revenue | (8,483) | (9,449) |
| Other | (219) | (88) |
| Total current deferred liability | (13,214) | (12,621) |
| Non-current: | | |
| Depreciation | (8,766) | (4,751) |
| Amortization | (39,318) | (19,022) |
| Other | (39) | (135) |
| Total non-current deferred tax liabilities | (48,123) | (23,908) |
| **Total Deferred Tax Liabilities** | (61,337) | (36,529) |
| **Total Net Deferred Tax Liability** | $ (35,198) | $ (16,924) |

At December 31, 2014 and 2013, the Company had net operating loss (“NOL”) carry-forwards for foreign income taxes of approximately $1.9 million and $1.6 million, respectively, all of which may be carried forward indefinitely.

At December 31, 2014, the Company had NOL carry-forwards for U.S. federal and state income tax purposes of approximately $14 million, which expire in 2034. The Company also had federal tax credits totaling $0.2 million, all of which may be carried forward indefinitely. The Company acquired these NOLs and credits as a result of its purchase of Olson in November 2014. Internal Revenue Code Section 382 imposes an annual limitation on the use of a corporation’s NOLs, tax credits and other carryovers after an “ownership change” occurs.

Section 382 imposes an annual limitation on the amount of post-ownership change taxable income a corporation may offset with pre-ownership change NOLs and credits. In general, the annual limitation is determined by multiplying the value of the corporation’s stock immediately before the ownership change (subject to certain adjustments) by the applicable long-term tax-exempt rate. Any unused portion of the annual limitation is available for use in future years until such NOLs are scheduled to expire (in general, NOLs may be carried forward 20 years). The Company presently estimates that it will be able to fully utilize the acquired NOLs and credits prior to their expiration.

At December 31, 2014, the Company had gross state income tax credit carry-forwards of approximately $1.5 million, which expire between 2017 and 2024. A deferred tax asset of approximately $1.0 million (net of federal benefit) has been established related to these state income tax credit carry-forwards as of December 31, 2014.

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 has been given to all available evidence, including historical operating results, projections of taxable income, and tax planning alternatives. The Company concluded that a valuation allowance of approximately $0.5 million is required for tax attributes related to specified foreign jurisdictions as of each of December 31, 2014 and 2013.

Effective January 1, 2009, the Company made no provisions for deferred U.S. income taxes or additional foreign taxes on any unremitted earnings of its 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 $2.4 million of foreign tax credits available for carry forward related to its foreign branch operations as of December 31, 2014.

On September 13, 2013, the Treasury Department and the Internal Revenue Service issued final regulations regarding the deduction and capitalization of amounts paid to acquire, produce, improve or dispose of tangible personal property. These regulations are generally effective for tax years beginning on or after January 1, 2014. The application of these regulations did not have a material impact on the consolidated financial statements for fiscal year 2014.

The total amount of unrecognized tax benefits as of both December 31, 2014 and 2013, was $0.7 million. Included in the balance as of December 31, 2014 and 2013, were $0.6 million and $0.2 million, respectively, of tax positions that, if recognized, would impact the effective tax rate.

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

| | | |
|---|---|---|
| Unrecognized tax benefits at January 1, 2012 | $ | 1,061 |
| Increase attributable to tax positions taken during the current period | | 78 |
| Decrease attributable to lapse of statute of limitations | | (48) |
| Unrecognized tax benefits at December 31, 2012 | | 1,091 |
| Decrease attributable to settlements | | (8) |
| Increase attributable to tax positions taken during a prior period | | 43 |
| Decrease attributable to lapse of statute of limitations | | (424) |
| Unrecognized tax benefits at December 31, 2013 | | 702 |
| Increase (decrease) in unrecognized tax benefits | | — |
| Unrecognized tax benefits at December 31, 2014 | $ | 702 |

The Company’s policy is not to recognize accrued interest and penalties related to unrecognized tax benefits as a component of tax expense. The Company had approximately $0.2 million of accrued penalty and interest at both December 31, 2014, and 2013, respectively.

The Company’s 2008 through 2014 tax years remain subject to examination by the Internal Revenue Service for U.S. federal tax purposes. In addition, certain significant state and foreign tax jurisdictions are either currently under examination or remain open under the statute of limitations and subject to examination for the tax years from 2008 to 2014.

Although the Company believes it has adequately provided for all uncertain tax positions, amounts asserted by taxing authorities could be greater than the Company’s accrued position. Accordingly, additional provisions on federal, state and foreign income tax related matters could be recorded in the future as revised estimates are made or the underlying matters are effectively settled or otherwise resolved. Conversely, the Company could settle positions with the tax authorities for amounts lower than have been accrued. The Company believes it is reasonably possible that, during the next 12 months, the Company’s liability for uncertain tax positions may decrease by approximately $0.3 million.

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:

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| Taxes at statutory rate | 35.0% | 35.0% | 35.0% |
| State taxes, net of federal benefit | 4.2% | 4.2% | 4.6% |
| Foreign tax rate differential and U.S. unrepatriated earnings | (0.6)% | (0.3)% | (0.3)% |
| Other permanent differences | 2.0% | 0.7% | 0.8% |
| Prior year tax adjustments and changes in unrecognized tax benefits | (2.3)% | (2.1)% | (0.9)% |
| Tax credits | (0.7)% | (0.7)% | (0.7)% |
| | 37.6% | 36.8% | 38.5% |

**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 provides for the granting of options, stock appreciation rights, restricted stock, RSUs, performance shares, performance units, CSRSUs, and other stock-based awards to officers, key employees of the Company, and non-employee directors. On June 7, 2013, the Company's stockholders ratified an amendment (the "Amendment") to the Omnibus Plan ("the Amended Plan"). The Amendment allowed for the Company to grant an additional 1.75 million shares under the Omnibus Plan, for a total of approximately 3.55 million shares. Under the Amended Plan, shares awarded that are not stock options or stock appreciation rights are counted as 1.93 shares deducted from the Amended 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 Amended Plan for every one share delivered under those awards. As of December 31, 2014, the Company had approximately 1.6 million shares available to grant under the Amended Plan. CSRSUs have no impact on the shares available for grant under the Omnibus Plan, and have no impact on the calculated shares used in earnings per share calculations.

Starting in the third quarter of 2013, the Company started granting awards of unregistered shares to its non-employee directors on a quarterly basis under its Annual Equity Election program to replace the previous restricted stock awards program. The awards are issued from the Company's treasury stock and have no impact on the shares available for grant under the Omnibus Plan.

Options and RSUs generally have a vesting term of three or four years. Restricted stock awards generally have a vesting term of one year. CSRSUs generally have a vesting term of four years.

Total compensation expense relating to stock-based compensation was approximately $13.4 million, $11.9 million, and $8.8 million for the years ended December 31, 2014, 2013, and 2012, respectively. As of December 31, 2014, the total unrecognized compensation expense related to non-vested stock awards totaled approximately $16.4 million. These amounts are expected to be recognized over a weighted-average period of 2.3 years. The unrecognized expense related to CSRSUs totaled approximately $18.8 million at December 31, 2014. These costs are expected to be recognized over a weighted-average period of 3.3 years.

The assumptions of post-vesting employment termination forfeiture rates used in the determination of fair value of stock awards during calendar year 2014 were based on the Company's historical average from October 2006 through the 12 months preceding the reporting period. The expected annualized forfeiture rates used varied from 4.51% to 8.68%, 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 market value of the Company's common stock on the date of grant. All options outstanding as of December 31, 2014 have a 10-year contractual term. The Company recorded approximately $1.9 million, $1.6 million, and $1.4 million of compensation expense related to stock options for the years ended December 31, 2014, 2013, and 2012, respectively. The fair value assumptions using the Black-Scholes-Merton pricing model for awards in 2014 were 5.1 years for the expected life, 33.0% for historical volatility, and 1.5% for the risk-free rate of return. The fair value assumptions using the Black-Scholes-Merton pricing model for awards in 2013 were 5.4 years for the expected life, 36.8% for historical volatility, and 0.9% for the risk-free rate of return. The fair value assumptions for awards in 2012 were a range of 5.1 to 5.4 years for the expected life, a range of 41.0% to 42.3% for historical volatility, and a range of 0.7% to 1.1% for the risk-free rate of return. At December 31, 2014, unrecognized expense related to stock options totaled approximately $2.4 million, and these costs are expected to be recognized over a weighted average period of 2.2 years.

The following table summarizes the changes in outstanding stock options:

| | Shares | Weighted Average Exercise Price | Aggregate Intrinsic Value (in thousands) |
|---|---|---|---|
| Outstanding at January 1, 2012 | 460,653 | $ 20.50 | |
| Exercised | (11,521) | $ 6.73 | |
| Granted | 203,436 | $ 25.39 | |
| Forfeited/Expired | (13,768) | $ 24.58 | |
| Outstanding at December 31, 2012 | 638,800 | $ 22.21 | |
| Exercised | (159,309) | $ 19.48 | |
| Granted | 218,707 | $ 27.03 | |
| Forfeited/Expired | (3,646) | $ 24.84 | |
| Outstanding at December 31, 2013 | 694,552 | $ 24.34 | |
| Exercised | (85,063) | $ 21.53 | |
| Granted | 166,861 | $ 40.68 | |
| Forfeited/Expired | (9,426) | $ 25.53 | |
| Outstanding at December 31, 2014 | 766,924 | $ 28.20 | $ 9,804 |
| | | | |
| Vested plus expected to vest at December 31, 2014 | 749,645 | $ 28.05 | $ 9,691 |
| Exercisable at December 31, 2014 | 393,800 | $ 23.78 | $ 6,771 |

The aggregate intrinsic value in the preceding table is based on the Company's closing stock price of $40.98 as of December 31, 2014. The total intrinsic value of options exercised was $1.5 million, $2.3 million and $0.2 million for the years ended December 31, 2014, 2013 and 2012, respectively. The weighted average grant date fair value of options granted was $13.00, $9.37 and $9.77 per share for the years ended December 31, 2014, 2013 and 2012, respectively. The fair value of shares vested was $1.8 million, $1.6 million, and $1.0 million, for the years ended December 31, 2014, 2013 and 2012, respectively. As of December 31, 2014, the weighted-average remaining contractual term for options vested and expected to vest was 7.3 years, and for exercisable options was 6.2 years.

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

| | OPTIONS OUTSTANDING | | | OPTIONS EXERCISABLE | |
|---|---|---|---|---|---|
| Range of Exercise Prices | Number Outstanding As of 12/31/14 | Weighted Average Remaining Contractual Term | Weighted Average Exercise Price | Number Exercisable As of 12/31/14 | Weighted Average Exercise Price |
| $ 9.05 – $25.00 | 237,276 | 5.35 | $ 22.10 | 232,242 | $ 22.10 |
| $25.01 – $27.00 | 155,141 | 7.04 | $ 25.66 | 96,885 | $ 25.66 |
| $27.01 – $28.00 | 207,646 | 8.21 | $ 27.03 | 64,673 | $ 27.03 |
| $28.01 – $41.00 | 166,861 | 9.21 | $ 40.68 | — | $ — |
| $9.05 to $41.00 | 766,924 | 7.30 | $ 28.20 | 393,800 | $ 23.78 |

***Restricted Stock Awards***

Compensation expense related to restricted stock awards computed under the fair value method for the years ended December 31, 2013 and 2012, was approximately $0.2 million and $0.8 million, respectively. The Company did not grant restricted stock awards in 2014 and 2013. There was no unrecognized expense related to restricted stock awards as of December 31, 2014. The fair value of shares vested was $0.7 million and $0.8 million, for the years ended December 31, 2013 and 2012, respectively.

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

| | Number of Shares | Weighted-Average Grant Date Fair Value |
|---|---|---|
| Non-vested restricted stock awards at January 1, 2012 | 34,664 | $ 24.23 |
| Granted | 36,139 | $ 22.41 |
| Vested | (34,664) | $ 24.23 |
| Non-vested restricted stock awards at December 31, 2012 | 36,139 | $ 22.41 |
| Granted | — | $ — |
| Vested | (30,825) | $ 22.38 |
| Forfeited | (5,314) | $ 22.58 |
| Non-vested restricted stock awards at December 31, 2013 | — | $ — |

***Restricted Stock Units***

During the year ended December 31, 2014, the Company awarded 265,811 RSUs to employees that vest over 4 years. Upon vesting, the employee is issued one share of stock for each RSU he or she holds. The weighted-average grant date fair value of RSUs granted during the year ended December 31, 2014, was $39.48 per share.

Compensation expense related to RSUs computed under the fair value method for the years ended December 31, 2014, 2013, and 2012, was approximately $7.8 million, $8.7 million, and $6.6 million, respectively.

At December 31, 2014, unrecognized expense related to RSUs totaled approximately $14.0 million. These costs are expected to be recognized over a weighted-average period of 2.2 years. The aggregate intrinsic value of RSUs at December 31, 2014 that are expected to vest was approximately $24.8 million. The fair value of shares vested was $8.2 million, $7.0 million, and $5.7 million, for the years ended December 31, 2014, 2013 and 2012, respectively.

A summary of the Company's RSUs is presented below.

| | Number of Shares | Weighted-Average Grant Date Fair Value | Aggregate Intrinsic Value (in thousands) |
|---|---|---|---|
| Non-vested RSUs at January 1, 2012 | 769,019 | $ 23.67 | |
| Granted | 374,868 | $ 25.42 | |
| Vested | (230,632) | $ 24.66 | |
| Cancelled | (64,664) | $ 24.24 | |
| Non-vested RSUs at December 31, 2012 | 848,591 | $ 24.32 | |
| Granted | 229,574 | $ 27.02 | |
| Vested | (288,258) | $ 24.28 | |
| Cancelled | (33,719) | $ 24.86 | |
| Non-vested RSUs at December 31, 2013 | 756,188 | $ 25.13 | |
| Granted | 265,811 | $ 39.48 | |
| Vested | (333,321) | $ 24.73 | |
| Cancelled | (44,791) | $ 27.33 | |
| Non-vested RSUs at December 31, 2014 | 643,887 | $ 31.10 | $ 26,386 |
| Restricted stock units expected to vest in the future | 604,341 | $ 31.10 | $ 24,766 |

The aggregate intrinsic value in the preceding table is based on the Company's closing stock price of $40.98 per share as of December 31, 2014.

***Cash-Settled Restricted Stock Units***

Compensation expense related to CSRSUs computed under the fair value method for the years ended December 31, 2014 and 2013, was $3.2 million and $1.2 million, respectively. The unrecognized expense related to CSRSUs totaled approximately $18.8 million at December 31, 2014. These costs are expected to be recognized over a weighted-average period of 3.3 years. The aggregate intrinsic value of CSRSUs at December 31, 2014 that are expected to vest was approximately $20.4 million. CSRSUs have no impact on the shares available for grant under the Omnibus Plan.

A summary of the Company's CSRSUs is presented below.

| | Shares | Weighted-Average Grant Date Fair Value | Aggregate Intrinsic Value (in thousands) |
|---|---|---|---|
| Non-vested CSRSUs at December 31, 2012 | — | $ — | |
| Granted | 203,115 | $ 27.84 | |
| Cancelled | (2,816) | $ 27.03 | |
| Non-vested CSRSUs at December 31, 2013 | 200,299 | $ 28.23 | |
| Granted | 416,432 | $ 39.12 | |
| Vested | (47,742) | $ 27.55 | |
| Cancelled | (31,870) | $ 32.12 | |
| Non-vested CSRSUs at December 31, 2014 | 537,119 | $ 36.36 | $ 22,011 |
| CSRSUs expected to vest in the future | 497,997 | $ 36.32 | $ 20,408 |

The aggregate intrinsic value in the preceding table is based on the Company's closing stock price of $40.98 per share as of December 31, 2014.

***Non-Employee Director Awards***

During the year ended December 31, 2014, the Company granted 15,872 shares related to non-employee director awards at a weighted-average grant date fair value of $36.08. During the year ended December 31, 2013, the Company granted 5,133 shares related to non-employee director awards at a weighted-average grant date fair value of $35.06. Non-employee director awards are comprised of unregistered shares and have no impact on the shares available for grant under the Omnibus Plan. Compensation expense related to non-employee director awards computed under the fair value method for the years ended December 31, 2014 and 2013 was $0.5 million and $0.2 million, respectively. There was no unrecognized expense related to these awards as of December 31, 2014.

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**NOTE L—FAIR VALUE MEASUREMENT**

We perform fair value measurements in accordance with the guidance provided by ASC 820. ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date.

ASC 820 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value into three levels as follows:

- **Level 1** – Quoted prices for identical instruments in active markets
- **Level 2** – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.
- **Level 3** – Instruments whose significant value drivers are unobservable

The fair value standards require an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. When a valuation includes inputs from multiple sources at various levels in the fair value hierarchy, the assets or liabilities are classified at the lowest level for which the input has a significant effect on the overall valuation.

Assets and liabilities measured at fair value on a recurring basis on the Company's consolidated balance sheets at December 31, 2014 consisted primarily of contingent consideration in connection with business combinations.

At December 31, 2013, assets and liabilities measured at fair value on a recurring basis on the Company's consolidated balance sheet consisted primarily of contingent consideration in connection with the Company's acquisition of ECA in July 2013 as discussed in "Note F —Business Combinations". In accordance with the purchase agreement for the ECA transaction, the Company was required to pay consideration in the event that ECA achieved certain specified earnings results during the three fiscal-year end periods post-acquisition, ending December 31, 2015. The fair value measurement of contingent consideration was $2.8 million at December 31, 2013. The fair value of the contingent liability was reduced to zero in the first quarter of 2014 and the change in the fair value measurement of $2.8 million was recorded as a reduction to indirect and selling expenses. The Company determined the fair value of contingent consideration using a discounted cash flow model which included a probability assessment of expected future cash flows related to ECA. The fair value measurement used significant inputs that are not observable in the market and thus, represented a Level 3 fair value measurement. As of December 31, 2014, the Company is no longer required to pay contingent consideration to ECA, as the parties mutually agreed to release the Company of this potential obligation in the third quarter of 2014.

In addition, the Company accounts for forward contract agreements in the consolidated balance sheets as either an asset or liability measured at fair value. The fair value of the hedges at December 31, 2014 and 2013 and the changes in fair value for the years ended December 31, 2014, 2013, and 2012 were immaterial.

## NOTE M—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 RSUs. For the years ended December 31, 2014, 2013 and 2012, approximately 151,611, 173,168 and 1,945 anti-dilutive weighted-average shares were excluded from the calculation of EPS because they were anti-dilutive. The dilutive effect of stock options and awards for each period reported is summarized below:

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| | | (in thousands) | |
| Basic weighted-average shares outstanding | 19,608 | 19,755 | 19,663 |
| Effect of potential exercise of stock options and unvested restricted stock and RSUs | 389 | 431 | 294 |
| Diluted weighted-average shares outstanding | 19,997 | 20,186 | 19,957 |

## NOTE N—SHARE REPURCHASE PROGRAM

The Company's Board of Directors approved a share repurchase plan effective in November 2013 and expiring in November 2015, 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 pursuant to Rules 10b5-1 and 10b-18 under the Securities Exchange Act of 1934, as amended and in accordance with applicable insider trading and other securities laws and regulations. The purchases are funded from existing cash balances and/or borrowings, and the repurchased shares are 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.

During the year ended December 31, 2014, the Company repurchased 665,868 shares under this program at an average price of $36.64 per share. Of the $35.0 million approved for share repurchases, approximately $5.2 million remained available as of December 31, 2014.

## NOTE O—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 to some grant applicants. The State has also indicated that, as it continues to review homeowner grant calculations, it expects to assert additional demands in the future, increasing the aggregate claim amount. The total claim received by the Company to date is approximately $107.0 million. The Company believes this claim has no merit, intends to vigorously defend its position, and has therefore not recorded a liability as of December 31, 2014.

***Operating Leases***

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 was initially for approximately 258,000 square feet, with approximately 72,000 square feet of additional space subsequently added. The lease commenced on April 1, 2010, and will expire on December 31, 2022. Base rent under the agreement is approximately $0.9 million per month with annual escalations fixed at 2.5% per year, yielding a total lease commitment of approximately $150.6 million over the twelve-year term of the 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 nine 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 $35.8 million and less than $0.1 million, respectively, for 2014. Rent expense for operating leases was approximately $36.5 million for 2013. Rent expense and sub-lease income for operating leases were approximately $35.6 million and less than $0.1 million, respectively, for 2012. Future minimum rental payments under all non-cancelable operating leases are as follows:

| **Year ending December 31,** | | |
|---|---|---|
| 2015 | $ | 36,213 |
| 2016 | | 34,925 |
| 2017 | | 33,602 |
| 2018 | | 32,515 |
| 2019 | | 30,759 |
| Thereafter | | 105,583 |
| | $ | 273,597 |

**NOTE P—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, 2014, 2013, and 2012, was approximately $12.3 million, $12.0 million, and $11.8 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 material 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”) under which one million shares have been authorized for issuance. The ESPP allows eligible employees to purchase shares of our common stock through payroll deductions up to $25,000 per calendar year over six-month offering periods at a discount not to exceed 5% of the market value on the date of each purchase period. For the year ended December 31, 2014, 24,748 shares were purchased by employees and 809,851 shares remain available for future issuance. The Company does not recognize compensation expense related to the ESPP.

**NOTE Q—SUPPLEMENTAL INFORMATION**

***Valuation and Qualifying Accounts***

**Allowance for Doubtful Accounts**

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| Balance at beginning of period | $ 1,753 | $ 1,448 | $ 1,746 |
| Bad debt expense | 272 | 112 | 336 |
| Net recoveries (write-offs) | (138) | 193 | (634) |
| Balance at end of period | $ 1,887 | $ 1,753 | $ 1,448 |

**NOTE R—SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)**

| | 2014 | | | | 2013 | | | |
|---|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q |
| Contract revenue | $ 245,052 | $ 263,860 | $ 264,796 | $ 276,426 | $ 233,921 | $ 241,568 | $ 244,055 | $ 229,759 |
| Operating income | 16,650 | 17,574 | 18,528 | 16,610 | 17,649 | 17,295 | 17,154 | 12,587 |
| Net income | $ 9,716 | $ 9,998 | $ 11,553 | $ 8,763 | $ 10,112 | $ 10,331 | $ 11,131 | $ 7,756 |
| Earnings per share: | | | | | | | | |
| Basic | $ 0.49 | $ 0.51 | $ 0.59 | $ 0.45 | $ 0.52 | $ 0.52 | $ 0.56 | $ 0.39 |
| Diluted | 0.48 | 0.50 | 0.59 | 0.44 | 0.51 | 0.52 | 0.55 | 0.38 |
| Weighted-average common shares outstanding | | | | | | | | |
| Basic | 19,804 | 19,795 | 19,450 | 19,409 | 19,543 | 19,706 | 19,802 | 19,826 |
| Diluted | 20,277 | 20,082 | 19,713 | 19,744 | 19,875 | 19,996 | 20,165 | 20,233 |

**Exhibit 2.2**

**Confidential Treatment is Requested by ICF International, Inc. Pursuant to 17 C.F.R. 200.83**

**NOTE: PORTIONS OF THIS AGREEMENT ARE THE SUBJECT OF A CONFIDENTIAL TREATMENT REQUEST BY THE REGISTRANT TO THE SECURITIES AND EXCHANGE COMMISSION. SUCH PORTIONS HAVE BEEN REDACTED AND ARE MARKED WITH A "[****]" IN PLACE OF THE REDACTED LANGUAGE.**

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# AGREEMENT AND PLAN OF MERGER

**by and among**

**OCO HOLDINGS, INC.,**

**ICF INTERNATIONAL, INC.,**

**ICF 2014 MERGER CORP.**

**and**

**OCO REP SERVICES LLC**

**dated as of October 21, 2014**

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# AGREEMENT AND PLAN OF MERGER

This AGREEMENT AND PLAN OF MERGER (this "Agreement"), dated as of October 21, 2014, is made and entered into by and among ICF INTERNATIONAL, INC., a Delaware corporation (the "Purchaser"), ICF 2014 MERGER CORP., a Delaware corporation ("Merger Sub"), OCO HOLDINGS, INC., a Delaware corporation (the "Company") and OCO REP SERVICES LLC, a Delaware limited liability company ("Holder Representative"). The Purchaser, Merger Sub, the Company and Holder Representative are sometimes individually referred to herein as a "Party" and collectively as the "Parties."

**W I T N E S S E T H:**

WHEREAS, the Parties desire to enter into this Agreement pursuant to which the Parties propose that Merger Sub, a wholly owned subsidiary of the Purchaser, will merge with and into the Company (the "Merger") so that the Company will continue as the surviving corporation of the Merger and will become a wholly owned subsidiary of the Purchaser in accordance with the DGCL; and

WHEREAS, the respective boards of directors of the Purchaser, Merger Sub and the Company have approved and declared advisable the Merger, this Agreement and the other transactions contemplated hereby.

NOW, THEREFORE, in consideration of the representations, warranties, covenants and agreements contained in this Agreement, and intending to be legally bound hereby, the Parties hereby agree as follows:

## ARTICLE I
## CONSTRUCTION; DEFINITIONS

Section 1.1 Definitions. The following terms, as used herein, have the following meanings:

"2009 Incentive Plan" means the OCO Holdings, Inc. 2009 Stock Incentive Plan, as amended, restated, supplemented or otherwise modified.

"2013 Balance Sheet" means the audited consolidated balance sheet of the Company and its Subsidiaries as of December 31, 2013.

"Accounting Rules" means GAAP as applied in a manner consistent with the accounting principles, methods and practices used in preparing the audited financial statements described in clause (a) of the definition of Financial Statements.

"Affiliate" of any specified Person means any other Person directly or indirectly Controlling or Controlled by or under direct or indirect common Control with such specified Person.

"Aggregate Option Exercise Price" means the aggregate exercise price which would be payable by the Option Holders at the Effective Time if all In the Money Options outstanding and exercisable for Common Stock immediately prior to such time were exercised in full immediately prior to such time.

"Aggregate Phantom Stock Closing Consideration" means the aggregate of the Per Phantom Stock Closing Consideration payable to each Phantom Stockholder at the Effective Time under the terms of the Phantom Equity Incentive Agreement that each such Phantom Stockholder has executed with the Company.

"Arbitrator" means an independent national accounting firm that is mutually agreed upon by the Purchaser and the Holder Representative.

"Business Day" means any day except Saturday, Sunday or any other day on which banks in the city of New York, New York are authorized or required by Law to be closed.

"Bylaws" means the Company's Bylaws as amended, restated, supplemented or otherwise modified.

"CERCLA" means the United States Federal Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. §§ 9601 et seq, and the rules and regulations promulgated thereunder.

"Certificate of Incorporation" means the Company's Certificate of Incorporation, as amended, restated, supplemented or otherwise modified.

"Clients" means the top [****] clients of the Company and its Subsidiaries as determined by the amount of net revenue recognized during the eight-month period ended August 31, 2014.

"Closing" means the consummation of the transactions contemplated by ARTICLE II of this Agreement, as set forth in ARTICLE VIII of this Agreement.

"Closing Cash" means the sum of all cash (net of outstanding checks) of the Company on a consolidated basis as of the Closing Time, exclusive of any cash delivered by the Purchaser pursuant to this Agreement.

"Closing Date" means the later of (i) October 31, 2014 or (ii) such other date, determined as provided in this Agreement, on which the Closing occurs.

"Closing Time" means 8:00 a.m., Eastern Time, on the Closing Date, or such other time as the Parties may mutually agree and is set forth in the Certificate of Merger.

"Code" means the United States Internal Revenue Code of 1986, as amended.

"Common Stock" means Voting Common Stock and Non-Voting Common Stock.

"Common Stockholder" means a holder of Common Stock outstanding immediately prior to the Effective Time.

"Company Benefit Plan" means each Employee Benefit Plan participated in, contributed to, or sponsored by, the Company or any of its Subsidiaries, or, as provided in the definition of Employee Benefit Plan, for which the Company or any Subsidiary otherwise has or may have any liability.

"Company Disclosure Schedule" means the disclosure schedule delivered by the Company to the Purchaser simultaneously with the execution of this Agreement.

"Company Licensed Software" means all Software (other than Company Proprietary Software) used by the Company or any of its Subsidiaries.

"Company Material Adverse Effect" means, with respect to the Company, an effect, event, development or change that, individually or in the aggregate, (i) is or would reasonably be expected to become materially adverse to the assets, business, results of operations or financial condition of the Company and its Subsidiaries, taken as a whole, or (ii) materially impairs or could reasonably be expected to materially impair the ability of the Company to consummate the Merger, other than any effect, event, development or change arising out of or resulting from: (a) changes in conditions in the U.S., Canadian or global economy, capital or financial markets generally, including changes in interest or exchange rates, (b) changes in general legal, tax, regulatory, political or business conditions that, in each case, generally affect the geographic regions or industries in which the Company and its Subsidiaries conduct their business, (c) changes or proposed changes in GAAP, (d) the negotiation, execution, announcement or performance of this Agreement or the transactions contemplated hereby or the consummation of the transactions contemplated by this Agreement, including the impact thereof on relationships, contractual or otherwise, with customers, suppliers, distributors, landlords, tenants, lenders, investors or employees, (e) acts of war, armed hostilities, sabotage or terrorism, or any escalation or worsening of any such acts of war, armed hostilities, sabotage or terrorism threatened or underway as of the date of this Agreement, (f) earthquakes, hurricanes or other natural disasters, (g) any action taken by the Company or its Subsidiaries at the request or with the consent of the Purchaser, (h) any failure, in and of itself, by the Company or any of its Subsidiaries to meet internal or external projections or forecasts or revenue or earnings predictions (provided; however, that the cause or basis for the Company or any of its Subsidiaries failing to meet such projections or forecasts or revenue or earnings predictions may be considered in determining the existence of a Company Material Adverse Effect unless such cause or basis is otherwise excluded by this definition), or (i) any matters expressly set forth in the Company Disclosure Schedule as of the date of this Agreement; provided, however, that any effect, event, development or change referred to in clauses (a), (b), (c), (e) or (f) immediately above shall be taken into account in determining whether a Company Material Adverse Effect has occurred or would reasonably be expected to occur to the extent that such event, change or effect has a disproportionate effect on the Company and its Subsidiaries, taken as a whole, compared to other participants in the industry in which the Company and its Subsidiaries conduct their businesses.

"Company Proprietary Rights" means Proprietary Rights owned by or licensed to the Company or any of its Subsidiaries and used in connection with the operation of their respective businesses.

"Company Proprietary Software" means all Software owned by the Company or any of its Subsidiaries, including, without limitation, the Software products known as "Tally," "Momentum" and "Social Media Accelerator."

"Company Software" means the Company Licensed Software and the Company Proprietary Software.

"Company Stock" means the Common Stock and Preferred Stock.

"Competition Act" means the Competition Act (Canada).

"Confidentiality Agreement" means that certain letter agreement, dated as of April 8, 2014, by and between ICF Consulting Group, Inc. and the Company.

"Contract" means any contract or agreement (including master service agreements and the like as well as any related statements of work, and documents agreed to between the Company or any of its Subsidiaries, on the one hand, and the counterparty clients, on the other hand, in the form of purchase orders, license quotes, project estimates, budget estimates and appraisals), arrangement (excluding any regulatory tariff), note, bond, mortgage, lease or other agreement legally binding on a Party hereto (whether written or oral).

"Control" means, when used with respect to any specified Person, the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise.

"Cooperation Agreement" means the Cooperation Agreement in the form attached hereto as **Exhibit I**.

"Damages" means any actual damage, loss, assessment, levy, fine, charge, claim, direct liability, demand, payment, judgment, settlement, penalty, cost or expense, but shall not include (and neither Purchaser Losses nor Holder Losses shall include) consequential, special, incidental, indirect, exemplary, punitive, multiple-based (including as a multiple to revenue, EBITDA or otherwise) damages, or any damages for lost profits, lost revenue, loss of business reputation or opportunity or diminution in value.

"DGCL" means the Delaware General Corporation Law.

"Due Date" means the due date with respect to an applicable Tax Return (taking into account valid extensions).

"Employee Benefit Plan" means (a) any pension plan, 401(k) plan, profit sharing plan, health or welfare plan, and any other employee benefit plan (within the meaning of Section 3(3) of ERISA) that is maintained or sponsored by the Company or any Subsidiary or to which the Company or any Subsidiary contributes, or for which the Company or any Subsidiary otherwise has or may have any liability, contingent or otherwise, either directly or as a result of an ERISA Affiliate, (b) any other benefit arrangement or obligation to one or more present or former employees, officers, directors, or other individuals (or the dependents of any of them) that is maintained or sponsored by the Company or any Subsidiary or to which the Company or any Subsidiary contributes or for which the Company or any Subsidiary otherwise has or may have any liability, contingent or otherwise, either directly or as a result of an ERISA Affiliate, including, without limitation, Employment Agreements, severance policies or agreements, executive compensation arrangements, incentive arrangements, sick leave, vacation pay, salary continuation, consulting or other compensation arrangements, bonus plans, stock option, stock grant or stock purchase plans, medical insurance, life insurance, tuition reimbursement programs or scholarship programs, any plans subject to Section 125 of the Code, and any plans providing benefits or payments in the event of a change of ownership or control, and (c) any Foreign Benefit Plan.

"Employment Agreement" means any employment, termination or severance Contract respecting the terms and conditions of employment or payment of compensation in respect of any current employee.

"Environmental Laws" means all applicable Laws (including, without limitation, CERCLA), in effect on or prior to the Closing Date, relating to remediation, generation, production, installation, use, storage, treatment, transportation, Release, threatened Release, or disposal of Hazardous Materials, or the protection of human health, safety (with respect to exposure to Hazardous Materials), natural resources, or the environment.

"Equity Holders" means the Common Stockholders, the Option Holders and the Phantom Stockholders.

"ERISA" means the United States Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations promulgated thereunder.

"ERISA Affiliate" means any Person that, together with the Company, is or was at any relevant time treated as a single employer under Section 414 of the Code or Section 4001 of ERISA.

"Escrow Agent" means SunTrust Bank, a Georgia banking corporation.

"Escrow Agreement" means the Escrow Agreement in the form attached hereto as **Exhibit A**.

"Escrow Pro Rata Percentage" means, for each Equity Holder, a percentage calculated by dividing (a) the sum of (i) the total number of Fully Diluted Shares and (ii) the total awards of Phantom Stock, in each case held by such Equity Holder immediately prior to the Effective Time, by (b) the sum of (x) the total number of Fully Diluted Shares and (y) the total number of awards of Phantom Stock outstanding immediately prior to the Effective Time.

"Final Restricted Cash" means the amount of Restricted Cash reflected on the Final Balance Sheet.

"Financial Statements" means (a) the audited consolidated balance sheet of the Company and its Subsidiaries as of December 31, 2012 and December 31, 2013 and the audited consolidated statements of comprehensive income, stockholders' equity and cash flows of the Company and its Subsidiaries for the twelve-month periods then ended, and (b) the Interim Balance Sheet and the unaudited consolidated statements of comprehensive income, stockholders' equity and cash flows of the Company and its Subsidiaries for the eight-month period then ended, all prepared in accordance with GAAP.

"Foreign Benefit Plan" means any fund, or agreement, including each plan, fund, or agreement maintained or required to be maintained under the Laws of a jurisdiction outside the United States of America, pursuant to which a Person provides compensation or benefits (other than base salary or base hourly wages) for services rendered to such Person by current or former employees, officers, directors, or other individuals (or the dependents of any of them) outside the United States of America.

"Fully Diluted Shares" means an amount equal to the sum of (a) the total number of shares of Non-Voting Common Stock and Voting Common Stock outstanding immediately prior to the Effective Time; plus (b) the total number of shares of Non-Voting Common Stock that would be issuable immediately prior to the Effective Time upon exercise in full of all issued and outstanding In the Money Options at such time.

"Fundamental Representations and Warranties" means those representations and warranties set forth in Section 4.1 (Organization), Section 4.2 (Authorization), Section 4.3 (Capital Stock), Section 4.4 (Subsidiaries), [****], Section 4.14 (Tax Returns; Taxes), Section 4.15 (Company Benefit Plans), Section 4.19 (Environmental, Health and Safety Matters), Section 4.25 (Brokers, Finders and Investment Bankers), Section 5.1 (Organization), Section 5.2 (Authorization) and Section 5.6 (Brokers, Finders and Investment Bankers).

"GAAP" means generally accepted accounting principles as applied in the United States of America at the time of this Agreement.

"Governmental Entity" means any federal, state, provincial, territorial, or local or foreign government, any political subdivision thereof or any court, administrative or regulatory agency, department, instrumentality, body or commission or other governmental authority or agency, domestic or foreign.

"Hazardous Materials" means any wastes, substances, radiation, or materials (whether solids, liquids or gases): (a) which are hazardous, toxic, infectious, explosive, radioactive, carcinogenic, or mutagenic; (b) which are defined as "hazardous materials," "hazardous wastes," "hazardous substances," "radioactive materials," or other similar designations in, or otherwise subject to regulation under, any Environmental Laws; (c) which contain without limitation polychlorinated biphenyls (PCBs), toxic mold, methyl-tertiary butyl ether (MTBE), asbestos or asbestos-containing materials, lead-based paints, urea-formaldehyde foam insulation, or petroleum or petroleum products (including, without limitation, crude oil or any fraction thereof).

"Holder Indemnified Parties" means the Holders and any of their Affiliates.

"Holders" means the Equity Holders and the Preferred Stockholders.

"HSR Act" means the United States Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder.

"Income Taxes" means (a) all Taxes based upon, measured by, or calculated with respect to (i) net income or profits (including any capital gains or minimum Tax but not including any sales, use, real or personal property, transfer or similar Taxes) or (ii) multiple bases (including, but not limited to, corporate franchise or doing business) if one or more Taxes upon which such Tax may be based, measured by or calculated with respect to, is described in clause (a)(i) above; and (b) all U.S., state, local and foreign franchise Taxes, including in the case of each of clauses (a) and (b) any related interest and penalties, additions to such Tax or additional amounts imposed with respect thereto by any Taxing Authority.

"Indebtedness" means, without duplication, as of the Closing Time, (a) all obligations of the Company or its Subsidiaries for borrowed money, (b) other indebtedness of the Company or its Subsidiaries evidenced by notes, bonds, debentures or other debt instruments, (c) indebtedness of the types described in clauses (a) and (b) guaranteed, directly or indirectly, in any manner by the Company or its Subsidiaries through an agreement to supply funds to, or in any other manner, invest in, the debtor, or to purchase indebtedness, primarily for the purpose of enabling the debtor to make payment of the indebtedness or to insure the owners of indebtedness against loss, (d) indebtedness for the deferred purchase price of property or services (including earnouts in excess of the PulsePoint Earnout Amount) with respect to which the Company or any of its Subsidiaries is liable, other than Ordinary Course trade payables and other than as related to the PulsePoint Earnout Amount, (e) all obligations of the Company or any of its Subsidiaries as lessee or lessees under capital leases in accordance with GAAP, (f) all payment obligations under any interest rate swap agreements or interest rate hedge agreements to which the Company or any of its Subsidiaries is party, (g) any interest owed with respect to the indebtedness referred to above and prepayment premiums or fees which would be payable if such indebtedness were paid in full at Closing, (h) only to the extent drawn as of the Closing Time, any letters of credit, surety bonds, bids, performance bonds or similar obligations, (i) all (X) accrued but unpaid severance obligations of the Company and its Subsidiaries, plus (Y) unaccrued deferred severance obligations of the Company and its Subsidiaries in the amount agreed to by the parties as set forth on **Schedule 1.1(a)**, (j) debt or obligations related to the purchase, redemption or retirement of stock of the Company and its Subsidiaries other than the Preferred Redemption Amount to the extent such Preferred Redemption Amount is paid at the Closing, and (k) [****] in the aggregate for a [****] agreed upon between the Parties (the items described in clauses (i) and (k) of this definition, "Surviving Indebtedness"). For the avoidance of doubt, "Indebtedness" excludes the PulsePoint Earnout Amount.

"Indemnity Pro Rata Percentage" means, for each Equity Holder, a percentage calculated by dividing (a) the sum of (i) the total amount of Per Option Closing Consideration, (ii) plus the total amount of Per Phantom Stock Closing Consideration, (iii) plus the total amount of Per Share Closing Consideration, in each of cases (i-iii), to the extent received by such Equity Holder at the Closing, by (b) the result of (i) the Closing Consideration minus (ii) the Preferred Redemption Amount.

"Interim Balance Sheet" means the unaudited consolidated balance sheet of the Company and its Subsidiaries as of August 31, 2014.

"In the Money" means, with respect to Options, an Option that has a per share exercise price that is less than the per share consideration payable at Closing in respect of such Option or that is exercised by its holder immediately prior to the Closing.

"Investment Canada Act" means the Investment Canada Act (Canada).

"IT Systems" means information and communications technologies owned, leased, or developed by the Company and its Subsidiaries and, in each case, used by the Company and its Subsidiaries in conducting their business, including computer hardware, databases, MFDs (multi-functional devices), proprietary and third-party Software, phone systems (hard wired and mobile), audiovisual equipment, copiers (including scanners and printers), information technology services, information technology networks, peripheral devices and associated documentation, but specifically excluding any third-party information and communications technologies or systems (i.e., not owned or licensed by the Company or its Subsidiaries, such as the Internet and public networks) to the extent that their performance or functionality is outside of the control or discretion of the Company and its Subsidiaries.

"Knowledge" with respect to the Company, means all facts actually known by each of [****] (each of the foregoing, a "Knowledge Person"), after reasonable inquiry of (i) employees of the Company and its Subsidiaries who are reasonably likely to have knowledge of a particular fact relevant to the representation and warranty in question and (ii) such Company and Subsidiary files and records that are reasonably likely to contain information relating to such particular fact relevant to the representation and warranty in question.

"KRG" means KRG Capital Management, L.P., a Delaware limited partnership.

"KRG Holders" means KRG Capital Fund IV, L.P., KRG Capital Fund IV-A, L.P., KRG Capital Fund IV (FF), L.P., KRG Capital Fund IV (PA), L.P. and KRG Co-Investment, L.L.C.

"KRG Management Agreement" means that Management Agreement, dated as of October 30, 2009, by and between KRG and the Company.

"Labor Laws" means all Laws governing or concerning labor relations, unions and collective bargaining, terms and conditions of employment, employment discrimination, harassment and retaliation, employment and pay equity, immigration, wages and hours, unemployment, workers' compensation or occupational safety and health, in all such cases, to the extent applicable to the Company or any of its Subsidiaries.

"Laws" means all statutes, rules, codes, regulations, restrictions, ordinances, orders, decrees, approvals, directives, judgments, injunctions, writs, awards and decrees of, or issued by, all Governmental Entities.

"Leased Real Property" means those parcels of real property or portions thereof which the Company or any of its Subsidiaries is the lessee (together with those fixtures and improvements thereon which are included in the terms of the leases therefor).

"Licenses" means all licenses, permits (including environmental, construction and operation permits), franchises, certificates, approvals, exemptions, classifications, registrations and other similar documents and authorizations issued by any Governmental Entity, and applications therefor.

"Liens" means all mortgages, liens, pledges, security interests, charges, claims, restrictions and encumbrances of any nature whatsoever.

"Net Indebtedness" means the amount equal to (a) the amount of Indebtedness, minus (b) the amount of Closing Cash (less Restricted Cash), and minus (c) the amount, as of the Closing Time, of the obligations then owed by [****] to Olson + Co., Inc. under (i) that certain Promissory Note dated February 19, 2013, in the original principal amount of Four Hundred Ninety-Seven Thousand Nine Hundred Twenty-Nine Dollars and Sixty Cents ($497,929.60) and (ii) that certain Promissory Note, dated July 1, 2014, in the original principal amount of Five Hundred Thousand Dollars ($500,000).

"No Hire Agreement" means that no hire and non-disparagement agreement executed by the KRG and its Affiliates in the form attached hereto as **Exhibit B**.

"Non-Voting Common Stock" means the Company's Non-Voting Common Stock, $0.001 par value.

"Open Source Software" means any Software that is subject to the terms of any license agreement in a manner that requires that such Software, or other Software incorporated into, linked to, derived from or distributed with such Software, be (a) disclosed or distributed in source code form to all third parties at no charge; (b) licensed to all third parties at no charge for the purpose of making derivative works; or (c) redistributable to all third parties at no charge. Without limiting the foregoing, any Software that is subject to the terms of any of the licenses certified as an open source license by the Open Source Initiative and listed on its website (www.opensource.org) is Open Source Software.

"Option" or "Options" means an option, or the options, to purchase Non-Voting Common Stock issued pursuant to the 2009 Incentive Plan.

"Option Holder" means a holder of an In the Money Option outstanding immediately prior to the Effective Time.

"Ordinary Course" means an action taken (a) consistent in nature, scope and magnitude with past practice of the Company and its Subsidiaries, and (b) in the ordinary course of the normal, day-to-day operations of the Company and its Subsidiaries.

"Payroll Closing Amounts" means the sum of (a) the aggregate Per Option Closing Consideration, payable with respect to all Options outstanding and exercisable immediately prior to the Effective Time and (b) the aggregate Per Phantom Stock Closing Consideration, each as set forth on the Closing Statement.

"Per Option Closing Consideration" means, with respect to any In the Money Option, the amount, if any, calculated as follows: (a) the Per Share Closing Consideration minus the per share exercise price payable upon exercise of such Option, multiplied by (b) the number of shares of Non-Voting Common Stock issuable as of the Effective Time upon exercise of such Option.

"Per Phantom Stock Closing Consideration" means, with respect to each employee of the Company or any of its Subsidiaries who holds units of Phantom Stock, the amount, of the Liquidity Event Payment (as defined in and due to such employee under the terms of his or her Phantom Equity Incentive Agreement with the Company) and excluding any Contingent Consideration (as defined in such Phantom Equity Incentive Agreement, which Contingent Consideration shall be paid to the Phantom Stockholders if and when paid to the other Equity Holders)).

"Per Share Closing Consideration" means an amount equal to (a)(i) the Closing Consideration, plus (ii) the Aggregate Option Exercise Price, minus (iii) the Preferred Redemption Amount, and minus (iv) the Aggregate Phantom Stock Closing Consideration, divided by (b) the number of Fully Diluted Shares.

"Permitted Liens" means (a) statutory trusts or Liens for current Taxes not yet due and payable, or Liens for Taxes being contested in good faith through appropriate proceedings, (b) statutory Liens of landlords with respect to Leased Real Property, (c) Liens of carriers, warehousemen, mechanics, materialmen, and repairmen incurred in the Ordinary Course and not yet delinquent or being contested in good faith, (d) Liens incurred in connection with worker's compensation, unemployment compensation and other types of social security or in connection with surety bonds, bids, performance bonds and similar obligations for sums not yet delinquent or being contested in good faith, (e) in the case of Leased Real Property, in addition to items (a), (b), (c) and (d) zoning, building, or other restrictions, variances, covenants, rights of way, encumbrances, easements and other minor irregularities in title, none of which, individually or in the aggregate, interfere in any material respect with the present use of or occupancy of the affected parcel by the Company or any of its Subsidiaries, (f) Liens securing any Indebtedness that will be terminated on the Closing Date, (g) in the case of Proprietary Rights of the Company or its Subsidiaries, third party license agreements entered into in the Ordinary Course, (h) Liens incurred in connection with capital lease obligations of the Company or any of its Subsidiaries, and (i) Liens that constitute purchase money security interests on any property securing debt incurred for the purpose of financing all or any part of the cost of acquiring such property, (j) attachments, appeal bonds, judgments and other similar Liens for sums individually not exceeding One Hundred Thousand Dollars ($100,000) arising in connection with court proceedings, and (k) the replacement, extension or renewal of any of the foregoing.

"Person" means, any individual, corporation, partnership, joint venture, limited liability company, trust, unincorporated organization, other entity or Governmental Entity.

"Phantom Stock" means those awards made pursuant to the Company's Phantom Equity Incentive Agreements set forth on **Schedule 1.1(b)**.

"Phantom Stock Closing Consideration" means the total amount of Liquidity Event Payments due to all Phantom Stockholders (and excluding any Contingent Consideration (as defined in such Phantom Equity Incentive Agreement)).

"Phantom Stockholders" means the holders of any Phantom Stock set forth on **Schedule 1.1(b)**.

"Preferred Redemption Amount" means the aggregate cash amount required to redeem in full and in cash all Preferred Stock (including all accrued but unpaid dividends, premiums and penalties, if any, thereon or related thereto) as of the Effective Time pursuant to the Certificate of Incorporation.

"Preferred Stock" means the Company's Series A-1 Redeemable Preferred Stock, $0.001 par value.

"Preferred Stockholder" means a holder of Preferred Stock outstanding immediately prior to the Effective Time.

"Proprietary Rights" means all intellectual property rights, including patents; trademarks, service marks, trade names, trade dress, logos, slogans, designs, and the goodwill symbolized by the foregoing; copyrights; domain names; Company Software, proprietary processes and proprietary knowledge (including trade secrets and know-how); all registrations and applications and renewals for any of the foregoing; and all rights, including moral rights, associated with any of the foregoing.

"PulsePoint" means PulsePoint Group, LLC, a Texas limited liability company.

"PulsePoint Agreement" means that certain Settlement Agreement, dated as of September 4, 2014, by and among Olson + Co., Inc. and the PulsePoint Counterparties.

"PulsePoint Counterparties" means [****].

"PulsePoint Earnout Amount" means an amount equal to Two Million Two Hundred Thousand Dollars ($2,200,000) owed by Olson + Co., Inc. to the PulsePoint Counterparties pursuant to the PulsePoint Agreement.

"Purchaser Disclosure Schedule" means the disclosure schedule delivered by the Purchaser and Merger Sub to the Company simultaneously with the execution of this Agreement.

"Purchaser Indemnified Parties" means the Purchaser and its Affiliates (which following the Closing, shall include the Company and each Subsidiary), each of their respective officers, directors, governors, employees, owners, agents and representatives.

"Purchaser Material Adverse Effect" means, with respect to the Purchaser, an effect, event, development or change that is materially adverse to the ability of Purchaser to consummate the Merger.

"Release" means, with respect to any Hazardous Material, any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping or disposing into any surface or ground water, drinking water supply, soil, surface or subsurface strata or medium, or the ambient air.

"Representatives" means a Person's directors, officers, employees, agents, consultants or Persons acting in a similar capacity.

"Restricted Cash" means (a) the sum of the Company's consolidated production accounts payable, media accounts payable and pass-through deferred revenue, in each case, as of the Closing Time, minus (b) the sum of the Company's consolidated pass-through accounts receivable and pass-through unbilled revenue, in each case, as of the Closing Time, and calculated in a manner consistent with the Company's past practice and internal reporting.

"Series B-1 Contingent Preferred Stock" means the Company's Series B-1 Contingent Preferred Stock, $0.001 par value.

"Software" means all computer software programs, together with any error corrections, updates, modifications, or enhancements thereto, in both machine-readable form and human-readable form.

"Stockholder" means a holder of Company Stock outstanding immediately prior to the Effective Time.

"Stockholders Agreement" means the Stockholders Agreement among the Company and the Stockholders, dated as of October 30, 2009, as amended, restated, supplemented or otherwise modified prior to the Closing Date.

"Subsidiary" means any Person of which the Company (or other specified Person) shall own directly or indirectly through a Subsidiary, a nominee arrangement or otherwise at least a majority of the outstanding capital stock (or other shares of beneficial interest) entitled to vote generally or otherwise have the power to elect a majority of the board of directors or similar governing body or the legal power to direct the business or policies of such Person.

"Target Working Capital" means [****].

"Tax" or "Taxes" means all (a) taxes, charges, withholdings, fees, levies, premiums, imposts, duties, governmental contributions or other charges of any kind whatsoever, whether direct or indirect, imposed by any Governmental Entity including, without limitation, those levied on, measured by or referred to as income, net income, gross income, receipts, capital, windfall profit, severance, property (real or intangible or personal), production, sales, provincial sales, retail sales, harmonized sales, value-added, goods and services, use, business occupation, license, excise, registration, franchise, employment, payroll (including social security contributions, employment insurance, health taxes, and Canada, Quebec and other government pension plan contributions), deductions at source, workers' compensation, withholding, alternative or add-on minimum, intangibles, ad valorem, transfer, gains, stamp, customs, duties, estimated, transaction, title, capital, paid-up capital, profits, premium, recording, inventory and merchandise, business privilege, federal highway use, commercial rent or environmental tax, and any liability under unclaimed property, escheat, or similar Laws), (b) interest, penalties, fines, additions to tax or additional amounts imposed by any Governmental Entity in connection with (i) any item described in clause (a) or (ii) the failure to comply with any requirement imposed with respect to any Tax Return, and (iii) liability in respect of any items described in clause (a) and/or (b) payable by reason of contract (including any Tax Sharing Agreement), assumption, transferee, successor or similar liability, operation of law (including pursuant to Treasury Regulations Section 1.1502-6 (or any predecessor or successor thereof or any analogous or similar state, local, or foreign Law)) or otherwise.

"Tax Return" means any report, return, declaration, designation, election, undertaking, wavier, notice, filing, information return, statement, form certificate or any other document or materials relating to Taxes, including any related or supporting information with respect to any such documents or materials, filed or to be filed with any Governmental Entity in connection with the determination, assessment, collection or administration of Taxes (including TD F90-22.1), including, without limitation, any schedule or attachment thereto or amendment thereof, and estimated returns and reports of every kind with respect to Taxes.

"Taxing Authority" means, with respect to any Tax or Tax Return, the Governmental Entity that imposes such Tax or requires a Person to file such Tax Return and the Governmental Entity or agency (if any) charged with the collection of such Tax or the administration of such Tax Return, in each case, for such Governmental Entity.

"Tax Sharing Agreement" means any Tax indemnity agreement, Tax sharing agreement, Tax allocation agreement or similar contract or arrangement, whether written or unwritten (including, without limitation, any such agreement, contract or arrangement included in any purchase or sale agreement, merger agreement, joint venture agreement or other document).

"Transaction Expenses" means (a) any bonuses paid to any Person by the Company or any of its Subsidiaries in connection with the consummation of the transactions contemplated by this Agreement, (b) the D&O Tail Premium, (c) all employment Taxes imposed on the Company and its Subsidiaries resulting from any and all payments made pursuant to the foregoing subsection (a) as well as all amounts payable to the Option Holders and Phantom Stockholders, and (d) any legal, accounting, financial advisory and other third party advisory or consulting fees and other expenses incurred by the Company, any of its Subsidiaries or the Holders in connection with the transactions contemplated by this Agreement and other related matters (including any management or transaction fees and expenses payable to KRG pursuant to the KRG Management Agreement). Notwithstanding the foregoing, Transaction Expenses shall not include any fees or expenses incurred by the Company or its Subsidiaries in connection with the Purchaser's or Merger Sub's financing for the transaction contemplated hereby or any fees or expenses of the Purchaser or Merger Sub.

"Treasury Regulations" means the Treasury regulations promulgated under the Code, as such Treasury Regulations may be amended from time to time. Any reference herein to a particular provision of the Treasury Regulations means, where appropriate, the corresponding successor provision.

"Vendors" means all production and equipment vendors and subcontractors of the Company and its Subsidiaries as to which expenses in excess of [****] either were incurred to such vendors and subcontractors during the Company's fiscal year ended December 31, 2013 or the year-to-date period ended August 31, 2014.

"Voting Common Stock" means the Company's Voting Common Stock, par value $0.001 per share.

"Working Capital" means, with respect to the Company and its Subsidiaries, (a) current assets of the Company and its Subsidiaries on a consolidated basis, as of the Closing Time, that are included in the line item categories of current assets specifically identified on **Schedule 1.1(c)**, reduced by (b) those current liabilities of the Company on a consolidated basis, as of the Closing, that are included in the line item categories of current liabilities specifically identified on **Schedule 1.1(c)** (including an accrued bonus amount of One Million Nine Hundred Thousand Dollars ($1,900,000)), in each case, without duplication, and prepared in accordance with the Accounting Rules. Notwithstanding anything to the contrary contained herein, in no event shall "Working Capital" include any amounts with respect to (i) any assets and liabilities relating or attributable to Income Taxes, including deferred Tax assets and liabilities, (ii) any fees, expenses or liabilities related to any financing by the Purchaser and its Affiliates of the Transaction, (iii) any liabilities of the Company (on a consolidated basis) that are being discharged, terminated or cancelled pursuant to the terms of this Agreement, (iv) any Indebtedness, or (v) any assets or liabilities described in the definition of Restricted Cash. For purposes of this definition, including the calculation of current assets and current liabilities, and ARTICLE II the Parties shall disregard any adjustments arising from purchase accounting arising out of the transactions contemplated by this Agreement.

"Working Capital Deficit" means the amount, if any, by which Working Capital is less than the Estimated Working Capital, as reflected on the final Closing Statement.

"Working Capital Surplus" means the amount, if any, by which Working Capital is greater than the Estimated Working Capital, as reflected on the final Closing Statement.

Section 1.2 Construction. Unless the context of this Agreement otherwise clearly requires, (a) references to the plural include the singular, and references to the singular include the plural, (b) references to one gender include the other gender, (c) the words "include," "includes" and "including" do not limit the preceding terms or words and shall be deemed to be followed by the words "without limitation," (d) the terms "hereof," "herein," "hereunder," "hereto" and similar terms in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement, (e) the terms "day" and "days" mean and refer to calendar day(s), (f) the terms "year" and "years" mean and refer to calendar year(s), and (g) any item arising with respect to a specific representation or warranty shall be deemed to be "reflected on" or "set forth in" a balance sheet or financial statements, to the extent any such phrase appears in such representation or warranty, if (i) there is a reserve, accrual or other similar item underlying a number on such balance sheet or financial statements that related to the subject matter of such representation, (ii) such item is otherwise specifically set forth on the balance sheet or financial statements, or (iii) such item is reflected on the balance sheet or financial statements and is specifically set forth in the notes thereto. Unless otherwise set forth herein, references in this Agreement to (x) any document, instrument or agreement (including this Agreement) (A) includes and incorporates all exhibits, schedules and other attachments thereto, (B) includes all documents, instruments or agreements issued or executed in replacement thereof and (C) means such document, instrument or agreement, or replacement or predecessor thereto, as amended, modified or supplemented from time to time in accordance with its terms and in effect at any given time, and (y) a particular Law means such Law as amended, modified, supplemented or succeeded, from time to time and in effect at the given time when referenced. All Article, Section, Exhibit and Schedule references herein are to Articles, Sections, Exhibits and Schedules of this Agreement, unless otherwise specified. This Agreement shall not be construed as if prepared by one of the Parties, but rather according to its fair meaning as a whole, as if all Parties had prepared it.

Section 1.3 Other Definitions. Each of the following terms is defined in the Section set forth opposite such term:

| Term | Section |
|---|---|
| Agreement | Preamble |
| Antitrust Laws | 6.4(a) |
| Base Price | 3.1 |
| Certificates | 3.7(b) |
| Certificate of Merger | 2.1 |
| CFPOA | 4.27(a) |
| Claim Notice | 10.3(a) |
| Claims Period | 10.4 |
| Closing Balance Sheet | 3.9(a) |
| Closing Consideration | 3.2 |
| Closing Statement | 3.4(a) |
| Company | Preamble |
| Company Charter Documents | 4.1(a) |
| Company Licensed Software Agreements | 4.20(e) |
| Company Proprietary Rights Agreements | 4.20(e) |
| Contaminants | 4.21(d) |
| D&O Tail Premium | 6.13(c) |
| Deductible | 10.5(a) |
| Direct Claim | 10.3(a) |
| Dispute Period | 10.3(b) |
| Disqualified Individual | 6.11 |
| Dissenting Shares | 3.6(d) |
| EAA | 4.27(b)(i) |
| Effective Time | 2.1 |
| Estimated Balance Sheet | 3.4(a) |
| Estimated Closing Cash | 3.4(a) |
| Estimated Net Indebtedness | 3.2 |
| Estimated Restricted Cash | 3.4(a) |
| Estimated Working Capital | 3.4(a) |
| Excess Debt | 3.9(f) |

| | |
|---|---|
| FCPA | 4.27(a) |
| Final Balance Sheet | 3.9(c), (e) |
| Final Closing Cash | 3.9(a) |
| Final Net Indebtedness | 3.9(f) |
| Holdback Amount | 3.2 |
| Holder Losses | 10.2(b) |
| Holder Representative | Preamble |
| Holder Representative Reserve | 3.2 |
| IEEPA | 4.27(b)(i) |
| Indemnification Claims | 10.3(a) |
| Indemnification Escrow Amount | 3.2 |
| Indemnification Escrow Fund | 3.3(a) |
| Indemnified Party | 10.3 |
| Indemnifying Party | 10.3 |
| Key Employees | 7.2(e) |
| Knowledge Person | 1.1 |
| Letter of Transmittal | 3.7(b) |
| Material Contracts | 4.13(a) |
| Merger | Recitals |
| Merger Sub | Preamble |
| Ordinary Course Agreements | 4.20(a)(ii) |
| Outside Date | 9.1(d) |
| Owned Company Proprietary Rights | 4.20(a)(i) |
| Party | Preamble |
| Parties | Preamble |
| Payment Instructions | 3.7(b) |
| Payoff Letters | 7.2(d) |
| Post-Closing Period Tax Returns | 6.15(a) |
| Pre-Closing Periods | 6.15(a) |
| Pre-Closing Period Tax Returns | 6.15(a) |
| Pre-Closing Taxes | 6.15(b) |
| Proceeding | 10.3(a) |
| Purchase Price | 3.1 |
| Purchaser | Preamble |
| Purchaser Losses | 10.1(f) |
| Purchaser Standard Employment Documents | 7.2(e) |
| Qualified Plan | 4.15(a) |
| Refund Debt | 3.9(g) |
| [****] | |
| [****] | |
| Seller Group | 11.13 |
| Settlement | 10.3(b) |
| Straddle Periods | 6.15(b) |
| Straddle Period Tax Returns | 6.15(b) |
| Stockholder Approval | 4.2(b) |
| Stockholder Closing Amount | 3.5(a) |

| | |
|---|---|
| Subcap | 10.5(b) |
| Subsidiary Charter Documents | 4.1(b) |
| Surviving Corporation | 2.2 |
| Surviving Indebtedness | 1.1 |
| Tax Proceeding | 6.15(f)(i) |
| Third-Party Claim | 10.3(a) |
| Transfer Taxes | 6.15(g) |
| Unpaid Transaction Expenses | 3.9(a) |

Section 1.4 Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with GAAP.

## ARTICLE II
## MERGER

Section 2.1 Agreement to Merge. Subject to the terms and conditions of this Agreement, and in accordance with the DGCL, at the Effective Time, Merger Sub shall merge with and into the Company. Subject to and upon the terms of this Agreement, the Purchaser, Merger Sub and the Company shall cause a certificate of merger, substantially in the form of **Exhibit C** (the "Certificate of Merger"), to be properly executed and filed on the Closing Date with the Secretary of State of the State of Delaware providing for the Merger pursuant to Section 251 of the DGCL. The "Effective Time" means the time at which the Certificate of Merger has become effective in accordance with the DGCL, which effective time for avoidance of doubt, shall be the Closing Time.

Section 2.2 Effect of the Merger. At the Effective Time, the effect of the Merger shall be as provided in this Agreement and the applicable provisions of the DGCL. Subject to the foregoing, from and after the Effective Time, the Surviving Corporation (as defined below) shall possess and be vested with all rights, privileges, immunities, powers and franchises and be subject to all the obligations, restrictions, disabilities, liabilities, debts and duties of the Company and Merger Sub. From and after the Effective Time, the separate corporate existence of Merger Sub shall cease and the Company shall continue as the surviving corporation in the Merger (the Company, as the surviving corporation in the Merger, sometimes being referred to herein as the "Surviving Corporation").

Section 2.3 Certificate of Incorporation and Bylaws. Subject to Section 6.13 hereof, the certificate of incorporation and bylaws of Merger Sub as in effect immediately prior to the Effective Time shall be the certificate of incorporation and bylaws of the Surviving Corporation, until the same shall thereafter be altered, amended or repealed in accordance with applicable Law.

Section 2.4 Directors and Officers. At the Effective Time, the individuals listed on **Exhibit D** shall be the directors and officers of the Surviving Corporation, in each case until their respective successors have been duly elected or appointed and qualified or until the earlier of their death, resignation or removal in accordance with the certificate of incorporation and bylaws of the Surviving Corporation.

Section 2.5 Additional Actions. If, at any time after the Closing, the Surviving Corporation shall consider or be advised that any further assignments or assurances or any other acts are necessary or desirable to vest, perfect or confirm, of record or otherwise, in the Surviving Corporation its rights, title of interest in, to or under any of the rights, properties or assets of the Company and its Subsidiaries acquired or to be acquired as a result of, or in connection with, the Merger, the Company and its Subsidiaries shall be deemed to have granted to the Surviving Corporation an irrevocable power of attorney coupled with an interest to execute and deliver all such proper deeds, assignments, novations and assurances in law and to do all acts necessary or proper to vest, perfect or confirm title to and possession of such rights, properties or assets in the Surviving Corporation; and the proper officers and directors of the Surviving Corporation are fully authorized in the name of the Company and its Subsidiaries or otherwise to take any and all such actions; provided, however, that any actions taken pursuant to this Section 2.5 shall be subject to and consistent with the terms of this Agreement.

## ARTICLE III
## MERGER CONSIDERATION

Section 3.1 Purchase Price. The aggregate consideration (such amount, the "Purchase Price") payable by the Purchaser pursuant to the Merger shall be an amount equal to (a) Two Hundred Ninety-Five Million Dollars ($295,000,000) (the "Base Price") and (b) plus or minus the amount of any Working Capital Surplus or Working Capital Deficit, as applicable, as reflected in the Final Balance Sheet, as the case may be.

Section 3.2 Closing Consideration. The aggregate consideration to be paid by the Purchaser at the Closing (the "Closing Consideration") shall consist of a cash amount equal to (a) the Base Price, (b) plus or minus, as applicable, the amount of any difference between the Target Working Capital and the Estimated Working Capital, as determined based on the Estimated Working Capital set forth in the Estimated Balance Sheet, (c) minus the amount of the estimated Net Indebtedness ("Estimated Net Indebtedness"), (d) minus the aggregate amount of all Transaction Expenses (to the extent not paid prior to Closing), (e) minus Fourteen Million Seven Hundred Fifty Thousand Dollars ($14,750,000) (the "Indemnification Escrow Amount"), (f) minus Two Million Dollars ($2,000,000) (the "Holdback Amount"), (g) minus the PulsePoint Earnout Amount, and (h) minus One Million Dollars ($1,000,000) or such other amount as reflected by the Holder Representative in the Closing Statement (the "Holder Representative Reserve"); provided, however, there shall be no duplication in any of the reductions.

Section 3.3 Escrow; Payments Generally.

(a) On the Closing Date, the Purchaser shall deposit the Indemnification Escrow Amount with the Escrow Agent to be distributed in accordance with the terms of this Agreement and the Escrow Agreement. The Indemnification Escrow Amount, as adjusted from time to time, together with any interest thereon, shall be referred to as the "Indemnification Escrow Fund." The Holdback Amount shall be withheld from the Purchase Price delivered at Closing by the Purchaser.

(b) Notwithstanding anything to the contrary contained herein, any payments made or required to be made hereunder or under the Escrow Agreement, from the Purchaser, the Surviving Corporation, any of their Affiliates, the Indemnification Escrow Fund and/or the Holdback Amount to Option Holders and Phantom Stockholders shall be made to the Company's payroll accounts for payment to such Equity Holders.

Section 3.4 Estimated Balance Sheet and Closing Statement.

(a) Not less than [****] Business Days prior to the Closing Date, the Company shall deliver to the Purchaser (together with reasonably detailed supporting documentation as the Purchaser may reasonably request) (i) an estimated balance sheet of the Company as of the Closing Date (the "Estimated Balance Sheet"), which Estimated Balance Sheet shall also set forth (A) the Company's calculation of estimated Working Capital (the "Estimated Working Capital"), (B) the amount, if any, by which the Estimated Working Capital is greater or less than the Target Working Capital, (C) the Company's estimate of Closing Cash ("Estimated Closing Cash") and the Company's calculation of estimated Restricted Cash ("Estimated Restricted Cash") and (ii) a statement (the "Closing Statement") which sets forth in reasonable detail (I) a calculation of Closing Consideration (itemized to show each of the amounts described in Section 3.2(a-h), (II) by payee, the aggregate amount of Estimated Indebtedness to be terminated on the Closing Date, (III) the Per Share Closing Consideration, (IV) the Aggregate Option Exercise Price, (V) the Aggregate Phantom Stock Closing Consideration, (VI) the number of Fully Diluted Shares, and (VII) by payee, the aggregate amount of Transaction Expenses.

(b) The Company shall make appropriate revisions to the Estimated Balance Sheet and Closing Statement as are mutually agreed upon by the Purchaser and the Company. The Estimated Balance Sheet shall be prepared by the Company in good faith and on a basis consistent with the Accounting Rules.

Section 3.5 Payment of Closing Consideration and Payroll Closing Amounts; Full Satisfaction.

(a) At the Closing, the Purchaser shall pay, to the Holder Representative for the benefit of the Preferred Stockholders and the Common Stockholders, the Closing Consideration, less the Payroll Closing Amounts (the "Stockholder Closing Amount"). The Holder Representative shall distribute by check or wire transfer of immediately available funds, the Stockholder Closing Amount without duplication in the following order:

(i) payment to the Preferred Stockholders of an amount equal to the Preferred Redemption Amount as set forth on the Closing Statement; and

(ii) payment to the Common Stockholders of an amount equal to the Per Share Closing Consideration, as set forth on the Closing Statement, multiplied by the number of shares of Voting Common Stock and Non-Voting Common Stock outstanding immediately prior to the Effective Time.

(b) At the Closing, the Purchaser shall deposit the Payroll Closing Amounts into the Company's payroll accounts for payment by the Company to:

(i) the Option Holders of the aggregate Per Option Closing Consideration, as set forth on the Closing Statement, payable with respect to all Options outstanding and exercisable immediately prior to the Effective Time; and

(ii) each Phantom Stockholder of his or her respective Per Phantom Stock Closing Consideration, as set forth on the Closing Statement,

it being understood and agreed that, consistent with Section 3.7(e), amounts received by the Option Holders and the Phantom Stockholders shall be net of payroll Taxes and other amounts required to be withheld under applicable Law.

(c) Delivery of the Stockholder Closing Amount by the Purchaser to the Holder Representative in accordance with Section 3.5(a) and all cash paid in accordance with the Escrow Agreement shall be deemed to fully satisfy the Purchaser's obligations hereunder to the Preferred Stockholders and the Common Stockholders, such delivery shall be deemed to have been paid in full satisfaction of all rights pertaining to the ownership of the Company Stock and the Purchaser shall have no further obligations or liability to the Preferred Stockholders, the Common Stockholders, their respective creditors or any other Person with respect to such amounts.

(d) At the Closing, the Stockholders shall cause the Company to have cash on hand equivalent to the amount of Estimated Restricted Cash.

Section 3.6 Effect on Stock.

(a) As of the Effective Time, by virtue of the Merger and without any action on the part of any Holder, and subject to the other provisions of this Section 3.6:

(i) Each issued and outstanding share of Preferred Stock shall be (x) converted into the right to receive, upon the surrender of the certificate formerly representing such share of Preferred Stock, an amount equal to the portion of the Preferred Redemption Amount set forth on the Closing Statement allocable to such share of Preferred Stock and (y) immediately cancelled.

(ii) Each issued and outstanding share of Voting Common Stock and Non-Voting Common Stock shall be (x) converted into the right to receive, upon the surrender of the certificate formerly representing such share of Voting Common Stock or Non-Voting Common Stock, as applicable, an amount equal to the Per Share Closing Consideration set forth on the Closing Statement, and (y) immediately cancelled.

(iii) Each issued and outstanding In the Money Option shall be converted into the right to receive an amount equal to the applicable Per Option Closing Consideration payable with respect to such Option, and each such Option, and any Options that are not In the Money Options, shall thereupon terminate automatically and without further action.

(iv) Each issued and outstanding award of Phantom Stock shall be converted into the right to receive an amount equal to the Per Share Phantom Stock Closing Consideration payable pursuant to the Phantom Equity Incentive Agreement corresponding to such award.

(b) As of the Effective Time, by virtue of the Merger and without any action on the part of any Holder, each share of common stock of Merger Sub issued and outstanding immediately prior to the Effective Time shall be converted into one share of common stock of the Surviving Corporation, and such common stock of the Surviving Corporation issued on that conversion will constitute all of the issued and outstanding shares of capital stock of the Surviving Corporation immediately following the Effective Time.

(c) Immediately following the execution of this Agreement, the Company shall mail or deliver to each Stockholder who, as of such time, has not consented in writing to the Merger a notice from the Company: (i) informing such Person of the approval by the board of directors of the Company of the entry into this Agreement and the transactions contemplated hereby and the receipt of the Stockholder Approval, (ii) including an information statement regarding the Company, the Merger and the transactions contemplated hereby, (iii) a notice required by Section 262(d)(2) of the DGCL informing any such Stockholder of their appraisal right with respect to the Merger pursuant to Section 262 of the DGCL and (iv) a Letter of Transmittal and Payment Instructions.

(d) Shares of Company Stock which are issued and outstanding immediately prior to the Effective Time and which are held by a Stockholder who has not voted such shares in favor of the Merger and who has demanded or may properly demand appraisal rights in the manner provided by Section 262 of the DGCL ("Dissenting Shares") shall not be converted into a right to receive a portion of the Closing Consideration unless and until the Effective Time has occurred and the holder of such Dissenting Shares becomes ineligible for such appraisal rights. The holders of Dissenting Shares shall be entitled only to such rights as are granted by Section 262 of the DGCL. The Company shall keep the Purchaser reasonably informed of the status of any demands for appraisal received by the Company, withdrawals of such demands, and any other instruments related thereto served pursuant to the DGCL and received by the Company. Each holder of Dissenting Shares who becomes entitled to payment for such shares pursuant to Section 262 of the DGCL shall receive payment therefore from the Purchaser in accordance with the DGCL; provided, however, that (a) if any such holder of Dissenting Shares shall have failed to establish entitlement to appraisal rights as provided in Section 262 of the DGCL, (b) if any such holder of Dissenting Shares shall have effectively withdrawn demand for appraisal of such shares or lost the right to appraisal and payment for shares under Section 262 of the DGCL or (c) if neither any holder of Dissenting Shares nor the Surviving Corporation shall have filed a petition demanding a determination of the value of all Dissenting Shares within the time provided in Section 262 of the DGCL, such holder of Dissenting Shares shall forfeit the right to appraisal of such shares and each such Dissenting Share shall be treated as if it had been, as of the Effective Time, converted into a right to receive the applicable portion of the Closing Consideration, without interest thereon, as provided in Section 3.6 of this Agreement.

Section 3.7 Exchange of Certificates

(a) The Holder Representative hereby agrees to act as paying agent for the holders of Company Stock in connection with the Merger and shall receive the Closing Consideration for which such holders of Company Stock shall become entitled pursuant to this Agreement.

(b) Prior to receiving any portion of the Closing Consideration, each holder of record of a certificate or certificates that immediately prior to the Effective Time represented issued and outstanding shares of Company Stock (the "Certificates") shall have delivered to the Holder Representative or its designee (i) a properly completed and duly executed letter of transmittal, in the form of **Exhibit E-1** or **Exhibit E-2**, as applicable (a "Letter of Transmittal") which includes payment instructions, a Form W-9 and, in the case of Equity Holders, an agreement to be bound by applicable provisions of this Agreement (including ARTICLE X hereof) duly completed and validly executed by the applicable holder of record, along with any such other documents as the Holder Representative, acting as paying agent, may reasonably require (collectively, "Payment Instructions") and (ii) the Certificates, if any, held of record by such holder. Such Letter of Transmittal and Payment Instructions shall have been previously delivered by the Holder Representative or its designee to such Holder and include a release of the Company, the Purchaser and Merger Sub, as well as customary representations and warranties by each Holder as to title in and authority to transfer the Certificates, along with instructions thereto and a notice to the effect that delivery of the Certificates shall be effected, and risk of loss and title to the Certificates shall pass, only upon delivery of the Certificates to the Holder Representative or its designee. Upon surrender of a Certificate to the Company, together with such Letter of Transmittal and Payment Instructions, duly executed, the holder of such Certificate shall be entitled to receive in exchange therefor the consideration into which the shares represented by such Certificate shall have been converted pursuant to Section 3.6, and the Certificate so surrendered shall be canceled. If the portion of the Closing Consideration is to be paid to a Person other than the Person in whose name the Certificate so surrendered is registered, it shall be a condition of exchange that such Certificate shall be properly endorsed or otherwise in proper form for transfer and that the Person requesting such exchange shall pay any transfer or other Taxes required by reason of the exchange to a Person other than the registered holder of such Certificate or establish to the reasonable satisfaction of the Company that such Tax has been paid or is not applicable. Until surrendered as contemplated by this Section 3.7, each Certificate shall be deemed as of the Effective Time of the Merger to represent only the right to receive, upon surrender of such Certificate in accordance with this Section 3.7(b), the consideration into which the shares represented by such Certificate shall have been converted pursuant to Section 3.6(a). If any certificate evidencing any share of Company Stock shall have been lost, stolen or destroyed, the Holder Representative shall, as a condition precedent to the issuance of any consideration pursuant to Section 3.6, require the owner of such lost, stolen or destroyed certificate to provide an appropriate affidavit with respect to such certificate. Any holder of Company Stock that may be entitled to receive a portion of the Closing Consideration who has not complied with the provisions of this Section 3.7(b) (including any holders of Company Stock who have properly exercised their appraisal rights with respect to their shares of Company Stock and who thereafter withdraw such demand for appraisal or who fail to perfect their rights) shall, except as set forth in Section 3.7(d), look only to the Holder Representative, acting as paying agent, as a general creditor for payment of their claims, without interest, in the forms and amounts to which such holders are entitled, and, upon deposit of the Stockholder Closing Amount with the Holder Representative, acting as paying agent, pursuant to Section 3.5(a), the Purchaser shall be relieved and discharged of all obligations in connection with the payment and subsequent distribution of the Stockholder Closing Amount to the holders of Company Stock in satisfaction of the Purchaser's obligations with respect thereto, except as set forth in Section 3.7(d).

(c) At the Effective Time, the stock transfer books of the Company shall be closed and there shall not be any further registration of transfers of any shares of Company Stock thereafter on the records of the Company. All Closing Consideration paid upon the surrender of Certificates in accordance with the terms of this ARTICLE III shall be deemed to have been exchanged and paid in full satisfaction of all rights pertaining to the shares represented by such Certificates and there shall be no further registration of transfers on the stock transfer books of the Surviving Corporation of the shares of Company Stock that were issued and outstanding immediately prior to the Effective Time of the Merger. If, after the Effective Time, Certificates are presented to the Surviving Corporation for any reason, they shall be canceled and exchanged for the portion of the Closing Consideration as provided in this ARTICLE III.

(d) At any time following the six (6) month anniversary of the Closing Date, the Surviving Corporation shall be entitled to require the Holder Representative to deliver to it any funds (including any interest received with respect thereto but excluding for all purposes the Holder Representative Reserve) that had been made available to the Holder Representative and which have not been disbursed to the Stockholders, and thereafter, such Stockholders shall be entitled to look only to the Surviving Corporation (subject to abandoned property, escheat or other similar laws) as general creditors thereof with respect to the payment of any Closing Consideration that would otherwise be payable upon surrender of any Certificates held by such Stockholders, as determined pursuant to this Agreement, without any interest thereon. Any amounts remaining unclaimed by such Stockholders at such time at which such amounts would otherwise escheat to or become property of any Governmental Entity shall become, to the extent permitted by applicable Laws, the Property of the Surviving Corporation, free and clear of all claims or interests of any Person previously entitled thereto.

(e) The Holder Representative, its designee, the Purchaser, Merger Sub, the Company or the Surviving Corporation (as appropriate) shall be entitled to deduct and withhold from consideration otherwise payable pursuant to this Agreement to any Person such amounts as are required to be deducted and withheld with respect to the making of such payment under the Code, or any provision of state, local or foreign Tax Law. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to such Person in respect of which such deduction and withholding was made.

Section 3.8 Payment of Other Amounts Payable at Closing. On the Closing Date, the Purchaser shall:

(a) on behalf of the Company and its Subsidiaries, pay to such account or accounts as the Company specifies to the Purchaser, the aggregate amount of the Estimated Indebtedness (other than Surviving Indebtedness);

(b) on behalf of the Company and its Subsidiaries, pay to such account or accounts as the Company specifies to the Purchaser the aggregate amount of the Transaction Expenses then known, to the extent not paid prior to the Closing Date; and

(c) on behalf of the Company and its Subsidiaries, pay to such account or accounts as the Company specifies to the Purchaser the aggregate amount of the PulsePoint Earnout Amount.

Section 3.9 Post-Closing Adjustments.

(a) No later than ninety (90) days following the Closing Date, the Purchaser shall prepare and deliver to the Holder Representative a draft balance sheet of the Company as of the time of the Closing (the "Closing Balance Sheet"), which Closing Balance Sheet shall also set forth a calculation of each of Working Capital, the Working Capital Surplus, if any, the Working Capital Deficit, if any, the Closing Cash (the "Final Closing Cash"), the amount of Restricted Cash, the amount of Net Indebtedness and any Transaction Expenses not paid prior to or at Closing ("Unpaid Transaction Expenses"). If the Purchaser fails to deliver the Closing Balance Sheet within such ninety (90)-day period, then, in addition to any other rights the Holder Representative may have under this Agreement, the Holder Representative shall have the right to elect that (i) the Estimated Balance Sheet be deemed to be the Final Balance Sheet for purposes of this Agreement, and (ii) the amounts of Estimated Working Capital, Estimated Closing Cash, Estimated Restricted Cash and/or Estimated Net Indebtedness be deemed to be the amounts of the final Working Capital, Final Closing Cash, Final Restricted Cash and Final Net Indebtedness, as applicable for purposes of this Agreement.

(b) The Holder Representative shall have forty-five (45) days following receipt of the Closing Balance Sheet during which to notify the Purchaser of any dispute of any item contained in the Closing Balance Sheet, which notice shall set forth in reasonable detail the basis for such dispute. At any time within such forty-five (45)-day period, the Holder Representative shall be entitled to agree with any or all of the items set forth in the Closing Balance Sheet.

(c) If the Holder Representative does not notify the Purchaser of any such dispute within such forty-five (45)-day period, or notifies the Purchaser of its agreement with the adjustments in the Closing Balance Sheet prior to the expiration of the forty-five (45)-day period, the Closing Balance Sheet prepared by the Purchaser shall be deemed to be the "Final Balance Sheet."

(d) If the Holder Representative notifies the Purchaser of any such dispute within such forty-five (45)-day period, the Closing Balance Sheet shall be resolved as follows:

(i) The Purchaser and the Holder Representative shall cooperate in good faith to resolve any such dispute as promptly as possible.

(ii) In the event the Purchaser and the Holder Representative are unable to resolve any such dispute within thirty (30) days (or such longer period as the Purchaser and the Holder Representative shall mutually agree in writing) of notice of such dispute, then all amounts and items remaining in dispute shall be submitted by the Holder Representative and the Purchaser to the Arbitrator for a determination resolving such disputed items or amounts (it being agreed and understood that the Arbitrator shall act as an arbitrator (and not an expert) to determine such disputed items or amounts and shall do so based solely on presentations and information provided by the Purchaser and the Holder Representative and not by independent review). Upon submission of the disputed items to the Arbitrator, the Purchaser and the Holder Representative shall agree on the process and procedures governing the resolution of such disputed items by the Arbitrator, provided, that if such Parties fail to agree on such process and procedures within ten (10) days following the submission of such disputed items to the Arbitrator, then such process and procedures shall be determined by the Arbitrator. In conducting its review, the Arbitrator shall consider only those items or amounts in the Closing Balance Sheet and the Purchaser's calculations as to which the Holder Representative has disagreed. The scope of the disputes to be resolved by the Arbitrator shall be limited to fixing mathematical errors and determining whether the items in dispute were determined in accordance with this Agreement (including the definitions of Working Capital, Closing Cash, Restricted Cash, Net Indebtedness, Transaction Expenses and the Accounting Rules) and the Arbitrator is not to make any other determination. The Arbitrator shall deliver to the Holder Representative and the Purchaser, as promptly as practicable (but in any case no later than thirty (30) days from the date of engagement of the Arbitrator), a report setting forth its calculation of Working Capital, Closing Cash, Restricted Cash, Net Indebtedness and Unpaid Transaction Expenses (to the extent in dispute). In no event shall the Arbitrator's calculation of Working Capital be less than the amount of Working Capital shown in the Purchaser's calculation delivered pursuant to Section 3.9(a) nor more than the amount thereof shown in the Holder Representative's calculation delivered pursuant to Section 3.9(b); in no event shall the Arbitrator's calculation of Closing Cash be less than the amount of Closing Cash shown in the Purchaser's calculation delivered pursuant to Section 3.9(a) nor more than the amount thereof shown in the Holder Representative's calculation delivered pursuant to Section 3.9(b); in no event shall the Arbitrator's calculation and Restricted Cash be more than the amount of Restricted Cash shown in the Purchaser's calculation delivered pursuant to Section 3.9(a) nor less than the amount thereof shown in the Holder Representative's calculation delivered pursuant to Section 3.9(b); in no event shall the Arbitrator's calculation of Net Indebtedness be more than the amount of Net Indebtedness shown in the Purchaser's calculation delivered pursuant to Section 3.9(a) nor less than the amount thereof shown in the Holder Representative's calculation delivered pursuant to Section 3.9(b); and in no event shall the Arbitrator's calculation of Unpaid Transaction Expenses be more than the amount of Unpaid Transaction Expenses shown in the Purchaser's calculation delivered pursuant to Section 3.9(a). Such report shall be final and binding upon the Parties and shall be used for purposes of calculating any adjustments pursuant to this Section 3.9. Notwithstanding anything herein to the contrary, the dispute resolution mechanism contained in this Section 3.9(d) shall be the exclusive mechanism for resolving disputes regarding any adjustments for Working Capital, Closing Cash, Restricted Cash, Net Indebtedness and Unpaid Transaction Expenses, and neither the Holders nor the Purchaser shall be entitled to indemnification for Damages pursuant to ARTICLE X to the extent taken into account in the determination of Working Capital, Closing Cash, Restricted Cash, Net Indebtedness, Unpaid Transaction Expenses or for matters adjudicated on by the Arbitrator. Judgment may be entered upon the determination of the Arbitrator in any court having jurisdiction over the Party against which such determination is to be enforced. The fees, costs and expenses of the Arbitrator shall be borne by the Purchaser and the Holder Representative (on behalf of the Holders), respectively, in proportion to the relative amount each Party's determination has been modified. For example, if the Holder Representative challenges the calculation of Working Capital by an amount of One Hundred Thousand Dollars ($100,000), but the Arbitrator determines that the Holder Representative has a valid claim for only Sixty Thousand Dollars ($60,000), the Holder Representative shall bear forty percent (40%) of the fees and expenses of the Arbitrator and the Purchaser shall bear the other sixty percent (60%) of such fees and expenses.

(e) The Purchaser and the Holder Representative jointly shall modify the calculations of Working Capital, the Working Capital Surplus, if any, the Working Capital Deficit, if any, Closing Cash, Restricted Cash, Net Indebtedness and Unpaid Transaction Expenses, as appropriate to reflect the resolution of the Holder Representative's objections (as agreed upon by the Purchaser and the Holder Representative or as determined by the Arbitrator) and deliver it to the Holder Representative within ten (10) days after the resolution of such objections. Such revised balance sheet shall be the "Final Balance Sheet."

(f) If there is a Working Capital Deficit reflected on the Final Balance Sheet and/or if the amount of Net Indebtedness as stated on the Final Balance Sheet (the "Final Net Indebtedness") is greater than the amount of Estimated Net Indebtedness (the difference being referred to herein as "Excess Debt") and/or if the amount of Unpaid Transaction Expenses is greater than zero, then the Purchaser shall be entitled to recover the amount of any Working Capital Deficit, Excess Debt and Unpaid Transaction Expenses, as applicable, by retaining part, or all, as the case may be, of the Holdback Amount. The Holdback Amount shall be the first source of recovery for any Working Capital Deficit, any Excess Debt and/or Unpaid Transaction Expenses to the extent such funds are available, and to the extent not available, the Purchaser's only other recourse for a Working Capital Deficit shall be from the Indemnification Escrow Fund. The Purchaser and the Holder Representative shall jointly direct the Escrow Agent to release such amounts from the Indemnification Escrow Fund. To the extent that the amount of any Working Capital Deficit, any Excess Debt and/or Unpaid Transaction Expenses, as applicable, does not reach a total sum of the Holdback Amount, then such difference shall be distributed by the Purchaser to the Equity Holders in accordance with their respective Escrow Pro Rata Percentages, by wire transfer of immediately available funds, within five (5) Business Days after the Purchaser's delivery of the Final Balance Sheet to the Holder Representative, to an account or accounts designated by the Holder Representative (which in the case of payments being made to Option Holders and Phantom Stockholders, may include the Company's payroll accounts).

(g) If there is a Working Capital Surplus reflected on the Final Balance Sheet and/or if the amount of Final Net Indebtedness is less than the amount of Estimated Net Indebtedness (the difference being referred to herein as "Refund Debt"), and/or the amount of actual Transaction Expenses are less than amounts previously paid, then the Purchaser shall pay to (i) the Holder Representative for payment to the holders of Company Stock to an account or accounts designated by the Holder Representative and (ii) to the Option Holders and Phantom Stockholders through the Company's payroll accounts, in each case in accordance with their respective Escrow Pro Rata Percentages, the Working Capital Surplus, the Refund Debt and the amount of the Transaction Expenses overpayment, as the case may be, by wire transfer of immediately available funds within five (5) Business Days after the Purchaser's delivery of the Final Balance Sheet to the Holder Representative.

(h) If (i) there is no Working Capital Deficit and no Working Capital Surplus, (ii) the amount of Final Net Indebtedness is equal to the amount of Estimated Net Indebtedness, and (iii) there are no Unpaid Transaction Expenses or there is no Transaction Expense overpayment, then no further adjustments or payments shall be made.

## ARTICLE IV
## REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to the Purchaser that except as set forth in the Company Disclosure Schedule (it being understood that any fact or item which is disclosed on any Section of the Company Disclosure Schedule shall be deemed disclosed on such other Section or Sections of the Company Disclosure Schedule to the extent that its relevance or applicability to information called by such other Section or Sections is reasonably cross-referenced thereto):

Section 4.1 Organization.

(a) The Company is a corporation duly organized, validly existing and in good standing under the Laws of the State of Delaware. The Company has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now being conducted. The Company is duly qualified to transact business as a foreign corporation and is in good standing in each other jurisdiction in which the ownership or leasing of its properties or assets or the conduct of its business requires such qualification. *Section 4.1(a)(ii) of the Company Disclosure Schedule* lists each jurisdiction in which the Company is qualified to do business. The Company has previously made available to the Purchaser complete copies of the charter and bylaws (or equivalent documents) of the Company as currently in effect ("Company Charter Documents"). The Company is not in violation of any of the provisions of the applicable Company Charter Documents.

(b) Each of the Company's Subsidiaries is an entity duly organized, validly existing and in good standing under the Laws of the jurisdiction of its organization, registration or formation, as the case may be, set forth in *Section 4.1(b) of the Company Disclosure Schedule*, except as would not reasonably be expected to result in a Company Material Adverse Effect. Each of the Company's Subsidiaries has all requisite entity power and authority to own, lease and operate its properties and to carry on its business as now being conducted, except as would not reasonably be expected to result in a Company Material Adverse Effect. Each of the Company's Subsidiaries is qualified to do business as a foreign corporation, limited liability company, partnership or other entity in all jurisdictions where the nature of its business requires such qualification, except where the failure to so qualify would not reasonably be expected to result in a Company Material Adverse Effect. The Company has previously made available to the Purchaser complete copies of the charter and bylaws (or equivalent documents) for each of the Company's Subsidiaries as currently in effect ("Subsidiary Charter Documents"). No Subsidiary of the Company is in violation of the provisions of its respective applicable Subsidiary Charter Documents.

Section 4.2 Authorization.

(a) The Company has all necessary corporate power and authority to execute and deliver this Agreement and the related transaction documentation to which it is a party and to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance by the Company of this Agreement and the related transaction documentation to which it is a party, and the consummation of the contemplated transactions (including the Merger) by it, have been duly authorized and approved by the Company's Board of Directors, and, except for obtaining the Stockholder Approval, no other corporate action on the part of the Company is necessary to authorize the execution, delivery and performance by the Company of this Agreement and the consummation by it of the Merger. This Agreement has been duly executed and delivered by the Company and, assuming due authorization, execution and delivery hereof by the other Parties hereto, constitutes the valid and binding agreement of the Company, enforceable against the Company in accordance with its terms, except as such enforceability (i) may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other similar Laws affecting or relating to enforcement of creditors' rights generally, and (ii) is subject to general principles of equity (regardless of whether enforceability is considered in a proceeding at law or in equity).

(b) The affirmative vote (in person, by proxy or by written consent) of the holders of a majority of the outstanding shares of Voting Common Stock in favor of the adoption of this Agreement and the separate vote of a majority of the outstanding shares of Series A-1 Preferred Stock in favor of the adoption of this Agreement (collectively, the "Stockholder Approval") are the only votes or approvals of the holders of any class or series of capital stock of the Company that are necessary to adopt this Agreement and approve the Merger.

Section 4.3 Capital Stock. *Section 4.3 of the Company Disclosure Schedule* sets forth (a) for the Company and each of its Subsidiaries, as of the date hereof, the number of shares of capital stock or other equity interests of the Company and each of its Subsidiaries which are authorized and which are issued and outstanding (voting or otherwise), and (b) for the Company, the name of each Holder and the type and number of shares of Company Stock, Options and Phantom Stock held by such Holder, as applicable. All of the issued and outstanding shares of capital stock or other equity interests of the Company and each of its Subsidiaries are duly authorized, validly issued, fully paid and nonassessable. No shares of Series B-l Contingent Preferred Stock are issued or outstanding. Except as disclosed in *Section 4.3 of the Company Disclosure Schedule*, (I) there are no outstanding options, warrants, rights, calls, convertible or exchangeable securities or other plans or commitments, contingent or otherwise, relating to the capital stock or other equity interests of the Company or any of its Subsidiaries other than as contemplated by this Agreement and, (II) there are no outstanding contracts or other agreements of the Company, any of its Subsidiaries, or to the Knowledge of the Company (Y) the Holders or (Z) any other Person to purchase, redeem or otherwise acquire any outstanding shares of capital stock or other equity interests of the Company or any of its Subsidiaries, or securities or obligations of any kind convertible into any shares of the capital stock or other equity interests of the Company or any of its Subsidiaries. None of the equity interests of the Company and its Subsidiaries have been issued in violation of any preemptive rights of any security holder of the Company or any of its Subsidiaries or in violation of applicable securities or blue sky Laws.

Section 4.4 Subsidiaries. *Section 4.4(a) of the Company Disclosure Schedule* lists each Subsidiary of the Company. The Company owns, directly or indirectly, all of the issued and outstanding capital stock or other equity interests of each of its Subsidiaries, free and clear of all Liens other than Liens related to the Indebtedness and limitations imposed by United States federal, state and foreign securities Laws. Except as set forth in *Section 4.4(b) of the Company Disclosure Schedule*, none of the Company's Subsidiaries owns, directly or indirectly, any capital stock or other equities, securities or interests in any corporation, limited liability company, partnership, joint venture or other entity, whether incorporated or unincorporated.

Section 4.5 Absence of Restrictions and Conflicts.

(a) Except as set forth in *Section 4.5(a) of the Company Disclosure Schedule*, subject to the receipt of the Stockholder Approval, the execution and delivery by the Company of this Agreement and the related transaction documents do not, and the performance of its obligations hereunder and pursuant to the related transaction documents will not, (i) conflict with or violate (A) the Certificate of Incorporation or the Bylaws, (B) the certificate or articles of incorporation, bylaws or equivalent organizational documents of any Subsidiary, as amended or supplemented, (ii) assuming that all consents, approvals, authorizations and other actions described in subsection (b) of this Section 4.5 have been obtained and all filings and obligations described in subsection (b) of this Section 4.5 have been made, conflict with or violate any Law applicable to the Company or any Subsidiary, or by which any property or asset of the Company or any Subsidiary, is bound, or (iii) require any consent or result in any violation or breach of or constitute (with or without notice or lapse of time or both) a default (or give to others any right of termination, amendment, acceleration or cancellation) under, or result in the triggering of any payments or result in the creation of a Lien or other encumbrance on any property or asset of the Company or any Subsidiary, in all cases, pursuant to, any of the terms, conditions or provisions of any Material Contract, except, with respect to clauses (ii) and (iii) such triggering of payments, Liens, encumbrances, filings, notices, permits, authorizations, consents, approvals, violations, conflicts, breaches or defaults which would not reasonably be expected to result in a Company Material Adverse Effect.

(b) The execution and delivery by the Company of this Agreement and the other transaction documents and the consummation of the contemplated transactions (including the Merger) do not, and the performance of its obligations hereunder will not, require any consent, approval, order, authorization or permit of, or filing with or notification to, any Governmental Entity or any third-party Client, except (i) (A) for the pre-merger notification requirements of the HSR Act, (B) the filing of a Certificate of Merger with, and the acceptance for record thereof by, the Secretary of State of the State of Delaware and (C) the notices and consents referred to on *Section 4.5(a)(iii) of the Company Disclosure Schedule*, and (ii) where the failure to obtain such consents, approvals, authorizations or permits, or to make such filings or notifications would not (A) prevent or materially delay consummation of the Merger and the other transactions contemplated by this Agreement or (B) reasonably be expected to result in a Company Material Adverse Effect.

Section 4.6 Real Property

(a) The Company and its Subsidiaries do not own any parcel of real property.

(b) *Section 4.6(b) of the Company Disclosure Schedule* sets forth a correct and complete list of the Leased Real Property, including the address of the Leased Real Property and a list of all Leases for each such Leased Real Property.

(c) The Company or one of its Subsidiaries has a valid leasehold interest in the Leased Real Property, and the leases granting such interests are in full force and effect in all material respects. With respect to each such Lease, the transactions contemplated by this Agreement do not require the consent of any other party to such Lease and will not result in a breach of, or default under, such Lease.

(d) Except as set forth in Section *4.6(d) of the Company Disclosure Schedule*, no notice of default has been received or delivered by the Company or any of its Subsidiaries under any Lease.

(e) Except as set forth in *Section 4.6(e) of the Company Disclosure Schedule*, neither the Company nor any of its Subsidiaries has subleased, licensed or otherwise granted any Person the right to use or occupy such Leased Real Property or any portion thereof.

(f) No portion of the Real Property, or any building or improvement located thereon, violates any Law, including those Laws relating to zoning, building, land use, fire, air, sanitation and noise control except where such violations would not reasonably be expected to result in a Company Material Adverse Effect.

(g) Except for the Permitted Liens, no Real Property is subject to (i) any decree or order of any Governmental Entity or, to the Knowledge of the Company, any threatened or proposed order, or (ii) any rights of way, building use restrictions, exceptions, variances, reservations or limitations.

(h) The improvements and fixtures on the Real Property are, in all material respects, in normal operating condition, ordinary wear and tear excepted, and are capable of being used for their intended purposes. The Real Property constitutes all of the real property utilized by the Company and its Subsidiaries in the operation of its business.

Section 4.7 Title to Assets; Related Matters.

(a) The Company and its Subsidiaries have good and marketable title to, or a good and valid leasehold interest in, all of their respective tangible personal property and tangible assets, free and clear of all Liens, except Permitted Liens. All equipment and other items of tangible personal property and tangible assets of the Company and its Subsidiaries (a) are in normal operating condition and capable of being used for their intended purposes, ordinary wear and tear excepted and (b) are usable in the Ordinary Course, except in each of cases (a) and (b) as would not reasonably be expected to result in a Company Material Adverse Effect.

The assets of the Company and its Subsidiaries (other than intellectual property assets) include all of the material assets that are adequate and sufficient to operate the business of the Company and its Subsidiaries in the same manner immediately after the Closing as was operated by the Company and its Subsidiaries on the date of this Agreement.

(b) *Section 4.7(b) of the Company Disclosure Schedule* lists all leases of personal property with a value of Twenty-Five Thousand Dollars ($25,000) or more. Its tangible assets are free from material defects (patent and latent), and the assets have been maintained in accordance with normal industry practice for businesses similarly situated to the Company, and are suitable for the purposes for which they are currently being used by the Company.

(c) There are no conditions affecting any such property or assets, or, to the Knowledge of the Company, developments which, individually or in the aggregate, would reasonably be expected to materially detract from the value of such property or assets, or materially interfere with the use of any such property or assets.

Section 4.8 Financial Statements; Receivables.

(a) *Section 4.8(a) of the Company Disclosure Schedule* contains the Company's Financial Statements. The Financial Statements have been prepared in accordance with GAAP and present fairly, in all material respects, the financial condition and results of operations as of the dates and for the periods indicated therein except, in the case of the Financial Statements described in clause (ii) of the definition of Financial Statements, (i) that such Financial Statements may be subject to normal year-end adjustments that are not material either individually or in the aggregate, and (ii) for the absence of notes thereto throughout the periods covered thereby.

(b) *Section 4.8(b) of the Company Disclosure Schedule* provides an accurate and complete breakdown and aging of all accounts receivable as of August 31, 2014. Except as set forth on *Section 4.8(b) of the Company Disclosure Schedule*, all accounts receivable reflected in the Interim Balance Sheet arose and, to the Knowledge of the Company, are collectible in the Ordinary Course in respect of services provided by the Company or its Subsidiaries net of bad debt reserves established in the Ordinary Course.

(c) Except as reflected in the Financial Statements or as set forth in *Section 4.8(c) of the Company Disclosure Schedule*, the Company and its Subsidiaries (i) have no bonds or letters of credit outstanding as to which the Company has any actual or contingent reimbursement obligations, and (ii) are not liable as guarantors for the performance or obligations (whether accrued, absolute, or contingent) of any Person (other than the Company or any of its Subsidiaries) or as indemnitors of the obligations of any Person (other than the Company or any of its Subsidiaries). For the avoidance of doubt, customer and vendor Contracts entered into in the Ordinary Course and confidentiality and nondisclosure agreements of the Company and its Subsidiaries are outside the scope of clause (ii) of the immediately preceding sentence.

(d) Except as reflected in the definitions of Indebtedness and Transaction Expenses or accrued on the Estimated Balance Sheet, there are no amounts payable to third parties as a result of the transactions contemplated by this Agreement.

Section 4.9 No Undisclosed Liabilities. Except as set forth in the Financial Statements (including the related notes and schedules) or *Section 4.9 of the Company Disclosure Schedule*, neither the Company nor any of its Subsidiaries has any liabilities that would have been required to be reflected on a balance sheet prepared in accordance with GAAP and were not so reflected on the 2013 Balance Sheet, except for (a) those incurred since the date of the 2013 Balance Sheet in the Ordinary Course, (b) those incurred since the date of the 2013 Balance Sheet pursuant to or in connection with this Agreement or the transactions contemplated hereby, (c) those included in the calculation of Working Capital, (d) those that are repaid or settled at the Closing pursuant to the terms of this Agreement, or (e) those expressly disclosed in this Agreement (or its exhibits or schedules).

Section 4.10 Absence of Certain Changes. Since the date of the 2013 Balance Sheet, except as disclosed in this Agreement (or its exhibits or schedules), the Company and its Subsidiaries have conducted their respective businesses in the Ordinary Course and there has not been any effect, event, development or change that has resulted in, or would reasonably be expected to result in, a Company Material Adverse Effect, or if such event, development or change had occurred between the date hereof and the Closing, would violate Section 6.1(b).

Section 4.11 Legal Proceedings. Except as set forth in *Section 4.11 of the Company Disclosure Schedule*, as of the date of this Agreement, there is no private or governmental action, suit, claim, arbitration, investigation, or proceeding pending, or, to the Knowledge of the Company, threatened against the Company or any of its Subsidiaries or their properties, or, to the Knowledge of the Company, any of its officers, directors or Stockholders (in their capacities as such). Neither the Company nor any of its Subsidiaries is subject to any outstanding judgment, decree, injunction, rule or order of any court or arbitration panel.

Section 4.12 Compliance with Laws. Neither the Company nor any of its Subsidiaries has been charged with, has received written notice that it is under investigation with respect to, or, to the Knowledge of the Company, is otherwise now under investigation with respect to, a violation of any applicable Law that either (a) individually or in the aggregate, would reasonably be expected to result in Damages to the Company and its Subsidiaries in excess of [****] or (b) in the aggregate, would reasonably be expected to have a Company Material Adverse Effect. The Company and each of its Subsidiaries have filed all reports and have all Licenses required to be filed with any Governmental Entity necessary to carry on the business and operations of the Company and its Subsidiaries as presently conducted except where the failure to make such filings or obtain such Licenses would not reasonably be expected to have a Company Material Adverse Effect. Notwithstanding anything contained in this Agreement to the contrary, no representation is made in this Section 4.12 with respect to matters described in Section 4.14 (Tax Returns; Taxes), Section 4.15 (Company Benefit Plans), Section 4.16 (Labor Relations), Section 4.19 (Environmental, Health and Safety Matters), Section 4.20 (Intellectual Property), Section 4.21 (Software and Security/Privacy) and Section 4.27 (Foreign Corrupt Practices; Export Compliance).

Section 4.13 Material Contracts(a) .

(a) *Section 4.13 of the Company Disclosure Schedule* sets forth a correct and complete list of the following Contracts to which the Company or any of its Subsidiaries is a party (all such Contracts, the "Material Contracts"):

(i) any voting trust or similar agreements relating to the capital stock of the Company to which any of the Preferred Stockholders or Common Stockholders or the Company is a party;

(ii) all Contracts to which the Company or any of its Subsidiaries is a party evidencing or governing Indebtedness;

(iii) any Contracts relating to the making of any loan or advance by the Company or any of its Subsidiaries;

(iv) all Contracts to which the Company or any of its Subsidiaries is a party relating to the Leased Real Property;

(v) all operating leases or licenses involving the use of any material personal property or material asset (excluding any real property) of the Company and its Subsidiaries for which the annual rent exceeds One Hundred Fifty Thousand Dollars ($150,000);

(vi) all Contracts for capital expenditures or the acquisition or construction of fixed assets requiring the payment by the Company or any Subsidiary of an amount in excess of One Hundred Fifty Thousand Dollars ($150,000) per Contract;

(vii) all current Contracts with Clients and Vendors;

(viii) any Contracts with any Governmental Entity;

(ix) any Contracts with sales or other agents, brokers, franchisees, distributors or dealers other than in the Ordinary Course;

(x) any Contract that imposes any ongoing non-compete, exclusivity or similar restriction on the Company or any of its Subsidiaries with respect to any line of business or geographic area in which the Company or any Subsidiary is currently engaged (excluding, for avoidance of doubt, any employee non-solicit and/or no-hire covenants entered into by the Company or any of its Subsidiaries in connection with their evaluation of potential business acquisitions or joint ventures);

(xi) any license, sublicense or royalty agreement pursuant to which the Company or any of its Subsidiaries licenses the right to use any of its Proprietary Rights to, or intellectual property from, any Person;

(xii) any Contract that requires the Company or its Subsidiaries to make payments in an amount greater than Two Hundred Fifty Thousand Dollars ($250,000) per annum that is not terminable without penalty upon less than six (6) months prior written notice by the Company or its Subsidiaries;

(xiii) any Contract that contains a "most favored nations" provision;

(xiv) any Contract for the provision of products or services to tobacco businesses;

(xv) any Contracts or engagements awarded to the Company or its Subsidiaries based on size, socio-economic or other preferred status;

(xvi) any employment Contract involving aggregate compensation, inclusive of base salary, bonus and commission in excess of Two Hundred Thousand Dollars ($200,000) per annum;

(xvii) any partnership, limited liability company (other than wholly owned entities), joint venture or other similar Contracts to which the Company or any Subsidiary is a party; and

(xviii) any Contract between the Company or any Subsidiary of the Company and any client for an open project as of August 31, 2014, where direct costs have exceeded revenue by [****].

(b) Complete copies of each Material Contract, including all amendments, modifications, and supplements thereof, have been made available to the Purchaser. As of the date hereof, each Material Contract is valid, binding and enforceable in all material respects in accordance with its respective terms with respect to the Company or any of its Subsidiaries, as applicable. Except as set forth in *Section 4.13 of the Company Disclosure Schedule*, there is no existing default or breach by the Company or any of its Subsidiaries, as applicable, under any Material Contract (and, to the Knowledge of the Company, no condition exists that, with notice or lapse of time or both, would constitute a default by the Company or any of its Subsidiaries), nor any default which would give the other party the right to terminate or modify such Material Contract or would accelerate any material obligation or material payment by the Company nor, to the Knowledge of the Company, is any other party to any Material Contract in default thereunder. *Section 4.13 of the Company Disclosure Schedule* identifies with an asterisk each Material Contract that requires the consent of or notice to the other party thereto to avoid any breach, default or violation of such contract, agreement or other instrument in connection with the transactions contemplated by this Agreement. On or prior to the Effective Time, the Company shall have delivered all necessary notices to, and used its best efforts to have obtained all necessary consents from, all parties to any Material Contracts listed on *Section 4.5(a)(iii) of the Company Disclosure Schedule* as are required thereunder in connection with the transactions contemplated by this Agreement. None of the Material Contracts is currently being renegotiated. To the Knowledge of the Company, solely with respect to Material Contracts with Clients, no party to any of such Material Contracts has made, asserted or has any defense, setoff or counterclaim under its Material Contract or has exercised any option granted to it to cancel, terminate or shorten the term of its Material Contract, in each case due to performance. No counterparty to a Material Contract has repudiated or, to the Knowledge of the Company, threatened to repudiate any provision of any Material Contract.

Section 4.14 Tax Returns; Taxes. Except as set forth on *Section 4.14 of the Company Disclosure Schedule:*

(a) Since January 1, 2014, the Company and its Subsidiaries have not made or rescinded any Tax election, changed any annual accounting period, adopted or changed any method of accounting or reversed any accruals (except as required by a change in Law or GAAP), filed any amended Tax Returns, signed or entered into any closing agreement or settlement, settled or compromised any claim or assessment of Tax liability, surrendered any right to claim a refund, offset or other reduction in liability, consented to any extension or waiver of the limitations period applicable to any claim or assessment, in each case with respect to Taxes, or acted or omitted to act where such action or omission to act could reasonably be expected to have the effect of increasing any present or future Tax liability or decreasing any present or future Tax benefit for the Company or any of its Subsidiaries or the Purchaser or its Affiliates.

(b) Each of the Company and its Subsidiaries has timely filed, with the appropriate Governmental Entities, all Tax Returns required to be filed by it, and all such Tax Returns have been properly completed in compliance with all applicable Laws, and are true, correct, and complete in all material respects. Each of the Company and its Subsidiaries has timely paid and remitted all Taxes due and payable by it.

(c) Each of the Company and its Subsidiaries has provided adequate accruals (determined in accordance with GAAP) in its Interim Balance Sheet for any Taxes that have not been paid, but were owed or accrued as of the date of the Interim Balance Sheet, whether or not shown as being due on any Tax Returns. Neither the Company nor any Subsidiary will have any liability for Taxes for any period ending on or before the Closing Date, or any portion of any Straddle Period up to and including the Closing Date, other than those liabilities for Taxes accrued on the Interim Balance Sheet or Taxes not yet due which have arisen after the date of the Interim Balance Sheet in the Ordinary Course.

(d) No audit or other administrative proceeding is pending, being conducted, or, to the Knowledge of the Company threatened, by any Governmental Entity, and no judicial proceeding is pending or being conducted in connection with any Taxes or Tax Return filed by or on behalf of any of the Company or its Subsidiaries.

(e) No written claim, and to the Knowledge of the Company no other claim, against any of the Company or any of its Subsidiaries for the assessment or collection of any Taxes has been asserted or proposed, which claim or deficiency has not been settled with all amounts determined to have been due and payable having been timely paid.

(f) No written claim, and to the Knowledge of the Company no other claim, has ever been made, or to the Knowledge of the Company threatened, by a Taxing Authority in a jurisdiction where the Company or its Subsidiaries has not filed (or does not file) Tax Returns and pay (or paid) Taxes asserting that the Company or its Subsidiaries is or may be subject to Tax Return filing requirements or Taxes imposed by that jurisdiction nor, to the Knowledge of the Company, is there any factual or legal basis for any such claim.

(g) Each of the Company and its Subsidiaries has deducted, withheld and timely paid to the appropriate Taxing Authority all Taxes required to be deducted, withheld or paid in connection with amounts paid, allocated to or amounts owing, and any Options granted, to any employee, independent contractor, shareholder, creditor, interest holder or other Person, and each of the Company and its Subsidiaries has complied with all applicable Tax Laws relating to the payment, withholding, reporting and recordkeeping requirements relating to any Taxes required to be collected or withheld, including all information reporting (including Internal Revenue Service Form 1099) and backup withholding, including maintenance requirements with respect thereto.

(h) There are no Liens, other than Permitted Liens, relating or attributable to Taxes encumbering (and no Taxing Authority has threatened to encumber) the assets of any of the Company or its Subsidiaries, nor are such assets the subject of any trust arising under Tax Law, other than statutory trust for Taxes not yet due and payable.

(i) None of the Company or any of its Subsidiaries (i) is (or has ever been) a party to, is bound by or has any obligation under any Tax Sharing Agreement and (ii) has any liability, potential liability or obligation (for Taxes or otherwise) to any Person as a result of or pursuant to any such Tax Sharing Agreement.

(j) Except as identified on *Section 4.14(j) of the Company Disclosure Schedule*, neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby will, either alone or in conjunction with any other event, result in any payment under a Company Benefit Plan that would be a non-deductible "excess parachute payment" within the meaning of Section 280G of the Code. No Person is entitled to receive any "gross-up" payment from any of the Company or its Subsidiaries in the event that the excise Tax of Section 4999(a) of the Code is imposed on such Person.

(k) None of the Company or its Subsidiaries is a party to, or otherwise obligated under, any Company Benefit Plan that provides for the gross-up of the Tax imposed by Section 409A(a)(1)(B) of the Code. Each Company Benefit Plan that is a "nonqualified deferred compensation plan" (within the meaning of Section 409A of the Code) complies in all material respects with the requirements of Code Section 409A and the applicable regulations and guidance issued thereunder and each such plan has been operated, in all material respects, in accordance with such requirements.

(l) None of the Company or its Subsidiaries is or ever has been a "United States real property holding corporation" within the meaning of Code Section 897(c)(2).

(m) None of the Company or its Subsidiaries has waived any statute of limitations for the period of assessment or collection of Taxes, or agreed to or requested any extension of time for the period with respect to a Tax assessment or reassessment, which period (after giving effect to such extension or waiver) has not yet expired.

(n) The Company and its Subsidiaries have never requested, executed, received or entered into with any Governmental Entity (i) any agreement, waiver or other document extending or having the effect of providing for any extension of time in respect of the filing of any Tax Returns in respect of any Taxes for which the Company or any Subsidiary is or may be liable, which period (after giving effect to such extension or waiver) has not yet expired; (ii) any closing agreement pursuant to Section 7121 of the Code, or any predecessor provision thereof or any similar provision of state, local or foreign Tax Law; (iii) any request for any private letter ruling (nor have any of them received such a private letter ruling), or (iv) any power of attorney with respect to any Tax matter which is currently in force.

(o) None of the Company or its Subsidiaries has been included in, or has been a member of, an affiliated, consolidated, unitary, combined or similar Tax Return or group filing a consolidated United States federal, state or non-U.S. jurisdiction income Tax Return other than the Tax Return or group of which the Company is the common parent. None of the Company or its Subsidiaries has any liability for the Taxes of any Person under Treasury Regulation Section 1.1502-6 (or any similar provision of state, local or foreign Law), as a transferee, successor or as a result of similar liability, operation of Law, by contract (including any Tax Sharing Agreement) or otherwise.

(p) Neither the Company nor its Subsidiaries will be required to include any item of income in, or exclude any item of deduction from, taxable income for any Straddle Period or any other taxable period ending after the Closing Date as a result of any (i) change in accounting method or improper accounting method for any Pre-Closing Period or Straddle Period under Section 481 of the Code (or any analogous or comparable provision of U.S. state or local or non-U.S. Tax Law), (ii) intercompany transactions or excess loss accounts described in Treasury Regulations Section 1.1502-13 or 1.1502-19, (iii) installment sale or open transaction disposition made on or prior to the Closing Date, (iv) prepaid income received or accrued on or prior to the Closing Date, other than any deferred income accrued in the Ordinary Course by Olson Canada, Inc., (v) method of accounting that defers the recognition of income to any period ending after the Closing Date, or (vi) modification or forgiveness of any indebtedness made on or prior to the Closing Date.

(q) None of the Subsidiaries of the Company (that are limited liability companies) has made an election pursuant to Treasury Regulations Section 301.7701-3 to treat such Subsidiary as a corporation for United States federal income Tax purposes. No election pursuant to Treasury Regulations Section 301.7701-3 has been made by or on behalf of Olson Canada, Inc. to treat such Subsidiary as an entity that is disregarded from its owner for United States federal income Tax purposes.

(r) Each of the Company and its Subsidiaries has delivered or made available to the Purchaser as applicable: (i) correct and complete copies of all Income Tax Returns filed by each of the Company and its Subsidiaries for which the statute of limitations has not expired, including all Internal Revenue Service Form 1120 Schedule UTPs, (ii) all revenue agent’s reports, notices or proposed notices of deficiency or assessment, audit reports, information document requests, material correspondence and other similar documentation relating to Taxes or Tax Returns of the Company and each of its Subsidiaries relating to any period for which the statute of limitations has not expired; (iii) all ruling requests, technical advice memoranda, closing or similar agreements; (iv) all Tax Sharing Agreements or similar agreements with any Taxing Authority to which the Company or any of its Subsidiaries is a party (and under which the Company or any of its Subsidiaries could have any Tax or other liability); and (v) all extensions and waivers requested, executed, received or entered into with any Governmental Entity.

(s) There are no joint ventures, partnerships, limited liability companies, or other arrangements or contracts to which the Company or any Subsidiary is a party and that could be treated as a partnership for federal income Tax purposes.

(t) Neither the Company nor any Subsidiary has, nor has it ever had, a "permanent establishment" in any foreign country, as the term "permanent establishment" is defined in any applicable Tax treaty or convention between the United States (or, in the case of any Subsidiary, the country of residence of such Subsidiary) and such foreign country, or as defined under any foreign or domestic Law, nor has it otherwise taken steps that have exposed, or will expose, it to the taxing jurisdiction of a Governmental Entity of such foreign country.

(u) There are no circumstances existing which could result in the application to the Company or any Subsidiary of section 78, sections 80 through 80.4 of the Income Tax Act (Canada).

(v) Olson Canada, Inc. is registered for purposes of the *Excise Tax Act* (Canada) and its goods and services tax/harmonized sales tax registration number is 859830465. Olson Canada, Inc. has complied on a timely basis with all registration, reporting, collection, remittance and other requirements in respect of its Transfer Taxes.

(w) Neither the Company nor any Subsidiary has distributed stock of another corporation, or had its stock distributed by another corporation, in a transaction that was purported or intended to be governed in whole or in part by section 355 or 361 of the Code.

(x) Neither the Company nor any Subsidiary has engaged in any transaction that, as of the date hereof, is a "listed transaction" under Treasury Regulations Section 1.6011-4(b)(2). The Company and each Subsidiary have disclosed in their Tax Returns all information required by the provisions of the Treasury Regulations issued under Section 6011 of the Code with respect to any "reportable transaction" as that term is defined in Section 6707A(c) of the Code.

(y) To the Knowledge of the Company, the Company and each Subsidiary is in material compliance with all the terms and conditions of any Tax exemption or other Tax reduction agreement or order of any Governmental Entity and the consummation of the transactions contemplated by this Agreement will not have any material adverse effect on the continued validity and effectiveness of any such Tax exemption or other Tax reduction agreement or order.

(z) Neither the Company nor any Subsidiary has ever elected to be treated as an S corporation under Section 1362 of the Code or any corresponding provision of federal or state Law.

(aa) Olson + Co., Inc. has been properly included in the consolidated federal Tax Returns filed by the Company for the taxable year ending December 31, 2009 and all taxable years thereafter.

Section 4.15 Company Benefit Plans.

(a) *Section 4.15(a) of the Company Disclosure Schedule* contains a complete and accurate list of all of the Company Benefit Plans. True, correct, and complete copies of all of the following documents with respect to each Company Benefit Plan, to the extent applicable, have been delivered to the Purchaser: (i) all plan documents and amendments thereto, trust agreements and insurance policies; (ii) the three most recently filed Forms 5500 or 5500C/R and any financial statements attached thereto together with the three most recent financial statements for each Company Benefit Plan that is a Foreign Benefit Plan (where applicable); (iii) all IRS determination letters for the Company Benefit Plans or opinion letters from the pre-approved plan sponsor (or equivalent for Company Benefit Plans that are Foreign Benefit Plans); (iv) the most recent summary plan descriptions and any amendments or modifications thereof; (v) written descriptions of all non-written agreements relating to the Company Benefit Plans; and (vi) all notices that were issued within the preceding three years by the IRS, Department of Labor, or any other Governmental Entity with respect to any Company Benefit Plan. The Company Benefit Plans marked on *Section 4.15(a) of the Company Disclosure Schedule* as "Qualified Plans" are the only Company Benefit Plans that are intended to meet the requirements of Section 401(a) of the Code (each, a "Qualified Plan"). The Company Benefit Plans that are marked on *Section 4.15(a) of the Company Disclosure Schedule* as "Foreign Benefit Plans" are the only Company Benefit Plans that are Foreign Benefit Plans.

(b) Each of the Qualified Plans is the subject of a favorable determination or opinion letter from the IRS, and each such determination or opinion remains in effect and has not been revoked. Nothing has occurred with respect to the design or operation of any Qualified Plan that could cause the revocation of such determination or opinion.

(c) None of the Company or any of its Subsidiaries sponsors, maintains or contributes to, and has never sponsored, maintained or contributed to (or been obligated to contribute to), or has or had any liability with respect to, any Employee Benefit Plan (i) subject to Section 302 of ERISA, Section 412 of the Code or Title IV of ERISA, (ii) described in Section 413(c) of the Code or Sections 3(35) or 3(40) of ERISA or (iii) that is a multiemployer plan (as defined in Section 3(37) of ERISA).

(d) Except as set forth in *Section 4.15(d) of the Company Disclosure Schedule*, the terms of each Company Benefit Plan satisfy the requirements of applicable Laws (including ERISA and the Code) in all material respects. Each Company Benefit Plan has been maintained in all material respects in accordance with its documents and with all applicable provisions of the Code, ERISA and other applicable Laws, including United States federal and state securities Laws.

(e) Except as set forth in *Section 4.15(e) of the Company Disclosure Schedule*, since January 1, 2008, there have been no non-exempt prohibited transactions (as described in Section 406 of ERISA or Section 4975 of the Code) with respect to any Company Benefit Plan.

(f) There are no pending or threatened claims by or on behalf of any Company Benefit Plan, or by or on behalf of any participants or beneficiaries of any Company Benefit Plan or other persons, alleging any breach of fiduciary duty on the part of the Company or any Subsidiary or any of its or their officers, directors, employees or agents under ERISA or any applicable Laws, or claiming benefit payments other than those made in the ordinary operation of such plans, nor to the Knowledge of the Company is there any basis for any such claim. No Company Benefit Plan is presently under audit or examination (nor has notice been received of a potential audit or examination) by the IRS, the Department of Labor, or any other Governmental Entity, and no matters are pending with respect to any Company Benefit Plan under any IRS program.

(g) No Company Benefit Plan that is a welfare plan provides health or other benefits after an employee's or former employee's retirement or other termination of employment except as required by Section 4980B of the Code, similar state law or other applicable Law.

(h) Each Company Benefit Plan that is a Foreign Benefit Plan has been established, maintained and administered in all material respects in compliance with its terms and applicable Laws of any controlling Governmental Entity, and each such Foreign Benefit Plan required to be registered or which is desirable to be registered has been registered and has been maintained in good standing with applicable regulatory authorities and, to the Knowledge of the Company, no fact or circumstance exists which could adversely affect the tax exempt, tax preferred or registered status of any such Foreign Benefit Plan. None of the Company or any of its Subsidiaries sponsors, maintains or contributes to, and has never sponsored, maintained or contributed to, or has or had any liability with respect to, any Foreign Benefit Plan that provides a defined benefit pension or that is a multi-employer pension plan as such term is defined under the *Pension Benefits Act* (Ontario) or a similar law of another Canadian jurisdiction.

(i) Except as set forth in *Section 4.15(i) of the Company Disclosure Schedule*, no Company Benefit Plan that is intended to be qualified under Code Section 401(a) owns or has owned (i) any debt or equity interests of or in the Company or any non-publicly traded Affiliate, or (ii) any non-publicly-traded asset other than insurance company products.

Section 4.16 Labor Relations.

(a) Except as set forth in *Section 4.16 of the Company Disclosure Schedule*, (a) neither the Company nor any of its Subsidiaries is (i) a party to any collective bargaining agreement with any union or labor organization, (ii) currently engaged in any collective bargaining negotiation with any union or labor organization, or (iii) within the last three (3) years has experienced any material labor disputes, union organization attempts or any work stoppage due to labor disagreements in connection with the business; and (b) no material claim, complaint, charge or investigation by any Person is pending or, to the Knowledge of the Company, threatened by any Person against the Company or any Subsidiary under any Labor Law, and the Company and each Subsidiary is, and had been, in compliance in all material respects with all Labor Laws.

(b) Without limiting the generality of the previous sentence, during the preceding two (2) years: (A) each individual who renders or has rendered services to the Company or its Subsidiaries who is or has been classified as having the status of a leased employee, independent contractor, or other non-employee status for any purpose (including for purposes of taxation and Tax reporting and under any Employee Benefit Plan) has been properly so characterized; and (B) each employee of the Company or its Subsidiaries who is or has been classified as exempt from payment of overtime and minimum wages has been properly so characterized. Other than arrearages arising in accordance with the ordinary payroll practices of the Company, neither the Company nor its Subsidiaries are liable for any material amount of arrears of wages, including but not limited to overtime pay, vacation pay and pay equity adjustments, or any penalty for failure to comply with any of the foregoing and are not liable for any payment to any trust or other fund or to any Governmental Entity, with respect to unemployment compensation benefits, workers' compensation, social security or other benefits for employees (other than routine payments to be made in the normal course of business and consistent with past practice). Notwithstanding any other provision of this Agreement, this Section 4.16(b) sets forth the Company's sole and exclusive representations and warranties with respect to the matters described herein.

(c) Neither the Company nor its Subsidiaries are a party to any agreement for the provision of consulting or other independent contractor services which is not cancelable without penalty on less than thirty (30) calendar days' notice. The Company and its Subsidiaries have provided the Purchaser copies of all agreements for the provision of consulting or other independent contractor services.

Section 4.17 Employees. *Section 4.17(a) of the Company Disclosure Schedule* contains a complete list of (i) all of the officers of the Company and each of its Subsidiaries; (ii) all of the other employees (whether full-time, part-time or otherwise) of the Company and each of its Subsidiaries as of the date hereof, specifying their position, status, work location and together with an appropriate notation next to the name of any officer or other employee on such list who is subject to any Employment Agreement; and (iii) all workers' compensation claims filed, submitted or settled in the last two (2) years. The Company has made available to the Purchaser copies of all Employment Agreements. There is no existing material default or material breach of the Company or any of its Subsidiaries, as applicable, under any Employment Agreement (or event or condition that, with notice or lapse of time or both could constitute a material default or material breach) and, to the Knowledge of the Company, there is no such material default (or event or condition that, with notice or lapse of time or both, could constitute a material default or material breach) with respect to any other party to any Employment Agreement. To the Knowledge of the Company, no current employee listed in *Section 4.17(b) of the Company Disclosure Schedule* has indicated any present or future intention to terminate his or her employment with the Company or its Subsidiaries or not to engage in employment post-Closing, and no group loss of employment action is planned, that triggered or would trigger notice or liability under the WARN Act or similar Laws. Notwithstanding any other provision of this Agreement, this Section 4.17 sets forth the Company's sole and exclusive representations and warranties with respect to the WARN Act or similar Laws.

Section 4.18 Insurance Policies. *Section 4.18 of the Company Disclosure Schedule* contains a complete and accurate list of all insurance policies carried by or for the benefit of the Company or any of its Subsidiaries. All due premiums with respect thereto have been paid in full and the Company and its Subsidiaries are otherwise in material compliance with the terms and provisions thereof. All such policies are valid and binding and in full force and effect. The Company and its Subsidiaries have not received written notice of, and, to the Knowledge of the Company, the Company has not received written or oral notice of any pending or threatened, default termination or cancellation, coverage limitation or reduction, or any material increase in the premium or deductible with respect to any such policy.

Section 4.19 Environmental, Health and Safety Matters.

(a) Except as disclosed in *Section 4.19(a) of the Company Disclosure Schedule*:

(i) The Company and each of its Subsidiaries have materially complied and are in material compliance with all applicable Environmental Laws;

(ii) The Company and each of its Subsidiaries have all material Licenses required under Environmental Law necessary to carry on the business and operations of the Company and its Subsidiaries as presently conducted;

(iii) There are no pending or, to the Knowledge of the Company, threatened demands, claims, causes of action, complaints, directives, citations, information requests issued by any Governmental Entity, legal proceedings, orders, notices of potential responsibility, or sanctions, under Environmental Law issued to the Company or any of its Subsidiaries, which would reasonably be expected to result in liability to the Company or any of its Subsidiaries under Environmental Law; and

(iv) To the Knowledge of the Company, there has been no Release of Hazardous Materials at, on, under, or from the Leased Real Property, nor was there such a Release at any real property formerly operated or leased by Company or the Subsidiaries during the period of such operation or tenancy.

(b) The Company has furnished to Purchaser copies of all environmental assessments, reports, audits and other material documents in its possession or under its control that relate to the Company's or any Subsidiaries' compliance with Environmental Laws or the environmental condition any real property that the Company or the Subsidiaries currently or formerly have operated or leased.

(c) Notwithstanding any other provision of this Agreement, this Section 4.19 sets forth the Company's sole and exclusive representations and warranties with respect to Environmental Laws, Hazardous Materials and other environmental matters.

Section 4.20 Intellectual Property. *Section 4.20 of the Company Disclosure Schedule* sets forth a complete and correct list of all material Company Proprietary Rights (other than trade secrets, know-how and goodwill attendant to the Company Proprietary Rights and other Proprietary Rights not reducible to schedule form) that have been registered, applied for, filed, certified or otherwise perfected, issued, or recorded with or by any Governmental Entity and that are owned by, filed in the name of, or otherwise purported to be owned by the Company or any of its Subsidiaries.

(a) Except as disclosed in *Section 4.20 of the Company Disclosure Schedule*:

(i) The Company or one or more of its Subsidiaries owns and possesses all right, title and interest in and to, or, to the Knowledge of the Company, has the valid right to use, all of the Company Proprietary Rights in connection with the operation of their businesses, free and clear of all Liens (other than Permitted Liens), and, with respect to the Company Proprietary Rights owned by the Company or any of its Subsidiaries ("Owned Company Proprietary Rights") has, in its possession, all assignment documents or other agreements necessary to vest such ownership in the Company or its Subsidiaries to the extent that such ownership does not vest in the Company or its Subsidiaries by operation of Law;

(ii) The Company has not licensed the use of the Owned Company Proprietary Rights to third parties in any respect, except non-exclusive (A) licenses granted to end-users or customers in the Ordinary Course, and (B) licenses granted to third parties providing services to the Company or any Subsidiary, or with which the Company or any Subsidiary otherwise has a business relationship, in each case in the Ordinary Course ((A) and (B) together, "Ordinary Course Agreements");

(iii) Neither the Company nor any of its Subsidiaries has received any written claim, any cease and desist or equivalent letter or any other written notice, in each case from any third parties, of any allegation that any of the Company Proprietary Rights or the business of the Company or its Subsidiaries infringes upon, misappropriates or otherwise violates any Proprietary Rights of any such third parties;

(iv) [****], neither the Company nor any of its Subsidiaries is infringing any Proprietary Rights of any third party;

(v) [****], no Person is infringing upon any Owned Company Proprietary Rights used by the Company or any of its Subsidiaries in connection with the operation of their businesses; and

(vi) The Company and its Subsidiaries, as the case may be, have made the necessary filings and recordations, and have paid all required fees, to record and maintain their ownership of all registrable Owned Company Proprietary Rights. No Owned Company Proprietary Rights have been adjudged invalid or unenforceable in whole or part.

(b) To the extent reasonably necessary to protect the material Company Proprietary Rights, all former and current employees and consultants of the Company or its Subsidiaries have executed written confidentiality agreements and Proprietary Rights assignment agreements as necessary to convey all material Proprietary Rights developed by them on behalf of the Company or its Subsidiaries to the Company and its Subsidiaries, and, to the Knowledge of the Company, no employee or consultant of the Company or its Subsidiaries is in violation or breach of any term of any such written Contracts that may impair the Company Proprietary Rights.

(c) Each of the Company and its Subsidiaries has taken commercially reasonable steps to secure, protect and preserve the secrecy, confidentiality, and ownership rights of all Company Proprietary Rights, including all trade secrets and source code, included in the Company Proprietary Software not subject to issued patents. Except for disclosures to employees and contractors bound by obligations preserving the confidentiality of the Company Proprietary Software, (i) neither the Company nor its Subsidiaries has disclosed or delivered to any Person, or permitted the disclosure or delivery to any escrow agent or other Person of, any source code, or any portion, aspect or segment of any source code, for the Company Proprietary Software, and (ii) no event has occurred, and no circumstance or condition exists, that (with or without notice or lapse of time) will, or could reasonably be expected to, result in the disclosure or delivery to any Person of any such source code as a release from any escrow.

(d) No government funding; facilities of a university, college, other educational institution or research center; or funding from third parties (other than funds received in consideration for capital stock of the Company) was used in the development of any Company Proprietary Rights or any other computer software programs or applications owned by the Company or its Subsidiaries. To the Knowledge of the Company, no current or former employee, consultant or independent contractor of the Company or its Subsidiaries, who was involved in, or who contributed to, the creation or development of any Company Proprietary Rights, performed services pertaining to Proprietary Rights for the government, university, college, or other educational institution or research center during the period of time during which such employee, consultant or independent contractor was also performing services for the Company or its Subsidiaries, such that such government, university, college, or other educational institution or research center would have any ownership interest in such Company Proprietary Rights.

(e) Neither the Company nor its Subsidiaries are in material breach of, nor have they materially failed to perform under, any Contract governing any Company Proprietary Rights (collectively, the "Company Proprietary Rights Agreements") or any Company Licensed Software (collectively, the "Company Licensed Software Agreements") and to the Knowledge of the Company, no other Person to any such Company Proprietary Rights Agreements or Company Licensed Software Agreements is in material breach thereof or has materially failed to perform thereunder. To the Knowledge of the Company, there is no unresolved dispute between the Company or its Subsidiaries and any other Person regarding the scope of any Company Proprietary Rights Agreements or Company Licensed Software Agreements, or material performance under such Company Proprietary Rights Agreements or such Company Licensed Software Agreements, including with respect to any payments to be made or received by the Company or its Subsidiaries thereunder.

Section 4.21 Software and Security/Privacy.

(a) *Section 4.21 of the Company Disclosure Schedule* sets forth a correct and complete list of (i) the Company Proprietary Software, and (ii) the Company Licensed Software.

(b) Except as set forth in *Section 4.21 of the Company Disclosure Schedule*, the source code for the Company Proprietary Software is maintained in confidence.

(c) *Section 4.21(c) of the Company Disclosure Schedule* (i) lists all Software that is distributed as or contains any Open Source Software that has been incorporated into, integrated with, combined with or linked to any Company Software currently used in the Company's or any Subsidiary's business, (ii) provides a copy of the applicable license (or working url thereto) under which the Open Source Software is used; and (iii) indicates whether such Open Source Software was modified or distributed by the Company or its Subsidiaries, or hosted on a server by or on behalf of the Company or its Subsidiaries for the purpose of remote access or use by any Person unaffiliated with either of the Company or its Subsidiaries (including Persons who may be affiliated with the Company only but not the Company Subsidiary, and vice versa). The Company and its Subsidiaries have not used Open Source Software in any manner that does, or would be reasonably expected to, with respect to any Company Owned Software, (x) require its disclosure or distribution in source code form to all third parties at no charge, (y) require the licensing thereof to all third parties at no charge for the purpose of making derivative works, or (z) impose any prohibition on any consideration to be charged for the distribution thereof to any third party. With respect to any Open Source Software that is currently used by the Company or its Subsidiaries in any way, the Company and its Subsidiaries are in compliance with all applicable licenses with respect thereto.

(d) No Company Proprietary Software used or distributed by the Company or its Subsidiaries contains any "back door," "time bomb," virus, Trojan horse, worm, or other Software routines or hardware components designed to permit unauthorized access, or to disable, erase, or otherwise harm Software, hardware or data, but excluding in each case key registration and activation mechanisms ("Contaminants"). The Company and its Subsidiaries have taken commercially reasonable steps to prevent the introduction of Contaminants into any Company Software.

(e) The Company maintains and is in compliance with policies and procedures regarding data security, back-up, disaster recovery and privacy that are commercially reasonable and, in any event, are in compliance with all applicable Laws. The use and dissemination of any and all data and information concerning individuals by the Company and its Subsidiaries is in compliance in all material respects with all applicable privacy policies, terms of use, and related obligations under any Contract, and applicable Law. The transactions contemplated to be consummated hereunder will not violate any privacy policy, terms of use, or applicable Law relating to the use, dissemination, or transfer of any such data or information by the Company and its Subsidiaries, except as would not have, individually or in the aggregate, a Company Material Adverse Effect.

(f) For the avoidance of doubt, and without derogating from, or limiting the generality of, any of the representations and warranties set forth in Sections 4.20, 4.21 and 4.22 of this Agreement (with the exception of clause (ii) below), the Company acknowledges and agrees that: (i) all Company Proprietary Software constitutes Owned Company Proprietary Rights and all representations and warranties under this Agreement that apply to Owned Company Proprietary Rights apply to Company Proprietary Software; (ii) [****]; and (iii) [****]. Notwithstanding any other provision of this Agreement, Section 4.21(f)(ii) sets forth the Company's sole and exclusive representations and warranties with respect to [****].

Section 4.22 IT Systems.

(a) The Company is the sole legal and beneficial owner of, or, to the Knowledge of the Company, is legally authorized to use, all the IT Systems used by the Company in the operation of its business. Except as set forth in *Section 4.22(a) of the Company Disclosure Schedule*, the IT Systems that are owned by the Company are free from any Liens other than Permitted Liens.

(b) The IT Systems currently used by the Company in all material respects (i) have sufficient storage capacity, functionality and performance to meet the current business requirements of the Company, (ii) have been maintained in accordance with generally accepted industry practice and with manufacturer's instructions and (iii) are covered by the maintenance agreements as included in *Section 4.22(b) of the Company Disclosure Schedule*.

(c) Except as set forth in *Section 4.22(c) of the Company Disclosure Schedule*, the Company has not, in the twelve (12) months prior to the date of this Agreement, experienced any material disruption in or to its business or operations as a result of (a) any security breach in relation to the IT Systems or (b) any failure (whether arising from any bug, virus, defect or otherwise), data loss or corruption, lack of capacity or other sub-standard performance of any of the IT Systems, other than incidental disruptions occurring in the Ordinary Course of business. To the Knowledge of the Company, no circumstance exists within the IT Systems which is likely or expected to give rise to any disruption to the Company's business having an effect that is materially more adverse than incidental disruptions which have occurred in the Ordinary Course.

(d) To the Knowledge of the Company, there are no circumstances in which the ownership, benefit, or right to use the IT Systems may be lost by virtue of the contemplated transactions or the performance of this Agreement.

(e) Except as set forth in *Section 4.22(e) of the Company Disclosure Schedule*, the Company either legally or beneficially owns or has a contractual right to use all IT Systems necessary or required for the operation of its business in the manner carried on currently and to fulfill any existing contracts and any such contractual rights shall not be materially prejudiced as a direct or indirect result of the transactions contemplated by this Agreement.

(f) Except as set forth in *Section 4.22(f) of the Company Disclosure Schedule*, the Company has implemented appropriate procedures for ensuring the security of the IT Systems and the confidentiality and integrity of all data stored in them and adequate back-up procedures have been implemented and are currently complied with.

Section 4.23 Transactions with Affiliates. Except as set forth in *Section 4.23(a) of the Company Disclosure Schedule*, other than for compensation received as employees, no Stockholder, officer, or director of the Company or its Subsidiaries, or, to the Knowledge of the Company, former directors or officers or current or former employees (other than Ordinary Course proprietary information, invention assignment, non-competition or non-solicitation agreements that restrict the ability of such employee to compete with, or solicit from, the Company), consultants, Representatives or Stockholders or any member of any director, officer, employee, consultant, Representative or Stockholder's family has any material interest in: (a) any Contract with, or relating to, the Company and its Subsidiaries or the properties or assets of the Company and its Subsidiaries; (b) any loan relating to the Company or any of its Subsidiaries or the properties or assets of the Company or any of its Subsidiaries; or (c) any property (real, personal or mixed), tangible or intangible, used by the Company or any of its Subsidiaries. Except as set forth on *Section 4.23(b) of the Company Disclosure Schedule*, there are no agreements between or among any Stockholder, on the one part, and the Company or any of its Subsidiaries, on the other part, relating to the management of the Company or any of its Subsidiaries.

Section 4.24 Clients and Vendors. *Section 4.24(a) of the Company Disclosure Schedule* contains a complete list of the names of the Clients and Vendors, including the amount of revenue recorded for such Clients and the payments made to such Vendors through the year-to-date period ended August 31, 2014. Each contract, agreement, contract right, license agreement, purchase and sale order or other executory right (whether written or oral) between the Company and any of its Clients and Vendors, has been made available to the Purchaser. To the Knowledge of the Company, no event has occurred that has materially and adversely affected, or would reasonably be expected to materially and adversely affect, the Company's or its Subsidiaries' relations with any Client or Vendor. Except as set forth in *Section 4.24(b) of the Company Disclosure Schedule*, no Client or Vendor has cancelled, terminated or, made any threat to cancel or otherwise terminate any of its Contracts with the Company or its Subsidiaries or to materially decrease its usage or supply of the Company's or its Subsidiaries' services or products.

Section 4.25 Brokers, Finders and Investment Bankers. Except as set forth in *Section 4.25 of the Company Disclosure Schedule*, neither the Company, any of its Subsidiaries, nor any officer, member, director or employee of the Company or any of its Subsidiaries nor any Affiliate of the Company or any of its Subsidiaries, has employed any broker, finder or investment banker or incurred any liability for any investment banking fees, financial advisory fees, brokerage fees or finders' fees in connection with this Agreement or the transactions contemplated hereby.

Section 4.26 Bank Accounts. *Section 4.26 of the Company Disclosure Schedule* sets forth (a) the names and locations of all banks, trusts, companies, savings and loan associations and other financial institutions at which the Company or its Subsidiaries maintain safe deposit boxes, checking accounts, lock box or other accounts of any nature with respect to their business and (b) the names of all Persons authorized to draw thereon, make withdrawals therefrom or have access thereto.

Section 4.27 Foreign Corrupt Practices; Export Compliance.

(a) Foreign Corrupt Practices. Neither the Company, nor any of its Subsidiaries, nor, to the Knowledge of the Company, any other Person associated with or acting for or on behalf of the Company or its Subsidiaries, has directly or indirectly taken any action that would cause the Company or any of its Subsidiaries to be in violation of the United States Foreign Corrupt Practices Act of 1977, as amended ("FCPA") or the Canadian Corruption of Foreign Public Officials Act ("CFPOA"). Neither the Company nor any of its Subsidiaries, nor, to the Knowledge of the Company, any other Person associated with or acting for or on behalf of the Company or any of its Subsidiaries, has directly or indirectly (i) 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, to pay for preferential treatment for business secured, to obtain special concessions or for special concessions already obtained, for or in respect of the Company or any of its Subsidiaries, or in violation of any applicable Laws, or (ii) 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 or any of its Subsidiaries. All payments to agents, consultants and others made by the Company and its Subsidiaries have been in payment of bona fide fees and commissions.

(b) Export Compliance.

(i) The Company and its Subsidiaries have 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 and Border Protection and the Canadian Export and Import Permits Act.

(ii) None of the Company, its Subsidiaries, and their officers, Stockholders and directors is the subject of any indictment for, nor have they been convicted of, violating the FCPA, CFPOA or any of the statutes or regulations referenced in Section 4.27(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. or Canadian export control statutes and regulations from, or to receive an export license or other approval from, any Governmental Entity of the U.S. government or the Canadian government.

Section 4.28 Powers of Attorney. *Section 4.28 of the Company Disclosure Schedule* lists all powers of attorney granted by the Company or its Subsidiaries that are currently in effect. The Company and its Subsidiaries have not given any irrevocable powers of attorney (other than such powers of attorney given in the Ordinary Course with respect to routine matters or as may be necessary or desirable in connection with the consummation of the transactions contemplated by this Agreement) to any Person for any purpose whatsoever with respect to the Company.

Section 4.29 Complete Copies of Materials. All Contracts provided by the Company to the Purchaser in the electronic data room as part of the due diligence efforts for the transactions contemplated by this Agreement are inclusive of all material amendments, exhibits and schedules to such Contracts.

Section 4.30 Competition Act. Neither the aggregate value of the assets in Canada of the Company and the Subsidiaries nor the annual gross revenues from sales in or from Canada generated by such assets exceeds Eighty-Two Million Canadian Dollars (C$82,000,000), as determined in accordance with the Competition Act in each case.

Section 4.31 Investment Canada Act. Neither the Company nor any Subsidiary other than Olson Canada, Inc. is a "Canadian business" within the meaning of the Investment Canada Act, and Olson Canada, Inc. is not engaged in a "cultural business" within the meaning of the Investment Canada Act.

Section 4.32 Limitations on Representations and Warranties. EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS ARTICLE IV (AS MODIFIED BY THE COMPANY DISCLOSURE SCHEDULE), NEITHER THE COMPANY, HOLDER REPRESENTATIVE, NOR ANY OTHER PERSON MAKES, HAS MADE, OR HAS BEEN AUTHORIZED BY THE COMPANY, THE HOLDER REPRESENTATIVES OR ANY OF THEIR RESPECTIVE AFFILIATES TO MAKE, ANY OTHER EXPRESS OR IMPLIED REPRESENTATION OR WARRANTY WITH RESPECT TO THE HOLDER REPRESENTATIVE, THE COMPANY OR ITS SUBSIDIARIES, THE BUSINESS OF THE COMPANY OR ITS SUBSIDIARIES OR THE TRANSACTION, AND THE COMPANY DISCLAIMS ANY OTHER REPRESENTATIONS OR WARRANTIES, WHETHER MADE BY THE HOLDER REPRESENTATIVE, ANY AFFILIATE OF THE HOLDER REPRESENTATIVE, ANY AFFILIATE OF THE COMPANY OR ANY OF THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES, AGENTS OR REPRESENTATIVES AND IF MADE, SUCH REPRESENTATION OR WARRANTY MAY NOT BE RELIED UPON BY THE PURCHASER OR ANY OF ITS AFFILIATES AND REPRESENTATIVES AS HAVING BEEN AUTHORIZED BY THE HOLDER REPRESENTATIVE, THE COMPANY OR ANY OF THEIR RESPECTIVE AFFILIATES. EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS ARTICLE IV (AS MODIFIED BY THE COMPANY DISCLOSURE SCHEDULE), THE COMPANY HEREBY DISCLAIMS ALL LIABILITY AND RESPONSIBILITY FOR ANY REPRESENTATION, WARRANTY, OPINION, PROJECTION, FORECAST, STATEMENT, MEMORANDUM, PRESENTATION, ADVICE OR INFORMATION MADE, COMMUNICATED, OR FURNISHED (ORALLY OR IN WRITING) TO THE PURCHASER OR ITS AFFILIATES OR REPRESENTATIVES (INCLUDING ANY OPINION, PROJECTION, FORECAST, STATEMENT, MEMORANDUM, PRESENTATION, ADVICE OR INFORMATION THAT MAY HAVE BEEN OR MAY BE PROVIDED TO THE PURCHASER BY ANY DIRECTOR, OFFICER, EMPLOYEE, AGENT, CONSULTANT OR REPRESENTATIVE OF THE COMPANY OR ANY OF ITS AFFILIATES, INCLUDING ANY INFORMATION MADE AVAILABLE IN ANY ELECTRONIC DATA ROOM HOSTED BY THE COMPANY OR ITS ADVISORS IN CONNECTION WITH THE TRANSACTION). NEITHER THE COMPANY NOR THE HOLDER REPRESENTATIVE MAKES ANY REPRESENTATIONS OR WARRANTIES TO THE PURCHASER REGARDING THE PROBABLE SUCCESS OR PROFITABILITY OF THE BUSINESS CONDUCTED BY THE COMPANY.

## ARTICLE V
## REPRESENTATIONS AND WARRANTIES OF PURCHASER AND MERGER SUB

The Purchaser and Merger Sub hereby, jointly and severally, represent and warrant to the Company that, except as set forth in the Purchaser Disclosure Schedule:

Section 5.1 Organization.

(a) The Purchaser is a corporation organized, validly existing and in good standing under the Laws of the State of Delaware and has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now being conducted. The Purchaser has delivered to the Company true, correct and complete copies of its organizational documents as in effect on the date hereof and as proposed to be in effect immediately prior to the Closing Date.

(b) Merger Sub is a corporation duly organized, validly existing and in good standing under the Laws of the State of Delaware. Merger Sub has been formed solely for the purpose of engaging in the transactions contemplated hereby, and as of the Effective Time, will have engaged in no other business or other activities or incurred any liabilities, other than in connection with or as contemplated herein. The Purchaser owns, and immediately prior to the Effective Time shall continue to own, of record and beneficially, all outstanding shares of capital stock of Merger Sub. Merger Sub has delivered to the Company true, correct and complete copies of its certificate of incorporation and bylaws as in effect on the date hereof.

Section 5.2 Authorization. The Purchaser and Merger Sub have all necessary entity power and authority to execute and deliver this Agreement, to perform their obligations hereunder and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by the Purchaser and Merger Sub, the performance by the Purchaser and Merger Sub of their respective obligations hereunder, and the consummation of the transactions provided for herein have been duly and validly authorized by all necessary entity action on the part of the Purchaser and Merger Sub. This Agreement has been duly executed and delivered by the Purchaser and Merger Sub and constitutes the valid and binding agreement of the Purchaser and Merger Sub enforceable against the Purchaser and Merger Sub in accordance with its respective terms.

Section 5.3 Absence of Restrictions and Conflicts.

(a) The execution and delivery of this Agreement does not, and the performance of the Purchaser's and Merger Sub's obligations hereunder will not, (i) conflict with or violate the certificate of incorporation or bylaws, or other organizational documents as the case may be, of the Purchaser or Merger Sub, (ii) assuming that all consents, approvals, authorizations and other actions described in Section 5.3(b) have been obtained and all filings and obligations described in Section 5.3(b) have been made, conflict with or violate any Law applicable to the Purchaser or Merger Sub (with or without notice or lapse of time or both), or by which any of their properties or assets is bound, or (iii) require any consent or result in any violation or breach of, or constitute a default under, or result in the creation of a Lien or other encumbrance on any of their properties or assets pursuant to, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which either the Purchaser or Merger Sub is a party or by which they or any of their properties or assets is bound, except, with respect to clauses (ii) and (iii), for any such conflicts, violations, breaches, defaults or other occurrences that would not reasonably be expected to result in a Purchaser Material Adverse Effect.

(b) The execution and delivery by the Purchaser and Merger Sub of this Agreement do not, and the performance of their obligations hereunder will not, require any consent, approval, authorization or permit of, or filing with, or notification to, any Governmental Entity, except (i) (A) for the pre-merger notification requirements of the HSR Act, and (B) the filing of a Certificate of Merger with, and the acceptance for record thereof by, the Secretary of State of the State of Delaware, and (ii) where the failure to obtain such consents, approvals, authorizations or permits, or to make such filings or notifications would not (A) prevent or materially delay consummation of the Merger and the other transactions contemplated by this Agreement or (B) reasonably be expected to result in a Purchaser Material Adverse Effect.

Section 5.4 Sufficient Funds. The Purchaser and Merger Sub collectively have, and will have at the Closing, sufficient cash to pay the aggregate Closing Consideration and to pay all fees and expenses payable by them in connection with the transactions contemplated by this Agreement.

Section 5.5 Legal Proceedings. There is no suit, action, claim, arbitration or proceeding by or before any Governmental Entity pending or, to the knowledge of the Purchaser, threatened in writing against the Purchaser, any of its Subsidiaries or any property of any thereof which would reasonably be expected to result in a Purchaser Material Adverse Effect.

Section 5.6 Brokers, Finders and Investment Bankers. Except as set forth in *Section 5.6 of the Purchaser Disclosure Schedule*, neither the Purchaser nor any of its Subsidiaries has employed any broker, finder or investment banker or incurred any liability for any investment banking fees, financial advisory fees, brokerage fees or finders' fees in connection with the transactions contemplated hereby.

Section 5.7 Investment Canada Act. The Purchaser is a "WTO investor" within the meaning of the Investment Canada Act.

Section 5.8 No Other Representations and Warranties; No Reliance; Purchaser Investigation. The Purchaser acknowledges and agrees that, except as expressly set forth in ARTICLE IV, the Company makes no promise, representation or warranty, express or implied, relating to the Company, itself, or its business, operations, assets, liabilities, conditions or prospects or the Merger, including with respect to merchantability, fitness for any particular or ordinary purpose, or as to the accuracy or completeness of any information regarding any of the foregoing, or as to any other matter, notwithstanding the delivery or disclosure to the Purchaser or any of its Affiliates or Representatives of any documents, opinions, projections, forecasts, statements, memorandums, presentations, advice or information (whether communicated orally or in writing), and any such other promises, representations or warranties, or liability or responsibility therefor, are hereby expressly disclaimed. In addition, the Purchaser acknowledges and agrees that the Purchaser has not executed or authorized the execution of this Agreement in reliance upon any promise, representation or warranty not expressly set forth in this Agreement.

## ARTICLE VI
## CERTAIN COVENANTS AND AGREEMENTS

Section 6.1 Conduct of Business.

(a) From the date hereof until the Closing Time, the Company shall conduct its business and the businesses of its Subsidiaries in the Ordinary Course, except (i) if the Purchaser or Merger Sub shall have consented in writing (which consent will not be unreasonably withheld, conditioned or delayed) or (ii) as otherwise contemplated or permitted by this Agreement; provided, however, that the foregoing notwithstanding, (x) the Company and its Subsidiaries may use all available cash (except cash that is appropriately classified as Restricted Cash) to repay any Indebtedness or make cash distributions at or prior to the Closing so long as such distributions do not impair the ability of the Company and its Subsidiaries to have, as of the Closing Date, the required Target Working Capital, (y) no action by the Company or its Subsidiaries with respect to matters specifically addressed by any other provision of this Section 6.1 shall be deemed a breach of this Section 6.1(a), unless such action would constitute a breach of one or more of such other provisions and (z) the Company and its Subsidiaries' failure to take any action prohibited by Section 6.1(b) shall not be a breach of this Section 6.1(a).

(b) From the date hereof until the Closing Date, except

(i) as set forth on *Section 6.1(b) of the Company Disclosure Schedule*,

(ii) as otherwise contemplated or permitted by this Agreement, or

(iii) as consented to in writing by the Purchaser or Merger Sub (which consent will not be unreasonably withheld, conditioned or delayed), the Company shall not and shall cause its Subsidiaries not to:

(A) issue, sell or deliver any shares of its or its Subsidiaries' equity securities (other than issuances upon any exercise of Options outstanding on the date of this Agreement) or issue or sell any securities convertible into, or options with respect to, or warrants to purchase or rights to subscribe for, any shares of its or its Subsidiaries' equity securities;

(B) declare or pay any dividends on or make any other distributions (in stock or property) or, if in cash, with cash that is appropriately classified as Restricted Cash, in respect of its or its Subsidiaries' equity securities;

(C) effect any recapitalization, reclassification, equity dividend, equity split or like change in its capitalization;

(D) amend its or its Subsidiaries' certificate or articles of formation or incorporation;

(E) make any redemption or purchase of any shares of its or its Subsidiaries' equity securities (except to satisfy any withholdings owed in connection with any exercise of Options outstanding on the date of this Agreement, or pursuant to cashless exercises thereof);

(F) accelerate, amend or change the period of exercisability of any Option (other than the automatic acceleration of, or amendments or changes to, the period of exercisability of any outstanding Option pursuant to the terms of such option, or corresponding option plan in connection with the Merger);

(G) sell, assign or transfer any material portion of its tangible assets, except in the Ordinary Course or pursuant to any Material Contract;

(H) acquire or agree to acquire by merging or consolidating with, or by purchasing a substantial equity interest in or substantial portion of the assets of, or by any other manner, any business or any corporation, partnership or other business organization or division;

(I) make any investment in excess of Two Hundred Thousand Dollars ($200,000) in, or any loan in excess of Two Hundred Thousand Dollars ($200,000) to, any other Person, except in the Ordinary Course or pursuant to any Material Contract;

(J) make any capital expenditures in excess of Two Hundred Thousand Dollars ($200,000) individually or commitments therefor, except (x) in the Ordinary Course or (y) for such capital expenditures or commitments therefor that are reflected in the Company's or its Subsidiaries' current budget;

(K) make any loan to, or enter into any other material transaction with, any of its directors, officers, or employees except pursuant to any Material Contract or any agreement set forth on *Sections 4.23(a) or (b) of the Company Disclosure Schedule*;

(L) (1) increase or agree to increase the compensation (including salary, bonus, benefits or other remuneration) payable or to become payable to any director, officer, consultant, agent, or employee, other than (x) as required by Law, (y) pay raises in the Ordinary Course or (z) to satisfy a contractual commitment existing prior to the date of this Agreement; (2) except as required by Law or in accordance with agreements existing as of the date hereof and provided to the Purchaser in the virtual data room, grant any severance or termination pay to, or enter into or amend any employment or severance agreements with, any employees or officers, other than the payment of severance or termination pay in accordance with any existing contractual commitments or the terms of any Company Benefit Plan; (3) enter into any collective bargaining agreement; (4) establish, adopt, enter into or amend (except as may be required by Law) or increase any benefits under any Company Benefit Plan; or (5) forgive any indebtedness of any employee to the Company;

(M) initiate any litigation or arbitration proceeding;

(N) modify, amend or terminate any Material Contract, or waive, release or assign any material rights or claims, including any write-off or other compromise of any accounts receivable or commit any act or fail to take any action that would result in a material breach of such contract, in each case, other than in the Ordinary Course;

(O) enter into any new license for any intellectual property to or from any third party other than in the Ordinary Course;

(P) fail to timely pay accounts payable and other obligations in the Ordinary Course or accelerate the payment of any Accounts Receivable other than (1) in the Ordinary Course or (2) matters contested in good faith;

(Q) create, incur, assume or otherwise become liable for any indebtedness in an aggregate amount in excess of Two Hundred Fifty Thousand Dollars ($250,000);

(R) other than customer and vendor Contracts entered into in the Ordinary Course and confidentiality and nondisclosure agreements of the Company and its Subsidiaries, create, incur, assume or otherwise become liable as a guarantor for the performance or obligations (whether accrued, absolute, or contingent) of any Person (other than the Company or any of its Subsidiaries) or as indemnitors of the obligations of any Person (other than the Company or any of its Subsidiaries);

(S) adopt a plan of complete or partial liquidation or resolution as providing for or authorizing such a liquidation or dissolution, merger, consolidation, restructuring, recapitalization or reorganization;

(T) make any change in the Company's or any Subsidiary's accounting methods or practices, other than as required by GAAP;

(U) enter into any partnership, limited liability company or joint venture agreement;

(V) cancel or terminate any material insurance policy naming the Company or any Subsidiary as a beneficiary or a loss payable payee unless the same shall be replaced with one or more insurance policies providing coverage reasonably comparable in scope and terms and the Purchaser has been provided with prompt written notice of such cancellation or termination;

(W) enter into any Contract that would be a Material Contract if it had been in effect on the date of this Agreement;

(X) compromise, settle, grant any waiver or release relating to, or otherwise adjust, any claim of the Company or any Subsidiary having a value in the aggregate in excess of One Hundred Thousand Dollars ($100,000), or that imposes non-monetary relief;

(Y) enter into any labor or collective bargaining agreement or make any commitment or incur any liability to any labor organization relating to its employees;

(Z) make, change or revoke any material election in respect of Taxes (except as required by Law), change an annual accounting period, adopt or change any accounting method with respect to Taxes except as may be required as a result of a change in Law, make any material agreement or settlement with respect to Taxes, file any material amended Tax return, surrender any right to claim a material refund of Taxes, or consent to any extension or waiver of the limitation period applicable to any Tax claim or assessment; or

(AA) agree to do any of the foregoing.

(c) Nothing contained herein shall give to the Purchaser, directly or indirectly, the right to control or direct the Company's or its Subsidiaries' operations or businesses prior to the Effective Time.

Section 6.2 Stockholder Approval. Immediately following the execution of this Agreement, the Company shall, upon consideration of the recommendation of the Board of Directors of the Company, (a) obtain the Stockholder Approval in accordance with all applicable Laws, and (b) provide the Purchaser a certificate from the Company certifying the Stockholder Approval and attaching the applicable written consents.

Section 6.3 Access to Books and Records.

(a) Subject to Section 6.12, from the date hereof until the Closing Date, the Company shall provide the Purchaser and its authorized Representatives with reasonable access during normal business hours and upon reasonable notice to the offices, properties, senior personnel, books and records of the Company and its Subsidiaries in order for the Purchaser to have the opportunity to make such investigation as it shall reasonably desire to make of the affairs of the Company and its Subsidiaries; provided that, notwithstanding the foregoing, (i) such access does not unreasonably interfere with the normal operations of the Company or its Subsidiaries, (ii) such access shall occur in such a manner as the Company reasonably determines to be appropriate to protect the confidentiality of the transactions contemplated by this Agreement and (iii) nothing herein shall require the Company to provide access to, or to disclose any information to, the Purchaser if such access or disclosure (A) would cause significant competitive harm to the Company or its Subsidiaries if the transactions contemplated by this Agreement are not consummated, (B) would waive any legal privilege or (C) would be in violation of applicable Law (including the HSR Act, the Competition Act and other anti-competition Laws) or the provisions of any agreement to which the Company or any of its Subsidiaries is a party.

(b) From and after the Closing, for a period of seven (7) years, the Purchaser shall, and shall cause the Surviving Corporation to, provide the Holder Representative and its Representatives with access, during normal business hours and upon reasonable notice, to (i) the books and records related to Taxes (for the purpose of examining and copying) of the Company and its Subsidiaries with respect to periods or occurrences prior to or on the Closing Date and (ii) employees of the Purchaser, the Surviving Corporation and their Affiliates for purposes of better understanding such books and records related to Taxes; provided that, notwithstanding the foregoing, (i) such access does not unreasonably interfere with the normal operations of the Purchaser, the Surviving Corporation or their Affiliates, and (ii) nothing herein shall require the Purchaser, the Surviving Corporation or their Affiliates to provide access to, or to disclose any information to, the Holder Representative if such access or disclosure (A) would cause significant competitive harm to the Purchaser, the Surviving Corporation or their Affiliates, (B) would waive any legal privilege or (C) would be in violation of applicable Law (including the HSR Act, the Competition Act and other anti-competition Laws) or the provisions of any agreement to which the Purchaser, the Surviving Corporation or their Affiliates are a party. Unless otherwise consented to in writing by the Holder Representative, the Purchaser shall not, and shall not permit the Surviving Corporation or its Subsidiaries to, for a period of seven (7) years following the Closing Date, destroy, alter or otherwise dispose of any of the books and records of the Company or its Subsidiaries related to Taxes for any period prior to the Closing Date without first giving reasonable prior notice to the Holder Representative and offering to surrender to the Holder Representative such books and records or any portion thereof which the Purchaser or the Surviving Corporation may intend to destroy, alter or dispose of.

Section 6.4 Regulatory Filings.

(a) Each of the Purchaser, Merger Sub and the Company promptly shall, and in the case of any premerger notifications and related documentation required under the HSR Act or any other applicable antitrust or noncompetition Laws or regulations ("Antitrust Laws"), no later than one (1) Business Day from the date hereof, make all filings and submissions necessary, proper or advisable under such Antitrust Laws to obtain any required approval of any Governmental Entity with jurisdiction over the transactions contemplated hereby. Each of the Purchaser, Merger Sub and the Company shall furnish to the appropriate Governmental Entity all information required for any application or other filing to be made pursuant to any applicable Law in connection with the transactions contemplated hereby. Each of the Purchaser, Merger Sub and the Company shall cooperate with the other in promptly filing any other necessary applications, reports or other documents with any Governmental Entity having jurisdiction with respect to this Agreement and the transactions contemplated hereby, and in seeking necessary consultation with and prompt favorable action by such Governmental Entity.

(b) Each of the Purchaser, Merger Sub and the Company shall promptly comply with any additional requests for information that arise following the premerger notifications and related documentation required under the HSR Act filed and submitted pursuant to Section 6.4(a), including requests for production of documents and production of witnesses for interviews or depositions by any Governmental Entities. Each of the Purchaser, on the one hand, and the Holder Representative and Company, on the other hand, shall diligently assist and cooperate with the other in preparing and filing all documents required to be submitted to any Governmental Entities in connection with the transactions contemplated hereby and in obtaining any Governmental Entity or third party consents, waivers, authorizations or approvals which may be required to be obtained by the Purchaser, Holder Representative, the Stockholders, the Company or its Subsidiaries in connection with the transactions contemplated hereby. Nothing contained in this Agreement shall require or obligate the Purchaser or its Affiliates to divest, restrict, alter or otherwise bind the use, ownership or operation, as applicable, of its businesses, operations, organization or assets. The Purchaser and the Company shall each be responsible for one-half of all filing fees under the HSR Act, and other Antitrust Laws. The Purchaser shall cause the filings under the HSR Act to be considered for grant of "early termination."

Section 6.5 Further Assurances; Cooperation.

(a) Subject to the other provisions hereof, each Party agrees to use its commercially reasonable efforts to perform its obligations hereunder and to take, or cause to be taken, all actions, and to do, or cause to be done as promptly as practicable, all things reasonably necessary or reasonably requested to consummate and make effective the transactions contemplated by this Agreement. Without limiting the foregoing, the Parties shall, at any time after the Closing, execute, acknowledge and deliver any further deeds, assignments, conveyances, and other assurances, documents and instruments of transfer, reasonably requested by the other Party or Parties hereto, and will take, or cause to be taken, any other action consistent with the terms of this Agreement that may reasonably be requested by the other Parties, for the purpose of assigning, transferring, granting, conveying, and confirming to the Purchaser, or reducing to possession, any or all interests to be conveyed and transferred by this Agreement.

(b) Without limiting the generality of the foregoing, the Company acknowledges that the Purchaser is required, in connection with the transactions contemplated by this Agreement, to file with the Securities and Exchange Commission the consolidated financial statements of the Company and its Subsidiaries for its two most recent complete fiscal years and the nine-month period ended September 30, 2014 in accordance with Form 8-K and Regulation S-X promulgated by the Securities and Exchange Commission. Prior to the Closing Date, the Company and its Subsidiaries will, and will use their commercially reasonable efforts to cause their independent accounting firm to, cooperate with the Purchaser in the preparation and delivery of financial statements required for such filing.

Section 6.6 Exclusive Dealing. During the period from the date of this Agreement through the Closing or the earlier termination of this Agreement pursuant to Section 9.1, the Company shall not take or permit, and shall cause its Subsidiaries and Affiliates not to take or permit, any action to, directly or indirectly, encourage, initiate, engage in or otherwise entertain any inquiries, discussions or negotiations with, accept any proposals from or provide any information to, any Person (other than the Purchaser and its Representatives) concerning any purchase of the Common Stock or Preferred Stock, or any merger, sale of substantially all of the assets of the Company and its Subsidiaries or similar transactions involving the Company (other than assets sold in the Ordinary Course). The Holder Representative will promptly notify the Purchaser if the Company or Holder Representative receives any such inquiries, proposals or offers and provide the Purchaser with a copy of any written correspondence, proposals or offers.

Section 6.7 Notification. From the date hereof until the Closing Date, if the Company becomes aware of any variances from the representations and warranties contained in ARTICLE IV that would cause the condition set forth in Section 7.2(a) not to be satisfied, the Company shall disclose to the Purchaser in writing such variances in the form of updated Company Disclosure Schedules. Notwithstanding any provision in this Agreement to the contrary, unless the Purchaser provides the Company with a termination notice within five (5) Business Days after delivery by the Company of updated Company Disclosure Schedules pursuant to this Section 6.7 (which notice may only be delivered if the Purchaser or Merger Sub is entitled to terminate the Agreement pursuant to Section 9.1(b)), the Purchaser and Merger Sub shall be deemed to have waived their right to terminate this Agreement or prevent the consummation of the transactions contemplated by this Agreement pursuant to Section 7.2(a) and to have accepted the updated Company Disclosure Schedules. Notwithstanding the foregoing, the delivery of any such updated Company Disclosure Schedules will not be deemed to have cured any misrepresentation or breach of warranty that otherwise might have existed hereunder by reason of such variance or inaccuracy for purposes of the Purchaser Indemnified Parties' rights to indemnification following the Closing pursuant to and in accordance with the terms of ARTICLE X below.

Section 6.8 Public Announcements. Subject to applicable Law, the Parties agree that neither Purchaser nor the Company or any of its Subsidiaries shall issue the initial press release or other public announcement of or related to this Agreement or the transactions contemplated hereby without the prior written consent of the Holder Representative, which consent shall not be unreasonably withheld, conditioned or delayed, and without the written consent of the Holder Representative, which shall not be unreasonably withheld, conditioned or delayed, neither Purchaser nor the Company shall issue any subsequent press release or public announcement of or related to this Agreement or the transactions contemplated hereby the substance of which (as it relates to this Agreement or the transactions contemplated hereby) differs materially from the substance of such initial press release or public announcement. Subject to applicable Law, the Parties agree that the Holder Representative shall not issue any press release or other public announcement of or related to this Agreement or the transactions contemplated hereby without the prior written consent of the Purchaser. If any public announcement is required by applicable Law to be made by any Party, prior to making such announcement, such Party shall deliver a draft of such announcement to the other Parties, shall give the other Parties reasonable opportunity to comment thereon and shall use reasonable efforts to incorporate such comments therein. For the avoidance of doubt, the restrictions contained in this Section 6.8 shall apply solely to press releases or other public announcements of or related to this Agreement or the transactions contemplated hereby, and nothing in this Section 6.8 shall limit any right of the Purchaser or the Company, from and after the Closing, to make any statements or announcements regarding the operations or performance of the businesses of the Company or its Subsidiaries or communicate with clients and vendors in the Ordinary Course.

Section 6.9 Confidentiality. Through the Closing Date, the Purchaser hereby agrees to be bound by, and comply with, the terms of the Confidentiality Agreement as if it were an original party thereto.

Section 6.10 Company Benefit Plans. With respect to employees of the Company and its Subsidiaries (and their dependents and beneficiaries where appropriate), (i) the Purchaser shall on a plan-by-plan basis either (A) continue to provide coverage and make all payments required under each Company Benefit Plan identified on **Schedule 6.10** at least through December 31, 2015; or (B) provide coverage that is substantially comparable in all material respects to such plans through December 31, 2015, and (ii) the Purchaser shall as of the Closing (A) recognize such employees' employment service with the Company and/or its Subsidiaries (including credit for service with predecessor employers as currently recognized under the applicable Company Benefit Plans) for participation, vesting, eligibility and benefit accrual purposes (other than for accruals under any defined benefit pension plan) under any Employee Benefit Plan that the Purchaser may provide to such employees, (B) not require such employees, in the plan year in which the Closing occurs, to satisfy any deductible, co-payment, out of pocket maximum or similar requirement under the Purchaser's plans to the extent of amounts previously credited for such purposes under the applicable plans of the Company and its Subsidiaries, (C) not apply to such employees any waiting periods, pre-existing condition exclusions and requirements to show evidence of good health contained in any of the Purchaser's plans to the extent waiting periods, pre-existing conditions, exclusions and requirements were satisfied under the corresponding Company Benefit Plans and (D) honor in full all vacation accrued in accordance with Company policy that is not taken for the calendar year in which the Closing occurs.

Section 6.11 280G Consent. Prior to the Closing, the Company shall have taken all necessary actions (including obtaining any required waivers or consents from any person who is a "disqualified individual" (as defined in Treasury Regulations Section 1.280G-1) (each, a "Disqualified Individual")) to seek approval by its stockholders, in a manner that satisfies Section 280G(b)(5) of the Code and the Treasury Regulations issued thereunder (including the requirement to provide adequate disclosure to all Persons entitled to vote), of any payments or rights to retain cash or stock, by Disqualified Individuals, that are described in *Section 4.14(j) of the Company Disclosure Schedule* that may be deemed or in connection with other payments and benefits to the Disqualified Individuals may be deemed, to constitute "excess parachute payments" pursuant to Section 280G of the Code, such that all such payments will not be deemed to be "excess parachute payments" pursuant to Section 280G of the Code or shall be exempt from such treatment under Section 280G of the Code or will not be made if not so approved. This Section 6.11 shall not apply to any arrangements entered into with the Disqualified Individual at the direction of Purchaser so that the Company's compliance with this Section 6.11 will be determined as though such arrangements had not been entered into. The Company shall, however, submit for stockholder approval any such Purchaser arrangements that are disclosed in writing to the Company prior to the date of this Agreement.

Section 6.12 Contact with Customers and Suppliers. Prior to the Closing, the Purchaser and its Representatives may only contact and communicate with the customers, service providers and suppliers of the Company and its Subsidiaries in connection with the transactions contemplated hereby after prior consultation with and approval of the Holder Representative.

Section 6.13 Directors' and Officers' Indemnification.

(a) From and after the Closing Date until the sixth ($6^{th}$) anniversary of the Closing Date, the Purchaser shall indemnify, defend and hold harmless the individuals who on or prior to the Closing Date were directors, officers, employees or agents of the Company or any of its Subsidiaries with respect to all acts or omissions by them in their capacities as such or taken at the request of the Company or any of its Subsidiaries at any time prior to the Closing Date, to the same extent such directors, officers, employees or agents were entitled to indemnification prior to the Closing Date. Purchaser agrees that all rights of such Persons to indemnification and exculpation from liabilities for acts or omissions occurring at or prior to the Closing Date as provided in the respective certificate of incorporation or bylaws or comparable organizational documents of the Company or any of its Subsidiaries as now in effect, and any indemnification agreements or arrangements of the Company or any of its Subsidiaries set forth on *Section 6.13 of the Company Disclosure Schedule*, shall survive the Closing Date and shall continue in full force and effect in accordance with their terms. Such rights shall not be amended, or otherwise modified in any manner that would adversely affect the rights of such indemnitees unless such modification is required by applicable Law. In addition, Purchaser shall pay any expenses of any such indemnitee under this Section 6.13, as incurred to the same extent such indemnitee was entitled to payment of expenses prior to the Closing Date, provided that the Person to whom expenses are advanced provides an undertaking to repay such advances to the extent required by applicable Law.

(b) From and after the Closing Date until the sixth ($6^{th}$) anniversary of the Closing Date, the Purchaser agrees that (i) the certificate of incorporation and the bylaws or comparable organizational documents of the Surviving Corporation, the Company and its Subsidiaries after the Closing shall contain provisions with respect to indemnification and exculpation from liability that are at least as favorable to the beneficiaries of such provisions as those provisions that are set forth in the certificate of incorporation and bylaws or comparable organizational documents of the Company and its Subsidiaries, respectively, on the date of this Agreement, which provisions shall not be amended, repealed or otherwise modified following the Closing in any manner that would adversely affect the rights thereunder of Persons who at or prior to the Closing were directors, officers, employees or agents of the Company or any of its Subsidiaries, unless such modification is required by applicable Law; and (ii) all rights to indemnification as provided in any indemnification agreements with any current or former directors, officers and employees of the Company or any of its Subsidiaries as in effect as of the date hereof with respect to matters occurring at or prior to the Closing shall survive the Closing.

(c) The Parties agree that the Company will pay at the Closing an amount sufficient to enable the Company to purchase "tail" coverage for a period of no less than six (6) years following the Closing Date under the directors and officers, fiduciary and employment practices liability insurance policy of the Company, as in effect on the Closing Date. The aggregate amount necessary to purchase such "tail" coverage shall be referred to as the "D&O Tail Premium" and the D&O Tail Premium shall be treated as a Transaction Expense.

(d) In the event the Purchaser or the Company or any of their respective Subsidiaries, successors or assigns (i) consolidates with or merges into any other Person and is not the continuing or surviving corporation or entity of such consolidation or merger or (ii) transfers all or substantially all of its properties and assets to any Person, the Purchaser shall use its best efforts to ensure that proper provisions shall be made so that the successors and assigns of the Purchaser, the Company or their respective subsidiaries (as applicable) assume the obligations set forth in this Section 6.13.

(e) This Section 6.13, which shall survive the Closing and shall continue for the periods specified herein, is intended to benefit any Person or entity referenced in this Section 6.13 or indemnified hereunder, each of whom may enforce the provisions of this Section 6.13 (whether or not parties to this Agreement). The obligations of the Purchaser and the Surviving Corporation under this Section 6.13 shall not be terminated or modified in such a manner as to adversely affect any indemnitee to whom this Section 6.13 applies without the express written consent of such affected indemnitee (it being expressly agreed that the indemnities to whom this Section 6.13 applies shall be third party beneficiaries of this Section 6.13).

Section 6.14 Undertakings of Purchaser. The Purchaser shall perform, or cause to be performed, when due, all obligations of Merger Sub under this Agreement.

Section 6.15 Tax Matters.

(a) Pre-Closing Period Tax Returns. The Equity Holders shall, at their expense, or if the Holder Representative so requests, at least ninety (90) days prior to the due date of such Tax Return, the Surviving Corporation shall, at the Equity Holders' expense, prepare, or cause to be prepared, all Tax Returns (including such Tax Returns filed pursuant to any valid extension of time to file and any amendments thereto) required to be filed after the Closing Date by the Company and its Subsidiaries with respect to any Tax Period ended on or before the Closing Date (the "Pre-Closing Periods" and such Tax Returns, the "Pre-Closing Period Tax Returns"), and the Equity Holders shall be responsible for, pay and indemnify the Purchaser Indemnified Parties for all Taxes payable by the Company and its Subsidiaries with respect to such Pre-Closing Periods, including Taxes shown as due and payable on such Tax Returns. Such Pre-Closing Period Tax Returns shall be prepared on a basis consistent with the Tax Returns previously filed by the Company, unless otherwise required by applicable Tax Law. The Holder Representative shall provide a copy of each such Pre-Closing Period Tax Return to the Purchaser for the Purchaser's review and comment a reasonable period of time (not to be less than thirty (30) days in the case of income Tax Returns) before such Tax Return is filed by the Equity Holders and such comments shall be incorporated into the Tax Return by the Holder Representative so long as such comments are consistent with the Tax Returns previously filed by the Company and in accordance with applicable Law; provided, however, that if the Holder Representative requests that the Surviving Corporation prepare and file any Pre-Closing Period Tax Return, the Surviving Corporation shall prepare such Pre-Closing Period Tax Returns on a basis consistent with the Tax Returns previously filed by the Company or the applicable Subsidiary (as the case may be), unless otherwise required by applicable Tax Law, and shall provide a copy of each such Pre-Closing Period Tax Return to the Holder Representative for the Holder Representative's review a reasonable period of time (not to be less than thirty (30) days in the case of income Tax Returns) before such Tax Return is filed. The Holder Representative shall notify the Purchaser within 15 days after delivery to the Holder Representative if it has any comments with respect to items set forth in such Tax Return and such comments shall be incorporated into the Tax Return by the Purchaser provided that such comments are in accordance with applicable Law and such comments do not have the effect of increasing any liabilities of the Surviving Corporation or any of its Subsidiaries for any Post-Closing Tax Period. The Purchaser shall furnish any information requested by the Holder Representative necessary for the preparation and review of the Pre-Closing Period Tax Returns. The Surviving Corporation shall timely file all such Pre-Closing Period Tax Returns (as finally determined pursuant to this Section 6.15(a)) with the appropriate Taxing Authority and shall prepare and file all Tax Returns required to be filed by the Surviving Corporation and its Subsidiaries for all taxable periods (the "Post-Closing Tax Periods") beginning after the Closing Date ("Post-Closing Period Tax Returns"), and the Purchaser shall pay, or cause to be paid, all Taxes with respect to such Post-Closing Period Tax Returns.

(b) Straddle Period Tax Returns. The Purchaser shall, at the Purchaser's expense, prepare and file, or cause to be prepared and filed, any Tax Returns required to be filed by the Company and its Subsidiaries for any taxable periods which include (but do not end on) the Closing Date ("Straddle Periods") (such Tax Returns, "Straddle Period Tax Returns"), and Purchaser shall pay, or cause to be paid, all Taxes with respect to such Straddle Period Tax Returns, subject to the Equity Holders' responsibility (subject to the last sentence of this Section 6.15(b)) for the Taxes of such Straddle Period attributable to the portion of the Straddle Period ending on the Closing Date ("Pre-Closing Taxes") as determined in accordance with Section 6.15(c). The Purchaser shall provide a copy of each Straddle Period Tax Return and a statement (and work papers and documentation supporting such statement) calculating and certifying the amount of Pre-Closing Taxes shown on such Straddle Period Tax Return, if any, that are chargeable to the Equity Holders for review and comment a reasonable period of time (not to be less than thirty (30) days in the case of income Tax Returns) before such Straddle Period Tax Return is filed and shall consider in good faith any comments provided by the Holder Representative. The Purchaser and the Holder Representative agree to consult and resolve in good faith any objections from the Holder Representative or the Equity Holders with respect to the Straddle Period Tax Returns or Pre-Closing Taxes. However, if the Purchaser and the Holder Representative cannot resolve any such objections, the matter shall be referred to the Arbitrator for prompt resolution. The Equity Holders will pay or cause to be paid all Pre-Closing Taxes for which the Equity Holders are responsible and that have been determined pursuant to this Section 6.15(b) at least five (5) days before the Company or the Purchaser is required to cause to be paid the related Tax liability and will indemnify the Purchaser Indemnified Parties for all such Pre-Closing Taxes.

(c) Calculation of Taxes for Straddle Period Tax Returns. Pre-Closing Taxes for Straddle Period Tax Returns shall be calculated based on a closing of books of the Company and its Subsidiaries as of the Closing Time; provided, however, that in the case of a Tax not based on income, receipts, proceeds, payroll, expenditures, profits or similar items, Pre-Closing Taxes shall be equal to the amount of Tax for the entire Straddle Period, multiplied by a fraction the numerator of which is the total number of days from the beginning of the Straddle Period through the Closing Date and the denominator of which is the total number of days in the Straddle Period.

(d) Amendments, Modifications, etc. After the Closing Date, any amendment, modification or other changes to any Tax Returns of the Company or its Subsidiaries for any Pre-Closing Period shall require the prior written consent of the Holder Representative which may be withheld in his sole discretion; provided, however, that Purchaser shall be permitted to make any such amendment, modification or other changes to the extent such amendment, modification or change is required by applicable Laws.

(e) Cooperation. The Holder Representative, Holders, the Company and the Purchaser shall cooperate, as and to the extent reasonably requested by the other party, in connection with the preparation and filing of Tax Returns pursuant to this Section 6.15 and any Tax Proceeding (as defined below). Such cooperation shall include signing any Tax Returns, amended Tax Returns, claims or other documents necessary to settle any Tax Proceeding, the retention and (upon the other party's request) the provision of records and information which are reasonably relevant to any such Tax Proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereby.

(f) Tax Proceedings.

(i) After the Closing, the Purchaser shall promptly notify the Holder Representative in writing of the proposed assessment or the commencement of any Tax audit or administrative or judicial proceeding or of any demand or claim on the Purchaser or the Company or its Subsidiaries ("Tax Proceeding") which, if determined adversely to the taxpayer or after the lapse of time, could be grounds for payment of Taxes by the Equity Holders under this Agreement. Any notices required to be given by the Purchaser shall contain factual information (to the extent known to the Purchaser, the Company or its Subsidiaries, as the case may be) describing the asserted Tax liability in reasonable detail and shall include copies of any notice or other document received from any Governmental Entity in respect of any such asserted Tax liability. Notwithstanding anything to the contrary contained herein, the failure or delay to so notify the Holder Representative pursuant to this Section 6.15(f)(i) shall not relieve the Equity Holders of any obligation or liability that the Equity Holders may have to any Purchaser Indemnified Party, except to the extent that the Equity Holders demonstrate that the Equity Holders are materially and adversely prejudiced thereby.

(ii) Notwithstanding anything to the contrary contained in this Agreement, the Holder Representative shall have the sole right to control and make all decisions regarding interests in any Tax Proceeding, including selection of counsel (provided that such counsel shall be reasonably acceptable to both the Holder Representative and the Purchaser) and selection of a forum for such contest in the event such Tax Proceeding relates to Taxes for which the Equity Holders may have an indemnity obligation under Section 10.1(d), provided that the Purchaser shall have the right (but not the obligation) to participate in such audit or proceeding at the Purchaser's expense. The Holder Representative shall not enter into any agreement with the relevant Tax authority pertaining to such Taxes without the written consent of the Purchaser, which consent shall not unreasonably be withheld, conditioned, or delayed. The Purchaser's right to participate shall include, but shall not be limited to, the right to receive copies of all correspondence from any Governmental Entity relating to such Tax Proceeding, attend meetings, and review and comment on submissions relating to any Tax Proceeding, and the Holder Representative shall consider in good faith any comments provided by the Purchaser.

(iii) Notwithstanding anything to the contrary contained in this Agreement, the procedures for all Tax Proceedings shall be governed exclusively by this Section 6.15 (and not Section 10.3).

(iv) In the event any Tax proceeding is finally settled and resolved in such a manner as to require a payment of Taxes for which the Purchaser is indemnified hereunder, the Purchaser shall be reimbursed by the Equity Holders (or, at the Purchaser's discretion, from the Indemnification Escrow Fund), for any such Taxes for which the Equity Holders are responsible at least five (5) days before the Company or the Purchaser (or any Affiliate thereof) is required to pay such Taxes.

(g) Transfer Taxes. Any sales, use, real estate transfer, stock transfer or similar Tax ("Transfer Taxes") payable in connection with the transactions contemplated by this Agreement shall be borne fifty percent (50%) by the Purchaser and fifty percent (50%) by the Equity Holders. The Purchaser agrees that it shall pay all such Transfer Taxes and the Purchaser shall be entitled to be reimbursed from the Indemnification Escrow Fund for one-half (1/2) of the amount of such Transfer Taxes. Except as otherwise required by Law, the Purchaser shall duly and timely prepare and file any Tax Return relating to such Taxes. The Purchaser shall give the Holder Representative a copy of each such Tax Return for its review and comments at least fifteen (15) days prior to filing and shall give the Holder Representative a copy of such Tax Return as filed, together with proof of payment of the Taxes shown thereon to be payable. The Holder Representative shall cooperate with the Purchaser in the preparation and filing of all Tax Returns or other applicable documents for or with respect to Transfer Taxes, including as may be necessary or appropriate to file such Tax Returns or establish an exemption from (or otherwise reduce) Transfer Taxes.

(h) Tax Refunds; Credits.

(i) The amount or economic benefit of any refunds or credits against Taxes of the Company or its Subsidiaries for any Pre-Closing Period shall be for the account of the Equity Holders. The amount or economic benefit of any refund or credit against Taxes of the Company for any Straddle Period shall be equitably apportioned between the Equity Holders and Purchaser in accordance with the principles set forth in Section 6.15(c) except to the extent any such Tax refund was the result of a carryback of any net operating loss or credit from a Tax period ending after the Closing Date, which refunds shall be for the account of the Purchaser. The Purchaser shall promptly pay or cause to be paid to the Holder Representative any such refund when actually received and the dollar amount of any such credit against Taxes when such credit arises, provided, that the Equity Holders shall be required, upon the request of Purchaser, to promptly repay, severally in accordance with their Escrow Pro Rata Percentages, any amount paid to the Equity Holders under this Section 6.15(h) to the extent the Purchaser or the Company or its Subsidiaries is required to repay to a Tax authority any such refund or a portion thereof and/or when a credit that gave rise to such payment is subsequently disallowed or deferred by a Tax authority. If the Holder Representative reasonably determines that the Company or its Subsidiaries is entitled to file or make a claim for a refund or an amended Tax Return providing for a refund with respect to a Pre-Closing Period or a portion of a Straddle Period ending on the Closing Date (including, without limitation, a refund claim based on carrying back a net operating loss or tax credit from any Tax period ended on or before the Closing Date to an earlier Tax period), the Purchaser will at the written request of the Holder Representative and to the extent permitted by applicable Law file or make, or cause to be filed or made, such claim or amended Tax Return, and the Holder Representative shall be entitled to participate in any proceeding or action relating to such claim for refund or amended Tax Return, and provided that any reasonable costs relating solely to such claim or such Tax Return, as the case may be, shall be borne by the Equity Holders. For the avoidance of doubt, the Purchaser shall not waive, and shall not cause or permit the Company or any of its Subsidiaries to waive, a carryback of any losses arising in any Tax period or portion of a Tax period ended on or before the Closing Date under Section 172(b)(3) of the Code or corresponding provision of state or local Tax Law.

(ii) If the Purchaser, the Company, the Subsidiaries or any Affiliate of the foregoing receives a refund, credit or reduction of Taxes for any Tax period commencing after the Closing Date or for any portion of a Straddle Period commencing after the Closing Date that results from the application of a net operating loss carryforward or credit carryforward of the Company or any of its Subsidiaries attributable to a Pre-Closing Period or a net operating loss or credit arising in the portion of a Straddle Period ended on the Closing Date, such refund, credit or reduction shall be treated in the same manner as a refund or credit described in paragraph (i) of this Section 6.15(h), and the Purchaser shall promptly pay or cause to be paid to the Holder Representative such refund or the amount of such credit in accordance with the provisions of paragraph (i) of this Section 6.15(h). Likewise, if the Purchaser, the Company, the Subsidiaries or any Affiliate of the foregoing receives a refund, credit or reduction of Taxes for any Tax Period commencing after the Closing Date that results from any payments made or required to be made by the Purchaser, the Company, the Subsidiaries or any Affiliate of the foregoing from the Indemnification Escrow Fund, the Holder Representative Reserve and/or the Holdback Amount to Option Holders and/or Phantom Stockholders, the Purchaser shall promptly pay or cause to be paid to the Holder Representative the amount of such refund, credit or reduction of Tax, net of any and all employment Taxes imposed on the Purchaser, the Company, Subsidiaries or any Affiliate of the foregoing resulting from amounts payable to the Option Holders and/or Phantom Stockholders.

(i) Limitations on Indemnity. Notwithstanding anything to the contrary contained in this Agreement or otherwise, the Purchaser shall not be entitled to be indemnified or held harmless under this Agreement (including pursuant to a claim of breach of representation) for, and the Equity Holders shall not be responsible for (including under Section 6.15(a) or 6.15(b)) (i) any Taxes (or Damages relating to Taxes) (A) relating to any taxable year that begins after the Closing Date, (B) relating to a Straddle Period that are not Pre-Closing Taxes, determined pursuant to Section 6.15(c), (C) attributable or relating to transactions outside of the Ordinary Course of Business that occur on the Closing Date after the Closing, (D) which are Transfer Taxes for which the Purchaser is responsible pursuant to Section 6.15(g), or (E) related to any election available under Section 338 of the Code, or (ii) any Damages relating to the failure of the Company to have, or limitations on, or reductions in or changes to, any Tax attributes (including, without limitation, net operating or capital losses, credit carryovers, tax basis and depreciation or amortization periods) relating to any Pre-Closing Period; provided, however, that nothing in this Section 6.15(i) shall apply to limit the Purchaser's right to Damages resulting from (A) interest, penalties or additions to Tax relating to Taxes imposed on the Company or its Subsidiaries attributable to Pre-Closing Periods and Straddle Periods (determined in accordance with Section 6.15(c)) for which the Equity Holders are otherwise responsible pursuant to this Agreement that accrue in periods (or portions of periods) ending after the Closing Date, (B) a breach of a representation set forth in Sections 4.14(i), (j), (n), (p), (u) or (v); (C) any obligations of the Equity Holders pursuant to Section 6.15(h)(i) or (D) Taxes relating to any period ending after the Closing Date and with respect to which the Purchaser is entitled to indemnification pursuant to Sections 10.1(d)(ii), (iv) or (v).

(j) Section 338 Elections. Neither the Purchaser, the Company, nor the Surviving Corporation will make any election available under Section 338 of the Code or any similar provision of United States federal, state, or local Law with respect to the transactions contemplated under this Agreement.

Section 6.16 Domain Names. The Company shall use its commercially reasonable efforts to cause all domain names currently used by it or its Subsidiaries, including, without limitation, those domain names set forth in *Section 4.20 of the Company Disclosure Schedule*, to be transferred to the Company and registered in the Company's name prior to the Closing.

Section 6.17 Employment Documents. The Company shall use its commercially reasonable efforts to cause all of the employees set forth on **Schedule 6.17** to execute (a) Purchaser Standard Employment Documents and (b) an offer letter in substantially the form of **Exhibit H**, in each case, prior to the Closing.

Section 6.18 Release of Software Source Code Escrow. Prior to the Closing, the Company shall use its commercially reasonable efforts to cause the client set forth on **Schedule 6.18** to release from escrow back to the Company, exclusively, the source code to the software that is currently being used by such client and held in escrow pursuant to the agreement with such client set forth on **Schedule 6.18**, and any escrow agreement related thereto, in exchange for the Company transferring all of its rights in the equity interests it owns of such client back to such client.

Section 6.19 Third Party Consents. Prior to the Closing, the Company shall use its best efforts to obtain the written consent described in **Schedule 6.19**.

## ARTICLE VII
## CONDITIONS TO CLOSING

Section 7.1 Conditions to Each Party's Obligations. The respective obligations of each Party to effect the transactions contemplated hereby shall be subject to the satisfaction or waiver on or prior to the Closing Date of the following conditions:

(a) Stockholder Approval. The Stockholder Approval shall have been obtained in accordance with applicable Law and this Agreement.

(b) Appraisal. Stockholders demanding appraisal rights as of the Closing Date in accordance with the provisions of Section 262 of the DGCL shall not have demanded such rights with respect to greater than ten percent (10%) of the Common Stock issued and outstanding as of the Effective Time.

(c) Antitrust. The expiration or termination of the waiting period (and any extension thereof) applicable to the consummation of the Merger under the HSR Act or any other Antitrust Laws.

(d) Injunction. There shall be no effective injunction, decree, writ or temporary restraining order (or any hearing scheduled with respect thereto) or any order of any nature issued by a Governmental Entity of competent jurisdiction to the effect that the Merger may not be consummated as provided herein and no statute, Law, rule, legal restraint or prohibition shall be in effect preventing the consummation of the Merger.

(e) Governmental Consents. All consents, approvals, orders or authorizations of, or registrations, declarations or filings with, all Governmental Entities required for the consummation of the transactions contemplated hereby shall have been obtained or made.

(f) No Action. No action shall have been taken, nor shall any statute, rule or regulation have been enacted, by any Governmental Entity that makes the consummation of the transactions contemplated by this Agreement or any other transaction document illegal, or that would reasonably be expected to have the effect of preventing the consummation of the Closing.

Section 7.2 Conditions to Purchaser's and Merger Sub's Obligations. The obligations of the Purchaser and Merger Sub to effect the transactions contemplated hereby shall be subject to the satisfaction or waiver on or prior to the Closing Date of the following additional conditions:

(a) Representations and Warranties. The representations and warranties set forth in ARTICLE IV (other than those representations and warranties that address matters as of particular dates) shall be true and correct as of the Closing Date as though then made and as though the Closing Date was substituted for the date of this Agreement throughout such representations and warranties (without giving effect to materiality, Material Adverse Effect or similar phrases in the representations and warranties, except in Section 4.10), and the representations and warranties set forth in ARTICLE IV that address matters as of particular dates shall be true and correct as of such dates (without regard to materiality, Material Adverse Effect or similar phrases in the representations and warranties, except in Section 4.10), except where the failure of such representations and warranties referenced in the immediately preceding clauses to be so true and correct would not, in the aggregate, have a Material Adverse Effect.

(b) Performance of Obligations of the Company. The Company shall have performed in all material respects all covenants and agreements required to be performed by it hereunder at or prior to the Closing.

(c) No Material Adverse Effect. A Company Material Adverse Effect shall not have occurred.

(d) Indebtedness: Release of Liens. The Company shall have delivered to the Purchaser payoff letters ("Payoff Letters") from each lender to the Indebtedness (excluding Surviving Indebtedness) evidencing the aggregate amount of such Indebtedness outstanding as of the Closing Date (including any interest accrued thereon and any prepayment or similar penalties and expenses associated with the prepayment of such Indebtedness on the Closing Date) and an agreement that, if such aggregate amount so identified is paid to such lender on the Closing Date, such Indebtedness shall be repaid in full and that all Liens affecting any real or personal property of the Company or any of its Subsidiaries will be released, and at the Closing Time the Company and its Subsidiaries shall have no other outstanding Indebtedness (other than Surviving Indebtedness).

(e) Offer Letters and Related Agreements. The offer letters and "Purchaser Standard Employment Documents" (defined as including the Confidentiality and Intellectual Property Agreements, Conflict of Interest Statements, Code of Business Ethics and Conduct Acknowledgments, and all other related agreements), and non-competition, non-solicitation and non-disparagement agreements in the form of **Exhibit F-1** or **F-2**, as applicable, in each case executed on the date of this Agreement and effective as of the Closing, with the key employees listed on **Schedule 7.2(e)** ("Key Employees"), shall be in full force and effect.

(f) Forms 5500. The Company and its Subsidiaries shall have filed under the US Department of Labor's delinquent filer program Forms 5500 in respect of Company Benefit Plans that are "welfare plans" within the meaning of Section 3(1) of ERISA, which filings shall be in form and substance reasonably satisfactory to the Purchaser.

(g) Canadian Matters. The intercompany loan from Olson & Co., Inc. to Olson Canada, Inc. shall have been repaid in full, and all cash (other than Restricted Cash) held by Olson Canada, Inc. shall have been distributed to Olson + Co., Inc.

(h) Notices. All notices referred to on *Section 4.5(a)(iii) of the Company Disclosure Schedule* shall have been made.

(i) Ancillary Documents. The Company shall have delivered, or caused to be delivered, to the Purchaser the documents listed in Section 8.2.

Section 7.3 Conditions to Company's Obligations. The obligations of the Company to effect the transactions contemplated hereby shall be subject to the satisfaction or waiver on or prior to the Closing Date of the following additional conditions:

(a) Representations and Warranties. The representations and warranties set forth in ARTICLE V of this Agreement shall be true and correct in all material respects as of the Closing Date as though then made and as though the Closing Date was substituted for the date of this Agreement throughout such representations and warranties (without giving effect to materiality or similar phrases in the representations and warranties).

(b) Performance of Obligations by the Purchaser and Merger Sub. The Purchaser and Merger Sub shall have performed in all material respects all the covenants and agreements that are required to be performed by them under this Agreement at or prior to the Closing.

(c) Ancillary Documents. The Purchaser shall have delivered, or caused to be delivered, to the Company the documents listed in Section 8.3.

Section 7.4 Frustration of Closing Conditions. Neither the Company, the Purchaser nor Merger Sub may rely, either as a basis for not consummating the Merger or terminating this Agreement and abandoning the Merger, on the failure of any condition set forth in Sections 7.1, 7.2 or 7.3, as the case may be, to be satisfied if such failure was caused by such Party's breach of any provision of this Agreement or failure to use commercially reasonable efforts to consummate the Merger and the other transactions contemplated hereby as required by the terms of this Agreement.

## ARTICLE VIII
## CLOSING

Section 8.1 Closing. The Closing will take place at the offices of Hogan Lovells US LLP located at 1200 Seventeenth Street, Suite 1500, Denver, Colorado 80202 at the Closing Time on the fourth ($4^{th}$) Business Day following full satisfaction or due waiver of all closing conditions set forth in ARTICLE VII hereof (other than those to be satisfied at the Closing itself) or on such date as is mutually agreeable to the Purchaser, the Company and the Holder Representative. The Closing may take place by conference call and electronic transfer of signature pages and deliverables.

Section 8.2 Company Closing Deliveries. At the Closing, the Company shall deliver, or cause to be delivered, to the Purchaser and the Escrow Agent, as applicable, the following, any of which, if not fulfilled may be waived by the Purchaser:

(a) the Certificate of Merger;

(b) evidence reasonably satisfactory to the Purchaser that the Stockholder Approval has been obtained;

(c) a certificate, in form and substance reasonably satisfactory to the Purchaser, executed by the Chief Executive Officer of the Company, certifying that the conditions set forth in Section 7.2(a)-(c) have been satisfied;

(d) executed No Hire Agreement by KRG and its Affiliates, in the form of **Exhibit B**;

(e) evidence reasonably satisfactory to the Purchaser of termination of the Stockholders Agreement;

(f) evidence reasonably satisfactory to the Purchaser of termination of the KRG Management Agreement;

(g) evidence reasonably satisfactory to the Purchaser of approval, if obtained, by the holders of Company Stock of any payments that are described in *Section 4.14(j) of the Company Disclosure Schedule* as "excess parachute payments" pursuant to Section 280G of the Code;

(h) evidence reasonably satisfactory to the Purchaser of the repayment in full of all Indebtedness and the termination and release in full of all Liens relating to such Indebtedness, except for capital leases;

(i) the Company's executed counterpart to the Escrow Agreement;

(j) evidence reasonably acceptable to the Purchaser that, effective as of the Effective Time, the Company has terminated the 2009 Incentive Plan and any other equity plans in effect;

(k) a certificate that complies with Treasury Regulation Section 1.1445-2(c)(3), certifying that the Company Stock does not constitute a U.S. real property interest within the meaning of such Treasury Regulation and Treasury Regulation Section 1.897-2(h), in the form of **Exhibit G**, together with a copy of the Company's notice to the United States Internal Revenue Service pursuant to Treasury Regulation Section 1.897-2(h)(2);

(l) written resignations of all officers and directors of the Company and its Subsidiaries;

(m) evidence reasonably satisfactory to the Purchaser of payment to the Company in full satisfaction of the obligations owed by [****] to Olson + Co., Inc. under (i) that certain Promissory Note dated February 19, 2013, in the original principal amount of Four Hundred Ninety-Seven Thousand Nine Hundred Twenty-Nine Dollars and Sixty Cents ($497,929.60) and (ii) that certain Promissory Note, dated July 1, 2014, in the original principal amount of Five Hundred Thousand Dollars ($500,000);

(n) completed and executed Letters of Transmittal and Payment Instructions from the holders of at least eighty-five percent (85%) of the Fully Diluted Shares issued and outstanding as of the Effective Time;

(o) interim balance sheet and unaudited consolidated statements of comprehensive income, stockholders' equity and cash flows of the Company and its Subsidiaries for the nine-month period ended September 30, 2014;

(p) executed Cooperation Agreement [****], in the form of Exhibit I; and

(q) possession of the books and records, intellectual property and related documentation and records of the Company.

Section 8.3 Purchaser Closing Deliveries. At the Closing, the Purchaser shall deliver, or cause to be delivered, to the Company or the Escrow Agent, as applicable, the following:

(a) the Certificate of Merger;

(b) payment (or evidence of payment, as applicable) of the Closing Consideration pursuant to Section 3.2 and Section 3.5;

(c) payment of the Indemnification Escrow Amount in accordance with Section 3.3;

(d) payment of the amounts set forth in Section 3.8;

(e) the Purchaser's duly executed counterpart to the Non-Solicitation Agreement; and

(f) the Purchaser's executed counterpart to the Escrow Agreement.

## ARTICLE IX
## TERMINATION

Section 9.1 Termination. This Agreement may be terminated at any time prior to the Closing:

(a) by the mutual written consent of the Purchaser and the Holder Representative, on behalf of the Holders;

(b) by the Purchaser, upon written notice to the other Parties hereto, if there has been a material violation or breach by the Holder Representative or the Company of any covenant, representation or warranty contained in this Agreement that has prevented the satisfaction of any condition to the obligations of the Purchaser or Merger Sub at the Closing and such violation or breach has not been waived by the Purchaser or cured by the Holder Representative or the Company within thirty (30) days after receipt by the Company of written notice thereof from the Purchaser or Merger Sub; provided, however, that the Purchaser is not then in material breach of this Agreement so as to cause any conditions set forth in ARTICLE VII not to be satisfied;

(c) by the Holder Representative, on behalf of the Holders, upon written notice to the other Parties hereto, if there has been a material violation or breach by the Purchaser or Merger Sub of any covenant, representation or warranty contained in this Agreement that has prevented the satisfaction of any condition to the obligations of the Company at the Closing and such violation or breach has not been waived by the Holder Representative or cured by the Purchaser or Merger Sub within thirty (30) days after receipt by the Purchaser of written notice thereof from the Holder Representative (provided that none of (i) a breach by the Purchaser of Section 5.4 hereof, (ii) the failure of the Closing to occur on the date specified in Section 8.1 or (iii) the failure to deliver the Closing Consideration or the other payments contemplated by ARTICLE III at the Closing as required hereunder shall be subject to cure hereunder unless otherwise agreed to in writing by the Holder Representative); provided; however, that the Company is not then in material breach of this Agreement so as to cause any conditions set forth in ARTICLE VII not to be satisfied; or

(d) by the Purchaser or the Holder Representative, on behalf of the Holders, upon written notice to the other Parties hereto, if the transactions contemplated hereby have not been consummated on or before December 31, 2014, which date shall be extended until April 30, 2015 in the event any of the Parties are notified that the U.S. Federal Trade Commission and/or the U.S. Department of Justice intend to commence a second request in order to investigate the anticompetitive consequences of the transactions contemplated hereby under applicable Antitrust Laws (such date, including any such extension, the "Outside Date"); provided; however, that in each case, the right to terminate this Agreement under this Section 9.1(d) shall not be available to any Party whose failure to fulfill any obligation under this Agreement has been the cause of, or resulted in, the failure of the Closing of the transactions contemplated hereby to occur on or prior to such date.

Section 9.2 Effect of Termination. In the event this Agreement is terminated by either the Purchaser or the Holder Representative, on behalf of the Holders, as provided in Section 9.1, the provisions of this Agreement shall immediately become void and of no further force and effect (other than Sections 6.8 – 6.9, this Section 9.2 and ARTICLE XI hereof, which shall survive the termination of this Agreement), and there shall be no liability on the part of the Purchaser or Merger Sub, the Holder Representative, the Company or the Holders to one another, except for willful breaches of this Agreement prior to the time of such termination. For purposes of clarification, the Parties agree that if the Purchaser or Merger Sub does not close the transactions contemplated hereby in circumstances in which all of the closing conditions set forth in ARTICLE VII have been satisfied or waived (other than those to be satisfied at the Closing itself), such election shall be deemed to be a willful breach of this Agreement.

## ARTICLE X
## INDEMNIFICATION

Section 10.1 Indemnification of the Purchaser Indemnified Parties. Subject to the other provisions of this ARTICLE X, from and after the Closing, the Equity Holders shall indemnify, reimburse, defend and hold harmless the Purchaser Indemnified Parties from and against any and all Damages incurred, resulting or arising from:

(a) any breach or inaccuracy of any representation or warranty made by the Company in this Agreement or any breach by the Company of the covenant in Section 6.7(a) to notify the Purchaser of any breach or inaccuracy of any representation or warranty made by the Company in this Agreement prior to the Closing Date;

(b) any breach by the Company of any covenant, agreement or undertaking in this Agreement required to be performed by the Company prior to Closing (but excluding any breach by the Company of the covenant in Section 6.7(a) to notify the Purchaser of any breach or inaccuracy of any representation or warranty made by the Company in this Agreement prior to the Closing Date);

(c) any Indebtedness and any Transaction Expenses, in each case to the extent not paid on or prior to the Closing Date or at the Closing;

(d) any and all liability for (i) all Taxes of, or imposed on, the Company or any of its Subsidiaries, or for which the Company or its Subsidiaries becomes liable, with respect to any Pre-Closing Tax Period, and any Pre-Closing Taxes with respect to any Straddle Period (determined in accordance with Section 6.15(e)), (ii) all Taxes of, or imposed on, the Company or any of its Subsidiaries, or for which the Company or its Subsidiaries become liable, as a result of having been a member of any affiliated, consolidated combined, unitary or similar group of which the Company or any of its Subsidiaries (or any predecessor thereof) is or was a member on or prior to the Closing Date, including pursuant to Treasury Regulation Section 1.1502-6 or any analogous or similar state, local or foreign law or regulation, (iii) any and all Taxes of any Person (other than the Company) imposed on the Company or its Subsidiaries as a transferee, successor or similar liability (including bulk transfer or similar Laws), operation of Law, by Contract or pursuant to any Law, rule or regulation, which Taxes relate to an event or transaction occurring before the Closing Date, (iv) any and all amounts required to be paid by the Company or any Subsidiary pursuant to any Tax Sharing Agreement that the Company or such Subsidiary was a party to (or was obligated) on or before the Closing Date, and (v) any and all Taxes required to be deducted and withheld with respect to payments made by the Purchaser, the Company or any of their respective Subsidiaries or Affiliates in connection with payments contemplated to be made hereunder, including payments to Option Holders, Phantom Stockholders and other Persons;

(e) any claim made by any Equity Holder relating to any inaccuracy of the Closing Statement (other than as it relates to the calculation of Working Capital, Net Indebtedness, Closing Cash, Restricted Cash and Transaction Expenses) and/or failure of the Holder Representative to properly distribute the Stockholder Closing Amount or any post-Closing consideration to the Equity Holders; and

(f) any payments paid or owed by the Surviving Corporation to any Common Stockholder or Preferred Stockholder with respect to any Dissenting Shares to the extent that the aggregate amount of such payments, together with the aggregate amount of all Damages with respect thereto, exceeds the consideration that otherwise would have been payable to such Common Stockholder or Preferred Stockholder pursuant to ARTICLES II or III upon the conversion of such Dissenting Shares if such Common Stockholder or Preferred Stockholder had not exercised his, her or its appraisal right pursuant to Section 262 of the DGCL and any costs associated with defending any such appraisal claim.

The Damages of the Purchaser Indemnified Parties described in this Section 10.1 as to which the Purchaser Indemnified Parties are entitled to indemnification are collectively referred to as "Purchaser Losses." The liability of the Equity Holders with respect to any Purchaser Losses under this Agreement shall be several and not joint, in proportion to, and limited by, their Indemnity Pro Rata Percentages in respect of the amount of such Purchaser Losses.

Section 10.2 Indemnification of the Holder Indemnified Parties. Subject to the other provisions of this ARTICLE X, from and after the Closing, the Surviving Corporation and the Purchaser jointly and severally shall indemnify, defend and hold harmless the Holder Indemnified Parties from and against any and all Damages incurred, resulting or arising from:

(a) any breach of any representation or warranty made by the Purchaser and Merger Sub in this Agreement; and

(b) any breach of any covenant, agreement or undertaking made by the Purchaser, Merger Sub or the Surviving Corporation in this Agreement.

The Damages of the Holder Indemnified Parties described in this Section 10.2 as to which the Holder Indemnified Parties are entitled to indemnification are collectively referred to as "Holder Losses."

Section 10.3 Indemnification Procedures. A party making a claim for indemnification under Section 10.1 or Section 10.2 shall be, for the purposes of this Agreement, referred to as an "Indemnified Party" and a party against whom such claims are asserted under Section 10.1 or Section 10.2 shall be, for the purposes of this Agreement, referred to as an "Indemnifying Party." All claims by any Indemnified Party under Section 10.1 or Section 10.2 shall be asserted and resolved as follows:

(a) In the event that (i) any action, application, suit, demand, claim or legal, administrative, arbitration or other alternative dispute resolution proceeding, hearing or investigation (each, a "Proceeding") is asserted or instituted by any Person other than the Parties or their Affiliates which could give rise to Damages for which an Indemnifying Party could be liable to an Indemnified Party under this Agreement (such Proceeding, a "Third-Party Claim") or (ii) any Indemnified Party under this Agreement shall have a claim to be indemnified by any Indemnifying Party under this Agreement which does not involve a Third-Party Claim (such claim, a "Direct Claim" and, together with Third-Party Claims, "Indemnification Claims"), the Indemnified Party shall, promptly after it becomes aware of a Third-Party Claim (and in any event, prior to the expiration of the applicable Claims Period or within thirty (30) days, whichever first occurs), or facts supporting a Direct Claim, send to the Indemnifying Party a written notice specifying the nature of such Proceeding or Direct Claim, and, if practicable in the Indemnified Party's reasonable judgment, the amount or estimated amount thereof (which amount or estimated amount shall not be conclusive of the final amount, if any, of such Proceeding) (a "Claim Notice"), together with copies of all notices and documents (including court papers) served on or received by the Indemnified Party in the case of a Third-Party Claim, provided, however, that a delay (including a delay beyond the aforementioned thirty (30) day period) in notifying the Indemnifying Party (or delivering copies of the aforementioned notices and documents) shall not relieve the Indemnifying Party of its obligations under Section 10.1 or Section 10.2 if such notification is in fact given prior to expiration of the applicable Claims Period, except to the extent that (and only to the extent that) the Indemnifying Party shall have been materially prejudiced by such failure to give such notice or deliver such documents or notices, in which case the Indemnifying Party shall be relieved of its obligations under Section 10.1 or Section 10.2 only to the extent of such prejudice.

(b) In the event of a Third-Party Claim, the Indemnifying Party shall have the right to defend against and direct the defense of such Third-Party Claim. If the Indemnifying Party elects to defend against and direct the defense of any Third-Party Claim, it shall within thirty (30) days (or sooner, if the nature of the Third-Party Claim so requires) (the "Dispute Period") notify the Indemnified Party of its intent to do so; provided, however, that the Indemnifying Party must conduct its defense of the Third-Party Claim actively and diligently thereafter in order to preserve its rights in this regard. If the Indemnifying Party does not elect within the Dispute Period to defend against and direct the defense of any Third-Party Claim, fails to notify the Indemnified Party of its election during the Dispute Period, the Indemnified Party may defend against and direct the defense of such Third-Party Claim. If the Indemnifying Party elects to defend against and direct the defense of such Third-Party Claim and appoint counsel in connection therewith, (i) the Indemnifying Party shall use its commercially reasonable efforts to defend and protect the interests of the Indemnified Party with respect to such Third-Party Claim, and (ii) the Indemnified Party may participate, at its own expense, in the defense of such Third-Party Claim. If reasonably requested by the Indemnifying Party, the Indemnified Party agrees to cooperate with the Indemnifying Party and its counsel in defending and contesting any Proceeding which the Indemnifying Party defends. No Third-Party Claim may be settled or compromised, or offered to be settled or compromised, or a default permitted or an entry of any judgment consented to (each, a "Settlement") (A) by the Indemnified Party without the prior written consent of the Indemnifying Party (which consent shall not be unreasonably withheld or delayed), or (B) by the Indemnifying Party without the prior written consent of the Indemnified Party (which consent shall not be unreasonably withheld, conditioned or delayed); provided, however, in the case of a consent being required from an Indemnified Party, such consent shall not be required in the event such Settlement (1) includes a full release of the Indemnified Party, and (2) involved only monetary damages. Notwithstanding the foregoing, if a Third-Party Claim (X) relates to or arises in connection with any criminal proceeding, action, indictment or allegation; (Y) seeks injunctive or other equitable relief; or (Z) in the reasonable opinion of the Indemnified Party's counsel, the interest of the Indemnified Party in the Third-Party Claim is or will reasonably be expected to be adverse to the interests of the Indemnifying Party, then the Indemnified Party alone shall be entitled to contest, defend and settle (subject, with respect to any Settlement, to obtaining the consent of the Indemnifying Party, such consent not to be unreasonably withheld or delayed) such Third-Party Claim in the first instance and, if the Indemnified Party does not contest, defend and settle such Third-Party Claim, the Indemnifying Party shall then have the right to contest and defend (but not settle without the consent of the Indemnified Party, which consent may be withheld in its sole discretion) such Third-Party Claim. In the event any Indemnified Party enters into a Settlement with respect to any Third-Party Claim in violation of the preceding sentence, such Indemnified Party shall be deemed to have waived all rights against the Indemnifying Party for indemnification under this Section 10.3 with respect to such Third-Party Claim.

(c) After any final decision, judgment or award shall have been rendered by a Governmental Entity or arbitrator of competent jurisdiction and the expiration of the time in which to appeal therefrom, or a Settlement or arbitration shall have been consummated, or the Indemnified Party and the Indemnifying Party shall have arrived at a mutually binding agreement with respect to an Indemnification Claim hereunder, the Indemnified Party shall forward to the Indemnifying Party notice of any sums due and owing by the Indemnifying Party pursuant to this Agreement with respect to such matter and the Indemnifying Party shall make prompt payment thereof by wire transfer in immediately available funds within five (5) Business Days after the date of such notice or, if required earlier, pursuant to the terms of the agreement reached with respect to the Indemnification Claim.

(d) In the event of a Direct Claim, the Indemnifying Party shall notify the Indemnified Party within thirty (30) days of receipt of a Claim Notice whether the Indemnifying Party disputes such Indemnification Claim; provided that a delay in notifying the Indemnified Party of such objection shall not waive the Indemnifying Party's right to make such objection, except to the extent that (and only to the extent that) the Indemnified Party shall have been materially prejudiced by such failure to give such notice, and then only to the extent of such prejudice. From and after the delivery of a Claim Notice under this Agreement, at the reasonable request of either Party, each Party shall grant the other and its Representatives reasonable access to the books, records, employees, Representatives and properties of such Party to the extent reasonably related to the matters to which the Claim Notice relates. All such access shall be granted during normal business hours and shall be granted under conditions which will not unreasonably interfere with the business and operations of such Party. The Party requesting access will not, and shall use its reasonable best efforts to cause its Representatives not to, use (except in connection with such Claim Notice) or disclose to any third person other than the Party's Representatives (except as may be required by applicable Law) any information obtained pursuant to this Section 10.3(d) which is designated as confidential by the other Party. Notwithstanding the foregoing, neither Party shall have access to (i) any medical or other employee information that is contained in the personnel records of the other Party or its Affiliates and the disclosure of which would subject that Party or such Affiliate to risk of liability, (ii) any information which is subject of any attorney-client or other privilege in favor of the other Party or its Affiliates or (iii) any information the disclosure of which would cause the other Party or any of its Affiliates to violate applicable Law.

Section 10.4 Claims Period. The period for asserting indemnification claims under Section 10.1(a), or 10.2(a) (as the case may be) shall survive the Closing Date until the [****] anniversary of the Closing Date, (the "Claims Period"); provided, however, that the Claims Period for asserting any claims (a) with respect to any breach of any Fundamental Representations and Warranties (other than Fundamental Representations and Warranties set forth in Section 4.14), any claims under Sections 10.1(b-c) or 10.1(e-f) (other than obligations and covenants relating to Taxes or Tax Returns or set forth in Section 6.15 hereof) or 10.2(b), any claims for fraud or intentional misrepresentation or claims involving the filing of formal charges for criminal misconduct shall survive the Closing Date [****], (b) for asserting any claims with respect to any breach of any Fundamental Representations and Warranties set forth in Section 4.14, a breach of any obligation or covenant set forth in Section 6.15 or otherwise relating to Taxes or Tax Returns, any and all indemnification obligations of the Equity Holders with respect thereto, and the indemnification obligations of the Equity Holders set forth in Section 10.1(d), in each case, shall survive until sixty (60) days after [****] relating to the underlying Taxes or Tax Return to which the obligation or claim relates and (c) [****], shall survive the Closing Date until the [****] anniversary of the Closing Date. No claim or cause of action for indemnification under this ARTICLE X may be made following the expiration of the applicable Claims Period; it being understood that in the event notice of any claim for indemnification under ARTICLE X shall have been given within the applicable Claims Period, such indemnification claim shall survive until such time as such claim is fully resolved.

Section 10.5 Liability Limits.

(a) The Purchaser Indemnified Parties may not make a claim for indemnification under Section 10.1 for Purchaser Losses unless and until the aggregate amount of Purchaser Losses for which the Purchaser Indemnified Parties are entitled to seek indemnification under this ARTICLE X (excluding, in the case of breaches of the [****], the [****] portion of such Purchaser Losses for which the Equity Holders are responsible in accordance with Section 10.5(b)) exceeds [****] (the "Deductible"), in which case, such Purchaser Indemnified Parties shall be entitled to indemnification for all Purchaser Losses in excess of (but not including) such amounts. Notwithstanding the foregoing, in no event shall the Deductible apply to (i) any claims with respect to breaches of Fundamental Representations and Warranties or the [****], (ii) [****], (iii) any claims for fraud or intentional misrepresentation or claims involving the filing of formal charges for criminal misconduct, or (iv) for avoidance of doubt, any indemnification claims under Section 6.15 or Sections 10.1(b-f).

(b) Notwithstanding any other provision hereof to the contrary: (i) any claims by the Purchaser Indemnified Parties for Purchaser Losses for breaches of the [****] shall be borne [****] by the Purchaser and [****] by the Equity Holders until the aggregate amount of Purchaser Losses caused by any breaches of the [****] (excluding the [****] portion for which the Equity Holders are responsible), when aggregated with any other Purchaser Losses for which the Purchaser Indemnified Parties are entitled to seek indemnification under ARTICLE X (except as set forth in the following clause (ii)), exceed the Deductible; and (ii) the maximum aggregate amount of Damages that may be collected pursuant to the [****] (without giving effect to the Deductible) shall be [****] (the "Subcap"), it being acknowledged and agreed that no such indemnification claims subject to the Subcap under this Section 10.5(b)(ii) shall apply toward the Deductible. For the avoidance of doubt, following the Purchaser Losses in respect of [****] exceeding the Subcap and the aggregate Purchaser Losses exceeding the Deductible, the Purchaser shall be entitled to seek any additional Damages that may be incurred in relation to the [****], pursuant to this ARTICLE X.

Section 10.6 Limitation of Remedy. Except for claims (a) pursuant to Section 10.1(a) for breaches of Fundamental Representations and Warranties, or (b) for fraud or intentional misrepresentation or claims involving the filing of formal charges for criminal misconduct, the sole and exclusive source of funds for satisfaction of all Purchaser Losses for which the Purchaser Indemnified Parties are entitled to receive indemnification under Section 10.1(a) (including for breaches of the [****]) shall be the Indemnification Escrow Fund pursuant to the terms of the Escrow Agreement. The Purchaser Indemnified Parties shall first seek reimbursement for any Purchaser Losses for which they are entitled to receive indemnification out of the Indemnification Escrow Fund pursuant to the terms of the Escrow Agreement, until such funds are exhausted or released from escrow. Notwithstanding any provision herein to the contrary, the maximum aggregate amount of Damages that may be collected pursuant to any and all indemnification claims against each Equity Holder, howsoever such claims may be characterized, shall be no greater than the sum of (i) the total proceeds actually received in cash by such Equity Holder at the Closing plus (ii) the total amount deposited into the Indemnification Escrow Fund on such Equity Holder's behalf at the Closing less any amounts paid from the Indemnification Escrow Fund pursuant to Section 3.9(f).

Section 10.7 Treatment of Indemnity Payments. Unless otherwise required by a final determination by a Taxing Authority, the Parties shall treat payments made pursuant to Section 10.1 and Section 10.2 as adjustments to the Purchase Price for Tax and all other purposes. All distributions made to the Equity Holders from the Indemnification Escrow Fund shall be based on such Equity Holder's Escrow Pro Rata Percentage.

Section 10.8 Further Limitations on Indemnification. The amount of any Damages for which indemnification is provided under this ARTICLE X shall be net of any amounts (a) actually recovered by the Indemnified Party under insurance policies with respect to such Damages; provided, however, that the Indemnified Party shall not be required to seek recovery under such policies; and (b) where the Purchaser is the Indemnified Party, actually recovered by the Purchaser and/or the Surviving Corporation under the indemnity or contribution agreements set forth on *Section 10.8 of the Company Disclosure Schedule* with respect to such Damages. Where the Purchaser is the Indemnified Party, it shall use its commercially reasonable efforts to pursue recovery under the agreements set forth in clause (b) above (to the extent indemnification is reasonably available thereunder for such Damages).

Section 10.9 Mitigation. Except as to actions required to be taken to comply with applicable Law, each Person entitled to indemnification hereunder shall take all reasonable steps within their direct control to mitigate, and not to initiate, contribute to, or cause, any and all Damages after becoming aware of any event which could reasonably be expected to give rise to, or have the potential to give rise to, any Damages that are indemnifiable or recoverable hereunder or in connection herewith. For the avoidance of doubt, except in respect of a [****], the foregoing duty to mitigate, [****], shall mean that the Purchaser Indemnified Party or Parties shall only be entitled to seek indemnification in accordance with this ARTICLE X for Damages that (a) are sought in a lawsuit [****], relate to time periods prior to the Closing, and that are actually paid by any Purchaser Indemnified Party, or (b) are payable as a result of any demand or determination by a Governmental Entity that the Company or its Subsidiaries has committed an act or omission that would constitute a breach of its representations in such Sections of this Agreement and relate to time periods prior to the Closing. The Indemnified Party will, and will cause its Affiliates to, cooperate with the Indemnifying Party, at the Indemnifying Party's expense, with respect to any such effort to pursue and collect with respect thereto. Notwithstanding anything in this Agreement to the contrary, the Company and its Subsidiaries shall not be deemed to have breached any of the representations and warranties made in [****] to the extent that any such breach results from any act, prior to, on or following the Closing Date, including any updates, enhancements or modifications, by or on the part of any Purchaser Indemnified Party or any agent or other contractor of any Purchaser Indemnified Party.

Section 10.10 Specific Performance. Each Party hereby acknowledges that the rights of each Party to consummate the transactions and agreements contemplated hereby are special, unique and of extraordinary character and that, in the event that any Party violates or fails or refuses to perform any covenant or agreement made by it herein, the non-breaching Party may be without an adequate remedy at law. In the event that any Party violates or fails or refuses to perform any covenant or agreement made by such Party herein, the non-breaching Party or Parties may, subject to the terms hereof and in addition to any remedy at law for damages or other relief, institute and prosecute an action in any court of competent jurisdiction to enforce specific performances of such covenant or agreement or seek any other equitable relief.

Section 10.11 Exclusive Remedy. The sole and exclusive remedy for any inaccuracy or breach of any representation, warranty, covenant, obligation or other agreement contained in this Agreement (or otherwise relating to the subject matter of this Agreement), including any claim for breach of Fundamental Representations and Warranties or the [****], or any claim for fraud or intentional misrepresentation or claim involving the filing of formal charges for criminal misconduct, shall be indemnification in accordance with this ARTICLE X, and no Person will have any other entitlement, remedy or recourse, whether in contract, tort or otherwise. In furtherance of the foregoing, each Party hereby waives, to the fullest extent permitted by Law, any and all rights, claims and causes of action for any breach of any representation, warranty, covenant, obligation or other agreement set forth herein (or otherwise relating to the subject matter of this Agreement) it may have against the other Party hereto and its Affiliates arising under or based upon any Law, except pursuant to the indemnification provisions set forth in this ARTICLE X. Notwithstanding the foregoing, this Section 10.11 shall not (a) interfere with or impede the operation of the provisions of Section 3.9 or (b) limit the rights of the Parties to seek specific performance in accordance with Section 10.10 hereof.

Section 10.12 Tax Indemnity. Notwithstanding anything contained herein, in the event of any conflict between the provisions of this ARTICLE X and the provisions of Section 6.15, the provisions of Section 6.15 shall control and Section 6.15 and not Section 10.3 shall apply to claims with respect to Tax Proceedings.

## ARTICLE XI
## MISCELLANEOUS PROVISIONS

Section 11.1 Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given when personally delivered, or if sent by United States certified mail, return receipt requested, postage prepaid, shall be deemed duly given on delivery by United States Postal Service, or if sent by facsimile or receipted overnight courier services shall be deemed duly given on the Business Day received if received prior to 5:00 p.m. local time or on the following Business Day if received after 5:00 p.m. local time or on a non-Business Day, addressed to the respective Parties as follows:

| | |
|---|---|
| To the Purchaser, or after Closing, to the Surviving Corporation: | ICF International, Inc.<br>9300 Lee Highway<br>Fairfax, Virginia 22031<br>Attn: General Counsel<br>Fax: (703) 934-3740<br>Tel: (703) 934-3000 |
| with a copy to: | Squire Patton Boggs (US) LLP<br>8000 Towers Crescent Drive, 14th Floor<br>Tysons Corner, Virginia 22182<br>Attn: James J. Maiwurm<br>Abby E. Brown<br>Fax: (703) 720-7801<br>Tel: (703) 720-7800 |

| | |
|---|---|
| To the Holder Representative or prior to Closing, the Company: | c/o KRG Capital Partners, L.L.C.<br>1800 Larimer Street, Suite 2200<br>Denver, CO 80202<br>Attn: Bruce L. Rogers<br>Colton J. King<br>Fax: (303) 390-5015<br>Tel: (303) 390-5001 |
| with a copy to: | Hogan Lovells US LLP<br>One Tabor Center<br>1200 Seventeenth St., Suite 1500<br>Denver, CO 80202<br>Attn: Keith A. Trammell<br>Fax: (303) 899-7333<br>Tel: (303) 899-7000 |

or to such other representative or at such other address as such Person may furnish to the other parties in writing.

Section 11.2 Assignment; Successors in Interest. No assignment or transfer by any Party of such Party's rights and obligations hereunder shall be made except with the prior written consent of the other Parties, provided that the Holder Representative may assign its rights and obligations hereunder in accordance with Section 11.12; provided, further that the Purchaser may assign its rights and obligations hereunder to any Affiliate without prior written consent, but any such assignment by the Purchaser shall not relieve the Purchaser from its obligations hereunder. This Agreement shall be binding upon and shall inure to the benefit of the Parties and their respective successors and permitted assigns, and any reference to a Party shall also be a reference to the successors and permitted assigns thereof.

Section 11.3 Captions. The titles, captions and table of contents contained herein are inserted herein only as a matter of convenience and for reference and in no way define, limit, extend or describe the scope of this Agreement or the intent of any provision hereof.

Section 11.4 Controlling Law; Amendment. This Agreement shall be governed by and construed and enforced in accordance with the internal Laws of the State of Delaware without reference to its choice of law rules.

Section 11.5 Submission to Jurisdiction; Waiver of Jury Trial

(a) Each Party agrees that any legal action or other legal proceeding relating to this Agreement or the enforcement of any provision of this Agreement shall be brought or otherwise commenced exclusively in the United States District Court for the District of Delaware. Each Party:

(i) expressly and irrevocably consents and submits to the jurisdiction of the United States District Court for the District of Delaware in connection with any such legal proceeding, including to enforce any settlement, order or award;

(ii) consents to service of process in any such proceeding in any manner permitted by the Laws of the State of Delaware, and agrees that service of process by registered or certified mail, return receipt requested, at its address specified pursuant to Section 11.1 is reasonably calculated to give actual notice;

(iii) agrees that the United States District Court for the District of Delaware shall be deemed to be a convenient forum;

(iv) waives and agrees not to assert (by way of motion, as a defense or otherwise), in any such legal proceeding commenced in the United States District Court for the District of Delaware, any claim that such Party is not subject personally to the jurisdiction of such court, that such legal proceeding has been brought in an inconvenient forum, that the venue of such proceeding is improper or that this Agreement or the subject matter hereof or thereof may not be enforced in or by such court; and

(v) agrees to the entry of an order to enforce any resolution, settlement, order or award made pursuant to this Section by the United States District Court for the District of Delaware and in connection therewith hereby waives, and agrees not to assert by way of motion, as a defense, or otherwise, any claim that such resolution, settlement, order or award is inconsistent with or violative of the Laws or public policy of the Laws of the State of Delaware or any other jurisdiction.

(b) EACH PARTY TO THIS AGREEMENT ACKNOWLEDGES AND AGREES THAT ANY ACTION OR PROCEEDING WHICH MAY ARISE RELATING TO THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE, IT HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY SUCH ACTION OR PROCEEDING. EACH PARTY TO THIS AGREEMENT CERTIFIES AND ACKNOWLEDGES THAT (I) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF ANY SUCH ACTION OR PROCEEDING, SEEK TO ENFORCE EITHER OF SUCH WAIVERS, (II) IT UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF SUCH WAIVERS, (III) IT MAKES SUCH WAIVERS VOLUNTARILY AND (IV) IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 11.5.

Section 11.6 Severability. Any provision hereof that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by Law, each Party hereby waives any provision of Law that renders any such provision prohibited or unenforceable in any respect.

Section 11.7 Counterparts. This Agreement may be executed by facsimile or other electronic format and in two or more counterparts, each of which shall be deemed an original, and it shall not be necessary in making proof of this Agreement or the terms hereof to produce or account for more than one of such counterparts.

Section 11.8 Parties in Interest. Nothing expressed or implied herein is intended, or shall be construed, to confer upon or give any Person other than the Parties, and their successors or permitted assigns, any right, remedy, obligation or liability under or by reason of this Agreement, or result in such Person being deemed a third-party beneficiary hereof, provided, that any Person referenced in Sections 6.13 or 11.13, is intended to be, and shall be, an express intended third-party beneficiary thereof, and may enforce that provision directly, and provided, further, that the rights of the Holder Representative to pursue, on behalf of the Holders, damages in the event of the Purchaser's or Merger Sub's breach of this Agreement or fraud, which right is hereby acknowledged and agreed to by the Purchaser and Merger Sub.

Section 11.9 Waiver. Any agreement on the part of a Party to any extension or waiver of any provision hereof shall be valid only if set forth in an instrument in writing signed on behalf of such Party. A waiver by a Party of the performance of any covenant, agreement, obligation, condition, representation or warranty shall not be construed as a waiver of any other covenant, agreement, obligation, condition, representation or warranty. A waiver by any Party of the performance of any act shall not constitute a waiver of the performance of any other act or an identical act required to be performed at a later time.

Section 11.10 Integration. This Agreement and the documents executed pursuant hereto supersede all negotiations, agreements and understandings among the Parties with respect to the subject matter hereof and constitute the entire agreement among the Parties with respect thereto.

Section 11.11 Transaction Costs. Except as provided above or as otherwise expressly provided herein, (a) the Purchaser shall pay its own fees, costs and expenses incurred in connection herewith and the transactions contemplated hereby, including the fees, costs and expenses of its financial advisors, accountants and counsel, and (b) the fees, costs and expenses of the Company incurred in connection herewith and the transactions contemplated hereby shall be paid for pursuant to Section 3.8 of this Agreement.

Section 11.12 Holder Representative.

(a) By the execution and delivery of a Letter of Transmittal, including counterparts thereof, each Holder hereby irrevocably constitutes and appoints the Holder Representative as the true and lawful agent and attorney-in-fact of such Holder with full powers of substitution to act in the name, place and stead of such Holder with respect to the performance on behalf of such Holder under the terms and provisions hereof and to do or refrain from doing all such further acts and things, and to execute all such documents, as the Holder Representative shall deem necessary or appropriate in connection with any transaction contemplated hereunder, including the power to:

(i) act for any Equity Holder, if applicable, with respect to all indemnification matters referred to herein, including the right to compromise or settle any such claim on behalf of such Equity Holder;

(ii) act for any Equity Holder with respect to the Indemnification Escrow Fund and/or the Holdback Amount;

(iii) amend or waive in any manner any provision hereof (including any condition to Closing) or of any document contemplated hereby;

(iv) employ, obtain and rely upon the advice of legal counsel, accountants and other professional advisors as the Holder Representative, in the sole discretion thereof, deems necessary or advisable in the performance of the duties of the Holder Representative;

(v) act for such Holder with respect to all Closing Consideration matters and all Closing Consideration adjustment matters referred to herein;

(vi) incur any expenses, liquidate and withhold assets received on behalf of such Holder prior to their distribution to such Holder to the extent of any amount that the Holder Representative deems necessary for payment of or as a reserve against expenses, and pay such expenses or deposit the same in an interest-bearing bank account established for such purpose;

(vii) receive all notices, communications and deliveries hereunder on behalf of such Holder; and

(viii) do or refrain from doing any further act or deed on behalf of such Holder that the Holder Representative deems necessary or appropriate, in the sole discretion of the Holder Representative, relating to the subject matter hereof as fully and completely as such Holder could do if personally present and acting and as though any reference to such Holder herein was a reference to the Holder Representative.

(b) The Company hereby irrevocably appoints the Holder Representative as its true and lawful agent and attorney-in-fact with full power of substitution to act in the name, place and stead of the Company with respect to any and all amendments, waivers, supplements or other modifications to this Agreement or any document contemplated hereby prior to the Effective Time.

(c) The appointment of the Holder Representative shall be deemed coupled with an interest and shall be irrevocable, and any other Person may conclusively and absolutely rely, without inquiry, upon any action of the Holder Representative as the act of each Holder or the Company, as applicable, in all matters referred to herein. The Merger Sub, the Purchaser and, following the Closing, the Surviving Corporation, are hereby relieved from any liability to any Person for any acts done by them in accordance with, or otherwise with respect to any aspect of, such decision, act, consent or instruction of the Holder Representative.

(d) The Holder Representative will not be liable for any act taken or omitted by it as permitted under this Agreement, except if such act is taken or omitted in bad faith or by willful misconduct. The Holder Representative will also be fully protected in relying upon any written notice, demand, certificate or document that it in good faith believes to be genuine (including facsimiles or other electronic format thereof). The Holders shall agree, severally but not jointly, to indemnify the Holder Representative for, and to hold the Holder Representative harmless against, any loss, liability or expense incurred without willful misconduct or bad faith on the part of the Holder Representative, arising out of or in connection with the Holder Representative's carrying out its duties under this Agreement, including costs and expenses of successfully defending Holder Representative against any claim of liability with respect thereto, and the Holder Representative shall be entitled to apply funds in the Holder Representative Reserve to satisfy any such loss, liability, or expense so incurred. The Holder Representative may consult with counsel of its own choice and will have full and complete authorization and protection for any action taken and suffered by it in good faith and in accordance with the opinion of such counsel.

(e) In the event the Holder Representative resigns or ceases to function in such capacity for any reason whatsoever, then the successor Holder Representative shall be the Person that KRG appoints with the consent of the Purchaser (unless such appointee is an Affiliate of KRG, in which case such consent shall not be required). Any change in the Holder Representative pursuant to the foregoing sentence shall become effective upon delivery of written notice of such change to the Purchaser.

(f) Notices given to the Holder Representative in accordance with Section 11.1 shall constitute notices to the Holders for all purposes under this Agreement.

Section 11.13 Attorney-Client Waiver. Each of the Parties to this Agreement hereby agrees, on its own behalf and on behalf of its directors, members, shareholders, partners, officers, employees and Affiliates, that (a) Hogan Lovells may serve as counsel to the Holder Representative, the Holders, officers and directors of the Company, and their respective Affiliates (individually and collectively, the "Seller Group"), on the one hand, and the Company, on the other hand, in connection with the negotiation, preparation, execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, and that, following consummation of the Merger, Hogan Lovells (or any successor) may serve as counsel to the Seller Group, any member thereof, or any director, member, shareholder, partner, officer, employee or Affiliate of the Seller Group, in connection with any litigation, claim or obligation arising out of or relating to this Agreement or the Merger notwithstanding such representation and (b) the Purchaser shall not, and shall cause the Company not to, seek or have Hogan Lovells (or any successor) disqualified from any such representation. Each of the Parties hereto hereby consents thereto and waives any conflict of interest arising therefrom, and each of such Parties shall cause any of its Affiliates to consent to waive any conflict of interest arising from such representation. Each of the Parties acknowledges that such consent and waiver is voluntary, that it has been carefully considered, and that the Parties have consulted with counsel or have been advised they should do so in connection herewith. Except with the prior written consent of the Seller Group, none of the Purchaser, the Company (following the Closing), nor any Person purporting to act on behalf of or through the Purchaser or the Company (following the Closing), will seek to obtain attorney-client, accountant-client, or other privileged communications among the Company (prior to the Closing) and/or any other member of the Seller Group and its attorneys and legal representatives or accountants, related to the Merger or the transactions contemplated hereby. The covenants, consent and waiver contained in this Section 11.13 are intended to be for the benefit of, and shall be enforceable by, the Seller Group's counsel and its legal representatives and accountants and shall not be deemed exclusive of any other rights to which the Seller Group's counsel is entitled whether pursuant to Law, Contract or otherwise. "Hogan Lovells" refers to the international legal practice that comprises Hogan Lovells International LLP, Hogan Lovells US LLP and their affiliated businesses.

* * * * * *

[*Signature Page Follows*]

**IN WITNESS WHEREOF**, the Parties have caused this Agreement to be duly executed, as of the date first above written.

**COMPANY:**

OCO HOLDINGS, INC.

By: /s/ John Partilla
Name: John Partilla
Title: Chief Executive Officer

**PURCHASER:**

ICF INTERNATIONAL, INC.

By: /s/ Sudhakar Kesavan
Name: Sudhakar Kesavan
Title: Chairman and Chief Executive Officer

**MERGER SUB:**

ICF 2014 MERGER CORP.

By: /s/ John Wasson
Name: John Wasson
Title: President

**HOLDER REPRESENTATIVE:**

OCO REP SERVICES LLC

By: /s/ Bruce L. Rogers
Name: Bruce L. Rogers
Title: Chief Executive Officer

**Exhibit 10.15**

***FIRST MODIFICATION TO FOURTH AMENDED AND RESTATED BUSINESS LOAN AND SECURITY AGREEMENT AND OTHER LOAN DOCUMENTS***

***THIS FIRST MODIFICATION TO FOURTH AMENDED AND RESTATED BUSINESS LOAN AND SECURITY AGREEMENT AND OTHER LOAN DOCUMENTS*** (this "**Modification**"), dated as of November 5, 2014, 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**"); (ii) Citizens Bank, acting in its capacity as a Lender, and the other "Lender" parties to the hereinafter referenced Loan Agreement (collectively, the "**Lenders**"); and (iii) ICF INTERNATIONAL, INC., ICF CONSULTING GROUP, INC., and all other "Borrower" parties to the Loan Agreement from time to time (collectively, the "**Borrowers**"). 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 Fourth Amended and Restated Business Loan and Security Agreement dated as of May 16, 2014 (as the same may be 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 Four Hundred Million and No/100 Dollars ($400,000,000.00); 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 Incremental Revolving Facility Commitments pursuant to Section 1.8 of the Loan Agreement, and after giving effect thereto, the aggregate maximum principal amount of the Loan will increase from Four Hundred Million and No/100 Dollars ($400,000,000.00) to Five Hundred Million and No/100 Dollars ($500,000,000.00); and

***WHEREAS***, the Borrowers have also requested that after giving effect to the Incremental Revolving Facility Commitments, the Uncommitted Incremental Revolving Facility Commitment Amount be reinstated to be One Hundred Million and No/100 Dollars ($100,000,000.00); and

***WHEREAS***, the Borrowers, the Administrative Agent and the Lenders desire to enter into this Modification to memorialize the agreement and understanding of the parties with respect to the foregoing matter, 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. Increase to Revolving Facility Commitment Amount. The stated Commitment Amount and the Revolving Facility Commitment Amount are hereby increased from Four Hundred Million and No/100 Dollars ($400,000,000.00) to Five Hundred Million and No/100 Dollars ($500,000,000.00), which increased amount is inclusive of the Incremental Revolving Facility Commitments exercised as of the date hereof.

3. Reinstatement of Accordion. Immediately following the effectiveness of the Incremental Revolving Facility Commitments of each Incremental Revolving Facility Lender (and the increase of the Revolving Facility Commitment Amount to Five Hundred Million and No/100 Dollars ($500,000,000.00)), the Uncommitted Incremental Revolving Facility Commitment Amount will be reinstated to be One Hundred Million and No/100 Dollars ($100,000,000.00); provided, however, that the parenthetical relating to the effective time of any Incremental Revolving Facility Commitments requested pursuant to Section 1.8(a)(ii) of the Loan Agreement, is hereby amended to read as follows: "(which shall not be less than ten (10) Business Days nor more than sixty (60) days after the date of such notice)."

4. Schedule Update. As a result of the implementation of the Incremental Revolving Facility Commitments, Schedule 1 to the Loan Agreement is hereby deleted in its entirety and replaced with the Schedule 1 attached to this Modification.

5. Condition Precedent. Prior to or simultaneously with the execution and delivery of this Modification, and as conditions precedent to the effectiveness of this Modification, the Borrowers shall have satisfied all of the conditions to the effectiveness of the Incremental Revolving Facility Commitments set forth in Section 1.8 of the Loan Agreement.

6. Miscellaneous.

(a) 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 and the other Loan Documents are, if qualified by "materiality", true and correct in all respects, and if not qualified by "materiality", true and correct in all material respects, on and as of the date hereof with the same effect as though made on and as of the date hereof (except to the extent that such representations and warranties relate to an earlier date); (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 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 when due; (vi) there has been no material adverse change in the business, property or condition (financial or otherwise) of the Borrowers since the Restatement Date and (vii) as of the Incremental Revolving Facility Commitment Effective Date, each of the conditions set forth in paragraphs (b), (c) and (d) of Section 1.8 of the Credit Agreement shall have been satisfied.

(b) 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.

(c) 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.

(d) 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.

(e) 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.

(f) Each Borrower, each 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 entered into from time to time in accordance with the terms and provisions of the Loan Agreement.

(g) Each Borrower acknowledges (i) 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; (ii) 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; (iii) that all of the terms of this Modification were negotiated at arm's length; (iv) 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 (v) that the execution and delivery of this Modification is the free and voluntary act of such Borrower.

(h) This Modification, and all disputes arising from or relating to 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.

(i) 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 under seal as of the date first above written.

BORROWERS:

ICF INTERNATIONAL, INC.,
a Delaware corporation

By: /s/ Sudhakar Kesavan
Name: Sudhakar Kesavan
Title: Chief Executive Officer

ICF CONSULTING GROUP, INC.,
a Delaware corporation

By: /s/ Sudhakar Kesavan
Name: Sudhakar Kesavan
Title: Chief Executive Officer

ADVANCED PERFORMANCE CONSULTING GROUP, INC.,
a Maryland corporation

By: /s/ Ellen Glover
Name: Ellen Glover
Title: President

CALIBER ASSOCIATES, INC.,
a Virginia corporation

By: /s/ James Morgan
Name: James Morgan
Title: Chief Financial Officer

**[Signature Page to First Modification to Fourth Amended and Restated Business Loan and Security Agreement and Other Loan Documents]**

CITYTECH, INC.,
an Illinois corporation

By: /s/ John Wasson
Name: John Wasson
Title: President

ICF ASSOCIATES, L.L.C.,
a Delaware limited liability company

By: /s/ John Wasson
Name: John Wasson
Title: President

ICF CONSULTING SERVICES, L.L.C.,
a Delaware limited liability company

By: /s/ John Wasson
Name: John Wasson
Title: President

ICF EMERGENCY MANAGEMENT SERVICES, LLC,
a Delaware limited liability company

By: /s/ John Wasson
Name: John Wasson
Title: President

**[Signature Page to First Modification to Fourth Amended and Restated Business Loan and Security Agreement and Other Loan Documents]**

ICF INCORPORATED, L.L.C.,
a Delaware limited liability company

By: /s/ John Wasson
Name: John Wasson
Title: President

ICF JACOB & SUNDSTROM, INC.,
a Maryland corporation

By: /s/ John Wasson
Name: John Wasson
Title: President

ICF JONES & STOKES, INC.,
a Delaware corporation

By: /s/ Sergio Ostria
Name: Sergio Ostria
Title: President

ICF MACRO, INC.,
a Delaware corporation

By: /s/ Ellen Glover
Name: Ellen Glover
Title: President

**[Signature Page to First Modification to Fourth Amended and Restated Business Loan and Security Agreement and Other Loan Documents]**

ICF RESOURCES, L.L.C.,
a Delaware limited liability company

By: /s/ Sergio Ostria
Name: Sergio Ostria
Title: President

ICF SERVICES COMPANY, L.L.C.,
a Delaware limited liability company

By: /s/ James Morgan
Name: James Morgan
Title: Chief Financial Officer

ICF SH&E, INC.,
a Delaware corporation

By: /s/ Sergio Ostria
Name: Sergio Ostria
Title: President

ICF Z-TECH, INC.,
a Maryland corporation

By: /s/ John Wasson
Name: John Wasson
Title: President

SYSTEMS APPLICATIONS INTERNATIONAL, L.L.C.,
a Delaware limited liability company

By: /s/ Sergio Ostria
Name: Sergio Ostria
Title: President

**[Signature Page to First Modification to Fourth Amended and Restated Business Loan and Security Agreement and Other Loan Documents]**

**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

By: /s/ Tracy Van Riper

Name: Tracy Van Riper

Title: Senior Vice President

[**Continued Signature Page to First Modification to Fourth Amended and Restated Business Loan and Security Agreement and Other Loan Documents**]

**Exhibit 21.0**

**SUBSIDIARIES OF**
**ICF INTERNATIONAL, INC.**

| NAME | JURISDICTION OF INCORPORATION/ ORGANIZATION |
|---|---|
| ICF Consulting Group, Inc. | Delaware |
| ICF Consulting Pty. Ltd. | Australia |
| ICF Consultoria do Brasil, Ltda. | Brazil |
| ICF Consulting Canada, Inc. | Canada |
| 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 |
| ICF Consulting India Private, Ltd. | India |
| ICF Consulting Limited | U.K. |
| 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 |
| (d/b/a Macro International, Inc. in Kenya) | |
| (d/b/a ICF Macro Inc. Succursale Mali in Mali) | |
| (d/b/a ICF Macro Inc. in South Africa) | |
| GHK Holdings Ltd. | U.K. |
| ICF Consulting Services, Ltd. (f/k/a GHK Consulting Ltd.) | U.K. |
| (d/b/a GHK Consulting Limited, Philippine Branch in the Philippines) | |
| (d/b/a GHK Consulting Ltd. Pakistan Branch in Pakistan) | |
| ICF Consulting Services Hong Kong Ltd. (f/k/a GHKHong Kong) Ltd. | Hong Kong |
| ICF Consulting Services, India Private, Ltd. (f/k/a GHK Development Consultants India Private, Ltd.) | India |
| GHK Polska Szoo | Poland |
| GHK International Ltd. | U.K |
| GHK International Inc. | South Carolina |
| GHK Pakistan Ltd. | Pakistan |
| CityTech, Inc. | Illinois |
| OCO Holdings, Inc. | Delaware |
| Olson + Co., Inc. | Minnesota |
| Bonfire Partners, L.L.C. | Minnesota |
| Olson Canada, Inc. | Ontario, Canada |
| PulsePoint Group, LLC | Texas |
| Olson PR, LLC | Illinois |
| Three-Forty Communications, LLC | California |
| Full Angle Communications, SA | Belgium |
| Mostra, SA | Belgium |

**Exhibit 23.1**

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We have issued our reports dated February 27, 2015, with respect to the consolidated financial statements and internal control over financial reporting included in the Annual Report of ICF International, Inc. on Form 10-K for the year ended December 31, 2014. We hereby consent to the incorporation by reference of said reports in the Registration Statements of ICF International Inc. on Form S-3 (File No. 333-161896) and on Forms S-8 (File No. 333-190334, File No. 333-168608, File No. 333-165474, File No. 333-159053, File No. 333-150932, File No. 333-142265 and File No. 333-137975).

/s/ GRANT THORNTON LLP

McLean, Virginia
February 27, 2015

**Exhibit 31.1**

**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 27th day of February, 2015.

By: /s/ SUDHAKAR KESAVAN

**Sudhakar Kesavan**
**Chairman and Chief Executive Officer**
**(Principal Executive Officer)**

**Exhibit 31.2**

**CERTIFICATION BY PRINCIPAL FINANCIAL OFFICER**

I, James Morgan, 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 27th day of February, 2015.

By: /s/ James Morgan

**James Morgan**
**Chief Financial Officer**
**(Principal Financial Officer)**

**Exhibit 32.1**

**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, 2014 (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: February 27, 2015

By: /s/ SUDHAKAR KESAVAN

**Sudhakar Kesavan**
**Chairman and Chief Executive Officer**
**(Principal Executive Officer)**

**Exhibit 32.2**

**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, 2014 (the "Report") of ICF International, Inc. (the "Registrant"), as filed with the Securities and Exchange Commission on the date hereof, I, James Morgan, 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: February 27, 2015

By: /s/ James Morgan

**James Morgan**
**Chief Financial Officer**
**(Principal Financial Officer)**