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, 2009

Commission File Number: 001-33045

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

Delaware **(State or other jurisdiction of incorporation or organization)**	**22-3661438** **(IRS Employer Identification Number)**
9300 Lee Highway **Fairfax, VA** **(Address of principal executive offices)**	**22031** **(Zip Code)**

Registrant's telephone number, including area code:
(703) 934-3000
Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	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 $323 million based upon the closing price per share of $27.59, as quoted on the NASDAQ Global Select Market on June 30, 2009. 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 March 1, 2010, 19,285,632 shares of the Registrant's common stock, $0.001 par value, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates information by reference from the definitive proxy statement for the Annual Meeting of Stockholders expected to be held in June 2010.

TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS

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

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

Although we believe the expectations reflected in the forward-looking 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 U.S. government, unless otherwise indicated.

PART I

ITEM 1. BUSINESS

COMPANY OVERVIEW

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

- Energy, Environment, and Infrastructure (natural resources);
- Health, Human Services, and Social Programs (social resources); and
- Homeland Security and Defense (national security).

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

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

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

As of December 31, 2009, we had more than 3,500 employees, including many recognized thought leaders in their respective fields. We serve clients globally from our headquarters in the metropolitan Washington, D.C. area, our more than 50 regional offices throughout the United States, and our international offices in London, Moscow, New Delhi, Rio de Janeiro, Toronto, and Beijing.

We generated revenue of $674.4 million and $697.4 million in 2009 and 2008, respectively. Our total backlog was approximately $1,361.5 million and $817.3 million as of December 31, 2009, and December 31, 2008, respectively. See "—Contract Backlog" for a discussion of how we calculate backlog, as well as our financial statements and the related notes included elsewhere in this Annual Report on Form 10-K.

OUR COMPANY INFORMATION

Our principal operating subsidiary was founded in 1969. ICF International, Inc. was formed as a Delaware limited liability company in 1999 under the name ICF Consulting Group Holdings, LLC in connection with the purchase of our business from a larger services organization. A number of our current senior managers participated in this buyout transaction along with private equity investors. We converted to a Delaware corporation in 2003 and changed our name to ICF International, Inc. in 2006.

We completed our initial public offering ("IPO") in October 2006 and filed a shelf registration statement on Form S-3 in September 2009, pursuant to which we sold additional shares of our common stock to the public in December 2009. Since our IPO, we have completed a number of acquisitions: Energy and Environmental Analysis, Inc. ("EEA") and Advanced Performance Consulting Group, Inc. ("APCG") in January 2007; Z-Tech Corporation ("Z-Tech") in June 2007; Simat, Helliesen & Eichner, Inc. ("SH&E") in December 2007; Jones & Stokes Associates, Inc. ("Jones & Stokes") in February 2008; Macro International Inc. ("Macro") in March 2009; and Jacob & Sundstrom, Inc. ("Jacob & Sundstrom") in December 2009. Our acquisitions are discussed further in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Acquisitions."

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

MARKET OPPORTUNITY, SERVICES, AND SOLUTIONS

Complex, long-term market factors, as well as secular trends, are changing the way we live and the way government and industry operate and interact. Some of the most critical factors are centered firmly in our three major market areas. In the energy, environment, and infrastructure market, these factors include rising energy demand and increasing focus on alternative fuels, dependence on fossil fuels, global climate change, an aging infrastructure, and environmental degradation. In the health, human services, and social programs market, these factors include the increasing level of healthcare expenditures relative to the economy, aging populations, the perceived declining performance of the U.S. educational system compared to other countries, and the need for job creation and regulatory oversight resulting from the recession. The continuing threat of terrorism and changing homeland and national security priorities are impacting the homeland security and defense markets. In addition to these market-based factors, secular trends across all of our markets are increasing the demand for advisory and implementation services that drive our business, including the increased role of government and the related issue of increased regulation, the aging federal workforce, the emphasis on transparency and accountability, and an increased demand for combining domain knowledge of client mission and programs with information-technology solutions.

We believe that demand for our services will continue to grow as government, industry, and other stakeholders seek to understand and respond to these and other factors within the constraints of growing deficits, which drives the need for government agencies at all levels to deliver more with fewer resources. We expect that our government clients will continue to utilize professional services firms with domain expertise in their program areas to assist with designing new programs, enhancing existing ones, and offering transformational solutions based on relevant evaluation and improvement experience. In addition, commercial organizations affected by these programs will need to understand such changes, as well as their implications, in order for them to plan appropriately. We believe that our institutional knowledge and our deep 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 advisory assignments and our experience on implementation projects to win larger engagements, thereby increasing returns on business development investment and enhancing employee utilization.

Energy, Environment, and Infrastructure

We have long been involved in advising on energy and environmental issues, including the impact of human activity on natural resources, and in helping develop solutions for infrastructure-related challenges. In addition to addressing government policy and regulation in these areas, our work focuses on industries that are affected by these policies and regulations, including utilities and transportation, for example, which are involved in the production, 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 and an increased demand for alternative fuels;
- Upgrading the energy infrastructure to meet new power, transmission, environmental, and cybersecurity requirements;
- Managing energy demand and increasing efficient energy use in an era of supply constraints and environmental concerns; and
- Addressing global climate change and its regulatory and economic implications.

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

Global climate change has become a key focus of governments around the world, and reducing or offsetting greenhouse gas (“GHG”) emissions is the subject of both public and private sector interest. Voluntary carbon markets are growing in the United States at the state and regional level, climate change mitigation is a key topic of debate at the federal level, and many international carbon emissions markets are well developed. In addition, the Environmental Protection Agency (“EPA”) is preparing a regulatory strategy based on its declaration of carbon as a pollutant. Adjustment to public sector and consumer sensitivity to carbon emissions is now becoming a key element of energy industry strategy. Entirely new markets are being created in response to problems associated with carbon emissions. Although 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.

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

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

By leveraging our interdisciplinary skills, which range from finance and economics, to earth and life sciences and information technology and program management, we are able to provide a wide range of services that includes complex environmental impact assessments, environmental management information systems, air quality assessments, program evaluation, transportation planning, and regulatory reinvention. Our experience in environmental policy and planning allows us to help clients deal specifically with the inter-related environmental, business, and social implications of transportation modes and infrastructure. From the environmental management of complex infrastructure engagements to strategic and operational concerns of airlines and airports, our solutions draw upon our expertise and institutional knowledge in transportation planning, urban and land use planning, industry management practices, financial analysis, environmental sciences, and economics.

Health, Human Services, and Social Programs

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

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

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

In the area of health, we support dozens of programs within the Department of Health & Human Services (“HHS”), including the National Institutes of Health and the Centers for Disease Control, conducting primary data collection and analyses, assisting in designing, delivering, and evaluating programs, managing technical assistance centers, providing instructional systems, developing information technology applications, and managing clearinghouse operations. In the area of human services more generally, we provide training and technical assistance for early care and educational programs (such as Head Start), services for victims of crime at the Department of Justice (“DOJ”), and health and demographic surveys in developing countries for the Department of State. 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 Department of Agriculture.

Homeland Security and Defense

Homeland security programs continue to drive budgetary growth at the federal level and are also receiving increased attention at the state and local levels. We believe that the following key homeland security trends, at all levels of government, will continue to drive an increased need for our services in this area:

- Vulnerability of critical infrastructure to cyber threats;
- Broadened homeland security concerns to include areas such as health, food, energy, water, and transportation;
- Reassessment of the emergency management function of homeland security in the face of natural disasters; and
- Increased dependence on private sector personnel and organizations in emergency response.

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

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

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

COMPETITIVE STRENGTHS

We possess the following key business strengths:

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

We possess strong intellectual capital that provides us with a deep understanding of policies, processes, and programs across our major markets. Our thought leadership is based on years of training, experience, and education. Our clients are able to draw on the in-depth knowledge of our subject-matter experts and our experience developed over decades of providing advisory services. As of December 31, 2009, approximately 41% of our benefits-eligible staff held post-graduate degrees in diverse fields such as the social sciences, business and management, physical sciences, public policy, human capital, information technology and mathematics, engineering, planning, economics, life sciences, and law. These qualifications, and the complementary nature of our markets, enable us to deploy multi-disciplinary teams to identify, develop, and implement solutions that are creative, pragmatic, and tailored to our clients' specific needs.

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

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

The long-term relationships we maintain with many of our clients reflect our successful track record of fulfilling our clients' needs. We have advised both EPA and HHS for more than 30 years, the Department of Energy ("DOE") for more than 25 years, and DoD for more than 20 years, and have multi-year relationships with many of our other clients. We have numerous contacts at various levels within our clients' organizations, ranging from key decision-makers to functional managers. The long-standing nature and breadth of our client relationships adds greatly to our institutional knowledge, which, in turn, helps us carry out our client engagements more effectively and maintain and expand such relationships. Our extensive experience and client contacts, together with our prime-contractor position on a substantial majority of our contracts and onsite presence, gives us clearer visibility into future opportunities and emerging requirements. In addition, as of December 31, 2009, approximately 300 of our employees held an active federal security clearance (with over 100 more employees having a terminated clearance eligible for reinstatement), which affords us client access at appropriate levels and further strengthens our client relationships. We believe our balance between civilian and defense agencies, our commercial presence, and the diversity of the markets we serve help mitigate the impact of annual shifts in our clients' budgets and priorities.

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

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

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

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

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

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

We are led by an experienced management team

Our management team, consisting of approximately 200 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, 2009 (including prior service with companies we have acquired). This low turnover allows us to retain institutional knowledge. Our managers are experienced both in marketing efforts and in successfully managing and executing advisory, implementation, and evaluation assignments. Our management team also has experience in acquiring other businesses and integrating those operations with our own. A number of our managers are industry-recognized thought leaders. Based on these factors, we believe that our management's successful past performance and deep understanding of our clients' needs have been key differentiating factors in competitive situations.

STRATEGY

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

Leverage advisory work into implementation and full life-cycle solutions

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

Pursue larger contract opportunities

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

Expand and deepen our presence in federal and state governmental agencies

Given the growth in the scope of our service offerings, many of our current federal agency clients are not utilizing the full array of services that we offer, especially with regard to implementation. We will specifically target deeper penetration of those agencies that currently procure services only from one or two of our business areas. We believe we can leverage many of our long-term client relationships by introducing these existing clients, where appropriate, to our other services. For example, we plan to introduce many of our advisory clients to our capabilities to provide associated information technology, cybersecurity, human capital strategy, large-scale program management, and strategic communications services, and we can readily offer our long-term clients a broad suite of evaluation services, particularly as a result of our acquisition of Macro. We are also well-positioned with our benchmarking, evaluation, and improvement capabilities to capitalize on the recent trend, at both the federal and state levels, towards transparency and measurement of program results. Moreover, as more federal money passes to the states to finance state-level initiatives and programs, we can leverage our experience with our state clients to help them employ those federal funds more effectively. Finally, having grown to have more than 50 offices across the United States, we can focus more of our business development efforts on addressing the needs of federal agencies with operations outside of the metropolitan Washington, D.C. area.

Expand our commercial business

We see growth opportunities in our current commercial business in the utility and air transport industries, as well as significant potential for us to expand our business in other commercial sectors, both domestically and internationally. Although we believe the utility industry will continue to be a strong market for advisory services in light of the growing focus on regulatory actions and alternative fuels, we intend to leverage our existing relationships and institutional expertise to pursue and capture additional, typically higher-margin opportunities. First, we believe we can continue to expand beyond our advisory-based businesses and into implementation services such as assisting with implementing energy efficiency programs for utilities. Second, the growth of interest in carbon emission and sustainability issues has increased our ability to offer these types of services to new clients in other sectors beyond utilities and air transportation. Many other sectors, such as information service providers, who are large consumers of energy, and hotel and tourist-related services, have recently become new client areas for us, and we expect to continue to expand as industry better understands carbon regulation and the positive benefits of demonstrating environmental stewardship.

Replicate our business model globally across government and industry

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

Focus on higher-margin projects

We plan to pursue higher-margin commercial projects and continue to shift our federal, state, and local government contract base to increase margins. We believe we have strong global client relationships in both the commercial energy and air transport markets, where our margins have historically been higher than those in our government business. We view the energy industry as a particularly attractive market for us over the next decade due to climate change concerns, impending regulation, and the need for cleaner sources of energy. We believe these factors will result in a greater number of potential engagements that will also be larger in size and scope. We will also continue our efforts in federal, state, and local government markets to shift our contract mix from cost-based contracts toward fixed-price contracts and time-and-materials contracts, both of which, in our experience, typically offer higher margins.

Pursue strategic acquisitions

We plan to augment our organic growth with selected acquisitions. During the past few years, we have acquired a number of companies, including: Macro and Jacob & Sundstrom in 2009; Jones & Stokes in 2008; and SH&E, Z-Tech, EEA, and APCG in 2007. Our more recent acquisitions are discussed in "Management's

Discussion and Analysis of Financial Condition and Results of Operations—Acquisitions." We plan to continue a disciplined acquisition strategy to obtain new clients, increase our size and market presence, and obtain capabilities that complement our existing portfolio of services, while focusing on cultural compatibility and financial impact.

CONTRACTS

Domestic government clients (including U.S. federal, state, and local governments), domestic commercial clients, and international clients (including government and commercial clients outside the United States) accounted for approximately 79%, 16%, and 5%, respectively, of our 2009 revenue, approximately 83%, 12%, and 5%, respectively, of our 2008 revenue, and approximately 92%, 6%, and 2%, respectively, of our 2007 revenue. Our clients span a broad range of defense and civilian agencies and commercial enterprises. Our contract periods typically extend from one month to five years, including option periods. Many of our government contracts provide for option periods that may be exercised by the client. Our largest contract in 2009, 2008, and 2007, The Road Home contract with the State of Louisiana, accounted for approximately 9%, 38%, and 63% of our revenue for 2009, 2008, and 2007, respectively. In 2009, 2008, and 2007, no other single contract accounted for more than 2% of our revenue. Including The Road Home contract, our top 10 contracts in 2009, 2008, and 2007 collectively accounted for approximately 19%, 46%, and 69%, of our revenue, respectively. Excluding The Road Home contract, our top 10 contracts in 2009, 2008, and 2007, collectively accounted for approximately 10%, 8%, and 6% of our revenue, respectively. In 2009, we received approximately 17%, 9%, and 6% of our revenue, respectively, from our three largest clients, HHS, the State of Louisiana, and DoD. Most of our revenue is derived from prime contracts, which accounted for approximately 85%, 90% and 94% of our revenue for 2009, 2008, and 2007, respectively. Unless the context otherwise requires, we use the term "contracts" to refer to contracts and any task orders or delivery orders issued under a contract.

Our U.S. and international clients accounted for revenues of approximately $639.8 million and $34.6 million, respectively, in 2009; $664.7 million and $32.7 million, respectively, in 2008, and $711.1 million and $16.0 million, respectively, in 2007. Our U.S. clients include federal, state, and local governments and domestic commercial clients. Non-profit entities and universities are considered commercial clients. Entities such as the World Bank and the United Nations are considered international clients, while the State Department and the U.S. Agency for International Development are considered U.S. government clients. In general, a client is considered international if it is located outside the United States. If we are a subcontractor, then the client is not considered to be the prime contractor but rather the ultimate client receiving the services from the prime contractor team. Our foreign operations pose special risks, as discussed below in "Risk Factors—Risks Related to Our Business—Our international operations pose special and unusual risks to our profitability and operating results."

CONTRACT BACKLOG

We define *total backlog* as the future revenue we expect to receive from our contracts and other engagements. We generally include in backlog the estimated revenue represented by contract options that have been priced, but not exercised. We do not include any estimate of revenue relating to potential future delivery orders that might be awarded under our General Services Administration Multiple Award Schedule ("GSA Schedule") contracts, other Indefinite Delivery/Indefinite Quantity ("IDIQ") contracts, or other contract vehicles that are also held by a large number of firms and under which potential future delivery orders or task 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 backlog. We do include expected revenue under an engagement in funded backlog when we do not have a signed contract or contract modification if we have received client authorization to begin or continue working and we expect to sign a contract or contract modification for the engagement. In this case, the amount of funded backlog is limited to the amount authorized. Our funded backlog does not represent the full revenue potential of our contracts because many government clients, and sometimes other clients, authorize work under a particular contract on a yearly or more frequent basis, even though the contract may extend over several years. Most of our services to commercial clients are provided under contracts with relatively short durations. As a consequence, our backlog attributable to these clients is typically reflected in funded backlog and not in unfunded backlog.

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

Although we expect our contract backlog to result in revenue, the timing of revenue associated with both funded and unfunded backlog will vary based on a number of factors, and we may not recognize revenue associated with a particular component of backlog when anticipated, or at all. Our government clients generally have the right to cancel any contract, or ongoing or planned work under any contract, at any time. In addition, there can be no assurance that revenue from funded or unfunded backlog will have similar profitability to previous work or will be profitable at all. Generally speaking, we believe the risk that a particular component of backlog will not result in future revenue is higher for unfunded backlog than for funded backlog. See “Risk Factors—Risks Related to Our Business—We may not receive revenue corresponding to the full amount of our backlog, or may receive it later than we expect, which could materially and 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,		
	2009	2008	2007
		(In millions)	
Funded	$ 536.0	$ 426.6	$ 522.2
Unfunded	825.5	390.7	300.2
Total	$ 1,361.5	$ 817.3	$ 822.4

BUSINESS DEVELOPMENT

Our business development efforts are critical to our organic growth. A firm-wide business development process, referred to as the Business Development Life Cycle (“BDLC”), is used to guide sales activities in a disciplined manner from lead identification, through lead qualification, to capture and proposal. An internally developed, Web-based tool is used to track all sales opportunities throughout the BDLC, as well as to manage our aggregate sales pipeline. The pursuit of major sales opportunities are each led by a capture manager and are reviewed by management during their life cycle to ensure alignment with our corporate strategy and effective use of resources.

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

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

COMPETITION

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

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

INTELLECTUAL PROPERTY

We own a number of trademarks and copyrights that help maintain our business and competitive position. We do not have any patents. Sales and licenses of our intellectual property do not comprise a substantial portion of our revenue or profit; however, this situation could change in the future. 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, as discussed in "Risk Factors—Risks Related to Our Business—We depend on our intellectual property and our failure to protect it could enable competitors to market services and products with similar features, which may reduce demand for our services and products," but there can be no assurance that these will adequately protect our intellectual property.

EMPLOYEES

As of December 31, 2009, we had more than 3,500 benefits-eligible (full-time and regular part-time) employees, approximately 41% 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 82% of whom held a bachelor's degree or equivalent or higher. As of December 31, 2009, approximately 300 of our employees held an active federal security clearance, and over 100 additional employees held a terminated clearance eligible for reinstatement.

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

ITEM 1A. RISK FACTORS

RISKS RELATED TO CHANGES IN ECONOMIC AND POLITICAL CLIMATE

Current or worsening economic conditions could adversely affect our business.

The United States and global economies are currently experiencing a period of substantial economic uncertainty with wide-ranging effects, including the disruption of global financial markets. Some, but not all, of the possible effects of these economic events are outlined in the risk factors described below, including those relating to levels and priorities of federal and state spending, access to capital and credit markets, effects on commercial and other clients, and potential impairment of our goodwill and other long-lived assets. Although governments worldwide, including the federal government, have initiated actions in response to the current situation, we are unable to predict the impact, severity, and duration of these economic conditions. The economic environment or related factors may adversely impact our business, financial condition, results of operations, cash flows, and/or stock price.

The combination of the adverse economic climate and challenges faced by federal and state governments could result in changes in spending priorities and adversely affect our ability to grow or maintain our revenues and profitability.

The combination of the challenging economic climate, related budgetary pressures at the federal and state levels, the wide range of issues facing the current presidential administration in the United States (that may have, or be forced to have, spending priorities that are disadvantageous to us, including a focus on economic stimulus and regulatory reform), and changes in the composition of the U.S. Congress may affect agencies, departments, projects, or programs we currently support, or that we may seek to support in the future. The programs and projects we support must compete with other programs and projects for consideration during budget formulation and appropriation processes, and may be affected by the general economic conditions. Budget decisions made in this environment are difficult to predict and may have long-term consequences for certain programs and projects. We believe that many of the programs and projects we support are a high priority, and that changing priorities may present opportunities for us, but there remains the possibility that one or more of the programs and projects we support will be reduced, delayed, or terminated. We engage in a number of programs and projects that may be perceived as being favored by the presidential administration and could be expected to receive funding under the American Recovery and Reinvestment Act. On the other hand, the President has recently proposed a freeze on the federal government's non-security discretionary funding for three years. This freeze may affect some programs and projects more than others and may adversely affect programs and projects we support. Reductions in, or delays or terminations of, any of the existing programs or projects we support, or of anticipated programs and projects, unless offset by other programs, projects, or opportunities, could adversely affect our ability to grow or maintain our revenues and profitability. We are focused on meeting these challenges and taking advantage of related opportunities. If we are not successful in this effort, we may not be able to grow or maintain our revenues and profitability.

Recent levels of market volatility are unprecedented, and adverse capital and credit market conditions may affect our ability to access cost-effective sources of funding.

The capital and credit markets recently have been experiencing extreme volatility and disruption. Liquidity has contracted significantly, borrowing rates have varied significantly, and borrowing terms have become more restrictive. Historically, we have believed that we could access these markets to support our business activities, including operations, acquisitions, and refinancing debt. In the future, we may not be able to obtain credit or capital market financing (such as through equity offerings) on acceptable terms, or at all, which could have an adverse effect on our financial position, results of operations, and cash flows. In addition, the state of the capital and credit markets could also affect other entities with which we do business, including our commercial and other clients and our suppliers, subcontractors, and team members, which could also have an adverse effect on our financial position, results of operations, and cash flows.

RISKS RELATED TO OUR INDUSTRY

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

We derived approximately 60%, 36%, and 27% of our revenue in 2009, 2008, and 2007, respectively, from contracts with federal agencies and departments, and approximately 19%, 47%, and 65% of our revenue from contracts with state and local governments in 2009, 2008, and 2007, respectively. Approximately 9%, 38%, and 63% of our revenue in 2009, 2008, and 2007, respectively, was from The Road Home contract with the State of Louisiana, as discussed in more detail under "Risks Related to our Business—Ongoing and possible post-contract litigation, 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." Virtually all of our major government clients have experienced reductions in budgets at some time, often for a protracted period, and we expect similar reductions in the future. Expenditures by our federal clients may be restricted or reduced by presidential or congressional action or by action of the Office of Management and Budget or otherwise limited. In addition, many states are not permitted to operate with budget deficits, and nearly all states face considerable challenges in balancing budgets that anticipate reduced revenues. For example, our clients include agencies and departments of, as well as local and municipal governments within, the State of California, which has recently been dealing with a multi-billion-dollar budget deficit. We expect that these and other clients will delay some payments due to us, may eventually fail to pay what they owe us, and may delay some programs and projects. For some clients, we may face an unwelcome choice: turn down (or stop) work with the risk of damaging a valuable client relationship, or perform work with the risk of not getting paid in a timely fashion or perhaps at all. For a discussion of the risks associated with incurring costs before a contract is executed or appropriately modified, see "Risks Related to Our Business—We sometimes incur costs before a contract is executed or appropriately modified. To the extent a suitable contract or modification is not subsequently signed or we are not paid for our work, our revenue and profit will be reduced."

Federal, state, and local elections could also affect spending priorities and budgets at all levels of government, and the current national and worldwide economic downturn may result in changes in government priorities in ways that could be disadvantageous to us. For example, addressing the financial crisis and economic downturn has required the use of substantial government resources, which may lower the amounts available for agencies, departments, projects, or programs we support. In addition, some governments may not have sufficient resources to continue spending at previous levels. A decline in expenditures, or a shift in expenditures away from agencies, departments, projects, or programs that we support, whether to pay for other programs or projects within the same or other agencies or departments, to reduce budget deficits, to fund tax reductions, or for other reasons, could materially adversely affect our business, prospects, financial condition, or operating results. Moreover, the perception that a cut in appropriations or spending may occur, such as the recent proposal by the President to limit certain spending, could adversely affect investor sentiment about our stock and cause our stock price to fall.

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

On an annual basis, Congress must approve budgets that govern spending by each of the federal agencies and departments we support. When Congress is unable to agree on budget priorities, and thus is unable to pass the annual budget on a timely basis, it typically enacts a continuing resolution. Continuing resolutions generally allow federal agencies and departments to operate at spending levels based on the previous budget cycle. When agencies and departments must operate on the basis of a continuing resolution, funding we expect to receive from clients for work we are already performing and new initiatives may be delayed or cancelled. Thus, the failure by Congress to approve budgets in a timely manner can result in the loss of revenue and profit in the event federal agencies and departments are required to cancel or change existing or new initiatives, or the deferral of revenue and profit to later periods due to delays in implementing existing or new initiatives. The budgets of many of our state and local government clients are also subject to similar budget processes, and thus subject us to similar risks and uncertainties.

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

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

- the Federal Acquisition Regulation, and agency regulations analogous or supplemental to it, which comprehensively regulate the formation, administration, and performance of federal government contracts;
- the Truth in Negotiations Act, which requires certification and disclosure of cost and pricing data in connection with some contract negotiations;
- the Procurement Integrity Act, which, among other things, defines standards of conduct for those attempting to secure federal contracts, prohibits certain activities relating to federal procurements, and limits the employment activities of certain former federal employees;
- the Cost Accounting Standards, which impose accounting requirements that govern our right to payment under federal contracts; and
- laws, rules and regulations restricting (i) the use and dissemination of information classified for national security purposes, (ii) the exportation of specified products, technologies, and technical data, and (iii) the use and dissemination of sensitive but unclassified data.

The federal government and other governments with which we do business may in the future change their procurement practices or adopt new contracting laws, rules, or regulations, including cost accounting standards, that could be costly to satisfy or that could impair our ability to obtain new contracts. Any failure to comply with applicable federal, state, or local strictures could subject us to civil and criminal penalties and administrative sanctions, including termination of contracts, repayment of amounts already received under contracts, forfeiture of profits, suspension of payments, fines, and suspension or debarment from doing business with federal and even state and local government agencies and departments, any of which could adversely affect our reputation, our revenue, our operating results, and the value of our stock. Failure to abide by laws applicable to our work for governments outside the United States could have similar effects. Unless the content requires otherwise, we use the term “contracts” to refer to contracts and any task orders or delivery orders issued under a contract.

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.

The federal government and many states audit and review our contract performance, pricing practices, cost structure, financial responsibility, and compliance with applicable laws, regulations, and standards. Like most major government contractors, we have our business processes, financial information, and government contracts audited and reviewed on a continual basis by federal agencies, including the Defense Contract Audit Agency. Audits, including audits relating to companies we have acquired or may acquire or subcontractors we have hired or may hire, could raise issues that have significant adverse effects on our operating results. For example, audits could result in substantial adjustments to our previously reported operating results if costs that were originally reimbursed, or that we believed would be reimbursed, are subsequently disallowed, or if invoices that have been paid, or that we expected to be paid, are subsequently rejected, or otherwise not paid in full. In addition, cash we have already collected may need to be refunded, past and future operating margins may be reduced, and we may need to adjust our practices, which could reduce profit on other past, current, and future contracts. Moreover, a government agency could withhold payments due to us under a contract pending the outcome of any investigation with respect to a contract or our performance under it. Audits in connection with The Road Home contract are discussed below under “Risks Related to Our Business—Ongoing and possible post-contract litigation, 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.”

If a government audit, review, or investigation uncovers improper or illegal activities, we may be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, repayment of amounts already received under contracts, forfeiture of profits, suspension of payments, fines, and suspension or debarment from doing business with federal and even state and local government agencies and departments. We may also lose business if we are found not to be sufficiently financially responsible. In addition, we could suffer serious harm to our reputation and our stock price could decline if allegations of impropriety are made against us, whether or not true. Federal audits have been completed on our incurred contract costs only through 2006; audits for costs incurred on work performed since then have not yet been completed. In addition, non-audit reviews by the government may still be conducted on all our government contracts.

If significant civil or criminal penalties or administrative sanctions are imposed on us or if the federal or state governments otherwise cease doing business with us or significantly decrease the amount of business they do with us, our revenue and operating results would be materially harmed.

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

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

Adoption of new procurement practices or contracting laws, rules, and regulations and changes in existing procurement practices or contracting laws, rules, and regulations could impair our ability to obtain new contracts and cause us to lose revenue and profit.

In the future, the federal government may change its procurement practices or adopt new contracting laws, rules, or regulations that could cause its agencies and departments to curtail the use of services firms or increase the use of companies with a “preferred status,” such as small businesses. For example, legislation restricting the procedure by which services are outsourced to federal contractors has been proposed in the past, and if such legislation were to be enacted, it would likely reduce the amount of services that could be outsourced by the federal government. Any such changes in procurement practices or new contracting laws, rules, or regulations could impair our ability to obtain new contracts and materially reduce our revenue and profit. Other government clients could enact changes to their procurement laws and regulations that could have similar adverse effects on us.

In addition, our business activities may be or may become subject to international, foreign, U.S., state, or local laws or regulatory requirements that may limit our strategic options and growth and may increase our expenses and reduce our revenue and profit, negatively affecting the value of our stock. We generally have no control over the effect of such laws or requirements on us and they could affect us more than they affect other companies.

RISKS RELATED TO OUR BUSINESS

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

Contracts with federal agencies and departments accounted for approximately 60%, 36%, and 27% of our revenue in 2009, 2008, and 2007, respectively. Revenue from contracts with clients in HHS, DoD, and DHS accounted for approximately 30% of our revenue in 2009. The majority of the revenues in 2009 of Macro and Jacob & Sundstrom, both of which we acquired in 2009, was derived from federal contracts. Particularly following the completion of The Road Home contract, we believe that federal contracts will continue to be a significant source of our revenue and profit for the foreseeable future. Revenue from contracts with clients in HHS, DoD, and EPA accounted for approximately 20% of our revenue in 2008. Revenue from contracts with clients in HHS, DoD, EPA, accounted for approximately 15% of our revenue for 2007.

Because we have a large number of contracts with our clients, we continually bid for and execute new contracts, and our existing contracts continually become subject to recompetition 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 the requirements those expiring contracts were satisfying will continue after their expiration, that the client will re-procure those requirements, that any such re-procurement will not be restricted in a way that would eliminate us from the competition (e.g., set aside for small business), or that we will be successful in any such re-procurements. If we are not able to replace the revenue from these contracts, either through follow-on contracts or new contracts for those requirements or for other requirements, our revenue and operating results will be materially harmed.

Among the key factors in maintaining our relationships with government agencies and departments (and other clients) are our performance on individual contracts, the strength of our professional reputation, and the relationships of our managers with client personnel. Because we have many contracts, we expect disagreements and performance issues with clients to arise from time to time. To the extent that such disagreements arise, our performance does not meet client expectations, our reputation or relationships with one or more key clients are impaired, or one or more important client personnel leave their employment, are transferred to other positions, or otherwise become less involved with our contracts, our revenue and operating results could be materially harmed. Our reputation could also be harmed if we work on or are otherwise associated with a project that receives significant negative attention in the news media or otherwise for any reason.

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

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

The Road Home contract provided us with significant opportunities, but also created substantial risks. A number of these risks continue beyond the term of the contract. Further, because we have never wound down a contract of this size, we are subject to many risks in connection with its conclusion. We have outlined below the significant risks to which we believe we continue to be subject in connection with this contract.

We have a number of lawsuits pending and other claims have been made against us in connection with The Road Home contract, and others may be brought in the future. We have defended such actions vigorously and plan to continue to do so, but we have not prevailed in every case and may not prevail in future cases. An adverse finding on any claim could seriously harm our business, including, but not limited to, adversely affecting our cash flows, operating results, and reputation, distracting management, and leading to additional claims being made against us. Even the successful conclusion of such claims, however, may cause us to incur attorneys' fees and other costs and will divert valuable management time and attention. 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 most of such costs or fees and has not reimbursed any such costs or fees since 2008. Claims against us could be substantial and exceed the amounts of, and some are not covered by, available insurance. Such claims may include any of the following, among others:

- Homeowners, rental housing owners, or others dissatisfied with the amount of money they have received from, or their treatment under, this program have taken action against the State of Louisiana and us, and more actions may be initiated, whether or not merited, including possible class action or other substantial litigation.
- We have terminated most of our employees who worked on The Road Home contract, some earlier than initially anticipated due to the contract's acceleration earlier in its term. Some of those former employees have taken action against us, and more actions may be instituted, whether or not merited, including possible class action or other substantial litigation.
- We and our subcontractors have gathered and maintain sensitive information concerning potential and actual program participants. A claim or determination that we failed to maintain and secure such information properly or failed to take appropriate action to prevent fraud could result in substantial liability for us.
- As with any compensation program, there is a risk that employees, applicants, and others may have committed fraud, for which claims may be made against us.
- There is a risk that reimbursement will be sought from us or claims will be made against us, for example, for problems found with our services or invoices or the services or invoices of our subcontractors, including reimbursement for any excess amounts paid to grant recipients, whether or not any such reimbursement sought or claims made are consistent with the terms of the contract.
- There is also the risk that the State of Louisiana will seek indemnification from us for certain liabilities pursuant to the contract.

In addition, The Road Home contract has been, and we expect it to continue to be, audited, investigated, reviewed, and monitored frequently by federal and state authorities and their representatives. These activities consume significant management time and effort; further, the contract provides that we are subject to audits for more than five years after the expiration of the contract. The large number of parties scrutinizing our performance under The Road Home contract significantly heightens the risk of adverse findings. Such findings from any audit, investigation, review, monitoring, or similar activity could subject us to civil and criminal penalties and administrative sanctions from state or federal authorities, including repayments of amounts already received under the contract, forfeiture of profits, suspension of payments, fines, claims for reimbursement for the costs resulting from any errors or omissions in our performance under the contract, and suspension or debarment from doing business with the State of Louisiana or federal agencies and departments, any of which could substantially adversely affect our reputation, our revenue, our operating results, and the value of our stock.

As of December 31, 2009, we had a total due to us of approximately $0.8 million from the State of Louisiana under The Road Home contract. As a result, we are withholding certain payments from our subcontractors, which may affect our relationships with them and may result in claims or other action by them against us. We cannot predict if and when the state will make the payments that have been withheld or if and when the state may decide to withhold other payments, or make claims or take other actions against us. Claims or other actions by subcontractors or the state, or the state's failure to make these payments, could have a substantial, adverse effect on our reputation, relationships with other firms, cash flow, operating results, and stock price. Further, we may file our own claims, for example, against the state regarding the payments withheld and other issues. Such claims could be costly to pursue, they could divert management attention, and their outcome would be uncertain.

Finally, we face the substantial challenge of replacing the revenue and profits from The Road Home contract. For all of its three-year duration, The Road Home contract was our largest contract, providing well over one-half of our revenue at its peak. We have embarked on numerous efforts to replace this revenue and the resulting profits, including several acquisitions, but there can be no assurance that these efforts will be successful. If these efforts are not successful, we would expect our operating results to suffer and our stock price could decline.

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

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

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

Our commercial business is heavily concentrated in the air transport and energy industries, which are highly cyclical. Our clients in these industries experience periods of relatively high demand followed by periods of relatively low demand. Their demand for our services has historically risen and fallen accordingly. We expect that demand for our services from commercial air transport and energy industry clients will decline when either industry experiences a downturn. Factors leading to a downturn in the air transport industry include a decline in general economic conditions, acts of terrorism or war, changes in the worldwide geopolitical climate, increases in the cost of energy, the financial condition of major airlines or airports, changes in weather patterns, and government regulations affecting the air transport industry. Other factors, some of them unforeseeable, could also affect the demand for our services to this industry. Factors that could cause a downturn in the energy industry include a decline in general economic conditions, changes in political stability in the Middle East and other oil producing regions, and government regulations affecting the energy sector. There are other factors that have affected demand for our services or may affect it in the future, such as the fate of a major corporation in the energy industry. Demand for our services from some parts of the commercial air transport industry and transaction-related work in the energy industry has, in fact, dropped during the current economic downturn.

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

The calculation of backlog is highly subjective and is subject to numerous uncertainties and estimates, and there can be no assurance that we will in fact receive the amounts we have included in our backlog. Our assessment of a contract's potential value is based on factors such as the amount of revenue we have recently recognized on that contract, our experience in utilizing contract capacity on similar types of contracts, and our professional judgment. In the case of contracts that may be renewed at the option of the client, we generally calculate backlog by assuming that the client will exercise all of its renewal options; however, the client may elect not to exercise its renewal options. In addition, federal contracts rely on congressional appropriation of funding, which is typically provided only partially at any point during the term of federal contracts, and all or some of the work to be performed under a contract may require future appropriations by Congress and the subsequent allocation of funding by the procuring agency to the contract. 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 and backlog related to IDIQ contracts. Further, the actual receipt of revenue on engagements included in backlog may never occur or the amount or timing of such revenue may change because client priorities could change, a program or project schedule could change, the program or project could be canceled, the government agency or other client could elect not to exercise renewal options under a contract or could select other contractors to perform services, or a contract could be reduced, modified, or terminated. Although we adjust our backlog periodically to reflect modifications to or renewals of existing contracts, awards of new contracts, or approvals of expenditures, if we fail to realize revenue corresponding to our backlog, our revenue and operating results could be materially adversely affected.

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

We perform some of our work under short-term contracts. Even under many of our longer-term contracts, we perform much of our work under individual task orders and delivery orders, many of which are awarded on a competitive basis. If we cannot obtain new work in a timely fashion, whether through new contracts, task orders, or delivery orders, modifications to existing contracts, task orders, or delivery orders, or otherwise, we may not be able to keep our staff profitably utilized. It is difficult to predict when such new work or modifications will be obtained. Moreover, we need to manage our staff utilization carefully to ensure that those with appropriate qualifications are available when needed and that staff do not have excessive down-time when working on multiple projects, or as projects are beginning or nearing completion. There can be no assurance that we can profitably manage the utilization of our staff. In the short run, our costs are relatively fixed, so sub-optimal staff utilization hurts revenue, profit, and operating results.

Loss of key members of our senior operating leadership team could impair our relationships with clients and disrupt the management of our business.

Although the depth of our organization has grown in recent years, we believe that our success depends on the continued contributions of the members of our senior operating leadership. We rely on our senior leadership to generate business and manage and execute projects and programs successfully. In addition, the relationships and reputation that many members of our operating leadership team have established and maintain with client personnel contribute to our ability to maintain good client relations and identify new business opportunities. Apart from our most senior executive officers, we do not generally have agreements with members of our operating leadership providing for a specific term of employment. The loss or rumored loss of any member of our senior operating leadership could adversely affect our stock price.

If we fail to attract and retain skilled employees, we will not be able to continue to win new work, staff engagements, and sustain our profit margins and revenue growth.

We must continue to hire significant numbers of highly qualified individuals who have technical skills and who work well with our clients. These employees are in great demand and are likely to remain a limited resource for the foreseeable future. If we are unable to recruit and retain a sufficient number of these employees, our ability to staff engagements and to maintain and grow our business could be limited. In such a case, we may be unable to win or perform contracts, and we could be required to engage larger numbers of subcontractor personnel, any of which could adversely affect our revenue, profit, operating results, and reputation. We could even default under one or more contracts for failure to perform properly in a timely fashion, which could expose us to additional liability and further harm our reputation and ability to compete for future contracts. In addition, some of our contracts contain provisions requiring us to commit to staff an engagement with personnel the client considers key to our successful performance under the contract. In the event we are unable to provide these key personnel or acceptable substitutes, or otherwise staff our work, the client may reduce the size and scope of our engagement under a contract or terminate it, and our revenue and operating results may suffer.

Growing through acquisitions is a key element of our business strategy, and we are constantly reviewing acquisition opportunities. These activities may involve significant costs, be disruptive, or not be successful. These activities will divert the attention of management from existing operations and initiatives.

One of our principal growth strategies is to make selective acquisitions. We believe pursuing acquisitions actively is necessary for a public company of our size in our business. As a result, at any given time, we may be evaluating several acquisition opportunities. We may also have outstanding, at any time, one or more expressions of interest, agreements in principle, letters of intent, or similar agreements regarding potential acquisitions, which are subject to completion of due diligence and other significant conditions, as well as confidentiality agreements with potential acquisition targets. Our experience has been that potential acquisition targets demand confidentiality as a matter of course and allow relatively little due diligence before entering into a preliminary agreement in principle. We insist on including due diligence and other conditions in such preliminary agreements and engage in due diligence prior to executing definitive agreements regarding potential acquisitions. We find that potential acquisitions subject to preliminary agreements in principle often are not consummated, or are consummated on terms materially different than those to which the parties initially agreed. Accordingly, our normal practice is not to disclose potential acquisitions until definitive agreements are executed and, in some cases, material conditions precedent are satisfied.

When we are able to identify an appropriate acquisition candidate, we may not be able to negotiate the price and other terms of the acquisition successfully or finance the acquisition on terms satisfactory to us. Our out-of-pocket expenses in identifying, researching, and negotiating potential acquisitions has been and will likely continue to be significant, even if we do not ultimately acquire identified businesses. In addition, negotiations of potential acquisitions and the integration of acquired business operations divert management attention away from day-to-day operations and may reduce staff utilization and adversely affect our revenue and operating results.

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

When we complete acquisitions, it may be difficult and costly to integrate the acquired businesses due to differences in the locations of personnel and facilities, differences in corporate cultures, disparate business models, or other reasons. If we are unable to integrate companies we acquire successfully, our revenue and operating results could suffer. In addition, we may not be successful in achieving the anticipated cost efficiencies and synergies from these acquisitions, which could include offering our services to existing clients of acquired companies or offering the services of acquired companies to our existing clients to increase our revenue and profit. In fact, our costs for managerial, operational, financial, and administrative systems may increase and be higher than anticipated. We may also experience attrition, including key employees of acquired and existing businesses, during and following integration of an acquired business into our Company. We could also lose business during any transition, whether related to this attrition or caused by other factors. Any attrition or loss of business could adversely affect our future revenue and operating results and prevent us from achieving the anticipated benefits of the acquisition. In addition, acquisitions of businesses or other material operations may require additional debt or equity financing or both, resulting in additional leverage or dilution of ownership, or both.

Businesses we acquire may have liabilities or adverse operating issues, or both, that we fail to discover through due diligence or the extent of which we underestimate prior to the acquisition. These liabilities and/or issues may include failure to comply with, or other violations of, applicable laws, rules, or regulations or contractual or other obligations or liabilities. We, as the successor owner, may be financially responsible for, and may suffer harm to our reputation and 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 lead 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 of our past acquisitions or any 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 substantial write-downs that would adversely affect our operating results.

All of our acquisitions have been accounted for as purchases and involved purchase prices well in excess of tangible asset values, resulting in the creation of a significant amount of goodwill and other intangible assets. As of December 31, 2009, goodwill and purchased intangibles accounted for approximately $323.5 million and $38.5 million, or approximately 55.6% and 6.6%, respectively, of our total assets. We plan to continue acquiring businesses if and when opportunities arise, further increasing these amounts. Under generally accepted accounting principles, we do not amortize goodwill and intangible assets acquired in a purchase business combination that are determined to have indefinite useful lives, but instead review them annually (or more frequently if impairment indicators arise) for impairment. Although we have to date determined that such assets have not been impaired, additional acquisitions and the current economic conditions could make impairment more likely in the future. To the extent that we determine that such an asset has been impaired, we will write down its carrying value on our balance sheet and book an impairment charge in our statement of earnings.

We amortize intangible assets with estimable useful lives over such lives and review them for impairment. If, as a result of acquisitions or otherwise, the amount of intangible assets being amortized increases, so will our depreciation and amortization charges in future periods.

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

We operate in highly competitive markets and generally encounter intense competition to win contracts, task orders, and delivery orders. If we are unable to compete successfully for new business, our revenue and operating margins may decline. Many of our competitors are larger and have greater financial, technical, marketing, and public relations resources, larger client bases, and greater brand or name recognition than we do. We also have numerous smaller competitors, many of which have narrower service offerings and serve niche markets. Our competitors may be able to compete more effectively for contracts and offer lower prices to clients, causing us to lose contracts, as well as lowering our profit or even causing us to suffer losses on contracts that we do win. Some of our subcontractors are also competitors, and some of them may in the future secure positions as prime contractors, which could deprive us of work we might otherwise have won under such contracts. On contracts where we are a subcontractor, the prime contractors or our teaming partners may also deprive us of work we might otherwise have performed. Our competitors may be able to provide clients with different and greater capabilities and benefits than we can provide in areas such as technical qualifications, past performance on relevant contracts, geographic presence, ability to keep pace with the changing demands of clients, and the availability of key personnel. Our competitors also have established or may establish relationships among themselves or with others, or may, through mergers and acquisitions, increase their ability to address client needs. Accordingly, it is possible that new competitors or alliances among competitors may emerge. In addition, our competitors may also be able to offer higher prices for acquisition candidates, which could harm our strategy of growing through selected acquisitions.

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. We expect that most of the government business we seek in the foreseeable future will be awarded through competitive bidding. 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 for contracts that may or may not be awarded to us;
- 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, and the risk that such protests or challenges could result in the requirement to resubmit bids, and in the termination, reduction, or modification of the awarded contracts; and
- the opportunity cost of not bidding on and winning other contracts we might otherwise pursue.

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

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

We provide services to clients primarily under three types of contracts: time-and-materials contracts; cost-based contracts; and fixed-price contracts. In 2009, we derived approximately 51%, 20%, and 29%, of our revenue from time-and-materials, cost-based, and fixed-based contracts, respectively. For 2008, the corresponding percentages were approximately 67%, 11%, and 22%, respectively. For 2007, the corresponding percentages were approximately 55%, 9%, and 36%, respectively. Each of these types of contracts, to differing degrees, involves the risk that we could underestimate our cost of fulfilling the contract, which may reduce the profit we earn or lead to a financial loss on the contract, which would adversely affect our operating results.

- Under time-and-materials contracts, we are paid for labor at negotiated hourly billing rates and for certain expenses, and we assume the risk that our costs of performance may exceed the negotiated hourly rates.
- Under our cost-based contracts, which frequently cap many of the various types of costs we can charge and which impose overall and individual task order or delivery order ceilings, we are reimbursed for certain costs incurred, which must be allowable and at or below the caps under the terms of the contract and applicable regulations. If we incur unallowable costs in the performance of a contract, the client will not reimburse those costs, and if our allowable costs exceed any of the applicable caps or ceilings,

we will not be able to recover those costs. Under some cost-based contracts, we receive no fees. Our acquisition of Macro substantially increased the proportion of our work that is cost-based.

- Under fixed-price contracts, we perform specific tasks for a set price. Compared to cost-plus-fee contracts and time-and-materials contracts, fixed-price contracts involve greater financial risk because we bear the full impact of cost overruns.

In order to determine the appropriate revenue to recognize on our contracts in each accounting period, we must use judgment relative to assessing risks, estimating contract revenue and costs, and making assumptions for schedule and technical issues. From time to time, facts develop that require us to revise our estimated total costs and revenue on a contract. To the extent that a revised estimate affects contract profit or revenue previously recognized, we record the cumulative effect of the revision in the period in which the facts requiring the revision become known. Provision for the full amount of an anticipated loss on any type of contract is recognized in the period in which it becomes probable and can be reasonably estimated. As a result, our operating results could be affected by revisions to prior accounting estimates. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Description of Critical Accounting Policies—Revenue Recognition.”

Our operating margins and operating results may suffer if cost-based contracts increase in proportion to our total contract mix.

Our clients typically determine which type of contract will be awarded to us. In the past, cost-based contracts have been the least profitable of our contract types. To the extent that we enter into more or larger cost-based contracts in proportion to our total contract mix, our indirect rates change for any reason, or we acquire companies with a large volume of cost-based contracts, our operating margins and operating results may suffer. We do not know how, if at all, our contract mix or our indirect rates will change in the future. Our acquisition of Macro substantially increased the proportion of our work that is cost-based.

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

We have offices in London, Moscow, New Delhi, Rio de Janeiro, Toronto, and Beijing. We also perform work in other foreign countries, some of which have a history of political instability or may expose our employees and subcontractors to physical danger, and we expect to continue to expand our international operations and offices. One element of our strategy to improve our competitiveness is to perform some of our work in countries with lower cost structures, such as India. There can be no assurance, however, that this strategy will be successful. Moreover, this particular element of our strategy could create problems for our ability to compete for U.S. federal, state, or local government contracts, to the extent that the client agencies prefer or mandate that work under their contracts be executed in the United States or by U.S. citizens. In addition, expansion into new geographic regions requires considerable management and financial resources, the expenditure of which may negatively impact our results, and we may never see any return on our investment. Moreover, we are required to comply with the U.S. Foreign Corrupt Practices Act (“FCPA”), which generally prevents making payments or offers of payments to foreign officials, foreign political parties, or candidates for foreign political office, in order to obtain or retain business. Some of our competitors may not be subject to FCPA restrictions. Our operations are subject to risks associated with operating in, and selling to and in, foreign countries, including, but not limited to, those listed elsewhere in this “Risk Factors” section and:

- compliance with the laws, regulations, policies, legal standards, and enforcement mechanisms of the United States and the other countries in which we operate, which are sometimes inconsistent;
- currency fluctuations and devaluations and limitations on the conversion of foreign currencies into U.S. dollars;
- recessions, depressions, inflation, hyperinflation, price controls, strikes, and political and economic instability;
- rapid changes in and high interest rates;

- 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, including Afghanistan and Iraq;
- civil disturbances, terrorist activities, acts of war, natural disasters, epidemics, pandemics, and other catastrophic events;
- expropriation and nationalization of our assets or those of our subcontractors, and other inabilities to protect our property rights;
- difficulties in managing and staffing foreign operations, dealing with differing local business cultures and practices, and collecting accounts receivable;
- longer sales cycles;
- confiscatory taxes and other adverse tax consequences;
- tariffs, duties, import and export controls, and other trade barriers; and/or
- investment and other restrictions and requirements by United States and foreign governments, including activities that disrupt markets; restrict payments; or limit, change, or deprive us of the ability to enforce contracts or obtain and retain licenses and other rights necessary to conduct our business.

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.

Systems 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) inability of our staff to perform their work in a timely fashion, whether caused by limited access to, or closure of, our or our clients' offices or otherwise; (ii) failure of network, software, or hardware systems; and (iii) other interruptions and failures, whether caused by us, subcontractors, team members, third-party service providers, unauthorized intruders 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, failure or disruption of mail, communications, or utilities could cause an interruption or suspension of our operations or otherwise harm our business.

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

We could lose revenue, profit, and clients, and be exposed to liability if we have disagreements with our clients or fail to meet their expectations. We create, implement, and maintain solutions that are often critical to our clients' operations, and the needs of our clients are rapidly changing. Our ability to secure new work and hire and retain qualified staff depends heavily on our overall reputation, as well as the individual reputations of our staff members. Perceived poor performance on even a single contract could seriously impair our ability to secure new work and hire and retain qualified staff. In addition, we have experienced, and may experience in the future, some systems and service failures, schedule or delivery delays, and other problems in connection with our work.

Moreover, a failure by one or more of our subcontractors to perform satisfactorily the agreed-upon services on a timely basis may compromise our ability to perform our obligations as a prime contractor. In some cases, we have limited involvement in the work performed by subcontractors and may have exposure as a result of problems caused by subcontractors. In addition, we may have disputes with our subcontractors that could impair our ability to execute our contracts as required and could otherwise increase our costs. Such disputes and problems with subcontractors could, among other things, cause us to lose future contracts, suffer negative publicity, or otherwise incur liability for performance deficiencies we did not create. In turn, these negative outcomes could have a material adverse effect upon our operations, our financial performance, and the value of our stock.

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

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

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

We derive a portion of our revenue from contracts under which we act as a subcontractor or from “teaming” arrangements in which we and other contractors jointly bid on particular contracts, projects, or programs. Our revenue as a subcontractor was approximately 15%, 10%, and 6% of our revenue for 2009, 2008, and 2007, respectively. As a subcontractor or team member, we often lack control over fulfillment of a contract, and poor performance on the contract could tarnish our reputation, result in a reduction of the amount of our work under or termination of that contract or other contracts, and cause us not to obtain future work, even when we perform as required. We expect to continue to depend on relationships with other contractors for a portion of our revenue and profit in the foreseeable future. Moreover, our revenue and operating results could be materially and adversely affected if any prime contractor or teammate does not pay our invoices in a timely fashion, chooses to offer products or services of the type that we provide, teams with other companies to provide such products or services, or otherwise reduces its reliance upon us for such products or services.

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

Because we provide services to a wide array of both government and commercial clients, occasions arise where, due to actual, potential, or perceived conflicts of interest or business conflicts, we cannot perform work for which we are qualified. A number of our contracts contain limitations on the work we can perform for others, such as, for example, when we are assisting a government agency or department in developing regulations or enforcement strategies. Our internal procedure requires that, whenever a project we are pursuing may pose a conflict of interest, our Conflict of Interest Manager, or COI Manager, is notified prior to initiation of work. The COI Manager is then responsible for determining the extent of any possible conflict. As a result of these actions, we may determine that no actual or potential conflict is likely and pursuit of the project should proceed, the likelihood of actual or potential conflict is sufficiently great that we should not pursue the project at all, or there is an actual or potential conflict of interest that can be mitigated by an appropriately fashioned mitigation plan, which must then be created, approved by the client, and implemented. In addition, our managers work with each other to identify and resolve any potential conflicts of business. However, there can be no assurance that these processes will work properly. Actual, potential, and perceived conflicts limit the work we can do and, consequently, can limit our growth, adversely affect our operating results, and reduce the value of our Company. In addition, if we fail to address actual or potential conflicts properly or even if we simply fail to recognize a perceived conflict, we may be in violation of our existing contracts, may otherwise incur liability, and may lose future business for not preventing the conflict from arising, and our reputation may suffer. As we grow and further diversify our service offerings, client base, and geographic reach, actual, potential, and perceived conflicts will increase, further adversely affecting our operating results.

We sometimes incur costs before a contract is executed or appropriately modified. To the extent a suitable contract or modification is not subsequently signed or we are not paid for our work, our revenue and profit will be reduced.

When circumstances warrant, we sometimes incur expenses and perform work without a signed contract or appropriate modification to an existing contract to cover such expenses or work. When we do so, we are working “at-risk,” and there is a chance that the subsequent contract or modification will not ensue, or if it does, that it will not allow us to be paid for expenses already incurred, work already performed, or both. In such cases, we have generally been successful in obtaining the required contract or modification, but any failure to do so in the future could affect our operating results.

As we develop new services, new clients, and new practices, enter new lines of business, and focus more of our business on providing implementation and improvement services rather than advisory services, our risk of making costly mistakes increases.

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

Efforts involving a different focus, new services, new clients, new practice areas, new lines of business, new offices, or new geographic locations entail inherent risks associated with inexperience and competition from other participants in those areas. Our inexperience may result in costly decisions that could harm our profit and operating results. In particular, implementation services often relate to development and implementation of critical infrastructure or operating systems that our clients 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.

Claims in excess of our insurance coverage could harm our business and financial results.

When entering into contracts with commercial clients, we attempt, where feasible and appropriate, to negotiate indemnification protection from our clients, as well as monetary limitation of liability for professional acts, errors, and omissions, but it is not always possible to do so. In addition, we cannot be sure that these contractual provisions will protect us from liability for damages if action is taken against us. Claims against us, both under our client contracts and otherwise, have arisen in the past, exist currently, and will arise in the future. These claims include actions by employees, clients, and others. Some of the work we do, for example, in the environmental area, is potentially hazardous to our employees, our clients, and others, and they may suffer damage because of our actions or inaction. We have various policies and programs in the environmental, health, and safety area, but they may not prevent harm to employees, clients, and others. Our insurance coverage may not be sufficient to cover all the claims against us, insurance may not continue to be available on commercially reasonable terms in sufficient amounts to cover such claims, or at all, and our insurers may disclaim coverage as to any or all such claims and otherwise may be unwilling or unable to cover such claims. The successful assertion of any claim or combination of claims against us could seriously harm our business. Even if not successful, such claims could result in significant legal and other costs, harm our reputation, and be a distraction to management.

We depend on our intellectual property and our failure to protect it could enable competitors to market services and products with similar features, which may reduce demand for our services and products.

Our success depends in part upon our internally developed technology and models, proprietary processes, and other intellectual property that we utilize to provide our services and incorporate in our products. If we are unable to protect our intellectual property, our competitors could market services or products similar to our services and products, which could reduce demand for our offerings. Federal clients typically retain a perpetual, world-wide, royalty-free right to use the intellectual property we develop for them in a manner defined within the federal regulations, including providing it to other federal agencies or departments, as well as to our competitors in connection with their performance of federal contracts. When necessary, we seek authorization to use intellectual property developed for the federal government or to secure export authorization. Federal clients may grant us the right to commercialize software developed with federal funding, but they are not required to do so. In any event, if we were to use improperly intellectual property without permission that was even partially funded by the federal government, the government could seek damages and royalties from us, sanction us, and prevent us from working on future federal contracts. Similar actions could be taken against us if we improperly use intellectual property belonging to other clients.

We may be unable to prevent unauthorized parties from copying or otherwise obtaining and using our technology and models. Policing unauthorized use of our technology and models is difficult, and we may not be able to prevent misappropriation, particularly in foreign countries where the laws, and enforcement of those laws, may not protect our intellectual property as fully as those in the United States. Others, including our employees, may compromise the trade secrets and other intellectual property that we own. Although we require our employees to execute non-disclosure and intellectual property assignment agreements, these agreements may not be legally or practically sufficient to protect our rights. Litigation may be necessary to enforce our intellectual property rights, protect our trade secrets, and determine the validity and scope of our proprietary rights and the proprietary rights of others. Any litigation could result in substantial costs and diversion of resources, with no assurance of success.

In addition, we need to invest in our intellectual property regularly to maintain it, keep it up to date, and improve it. There can be no assurance that we will be able to do so in a timely manner, effectively, efficiently, or at all. To the extent we do not maintain and improve our intellectual property and keep it up to date, our reputation may be damaged, we may lose business, and we may subject the Company to costly claims that we have failed to perform our services properly.

We may be harmed by intellectual property infringement claims.

We may become subject to claims from our employees and others who assert that intellectual property we use in delivering services and business solutions to our clients infringes upon their intellectual property rights. Our employees develop much of the intellectual property that we use to provide our services and business solutions to our clients, but we also engage others to assist us and we license technology from other vendors. If our vendors, employees, or others 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 services and products that incorporate the challenged intellectual property;
- obtain a license or additional licenses from our vendors or others, which may not be available on commercially reasonable terms or at all; and/or
- redesign our services and products 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.

Our business will be negatively affected if we are not able to anticipate and keep pace with rapid changes in technology or if growth in technology use by our clients is not as rapid as in the past.

Our success depends, partly, on our ability to develop and implement technology services and solutions that anticipate and keep pace with rapid and continuing changes in technology, industry standards, and client preferences. We may not be successful in anticipating or responding to these developments on a timely basis, and our offerings may not be successful in the marketplace. In addition, the costs we incur in anticipation or response may be substantial and may be greater than we expect, and we may never recover these costs. Also, our clients and potential clients may slow the growth in their use of technology, or technologies developed by our competitors may make our service or solution offerings uncompetitive or obsolete. Any one of these circumstances could have a material adverse effect on our revenue or profits or ability to obtain and complete client engagements successfully.

Moreover, we use technology-enabled tools to differentiate us from our competitors and facilitate our service offerings that do not require the delivery of technology services or solutions. If we fail to keep these tools current and useful, our ability to sell and deliver our services could suffer, and so could our operating results.

RISKS RELATED TO OUR CAPITAL STRUCTURE

Our stock price is volatile and could decline.

The stock market in general has been highly volatile, as has the market price of our common stock. The market price of our common stock is likely to continue to be volatile, and investors in our common stock may experience a decrease in the value of their stock, including decreases unrelated to our operating performance or prospects. The price of our common stock could be subject to wide fluctuations in response to a number of factors, including those listed elsewhere in this “Risk Factors” section and others, such as:

- statements or actions by clients, government officials (even if they are not our clients), securities analysts, or others;
- changes in analysts’ recommendations or projections;
- differences between our actual financial or operating results and those expected by investors or analysts;
- failure by Congress or other governmental authorities to approve budgets in a timely fashion;
- federal or state government or other clients’ priorities or spending, both generally or by our particular clients;
- changes in general economic or market conditions;
- military or other actions related to international conflicts, wars, or otherwise;
- changes or perceived changes in the professional services industry in general or the government services industry in particular;
- strategic decisions by us or our competitors, such as acquisitions, consolidations, divestments, spin-offs, joint ventures, strategic investments, or changes in business strategy;
- the operating results of other companies in our industry;
- the liquidity of our stock;
- commencement, completion, or termination of contracts, any of which can cause us to incur significant expenses without corresponding payments or revenue, during any particular quarter;
- changes in our staff utilization rates, which can be caused by various factors outside our control, including inclement weather that prevents our staff from traveling to work sites;

- timing of significant costs or investments, such as bid and proposal costs or the costs involved in planning, making, or integrating acquisitions;
- variations in purchasing patterns under our contracts; and/or
- our contract mix or the extent we use subcontractors, or changes in either.

In the past, securities class action litigation has often been instituted against companies following periods of volatility in their stock price. This type of litigation could result in substantial costs and divert our management's attention and resources.

Additional shares of our common stock could be offered or distributed in the future, which could cause our common stock price to decline significantly.

On September 14, 2009, we filed a shelf registration statement on Form S-3, which the SEC declared effective on September 29, 2009. Pursuant to that registration statement, we may issue shares of our common stock having an aggregate value up to $200 million, and CM Equity Partners, L.P. and its affiliated partnerships ("CMEP") may sell any or all of the stock they own. In December 2009, we sold approximately $87.6 million of the $200 million in securities available to be offered by us pursuant to that registration statement.

Our common stock price might decline as a result of sales of shares pursuant to subsequent offerings of shares registered by that shelf registration statement. We also may issue common or preferred equity in the future, in addition to shares of common stock sold under our shelf registration statement, in connection with the acquisition of businesses or assets, to further reduce outstanding debt, or for general corporate purposes, and we expect to continue to offer shares of our common stock to our employees and directors. If we issue new equity securities in addition to those registered by our shelf registration statement, our stock price might decline as a result, and holders of any new preferred equity securities may have rights, preferences, and privileges senior to those of holders of our common stock.

In addition, CMEP has made four distributions of our common stock held by CMEP to its limited partners, which shares then became available for sale by its limited partners, as follows: approximately 1.4 million shares on November 19, 2008; approximately 1.2 million shares on April 24, 2009; 1.5 million shares on June 30, 2009; and approximately 1.6 million shares on October 6, 2009, for a total of approximately 5.7 million shares. Sales of such shares by the limited partners might cause our common stock price to decline and might make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate. We do not control the actions of CMEP and do not control the actions of its limited partners. We cannot predict if, or when, CMEP will make any further distributions from or sell any or all of the remaining approximately 8.1% of our outstanding common stock that it owned as of December 31, 2009, or if, or when, the CMEP limited partners will sell any or all of the shares distributed to them, or the impact any such distribution or sale of stock may have on our share price.

Some members of our board of directors may have conflicts of interest that could hinder our ability to make acquisitions.

One of our principal growth strategies is to make selective acquisitions. CMEP sponsors private equity funds, some of which are focused on investments in, among other things, businesses in the federal services sector. Our directors Peter M. Schulte and Joel R. Jacks are principals of CMEP. In addition, Messrs. Schulte and Jacks, as well as our director Dr. Edward H. Bersoff, are directors of ATS Corporation ("ATS"), a federal information technology services provider. Dr. Bersoff also serves as the President and Chief Executive Officer of ATS. It is possible that CMEP, its related funds, or ATS could be interested in acquiring businesses that we would also be interested in acquiring, and that these relationships could hinder our ability to carry out our acquisition strategy. In the event this situation arises in the future, we plan to refer the matter to independent members of our board of directors who are neither members of management nor affiliated with either CMEP or ATS.

We do not intend to pay dividends.

We intend to retain our earnings, if any, and we do not anticipate cash dividends on our stock in the foreseeable future. In addition, existing financing arrangements prohibit us from paying such dividends. This lack of dividends may make our stock less attractive to investors.

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

Certain provisions in our amended and restated certificate of incorporation and amended and restated bylaws make it more difficult for a third party to acquire, or attempt to acquire, control of our Company, even if a change in control were considered favorable by you and other stockholders. For example, our board of directors has the authority to issue up to 5,000,000 shares of preferred stock. The board of directors can fix the price, rights, preferences, privileges, and restrictions of the preferred stock without any further vote or action by our stockholders. The issuance of shares of preferred stock may delay or prevent a change-in-control transaction. As a result, the market price of our common stock and the voting and other rights of our stockholders may be adversely affected. This issuance of shares of preferred stock may result in the loss of voting control to other stockholders.

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

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

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

We indemnify our officers and members of the board of directors under certain circumstances. Such provisions may discourage stockholders from bringing a lawsuit against officers and directors for breaches of fiduciary duty and may also reduce the likelihood of derivative litigation against officers and directors even though such action, if successful, might otherwise have benefited you and other stockholders. In addition, your investment in our stock may be adversely affected to the extent that we pay the costs of settlement and damage awards against our officers or directors pursuant to such provisions.

If you invest in our common stock, you could experience substantial dilution.

Since our IPO through December 31, 2009, the price of our common stock has been substantially higher than the net tangible book value per share of our outstanding common stock. In addition, we have offered, and we expect to continue to offer, stock to our employees and directors. Such stock may be offered to our employees and directors at prices below the then current market prices. Our employee stock purchase plan allows employees to purchase our stock at a discount to the market price. Most options issued in the past have had per-share exercise prices below the recent price of our stock. As of December 31, 2009, there were 246,307 shares of common stock issuable upon exercise of vested outstanding stock options at a weighted-average exercise price of $10.45 per share, 66,579 options expected to vest at a weighted-average exercise price of $12.12 per share, and 470,914 restricted stock units expected to vest. Additional options may be granted to employees and directors in the future at per-share exercise prices below the then current market prices.

In addition, we may be required, or could elect, to seek additional equity financing in the future or to issue preferred or common stock to pay all or part of the purchase price for any businesses, products, technologies, intellectual property, or other assets or rights we may acquire, to pay for a reduction, change, or elimination of liabilities in the future, for general corporate purposes, or any other reason. If we issue new equity securities under these circumstances, our stockholders may experience additional dilution and the holders of any new equity securities may have rights, preferences, and privileges senior to those of the holders of our common stock.

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

As a result of our business activities and acquisitions, we have incurred substantial debt in the past, and we expect to incur significant additional debt in the future. Such debt could increase the risks described herein and lead to other risks. The amount of our debt could have important consequences for our stockholders, such as:

- our future ability to obtain additional financing for working capital, capital expenditures, product and service development, acquisitions, general corporate purposes, and other purposes may be impaired;
- a substantial portion of our cash flow from operations could be dedicated to the payment of the principal and interest on our debt;
- our vulnerability to economic downturns and rises in interest rates will be increased;
- we may be unable to comply with the terms of our financing agreements;
- our flexibility in planning for and reacting to changes in our business and the marketplace may be limited; and/or
- we may be placed at a competitive disadvantage relative to other firms.

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

If our financial performance declines and we are unable to pay our debts, we will be required to pursue one or more alternative strategies, such as selling assets, refinancing or restructuring indebtedness, and/or selling additional stock, perhaps under unfavorable conditions. Any of these circumstances could adversely affect the value of our stock.

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

Our existing debt includes, and our future debt will include, covenants that restrict our activities and create the risk of defaults, which could impair the value of our stock.

Our financing arrangements contain and will continue to contain a number of significant covenants that, among other things, restrict our ability to dispose of assets; incur additional indebtedness; make capital expenditures; pay dividends; create liens on assets; enter into leases, investments, and acquisitions; engage in mergers and consolidations; and engage in certain transactions with affiliates; and otherwise restrict corporate activities (including change of control and asset sale transactions).

In addition, our financing arrangements require us to maintain specified financial ratios and comply with financial tests. At times in the past, we have not fulfilled these covenants, maintained these ratios, and/or complied with the financial tests specified in our financial arrangements. At other times, we have only marginally fulfilled these covenants, maintained these ratios, and/or complied with the financial tests. At the times when we fail to fulfill or only marginally fulfill the requirements of debt covenants, our day-to-day business decisions may be affected. For example, concern over satisfying debt restrictions and covenants might cause us to forego contract bidding or acquisition opportunities or otherwise cause us to focus on short-term rather than long-term results. There is no assurance that we will be able to fulfill our debt covenants, maintain these ratios, or comply with these financial tests in the future.

Failure to comply with the restrictive covenants imposed by our financing arrangements, if not cured through performance or an amendment of our financing arrangements, could result in a default. An amendment of our financing arrangements could substantially adversely affect our revenue, profits, cash flows, and operating results. In the event of a default, our lenders could, among other things: (i) declare all amounts borrowed to be due and payable, together with accrued and unpaid interest; (ii) terminate their commitments to make further loans; and/or (iii) proceed against the collateral securing obligations owed to them. In turn, such action by our lenders could lead to the bankruptcy, insolvency, financial restructuring, and/or liquidation of our Company, any of which would have a significant adverse effect on the value of our stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We lease our offices and do not own any real estate. As of December 31, 2009, we leased approximately 220,000 square feet of office space at our corporate headquarters at 9300 Lee Highway, Fairfax, Virginia (in the metropolitan Washington, D.C. area) and an adjoining building through October 2012 (the “Fairfax Offices”). The Fairfax Offices house a portion of our operations and almost all of our corporate functions, including executive management, treasury, accounting, legal, human resources, business and corporate development, facilities management, information services, and contracts. As of January 2010, we added approximately 50,000 square feet to our Fairfax Offices (under a lease expiring in 2022). This additional space replaces approximately 50,000 square feet from a previously utilized nearby location. In addition to this approximately 50,000 square feet, on March 8, 2010, we exercised an option for a new lease for the Fairfax Offices through 2022, which will replace most of the current Fairfax Offices lease and add some space over the next four years. The new lease for the Fairfax Offices will become effective on April 1, 2010. See also Item 9B of this Annual Report on Form 10-K.

As of December 31, 2009, we have also leased approximately 700,000 square feet of office space in more than 50 other office locations throughout the United States and around the world, with various lease terms expiring over the next 10 years. As of December 31, 2009, approximately 20,000 square feet of the space we lease was subleased to other parties. We believe that our current office space, together with the office space that is the subject of our recently exercised lease option 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 concerning matters arising in the ordinary course of business. 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. RESERVED

PART II

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

Market Information

On September 28, 2006, our common stock commenced trading 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 2008 and 2009 are as follows:

	Sales Price Per Share (in dollars)	
	High	Low
2009 Fourth Quarter	$ 30.94	$ 23.74
2009 Third Quarter	$ 31.06	$ 24.01
2009 Second Quarter	$ 28.75	$ 22.57
2009 First Quarter	$ 25.94	$ 21.14
2008 Fourth Quarter	$ 24.82	$ 15.51
2008 Third Quarter	$ 20.40	$ 14.50
2008 Second Quarter	$ 21.47	$ 14.90
2008 First Quarter	$ 28.17	$ 18.86

Holders

As of March 1, 2010, there were 78 registered holders of record of our common stock. This number is not representative of the number of beneficial holders because many of the shares are held by depositories, brokers, or nominees.

Dividends

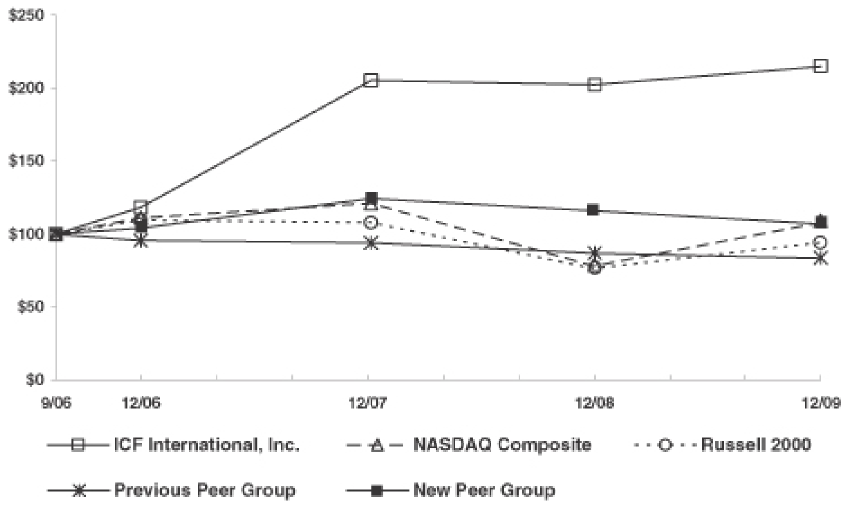
We have neither declared nor paid any cash dividends on our common stock and presently intend to retain our future earnings, if any, to fund the development and growth of our business. Therefore, we do not anticipate paying cash dividends in the foreseeable future.

Stock Performance Graph

The following graph compares the cumulative total stockholder return on our common stock from September 28, 2006 (the first day of trading in our common stock), through December 31, 2009, 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 Form 10-K for the year 2008, composed of other government and commercial service providers: CRA International, Inc.; Navigant Consulting, Inc.; SAIC, Inc.; and SRA International, Inc., and (iv) a new peer group composed of other governmental and commercial service providers: CACI International Inc; CRA International, Inc.; Dynamics Research Corporation; FTI Consulting, Inc.; Huron Consulting Group Inc.; ManTech International Corporation; Navigant Consulting, Inc.; NCI, Inc.; SAIC, Inc.; SRA International, Inc.; and Stanley, Inc. We have selected this new peer group because it encompasses a larger number of peers and it better matches the companies to which a number of our analysts typically compare us. The comparison below assumes that all dividends are reinvested and all returns are market-cap weighted. The historical information set forth below is not necessarily indicative of future performance.

COMPARISON OF 39-MONTH CUMULATIVE TOTAL RETURN*

Among ICF International, Inc., The NASDAQ Composite Index, The Russell 2000 Index, Previous Peer Group, and New Peer Group



* $100 invested on 9/28/06 in stock or on 8/31/06 in index—including reinvestment of dividends.
Fiscal year ending December 31.

	December 31, 2006	December 31, 2007	December 31, 2008	December 31, 2009
ICF International, Inc.	$ 118.53	$ 206.20	$ 200.57	$ 218.78
NASDAQ Composite	111.71	121.40	71.92	103.72
Russell 2000 Index	109.81	108.09	71.57	91.02
Previous Peer Group	95.52	94.05	81.82	80.64
New Peer Group	102.97	126.11	110.83	103.23

Recent Sales of Unregistered Securities

During the three months ended December 31, 2009, 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 sales of securities.

(a) Issuances of Common Stock:

On October 1, 2009, we issued an aggregate 1,217 shares of unregistered common stock to three of our directors in lieu of cash for director fee compensation, with an aggregate value of $35,828.

Each of these sales 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.

(b) Stock Option Grants/Exercises and Grants of Restricted Stock:

On November 10, 2009, we issued an aggregate 3,529 shares of restricted common stock to seven directors valued at $101,953.

Each of these sales was made in reliance upon the exemption from the registration provisions of the Securities Act, set forth in Rule 701 promulgated under the Securities Act, as the transactions were effected under compensatory benefit plans and contracts relating to compensation as provided under Rule 701. The recipients of these securities were our directors and received the securities under the ICF International, Inc. 2006 Long-Term Equity Incentive Plan, and no consideration other than the continued service by the director recipients was received by us in connection with any of these issuances of securities. Each of the recipients of securities in these transactions had adequate access, through employment, business, or other relationships, to information about us.

Purchases of Equity Securities by Issuer

During the three months ended December 31, 2009, the Company purchased an aggregate of 92,034 shares of common stock for a total of $2,642,899 in exchange for the payment of: (1) withholding taxes due upon the vesting of restricted stock and the exercise of stock options, and (2) the exercise price of stock options that were exercised. The average fair value of the common stock purchased was $28.72 per share.

The following table summarizes stock repurchases for the three months ended December 31, 2009:

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
October 1 – October 31	45,446	$ 29.98	None	None
November 1 – November 30	33,639	28.48	None	None
December 1 – December 31	12,949	24.90	None	None
Total	92,034	$ 28.72	None	None

Table of Contents

ITEM 6. SELECTED FINANCIAL DATA

The following table presents selected historical financial data derived from our financial statements, the related notes, 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 financial statements and the related notes. The selected financial data reflect our performance of The Road Home contract from June 2006 through its completion, as scheduled, in June 2009. At the client's request, our performance was accelerated during the first half of the contract term. For further information regarding The Road Home contract, see "Risk Factors—Risks Related to our Business—Ongoing and possible post-contract litigation, disputes, audits, reviews and investigations in connection with the completed Road Home contract expose us to many different types of liability, may divert management attention, and could increase our costs." The selected financial data include non-cash compensation recognized related to stock options and awards. The data also reflect our acquisitions of Synergy, Inc. in January 2005, Caliber Associates, Inc. in October 2005, APCG and EEA in January 2007, Z-Tech in June 2007, SH&E in December 2007, Jones & Stokes in February 2008, Macro in March 2009, and Jacob & Sundstrom in December 2009.

	Year Ended December 31,				
	2009	2008	2007	2006	2005
	(In thousands, except per share amounts)				
Statement of Earnings Data:					
Gross Revenue	$674,399	$697,426	$727,120	$331,279	$177,218
Direct costs	411,334	460,002	532,153	217,747	106,078
Operating costs and expenses:					
Indirect and selling expenses	203,428	170,360	118,128	87,056(1)	60,039
Depreciation and amortization	9,416	5,407	2,432	2,054	2,728
Amortization of intangible assets	11,137	8,683	3,884	1,482	2,813
Operating Income	39,084	52,974	70,523	22,940	5,560
Interest expense	(5,107)	(4,082)	(1,944)	(3,509)	(3,162)
Other income	1,005	581	519	646	1,489
Income before income taxes	34,982	49,473	69,098	20,077	3,887
Income tax expense	12,626	20,750	28,542	8,210	1,865
Net income	$ 22,356	$ 28,723	$ 40,556	$ 11,867	$ 2,022
Earnings per share:					
Basic	$ 1.45	$ 1.96	$ 2.87	$ 1.15	$ 0.22
Diluted	$ 1.40	$ 1.88	$ 2.72	$ 1.10	$ 0.21
Weighted-average shares:					
Basic	15,433	14,641	14,152	10,321	9,185
Diluted	15,914	15,270	14,896	10,796	9,737

	Year Ended December 31, 2009	2008	2007 (Unaudited) (In thousands)	2006	2005
Other Operating Data:					
EBITDA[2]	$ 59,637	$ 67,064	$ 76,839	$ 26,476	$ 11,101
Non-cash compensation charge included in EBITDA	7,192	6,473	3,680	1,069	2,138
Initial lease abandonment charge included in EBITDA	—	—	—	4,309[1]	—
Non-recurring bonus charge related to IPO included in EBITDA	—	—	—	2,700[1]	—

	2009	2008	2007 (In thousands)	2006	2005
Consolidated balance sheet data:					
Cash and cash equivalents	$ 2,353	$ 1,536	$ 2,733	$ 2,997	$ 499
Net working capital	88,364	63,925	37,470	22,351	18,141
Total assets	582,227	401,017	393,025	215,827	151,124
Current portion of long-term debt	—	—		—	6,767
Long-term debt, net of current portion	145,000	80,000	47,079	—	54,205
Total stockholders' equity	317,560	202,917	164,791	113,947	52,903

(1) Indirect and selling expenses for the year ended December 31, 2006, included a second quarter pre-tax charge of approximately $4.3 million resulting from the abandonment of our San Francisco, California leased facility and abandonment of a portion of our Lexington, Massachusetts leased facility, and an approximately $2.7 million bonus payment related to the IPO of our common stock.

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

	Year ended December 31, 2009	2008	2007 (In thousands)	2006	2005
Net income	$22,356	$28,723	$40,556	$11,867	$ 2,022
Other (income)	(1,005)	(581)	(519)	(646)	(1,489)
Interest expense	5,107	4,082	1,944	3,509	3,162
Income tax expense	12,626	20,750	28,542	8,210	1,865
Depreciation and amortization	20,553	14,090	6,316	3,536	5,541
EBITDA	$59,637	$67,064	$76,839	$26,476	$11,101

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

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

OVERVIEW

We provide management, technology, and policy consulting and implementation services to government, commercial, and international clients. We help our clients conceive, develop, implement, and improve solutions that address complex economic, social, and national security issues. Our services primarily address three key markets: energy, environment, and infrastructure; health, human services, and social programs; and homeland security and defense. We believe that demand for our services will continue to grow as government, industry, and other stakeholders seek to address critical long-term societal and natural resource issues in these market areas due to a variety of factors, including heightened environmental and social concerns, an increased need for cleaner energy, aging populations, and geopolitical changes.

Our federal, state, and local government, commercial, and international clients utilize our services because we combine diverse institutional knowledge and experience in their activities with the deep subject matter expertise of our highly educated staff, which we deploy in multi-disciplinary teams. Our federal government clients have included every cabinet-level department, including HHS, DoD, DHS, EPA, Department of State, Department of Transportation, Department of Agriculture, HUD, DOJ, and Department of Interior. Federal clients generated approximately 60% of our revenue in 2009. State and local government clients generated approximately 19% of our revenue in 2009. Revenue generated from our state and local government clients decreased in 2009, primarily due to our completion of The Road Home contract with the State of Louisiana. We also serve commercial and international clients, primarily in the air transportation and energy sectors. Our commercial and international clients generated approximately 21% of our revenue in 2009. We have successfully worked with many of these clients for decades, providing us a unique and knowledgeable perspective on their needs.

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

DESCRIPTION OF CRITICAL ACCOUNTING POLICIES

The preparation of our financial statements in accordance with U.S. Generally Accepted Accounting Principles ("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 contracts that are time-and-materials contracts, cost-based contracts, fixed-price contracts, or a combination of these. This mix of contract types requires the application of various accounting rules and increases the complexity of our revenue recognition process.

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

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

Goodwill and the amortization of intangible assets

Costs in excess of the fair value of tangible and identifiable intangible assets acquired and liabilities assumed in a business combination are recorded as goodwill, in accordance with ASC 805, *Business Combinations*. Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but are instead reviewed annually (or more frequently if necessary) for impairment. Intangible assets with estimable useful lives are required to be amortized over their respective estimated useful lives and are also required to be reviewed for impairment if events or circumstances warrant such a review.

We have elected to perform the annual goodwill impairment review during the fourth quarter, as of September 30 of each year. For purposes of performing this test, we have concluded that we are only one business segment/reporting unit. We employed market-based methods of determining fair value of the reporting unit consisting of our market capitalization and analysis of guideline public companies. Based upon management’s most recent review, including analysis provided by a valuation specialist from an investment bank, we determined that no goodwill impairment charge was required for 2009. Because of our continued growth and corresponding favorable market capitalization, the estimated fair value of the Company has consistently been greater than its carrying value. As of the September 30, 2009 goodwill impairment review, the fair value of the Company exceeded its carrying value by approximately $240 million. Therefore, historically, we have not recorded goodwill impairment charges.

Long-lived assets and certain identifiable intangibles are reviewed 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 the fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less cost to sell. To date, there have been no impairment charges recorded by the Company.

New accounting standards

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

REVENUE

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

- energy, environment, and infrastructure;
- health, human services, and social programs; and
- homeland security and defense.

The following table shows the approximate percentage of our revenue from each of our three markets for the periods indicated. 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,		
	2009	2008	2007
Energy, environment, and infrastructure	43%	35%	17%
Health, human services, and social programs	44%	53%	75%
Homeland security and defense	13%	12%	8%
Total	100%	100%	100%

The proportion of revenue from each market changed significantly from 2007 to 2008 primarily due to the decrease of activity associated with The Road Home contract and the acquisitions of SH&E and Jones & Stokes, which provided additional revenue primarily in the energy, environment, and infrastructure market. See "—Acquisitions" below for a discussion of our recent acquisitions. In 2009, the proportion of revenue from health, human services, and social programs decreased significantly primarily due to the decrease of activity associated with The Road Home contract, partially offset by an increase in revenues from the Macro acquisition. In addition, the proportion of revenue from energy, environment, and infrastructure increased primarily due to work performed in the energy efficiency area.

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

	Year ended December 31,		
	2009	2008	2007
U.S. federal government	60%	36%	27%
U.S. state and local government	19%	47%	65%
Domestic commercial	16%	12%	6%
International	5%	5%	2%
Total	100%	100%	100%

Revenue generated from U.S. federal contracts increased significantly from 2008 to 2009, primarily due to increased revenue associated with the acquisition of Macro. Revenue generated from our state and local government clients decreased significantly from 2007 to 2008, and from 2008 to 2009, due primarily to the reduction in revenue from The Road Home contract with the State of Louisiana.

Most of our revenue is from contracts on which we are the prime contractor, which we believe provides us strong client relationships. In 2009, 2008, and 2007, approximately 85%, 90%, and 94%, of our revenue, respectively, was from prime contracts.

Contract mix

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

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

	Year ended December 31,		
	2009	2008	2007
Time-and-materials	51%	67%	55%
Fixed-price	29%	22%	36%
Cost-based	20%	11%	9%
Total	100%	100%	100%

The changes in percentages from 2007 to 2008 were primarily due to the reduction in revenue from The Road Home contract and the acquisitions of SH&E and Jones & Stokes. The changes in percentages from 2008 to 2009 were primarily due to the reduction in revenue from The Road Home contract and the acquisition of Macro (approximately one-half of its work is cost-based).

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 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 the negotiated hourly rates, we can generate more or less than the targeted amount of profit or, perhaps, 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, a loss.

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

DIRECT COSTS

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

Direct costs associated with direct labor and subcontractors decreased significantly in 2008 and 2009, due primarily to declining work on The Road Home contract.

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

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

OPERATING EXPENSES

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

Indirect and selling expenses

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

Non-cash compensation

Stock Incentive Plans. Effective with our IPO in September 2006, we adopted a new long-term equity incentive plan (the “2006 Plan”). The 2006 Plan permits the grant of nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock, performance shares, performance units, and other incentive awards, including restricted stock units. Under the 2006 Plan, we may make awards of up to 1,000,000 shares, plus an annual increase on the first day of each of our fiscal years beginning in 2007 equal to the lesser of 3% of the number of outstanding shares of common stock or an amount determined by the Board of Directors. Under this "evergreen provision," 416,241 additional shares were made available under the plan in 2007, 217,973 additional shares in 2008, and 453,195 shares in 2009. On March 8, 2010, the Board of Directors approved a 3%, or 578,358 share, increase to the number of available shares of common stock under the evergreen provision, which the Company intends to register in the near future. Persons eligible to participate in the 2006 Plan include all of our officers and key employees, as determined by the Compensation Committee of the Board of Directors, and all non-employee directors. Our policy is to issue shares upon option exercise, restricted stock grant, or restricted stock unit conversion either from our treasury, if available, or otherwise from the issuance of new shares. We do not expect to repurchase shares to satisfy award grants, however, the 2006 Plan does permit employees to sell shares back to the Company in settlement of individual tax liability as their awards vest or options are exercised.

In accordance with the accounting guidance for stock compensation, compensation expense for our stock options and awards is measured at fair value on the date of grant and is included in operating expenses over the service period. We recorded compensation expense of approximately $7.2 million and $6.5 million during the years ended December 31, 2009, and 2008, respectively.

In accordance with the guidance, excess tax benefits from the exercise of stock options are presented as financing cash flows. The excess tax benefits totaled approximately $3.1 million and $3.3 million for the years ended December 31, 2009, and 2008, respectively.

Overall Impact of Stock Incentive Plans. Total compensation expense relating to stock-based compensation amounted to approximately $7.2 million, $6.5 million, and $3.7 million for the years ended December 31, 2009, 2008, and 2007, respectively. As of December 31, 2009, the total unrecognized compensation expense related to non-vested stock awards totaled approximately $10.3 million. Such expense is expected to be recognized over a weighted-average period of 1.84 years.

Depreciation and amortization

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

INCOME TAX EXPENSE

Our effective tax rate of approximately 36.1% including state and foreign taxes net of federal benefit for the year ended December 31, 2009, was lower than the statutory tax rate for the year primarily due to one-time downward permanent adjustments, the release of certain unrecognized tax benefits, the generation of foreign tax credits, and the approval of certain state tax credits, partially offset by permanent differences related to expenses not deductible for tax purposes.

ACQUISITIONS

A key element of our growth strategy is to pursue acquisitions. In 2007, we completed the acquisitions of EEA, APCG, Z-Tech, and SH&E; in 2008, we acquired Jones & Stokes; and in 2009, we acquired Macro and Jacob & Sundstrom.

EEA. Effective January 2007, we acquired all the outstanding common stock of EEA. EEA specializes in energy market analyses, modeling, transportation and energy technology, and environmental advisory services. EEA also provides strategic planning and regulatory support to all segments of the natural gas industry. We undertook the acquisition to increase our service offerings to the natural gas industry and to combine our modeling framework with EEA's modeling framework in the electricity and gas sectors to create a unique platform for integrated energy analyses. Such analyses are becoming more important because of the increased use of natural gas and liquefied natural gas as fuels to generate electric power, and the increased interest in analyzing the impacts of evolving GHG regulations at the state, provincial, and federal levels in North America. The results of operations for EEA are included in our statement of earnings since January 1, 2007.

APCG. Effective January 2007, we acquired all the outstanding common stock of APCG, which specializes in helping federal organizations develop and implement strategy, improve enterprise performance, manage change, support employee growth, and communicate effectively. We undertook the acquisition to enhance our capabilities in human capital and strategic communications consulting and to complement our work with DHS, DoD, and key civilian agencies. The results of operations for APCG are included in our statement of earnings since January 1, 2007.

Z-Tech. Effective June 28, 2007, we acquired all the outstanding common stock of Z-Tech, which provides software engineering, Web design and development, and scientific computing services for federal health agencies. Z-Tech primarily provides services to the five main agencies of HHS, including the National Institutes of Health, Centers for Disease Control and Prevention, U.S. Food and Drug Administration, Substance Abuse and Mental Health Services Administration, and Centers for Medicare and Medicaid Services. We undertook the acquisition to become a leader in the high-growth market of health information technology and gain a stronger presence in the federal health care market by combining Z-Tech's technology and program support expertise with our established presence in health communications, policy, and clearinghouses.

The initial purchase price of Z-Tech was approximately $27.6 million, including $27.3 million in cash and $0.3 million in transaction expenses. In addition to the initial consideration, the purchase agreement provided for additional cash payments of up to $8.0 million if certain performance criteria are met. We paid approximately $5.2 million of this $8.0 million and recorded the payment to goodwill. The excess of the purchase price over the estimated fair value of the net tangible assets acquired was approximately $33.9 million. We allocated approximately $24.9 million to goodwill and $9.0 million to other intangible assets. The results of operations for Z-Tech are included in our statement of earnings since June 28, 2007.

SH&E. Effective December 3, 2007, we acquired all the outstanding common stock of SH&E. One of the world's largest consulting firms dedicated to aviation transportation, SH&E provides strategy, policy, regulatory, financial, and technical consulting services to airlines, airports, and other public and private industry stakeholders. We undertook the acquisition to enhance our transportation service offerings, which had been concentrated primarily on surface transportation, with federal, state, and industry clients; to enhance our position in key federal markets such as the Federal Aviation Administration and Transportation Security Administration; and to combine our climate change expertise with SH&E's strong aviation presence to be a leader in the expanding air transport and climate change market.

The aggregate purchase price of SH&E was approximately $52.5 million, including $51.4 million of cash and $1.1 million of transaction expenses. The excess of the purchase price over the estimated fair value of the net tangible assets acquired was approximately $48.9 million. We have allocated approximately $39.5 million to goodwill and $9.4 million to other intangible assets. The results of operations for SH&E are included in our statement of earnings since December 3, 2007.

Jones & Stokes. Effective February 13, 2008, we acquired all of the outstanding common stock of Jones & Stokes. Jones & Stokes provides integrated planning and resource management services, specializing in the transportation, energy, water, and natural resource management sectors. Jones & Stokes supports a broad mix of federal, commercial, state, and local government clients on projects to plan and implement required infrastructure improvements and mandated government programs. We undertook the acquisition to expand our environmental and large project implementation capabilities across such strategic growth areas as transportation and infrastructure, energy, climate change, and water resources. We also undertook the acquisition to expand our presence in the western U.S. markets, where natural resource issues are a growing concern and where Jones & Stokes has outstanding market presence.

The aggregate purchase price was approximately $50.4 million, including $49.0 million of cash and $1.4 million of transaction expenses. The excess of the purchase price over the estimated fair value of the net tangible assets acquired was approximately $46.0 million. We have allocated approximately $41.0 million to goodwill and $5.0 million to other intangible assets. The results of operations for Jones & Stokes have been included in our statement of earnings since February 13, 2008.

Macro**.** Effective March 31, 2009, we acquired all of the outstanding common stock of Macro, which provides research and evaluation, management consulting, marketing communications, and information services to key agencies of the federal government. Macro is recognized for its expertise in research, evaluation, consulting, and implementation services, particularly in federal health programs, covering a wide range of health issues in the U.S. and internationally. In addition to its health-related expertise, Macro has strong credentials in housing, labor, and veterans affairs issues. We undertook this acquisition to expand our health-related and large project implementation capabilities across key federal markets, to add service offerings and clients in one of our largest markets, and to provide significant growth potential and cross-selling opportunities.

The aggregate purchase price of approximately $157.6 million in cash, including the working capital adjustment required by the stock purchase agreement, was funded by the Company’s revolving credit facility. The excess of the purchase price over the estimated fair value of the net tangible assets acquired was approximately $129.5 million. We have allocated approximately $104.1 million to goodwill and $25.4 million to other intangible assets. Macro was purchased under the election provisions of Internal Revenue Code Section 338(h)(10), and therefore, goodwill and the amortization of intangibles are deductible for tax purposes. The results of operations for Macro are included in our statement of earnings since March 31, 2009. See “Note E—Goodwill and Other Intangible Assets” of our “Notes to Consolidated Financial Statements” appearing in this Annual Report on Form 10-K for a more detailed discussion of this acquisition.

Jacob & Sundstrom. Effective December 10, 2009, we acquired all of the outstanding common stock of Jacob & Sundstrom, an information technology firm specializing in providing cybersecurity and identity management services to U.S. federal civilian and defense agencies. With the acquisition, we will offer an expanded range of advisory and implementation solutions across our federal and energy industry client base to assist in mitigating emerging cybersecurity threats and vulnerabilities.

The aggregate purchase price was approximately $32.2 million in cash, including a working capital adjustment, which was funded by our revolving Credit Facility. The excess of the purchase price over the estimated fair value of the net tangible assets acquired was approximately $29.0 million. We have preliminarily allocated approximately $21.6 million to goodwill and $7.4 million to other intangible assets. The intangible assets consist of approximately $7.0 million of customer-related intangibles that are being amortized over seven years and $0.4 million of marketing-related intangibles that are being amortized over two years. Jacob & Sundstrom was purchased under the election provisions of Internal Revenue Code Section 338(h)(10), and therefore, goodwill and the amortization of intangibles are deductible for tax purposes. The results of operations for Jacob & Sundstrom are included in our statement of earnings since December 10, 2009. See “Note E—Goodwill and Other Intangible Assets” of our “Notes to Consolidated Financial Statements” appearing in this Annual Report on Form 10-K for a more detailed discussion of this acquisition.

Our acquisitions to date have all involved purchase prices well in excess of tangible asset values, resulting in the creation of a significant amount of goodwill and other intangible assets. Increased levels of finite-lived intangible assets will increase our amortization charges. At December 31, 2009, goodwill accounted for approximately 55.6% of our total assets, and purchased intangibles accounted for approximately 6.6% of our total assets. We test our goodwill for impairment at least annually, and if we conclude that it is impaired, we will be required to write down its carrying value on our balance sheet and record an impairment charge in our statement of operations.

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

FLUCTUATION OF QUARTERLY RESULTS AND CASH FLOW

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

- progress of contract performance;
- number of billable days in a quarter;
- timing of client orders;
- timing of award fee notices;
- changes in the scope of contracts;
- 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, vendors;
- commencement, completion, and termination of contracts;
- strategic decisions we make, such as acquisitions, consolidations, divestments, spin-offs, joint ventures, strategic investments, and changes in business strategy;
- timing of significant costs and investments (such as bid and proposal costs and the costs involved in planning or making acquisitions);
- our contract mix and use of subcontractors;
- additions to and departures of staff;
- changes in staff utilization;
- vacation and sick days taken by our employees;
- level and cost of our debt;
- changes in accounting principles and policies; and/or
- general market and economic conditions.

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

EFFECT OF APPROVAL OF FEDERAL BUDGET

The federal government's fiscal year ends on September 30 of each year. If a federal budget for the next fiscal year has not been approved by that date, some of our clients may have to suspend engagements on which we are working or may delay new engagements until a budget has been approved. Any such suspension or delay may reduce our revenue in the quarter ending September 30 (our third quarter) or the subsequent quarter. The federal government's fiscal year end can also trigger increased contracting activity, which could affect our third or fourth quarter revenue.

EFFECTS OF INFLATION

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

Table of Contents

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, 2009, 2008, and 2007
(dollars in thousands)

	Year Ended December 31,						Year to Year Change			
	2009	2008	2007	2009	2008	2007	2008 to 2009		2007 to 2008	
	Dollars (In Thousands)			Percentages			Dollars (In Thousands)	Percent	Dollars (In Thousands)	Percent
Gross Revenue	$674,399	$697,426	$727,120	100.0%	100.0%	100.0%	$ (23,027)	(3.3)%	$ (29,694)	(4.1)%
Direct Costs	411,334	460,002	532,153	61.0%	66.0%	73.2%	(48,668)	(10.6)%	(72,151)	(13.6)%
Operating Expenses										
Indirect and selling expenses	203,428	170,360	118,128	30.2%	24.4%	16.2%	33,068	19.4%	52,232	44.2%
Depreciation and amortization	9,416	5,407	2,432	1.4%	0.8%	0.3%	4,009	74.1%	2,975	122.3%
Amortization of intangible assets	11,137	8,683	3,884	1.7%	1.2%	0.5%	2,454	28.3%	4,799	123.6%
Total costs and expenses	223,981	184,450	124,444	33.3%	26.4%	17.0%	39,531	21.4%	60,006	48.2%
Earnings from Operations	39,084	52,974	70,523	5.8%	7.6%	9.8%	(13,890)	(26.2)%	(17,549)	(24.9)%
Other (Expense) Income										
Interest expense	(5,107)	(4,082)	(1,944)	(0.7)%	(0.6)%	(0.3)%	(1,025)	25.1%	(2,138)	110.0%
Other	1,005	581	519	0.1%	0.1%	0.1%	424	73.0%	62	11.9%
Income from continuing operations before income taxes	34,982	49,473	69,098	5.2%	7.1%	9.6%	(14,491)	(29.3)%	(19,625)	(28.4)%
Income Tax Expense	12,626	20,750	28,542	1.9%	3.0%	3.9%	(8,124)	(39.2)%	(7,792)	(27.3)%
Net Income	$ 22,356	$ 28,723	$ 40,556	3.3%	4.1%	5.7%	$ (6,367)	(22.2)%	(11,833)	(29.2)%

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

Revenue. Revenue for the year ended December 31, 2009, was $674.4 million, compared to $697.4 million for the year ended December 31, 2008, representing a decrease of $23.0 million, or 3.3%. The decrease was primarily due to a reduction in revenue of $204.4 million associated with the declining activities and the conclusion of The Road Home contract in June 2009. The decrease in revenue on The Road Home contract was partially offset by: (1) revenue associated with newly acquired Macro and Jacob & Sundstrom; (2) growth in other contracts of $63.2 million; and (3) revenue associated with subsidiary Jones & Stokes that was acquired in February 2008, whose results are included in operating results for the entire twelve months ended December 31, 2009, but only partially included in the operating results for the year ended December 31, 2008.

Direct costs. Direct costs for the year ended December 31, 2009, were $411.3 million, or 61.0% of revenue, compared to $460.0 million, or 66.0% of revenue, for the year ended December 31, 2008. The decrease was primarily due to the declining activities and conclusion of The Road Home contract in June 2009. The decrease was partially offset by: (1) direct costs associated with the operations of Macro and Jacob & Sundstrom, both acquired in 2009; (2) an increase in direct costs associated with growth in other contracts; and (3) direct costs associated with the operations of Jones & Stokes, whose results are included in operating results for the entire twelve months ended December 31, 2009, but only partially included in the operating results for the year ended December 31, 2008. The decrease in direct costs as a percentage of revenue was primarily attributable to the decreased work on The Road Home contract, which consisted of relatively more work performed by subcontractors, and increased revenue from Macro and other contracts, which had a relatively lower direct cost component.

Indirect and selling expenses. Indirect and selling expenses for the year ended December 31, 2009, were $203.4 million, or 30.2% of revenue, compared to $170.4 million, or 24.4% of revenue for the year ended December 31, 2008. The increase in indirect and selling expenses was due principally to: (1) indirect costs associated with the operations of Macro, acquired in 2009; (2) indirect costs associated with the operations of Jones & Stokes, whose results are included in operating results for the entire twelve months ended December 31, 2009, but only partially included in the operating results for the year ended December 31, 2008; (3) $1.4 million of expenses associated with the acquisition of Macro; and (4) an increase of $0.7 million of expenses associated with non-cash compensation. The increase in indirect costs as a percentage of revenue for the year ended December 31, 2009, was primarily attributable to a change in contract mix. The decrease in the activity of The Road Home contract was partially offset by growth through acquisition and organic growth, both of which have a relatively higher indirect cost component.

***Depreciation and amortization*.** Depreciation and amortization for the year ended December 31, 2009, was $9.4 million, or 1.4% of revenue, compared to $5.4 million, or 0.8% of revenue for the year ended December 31, 2008. This 74.1% increase in depreciation and amortization resulted primarily from an increase in capital expenditures during the latter part of 2008 and in depreciation related to Macro.

***Amortization of intangible assets*.** Amortization of intangible assets for the year ended December 31, 2009, was $11.1 million, or 1.7% of revenue, compared to $8.7 million, or 1.2% of revenue for the year ended December 31, 2008. The increase in amortization expense was primarily due to the amortization of intangibles related to the Macro acquisition, partially offset by a decrease to amortization expense related to other earlier acquisitions.

Earnings from operations. For the year ended December 31, 2009, earnings from operations were $39.1 million, or 5.8% of revenue, compared to $53.0 million, or 7.6% of revenue for the year ended December 31, 2008. Earnings from operations and earnings from operations as a percentage of revenue decreased primarily due to the decrease in revenue associated with the declining activities of The Road Home contract and increased depreciation and amortization expense.

Other income. For the year ended December 31, 2009, other income was approximately $1.0 million, or 0.1% of revenue, compared to approximately $0.6 million, or 0.1% of revenue, for the year ended December 31, 2008. The activity in other income for the year ended December 31, 2008, was primarily attributable to the reduction of a subcontractor indemnification obligation. The activity in other income for the year ended December 31, 2009, was primarily attributable to funds received from indemnity claims related to prior acquisitions.

Interest expense. For the year ended December 31, 2009, interest expense was approximately $5.1 million, compared to approximately $4.1 million for the year ended December 31, 2008. The increase was due primarily to an increase in debt associated with the acquisition of Macro, partially offset by lower interest rates.

Income tax expense. Our income tax rate for the year ended December 31, 2009, was approximately 36.1% compared to approximately 41.9% for the year ended December 31, 2008. The decrease was predominately related to one-time downward permanent adjustments, the release of certain unrecognized tax benefits, the generation of foreign tax credits in lieu of foreign income tax deductions, and the approval of certain state tax credits, partially offset by permanent differences related to expenses not deductible for tax purposes.

Year ended December 31, 2008, compared to year ended December 31, 2007

Revenue. Revenue for the year ended December 31, 2008, was $697.4 million, compared to $727.1 million for the year ended December 31, 2007, representing a decrease of $29.7 million, or 4.1%. The decrease was primarily due to a reduction in revenue of $194.6 million associated with the declining activities of The Road Home contract. The decrease in revenue on The Road Home contract was partially offset by: (1) increased revenue associated with the operations of Jones & Stokes, whose results since February 2008 are included in operating results for the year ended December 31, 2008, but not included in the 2007 operating results; (2) the operations of Z-Tech and SH&E, whose results are included in operating results for the year ended December 31, 2008, but included for only six months and one month, respectively, in the operating results of the comparable period in 2007; and (3) growth in other contracts of $50.9 million.

Direct costs. Direct costs for the year ended December 31, 2008, were $460.0 million, or 66.0% of revenue, compared to $532.2 million, or 73.2% of revenue, for the year ended December 31, 2007. The decrease was primarily due to the declining activities associated with The Road Home contract. The decrease was partially offset by direct costs associated with the operations of Jones & Stokes, whose results since February 2008 are included in operating results for the year ended December 31, 2008, but not included in the 2007 operating results, and the operations of Z-Tech and SH&E, whose results are included in operating results for the year ended December 31, 2008, but included for only six months and one month, respectively, in the operating results of the comparable period in 2007. The decrease in direct costs as a percentage of revenue was primarily attributable to the decrease in work subcontracted to other parties on The Road Home contract, and increased revenue from the companies we acquired, which had a relatively lower direct cost component.

Indirect and selling expenses. Indirect and selling expenses for the year ended December 31, 2008, were $170.4 million, or 24.4% of revenue, compared to $118.1 million, or 16.2% of revenue for the year ended December 31, 2007. The increase in indirect and selling expenses was due principally to indirect costs associated with the operations of Z-Tech, SH&E, and Jones & Stokes, and an increase in non-cash compensation expense.

Depreciation and amortization. Depreciation and amortization for the year ended December 31, 2008, was $5.4 million, or 0.8% of revenue, compared to $2.4 million, or 0.3% of revenue for the year ended December 31, 2007. This 122.3% increase in depreciation and amortization resulted primarily from our acquisitions of Z-Tech in June 2007, of SH&E in December 2007, and of Jones & Stokes in February 2008, and an increase in capital expenditures.

Amortization of intangible assets**.** Amortization of intangible assets for the year ended December 31, 2008, was $8.7 million, or 1.2% of revenue, compared to $3.9 million, or 0.5% of revenue for the year ended December 31, 2007. This 123.6% increase in amortization of intangible assets resulted primarily from our acquisitions of Z-Tech in June 2007, of SH&E in December 2007, and of Jones & Stokes in February 2008.

Earnings from operations. For the year ended December 31, 2008, earnings from operations were $53.0 million, or 7.6% of revenue, compared to $70.5 million, or 9.8% of revenue for the year ended December 31, 2007. Earnings from operations in total and as a percentage of revenue decreased primarily due to the additional amortization expenses related to the intangible assets associated with the acquisitions of Z-Tech, SH&E, and Jones & Stokes, an increase in depreciation and amortization related to capital expenditures, and an increase in non-cash compensation.

Other income. For the year ended December 31, 2008, other income was approximately $0.6 million, or 0.1% of revenue, compared to approximately $0.5 million, or 0.1% of revenue, for the year ended December 31, 2007. The activity in other income for the year ended December 31, 2008, was primarily attributable to the reduction of the remaining liability to our former parent for subcontractor indemnification. The activity in other income for the year ended December 31, 2007, was primarily attributable to interest income.

Interest expense. For the year ended December 31, 2008, interest expense was approximately $4.1 million, compared to approximately $1.9 million for the year ended December 31, 2007. The approximately 110% increase was due primarily to increased debt service on borrowings for the SH&E and Jones & Stokes acquisitions.

Income tax expense. Our income tax rate for the year ended December 31, 2008, was approximately 41.9% compared to approximately 41.3% for the year ended December 31, 2007. This increase was due primarily to lower tax credits in 2008.

LIQUIDITY AND CAPITAL RESOURCES

Credit Facility. On February 20, 2008, we signed the Second Amended and Restated Business Loan and Security Agreement (the “Credit Facility”) with a syndication of nine commercial banks to allow for borrowings of up to $350.0 million for a period of five years (until February 20, 2013). This revised Credit Facility provides for borrowings on a revolving line of credit up to $275.0 million without a borrowing base requirement, subject to our compliance with both financial and non-financial covenants. The revised Credit Facility also provides for an “accordion feature,” which permits additional revolving credit commitments of up to $75.0 million under the same terms and conditions as the existing revolving line of credit, subject to lenders’ approval. This Credit Facility provided pre-approval of our lenders for us to acquire other companies with individual purchase prices of up to $75.0 million if certain conditions are met and provides less restrictive financial and non-financial covenants than our previous Credit Facility. On March 31, 2009, we amended this Credit Facility to allow for the acquisition of Macro, for permission to sell capital stock in one or more offerings (provided that the proceeds are used to pay down the Credit Facility), and to increase the interest rate margins we pay to borrow funds under this Credit Facility. Under the terms of our Credit Facility, we are required to comply with certain financial and non-financial covenants. We were in compliance with all such covenants as of December 31, 2009.

Financial Condition. There were several significant changes in our balance sheet during the year ended December 31, 2009. Contract receivables, net, increased to $174.1 million compared to $150.8 million as of December 31, 2008, due to an increase in the amount of contract receivables from the acquisition of Macro and Jacob & Sundstrom, offset by a decline in receivables from The Road Home contract. Goodwill increased from $198.7 million on December 31, 2008, to $323.5 million as of December 31, 2009, primarily resulting from our acquisitions of Macro and Jacob & Sundstrom. In addition, other intangible assets, net, increased from $16.8 million on December 31, 2008, to $38.5 million for the year ending 2009 due to these acquisitions. Long-term debt increased from $80.0 million on December 31, 2008, to $145.0 million on December 31, 2009, due to borrowings necessary to complete these two acquisitions, partially offset by the proceeds from our stock offering in December 2009 and net cash from operations. Days-sales-outstanding were 80 days at December 31, 2009, and 77 days at December 31, 2008, while our days-payable-outstanding were 46 days at December 31, 2009, and 55 days at December 31, 2008. Total property and equipment, net, increased to $22.6 million as of December 31, 2009, compared to $13.4 million as of December 31, 2008, due primarily to an increase of $5.3 million in fixed assets acquired as part of the Macro acquisition and a $3.5 million increase in purchased software. In March 2009, the Company executed a new three-year enterprise-wide agreement with Microsoft, which will be paid in semi-annual installments over a three-year period.

***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, 2009, we had $145.0 million borrowed under our revolving line of credit and an unused borrowing capacity of $128.7 million on our Credit Facility, which is available for our working capital needs and for other purposes.

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

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

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

Cash and Cash Equivalents. We consider cash on deposit and all highly liquid investments with original maturities of three months or less to be cash and cash equivalents. Cash and cash equivalents were $2.4 million and $1.5 million on December 31, 2009, and December 31, 2008, respectively.

***Cash Flow*.** The following table sets forth our sources and uses of cash for the years ended December 31, 2009, 2008 and 2007.

	Year ended December 31,		
	2009	2008	2007
		(In thousands)	
Net cash provided by operations	$ 48,554	$ 24,634	$ 43,351
Net cash used in investing activities	(197,177)	(61,692)	(100,198)
Net cash provided by financing activities	149,505	36,494	56,449
Effect of exchange rate on cash	(65)	(633)	134
Net increase (decrease) in cash	$ 817	$ (1,197)	$ (264)

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 2009, 2008, and 2007 of approximately $48.6 million, $24.6 million, and $43.4 million, respectively. Cash flows from operating activities for 2009 were positively impacted by the reduction of organic contract receivables outstanding. These positive changes were largely offset by an increase in prepaid expenses and a net decrease in accounts payable and accrued expenses. Cash flows from operating activities for 2008 were negatively impacted by an increase in our subcontract and vendor payments, partially offset by a large decrease in our contract receivables outstanding, while net cash flows from operating activities were not materially impacted by contract receivables and account payables/accrued expenses in 2007.

Our cash flow used in investing activities consists primarily of capital expenditures and acquisitions. During the year ended 2009, we paid approximately $188.7 million for business acquisitions, net of cash acquired, and purchased capital assets totaling $8.1 million. During the year ended 2008, we paid approximately $51.4 million for business acquisitions, net of cash acquired, and purchased capital assets totaling approximately $9.9 million. In the year ended 2007, we paid approximately $96.4 million for several business acquisitions, net of cash acquired, and purchased capital assets totaling approximately $3.7 million.

Our cash flow from financing activities consists primarily of debt and equity transactions. For the year ended 2009, cash flow provided by financing activities included approximately $83.3 million in net proceeds from our secondary offering and $65.0 million from our Credit Facility. For the year ended 2008, cash flow from financing activities was primarily due to net borrowings of approximately $32.9 million from our Credit Facility. For the year ended 2007, cash flow from financing activities included net borrowings of approximately $47.1 million from our debt facility and approximately $7.4 million related to the net issuance of equity.

OFF-BALANCE SHEET ARRANGEMENTS

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 companies acquired in business combinations and continue financing equipment under operating leases until the end of the lease term following the acquisition date.

The Credit Facility provides for stand-by letters of credit aggregating up to $5.0 million that reduce the funds available under the revolving line of credit when issued. As of December 31, 2009, we had five outstanding letters of credit with a total value of $1.3 million. We have no other material off-balance sheet financing arrangements.

CONTRACTUAL OBLIGATIONS

The following table summarizes our contractual obligations as of December 31, 2009, that require us to make future cash payments. For contractual obligations, we included 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	$ 114,640	$ 25,172	$ 41,736	$ 16,897	$ 30,835
Operating lease obligations	$ 5,246	$ 2,242	$ 2,889	$ 115	$ —
Long-term debt obligation	$ 145,000	—	—	$ 145,000	—
Total	$ 264,886	$ 27,414	$ 44,625	$ 162,012	$ 30,835

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

Our exposure to market risk includes changes in interest rates for borrowings under our credit agreement. These borrowings accrue interest at variable rates. Based upon our borrowings under this facility in 2009, a 1% increase in interest rates would have increased interest expense by approximately $2.0 million and would have decreased our annual cash flow by a comparable amount.

Since our IPO, we have followed an investment policy that requires that we invest excess cash in high-quality investments that preserve principal, provide liquidity, and minimize investment risk. During 2009, any excess cash was applied to repayment of outstanding borrowings incurred under our Credit Facility.

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

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

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15 of the Securities Exchange Act of 1934, as amended ("Exchange Act"). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

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

Change in Internal Controls. During the fourth quarter of fiscal year 2009, there were no changes in our internal control over financial reporting that have materially affected these controls, or are reasonably likely to materially affect these controls subsequent to the evaluation of these controls.

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

ITEM 9B. OTHER INFORMATION

On March 8, 2010, ICF Consulting Group, Inc., a wholly owned subsidiary of the Company ("ICF Consulting"), executed a commercial office lease agreement (the "New Lease"), which will be effective April 1, 2010, with Hunters Branch Leasing, LLC (the "Landlord") and Hunters Branch Partners, L.L.C. The New Lease replaces the former corporate headquarters leasing arrangements, consisting of both the former Agreement of Sublease between ICF Kaiser International, Inc. and ICF Consulting Group, Inc. dated June 1999 (the "Sublease") and the Assignment Agreement regarding Deed of Lease among B2TECS, Hunters Branch Leasing, LLC, and ICF Consulting effective October 7, 2005 (the "Assignment," and together with the Sublease, the "Original Lease"). The New Lease premises is for an aggregate 258,732 square feet in the 9300 and 9302 Lee Highway buildings (also known as Hunters Branch) in Fairfax, Virginia. Of this aggregate 258,732 square feet, we: (i) currently occupy 201,707 square feet; (ii) will convert 23,089 square feet that we currently sublease into a direct lease with the Landlord and will gain 21,237 square feet, both in 2012; and (iii) will gain an additional 12,699 square feet in 2014.

The lease commencement date under the New Lease will be April 1, 2010, and the New Lease will expire on December 31, 2022. The base rent for the premises will be approximately $493,400 per month for the months of April through June 2010, increasing to approximately $505,700 per month effective July 1, 2010 until June 30, 2011. Effective each July 1 thereafter, the base rent will increase to an amount equal to 102.5% of the base rent then in effect for the immediately preceding lease year. Additional rent will be due as more space is added in future years.

Also under the New Lease, the Landlord will make improvements to the tenant space valued at approximately $6.0 million for the initial 201,707 square feet, and improvements valued at an additional approximately $2.0 million for the subsequently added 57,025 square feet. The Landlord will also provide certain improvements to the Hunters Branch common areas. We also receive the right to place additional signage on the Interstate 66 side of the building located at 9302 Lee Highway.

Neither we nor any of our affiliates has a material relationship with the Landlord or any of its affiliates, other than the contractual relationship under the Original Lease.

The description of the New Lease is qualified in its entirety by reference to the New Lease filed hereto as Exhibit 10.6.

In connection with the effectiveness of the New Lease, the Original Lease will terminate as of April 1, 2010. The Original Lease encompassed a portion of the premises covered under the New Lease, and was also with the same Landlord. We decided to terminate our existing lease and negotiate a new lease with the same Landlord to consolidate several tenant and subtenant relationships within the Hunters Branch buildings and obtain Landlord commitments for building improvements. We will incur no material early termination penalties as a result of the termination of the Original Lease.

The description of the Original Lease is qualified in its entirety by reference to the Sublease and Assignment, previously filed as Exhibits 10.12 and 10.13, respectively, to our Registration Statement on Form S-1 (File No. 333-134018) and amendments thereto, declared effective September 27, 2006.

The above disclosure relating to our entry into the New Lease and termination of the Original Lease is included under this “Item 9B Other Information” in lieu of Items 1.01 and 1.02 disclosure under a timely Form 8-K.

Table of Contents

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 2010 Annual Meeting of Stockholders (the "2010 Proxy Statement") and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item will be included in the 2010 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 2010 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 2010 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 2010 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	Stock Purchase Agreement by and among ICF Consulting Group, Inc., ICF Consulting Group Holdings, Inc., Terrence R. Colvin, Wesley C. Pickard, Donald L. Zimmerman and the other shareholders of Synergy, Inc. dated effective January 1, 2005 (Incorporated by reference to exhibit 10.10 to the Company's Registration Statement on Form S-1 (File No. 333-134018) and amendments thereto, declared effective September 27, 2006 (the "Form S-1")).
2.2	Stock Purchase Agreement by and among ICF Consulting Group, Inc., Caliber Associates, Inc. Employee Stock Ownership Plan and Trust, Caliber Associates, Inc., Gerald Croan and Sharon Bishop dated effective September 12, 2005 (Incorporated by reference to exhibit 10.11 to the Company's Form S-1).
2.3	Stock Purchase Agreement dated as of June 28, 2007 by and among ICF International, Inc., ICF Consulting Group, Inc., the Sellers and Z-Tech Corporation (Incorporated by reference to exhibit 2.1 to the Company's Form 8-K, filed July 5, 2007).
2.4	Merger Agreement dated as of November 9, 2007 by and among ICF International, Inc., ICF Consulting Group, Inc., ICF Consulting Group Acquisition, Inc., Simat, Helliesen & Eichner, Inc., and Other Parties Named Herein (Incorporated by reference to exhibit 2.1 to the Company's Form 8-K, filed December 7, 2007).
2.5	Merger Agreement dated as of January 23, 2008 by and among ICF International, Inc., ICF Consulting Group, Inc., Jones & Stokes Associates, Inc., and Other Parties Named Herein (Incorporated by reference to exhibit 2.1 to the Company's Form 8-K, filed February 15, 2008).
2.6	Stock Purchase Agreement by and among ICF Consulting Group, Inc., and ICF International, Inc., *info*GROUP Inc., and Opinion Research Corporation (Macro Acquisition), dated March 27, 2009 (Incorporated by reference to exhibit 2.1 to the Company's Form 8-K, filed April 6, 2009).
3.1	Amended and Restated Certificate of Incorporation (Incorporated by reference to exhibit 4.1 to the Company's Registration Statement on Form S-8 (File No. 333-137975), effective as of October 12, 2006).

Exhibit Number	Exhibit
3.2	Amended and Restated Bylaws of ICF International, Inc. (Incorporated by reference to exhibit 3.1 to the Company's Form 8-K, filed on September 23, 2008).
4.1	Specimen common stock certificate (Incorporated by reference to exhibit 4.1 to the Company's Form S-1).
4.2	See exhibits 3.1 and 3.2 for provisions of the Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws of the Registrant defining the rights of holders of common stock of the Company.
4.3	Form of Amended and Restated Registration Rights Agreement (Incorporated by reference to exhibit 4.2 to the Company's Form S-1).
10.1	2006 Long-Term Equity Incentive Plan (Incorporated by reference to exhibit 10.2 to the Company's Form S-1).
10.2	2006 Employee Stock Purchase Plan (Incorporated by reference to exhibit 10.3 to the Company's Form S-1).
10.3	Amended and Restated Business Loan and Security Agreement dated as of October 5, 2005 by and among ICF Consulting Group Holdings, Inc. and ICF Consulting Group, Inc., as Borrowers, Citizens Bank of Pennsylvania, Chevy Chase Bank, F.S.B., PNC Bank, National Association, Commerce Bank, N.A., as Lenders, and Citizens Bank of Pennsylvania, as Agent; and First Modification to Amended and Restated Business Loan and Security Agreement and Other Loan Documents, dated as of March 14, 2006; and Second Modification to Amended and Restated Business Loan and Security Agreement and Other Loan Documents, dated as of August 25, 2006 (Incorporated by reference to exhibit 10.4 to the Company's Form S-1).
10.4	Agreement of Sublease between ICF Kaiser International, Inc. and ICF Consulting Group, Inc. dated June 1999 (Incorporated by reference to exhibit 10.12 to the Company's Form S-1).
10.5	Assignment Agreement regarding Deed of Lease among B2TECS, Hunters Branch Leasing, LLC and ICF Consulting Group, Inc. dated effective October 7, 2005 (Incorporated by reference to exhibit 10.13 to the Company's Form S-1).
10.6	Deed of Lease by and between Hunters Branch Leasing, LLC and ICF Consulting Group, Inc., effective April 1, 2010.
10.7	Contract between the State of Louisiana, through the Division of Administration, Office of Community Development, and ICF Emergency Management Services, LLC dated effective June 12, 2006 (Incorporated by reference to exhibit 10.14 to the Company's Form S-1).
10.8	Restricted Stock Agreement dated September 6, 2005 between ICF Consulting Group, Inc. and Ellen Glover (Incorporated by reference to exhibit 10.16 to the Company's Form S-1).
10.9	Restated Employment Agreement dated December 29, 2008 between the Registrant and Sudhakar Kesavan (Incorporated by reference to exhibit 10.1 to the Company's Form 8-K, filed December 30, 2008).
10.10	Restated Severance Protection Agreement dated December 29, 2008 between the Registrant and Sudhakar Kesavan (Incorporated by reference to exhibit 10.2 to the Company's Form 8-K, filed December 30, 2008).
10.11	Restated Severance Protection Agreement dated December 12, 2008 between the Registrant and Alan Stewart (Incorporated by reference to exhibit 10.1 to the Company's Form 8-K, filed December 18, 2008).
10.12	Restated Severance Protection Agreement dated December 12, 2008 between the Registrant and John Wasson (Incorporated by reference to exhibit 10.2 to the Company's Form 8-K, filed December 18, 2008).

Table of Contents

Exhibit Number	Exhibit
10.13	Amended Severance Letter Agreement dated December 12, 2008 between the Registrant and Alan Stewart (Incorporated by reference to exhibit 10.3 to the Company's Form 8-K filed December 18, 2008).
10.14	Amended Severance Letter Agreement dated December 12, 2008 between the Registrant and John Wasson (Incorporated by reference to exhibit 10.4 to the Company's Form 8-K filed December 18, 2008).
10.15	First Amendment to Contract dated July 24, 2006 between ICF Emergency Management Services, LLC and the State of Louisiana, through the Division of Administration, Office of Community Development (Incorporated by reference to exhibit 10.1 to the Company's Form 8-K, filed October 24, 2006).
10.16	Second Amendment of Contract dated September 28, 2006 between ICF Emergency Management Services, LLC and the State of Louisiana, through the Division of Administration, Office of Community Development (Incorporated by reference to exhibit 10.2 to the Company's Form 8-K, filed October 24, 2006).
10.17	Third Amendment of Contract dated October 18, 2006 between ICF Emergency Management Services, LLC and the State of Louisiana, through the Division of Administration, Office of Community Development (Incorporated by reference to exhibit 10.3 to the Company's Form 8-K, filed October 24, 2006).
10.18	Fourth Amendment of Contract between ICF Emergency Management Services, LLC and the State of Louisiana, through the Division of Administration, Office of the Community Development (Incorporated by reference to exhibit 10.1 to the Company's Form 8-K, filed March 28, 2007).
10.19	Fifth Amendment of Contract between ICF Emergency Management Services, LLC and the State of Louisiana, through the Division of Administration, Office of Community Development (Incorporated by reference to exhibit 10.1 to the Company's Form 8-K, filed June 29, 2007).
10.20	Fourth Modification to Amended and Restated Business Loan and Security Agreement and Other Loan Documents, dated June 28, 2007 (Incorporated by reference to exhibit 10.1 to the Company's Form 8-K, filed July 5, 2007).
10.21	Sixth Amendment of Contract between ICF Emergency Management Services, LLC and the State of Louisiana, through the Division of Administration, Office of Community Development (Incorporated by reference to exhibit 10.1 to the Company's Form 8-K, filed November 7, 2007).
10.22	Seventh Amendment of Contract between ICF Emergency Management Services, LLC and the State of Louisiana, through the Division of Administration, Office of Community Development (Incorporated by reference to exhibit 10.1 to the Company's Form 8-K, filed December 19, 2007).
10.23	Fifth Modification to Amended and Restated Business Loan and Security Agreement and Other Loan Documents, dated December 3, 2007 (Incorporated by reference to exhibit 10.1 to the Company's Form 8-K, filed December 7, 2007).
10.24	Sixth Modification to Amended and Restated Business Loan and Security Agreement and Other Loan Documents, dated February 14, 2008 (Incorporated by reference to exhibit 10.1 to the Company's Form 8-K, filed February 15, 2008).

Table of Contents

Exhibit Number	Exhibit
10.25	Second Amended and Restated Business Loan and Security Agreement dated as of February 20, 2008 by and among ICF International, Inc. and ICF Consulting Group, Inc., as Borrowers, Citizens Bank of Pennsylvania, as a Lender and Administrative Agent, Bank of America, N.A., as a Lender and Syndication Agent, CitiBank, N.A. and SunTrust Bank, as Lenders and Documentation Agents, Branch Banking and Trust Company, Commerce Bank, N.A., HSBC Bank USA, National Association, PNC Bank, National Association, and Chevy Chase Bank, N.A. as Lenders, and RBS Securities Corporation (d/b/a RBS Greenwich Capital), as sole and exclusive lead arranger and book running manager (Incorporated by reference to exhibit 10.1 to the Company's Form 8-K, filed February 25, 2008).
10.26	Restricted Stock Award Agreement dated March 14, 2008 between the Registrant and Eileen O'Shea Auen (Incorporated by reference to exhibit 10.1 to the Company's Form 10-Q, filed May 12, 2008).
10.27	Restricted Stock Award Agreement dated March 14, 2008 between the Registrant and Richard M. Feldt (Incorporated by reference to exhibit 10.2 to the Company's Form 10-Q, filed May 12, 2008).
10.28	ICF International, Inc. Nonqualified Deferred Compensation Plan (Incorporated by reference to exhibit 10.3 to the Company's Form 10-Q, filed May 12, 2008).
10.29	Eighth Amendment of Contract between ICF Emergency Management Services, LLC and the State of Louisiana, through the Division of Administration, Office of Community Development (Incorporated by reference to exhibit 10.1 to the Company's Form 8-K, filed July 22, 2008).
10.30	Employment Agreement by and between the Company and Alan Stewart, dated December 17, 2009.
10.31	Underwriting Agreement by and among the Company, William Blair & Company, L.L.C. and Stifel, Nicolaus & Company, Incorporated, dated December 10, 2009 (Incorporated by reference to exhibit 10.1 to the Company's Form 8-K, filed December 15, 2009).
21.0	Subsidiaries of the Registrant.
23.0	Consent of Grant Thornton LLP.
31.1	Certificate of the Principal Executive Officer Pursuant to Exchange Act Rule 13a-14(a) and 15d-14(a).
31.2	Certificate of the Principal Financial and Accounting Officer Pursuant to Exchange Act Rule 13a-14(a) and 15d-14(a).
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Table of Contents

SIGNATURES

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

March 11, 2010	ICF INTERNATIONAL, INC.
	By: /s/ SUDHAKAR KESAVAN **Sudhakar Kesavan** **Chairman, President 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 **Sudhakar Kesavan**	Chairman, President and Chief Executive Officer (Principal Executive Officer)	March 11, 2010
/s/ ALAN STEWART **Alan Stewart**	Senior Vice President, Chief Financial Officer and Secretary (Principal Financial Officer)	March 11, 2010
/s/ SCOTT BRESLER **Scott Bresler**	Controller (Principal Accounting Officer)	March 11, 2010
/s/ EDWARD H. BERSOFF **Edward H. Bersoff**	Director	March 11, 2010
/s/ SRIKANT M. DATAR **Srikant M. Datar**	Director	March 11, 2010
/s/ JOEL R. JACKS **Joel R. Jacks**	Director	March 11, 2010
/s/ DAVID C. LUCIEN **David C. Lucien**	Director	March 11, 2010
/s/ PETER M. SCHULTE **Peter M. Schulte**	Director	March 11, 2010
/s/ RICHARD M. FELDT **Richard M. Feldt**	Director	March 11, 2010
/s/ EILEEN O’SHEA AUEN **Eileen O’Shea Auen**	Director	March 11, 2010

Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of ICF International, Inc. and Subsidiaries (the "Company"), as of December 31, 2009 and 2008, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2009. We also have audited the Company's internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, 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 Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements include examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of 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 financial statements referred to above present fairly, in all material respects, the financial position of ICF International, Inc. and Subsidiaries as of December 31, 2009 and 2008, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, ICF International, Inc. and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control—Integrated Framework issued by COSO.

/s/ Grant Thornton LLP

McLean, Virginia
March 11, 2010

ICF International, Inc., and Subsidiaries

Consolidated Balance Sheets

December 31,	2009	2008
	(in thousands of dollars)	
Assets		
Current Assets		
Cash and cash equivalents	$ 2,353	$ 1,536
Contract receivables, net	174,120	150,778
Prepaid expenses and other	6,666	4,507
Income tax receivable	4,175	3,530
Restricted cash	—	2,180
Deferred income taxes	1,337	4,186
Total current assets	188,651	166,717
Total property and equipment, net	22,600	13,373
Other assets:		
Goodwill	323,467	198,724
Other intangible assets, net	38,474	16,844
Restricted cash	2,123	2,078
Other assets	6,912	3,281
Total Assets	$582,227	$401,017
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	$ 27,075	$ 27,740
Accrued salaries and benefits	32,072	27,405
Accrued expenses	21,770	35,295
Deferred revenue	19,370	12,352
Total Current Liabilities	100,287	102,792
Long-term Liabilities:		
Long-term debt	145,000	80,000
Deferred rent	2,914	2,361
Deferred income taxes	11,656	10,849
Other	4,810	2,098
Total Liabilities	264,667	198,100
Commitments and Contingencies	—	—
Stockholders' Equity		
Preferred stock, par value $.001 per share; 5,000,000 shares authorized; none issued	—	—
Common stock, $.001 par value; 70,000,000 shares authorized, 19,278,591 and 15,188,320 shares issued; and 19,278,591 and 15,106,522 shares outstanding	19	15
Additional paid-in capital	211,412	120,550
Retained earnings	106,466	84,110
Treasury stock	—	(1,474)
Stockholder notes receivable	—	(12)
Accumulated other comprehensive income	(337)	(272)
Total Stockholders' Equity	317,560	202,917
Total Liabilities and Stockholders' Equity	$582,227	$401,017

The accompanying notes are an integral part of these statements.

ICF International, Inc., and Subsidiaries

Consolidated Statements of Earnings

Year ended December 31,	2009	2008	2007
	(in thousands of dollars, except per share data)		
Contract Revenue	$674,399	$697,426	$727,120
Direct Costs	411,334	460,002	532,153
Operating costs and expenses			
Indirect and selling expenses	203,428	170,360	118,128
Depreciation and amortization	9,416	5,407	2,432
Amortization of intangible assets	11,137	8,683	3,884
Earnings from Operations	39,084	52,974	70,523
Other (Expense) Income			
Interest expense	(5,107)	(4,082)	(1,944)
Other	1,005	581	519
Income Before Income Taxes	34,982	49,473	69,098
Income Tax Expense	12,626	20,750	28,542
Net Income	$ 22,356	$ 28,723	$ 40,556
Earnings per Share:			
Basic	$ 1.45	$ 1.96	$ 2.87
Diluted	$ 1.40	$ 1.88	$ 2.72
Weighted-average Common Shares Outstanding:			
Basic	15,433	14,641	14,152
Diluted	15,914	15,270	14,896

The accompanying notes are an integral part of these statements.

ICF International, Inc., and Subsidiaries

Consolidated Statement of Stockholders' Equity
(in thousands)

Years ended December 31, 2009, 2008 and 2007	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount	Stockholder Notes Receivable	Accumulated Other Comprehensive Income (Loss)	Total
January 1, 2007	13,875	$ 14	$ 98,995	$ 15,701	58	$ (428)	$ (562)	$ 227	$113,947
Net income	—	—	—	40,556	—	—	—	—	40,556
Other Comprehensive Income									
Foreign currency translation adjustment	—	—	—	—	—	—	—	134	134
Total Comprehensive Income									40,690
Equity compensation			3,680						3,680
Unrecognized tax benefits				(870)					(870)
Proceeds from initial public offering			12						12
Exercise of stock options	651	1	3924		2				3,925
Net payments from management stockholder issuances and buybacks	6	—	150	—	2	(318)	—	—	(168)
Tax benefits of stock option exercises	—	—	3,034	—	—	—	—	—	3,034
Proceeds on stockholder notes	—	—	—	—	—	—	562	—	562
Interest receivable from stockholder notes	—	—	—	—	—	—	(21)	—	(21)
December 31, 2007	14,532	$ 15	$ 109,795	$ 55,387	62	$ (746)	$ (21)	$ 361	$164,791
Net income	—	—	—	28,723	—	—	—	—	28,723
Other Comprehensive Income									
Foreign currency translation adjustment	—	—	—	—	—	—	—	(633)	(633)
Total Comprehensive Income									28,090
Equity compensation			6,473						6,473
Exercise of stock options	384	—	2,127						2,127
Issuance of shares pursuant to vesting of Restricted Stock Units	268		(1,601)		(105)	1,601			—
Net payments for stockholder issuances and buybacks	(77)	—	485	—	125	(2,329)	—	—	(1,844)
Tax benefits of stock option exercises	—	—	3,271	—	—	—	—	—	3,271
Proceeds on stockholder notes	—	—	—	—	—	—	9	—	9
December 31, 2008	15,107	$ 15	$ 120,550	$ 84,110	82	$ (1,474)	$ (12)	$ (272)	$202,917
Net income	—	—	—	22,356	—	—	—	—	22,356
Other Comprehensive Income									
Foreign currency translation adjustment	—	—	—	—	—	—	—	(65)	(65)
Total Comprehensive Income									22,291
Issuance of shares pursuant to secondary offering	3565	4	83,290						83,294
Equity compensation			7,192						7,192
Exercise of stock options	337	—	1,093		(93)	1,739			2,832
Issuance of shares pursuant to vesting of Restricted Stock Units	409		(3,914)		(141)	3,914			—
Net payments for stockholder issuances and buybacks	(139)	—	88	—	152	(4,179)	—	—	(4,091)
Tax benefits of stock option exercises	—	—	3,113	—	—	—	—	—	3,113
Proceeds on stockholder notes	—	—	—	—	—	—	12	—	12
December 31, 2009	19,279	$ 19	$ 211,412	$106,466	—	$ —	$ —	$ (337)	$317,560

The accompanying notes are an integral part of these statements.

Table of Contents

ICF International, Inc., and Subsidiaries

Consolidated Statements of Cash Flows

Year ended December 31,	2009	2008	2007
		(in thousands of dollars)	
Cash Flows from operating activities			
Net income	$ 22,356	$ 28,723	$ 40,556
Adjustments to reconcile net income to net cash provided by operating activities:			
Accrued interest on stockholder notes	—	—	(21)
Bad debt expense	241	422	2,376
Deferred income taxes	2,203	(3,380)	(1,815)
Loss on disposal of fixed assets	(14)	127	68
Non-cash equity compensation	7,192	6,473	3,680
Depreciation and amortization	20,553	14,090	6,316
Changes in operating assets and liabilities:			
Contract receivables	15,948	57,022	(62,695)
Prepaid expenses and other assets	(3,962)	598	(860)
Accounts payable	(3,763)	(50,654)	53,255
Accrued salaries and benefits	(3,207)	(4,219)	2,771
Accrued expenses	(16,813)	(12,608)	9,850
Deferred revenue	4,341	(3,834)	(2,512)
Income tax receivable/payable	1,150	(1,905)	(4,348)
Restricted cash	2,135	(3,415)	(2,112)
Deferred rent	106	567	(7)
Other liabilities	88	(3,373)	(1,151)
Net Cash Provided by Operating Activities	48,554	24,634	43,351
Cash Flows from Investing Activities			
Capital expenditures	(8,068)	(9,929)	(3,662)
Payments for business acquisitions, net of cash received	(188,672)	(51,422)	(96,392)
Payments for trademark applications	—	—	(14)
Capitalized software development costs	(437)	(341)	(130)
Net Cash Used in Investing Activities	(197,177)	(61,692)	(100,198)
Cash Flows from Financing Activities			
Advances from working capital facilities	315,784	270,949	334,608
Payments on working capital facilities	(250,784)	(238,028)	(287,529)
Restricted cash related to Caliber acquisition	—	1,325	2,147
Debt issue costs	(655)	(1,315)	(142)
Proceeds from secondary offering, net	83,294	—	12
Exercise of options	2,832	2,127	3,925
Tax benefits of stock option exercises and award vesting	3,113	3,271	3,034
Issuances of stock	88	485	246
Shares reacquired in net share issuance	(4,179)	(2,329)	(414)
Payments received on stockholder notes	12	9	562
Net Cash Provided by Financing Activities	149,505	36,494	56,449
Effect of Exchange Rate on Cash	(65)	(633)	134
Increase (Decrease) in Cash	817	(1,197)	(264)
Cash, beginning of year	1,536	2,733	2,997
Cash, end of year	$ 2,353	$ 1,536	$ 2,733
Supplemental disclosures of cash flow information:			
Cash paid during the period:			
Interest	$ 4,664	$ 4,505	$ 1,476
Income taxes	$ 7,644	$ 24,445	$ 31,839

The accompanying notes are an integral part of these statements.

ICF International, Inc., and Subsidiaries

Notes to Consolidated Financial Statements
December 31, 2009, 2008, and 2007
(dollar amounts in tables in thousands, except per share data)

NOTE A—BASIS OF PRESENTATION AND NATURE OF OPERATIONS

Basis of Presentation and Nature of Operations

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

- ICF Incorporated, L.L.C.
- ICF Resources, L.L.C.
- Systems Applications International, L.L.C.
- ICF Associates, L.L.C.
- ICF Services Company, L.L.C.
- ICF Consulting Services, L.L.C.
- ICF Emergency Management Services, LLC
- ICF Consulting Ltd. (UK)
- ICF Consulting Canada, Inc.
- ICF Consulting PTY Ltd. (Australia)
- ICF/EKO (Russia)
- ICF Consultoria do Brasil, Ltda.
- ICF Consulting India Private Ltd.
- Synergy, Inc.
- Caliber Associates, Inc.
- Advanced Performance Consulting Group, Inc.
- Energy and Environmental Analysis, Incorporated
- Z-Tech Corporation
- Simat, Helliesen & Eichner, Inc.
- SH&E Limited (UK)
- Jones & Stokes Associates, Inc.
- ICF International Consulting (Beijing) Company, Ltd.
- Macro International Inc.
- Jacob & Sundstrom, Inc.

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

ICF International, Inc., and Subsidiaries

Notes to Consolidated Financial Statements—Continued

NOTE A—BASIS OF PRESENTATION AND NATURE OF OPERATIONS—Continued

Nature of Operations

The Company provides management, technology, and policy consulting and implementation services in the areas of energy, environment, and infrastructure, health, human services, and social programs; and homeland security and defense. The Company's major clients are United States ("U.S.") government agencies, especially the Department of Health and Human Services, the Department of Defense, the Department of Homeland Security, the Environmental Protection Agency, the Department of State, the Department of Transportation, the Department of Agriculture, the Department of Housing and Urban Development, and the Department of Justice; commercial entities, particularly air transportation and energy market participants; and other government organizations throughout the United States and the world. The Company offers a full range of services to these clients, including strategy, analysis, program management, and information technology solutions that combine diverse institutional knowledge and experience in their activities with the deep subject matter expertise of a highly educated staff, which the Company deploys in multi-disciplinary teams.

The Company, incorporated in Delaware, is headquartered in Fairfax, Virginia, with over 50 domestic regional offices (as of December 31, 2009), and international offices in Brazil, Canada, India, Russia, China, and the United Kingdom.

Reclassifications

Certain amounts in 2008 and 2007 consolidated financial statements have been reclassified to conform to the current year presentation.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

The Company recognizes revenue when persuasive evidence of an arrangement exists, services have been rendered, the contract price is fixed or determinable, and collectibility is reasonably assured.

The Company's contracts with clients are either cost-based, time-and-materials, or fixed-price contracts. Revenues under cost-based contracts are recognized as costs are incurred. Applicable estimated profits are included in earnings as a percentage of contract costs. Incentives, award fees, or penalties related to performance are also considered in estimating revenue and profit rates based on actual and anticipated awards. Revenues for time-and-materials contracts are 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 on time-and-materials contracts result from the difference between the cost of services performed and the contract-defined billing rates for these services.

Revenue for fixed-price contracts is recognized when earned, generally as work is performed. Services performed vary from contract to contract and are generally not uniformly performed over the term of the arrangement. We recognize revenue in a number of different ways on fixed-price contracts, including:

- revenue on certain fixed-price contracts is recorded each period based on contract costs incurred to date compared with total estimated costs at completion (cost-to-cost method). Performance is based on the ratio of costs incurred to total estimated costs where the costs incurred represent a reasonable surrogate for output measures of contract performance, including the presentation of deliverables to the client.

ICF International, Inc., and Subsidiaries

Notes to Consolidated Financial Statements—Continued

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Progress on a contract is matched against project costs and costs to complete on a periodic basis. 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;

- revenue on certain other fixed-price contracts is recognized ratably over the period benefited; and
- revenue on certain other fixed-price contracts is recognized as service is delivered to the customer provided there are not acceptance provisions or other performance obligations.

Revenue recognition requires judgment relative to assessing risks, estimating contract revenue and costs, and making assumptions for schedule and technical issues. Due to the size and nature of many of the Company's contracts, the estimation of revenue and costs can be complicated and is subject to many variables. Contract costs include labor, subcontracting costs, and other direct costs, as well as allocation of allowable indirect costs. Assumptions have to be made regarding the length of time to complete the contract because costs also include expected increases in wages, prices for subcontractors, and other direct costs. From time to time, facts develop that require the Company to revise its estimated total costs and revenue on a contract. To the extent that a revised estimate affects contract profit or revenue previously recognized, the Company records the cumulative effect of the revision in the period in which the facts requiring the revision become known. Provision for the full amount of an anticipated loss on any type of contract is recognized in the period in which it becomes probable and can be reasonably estimated.

Invoices to clients are generated 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 the Company included in cost of revenue.

Approximately 60 percent, 36 percent, and 27 percent of the Company's revenue for the years 2009, 2008, and 2007, respectively, were derived under prime contracts and subcontracts with agencies and departments of the U.S. federal government.

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

	2009	2008	2007
Cost-based	20%	11%	9%
Time-and-materials	51%	67%	55%
Fixed-price	29%	22%	36%
Total	100%	100%	100%

For the years ending December 31, 2009, 2008, and 2007, revenue from various branches of the Department of Health and Human Services ("HHS") accounted for approximately 17 percent or $113.6 million, 9 percent or $60.9 million, and 5 percent or $38.1 million, respectively, of the Company's revenue. The accounts receivable due from HHS contracts as of December 31, 2009 and 2008 was approximately $27.0 million and $13.3 million, respectively.

ICF International, Inc., and Subsidiaries

Notes to Consolidated Financial Statements—Continued

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

In June of 2006, the Company was awarded a contract by the State of Louisiana, which ended in June 2009. For the year ending December 31, 2009, 2008, and 2007, revenue from the State of Louisiana accounted for approximately 9 percent or $60.4 million, 38 percent or $264.8 million, and 63 percent or $459.4 million, respectively, of the Company's revenue. The accounts receivable due from the State of Louisiana contract as of December 31, 2009 and 2008, was approximately $0.8 million and $12.5 million, respectively.

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

Cash and Cash Equivalents

The Company considers cash on deposit and all highly liquid investments with original maturities of three months or less to be cash and cash equivalents. Cash and cash equivalents as of the end of 2009 and 2008 was $2.4 million and $1.5 million, respectively.

Property and Equipment

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

Goodwill and Other Intangible Assets

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

The Company has elected to perform the annual goodwill impairment review as of September 30 of each year. The Company has determined that it has one reporting unit for purposes of performing this test. The Company employed the methods of determining fair value of the reporting unit was determined on the basis of market capitalization. Based upon management's review, including an annual valuation report issued by an independent valuation firm, it was determined that no goodwill impairment charge was required for 2009, 2008, or 2007.

Capitalized Software

The Company capitalizes software development costs for certain software modeling tools. These costs are capitalized in accordance with the Software Accounting Standards. Amortization expense is recorded on a straight-line basis over the expected economic life, typically five years.

Equity Compensation

The Company accounts for incentive stock awards in accordance with stock-based compensation accounting standards. Under this method, compensation expense for all awards is recognized based upon the grant date.

ICF International, Inc., and Subsidiaries

Notes to Consolidated Financial Statements—Continued

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

Long-lived Assets

The Company is required to review long-lived assets and 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.

Foreign Currency Translation

As of December 31, 2009 and 2008, the Company held approximately $1.9 million and $1.5 million, respectively, in foreign financial institutions.

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

Deferred Rent

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

Fair Value of Financial Instruments

ASC Topic 825-10-65 requires disclosure about the fair value of financial instruments. We believe the carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, and other current liabilities approximate their estimated fair values at December 31, 2009, due to their short maturities. We believe the carrying value of our 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, 2009.

ICF International, Inc., and Subsidiaries

Notes to Consolidated Financial Statements—Continued

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Derivative Financial Instruments

From time to time, the Company uses derivative financial instruments to manage its exposure to fluctuations in interest rates on its Credit Facility. Historically, such derivatives were not accounted for as a cash flow hedge, and were recorded as either an asset or liability in the consolidated balance sheet, and periodically adjusted to fair value through earnings. For years ended December 31, 2009 and 2008, the Company did not have any derivate financial instruments outstanding. The Company does not hold or issue derivative instruments for trading purposes.

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.

Segment

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

Risks and Uncertainties

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

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

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

ICF International, Inc., and Subsidiaries

Notes to Consolidated Financial Statements—Continued

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

Business Combinations. In December 2007, the Financial Accounting Standards Board ("FASB") issued new guidance pertaining to how business acquisitions are accounted for at their acquisition date and in subsequent periods. The new guidance changes the accounting for business combinations at the acquisition date to a fair value based approach rather than the cost allocation approach of prior guidance. The new guidance also requires acquisition-related transaction expenses and restructuring costs to be expensed as incurred rather than capitalized as a component of the business combination. Other key differences include changes in the accounting for acquired contingencies and income taxes. This new guidance was applicable for business combinations that occurred after January 1, 2009. This new guidance has been applied in the acquisitions of Macro and Jacob & Sundstrom that occurred in 2009. As a result of the new principle, $1.4 million in acquisition-related expense was recognized in 2009. To the extent we continue to make acquisitions, the new principle could impact our future financial statements and related disclosures.

Determination of the Useful Life of Intangible Assets. In April 2008, the FASB issued new guidance pertaining to the factors that must be considered when developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset. The new guidance requires a consistent approach between the useful life of a recognized intangible asset and the period of expected cash flows used to measure the fair value of the asset as required under the business combination accounting guidance. In addition, enhanced disclosures are required when an intangible asset's expected future cash flows are affected by an entity's intent and/or ability to renew or extend the arrangement. The new guidance was effective January 1, 2009. The new guidance was applied prospectively and the adoption did not have a material impact on our financial condition, results of operations, or cash flows.

Fair Value Measurement of Nonfinancial Assets and Liabilities on a Nonrecurring Basis. In February 2008, the FASB issued new guidance related to fair value accounting for nonfinancial assets and nonfinancial liabilities. The accounting standard for those assets and liabilities did not have a material impact on our financial position, results of operations, or liquidity. We did not have any significant nonfinancial assets or nonfinancial liabilities that would be recognized or disclosed at fair value on a recurring basis as of December 31, 2009.

Fair Value Measurement and Disclosure for Liabilities. In August 2009, the FASB issued new accounting guidance to clarify how entities should determine the fair value of liabilities. The guidance indicates that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using either a valuation technique that uses the quoted price of the identical liability when traded as an asset or quoted prices for similar liabilities when traded as assets or another valuation technique that is consistent with the fair value principles of the income approach or market approach. It also clarified that when estimating the fair value of a liability, a reporting entity is not required to include a separate input or adjustment to other inputs to reflect the existence of a restriction that prevents the transfer of the liability. This guidance was effective October 1, 2009. The adoption of this guidance did not have a material impact on the Company's financial statements.

ICF International, Inc., and Subsidiaries

Notes to Consolidated Financial Statements—Continued

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

The following accounting standards have been issued, but were not yet effective as of December 31, 2009, and thus have yet to be adopted by the Company.

Revenue Arrangements with Multiple Deliverables. In October 2009, the FASB revised the accounting guidance pertaining to revenue arrangements with multiple deliverables. Prior to this guidance, in order for deliverables within an arrangement to be separated, the items must have stand-alone value as defined by the statement and there must be objective and reliable evidence of fair value for all elements, or at a minimum, the undelivered elements within the arrangement. Objective and reliable evidence is demonstrated by having vendor-specific-objective-evidence ("VSOE") of fair value, consisting of the price charged when the deliverable is sold separately or a price established by management with the authority to establish the price for the item before it is to be sold separately. If VSOE did not exist, third-party evidence was also acceptable. The new standard allows for the use of an estimated management selling price to determine the value of deliverables within an arrangement when VSOE or third-party evidence does not exist. The new guidance also eliminates the use of the residual method of allocation allowed in the previous guidance. The guidance will be effective for the Company beginning January 1, 2011 and can be applied prospectively or retrospectively. At this time, the Company is assessing the impact of this revised guidance.

Consolidations, Improvements to Financial Reporting by Enterprises involved with Variable Interest Entities. In June 2009, the FASB issued an amendment to the accounting and disclosure requirements for the consolidation of variable interest entities ("VIEs"). The amendment requires an entity to qualitatively, rather than quantitatively, assess the determination of the primary beneficiary of a VIE. This determination should be based on whether the entity has the power to direct the activities that most significantly impact the economic performance of the VIE and the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. Other key changes include: the requirement for an ongoing reconsideration of the primary beneficiary, the criteria for determining whether service-provider or decision-maker contracts are variable interests, the consideration of kick-out and removal rights in determining whether an entity is a VIE, the types of events that trigger the reassessment of whether an entity is a VIE, and the expansion of the disclosures previously required. The impact of the adoption may be applied retrospectively with a cumulative-effect adjustment to retained earnings as of the beginning of the first year restated, or through a cumulative-effect adjustment on the date of adoption. This guidance is effective for fiscal years beginning after November 15, 2009. Early adoption is prohibited. The Company does not believe the adoption of this guidance will have a material impact on its consolidated financial position, results of operations, or cash flows.

NOTE C—CONTRACT RECEIVABLES

Contract receivables consisted of the following at December 31:

	2009	2008
Billed	$141,269	$110,018
Unbilled	32,893	42,172
Retainages	1,965	1,479
Other	326	487
Allowance for doubtful accounts	(2,333)	(3,378)
Contract receivables, net	$174,120	$150,778

ICF International, Inc., and Subsidiaries

Notes to Consolidated Financial Statements—Continued

NOTE C—CONTRACT RECEIVABLES—Continued

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

The allowance for doubtful accounts is determined based upon management's best estimate of potentially uncollectible contract receivables. The factors that influence management's estimate include historical experience and management's expectations of future losses on a contract-by-contract basis. The Company writes off contract receivables when such amounts are determined to be uncollectible. Losses have historically been within management's expectations.

NOTE D—PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2009	2008
Leasehold improvements	$ 8,425	$ 6,451
Software	17,369	10,823
Furniture and equipment	6,558	5,441
Computers	13,987	9,413
	46,339	32,128
Accumulated depreciation and amortization	(23,739)	(18,755)
	$ 22,600	$ 13,373

Depreciation expense for property and equipment for the years ended December 31, 2009, 2008, and 2007, was approximately $9.0 million, $5.1 million, and $2.4 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:

	2009	2008
Balance as of January 1	$198,724	$159,491
Goodwill resulting from the Macro acquisition	104,126	—
Goodwill and adjustments resulting from the Jacob & Sundstrom acquisition	21,572	—
Goodwill and adjustments resulting from the Jones & Stokes acquisition	(1,929)	42,967
Goodwill and adjustments resulting from the other prior acquisitions	974	(3,734)
Balance as of December 31	$323,467	$198,724

ICF International, Inc., and Subsidiaries

Notes to Consolidated Financial Statements—Continued

NOTE E—GOODWILL AND OTHER INTANGIBLE ASSETS—Continued

Jacob & Sundstrom, Inc.

Effective December 10, 2009, the Company acquired 100 percent of the outstanding common shares of Jacob & Sundstrom, Inc. ("Jacob & Sundstrom"), a privately held information technology firm specializing in providing cybersecurity and identity management services to U.S. federal civilian and defense agencies. With the acquisition, the Company offers an expanded range of advisory and implementation solutions across its federal and energy industry client base to assist in mitigating emerging cybersecurity threats and vulnerabilities.

The aggregate purchase price of approximately $32.2 million in cash, including the working capital adjustment required by the stock purchase agreement, was funded by the Company's Credit Facility. The Company has engaged an independent valuation firm to assist management in the allocation of the purchase price to goodwill and to other acquired intangible assets, but this allocation has not yet been finalized. The excess of the purchase price over the estimated fair value of the net tangible assets acquired was approximately $29.0 million. The Company has preliminarily allocated approximately $21.6 million to goodwill and $7.4 million to other intangible assets. The intangible assets consist of approximately $7.0 million of customer-related intangibles that are being amortized over seven years and $0.4 million of marketing-related intangibles that are being amortized over two years. The Company is still evaluating pre-acquisition contingencies; therefore, the final allocation of the purchase price has not been completed. Jacob & Sundstrom was purchased under the election provisions of Internal Revenue Code 338(h)(10), and, therefore, goodwill and the amortization of intangibles are deductible for tax purposes. The results of operations for Jacob & Sundstrom are included in the Company's statement of earnings effective December 10, 2009.

The Company incurred approximately $0.4 million of transaction expenses related to the acquisition. The expenses are recorded on the statement of earnings as indirect and selling expenses. The Company does not consider this to be a material business combination, and therefore, pro forma and certain other disclosures are not provided.

Macro International Inc.

Effective March 31, 2009, the Company acquired 100 percent of the outstanding common shares of Macro International Inc. ("Macro"). Macro provides research and evaluation, management consulting, marketing communications, and information services to key agencies of the federal government. Macro is recognized for its expertise in research, evaluation, consulting, and implementation services, particularly in federal health programs, covering a wide range of health issues in the U.S. and internationally. In addition to its health-related expertise, Macro has strong credentials in housing, labor, and veterans affairs issues. The Company undertook the acquisition to expand its health-related and large project implementation capabilities across key federal markets, to add service offerings and clients in one of its largest markets, and to provide significant growth potential and cross-selling opportunities.

The aggregate purchase price of approximately $157.6 million in cash, including the working capital adjustment required by the stock purchase agreement, was funded by the Company's Credit Facility. The Company engaged an independent valuation firm to assist management in the allocation of the purchase price to goodwill and to other acquired intangible assets. The excess of the purchase price over the estimated fair value of the net tangible assets acquired was approximately $129.5 million. The Company has allocated approximately $104.1 million to goodwill and $25.4 million to other intangible assets. The intangible assets consist of approximately $24.6 million of customer-related intangibles that are being amortized over seven years, and $0.8 million of marketing-related intangibles that were amortized over 9 months. Macro was purchased under the

ICF International, Inc., and Subsidiaries

Notes to Consolidated Financial Statements—Continued

NOTE E—GOODWILL AND OTHER INTANGIBLE ASSETS—Continued

election provisions of Internal Revenue Code 338(h)(10), and therefore, goodwill and the amortization of intangibles are deductible for tax purposes. The Company is still evaluating pre-acquisition contingencies; therefore, the final allocation of the purchase price has not been completed. The results of operations for Macro are included in the Company's statement of earnings after March 31, 2009.

The Company incurred approximately $1.0 million of transaction expenses in the first quarter of 2009 related to the acquisition. The expenses are recorded on the statement of earnings as indirect and selling expenses. In addition, the Company incurred $0.6 million in debt issuance costs as a result of amending the Credit Facility in connection with obtaining lender approval to finalize the transaction. The debt issuance costs were recorded as other assets and will be amortized over the remaining life of the Credit Facility.

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

The purchase price allocation is as follows:

Cash	$ 75
Contract receivables	36,585
Other current assets	633
Customer-related intangibles	24,574
Marketing-related intangibles	797
Goodwill	104,126
Other assets	134
Property and equipment	5,274
Total assets	172,198
Accounts payable	3,209
Accrued salaries and benefits	7,342
Accrued expenses	1,483
Billings in excess of costs	2,574
Total liabilities	14,608
Net assets	$ 157,590

Since the acquisition date, revenue from Macro, included in the consolidated statement of earnings, was approximately $109.2 million, based on the revenue from contracts in its name. We do not intend to maintain Macro as a separate stand-alone operation and have been in the process of integrating its operations and projects, including line and staff personnel, into the rest of the Company. We are also determining the impact this new business will have on our current cost structure pursuant to federal contracting guidance; therefore, it is impractical to provide earnings information for Macro.

ICF International, Inc., and Subsidiaries

Notes to Consolidated Financial Statements—Continued

NOTE E—GOODWILL AND OTHER INTANGIBLE ASSETS—Continued

Pro forma Information (Unaudited)

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

	Year Ended December 31	
	2009	2008
Revenue	$ 709,839	$ 847,094
Operating income	$ 42,047	$ 63,486
Net Income	$ 23,850	$ 33,770
Earnings per share:		
Basic earnings per share	$ 1.55	$ 2.31
Diluted earnings per share	$ 1.50	$ 2.21

Jones & Stokes Associates, Inc.

In February 2008, the Company acquired 100 percent of the outstanding common stock of Jones & Stokes Associates, Inc. ("Jones & Stokes"), a privately held firm that provides integrated planning and resource management services, specializing in the transportation, energy, water, and natural resource management sectors. Jones & Stokes supports a broad mix of commercial and federal, state, and local government clients on projects to plan and implement infrastructure improvements and mandated government programs. The Company undertook the acquisition to expand its environmental and large project implementation capabilities across such strategic growth areas as transportation and infrastructure, energy, climate change, and water resources. The Company also undertook the acquisition to expand its presence in the western U.S. markets, where natural resource issues are a growing concern and where Jones & Stokes has outstanding market presence.

The aggregate purchase price was approximately $50.4 million, including $49.0 million of cash and $1.4 million of transaction expenses. 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 $46 million. The Company has allocated approximately $41.0 million to goodwill and $5.0 million to other intangible assets. The intangible assets consist of customer-related intangibles and marketing-related intangibles in the amounts of approximately $2.9 million and $2.1 million, respectively. The customer-related intangibles and marketing-related intangibles are being amortized over seven years and two years, respectively. The weighted-average period of amortization for all intangible assets as of December 31, 2008, is 4.9 years. Neither the goodwill nor the acquired intangibles are deductible for tax purposes. The results of operations for Jones & Stokes have been included in the Company's statement of earnings since February 13, 2008.

The fair value of acquired assets and liabilities are finalized and represent management's best estimates of the fair values as of the acquisition date.

Simat, Helliesen & Eichner, Inc.

Effective December 3, 2007, the Company acquired 100 percent of the outstanding common shares of Simat, Helliesen & Eichner, Inc. ("SH&E"), a privately held aviation transportation consulting firm that provides

ICF International, Inc., and Subsidiaries

Notes to Consolidated Financial Statements—Continued

NOTE E—GOODWILL AND OTHER INTANGIBLE ASSETS—Continued

strategy, policy, regulatory, financial, and technical consulting services to airlines, airports, and other public and private industry stakeholders. The Company believes that the acquisition will enhance its transportation service offerings, which had been concentrated primarily on surface transportation, with federal, state, and industry clients; enhance its position in key federal markets such as the Federal Aviation Administration and Transportation Security Administration; and combine its climate change expertise with SH&E's strong aviation presence to be a leader in the expanding air transport and climate change market.

The aggregate purchase price was approximately $52.5 million, including $51.4 million of cash and $1.1 million of transaction expenses. 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 $48.9 million. The Company allocated approximately $39.5 million to goodwill and $9.4 million to other intangible assets. The intangible assets consist of customer-related intangibles, developed technology, and marketing-related intangibles in the amounts of approximately $6.6 million, $2.3 million, and $0.5 million, respectively. The customer-related intangibles and developed technology are being amortized over seven years and six years, respectively. The marketing-related intangibles were amortized over one year. Neither the goodwill, nor the acquired intangibles, are deductible for tax purposes. The results of operations for SH&E are included in the Company's statement of earnings since December 3, 2007.

Z-Tech Corporation

On June 28, 2007, the Company acquired 100 percent of the outstanding shares of Z-Tech Corporation ("Z-Tech"), a privately held company that provides software engineering, Web design and development, and scientific computing services for federal health agencies. Z-Tech primarily provides services to the five main agencies of the U.S. Department of Health and Human Services, including the National Institutes of Health, Centers for Disease Control and Prevention, U.S. Food and Drug Administration, Substance Abuse and Mental Health Services Administration, and Centers for Medicare and Medicaid Services. The Company undertook the acquisition to become a leader in the high-growth market of health information technology and gain a stronger presence in the federal health care market by combining Z-Tech's technology and program support expertise with the Company's established presence in health communications, policy, and clearinghouses.

The initial purchase price was approximately $32.8 million, including approximately $32.5 million in cash and $0.3 million in transaction expenses. In addition to the initial consideration, the purchase agreement provided for additional cash payments of up to $8.0 million if certain performance criteria are met. The performance criteria were partially met, and an additional cash payment of $5.2 million was paid and recorded as goodwill. The results of operations for Z-Tech are included in the Company's statement of earnings since June 28, 2007.

Management, with the assistance of a valuation specialist, prepared 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 $33.9 million. The Company has allocated approximately $24.9 million to goodwill and $9.0 million to other intangible assets. Goodwill and intangibles related to this acquisition are not deductible for tax purposes.

ICF International, Inc., and Subsidiaries

Notes to Consolidated Financial Statements—Continued

NOTE E—GOODWILL AND OTHER INTANGIBLE ASSETS—Continued

Energy and Environmental Analysis, Incorporated and Advanced Performance Consulting Group, Inc.

During January of 2007, the Company acquired two other companies:

- The Company acquired 100 percent of the outstanding common stock of Energy and Environmental Analysis, Incorporated ("EEA"), a privately held company specializing in energy market analyses, modeling, transportation and energy technology, and environmental advisory services. EEA also provides strategic planning and regulatory support to all segments of the natural gas industry. The Company undertook the acquisition to increase its service offerings to the natural gas industry and to combine modeling frameworks of the Company and EEA in the electricity and gas sectors to create a unique platform for integrated energy analyses. Such analyses are becoming more important because of the increased use of natural gas and liquefied natural gas as fuels to generate electric power, and the increased interest in analyzing the impacts of evolving greenhouse gas regulations at the state, provincial, and federal levels in North America.
- The Company also acquired 100 percent of the outstanding common stock of Advanced Performance Consulting Group, Inc. ("APCG"), a privately held company that helps federal organizations develop and implement strategy, improve enterprise performance, manage change, support employee growth, and communicate effectively. The Company undertook the acquisition to enhance its capabilities in human capital and strategic communications consulting and to complement its work with the Department of Homeland Security, Department of Defense, and key civilian agencies.

The aggregate purchase price of these acquisitions was approximately $13.4 million, including approximately $13.0 million in cash consideration and $0.4 million in transaction expenses. The results of operations for EEA and APCG have been included in the Company's statement of earnings since January 1, 2007.

Management, with the assistance of a valuation specialist, prepared the allocation of the purchase price to goodwill and to other acquired intangible assets. The aggregate excess of the purchase price over the estimated fair value of the net tangible assets acquired was approximately $11.8 million. The Company allocated approximately $8.5 million to goodwill and $3.3 million to other intangible assets. Both EEA and APCG were purchased under the election provisions of Internal Revenue Code 338(h)(10), and therefore, for these acquisitions, goodwill and intangibles are deductible for tax purposes.

Other Intangible Assets

Intangible assets are primarily amortized over periods ranging from approximately 1 to 8 years. The weighted-average period of amortization for all intangible assets as of December 31, 2009, is 6.6 years. The customer-related intangible assets, which consist of customer contracts, backlog, and non-contractual customer relationships, related to the acquisitions are being amortized based on estimated cash flows and respective estimated economic benefit of the assets. The weighted-average period of amortization of the customer-related intangibles is 6.8 years. Intangible assets related to acquired developed technology and marketing trade name obtained in connection with business combinations are being amortized on a straight-line or accelerated basis over their weighted-average periods of amortization of 5.2 years, and 2.1 years, respectively.

NOTE E—GOODWILL AND OTHER INTANGIBLE ASSETS—Continued

Other intangibles consisted of the following at December 31:

	2009	2008
Customer-related intangibles	$ 50,396	$ 24,148
Non-compete agreements	—	778
Developed technology	3,339	3,884
Marketing trade name	420	2,601
Trademarks	—	90
	54,155	31,501
Less: accumulated amortization	(15,681)	(14,657)
	$ 38,474	$ 16,844

Aggregate amortization expense for the years ended December 31, 2009, 2008, and 2007, was approximately $11.1 million, $8.7 million, and $3.9 million, respectively. The estimated future amortization expense relating to intangible assets is as follows:

Year ending December 31,	
2010	$12,326
2011	9,328
2012	7,622
2013	5,201
2014	2,435
Thereafter	1,562
	$38,474

Capitalized Software

Capitalized software development costs of $1.1 million and $0.7 million are included in Other assets for the years ended December 31, 2009 and 2008, respectively. These costs are for enhancements and upgrades to software used in our project management services.

NOTE F—ACCRUED SALARIES AND BENEFITS

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

	2009	2008
Accrued bonuses and commissions	$ 8,830	$ 9,960
Accrued vacation	11,486	7,838
Accrued salaries	10,566	7,505
Accrued payroll taxes	595	472
Other	595	1,630
	$ 32,072	$ 27,405

ICF International, Inc., and Subsidiaries

Notes to Consolidated Financial Statements—Continued

NOTE G—ACCRUED EXPENSES

Accrued expenses consisted of the following at December 31:

	2009	2008
Accrued subcontractor costs	$ 9,663	$ 23,925
Deposits	3,602	5,543
Accrued insurance premiums	1,570	1,626
Accrued professional services	965	332
Accrued rent	1,104	1,205
Accrued software licensing costs	2,265	544
Accrued taxes	488	347
Other accrued expenses	2,113	1,773
	$ 21,770	$ 35,295

NOTE H—LONG-TERM DEBT

The Company entered into the Second Amended and Restated Business Loan and Security Agreement (the "Credit Facility") on February 20, 2008 with a syndication of nine commercial banks to allow for borrowings of up to $350.0 million for a period of five years (until February 20, 2013). This Credit Facility is collateralized by substantially all of the assets of the Company while providing for borrowings on a revolving line of credit up to $275.0 million without a borrowing base requirement, subject to compliance with both financial and non-financial covenants. The revised Credit Facility also provides for an "accordion feature," which permits additional revolving credit commitments up to $75.0 million under the same terms and conditions as the existing revolving line of credit, subject to lenders' approval. This Credit Facility has already provided pre-approval of the lenders for the Company to acquire other companies with individual purchase prices of up to $75.0 million if certain conditions are met and provides less restrictive financial and non-financial covenants than the Company's previous Credit Facility. The financial covenants require 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 3.50 to 1.00. On March 31, 2009, the Company and its lenders amended this Credit Facility to allow for the acquisition of Macro, for permission to sell capital stock in one or more offerings (provided that the proceeds are used to pay down the Credit Facility), and to increase the interest rate margins the Company pays to borrow funds under this Credit Facility. The Company was in compliance with all financial and non-financial covenants of the Credit Facility as of December 31, 2009.

The Company's debt issuance costs are being amortized over the term of indebtedness and totaled approximately $2.6 million and $1.9 million, net of accumulated amortization of approximately $1.0 million and $0.6 million as of December 31, 2009 and December 31, 2008, respectively. Amortization expense of approximately $0.4 million, $0.3 million, and $0.1 million was recorded in the accompanying Consolidated Statements of Earnings for the years ended December 31, 2009, December 31, 2008, and December 31, 2007, respectively.

ICF International, Inc., and Subsidiaries

Notes to Consolidated Financial Statements—Continued

NOTE H—LONG-TERM DEBT—Continued

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

	2009	2008
Revolving Line of Credit/Swing Line provides for borrowings up to $275 million and matures in February 2013. Outstanding borrowings bear daily interest at a base rate (based on the U.S. Prime Rate, which was 3.25% at December 31, 2009, and 3.25% at December 31, 2008, plus a spread) or LIBOR (1, 3, or 6 month rates) plus a spread, payable monthly	$ 145,000	$ 80,000
Less: current portion	—	—
	$ 145,000	$ 80,000

Letters of Credit

At December 31, 2009 and 2008, the Company had outstanding letters of credit totaling approximately $1.3 million and $0.8 million, respectively. These letters of credit are renewed annually.

NOTE I—INCOME TAXES

Income tax expense consisted of the following at December 31:

	2009	2008	2007
Current:			
Federal	$ 7,959	$18,702	$24,030
State	1,431	3,607	5,503
Foreign	652	705	815
	10,042	23,014	30,348
Deferred:			
Federal	2,840	(1,550)	(1,486)
State	99	(333)	(320)
Foreign	(355)	(381)	—
	2,584	(2,264)	(1,806)
Income Tax Expense	$12,626	$20,750	$28,542

ICF International, Inc., and Subsidiaries

Notes to Consolidated Financial Statements—Continued

NOTE I—INCOME TAXES—Continued

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

	2009	2008
Deferred Tax Assets		
Current:		
Stock option compensation	$ 119	$ 828
Allowance for bad debt	660	1,476
Accrued vacation	3,543	2,425
Foreign tax credits	55	—
Other	692	1,537
Total current deferred tax asset	5,069	6,266
Non-current:		
Foreign net operating loss carryforward (NOL)	108	115
Stock option compensation	983	1,735
Deferred rent	855	1,028
Deferred compensation	434	—
Foreign tax credits	387	—
Other	794	414
Total non-current deferred tax assets	3,561	3,292
Total Deferred Tax Assets	8,630	9,558
Valuation allowance	—	(115)
Total Deferred Tax Assets Net of Valuation Allowance	8,630	9,443
Deferred Tax Liabilities		
Current:		
Retention	(746)	(236)
Section 481(a) adjustment	(1,733)	(1,844)
Prepaids	(791)	_
Payroll taxes	(462)	_
Total current deferred liability	(3,732)	(2,080)
Non-current:		
Depreciation	(2,388)	(70)
Amortization	(11,161)	(10,306)
Section 481(a) adjustment	(1,261)	(3,252)
Other	(407)	(398)
Total non-current deferred tax liabilities	(15,217)	(14,026)
Total Net Deferred Tax Liabilities	(18,949)	(16,106)
Total Deferred Tax Liability	$(10,319)	$ (6,663)

The need to establish valuation allowances for deferred assets is based on a more-likely-than-not threshold that the benefit of such assets will be realized in future periods. Appropriate consideration is given to all available evidence, including historical operating results, projections of taxable income, and tax planning alternatives. During 2009, the Company determined it was more likely than not that the deferred tax assets of the Company's Brazilian and Russian operations would be realized. Therefore, the Company released the valuation allowance against these deferred assets of $0.1 million.

ICF International, Inc., and Subsidiaries

Notes to Consolidated Financial Statements—Continued

NOTE I—INCOME TAXES—Continued

Effective January 1, 2009, the Company has made no provisions for deferred U.S. income taxes or additional foreign taxes on any unremitted earnings of our controlled foreign subsidiaries because the Company considers these earnings to be permanently invested. If these earnings were repatriated, in the form of dividends or otherwise, the Company would be subject to U.S. income tax on these earnings. Determination of the amount of unrecognized deferred U.S. income tax liability is not practicable due to the complexities associated with this hypothetical calculation; however, unrecognized foreign tax credit carry forwards would be available to reduce some portion of the U.S. tax liability. The Company has $0.4 million of foreign tax credits available for carry forward related to deemed dividend inclusions from its controlled foreign corporations, as well as its foreign branch operations as of December 31, 2009.

On January 1, 2007, the Company adopted the provisions of accounting for uncertainty in income taxes. The total amount of unrecognized tax benefits as of December 31, 2009, and December 31, 2008, was $1.3 million and $1.2 million, respectively. Included in the balance at December 31, 2009, and December 31, 2008, were $0.8 million and $1.2 million, respectively, of tax positions that, if recognized, would impact the effective tax rate.

The Company does not anticipate a significant increase or decrease to the total unrecognized tax benefit during 2010. Our 2006 through 2009 tax years remain subject to examination by the Internal Revenue Service for U.S. federal tax purposes.

The unrecognized tax benefit reconciliation from the beginning balance to the ending balance, excluding penalty and interest, is as follows:

Unrecognized tax benefits at January 1, 2007	804
Increase attributable to tax positions taken during a prior period	126
Increase attributable to acquisitions	1,293
Unrecognized tax benefits at December 31, 2007	2,223
Increase attributable to tax positions taken during a prior period	74
Decrease attributable to tax positions taken during a prior period	(160)
Increase attributable to tax positions taken during the current period	170
Decrease attributable to settlements with taxing authorities	(908)
Decrease attributable to lapse of statute of limitations	(159)
Unrecognized tax benefits at December 31, 2008	1,240
Increase attributable to tax positions taken during the prior period	92
Increase attributable to tax positions taken during the current period	361
Decrease attributable to settlements with taxing authorities	(168)
Decrease attributable to lapse of statute of limitations	(211)
Unrecognized tax benefits at December 31, 2009	1,314

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

We continue our policy of not recognizing accrued interest and penalties related to unrecognized tax benefits as a component of tax expense. The Company had approximately $0.3 million of accrued penalty and

NOTE I—INCOME TAXES—Continued

interest at December 31, 2008. During 2009, this amount was increased by $0.1 million, which was adjusted through the penalty and interest expense and reflected in indirect and selling expenses and interest expense, respectively. The Company had approximately $0.4 million of accrued penalty and interest at December 31, 2009.

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:

	2009	2008	2007
Taxes at statutory rate	35.0%	35.0%	35.0%
State taxes, net of federal benefit	4.6%	4.6%	4.6%
Foreign tax rate differential and U.S. unrepatriated earnings	(0.6)%	1.0%	0.8%
Other permanent differences	1.6%	1.4%	1.3%
Change in valuation allowance	(0.4)%	(0.6)%	0.1%
Prior year tax adjustments and changes in unrecognized tax benefits	(3.4)%	0.8%	0.9%
Tax credits	(0.7)%	(0.3)%	(1.4)%
	36.1%	41.9%	41.3%

NOTE J—ACCOUNTING FOR STOCK-BASED COMPENSATION

Stock Incentive Plans

Effective with the Company's initial public offering of stock in September 2006, a long-term equity incentive plan (the 2006 Plan) was adopted. The 2006 Plan permits the grant of nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock, performance shares, performance units, and other incentive awards, including restricted stock units. Under the 2006 Plan, the Company may make awards of up to 1,000,000 shares, plus an annual increase on the first day of each of the Company's fiscal years beginning in 2007, equal to the lesser of 3% of the number of outstanding shares of common stock, or an amount determined by the Board of Directors. Under this "evergreen provision," 416,241 additional shares were made available under the plan in 2007, 217,973 additional shares in 2008, and 453,195 additional shares in 2009. Persons eligible to participate in the 2006 Plan include all officers and key employees of the Company, as determined by the Compensation Committee of the Board of Directors, and all non-employee directors.

Total compensation expense relating to stock-based compensation amounted to approximately $7.2 million, $6.5 million, and $3.7 million for the years ended December 31, 2009, 2008, and 2007, respectively.

As of December 31, 2009, the total unrecognized compensation expense related to non-vested stock awards totaled approximately $10.3 million. These amounts are expected to be recognized over a weighted-average period of 1.84 years.

The assumptions of post-vesting employment termination forfeiture rates used in the determination of fair value of stock awards issued during calendar year 2009 were based on the Company's historical nine-year average. The expected annualized forfeiture rates used varied from 1.8 percent to 6.8 percent, and the Company does not expect these termination rates to vary significantly in the future.

ICF International, Inc., and Subsidiaries

Notes to Consolidated Financial Statements—Continued

NOTE J—ACCOUNTING FOR STOCK-BASED COMPENSATION—Continued

Stock Options

Option awards are granted with an exercise price equal to the fair value of the Company's common stock on the date of grant. All options outstanding as of December 31, 2009, have a 10-year contractual term. The Company expenses the value of these option grants over the requisite service period, generally, the vesting period. The Company recorded approximately $0.5 million of compensation expense related to stock options for the year ended December 31, 2009. The fair value of the options is estimated on the date of grant using the Black-Scholes-Merton pricing model. No options were granted during the years ended December 31, 2009, and December 31, 2008. At December 31, 2009, unrecognized expense related to stock options totaled approximately $0.1 million, and these costs are expected to be recognized over the first three months of 2010.

The following table summarizes changes in outstanding stock options:

	Shares	Weighted-Average Exercise Price
Outstanding at December 31, 2006	1,487,082	$ 6.01
Granted in 2007	210,000	$ 18.31
Exercised	(652,521)	$ 6.01
Forfeited/Expired	(1,000)	$ 9.05
Outstanding at December 31, 2007	1,043,561	$ 8.48
Exercised	(383,729)	$ 5.54
Forfeited/Expired	(1,000)	$ 5.00
Outstanding at December 31, 2008	658,832	$ 10.19
Exercised	(336,956)	$ 8.40
Forfeited/Expired	(8,903)	$ 9.98
Outstanding at December 31, 2009	312,973	$ 12.12
Vested plus expected to vest at December 31, 2009	312,886	$ 12.12
Exercisable at December 31, 2009	246,307	$ 10.45

The aggregate intrinsic value of the options outstanding in the preceding table was approximately $4.6 million and represents the total pre-tax intrinsic value of in-the-money options based on the Company's closing stock price of $26.80 as of December 31, 2009, which would have been received by the option holders had all option holders exercised their options as of that date. The aggregate intrinsic value of options exercisable was approximately $4.0 million. The intrinsic value of options vested and expected to vest was approximately $4.6 million, and the intrinsic value of options exercised during the year ended December 31, 2009 was approximately $6.0 million. As of December 31, 2009, the weighted-average remaining contractual term for options vested and expected to vest was 4.92 years, and 4.29 years for exercisable options.

ICF International, Inc., and Subsidiaries

Notes to Consolidated Financial Statements—Continued

NOTE J—ACCOUNTING FOR STOCK-BASED COMPENSATION—Continued

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 12/31/09	Weighted Average Remaining Contractual Term	Weighted Average Exercise Price	Number Exercisable As of 12/31/09	Weighted Average Exercise Price
$5.00	39,500	0.93	$5.00	39,500	$5.00
$6.00	9,000	1.00	$6.00	9,000	$6.00
$6.10	60,973	2.48	$6.10	60,973	$6.10
$7.34	35,500	4.13	$7.34	35,500	$7.34
$9.05	18,000	6.23	$9.05	18,000	$9.05
$18.31	150,000	7.22	$18.31	83,334	$18.31
$5.00 to $18.31	312,973	4.92	$12.12	246,307	$10.45

Restricted Stock Awards

Pursuant to the 2006 Plan, the Company issued 7,615 shares of restricted stock to the directors in the year ended December 31, 2009. The average grant date fair value of these restricted stock awards was $25.99.

Compensation expense related to restricted stock awards computed under the fair value method for the year ended December 31, 2009, was approximately $0.7 million. Unrecognized expense related to restricted stock awards totaled approximately $0.1 million. Such amounts are expected to be recognized over a weighted-average period of 1.2 years.

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

	Number of Shares	Weighted-Average Grant Date Fair Value	Aggregate Intrinsic Value (in thousands)
Non-vested restricted stock awards at January 1, 2007	139,583	$ 12.00	$ 3,741
Granted	9,485	$ 25.30	$ 254
Vested	(54,320)	$ 14.32	$ (1,456)
Cancelled	(2,083)	$ 12.00	$ (56)
Non-vested restricted stock awards at December 31, 2007	92,665	$ 12.00	$ 2,483
Granted	22,967	$ 19.85	$ 616
Vested	(57,607)	$ 13.50	$ (1,544)
Cancelled	—	$ —	$ 0
Non-vested restricted stock awards at December 31, 2008	58,025	$ 13.62	$ 1,555
Granted	7,615	$ 25.99	$ 204
Vested	(54,346)	$ 14.54	$ (1,456)
Cancelled	(4,500)	$ 12.00	$ (121)
Non-vested restricted stock awards at December 31, 2009	6,794	$ 21.20	$ 182

The aggregate intrinsic value in the preceding table is based on the Company's closing stock price of $26.80 as of December 31, 2009.

ICF International, Inc., and Subsidiaries

Notes to Consolidated Financial Statements—Continued

NOTE J—ACCOUNTING FOR STOCK-BASED COMPENSATION—Continued

Restricted Stock Units

During the year ended December 31, 2009, the Company awarded 306,883 restricted stock units to employees that vest over three to five years. Upon vesting, the employee is issued one share of stock for each restricted stock unit he or she holds. Restricted stock units were valued based on the grant date value of a share of common stock and are expensed on a straight-line basis over the vesting period of the award. The weighted-average grant date fair value of restricted stock units granted during the year ended December 31, 2009 was $25.78.

Compensation expense related to restricted stock units computed under the fair value method for the year ended December 31, 2009, was approximately $6.0 million.

At December 31, 2009, unrecognized expense related to restricted stock units totaled approximately $10.1 million. These costs are expected to be recognized over a weighted-average period of 2.9 years. The aggregate intrinsic value of restricted stock units at December 31, 2009, that are expected to vest was approximately $12.6 million.

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

	Number of Shares	Weighted-Average Grant Date Fair Value	Aggregate Intrinsic Value (in thousands)
Non-vested restricted stock units at January 1, 2007	464,000	$ 12.69	$ 12,435
Granted	462,965	$ 24.82	$ 12,407
Vested	—	$ —	$ —
Cancelled	(37,800)	$ 12.43	$ (1,013)
Non-vested restricted stock units at December 31, 2007	889,165	$ 19.02	$ 23,830
Granted	47,257	$ 21.10	$ 1,266
Vested	(267,835)	$ 18.97	$ (7,178)
Cancelled	(44,916)	$ 19.49	$ (1,204)
Non-vested restricted stock units at December 31, 2008	623,671	$ 19.16	$ 16,714
Granted	306,883	$ 25.78	$ 8,224
Vested	(409,084)	$ 28.33	$ (10,963)
Cancelled	(35,453)	$ 21.13	$ (950)
Non-vested restricted stock units at December 31, 2009	486,017	$ 15.48	$ 13,025
Restricted stock units expected to vest in the future	470,914	$ 15.48	$ 12,620

The aggregate intrinsic value in the preceding table is based on the Company's closing stock price of $26.80 as of December 31, 2009.

NOTE K—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

ICF International, Inc., and Subsidiaries

Notes to Consolidated Financial Statements—Continued

NOTE K—EARNINGS PER SHARE—Continued

equivalents were exercised or converted into stock. The difference between the basic and diluted weighted-average equivalent shares with respect to the Company's EPS calculation is due entirely to the assumed exercise of stock options and the vesting of restricted stock and restricted stock units. The effect of 4,197 restricted stock units had no impact upon the year ended December 31, 2009 because they were anti-dilutive to EPS. The dilutive effect of stock options and awards for each period reported is summarized below:

	2009	2008	2007
		(in thousands)	
Basic weighted-average shares outstanding	15,433	14,641	14,152
Effect of potential exercise of stock options and unvested restricted stock and restricted stock units	481	629	744
Diluted weighted-average shares outstanding	15,914	15,270	14,896

NOTE L—CAPITAL STRUCTURE

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

NOTE M—COMMITMENTS AND CONTINGENCIES

Litigation and Claims

Various lawsuits and claims and contingent liabilities arise in the ordinary course of the Company's business. The ultimate disposition of certain of these contingencies is not determinable at this time. The Company's management currently believes there are no current outstanding matters that will materially affect the Company's financial position or results of operations.

Operating Leases

The Company has entered into various operating leases for equipment and office space. Certain facility leases may contain fixed escalation clauses, certain facility leases require that the Company pay operating expenses in addition to base rental amounts, and three 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 was approximately $29.5 million and $0.9 million, respectively, for 2009, approximately $21.2 million and $0.4 million, respectively, for 2008, and approximately $15.6 million and $0.3 million, respectively, for 2007.

NOTE M—COMMITMENTS AND CONTINGENCIES—Continued

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

Year ending December 31,	
2010	$ 27,414
2011	24,232
2012	20,393
2013	10,995
2014	6,017
Thereafter	30,835
	$119,886
Less: Sublease Income	(521)
	$119,365

Long-Term Agreements

The Company entered into an amended and restated employment agreement with Chief Executive Officer Sudhakar Kesavan as of the effective date of the initial public offering, which was subsequently amended on December 29, 2008, to bring it into compliance with Section 409A of the Internal Revenue Code. Mr. Kesavan may terminate this agreement by giving 45 days notice to the Company, and the Company may terminate this agreement either without cause or for cause upon written notice. Absent a change in control, if he is involuntarily terminated without cause or resigns for good reason, as defined in the agreement, he will be paid all accrued salary, a severance payment equal to two times his base salary, and a pro rata bonus for the year of termination. Additionally, the vesting of his 16,666 unvested options held as of December 31, 2009, will be accelerated in connection with such a termination.

The Company has also entered into severance letter agreements with Messrs. Wasson and Stewart, entitling such officers to certain payments in the event of termination of employment by the Company other than for cause or a voluntary resignation after a material adverse change in job responsibilities, compensation, or work location. In the event of termination under such circumstances, the executives would be entitled to (i) continuation of their base salary for 12 months or, if greater, the period during which each is subject to non-compete obligations and (ii) an amount equal to the average annual bonus paid to the executive over the three years prior to his termination.

The Company has also entered into severance protection agreements with some of its executive officers, allowing them to receive certain payments and benefits if they are terminated without cause or resign for good reason within 24 months following a change in control. In the event of such termination, the executive will receive, among other payments, (i) his base salary earned through the date of termination and pro rata bonus for the year of termination and (ii) a lump-sum payment equal to three times the executive's average annual taxable W-2 compensation during the three years prior to termination.

NOTE N—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.

Table of Contents

NOTE N—EMPLOYEE BENEFIT PLANS—Continued

Participants in the Retirement Savings Plan are able to elect to defer up to 70 percent 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, 2009, 2008, and 2007, was approximately $7.8 million, $5.8 million, and $4.4 million, respectively.

Deferred Compensation Plan

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

NOTE O—SUBSEQUENT EVENT

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

NOTE P—SUPPLEMENTAL INFORMATION

Valuation and Qualifying Accounts

Allowance for Doubtful Accounts

	2009	2008	2007
Balance at beginning of period	$ 3,378	$3,533	$1,347
Additions	463	422	2,461
Recoveries/write-offs	(1,508)	(577)	(275)
Balance at end of period	$ 2,333	$3,378	$3,533

Allowance for Deferred Tax Assets

	2009	2008	2007
Balance at beginning of period	$ 115	$ 777	$739
Additions	0	0	36
Releases and other reductions	(115)	(662)	—
Balance at end of period	$ 0	$ 115	$777

ICF International, Inc., and Subsidiaries

Notes to Consolidated Financial Statements—Continued

NOTE Q—SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

	2009				2008			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Contract revenue	$ 157,862	$ 175,405	$ 167,071	$ 174,061	$ 175,148	$ 184,063	$ 176,281	$ 161,934
Earnings from operations	10,030	10,137	9,322	9,595	14,721	14,295	12,661	11,297
Net earnings	$ 5,882	$ 5,169	$ 5,116	$ 6,189	$ 7,815	$ 7,898	$ 6,868	$ 6,142
Earnings per share:								
Basic	0.39	$ 0.34	$ 0.33	$ 0.38	$ 0.54	$ 0.54	$ 0.47	$ 0.41
Diluted	0.38	0.33	0.32	0.37	0.51	0.52	0.45	0.40
Weighted-average common shares outstanding								
Basic	15,079	15,204	15,299	16,187	14,482	14,586	14,631	14,891
Diluted	15,572	15,710	15,844	16,522	15,179	15,179	15,283	15,452

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

Exhibit 10.6

DEED OF LEASE

by and between

HUNTERS BRANCH LEASING, LLC

(“Landlord”)

and

ICF CONSULTING GROUP, INC.

(“Tenant”)

TABLE OF CONTENTS

TABLE OF CONTENTS

TABLE OF CONTENTS

DEED OF LEASE

THIS DEED OF LEASE ("Lease") is made effective for all purposes as of the 1st day of April, 2010, by and between **HUNTERS BRANCH LEASING, LLC,** a Delaware limited liability company ("Landlord") and **ICF CONSULTING GROUP, INC.,** a Delaware corporation ("Tenant"), and is joined in by **HUNTERS BRANCH PARTNERS, L.L.C.,** a Virginia limited liability company ("Prime Landlord"), solely for the purposes set forth in the Joinder appended hereto.

RECITALS:

Landlord is the tenant under a certain lease agreement dated November 12, 1997 (the "Prime Lease") by and between Landlord (as successor to ICF Kaiser Hunters Branch Leasing, Inc.), as tenant, and Prime Landlord (as successor in interest to HMCE Associates Limited Partnership, R.L.L.P.), as landlord; pursuant to which Prime Lease Landlord leased from Prime Landlord various space in the Building (as defined below), including, but not limited to, the Premises (also as defined below). Prime Landlord is joining in the execution hereof for those purposes as are set forth in the Joinder hereto.

Landlord, for and in consideration of the rents and all other charges and payments hereunder and of the covenants, agreements, terms, provisions and conditions to be kept and performed hereunder by Tenant, grants and conveys to Tenant, and Tenant hereby hires and takes from Landlord, a leasehold interest in the premises described below ("Premises"), subject to all matters hereinafter set forth and upon and subject to the covenants, agreements, terms, provisions and conditions of this Lease for the term hereinafter stated.

NOW THEREFORE Landlord and Tenant hereby agree to the following:

1. TERMS.

1.1(a) Premises. The premises initially demised by this Lease consist of 193,272 rentable square feet of space (the "Premises") measured in accordance with the (January) 1995 Greater Washington, D.C. Commercial Association of Realtors ("GWCAR") Standard Method of Measurement (the "GWCAR Method"), and located in the buildings located within the Hunters Branch Office Park, Fairfax County, Virginia and known as 9300 (the "9300 Building") and 9302 (the "9302 Building") Lee Highway, Fairfax, Virginia (the 9300 Building and the 9302 Building sometimes herein collectively, the "Buildings") as follows:

Premises	Floors	RSF
9300 Lee Highway (Exhibit A-1)	G,3,4, 6-12	153,974
9302 Lee Highway (Exhibit A-2)	1	15,109

Premises	Floors	RSF
9302 Lee Highway (Exhibit A-3)	5	15,875
9302 Lee Highway (Exhibit A-4)	6	8,314
	Total	**193,272**

Granted, along with the use of the Premises, at no cost, is the right to the use of three and six-tenths (3.6) unreserved parking permits for each one thousand (1,000) square feet of space within the Premises, located within the adjacent parking structure, and the nonexclusive use of various Common Areas (as defined in Section 39 hereof), as more particularly set forth herein. The land upon which the Buildings is situated, which is generally depicted on the diagram attached hereto as Exhibit B (the "Site Plan") and incorporated herein by reference, shall be referred to hereinafter as the "Land". The Land and the Buildings are collectively referred to herein as the "Project". The location and dimensions of the Premises are shown on the conceptual floor plans attached hereto as Exhibits A-1 through A-9 and incorporated herein by reference. No easement for light or air is incorporated in or intended to be conveyed with the Premises.

(b) Storage Space. In addition to the Tenant's rights in and to the Premises, Landlord hereby leases to Tenant and Tenant hereby leases from Landlord the following storage spaces (collectively, the "Storage Space"):

Storage Space	Floors	RSF
9300 Building (as reflected on Exhibit A-5)	Penthouse	5,855
9300 Building - 9302 Building (as reflected on Exhibit A-6)	3 Garage Bays	2,580
	Total	**8,435**

The Storage Space shall be deemed to be part of the Premises and subject to all of the terms, conditions and provisions of this Lease provided that the Storage Space shall be excluded from the calculation of the parking space allocation set forth in Section 1.1, above and the calculation of Base Rent, Tenant's Share and Additional Rent pursuant to Sections 1.7 and 1.8 below. Storage Space Rent (as defined in Section 1.7 below and which is in addition to the payment of Base Rent hereunder) shall be payable simultaneously with and in the same manner as Base Rent, without setoff, deduction or demand whatsoever, and in the amounts as are set forth in Section 1.7 below.

1.2 Sublease Space. In addition to the Tenant's rights in and to the Premises, Tenant currently is the subtenant of 23,089 rentable square feet of space, having sublet such space from Hospice and Palliative Care of Metropolitan Washington, Inc. (the "Prime Tenant"), and which shall be herein referred to as the "Sublease Space". The Sublease Space is at present leased by Landlord to the Prime Tenant and then sublet by the Prime Tenant to Tenant. At such time as the Prime Tenant's rights in and to the Sublease Space have terminated, the Sublease Space shall become a part of the Premises hereunder and Landlord and Tenant agree to execute and deliver an amendment bringing the Sublease Space under this Lease as a part of the Premises hereunder. Landlord represents and warrants (a) the term of the lease with the Prime Tenant is scheduled to end on October 31, 2012 (the "Sublease Expiration Date"), and (b) Landlord will not extend the term of such lease. The Sublease Space is identified as:

Sublease Space	Floors	RSF
9300 Lee Highway (as reflected on Exhibit A-7)	2	16,047
9300 Lee Highway (as reflected on Exhibit A-8)	5	7,042
	Total	**23,089**

In the event the Prime Tenant holds over or is otherwise in default of its lease with Landlord, Landlord shall have no obligation or liability to Tenant as a result thereof, provided that Landlord uses commercially reasonable efforts to obtain possession of the Sublease Space at the earliest time possible, including, without limitation, promptly filing a landlord-tenant action to gain possession of the Sublease Space and diligently prosecuting such action to completion. At such time as the Sublease Space becomes a part of the Premises hereunder, Landlord and Tenant shall execute and deliver an amendment to this Lease in the form of Exhibit K attached hereto evidencing the inclusion of the Sublease Space hereunder.

1.3 Additional Premises. Landlord shall deliver and demise the following additional premises ("Additional Premises") to Tenant according to the schedule as set forth below. The Additional Premises shall be delivered vacant and broom clean with all furniture, personal property and equipment of the prior occupants having been removed and otherwise in the same condition as the same exists as of the date hereof, normal wear and tear excepted. Notwithstanding the foregoing, Landlord need not, but may, deliver the Additional Premises or portions thereof with data and/or telecommunications cabling removed. Landlord represents and warrants that all Building systems that serve the Additional Premises will be in good condition and good working order on the date such Additional Premises is delivered to Tenant. As of such time as Landlord delivers any of the Additional Premises to Tenant, Landlord and Tenant shall execute an amendment to this Lease in the form of Exhibit G attached hereto, bringing such portion of the Additional Premises under and as a part of the Premises hereunder, upon which such portion of the Additional Premises shall be governed by the terms and conditions of this Lease. In the event that Landlord is unable to deliver any of the Additional Premises to Tenant on its specified Delivery Date as is set forth below, (a) Landlord agrees to use commercially reasonable efforts to obtain possession of the Sublease Space at the earliest time possible, including, without limitation, promptly filing a landlord-tenant action to gain possession of the applicable Additional Premises and diligently prosecuting such action to completion, and (b) Tenant shall be entitled to a credit against Tenant's next due rent payment an amount equal to two (2) days of the Base Rent which would have been applicable on that portion of the Additional Premises not timely delivered until the date Landlord actually delivers such portion of the Additional Premises to Tenant in the condition required by this Lease.

Additional Premises	Floors	RSF	Delivery Date	Rent Commencement
9302 Lee Highway	3	12,288	11/1/12	3/1/13
9302 Lee Highway	12	12,699	10/1/14	2/1/15
9300 Lee Highway	5	8,949	11/1/12	3/1/13
	Total	33,936		

The foregoing are shown on Exhibit A-9, Exhibit A-10 and Exhibit A-11 respectively attached hereto and made a part hereof.

1.4 Tenant's Share. "Tenant's Share" shall mean a fraction for each Building, the numerator of which is the total rentable square footage of the Premises in such Building as determined in accordance with Section 1.1 hereof (as the same is increased from time to time pursuant to the terms of this Lease), and the denominator of which is 202,264 for the 9300 Building and 200,071 for the 9302 Building, which, respectively, is the total rentable square footage of each Building. No adjustment shall be made for space within the Buildings occupied by any building engineer(s) or similar on-site property management or operational personnel. The number comprising such denominator for each Building shall be changed if and to the extent of any addition of space to that Building or the deletion of space from that Building or as a result of any change in the amount of space leased by tenants (retail or otherwise) who pay by separate meter for their electrical and/or janitorial, cleaning, or other utilities or services so that Tenant actually pays its fair, accurate and proportionate share of Operating Costs (as defined in Section 9) and Real Estate Taxes (as defined in Section 10). The numerator shall be adjusted from time to time to reflect additions to or reductions in the total rentable square footage of space beyond the initial Premises in the particular Building that is leased to Tenant pursuant to this Lease and any addenda as a result of the exercise of any options in this Lease or otherwise. Landlord and Tenant acknowledge and agree for all purposes of this Lease that the total rentable area of (a) the 9300 Building, as measured in accordance with the GWCAR Method, is 202,264 rentable square feet, and (b) the 9302 Building, as measured in accordance with the GWCAR Method, is 200,071 rentable square feet.

1.5 Lease Term. The term of this Lease (the "Term" or "Lease Term") shall commence on the "Commencement Date" as defined in Section 1.6 below, and shall expire on December 31, 2022 (the "Lease Expiration Date").

1.6 Commencement Date. The "Commencement Date" for the initial Premises set forth in Section 1.1 above, shall be April 1, 2010. The Commencement Date is a fixed date and is not subject to the completion of Leasehold Work or otherwise in connection with Tenant's occupancy or ability to occupy the Premises, and is subject to modification only on account of Landlord Delays as is specifically and expressly set forth in Exhibit C attached hereto. The Commencement Date for the Sublease Space and the Additional Premises shall be as set forth in Sections 1.2 and 1.3 above.

1.7 Base Rent. The annual base rent payable by Tenant for the Premises hereunder ("Base Rent") is set forth below. The Base Rent rate for the initial year of the

Term shall be $29.98 per rentable square foot of the Premises, net of the cost of all electricity utilized in the Premises and of the cost of all electrical service utilized by all HVAC equipment used to provide HVAC service to the Premises (each of which costs shall be calculated and paid in accordance with the terms of Exhibit I attached hereto and incorporated herein by reference). As of July 1, 2010 and on each subsequent July 1 during the Lease Term, Base Rent shall increase to an amount equal to one hundred two and one half percent (102.5%) of the Base Rent then in effect for the immediately preceding Lease Year. With respect to the Sublease Space, and notwithstanding anything herein to the contrary, in the event that the term of the lease between Landlord and the Prime Tenant ends prior to the Sublease Termination Date (the "Early Sublease Termination Date"), then, (i) the Sublease Space shall automatically become a part of the Premises hereunder on such earlier date, and (b) from and after the Early Sublease Termination Date and continuing until the Sublease Termination Date with respect to the Sublease Space only, Tenant shall continue to pay the same base rent that it was paying to the Prime Tenant for the Sublease Space and Tenant shall not be entitled to any amount of the Allowance applicable to the Sublease Space until the Sublease Termination Date in accordance with Exhibit C attached hereto. With respect to the Additional Premises, from and after the dates that any Additional Premises are delivered to Tenant in accordance with Sections 1.2 and 1.3 above, Tenant shall pay Base Rent on such Additional Space leased by Tenant at the per square foot Base Rent equal to the then escalated current per square foot Base Rent for the Premises calculated assuming that the initial Base Rent was $32.50 per rentable square foot per annum rather than the initial psf Base Rent set forth herein (i.e., for example, if the Additional Premises or Sublease Space were to become a part of this Lease in August of 2011, the initial Base Rent applicable thereto shall be $34.14 per rentable square foot). From and after the date on which the lobby is occupied by Tenant pursuant to Section 47.16 hereof, the square footage of the premises shall be adjusted in accordance with the terms of such Section. The Base Rent is in addition to (and not to be reduced by) any payment of Additional Rent (as hereinafter defined) for the Premises, Sublease Space and any Additional Space hereunder. Base Rent shall be payable monthly, in advance, on the first day of each calendar month of the Term, without prior notice, demand, deduction or offset of any kind.

Period	Initial Premises SF	Base Rent PSF	Annual Base Rent	Monthly Base Rent
April 1, 2010 - June 30, 2010	193,272	$ 29.98	$1,448,573.64	$482,857.88
July 1, 2010 - June 30, 2011	193,272	$ 30.73	$5,939,151.92	$494,929.33
July 1, 2011 - June 30, 2012	193,272	$ 31.50	$6,087,630.72	$507,302.56
July 1, 2012 - June 30, 2013	193,272	$ 32.29	$6,239,821.49	$519,985.12
July 1, 2013 - June 30, 2014	193,272	$ 33.09	$6,395,817.03	$532,984.75
July 1, 2014 - June 30, 2015	193,272	$ 33.92	$6,555,712.45	$546,309.37
July 1, 2015 - June 30, 2016	193,272	$ 34.77	$6,719,605.26	$559,967.11
July 1, 2016 - June 30, 2017	193,272	$ 35.64	$6,887,595.40	$573,966.28
July 1, 2017 - June 30, 2018	193,272	$ 36.53	$7,059,785.28	$588,315.44
July 1, 2018 - June 30, 2019	193,272	$ 37.44	$7,236,279.91	$603,023.33
July 1, 2019 - June 30, 2020	193,272	$ 38.38	$7,417,186.91	$618,098.91
July 1, 2020 - June 30, 2021	193,272	$ 39.34	$7,602,616.58	$633,551.38
July 1, 2021 - June 30, 2022	193,272	$ 40.32	$7,792,682.00	$649,390.17
July 1, 2022 - Dec. 31, 2022	193,272	$ 41.33	$3,993,749.52	$665,624.92

The following rent ("Storage Space Rent") shall be payable in the same manner and at the same time as Base Rent hereunder, without offset, deduction or demand whatsoever:

BASE RENT	$/RSF	Annual Base Rent Due for Storage	Monthly Base Rent for Storage
April 1, 2010 - June 30,2010	$15.00	$ 31,631.25	$ 10,543.75
July 1, 2010 - June 30, 2011	$15.38	$ 129,730.30	$ 10,810.86
July 1, 2011 June 30, 2012	$15.76	$ 132,935.60	$ 11,077.97
July 1, 2012 - June 30, 2013	$16.15	$ 136,225.25	$ 11,352.10
July 1, 2013 - June 30, 2014	$16.56	$ 139,683.60	$ 11,640.30
July 1, 2014 - June 30, 2015	$16.97	$ 143,141.95	$ 11,928.50
July 1, 2015 June, 2016	$17.40	$ 146,769.00	$ 12,230.75
July 1, 2016 June 30, 2017	$17.83	$ 150,396.05	$ 12,533.00
July 1, 2017 June 30, 2018	$18.28	$ 154,191.80	$ 12,849.32
July 1, 2018 June 30, 2019	$18.73	$ 157,987.55	$ 13,165.63
July 1, 2019 - June 30, 2020	$19.20	$ 161,952.00	$ 13,496.00
July 1, 2020 June 30, 2021	$19.68	$ 166,000.80	$ 13,833.40
July 1, 2021 - June 30, 2022	$20.17	$ 170,133.95	$ 14,177.83
July 1, 2022- December 31, 2022	$20.68	$ 87,217.90	$ 14,536.32

AGGREGATE BASE RENT AND STORAGE SPACE RENT FOR THE INITIAL PREMISES AND INITIAL STORAGE PREMISES

Period	Annual Base Rent	Monthly Base Rent
April 1, 2010 - June 30, 2010	$ 1,480,204.89	$ 493,401.63
July 1, 2010 - June 30, 2011	$ 6,068,882.22	$ 505,740.19
July 1, 2011 - June 30, 2012	$ 6,220,566.32	$ 518,380.53
July 1, 2012 - June 30, 2013	$ 6,376,046.74	$ 531,337.22
July 1, 2013 - June 30, 2014	$ 6,535,500.63	$ 544,625.05
July 1, 2014 - June 30, 2015	$ 6,698,854.40	$ 558,237.87
July 1, 2015 - June 30, 2016	$ 6,866,374.26	$ 572,197.86
July 1, 2016 - June 30, 2017	$ 7,037,991.45	$ 586,499.28
July 1, 2017 - June 30, 2018	$ 7,213,977.08	$ 601,164.76
July 1, 2018 - June 30, 2019	$ 7,394,267.46	$ 616,188.96
July 1, 2019 - June 30, 2020	$ 7,579,138.91	$ 631,594.91
July 1, 2020 - June 30, 2021	$ 7,768,617.38	$ 647,384.78
July 1, 2021 - June 30, 2022	$ 7,962,815.95	$ 663,568.00
July 1, 2022 - Dec. 31, 2022	$ 4,080,967.42	$ 680,161.24

The annual base rent payable by Tenant hereunder for the Sublease Space shall be an amount equal to the then escalated rent per square foot multiplied by the number of rentable square feet in the Sublease Space (i.e., 23,089). The Base Rent applicable to the Sublease Space is in addition to the Base Rent for the Premises listed above and shall be added to Base Rent hereunder at such time as the Sublease Space becomes a part of the

Premises hereunder. Further, the Base Rent for the Sublease Space is also in addition to (and not to be reduced by) Additional Rent applicable to the Sublease Space hereunder. Base Rent for the Sublease Space shall be payable monthly, in advance, on the first day of each calendar month of the Term with respect to the Sublease Space, without prior notice, demand, deduction or offset of any kind.

1.8 Additional Rent. Tenant's Share (as herein defined) of increases in Real Estate Taxes (as defined in Section 10), Operating Costs (as defined in Section 9) and any other sum owed or reimbursable by Tenant to Landlord under this Lease (excluding Base Rent) shall be considered additional rent hereunder (collectively "Additional Rent"), and, except for items of Additional Rent for which demand is required pursuant to the express terms of this Lease, shall be payable without demand, set-off or deduction. Commencing on the first anniversary of the Commencement Date, estimates of those items of Additional Rent described in Section 9 and Section 10 of this Lease shall be payable monthly, in advance, on the first day of each calendar month of the Term, together with Tenant's monthly payment of Base Rent, without demand, set-off or deduction.

1.9 Notice and Payment Addresses. Any notices under this Lease shall be governed by the terms of Section 30, below. The notice addresses of the parties are as follows:

If to Landlord:	c/o Argo Investment Company 9600 Blackwell Road Suite 200 Rockville, MD 20850 Attention: Mr. Richard L. Perlmutter
And a copy to:	J. Richard Saas, Esq. Tenenbaum & Saas, P.C. 4504 Walsh Street 3rd floor Chevy Chase, MD 20815
If to Tenant:	At the Premises Attn: General Counsel
And a copy to:	At the Premises Attn: Monika Ruppert, Vice President, Facilities

Either party may, by ten (10) days' prior written notice to the other, designate a new address to which all notices hereunder shall be directed.

1.10 Rent Payment Address. Tenant shall send payments of Base Rent and Additional Rent hereunder to Landlord at the following address, or to such other address of which Landlord may advise Tenant in writing:

c/o FP Argo Management LC
9600 Blackwell Road
Suite 200
Rockville, MD 20850

1.11 Lease Year. The “Lease Year” shall commence on the Commencement Date and terminate on the last day of the twelfth full calendar month after the Commencement Date. Each subsequent twelve (12) month period thereafter shall be a Lease Year hereunder.

1.12 Deed of Lease. To the extent required under applicable law to make this Lease legally effective, this Lease shall constitute a deed of lease.

2. PAYMENT OF BASE RENT AND ADDITIONAL RENT.

2.1 Payment of Rent. Tenant shall pay Landlord the Base Rent and Additional Rent due under this Lease without prior notice, demand, deduction or offset, except as otherwise specifically and expressly set forth herein, in lawful money of the United States. Base Rent and Additional Rent shall be paid at the address noted in Section 1.10, or to such other party or at such other place as Landlord may hereafter from time to time designate in writing. Base Rent and Additional Rent under this Lease for any partial month at the beginning or end of the Lease Term shall be prorated. Except for monthly installments of estimated Additional Rent as set forth in Sections 9 and 10 of this Lease, or as otherwise provided in this Lease, all payments of Additional Rent shall be paid no later than thirty (30) days after the date Landlord notifies Tenant in writing of the amount thereof. In the event of any dispute concerning the computation of the amount of any Additional Rent due hereunder, Tenant shall pay the amount specified by Landlord pending the resolution of the dispute, and, subject to Section 9.4 hereof, such payment shall be without prejudice to Tenant’s right to continue to challenge the disputed computation. In the event Tenant prevails in any dispute concerning the amount of any Additional Rent due hereunder, Landlord shall refund to Tenant the amount of such overpayment within fifteen (15) days of the date of resolution of such dispute, and the amount then owing to Tenant shall bear interest at the applicable interest rate as set forth in Section 6.2 hereof from the date that Tenant paid the Additional Rent to Landlord, until the date such amount is paid to Tenant, provided, however, if such overpayment was made based upon estimated monthly payments that were paid by Tenant, such overpayment shall commence to bear interest as of the date Landlord provided Tenant with the annual reconciliation statement for such monthly estimated payments.

3. SECURITY DEPOSIT.

3.1 Amount. Simultaneously with the execution of this Lease by Tenant, Tenant shall provide Landlord with a security deposit in the amount of One Hundred Thousand Dollars ($100,000.00) (the “Security Deposit”) via letter of credit as more particularly described below. The Security Deposit shall constitute security for payment of Base Rent and Additional Rent and for the payment and performance of any and all other obligations of Tenant under this Lease. If Tenant defaults beyond the expiration of any applicable notice and cure period with respect to any covenant or condition of this Lease, including but not limited to the payment of Base Rent, additional rent or any other payment due under this Lease, and/or the obligation of Tenant to maintain the Premises and deliver possession thereof back to Landlord at the expiration or earlier termination of the Lease Term in the condition required herein, then Landlord may (without any waiver of Tenant's default being deemed to have occurred) apply the applicable portion of the Security Deposit which is reasonably necessary to cure such default, or any other sum which Landlord may be required or deem necessary to spend or incur by reason of Tenant's default, or to satisfy in part or in whole any damages suffered by Landlord as a result of Tenant's default. In the event of such application, Tenant shall promptly deposit with Landlord the amount necessary to restore the Security Deposit to the full amount set forth above. The parties expressly acknowledge and agree that the Security Deposit is not an advance payment of Base Rent or Additional Rent, nor a measure of Landlord's damages in the event of any default by Tenant. Provided Tenant is not then in default under this Lease, the amount of the Security Deposit then held by Landlord (or such lesser amount as is available after deduction to cure any default then existing by Tenant hereunder) shall be repaid to Tenant within thirty (30) days after the expiration or sooner termination of this Lease. In the event of a sale or transfer of Landlord's estate or interest in the Building, Landlord shall transfer the Security Deposit to the purchaser or transferee, and Landlord shall thereafter be considered released by Tenant from all liability for the return of the Security Deposit, and the purchaser or transferee shall be obligated to hold and disperse the Security Deposit in accordance with the terms of this Lease.

3.2 Form of Security.

3.2.1 The Security Deposit shall be delivered in the form of a letter of credit, which letter of credit shall be (a) on a commercially reasonable form reasonably acceptable to Landlord (it being understood and agreed that Landlord hereby approves the form of letter of credit that was issued by Tenant's bank in connection with the existing letter of credit that Tenant previously posted under its existing lease with Landlord); (b) at all times in the amount of the Security Deposit (it being agreed that if at any time the amount drawable by Landlord under the letter of credit is less than the amount of the Security Deposit, whether as a result of a draw by Landlord or otherwise, then Tenant shall, within five (5) business days after receipt of written notice from Landlord, cause the amount drawable under the letter of credit to be increased to the amount of the Security Deposit or such lesser amount which, taken together with any cash amounts then being held by Landlord as a Security Deposit hereunder pursuant to a draw on the letter of credit or otherwise (which remains unapplied), is equivalent to the amount of the Security Deposit); (c) issued by a commercial bank reasonably acceptable to Landlord from time to time; (d) made payable to, and expressly transferable and assignable by the owner from time to time of the Building or its mortgagees (which transfer/assignment shall be conditioned only upon the execution by such owner of a written document in connection with such transfer/assignment and shall payment of the issuing bank's customary transfer fee);
(e) payable at sight upon presentment to a branch of the issuer of Landlord's sight draft drawn on the issuer and accompanied by a notarized certificate stating that Tenant is

in default hereunder beyond applicable notice and cure periods and Landlord is entitled to draw the amount sought; (f) for a term of not less than one year; and (g) at least thirty (30) days prior to the then-current expiration date of such letter of credit, renewed (or automatically and unconditionally extended) from time to time through the sixtieth (60th) day after the expiration of the Lease Term. If Landlord transfers the Security Deposit to any transferee of the Building or Landlord's interest therein, then (i) Landlord shall pay any fee that is charged by the issuer of the letter of credit to transfer the letter of credit so such transferee, and (ii) such transferee shall hold Security Deposit in accordance with the terms of this Lease, and Landlord shall be released from all liability for the return thereof. If Tenant fails to timely comply with the requirements of subsection (g) above, then Landlord or its mortgagees shall have the right to immediately draw upon the letter of credit without notice to Tenant and/or opportunity to cure and hold the proceeds thereof as a cash Security Deposit under the terms hereof. Any amounts drawn under the letter of credit shall be applied by Landlord from time to time to amounts owed in connection with (or arising from) any default (including damages) which continues beyond applicable notice and cure periods, with any remaining proceeds to be held without interest until the thirtieth (30th) day after the expiration of the Lease as cash collateral to secure the payment and performance by Tenant of all of Tenant's obligations, covenants, conditions and agreements under this Lease.

3.2.2 Any letter of credit shall be issued by a commercial bank that has a credit rating with respect to certificates of deposit, short term deposits or commercial paper of at least P-2 (or equivalent) by Moody's Investor Service, Inc., or at least A-2 (or equivalent) by Standard & Poor's Corporation. Notwithstanding the foregoing, Landlord hereby approves Citizens Financial Group, Inc. as the current issuer of the letter of credit. If the issuer's credit rating is reduced below P-2 (or equivalent) by Moody's Investors Service, Inc. or below A-2 (or equivalent) by Standard & Poor's Corporation, or if the financial condition of such issuer changes in any other materially adverse way, then Landlord shall have the right to require that Tenant obtain from a different issuer a substitute letter of credit that complies in all respects with the requirements of this Section, and Tenant's failure to obtain such substitute letter of credit within fifteen (15) business days following Landlord's written demand therefor (with no other notice or cure or grace period being applicable thereto, notwithstanding anything in this Lease to the contrary) shall entitle Landlord or its mortgagees to immediately draw upon the then existing letter of credit in whole or in part, without notice to Tenant and to apply and hold such proceeds as a cash Security Deposit hereunder in the manner set forth above. In the event the issuer of any letter of credit held by Landlord is placed into receivership or conservatorship by the Federal Deposit Insurance Corporation, or any successor or similar entity, then, effective as of the date such receivership or conservatorship occurs, said letter of credit shall be deemed to not meet the requirements of this Section, and, within fifteen (15) business days thereof, Tenant shall replace such letter of credit with other collateral acceptable to Landlord in its commercially reasonable discretion (and Tenant's failure to do so shall, notwithstanding anything in this Lease to the contrary, constitute a default under this Lease for which there shall be no notice or grace or cure periods being applicable thereto other than the aforesaid fifteen (15) business day period), provided that in no event shall Tenant be required to deliver collateral to Landlord the value of which, together with any other Security Deposit amounts then held by Landlord hereunder, exceeds the Security Deposit amount set forth in the first sentence of Section 3.1. Except as otherwise expressly set forth in this Lease, Landlord or its mortgagees shall only draw upon the Letter of Credit upon the occurrence of a default which continues beyond applicable notice and cure periods (or if Landlord is precluded by law from sending any notice necessary to establish that a default has occurred, the failure of Tenant to make any payment of rent within ten (10) business days after the same is due). Upon the occurrence of a default beyond applicable notice and cure periods, Landlord or its mortgagees shall be entitled to draw on the Letter of Credit in whole or in part and apply cash then held as a Security Deposit (including any amount(s) drawn on the Letter of Credit) in the amount necessary to cure the applicable default. Any failure or refusal of the issuer to honor the letter of credit shall be at Tenant’s sole risk and shall not relieve Tenant of its obligations hereunder with respect to the Security Deposit.

3.3 No Separate Account. In the event the letter of credit serving as the Security Deposit hereunder is, pursuant to Section 3.2.2 above, converted to cash, Landlord shall not be obligated to hold the Security Deposit in a separate account from other Building or project funds, and shall not be required to pay interest on any such funds.

4. USES; TENANT COVENANTS.

4.1 Permitted Uses.

(a) The Premises are to be used for general office and administration purposes and such other uses incidental to general office use and those ancillary purposes set forth below, and consistent with the operation of a comparable office building as may be permitted by applicable law, provided such uses shall not include any retail, industrial or manufacturing use.

(b) Tenant may also operate and maintain in the Premises, subject to all Laws (Landlord hereby making no representation that the following uses comply with applicable Laws) and applicable provisions of this Lease, as uses ancillary to Tenant’s use of the Premises for general office purposes, (a) a kitchen (so long as Tenant utilizes the exhaust duct required by Laws), lunchroom, dining, vending, lounge, break areas (that include, without limitation, microwaves, coffee makers, toasters, refrigerators and dishwashers), exercise facilities, and meeting facilities (all of which will be solely for the use of Tenant’s personnel and office business invitees except that Odin (as defined in Section 22 below) shall have the right to utilize the exercise facility as has been undertaken pursuant to the terms of the Existing Lease which right, Landlord agrees, will not extend beyond the expiration of the current Odin Lease including any renewals or extensions thereof), (b) such printing, mail handling, duplicating, reproduction, photographic word processing, data processing, communications, and such other equipment and facilities or technologies (whether or not in existence or commercial use at the time of execution of this Lease), as Tenant may deem necessary, desirable or convenient for the conduct of its business or for the comfort, convenience or well being of its personnel and office business invitees, (c) training areas, data center, and customer support center, (d) additional lavatory facilities ancillary to Tenant's conference center, (e) the examination by medical personnel retained by Tenant of Tenant's employees (and not for the general public) provided that Tenant does not generate any medical or bio-hazardous waste in connection therewith, and (f) such other uses as may, from time to time, be consistent with office tenancy in comparable office buildings in Fairfax, Virginia. All of the foregoing, to the extent requiring any modification of or improvement to the Premises, shall be undertaken as Alterations under and as defined in this Lease. Tenant shall also have the right to use portions of the Premises, from time to time, for purposes of conducting a charity auction, including a silent auction and a live auction.

(c) Tenant, at its sole cost and expense and after notice to Landlord, may contest by appropriate proceedings prosecuted diligently and in good faith, the legality or applicability of any law affecting the Premises, provided that (a) Landlord shall not be subject to civil or criminal penalties or fines or prosecution for a crime, nor shall the Building or any part thereof be subject to being condemned, nor shall the certificate of occupancy for the Premises or the Building be suspended by reason of noncompliance or by reason of such contest, (b) Tenant shall not have the right to alter or amend, or seek to alter or amend the existing zoning or other entitlements applicable to the Building or any part thereof, (c) Tenant shall not have the right to submit any documentation or otherwise represent to any governmental or quasi governmental agency that it is the owner or the agent of the owner of the Building, or otherwise has any right with respect to the Building or the Premises other than as a tenant thereof, (d) Tenant shall keep Landlord regularly advised as to the status of such proceedings, (e) Tenant shall not have the right to *seek* a written zoning interpretation from Fairfax County without the prior written consent of Landlord in each case, and (f) Tenant shall indemnify and defend Landlord from and against any and all loss, cost, liability or expense (including costs of defense) resulting from Tenant's exercise of the foregoing right.

(d) During the Term of this Lease and except for tenancies existing as of the date of this Lease (including expansions, renewals and extensions of such tenancies and subleases and assignments executed by those tenants), as long as Tenant's right of possession of the Premises shall not have been terminated Landlord agrees that Landlord shall not without the prior written consent of Tenant, which consent shall not be unreasonably withheld, conditioned or delayed, enter into any new lease or occupancy agreement permitting the occupancy of any space in the Building for any of the following uses ("Prohibited Uses") (i) hospital, clinic, or rehabilitation center (but medical and dental offices shall be permitted), (ii) labor union, (iii) school (except for a school whose students, when using the Building customarily arrive outside of normal Building Operating Hours), (iv) dance or music studio or (v) offices of any foreign, federal, state, county or municipal government for uses that regularly attract large numbers of the general public to the Building during normal Building Operating Hours that will put undue stress on the Building's parking and common areas.

4.2 <u>Other General Use Covenants</u>. Tenant shall not commit or allow to be committed any legal waste upon the Premises, or any public or private nuisance. Tenant, at its expense, shall comply with all laws relating to its use and occupancy of the Premises and shall observe the Rules and Regulations attached hereto as Exhibit D. No act shall be done in or about the Premises (a) that is unlawful, or (b) which will increase the existing rate of insurance on the Building, unless Tenant agrees to pay the increase in the rate of insurance on the Building. In the event of a breach of the covenant set forth in the immediately preceding sentence regarding insurance rates, Landlord shall provide Tenant ten (10) days prior written notice thereof and Tenant shall cease the activity giving rise to such increase and, to the extent any increased insurance premiums were in fact paid by Landlord as a result of such activity, Tenant shall pay to Landlord any and all such increases in insurance premiums resulting from such breach, *provided* that so long as Tenant continues to pay such increases in premiums, and provided that the activity giving rise to such increased premiums is an activity permitted under Section 4.1, above, the continuation of such activity by Tenant shall not be prohibited or constitute a breach of this Lease. Landlord acknowledges that Tenant's current use of the Premises for general office purposes, including use of the existing fitness facility, auditorium, conference center and training areas, has not as of the date hereof been noted by the applicable insurance carrier as a use which will increase or has increased the existing rate of insurance on the Building.

5. ENVIRONMENTAL PROVISIONS; RECYCLING.

5.1 General. Tenant agrees to comply (and to cause its agents, employees, contractors and, while within the Premises, invitees to comply) with any and all applicable Environmental Laws (as defined below) in connection with (1) Tenant's use and occupancy of the Premises, and (2) any use and occupancy of the Premises arising in connection with any assignment of this Lease, or sublease or license of the Premises or any part thereof. Tenant shall provide all information within Tenant's control reasonably requested by Landlord and/or requested by governmental authorities in connection with Environmental Laws or Hazardous Materials (defined below) relating to the matters contemplated in the preceding sentence.

5.2 Tenant's Warranties and Covenants.

5.2.1 Each of Tenant and Landlord agree that it will not introduce or permit or suffer the introduction, within the Premises or the Project of (A) asbestos in any form, (B) urea formaldehyde foam insulation, (C) transformers or other equipment which contain dielectric fluid containing polychlorinated biphenyls, or (D) except as permitted below, any flammable explosives, radioactive materials or other substance constituting "hazardous materials" or "hazardous wastes" pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (42 U.S.C. Sections 9601 et seq.), the Hazardous Materials Transportation Act, as amended (49 U.S.C. Sections 1801 et seq.), the Resource Conservation and Recovery Act, as amended (42 U.S.C. Sections 9601 et seq.) and the regulations adopted and promulgated pursuant thereto, the Federal Water Pollution Control Act (33 U.S.C. Section 1251 et seq.), the Clean Air Act (42 U.S.C. Section 7401 et seq.), and in the regulations adopted and publications promulgated pursuant thereto, or successor legislation thereto, or any other Federal, state or local environmental law, ordinance, rule, regulation and/or other statute of a governmental or quasi-governmental authority relating to pollution or protection of the environment (collectively, "Environmental Laws"). The substances described in (A), (B), (C) or (D) above are hereinafter collectively referred to herein as "Hazardous Materials".

5.2.2 Except as expressly permitted hereby, each of Landlord and Tenant agree that the Premises and the Building will never be used by either party for any activities involving, directly or indirectly, the use, generation, treatment, transportation, storage or disposal of any Hazardous Materials, or to refine, produce, store, handle, transfer, process or transport Hazardous Materials.

5.2.3(a) Tenant (i) shall comply with the Environmental Laws and all other applicable laws, rules and regulations or orders pertaining to health, the environment or Hazardous Materials, in so far as such laws pertain to Tenant's use and occupancy of the Premises or the need for such compliance arises due to the acts or omissions of Tenant, its agents, employees, contractors, invitees (while within the Premises), subtenants or assignees, (ii) shall not, except as specifically permitted hereby, store, utilize, generate, treat, transport or dispose of (or permit or acquiesce in the storage, utilization, generation, transportation, treatment or disposal of) any Hazardous Materials on or from the Premises, (iii) shall cause its agents, employees, licensees, contractors, invitees (while within the Premises), subtenants and assignees to comply with the representations, warranties and covenants herein contained and be responsible for any non-compliance by any such party(ies), (iv) agrees that no portion of the Premises will be used by Tenant or any assignee or subtenant of Tenant as a landfill or a dump, and (v) will not install any underground tanks of any type.

(b) Landlord (i) shall comply with the Environmental Laws and all other applicable laws, rules and regulations or orders pertaining to health, the environment or Hazardous Materials, in so far as such laws pertain to Landlord's use and occupancy of the Land and the Common Areas or the need for such compliance arises due to the acts or omissions of Landlord, its agents, employees, contractors, invitees (while within the Common Areas), or assignees, (ii) shall not, except as specifically permitted hereby, store, utilize, generate, treat, transport or dispose of (or permit or acquiesce in the storage, utilization, generation, transportation, treatment or disposal of) any Hazardous Materials on or from the Common Areas, (iii) shall cause its agents, employees, licensees, contractors, invitees (while within the Common Areas), and assignees to comply with the representations, warranties and covenants herein contained and be responsible for any non-compliance by any such party(ies), and (iv) agrees that no portion of the Common Areas will be used by Landlord or any assignee of Landlord as a landfill or a dump.

5.2.4 In the event of any future storage, presence, utilization, generation, transportation, treatment or disposal of Hazardous Materials in, on or about the Premises, or in the event of any Hazardous Materials Release (as hereinafter defined) which in either case is attributable, in whole or in part, to the presence of Hazardous Materials existing in, on or about on the Project subsequent to the Commencement Date and is caused, directly by Tenant or Tenant's agents, employees, contractors, licensees, invitees (while within the

Premises), sub-tenants or assignees, or is otherwise Tenant's responsibility under the terms of this Lease, Tenant shall, at the direction of Landlord or any federal, state, or local authority or other governmental authority, remove or cause the removal of any such Hazardous Materials and rectify any such Hazardous Materials Release, and otherwise comply or cause compliance with the laws, rules, regulations or orders of such authority, all at the expense of Tenant, including without limitation, the undertaking and completion of all investigations, studies, sampling and testing and all remedial, removal and other actions necessary to clean up and remove all Hazardous Materials, on, from or affecting the Premises. If, under such circumstances, Tenant shall fail to proceed with such removal or otherwise comply with such laws, rules, regulations or orders within the cure period permitted under the applicable regulation or order, the same shall constitute a Default under this Lease (without any notice to Tenant required), and Landlord may, but shall not be obligated to, take such action as may be reasonably necessary under the circumstance to eliminate such Hazardous Materials from the Premises or otherwise comply with the applicable law, rule, regulation or order, acting either in its own name or in the name of Tenant pursuant to this Section, and the cost thereof shall be borne by Tenant and thereupon become due and payable as Additional Rent hereunder; provided, however, that Landlord shall not exercise its self-help rights hereunder, nor exercise any right otherwise provided herein to terminate this Lease or Tenant's right of possession due to Tenant's failure or inability to correct such problem within a time certain as long as Tenant is at all times using commercially reasonable efforts to correct the problem (provided however, that if Landlord determines, in its reasonable discretion, that there exists a substantial risk of governmental enforcement action against Landlord, or governmental or third party civil liability to Landlord, if Landlord fails to take independent action immediately to remediate an environmental problem which is otherwise Tenant's responsibility under this Section 5, then Landlord shall, notwithstanding Tenant's continuing commercially reasonable efforts to correct the problem, be entitled to take such independent action, and to recover the reasonable and actual costs associated therewith from Tenant). Tenant shall give to Landlord and its authorized agents and employees access to the Premises for such purposes and hereby specifically grants to Landlord a license to remove the Hazardous Materials and otherwise comply with such applicable laws, rules, regulations or orders, acting either in its own name or in the name of the Tenant pursuant to this Section.

5.2.5 Landlord represents, warrants and covenants that to the best of its current actual knowledge, as of the date of execution hereof, (a) the Premises, Building and Land do not contain asbestos or any other Hazardous Materials in violation of any Environmental Laws, nor will the use of any such materials knowingly be permitted by Landlord, and (b) Tenant is not in violation of any of its obligations under Section 5 of this Lease. In the event Landlord is advised, or it shall come to Landlord's attention, that Hazardous Materials exist in the Premises in violation of any Environmental Laws that were not introduced therein by Tenant or Tenant's agents, employees, contractors, licensees, subtenants, assignees or invitees, or that Hazardous Materials exist in other areas of the Building, Landlord shall take all commercially reasonable steps necessary to promptly remove or remediate (or cause to be removed or remediated) at Landlord's expense (and not as an Operating Cost), all such Hazardous Materials, and in doing so, Landlord shall use its reasonable efforts not to interfere with the conduct of Tenant's business.

5.2.6 Each of Tenant and Landlord hereby indemnifies and holds the other and their respective shareholders, constituents, subsidiaries, affiliates, officers, directors, partners, employees, agents and trustees harmless from, against, for and in respect of, any and all damages, losses, settlement payments, obligations, liabilities, claims, actions or causes of actions, encumbrances, fines, penalties, and costs and expenses suffered, sustained, incurred or required to be paid by any such indemnified party (including, without limitation, reasonable fees and disbursements or attorneys, engineers, laboratories, contractors and consultants) because of, or arising out of or relating to a violation of any of the indemnifying party's representations, warranties and covenants under this Section, including any Environmental Liabilities (as hereinbelow defined) arising therefrom. For purposes of this indemnification clause, "Environmental Liabilities" shall include all costs and liabilities with respect to the presence, removal, utilization, generation, storage, transportation, disposal or treatment of any Hazardous Materials or any release, spill, leak, pumping, pouring, emitting, emptying, discharge, injection, escaping, leaching, dumping or disposing into the environment (air, land or water) of any Hazardous Materials (each a "Hazardous Materials Release"), including without limitation, cleanups, remedial and response actions, remedial investigations and feasibility studies, permits and licenses required by, or undertaken in order to comply with the requirements of, any federal, state or local law, regulation, or agency or court, any damages for injury to person, property or natural resources, claims of governmental agencies or third parties for cleanup costs and costs of removal, discharge, and satisfaction of all liens, encumbrances and restrictions on the Premises relating to the foregoing. The foregoing notwithstanding, the foregoing indemnifications shall not encompass indirect losses or consequential damages or damages related to loss of business or business interruption which may arise on account of the presence of any Hazardous Materials on or about the Project. The foregoing indemnification and the responsibilities of Tenant and Landlord under this Section shall survive the termination or expiration of this Lease.

5.2.7 Tenant shall promptly notify Landlord in writing of the occurrence of any Hazardous Materials Release of which Tenant has actual knowledge, or any pending or threatened regulatory actions, or any claims made by any governmental authority or third party, relating to any Hazardous Materials or Hazardous Materials Release on or from the Premises, and shall promptly furnish Landlord with copies of any correspondence or legal pleadings or documents in connection therewith. Landlord shall have the right, but shall not be obligated, to notify any governmental authority of any state of facts which may come to its attention with respect to any Hazardous Materials or Hazardous Materials Release on or from the Premises following consultation with Tenant.

5.2.8 Tenant agrees that Landlord shall have the right (but not the obligation) to conduct, or to have conducted by its agents or contractors, at Landlord's sole cost and expense except as set forth below, such periodic environmental inspections of the Project as Landlord shall reasonably deem necessary or advisable from time to time. Landlord agrees that it shall limit such inspection to not more than once in each twelve

(12)- month period (except in the event of the sale, financing or refinancing of the Project, or in the event Landlord has reasonable evidence that there are any violations of any Environmental Laws, in any of which events Landlord shall be entitled to conduct such inspection(s) even if another inspection has occurred during the current twelve (12)- month period). Landlord shall provide Tenant with no less than seventy-two (72) hours prior notice of any such inspection within the interior of the Premises, except in case of an emergency, in which case only such notice as may be practicable under the circumstance shall be required. The cost of any such inspection shall be borne by Tenant in the event such inspection determines that Tenant has introduced Hazardous Materials into the Premises or is otherwise in violation of Section 5 of this Lease.

5.3 Permitted Materials. Notwithstanding anything herein to the contrary, Tenant and its assignees, subtenants and licensees shall be permitted to store reasonable amounts of Hazardous Materials that are typically used in an ordinary general office use environment such as ordinary cleaners, printer and duplication supplies and similar materials (the "Permitted Materials") provided such Permitted Materials are properly used, stored and disposed of in a manner and location meeting all Environmental Laws. Any such use, storage and disposal shall be subject to all of the terms of this Section (except for the terms prohibiting same), and Tenant shall be responsible for obtaining any required permits and paying any fees and providing any testing required by any governmental agency with respect to the Permitted Materials. If Landlord in its reasonable opinion determines that said Permitted Materials are being improperly stored, used or disposed of, then Tenant shall immediately take such corrective action as is reasonably requested by Landlord in writing. Should Tenant fail to take such corrective action within five (5) business days after receiving such written notice, Landlord shall have the right to perform such work on Tenant's behalf and at Tenant's sole expense, and Tenant shall promptly reimburse Landlord for any and all reasonable, out-of-pocket costs associated with said work.

5.4 Recycling Regulations. Landlord shall, as an Operating Cost hereunder, provide Building standard receptacles and containers as necessary for Tenant to comply with all orders, requirements and conditions now or hereafter imposed by any ordinances, laws, orders and/or regulations (hereinafter collectively called "regulations") of any governmental body having jurisdiction over the Premises or the Building regarding the collection, sorting, separation and recycling of waste products, garbage, refuse and trash (hereinafter collectively called "waste products"). In the event that Tenant requests that Landlord undertake "green" initiatives, including recycling, Landlord shall, in good faith, reasonably attempt to undertake such initiatives, provided the same shall be without cost or expense to Landlord or otherwise detrimental to Landlord's interest in the Building.

6. LATE CHARGES; INTEREST.

6.1 Late Charge. Tenant hereby acknowledges that late payment to Landlord of Base Rent or Additional Rent will cause Landlord to incur administrative costs and loss of investment income not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. If any Base Rent or Additional Rent due from Tenant is not received by Landlord or Landlord's designated agent within three (3) business days after the date due, then Tenant shall pay to Landlord a late charge. The late charge shall be one percent (1%) with respect to late payments of Base Rent and five percent (5%) with respect to payments of Additional Rent. The parties hereby agree that such late charges represent a fair and reasonable estimate of the administrative cost that Landlord will incur by reason of Tenant's late payment. Landlord's acceptance of such late charges shall not constitute a waiver of Tenant's Default with respect to such overdue amount or otherwise stop Landlord from exercising any of the other rights and remedies granted hereunder.

6.2 Interest. In addition to the administrative late charge provided for under Section 6.1, above, if any Base Rent or Additional Rent or any other sum due hereunder from Tenant to Landlord is not paid as and when due under this Lease, and such amount remains unpaid five (5) business days after such due date, then the unpaid amount shall bear interest from the date originally due until the date paid at an annual rate of interest equal to the greater of (i) 10% per annum, or (ii) the "prime rate" of interest as published in the Wall Street Journal (or, if not published, as established by the then largest national banking association in the United States of America) from time to time (the "Prime Rate") *plus* two percent (2%) (the "Default Rate"); provided that in no event will the foregoing interest exceed the maximum interest permitted by law.

6.3 Waiver. Notwithstanding the foregoing, Landlord shall waive such interest and late charge on the first (1st) occasion during any Lease Year in which Tenant does not timely pay Base Rent or Additional Rent, provided that Tenant pays such installment of Base Rent or Additional Rent to Landlord within three (3) business days after the date Tenant receives notice that such amount is past due. After such first occasion during any Lease Year, the provisions of Section 6.1 and 6.2 shall be applicable during such Lease Year without additional notice required from Landlord to Tenant.

7. REPAIRS AND MAINTENANCE.

7.1 Landlord's Obligations. Landlord shall maintain, repair, replace and keep in good operating condition (and in compliance with all applicable Legal Requirements) (such maintenance, repairs, and replacements shall hereinafter be referred to collectively as the "Landlord Repairs"), comparable to similar office properties in the Fairfax, Virginia area, the Land, the Common Areas (as defined in Section 39 below) (including, without limitation, the lobbies, elevators, stairs, grounds, loading areas and corridors), the roofs, foundations, load-bearing elements, conduits and structural walls and other structural elements of the Building, the underground utility and sewer pipes of the Building, all base building mechanical, electrical, plumbing, HVAC systems and the sprinkler system and other fire and life-safety systems, and the adjacent parking structure and connector, the cost of all of which shall be included within Operating Costs except to the extent specifically excluded pursuant to Section 9.5, hereof; provided that, to the extent the need for any such repairs or replacements arise as a the result of the negligence or willful misconduct of Tenant (or Tenant's agents, employees, contractors, invitees, assignees or sub-tenants) and the same is not covered under the policies of casualty insurance which are required to be carried by the parties pursuant to this Lease (in which case the proceeds of such insurance will be utilized to satisfy the cost thereof), the cost of such repairs or replacements shall be reimbursable by Tenant to Landlord as Additional Rent under this Lease, and such reimbursement shall be due not later than thirty (30) days after Landlord's written demand therefore. Landlord, at its cost and expense (or at the expense of Landlord's contractor, but in any event not as an Operating Cost), upon prior notice from Tenant shall promptly repair or replace all materials, workmanship, fixtures or equipment incorporated by Landlord in the Premises that shall prove to be defective during any applicable warranty period. In performing any work pursuant to this Section 7.1, Landlord and its contractors and subcontractors shall use reasonable efforts to minimize disruption to Tenant. Subject to reimbursement as an Operating Cost pursuant to Section 9 hereof (if applicable), Landlord shall comply or cause compliance with all notices it receives of violation of Legal Requirements (as hereinafter defined) that are applicable to the operation of the common and public areas in the Building and to the machinery and equipment provided by Landlord or used by its agents or contractors in the design, construction, or operation of the Building, including those portions of the base Building systems that are contained in or serve the Premises. **"Legal Requirements"** are all present and future laws, ordinances (including zoning ordinances and land use requirements), regulations, and orders of the Commonwealth of Virginia, Fairfax County, the United States of America and any other public or quasi-public authority having jurisdiction over the Project, including, but not limited to the Americans with Disabilities Act and regulations promulgated from time to time thereunder to the extent the same are applicable to Landlord and/or any portion of the Project.

7.2 Repair Standards. All repairs and maintenance required of Landlord pursuant to this Section or elsewhere in this Lease shall be performed in accordance with standards applicable to comparable office buildings in Fairfax, Virginia, and performed in a timely and diligent fashion. Landlord agrees to diligently attend to any routine repairs or maintenance needs brought to its attention by Tenant as soon as reasonably practicable and in a manner calculated to minimize to the extent possible disruption of Tenant's business activities. Landlord shall cause Landlord's Repairs to be performed with reasonable commercial diligence, and may, at its option, perform such Landlord Repairs during regular business hours; provided, that, except in the case of an "Emergency Situation" (as defined below), Landlord shall use good faith efforts to cause Landlord Repairs to be done outside of regular business hours if the performance thereof effectively shall prevent or materially interfere with the normal business activities of Tenant in the Premises.

7.3 Emergency Repairs. If repairs (a) necessary to address a situation which threatens the physical well-being of persons or damage to property the Building (irrespective of whether the same is within or outside of the Premises), or (b) which Landlord otherwise determines in good faith to be of an extraordinary or emergency nature (in either such event, an "Emergency Situation") ("Emergency Repairs"), Landlord shall use commercially reasonable efforts to promptly perform such Emergency Repairs and the terms of Section 7.2 above with respect to interference with Tenant's use of the Premises shall be inapplicable. In the event any Emergency Repairs are not accomplished within a forty-eight (48) hour period, Landlord, within five (5) business days following

Tenant's written request therefor, shall provide to Tenant a preliminary schedule setting forth the basic steps Landlord proposes to be taken to effect the Emergency Repairs and the times when such work is proposed to be done.

7.4 Tenant's Obligations. Subject to Landlord's obligations as set forth in Section 7.1 above and its right of access pursuant to Section 18, and except for janitorial and cleaning services (to the extent provided for under Section 8.1, below), Tenant shall be exclusively responsible for all repairs and maintenance to the interior, non-structural portions of the Premises. Tenant shall promptly report in writing to Landlord any defective condition in the Premises actually known to Tenant which Landlord is required to repair, and failure to so report such defects shall excuse any delay by Landlord in commencing and completing such repair to the extent the same would otherwise be Landlord's responsibility under this Lease, provided that (i) Landlord shall not be so excused if Landlord had actual knowledge of the need for such repair independent of Tenant's notification, and (ii) once Landlord is notified or has actual knowledge of the need for such repair, Landlord's repair obligation under Section 7.1, above, shall be fully effective as to such item.

7.5 Secure Areas. As described in Section 18.2 hereof Tenant may designate certain areas of the Premises as secure areas into which, absent an Emergency Situation or the necessity for Emergency Repairs, Landlord shall not have the authority to enter without being accompanied by Tenant's personnel. Tenant shall be solely responsible for the maintenance and repair of all such secured areas and shall indemnify and hold Landlord harmless from and against any and all loss, cost or expense, including any damage to the Building, as a result of Tenant's designation of such area as secured and the corresponding restricted access of Landlord thereto. Notwithstanding the foregoing, Landlord shall not be prevented from immediate access to any portion of the Premises in the event of an Emergency Situation or in the event of the need for Emergency Repairs.

8. UTILITIES AND SERVICES.

8.1 Services.

(a) General. Landlord shall furnish Tenant with the following services and facilities consistent with the level of services provided in comparable office buildings in the Fairfax, Virginia area: (i) at least three (3) elevators in each Building subject to call during normal business hours and at least one (1) elevator in each Building at all times, including Sundays and holidays, which elevators shall be lockable on a floor by floor basis, and, provided the same does not compromise access to and security for any portion of the Buildings not comprising a portion of the Premises, Landlord shall cooperate with Tenant at Tenant's cost and expense to permit the access control system for the Building to connect with Tenant's access control system for the Premises; (ii) zoned heating, ventilation and air conditioning during business hours (excepting only weekends and Building holidays listed below) in accordance with the standards set forth in Exhibit I, [it being understood and agreed that Landlord shall initiate the operation of the Building HVAC service in a manner as may be reasonably appropriate for them to be fully operational at the beginning of the "business hours" (as defined below) of the Building];

(iii) hot and cold running water sufficient for needs attributable to a general office use; (iv) public lavatory facilities and supplies and janitorial and char services, including trash removal and recycling, Monday through Friday (after 6:00 p.m. and before 7:00 a.m.), excepting weekends and Building holidays, in accordance with the cleaning specifications as described in Exhibit E, attached hereto (as such specifications may be revised by Landlord from time to time in its reasonable discretion consistent with comparable office properties in the Fairfax, Virginia area, provided that Landlord shall have obtained Tenant's reasonable approval thereof, which shall not be unreasonably withheld, conditioned or delayed); (v) replacement of Building standard light bulbs (in fixed lighting fixtures only) throughout the Premises which standard light bulbs shall be "energy efficient" in keeping with standards consistent with comparable office properties in the Fairfax, Virginia area; (vi) janitorial services in accordance with Exhibit E attached hereto (as such cleaning and janitorial specifications may be revised by Landlord from time to time in its reasonable discretion consistent with comparable office properties in the Fairfax, Virginia area, provided Landlord shall obtain Tenant's approval thereof, which approval shall not be unreasonably withheld, conditioned or delayed); (vii) sufficient electricity is available at the Premises as is provided at comparable office properties in the Fairfax, Virginia area as is necessary for general office use (excluding that which may be necessary for specialized uses and/or supplemental HVAC units) consistent with the standard set forth in Exhibit I; (viii) shuttle service between the Building and the Vienna Metro Station in accordance with the provisions of Section 59 hereto, and (ix) access to the Project 24 hours a day, 365 days a year, including holidays; and, except for the cost of supplying electricity to the Premises and to the HVAC which serves the Premises the costs of which are paid directly by Tenant pursuant to the terms of this Lease, the cost of foregoing shall be deemed an Operating Cost hereunder unless otherwise provided herein. For purposes hereof, Building "holidays" shall be: Christmas, New Years Day, Labor Day, Memorial Day, Independence Day, MLK Day, Veterans Day and Thanksgiving Day, and business hours shall be 7:00 a.m. to 6:00 p.m. Monday through Friday, excluding Building holidays, and 9:00 a.m. to 1:00 p.m. on Saturdays, excluding Building holidays. Landlord shall cause the exterior windows of the Building to be cleaned at least two (2) times per calendar year.

Notwithstanding anything herein to the contrary, Landlord shall operate and maintain the Building and the common areas in a manner consistent with comparable office properties in the Fairfax, Virginia area.

(b) Access. Landlord agrees to provide an access-control system in the Building comparable to the system in first-class office buildings in the Fairfax, Virginia area, which shall permit Tenant to have, and shall provide Tenant with, access to the Premises and the parking areas of the garage on a 24-hour, seven-days-a-week basis. Landlord shall provide access cards to Tenant for access to the Buildings, and Tenant shall reimburse Landlord the then current cost thereof, which cost is currently Nine and 50/100 Dollars ($9.50) for each such card. Notwithstanding anything herein to the contrary, Landlord shall provide Tenant, at no cost to Tenant, with 4 access cards per each one thousand (1,000) square feet of rentable area that is leased, from time to time, by Tenant under this Lease (Tenant acknowledging that it has already received such access cards for the Initial Premises and the Sublease Space hereunder, and that Landlord shall only be required to provide such cards free of charge to Tenant for the Additional Premises at such time as the Additional Premises become a part of the Premises hereunder). Access cards need not be returned to Landlord at the expiration or earlier termination of this Lease.

(c) Tenant's Right to Clean Premises. In the event that, at any time during the Term, Tenant is reasonably dissatisfied with the cleaning services provided to the Premises by Landlord pursuant to this Lease then Tenant shall have the right to notify the Landlord in writing specifying portion(s) of Exhibit E that are not being performed in accordance with the standard consistent with comparable office properties in the Fairfax, Virginia area. Within thirty (30) days after delivery of such notice representatives of Landlord (or representatives of Landlord's management company, representatives of the party providing cleaning services to the Premises and representatives of Tenant's shall meet to discuss Tenant's reasonable concerns regarding the cleaning services and shall propose good faith efforts to resolve those concerns. During the sixty (60) day period immediately following such meeting, Landlord shall use its commercially reasonable efforts to cause the cleaning provider to implement the solutions agreed upon at the meeting. If after such sixty (60) day period Tenant reasonably determines that the cleaning services are still not being performed in the agreed upon manner then by written notice given to Landlord not later than ten (10) days after the end of the sixty (60) day period Tenant shall have the right to assume the obligation to provide cleaning services for the entire Premises (and not less than the entire Premises) beginning on the first day of the first full month that is at least thirty (30) days after the date of Tenant's notice in accordance with the following:

(1) The cleaning services shall be performed in accordance with the provisions of Exhibit E;

(2) The cleaning services shall be performed by a contractor selected by Tenant and approved by Landlord, which approval shall not be unreasonably withheld, conditioned or delayed;

(3) Tenant's approved cleaning contractor shall be entitled, without additional charge, but subject to the terms of the applicable Rules and Regulations, to use the Building's freight elevators in a reasonable and ordinary manner in common with Landlord's cleaning contractor;

(4) Tenant's cleaning contractor shall leave all trash from each floor in the proper receptacles and proper location(s) as directed by Landlord and, provided that Tenant's cleaning contractor does so, Landlord shall cause such trash to be removed from the Building (as an Operating Cost); and,

(5) Operating Costs, including Operating Costs for the Operating Costs Base Year, shall be reduced by the vacancy credit received by Landlord from its cleaning contractor because Tenant, and not Landlord, is responsible for cleaning the entire Premises.

Should Tenant, after having once taken over the obligation and responsibility to clean the entire Premises, at a later point desire that Landlord resume providing cleaning services to the entire Premises, Tenant may request that Landlord do so (with the appropriate increase in Operating Costs on a going forward basis) but Landlord shall not be obligated to do so.

8.2 Electrical Services. Tenant shall reimburse Landlord, as Additional Rent, for the costs of all electricity used by Tenant within the Premises. The charges due from Tenant to Landlord shall be calculated and billed to Tenant in accordance with the terms of Exhibit I attached hereto.

8.3 Additional Services. If Tenant requires cleaning services, light bulb or fixture replacement or other services either outside of the scope of the Landlord's obligations as set forth herein or on weekends or Building holidays, Landlord shall make reasonable efforts to provide such additional service after reasonable prior written request therefor from Tenant, and Tenant shall reimburse Landlord for such additional service within thirty (30) days of request therefore, at the Landlord's actual cost plus a reasonable markup for depreciation, overhead and/or profit.

8.4 Additional Provisions. Except as specifically and expressly set forth hereinbelow, in no event shall Landlord be liable to Tenant for (a) any damage to the Premises, or (b) any loss, damage or injury to any property therein or thereon, or (c) any claims for the interruption of or loss to Tenant's business or for any damages or consequential losses occasioned by bursting, rupture, leakage or overflow of any plumbing or other pipes or other similar cause in, above, upon or about the Premises or the Building, unless such loss, damage or injury is the result of the negligence or willful misconduct of Landlord or its agents, contractors or employees, and is not covered by the insurance required to be carried by Tenant hereunder. Further, in no event shall Landlord have any liability on account of the status of repair (or lack thereof) of any areas designated by Tenant as secured areas pursuant to Section 18.2 hereof to the extent Landlord is prohibited or unreasonably restricted from accessing such portion of the Premises for purposes of inspection, maintenance and/or repair. If any public utility or governmental body shall require Landlord or Tenant to restrict the consumption of any utility or reduce any service to the Premises or the Building, Landlord and Tenant shall comply with such requirements, without any abatement or reduction of the Base Rent, Additional Rent or other sums payable by Tenant hereunder.

8.5 Building Security. Landlord shall provide an access control system for the perimeter of the Buildings and access to the garage, which access control system shall be of a type used in other comparable office projects in the Fairfax, Virginia area. Landlord agrees not to change the access system currently existing at the Buildings without Tenant's prior written approval, which approval shall not be unreasonably withheld, conditioned or delayed.

8.6 Interruption in Services. Landlord shall exercise reasonable diligence and use good faith efforts to remedy any interruption, curtailment, stoppage or suspension of utility services or systems. In the event any interruption of service to be provided by Landlord hereunder, including, without limitation, utilities, occurs and such interruption shall continue for more than three (3) consecutive business days and renders the Premises or any portion thereof substantially unusable for the purpose of conducting Tenant's normal and uninterrupted business under this Lease, then all Rent payable hereunder with respect to the affected portion of the Premises (which Tenant does not actually occupy during such period) shall be abated for the period beginning on the fourth (4th) business day of such failure and shall continue until use of the Premises (or the affected portion thereof, if applicable) is restored to Tenant. The foregoing notwithstanding, Tenant shall not be entitled to an abatement for the interruption of any utility service or other service resulting from the negligence or willful misconduct of Tenant, its subtenants or assignees and their respective agents or employees.

9. OPERATING COSTS.

9.1 Defined. Commencing as of the first day of the second Lease Year, and for each calendar year or portion thereof during the Term, Tenant shall pay Tenant's Share of an amount (hereinafter referred to as "Increases in Operating Costs") equal to the difference between (i) Operating Costs (defined in Section 9.4, below) for such calendar year; and (ii) Operating Costs for the Operating Costs Base Year. For all purposes hereof, the "Operating Costs Base Year" shall be the 2009 calendar year. All Operating Costs shall be determined in conformance with the general practice of comparable office buildings in the Fairfax, Virginia area (the "Accounting Principles"). Costs incurred in one calendar year, but attributable to more than one calendar year, shall be equitably apportioned over such years on an accrual basis in accordance with the Accounting Principles.

9.2 Estimated Payments. Tenant shall pay Landlord, as Additional Rent, commencing on the first day of the second Lease Year and on the first day of each month thereafter throughout the Term, one-twelfth (1/12th) of Landlord's estimate of Tenant's Share of Increases in Operating Costs for the then-current calendar year. If at any time during such calendar year it appears to Landlord that Tenant's Share of Increases in Operating Costs for such calendar year will vary from Landlord's estimate by more than five percent (5%) on an annualized basis, Landlord may, by written notice to Tenant [but in no event more than one (1) time per any calendar year], provide Tenant with written notice of such variance which notice shall include reasonable documentation of the basis for such variance, and thereafter revise its estimate for such calendar year and Tenant's estimated payments hereunder for such calendar year shall, as of the thirtieth (30th) day after the date Tenant receives such notice and documentation, be based on such revised estimate.

9.3 Annual Reconciliation. Within one hundred twenty (120) days after the end of each calendar year, Landlord shall provide to Tenant a detailed, itemized statement on a line item basis (the "Expense Statement"), calculated in accordance with the terms of Section 9 of this Lease, setting forth the total actual Operating Costs for such calendar year and Tenant's Share of Increases in Operating Costs. The Expense Statement shall show (a) the amount of actual Operating Costs detailing major categories therefor, (b) the amount paid by Tenant toward Operating Costs during said year on an estimated basis, (c) any revised estimate of Tenant's obligations for Operating Costs for the then-current calendar year, and (d) the shortfall or excess of Tenant's payments based upon the estimated payments during such year compared to Tenant's actual Share of Increases in Operating Costs based on the Expense Statement. Landlord shall use good faith efforts to respond to any inquiries and requests for invoices or other information with respect to Operating Costs within ten (10) days of any written request therefore by Tenant. Subject to the provisions of Section 9 hereof, to the extent of any underpayment in the amount of estimated payments paid by Tenant, Tenant shall pay to Landlord the amount of any shortfall in the amount of estimated payments made to Landlord pursuant to Section 9.2 on account of Tenant's Share of Increases in Operating Costs for such calendar year, and the actual amount shown as Tenant's Share of Increases in Operating Costs for such calendar year. In the event the Expense Statement reflects an overpayment of Tenant's Share of Increases in Operating Costs for such year, such overpayment shall be credited against the next due Base Rent hereunder (unless the same occurs as of the end of the Term in which event Landlord shall make payment thereof to Tenant within 30 days of delivery of the Expense Statement to Tenant). Notwithstanding anything herein to the contrary, for purposes of calculating Tenant's Share of Increases in Operating Costs with respect to "controllable" Operating Costs in any Lease Year, "controllable" Operating Costs shall not exceed one hundred six percent (106%) of "controllable" Operating Costs for the prior Lease Year, on a cumulative basis; taking into account the cumulative impact of previous year increases. For example, if in the second year, the "controllable" Operating Expenses were four percent (4%) more than in the prior year, and in the third year the "controllable" Operating Expenses were eight percent (8%) in excess of those in the second year, two percent (2%) would carry-over from the second year and be added to the allowable increase in the third year. Therefore, the total allowable "controllable" Operating Expense increase in the third year would be eight percent (8%). For purposes hereof, all Operating Costs shall be deemed "controllable" with the exception of taxes, insurance, utility costs, and the costs associated with ice and snow removal and control.

9.4 Operating Costs. The term "Operating Costs" shall mean all third-party, reasonable and customary expenses incurred by Landlord in connection with the operation, management, maintenance and repair of the Building, Common Areas and the Land in accordance with the standards applicable to comparable office properties in the Fairfax, Virginia area, subject to the qualifications set forth below. All Operating Costs shall be determined in good faith on a calendar year basis, according to generally accepted accounting principles which shall be consistently applied. Operating Costs include, but are not limited to, the following items: (a) the cost of the personal property used in conjunction with the Building and the Project; (b) except as set forth in Section 9.5 with respect to capital repairs and replacements costs to repair and maintain the Building, the Land and the Common Areas; (c) all expenses paid or incurred by Landlord for water, gas, electric, sewer and oil services for the Common Areas of the Building; (d) the costs and expenses incurred in connection with the provision of the services set forth in Section 8, above; (e) subject to Section 9.4(l) below with respect to matters of a capital nature, building supplies and materials used in connection with repairs to the Project; (f) cleaning and janitorial services in or about the Premises, the Building (including without limitation Common Areas) and the Land; (g) window glass repair and cleaning; (h) repair and maintenance of the grounds, including costs of landscaping, gardening and planting, including service or management contracts with independent contractors, including but not limited to security and energy management services and costs; (i) operational costs to achieve compliance with any Legal Requirements promulgated after the Commencement Date; (j) utility taxes; (k) compensation (including employment taxes, fringe benefits, salaries, wages, medical, surgical, and general welfare benefits (including health, accident and group life insurance), pension payments, payroll taxes for all personnel employed by Landlord or its management company who perform duties in connection with the operation, management, maintenance and repair of the Building (allocated among all properties served by such employees as determined by Landlord in its reasonable discretion, if such employees are utilized by more than one property) plus the salary and benefits of the property manager assigned to the Project; (l) any (i) capital expenditures incurred to reduce Operating Costs, to the extent of such reduction (and with any amount remaining unrecovered by virtue of such limitation to carry forward to subsequent calendar years, to the extent of any such continuing reduction achieved in each such subsequent calendar year, until recovered in full), and (ii) capital expenditures incurred to comply with any Legal Requirement which is enacted or becomes effective after the Commencement Date, it being understood that any such capital expenditure shall be recoverable only over the useful life of the item in question (as determined in accordance with GAAP) by amortizing such expenditure over such useful life at an annual interest rate equal to the Prime Rate at the time of such expenditure, and only the sum of all amortization payments payable during the year in question shall be included in Operating Costs in each year during such recovery period [the cost of capital expenditures set forth in this Section (l) shall hereinafter be referred to as the "Permitted Capital Expenditures"]; (m) cost of premiums for casualty and liability insurance policies required to be or otherwise maintained by Landlord hereunder and any other insurance carried by Landlord with respect to the Project; (n) license, permit and inspection fees; (o) a management fee equal to (and not in excess of) four percent (4%) of the gross income collected reflecting one hundred percent (100%) occupancy and no rent abatements; (p) the cost of all Landlord Repairs; (q) personal property taxes; (r) trash removal, including all costs incurred in connection with waste product recycling; (s) snow and ice removal or prevention; (t) all costs of maintenance, repair, striping and operation of all parking areas used by tenants of the Building to the extent such costs exceed revenues generated from operation of the parking facilities; (u) uniforms and dry cleaning for personnel below the grade of Building Manager; (v) telephone, cellular phone, paging, telegraph, postage, stationery supplies and other materials and expenses required for the routine operation of the Building; (w) association assessments for maintenance of offsite improvements serving or benefiting the Building or the Land; (x) ground rent and/or ground lease payments required to be paid by Landlord for the Land on which the Building is located; and (y) other association assessments for common area services provided to owners in the Hunters Branch complex.

9.5 Exclusions. Notwithstanding anything in this Lease to the contrary, Operating Costs shall not include any of the following: (1) capital expenditures, except for the Permitted Capital Expenditures; (2) costs of any special services rendered to individual tenants (including Tenant); (3) painting, redecorating or other work which

Landlord performs for specific tenants; (4) Real Estate Taxes (as defined in Section 10); (5) depreciation or amortization of costs required to be capitalized in accordance with generally accepted accounting practices (except as set forth in Section 9.4, above); (6) interest and amortization of funds borrowed by Landlord; (7) leasing commissions, and advertising, legal, space planning and construction expenses incurred in procuring tenants for the Building; (8) salaries, wages, or other compensation paid to officers or executives of Landlord or its property management company in their capacities as officers and executives; (9) any other expenses for which Landlord actually receives direct reimbursement from insurance, condemnation awards, warranties, other tenants or any other source but excluding general payments of Operating Costs pursuant to this Section 9 by Tenant and other tenants of the Building; (10) all costs incurred in the initial construction of the Project; (11) costs directly resulting from the willful misconduct of Landlord, its employees, agents, contractors or employees; (12) legal fees and other expenses incurred by Landlord; (13) costs or fees relating to the defense of Landlord's title or interest in the Land; (14) costs incurred due to violation by Landlord (as opposed to Building violations) of any Laws; (15) renovation of the Project; (16) costs arising from the presence of Hazardous Materials in, about or below the Project; (17) costs incurred for any items to the extent of Landlord's recovery under a manufacturer's, materialmen's, vendor's or contractor's warranty (except to the extent of costs incurred in such recovery); (18) income, excess profits, franchise taxes or other such taxes imposed on or measured by the net income of Landlord from the operation of the Building (other than business professional occupational license tax); (19) reserves for repairs, maintenance and replacements; (20) Landlord's general overhead expenses; (21) costs incurred to achieve compliance with any governmental laws, ordinances, rules, regulations or orders, except to the extent recoverable under Sections 9.4(i) and 9.4(1), above; (22) any penalties or interest expenses incurred because of Landlord's failure timely to pay any Operating Costs (unless the same is the result of Tenant's failure to timely make any payment in respect thereof required hereunder); (23) accounting fees other than those attributable to reviewing and preparing operating statements for the Building; (24) rental or similar payments made in connection with the leasing of any equipment deemed to be capital in nature except to the extent the acquisition of such item would have been recoverable under Section 9.4(1), above; (25) principal or interest payments on and any other charges (including, but not limited to, late charges, default interest or other penalties) paid by Landlord in connection with any mortgages, deeds of trust or other financing or refinancing encumbrances; (26) deductions for depreciation for the Building, except to the extent expressly included in Section 9.4(1) above; (27) the costs of special services, tenant improvements and concessions, repairs, maintenance items or utilities separately chargeable to, or specifically provided for, individual tenants of the Building, including, without limitation, the cost of preparing any space in the Building for occupancy by any tenant and/or for altering, renovating, repainting, decorating, planning and designing spaces (other than Common Areas) for any tenant in the Building in connection with the renewal of its lease and/or costs of preparing or renovating any vacant space for lease in the Building (including permit, license and inspection fees); (28) attorney's fees and disbursements, accounting fees, recording costs, mortgage recording taxes, title insurance premiums, title closer's gratuity and other similar costs, incurred in connection with any mortgage financing or refinancing or execution, modification or extension of any ground lease; loan prepayment penalties, premiums, fees or charges; (29) fees, costs and expenses incurred by Landlord in connection with or relating to claims against or disputes with tenants of the Building or the negotiation of leases with tenants or prospective tenants, including, without limitation, legal fees and disbursements; (30) costs incurred by Landlord in curing, repairing or replacing any structural portion of the Building made necessary as a result of defects in design, workmanship or materials; (31) costs and expenses incurred by Landlord for services which are duplicative of or are normally included in any management fees paid by Landlord; (32) that portion of any Operating Cost that is paid to any entity affiliated with Landlord that is in excess of the amount that would otherwise be paid to an entity that is not affiliated with Landlord for the provision of the same service; (33) rental for personal property leased to Landlord except for rent for personal property leased to Landlord the purchase price for which, if purchased, would be included (in whole or part) in Operating Costs in the year of purchase; (34) attorney's fees and disbursements, brokerage commissions, transfer taxes, recording costs and taxes, title insurance premiums, title closer's fees and gratuities and other similar costs incurred in connection with the sale or transfer of an interest in Landlord (including any restructuring, recapitalization or similar events or activities) or the Building; (35) all costs and expenses attributable to any testing, investigation, management, maintenance, remediation, or removal of Hazardous Materials; (36) the costs of all sculptures, paintings, and other works of art, and any costs and expenses related to the display or maintenance thereof; (37) costs of increases in insurance premiums to the extent such increase is solely attributable to the use, occupancy or act of another tenant; (38) the costs of supplying electricity to any premises in the Building other than the Common Areas; (39) any cash or other consideration paid by Landlord on account of, with respect to, or in lieu of tenant work or alterations; (40) repairs or replacements (a) necessitated by the gross negligence or willful misconduct of Landlord or its employees or agents, or (b) required to cure violations of Legal Requirements applicable to the Building as of the date hereof; (41) advertising and promotional expenses and any other comparable expenses directly related to leasing or procuring tenants or negotiating with prospective tenants; (42) the cost of repairs incurred by reasons of fire or other casualty or condemnation to the extent that either (a) Landlord is compensated therefor through proceeds of insurance or condemnation awards; or (b) Landlord is not fully compensated therefor due to the failure of Landlord to obtain the insurance required under this Lease against such fire or casualty or the decision of Landlord to self-insure; or (c) if Landlord is not fully compensated by reason of the coinsurance provisions of its insurance policies due to Landlord's failure to obtain and maintain a sufficient amount of insurance coverage; (43) income or franchise taxes or such other taxes imposed upon or measured by Landlord's net income from the operation of the Building; (44) rentals and other related expenses incurred in leasing air-conditioning systems, elevators or other equipment ordinarily considered to be of a capital nature; (45) recordation and transfer taxes and transfer gain taxes, including, without limitation, any such taxes incurred if this Lease is recorded; (46) expenses incurred in the management of the parking facilities by a third party and repair of the parking facilities to the extent such expenses exceed revenues received from the operation of the parking facilities; (47) the cost of installing, operating, and maintaining any specialty facility such as an observatory, broadcasting facility, day care facility, conference facility, recreational club, restaurant or luncheon club, athletic or recreational club, theater or cafeteria; (48) the cost of any additions to the Building that result in a larger Building; (49) costs or payments associated with Landlord's obtaining air rights or development rights; (50) expenses relating to the leasing of space in the Building (including, without limitation, costs associated with Landlord assuming or taking over the obligations of a tenant under a lease in another building, legal fees, real estate brokerage and leasing commissions, space planner fees, alterations to tenant premises, tenant improvement allowances, rent abatements or other concessions, and advertising and promotional expenses incurred in connection with the listing of space in the Building); (51) costs (including permit, license and inspection fees) incurred in improving, renovating, altering, painting or decorating any tenants spaces; (52) costs for relocating tenants; (53) costs solely attributable to retail areas and paid directly by retail tenants of the Building; (54) intentionally deleted; (55) costs of: (i) correcting defects in or inadequacy of the initial design or construction of the Building, or (ii) the discharge of Landlord's obligations under the workletters of other leases; (56) costs for any goods and services (including, e.g., the utility and other costs of condenser water, overtime heat or air conditioning, extra cleaning) sold or supplied to tenants and occupants of the Building for which Landlord either would be entitled under this Lease to charge Tenant if the same had been sold or supplied to Tenant or would have been entitled to charge the other tenant pursuant to its Lease; (57) costs of Landlord's general corporate overhead and general administrative expenses, including, without limitation, costs associated with the operation of the business entity that constitutes (a) Landlord, its corporate, partnership, or limited liability company shareholders, members, or partners, as the case may be and (b) property management companies (as the same are distinguished from the costs of operating the Building), including related entity accounting and legal matters and land trust fees; (58) fines, penalties, interest, surcharges or any other similar costs incurred by Landlord on account of the failure to comply with any Law in effect as of the Commencement Date or the failure to make any payment of Operating Costs when due, or breach of any lease, contract or undertaking; (59) bad debt losses suffered by Landlord and reserves therefor; (60) costs of entertainment of prospective tenants; (61) costs of promoting Building tenant relations activities (e.g., holiday gifts and lobby entertainment); (62) intentionally deleted; (63) costs related to management of the Building that, under a market-based management agreement with an unaffiliated management company providing for a management fee at the rate provided for in this Lease, would be borne by the management company, including, without limitation, the manager's general corporate overhead and general administrative and home office expenses; and (64) the cost of any "Base Building Work" (as defined in Exhibit C-1) and the cost of any "Landlord's Work" (as defined in Exhibit C-1). Operating Costs shall be net of all discounts and reduced by all rebates actually received by Landlord. There shall be no duplication of costs or reimbursements. Despite the foregoing, Operating Costs shall not include new services or items that are not included in the Operating Costs but were generally provided to the tenants of comparable office buildings in the Fairfax, Virginia submarket in 2009; provided however that if Landlord undertakes to provide new services or items to tenants in the Building that are not included in the Operating Costs during calendar year 2009, then Landlord may do so if Landlord includes in the Operating Costs for the Base Year the costs which would have been incurred by Landlord for such services or items during the Base Year.

9.6 Further Adjustment. Operating Costs for each calendar year shall be adjusted to include all costs, expenses and disbursements that would have been incurred if Landlord had provided all utilities and services within the definition of Operating Costs to tenants and occupants in the Building had the Building been one hundred percent (100%) occupied throughout such year.

9.7 Multi-Project Operating Costs. The Building is a part of a larger project or development and as such, Landlord shall have the right (but not the obligation) to allocate to the Building an appropriate portion of those Operating Costs which are incurred with respect to the project as a whole, provided such costs are allocated, in good faith, in an equitable manner and on a consistent basis. By way of example, landscaping costs for a multi-building project shall be allocated on an appropriate basis between all tenantable buildings in the project.

9.8 Audit Rights. Within one (1) year after the date of Landlord's delivery to Tenant of the Expense Statement for the preceding calendar year (or within three [3] years after Landlord's delivery to Tenant of the Expense Statement for Base Year with respect to Base year Operating Costs), Tenant, at its sole cost and expense, shall have the right, during reasonable business hours, to audit and inspect (or to cause a third party certified public accountant to audit and inspect) Landlord's books and records relating to Landlord's determination of Operating Costs and any Increases in Operating Costs for the then present calendar year for which Additional Rent payments become due. Should Tenant's inspection evidence that Landlord has overstated Operating Costs, Landlord agrees to refund to Tenant the amount of such overstatement and Tenant shall then have the right to audit and inspect such Operating Costs for the preceding two (2) calendar years. Such overpayment shall be refunded to Tenant within fifteen (15) days of the date of resolution of the amount so in dispute, and the amount then owing to Tenant shall bear interest at the applicable interest rate as set forth in Section 6.2 hereof from the date Tenant paid the Additional Rent to Landlord, until the date such amount is paid to Tenant, provided, however, if such overpayment was made based upon estimated monthly payments that were paid by Tenant, such overpayment shall commence to bear interest as of the date Landlord provided Tenant with the annual reconciliation statement for such monthly estimated payments. Should any such audit and inspection reveal that Tenant's Share of Increases in Operating Costs have been overstated by three percent (3%), Landlord shall further reimburse Tenant the reasonable costs incurred by Tenant for such inspection, and excluding in all events any contingency or percentage of recovery based fee. In the event Tenant does not timely exercise its audit right for any Lease Year within the time set forth in this Section 9.8, Tenant's right to audit Operating Costs for such Lease Year shall be null and void. Tenant shall maintain, and shall cause its consultant to maintain the results of any such audit in strict confidence.

10. REAL ESTATE TAXES.

10.1 Defined. Commencing on the first day of the second Lease Year, Tenant shall pay as Additional Rent to Landlord, without diminution, set-off or deduction, Tenant's Share of Increases in "Real Estate Taxes" (as defined in Section 10.3, below) paid in such calendar year.

10.2 Estimated Payment. Tenant shall pay Landlord, as Additional Rent, commencing on the first day of the second Lease Year and on the first day of each month thereafter throughout the Term (and any extension thereof), one-twelfth (1/12th) of Landlord's estimate of Tenant's Share of Increases in Real Estate Taxes over the Real Estate Taxes for the Base Year. If at any time or times during such calendar year it appears to Landlord that Tenant's Share of Increases in Real Estate Taxes for such calendar year will vary from Landlord's estimate by more than five percent (5%) on an annualized basis, Landlord may, by written notice to Tenant, revise its estimate for such calendar year (but in no event shall Landlord revise such estimate more than once per calendar year) and Tenant's estimated payments hereunder for such calendar year shall thereupon be based on such revised estimate.

10.3 Real Estate Taxes. For purposes of this Lease, "Real Estate Taxes" shall mean all taxes and assessments, general or special, ordinary or extraordinary, foreseen or unforeseen, assessed, levied or imposed upon the Building or the Land, or assessed, levied or imposed upon the fixtures, machinery, equipment or systems in, upon or used in connection with the operation of the Building or the Land under the current or any future taxation or assessment system or modification of, supplement to, or substitute for such system. Real Estate Taxes shall include all reasonable expenses (including, but not limited to, reasonable attorneys' fees, disbursements and actual costs) incurred by Landlord in obtaining or attempting to obtain a reduction of such taxes, rates or assessments, including any legal fees and costs incurred in connection with contesting or appealing the amounts or the imposition of any Real Estate Taxes. In the event Real Estate Taxes (including special assessments) shall be paid in installments, they shall be paid in installments (and in such event Real Estate Taxes shall include such installments and interest paid on the unpaid balance of the assessment, or the entirety thereof, as applicable). The foregoing notwithstanding, Real Estate Taxes shall not include: (i) any franchise, corporation, income, excess profits taxes or, grantor's and recordation net profits tax which may be assessed against Landlord or the Project or both, (ii) transfer, grantor's and recordation taxes assessed against Landlord or the Project or both, (iii) penalties or interest on any late payments of Landlord, (iv) personal property taxes of Tenant, (v) any rental or other charges or fee imposed upon Landlord in connection with the lease or use of any vault space, (vi) estate taxes, inheritance taxes, succession taxes, (vii) gift taxes, (viii) unincorporated business tax, (ix) taxes on personal property of Landlord not used in connection with the operation, repair or maintenance of the Project or (x) special taxes for services or improvements instituted at the request of Landlord (provided however that such special taxes may be included as Real Estate Taxes if the Real Estate Taxes for the Base Year are adjusted to include the first year of such special taxes). Real Estate Taxes also shall exclude any interest or penalties arising by reason of the late payment of same, provided Tenant has timely made all payments of Tenant's Share of Increases in Real Estate Taxes as required hereunder.

10.4 Annual Reconciliation. Within one hundred twenty (120) days after the end of each calendar year, Landlord shall provide to Tenant Landlord's calculation of Tenant's Share thereof (the "Tax Statement"). This Tax Statement shall show (a) the amount paid by Tenant to Landlord toward Real Estate Taxes during said year on an estimated basis, (b) any revised estimate of Tenant's obligations for Real Estate Taxes for the current year, and (c) a copy of all Real Estate Tax bills paid by Landlord for such calendar year. Within thirty (30) days after the delivery of the Tax Statement, Tenant shall pay to Landlord the amount of any shortfall in the amount of estimated payments made to Landlord pursuant to Section 10.2 on account of Tenant's Share of Increases in Real Estate Taxes for such calendar year, and the actual amount shown as Tenant's Share of Increases in Real Estate Taxes for such calendar year. In the event the Tax Statement reflects an overpayment of Tenant's Share of Increases in Operating Costs for such year, such overpayment shall be credited against the next due Base Rent hereunder (unless the same occurs as of the end of the Term in which event Landlord shall make payment thereof to Tenant within 30 days of delivery of the Tax Statement to Tenant).

10.5 Increases in Real Estate Taxes. For purposes hereof, "Increases in Real Estate Taxes" shall be deemed to mean the increase (if any) in Real Estate Taxes incurred for the Buildings for the Lease Year in question compared to the Real Estate Taxes for the Building incurred in the Base Year. For all purposes hereof, the "Base Year" shall be the 2009 calendar year. Notwithstanding anything herein to the contrary, in the event the Building has an occupancy rate of less than one hundred percent (100%) during any portion of the Base Year, or the Building is not fully assessed during calendar year 2009 (which assessment is not diminished for any tenant rental abatement or other rental offset), then the Real Estate Taxes for the Base Year shall be increased to reflect a fully occupied and fully assessed Building.

10.6 Tax Contest. Landlord shall use commercially reasonable efforts (which need not include the institution of legal proceedings) to cause Real Estate Taxes to be consistent with those for other comparable office buildings in Fairfax, Virginia. In the event Landlord fails to, or elects not to, contest the amount or validity of any Real Estate Taxes or seek a reduction in the valuation of the building and prosecute any other appeal thereof (each, a "Contest") for any given calendar year of the Term Landlord shall so notify Tenant in writing at least twenty (20) days before the last day to file such Contest, and Tenant may within ten (10) days after receipt of such notice, provide notice to Landlord directing Landlord to commence such Contest in connection with such calendar year, and Landlord shall at all times in connection with any such Contest act in good faith and shall use commercially reasonable efforts to achieve an outcome that is reasonably acceptable to both Landlord and Tenant. In the event Tenant elects to request Landlord initiate such a Contest, Tenant shall be solely responsible for the entirety of each and every cost and expense incurred in connection therewith (provided that Tenant shall be entitled to reimbursement of the direct third party costs of such Contest from any tax savings resulting from the Contest), and further shall indemnify and hold Landlord and the Buildings harmless from and against any resulting increase in Real Estate Taxes resulting from such Contest [which amount shall be paid by Tenant to Landlord within thirty (30) days after the completion of such Contest and in any event prior to the due date thereof].

The foregoing indemnification obligation shall survive the termination of this Lease. Subject to Landlord's commercially reasonable efforts as set forth above, the manner, method, ultimate disposition of and expenses incurred in connection with any such Contest, as well as the ultimate determination of whether to commence a Contest, shall be subject to the approval of Landlord. In connection with any Contest, at Tenant's request, Landlord and Tenant will confer with each other on all matters of material significance in connection therewith.

10.7 Real Estate Tax Refund. If Real Estate Taxes paid during any calendar year shall be decreased or refunded to Landlord in whole or in part for any reason whatsoever (including a refund that takes the form of a credit by the relevant taxing authority against the following year's Real Estate Taxes), then Landlord shall promptly refund to Tenant Tenant's Share (for the year to which such decrease or refund relates) of such decrease or refund (allocated in the case of special assessments to the applicable portion of the Term of this Lease) or, if the Term of this Lease has not expired, credit such refund to Tenant against the next installments of Tenant's Share of Increases in Real Estate Taxes coming due hereunder.

11. ADDITIONAL PROVISIONS; OPERATING COSTS AND REAL ESTATE TAXES.

11.1 Partial Year; End of Term. To the extent that a more accurate method of allocating same cannot be implemented by Landlord, Tenant's Share of Operating Costs and Real Estate Taxes for any partial calendar year shall be determined by multiplying the amount of Tenant's Share thereof for the full calendar year by a fraction, the numerator of which is the number of days during such partial year falling within the Term and the denominator of which is 365. If this Lease terminates on a day other than the last day of a calendar year, the amount of any adjustment to Tenant's Share of Real Estate Taxes with respect to the year in which such termination occurs shall be prorated on the basis which the number of days from January 1 of such year to and including such termination date bears to 365; and any amount payable by Landlord to Tenant or Tenant to Landlord with respect to such adjustment shall be payable within thirty (30) days after delivery by Landlord to Tenant of the applicable Expense Statement and Tax Statement with respect to such year.

11.2 Other Taxes. In addition to Tenant's Share of Operating Costs and Real Estate Taxes, Tenant shall pay, prior to delinquency, all personal property taxes payable with respect to all property of Tenant located in the Premises.

11.3 Covenant Regarding Timely Payment of Operating Costs and Real Estate Taxes. Landlord covenants to pay all Operating Costs and Real Estate Taxes before the same become delinquent, subject to Tenant's obligation to make the payments contemplated by Section 9 and Section 10, above, in a timely fashion.

11.4 Contesting Real Estate Taxes. Landlord will have the right to employ a tax consulting firm to attempt to assure a fair tax burden on the Project, provided Landlord will use reasonable efforts to minimize the cost of such service. The reasonable cost of such service shall be included in the Real Estate Taxes hereunder in the year same were incurred or paid, at Landlord's election. Additionally, during any such period, Landlord shall have the right, in its reasonable judgment, to contest any tax assessment, valuation or levy against the Project, and to retain legal counsel and expert witnesses to assist in such contest and otherwise to incur expenses in such contest, and any reasonable fees, expenses and costs incurred by Landlord in contesting any assessments, levies or tax rate applicable to the Project, whether or not such contest is successful, shall be included in Real Estate Taxes as set forth above.

11.5 Arbitration. Disputes regarding Operating Costs, Real Estate Taxes, and any audit thereof, shall be subject to arbitration in accordance with the provisions of Section 49 hereof.

12. TENANT'S INSURANCE.

12.1 Coverage Requirements. Tenant shall during the Term of this Lease, procure at its expense and keep in force the following insurance:

(A) Commercial general liability insurance including Landlord and Landlord's managing agent and any Landlord mortgagee as additional insureds against claims for bodily injury and property damage occurring in or about the Premises or any appurtenances thereto. Such insurance shall be written on an "Occurrence Form" and shall include, without limitation, blanket contractual liability recognizing provisions of this Lease, broad form property damage, coverage for independent contractors, personal injury liability and coverage for hired auto and non-ownership auto liability if not covered in a separate business auto policy. Such insurance shall be primary and not contributing to any insurance available to Landlord and Landlord's insurance shall be in excess thereto. Such insurance shall have a limit of not less than Two Million Dollars ($2,000,000.00) per occurrence with a Five Million Dollars ($5,000,000.00) general aggregate and Five Million Dollars ($5,000,000.00) excess umbrella coverage. In no event shall the limits of such insurance be considered as limiting the liability of Tenant under this Lease;

(B) Personal property insurance insuring all equipment, trade fixtures, inventory, fixtures and personal property located within the Premises (excluding leasehold improvements, which shall be insured by and remain the property of Landlord). Such insurance shall be written on a replacement cost basis in an amount equal to one hundred percent (100%) of the full replacement value of the aggregate of the foregoing, subject to any commercially reasonable deductibles; and

(C) Workers' compensation and occupational disease insurance, employee benefit insurance and any other insurance in the statutory amounts required by the laws of the State where the operations are to be performed with broad-form all-states endorsement. Employer's liability insurance with a limit of One Million Dollars ($1,000,000.00) for each accident.

12.2 Rating; Certificates; Cancellation. The policies required to be maintained by Tenant shall be with companies rated A-III or better in the most current issue of Best's

Insurance Reports. Insurers shall be licensed or authorized to do business in the Commonwealth of Virginia and domiciled in the USA. Any deductible amounts under any insurance policies required hereunder shall be commercially reasonable. Certificates of insurance shall be delivered to Landlord prior to the Commencement Date and annually thereafter within five (5) business days after renewal coverage has been bound and not later than the expiration date of any then currently applicable policy(ies). Tenant shall have the right to provide insurance coverage which it is obligated to carry pursuant to the terms hereof in a blanket policy, provided such blanket policy expressly affords coverage in the amounts required above to the Premises and to Landlord as required by this Lease. Each policy of insurance shall provide that the insurance carrier endeavor to provide notification to Landlord and any mortgagee(s) of Landlord at least thirty (30) days prior to any cancellation or modification to reduce the insurance coverage [except ten (10) days notice with respect to cancellation for nonpayment of premium].

12.3 Other. In the event Tenant does not purchase the insurance required by this Lease or keep the same in full force and effect, and the same is not corrected within one (1) business day following written notice thereof from Landlord to Tenant, then Landlord may, but shall not be obligated to, purchase the necessary insurance and pay the premium therefore. Tenant shall repay to Landlord, as Additional Rent, any and all reasonable expenses (including attorneys' fees) and damages which Landlord may sustain by reason of the failure of Tenant to obtain and maintain insurance.

13. LANDLORD'S INSURANCE.

13.1 Coverage. At all times during the Lease Term, Landlord will maintain, the cost of which shall be reimbursable as an Operating Cost hereunder, (a) fire and extended coverage insurance covering the Project, including, without limitation, all leasehold improvements within the Premises, except leasehold improvements constructed by Tenant at its expense after completion of the Leasehold Work, in an amount equal to one hundred percent (100%) of the replacement value thereof, (b) primary and non-contributory public liability and property damage insurance in such amounts as Landlord deems reasonable from time to time, but in no event less than Five Million Dollars ($5,000,000.00), and (c) rent loss insurance for all Rent hereunder for a period of not less than twelve (12) months. Landlord shall also have the right to obtain such other types and amounts of insurance coverage on the Building and Landlord's liability in connection with the Building as are customary or advisable for a comparable office project in the Fairfax, Virginia area, as determined by Landlord in Landlord's reasonable judgment.

13.2 Rating; Certificates; Cancellation. The policies required to be maintained by Landlord shall be with companies rated A-X or better in the most current issue of Best's Insurance Reports. Insurers shall be licensed to do business in the Commonwealth of Virginia and domiciled in the USA. Any deductible amounts under any insurance policies required hereunder shall be commercially reasonable, in Landlord's reasonable judgment. Landlord shall have the right to provide insurance coverage which it is obligated to carry pursuant to the terms hereof in a blanket policy, provided such blanket policy expressly affords coverage to the Project and to Tenant as required by this Lease.

14. DAMAGE AND DESTRUCTION.

14.1 Damage Repair.

14.1.1 If the Premises or the Building, or access to the Premises, shall be destroyed or rendered untenantable, either wholly or in part, by fire or other casualty, then Landlord shall, within thirty (30) days after the date of such casualty, provide Tenant with a good faith written estimate prepared by an independent architect selected by Landlord (the "Estimate") of how long it will take to repair or restore the Premises.

14.1.2 If neither party elects to terminate this Lease in accordance with the terms hereof following any casualty, then Landlord shall commence promptly and diligently prosecute to completion the restoration of the Premises to their previous condition (including, without limitation, all leasehold improvements that have been made to the Premises by Landlord), subject to Force Majeure as defined herein (not to exceed 90 days) and delays caused by Tenant; and commencing as of the date of the casualty (or such later date as Tenant ceases use of the Premises) and continuing until substantial completion of such restoration, the Base Rent and Additional Rent shall be abated in the same proportion as the untenantable portion of the Premises bears to the whole thereof, and this Lease shall continue in full force and effect.

14.1.3 If (a) fifty percent (50%) or more of the rentable area of the Building is damaged or rendered untenantable (herein, a "Major Casualty"), and (b) Landlord's independent architect estimates within the Estimate that Landlord will require in excess of three hundred sixty-five (365) days after the date of the casualty to fully repair or restore the Building in accordance herewith, then, within thirty (30) days after Landlord delivers Tenant the Estimate, Landlord and Tenant shall each have the right to terminate this Lease by written notice to the other, which termination shall be effective as of the date of such notice of termination (or such later date as Tenant vacates the Premises), and all liabilities and obligations of Landlord and Tenant thereafter accruing shall terminate and be of no legal force and effect except as otherwise specifically set forth herein. Neither Landlord nor Tenant shall have any right to terminate this Lease on account of a casualty that is not a Major Casualty. The parties agree that in the event of a termination related to a Major Casualty, either party, by written notice to the other within ten (10) business days after the date that either party so terminates this Lease, may also terminate the Lease between Landlord and Tenant dated September 17, 2009 with respect to approximately 53,157 rentable square feet in the Building at 9300 and 9302 Lee Highway.

14.1.4 If neither party elects to terminate the Lease and Landlord fails or declines to exercise any other termination right pursuant to this Section 14, Landlord will use commercially reasonable efforts to commence and complete its restoration of the affected portions of the Premises promptly, and in the event Landlord is unable to complete such restoration within three hundred sixty five (365) days after the date of the casualty (or such longer period as was referenced in the Estimate, if applicable), as such period may be extended due to Force Majeure (not to exceed ninety (90) days) or due to any Tenant Delays (as such term is defined in Exhibit C hereof, and not limited as to the number of days) then within thirty (30) days after the expiration of such period (but in all events prior to the date Landlord completes its restoration of the Premises), Tenant shall again have the right to terminate this Lease upon thirty (30) days prior written notice to Landlord; provided, however, that if Landlord substantially completes such restoration prior to the end of the thirty (30) day notice period, Tenant's notice of termination shall be deemed rescinded and ineffective for all purposes, and this Lease shall continue in full force and effect. The provisions of this Section are in lieu of any statutory termination provisions allowable in the event of casualty damage.

14.1.5 If at any time in the course of its restoration of damaged portions of the Premises, Landlord believes in good faith that the original Estimate is no longer accurate for reasons other than Force Majeure (in which event the provisions of Section 14.1.4 shall control), Landlord shall deliver a revised Estimate to Tenant of the additional time period which Landlord's independent architect believes will be required to fully repair or restore the Premises in accordance herewith, and, unless Tenant terminates this Lease by written notice to Landlord within ten (10) business days after its receipt of such revised Estimate from Landlord, Tenant shall be deemed to have agreed that, for all purposes of this Section 14.1.5, the three hundred sixty-five (365) day time limit otherwise imposed upon completion of Landlord's restoration of the damaged portions of the Premises shall be extended by the number of additional days needed to complete as estimated by Landlord within such revised Estimate. If Tenant elects to terminate this Lease as to the damaged Building after receiving such a revised Estimate from Landlord, as aforesaid, such termination shall be effective as of the date of such notice of termination, and all liabilities and obligations of Landlord and Tenant thereafter accruing hereunder with respect to such Building shall terminate and be of no legal force and effect except as otherwise specifically set forth herein.

14.2 Reconstruction. If all or any portion of the Premises is damaged by fire or other casualty and this Lease is not terminated in accordance with the provisions hereof, then all insurance proceeds under the policy referred to in Section 13.1 hereof that are recovered by Landlord on account of any such damage by fire or casualty shall be made available for the payment of the cost of repair, replacing and rebuilding.

14.3 Business Interruption. Other than rental abatement as and to the extent provided in Section 14.1, no damages, compensation or claim shall be payable by Landlord for inconvenience or loss of business arising from interruption of business, repair or restoration of the Building or Premises.

14.4 Repairs. Landlord's repair obligations, should it elect to repair, shall be limited to the base Building, Common Areas and all leasehold improvements initially performed by Landlord to and within the Premises. Landlord shall use reasonable efforts to commence such repairs and restorations within a reasonable period, and to complete such repairs within the time frames referenced in Section 14.1, above. Tenant acknowledges that any such repairs or restorations shall be subject to applicable laws and governmental requirements, any disbursement requirements imposed by Landlord's mortgagee (if any), and to delay in the process of adjusting any insurance claim associated therewith; and delays resulting from any of the foregoing shall constitute a "Force Majeure" hereunder, shall not in any event constitute a breach of this Lease by Landlord, and shall extend the time for completing such restoration as long as Landlord uses reasonable efforts to commence and complete such repairs and restorations in a timely fashion.

14.5 End of Term Casualty. Anything herein to the contrary notwithstanding, if more than thirty percent (30%) of the Premises is destroyed or damaged during the last eighteen (18) months of the Lease Term, then either Landlord or Tenant shall have the right to terminate this Lease upon thirty (30) days prior written notice to the other, which termination shall be effective on the thirtieth (30th) day after the other party's receipt of such notice. Such notice must be delivered within thirty (30) days after such casualty, or shall be deemed waived; provided, however, that Tenant may revoke such termination notice, and request Landlord to restore the Premises in accordance with the remaining provisions of this Section 14, by exercising any renewal option provided herein, if any.

15. MACHINERY AND EQUIPMENT; ALTERATIONS AND ADDITIONS; REMOVAL OF FIXTURES.

15.1 Tenant shall not place a load upon the floor of the Premises which exceeds the maximum live load per square foot for the Building (which is 80 lbs/sf) without Landlord's prior written consent. Landlord acknowledges that Tenant's current use of the Premises does not exceed the Building's maximum live load per square foot. Tenant will not install or operate in the Premises any electrical or other equipment requiring any changes, replacements or additions to any base building system, without Landlord's prior written consent, which shall not be unreasonably withheld, conditioned or delayed (and if such consent is granted Tenant shall be responsible for the costs of such changes, replacements or additions).

15.2 Tenant shall not make or allow to be made any alterations, additions or improvements to or on the Premises which affect any structural or building system components of the Premises or which, under applicable codes, rules and/or regulations require any building electrical, plumbing or other permit, without Landlord's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed. Notwithstanding the foregoing, Tenant shall have the right to make any other alterations, repairs, additions or improvements in or to the Premises without Landlord's prior written consent provided Tenant provides Landlord with prior written notice thereof; provided, however that no exterior modification shall be made in any event without Landlord's prior written consent in all cases. Any such alterations, additions or improvements, including, but not limited to, wall covering, paneling and built-in cabinet work, shall be made at Tenant's sole expense (and, with respect to structural alterations, according to plans and specifications approved in writing by Landlord, which approval shall not be unreasonably withheld, conditioned or delayed), in compliance with all applicable laws, by a licensed contractor, and in a good and workmanlike manner conforming in quality and design with the Premises existing as of the Commencement Date, and shall at once become a part of the realty and shall be surrendered with the Premises (except as provided in Section 15.3, below). Tenant shall have the right to use its own vendors to perform alterations to the Premises, subject to Landlord's reasonable prior approval in cases where the underlying alteration requires Landlord's consent hereunder. Notwithstanding anything herein to the contrary, Tenant shall not be required to obtain Landlord's consent to (a) install conduit, cabling and/or wiring within the Premises, or (b) paint, carpet or decorate ("Permitted Alterations"). If, Landlord fails, within ten (10) business days of its receipt of Tenant's request for consent to or approval of any alterations, plans, specifications, contractors, subcontractors, or any other submission made pursuant to this Section 15 that requires Landlord's consent or approval, to notify Tenant that Landlord withholds such consent or approval (including therewith a statement identifying its reasons therefor with reasonable specificity), then Tenant shall have the right to give Landlord a second (2nd) written notice requesting consent to the proposed alterations, which notice shall (in addition to again requesting such consent) contain a sentence stating "LANDLORD'S FAILURE TO RESPOND TO THIS NOTICE WITHIN FIVE BUSINESS DAYS AFTER LANDLORD'S RECEIPT HEREOF SHALL CONSTITUTE LANDLORD'S CONSENT TO THE PROPOSED ALTERATIONS", and, in the event that Landlord fails to respond to such second (2nd) notice within five (5) business days after Landlord's receipt thereof, then Landlord shall be deemed to have consented to the proposed alterations; provided in no event shall Landlord be deemed to consent to any alteration or modification which, in Landlord's good faith opinion, materially and adversely affects any Building structure or Building systems. Landlord shall reasonably cooperate, at Tenant's expense, with Tenant's efforts to obtain any necessary permits or licenses and shall execute any applications or other documents required by Law or any governmental agency to be executed by the building owner (at no out-of-pocket cost or liability to Landlord).

15.3 Landlord, at the time Tenant requests Landlord's approval of any Alteration, may elect to require Tenant to remove all or any part of the alterations made by Tenant subsequent to the Commencement Date if (x) the alterations constitute inter- floor slab openings or raised computer floors or (y) Landlord notifies Tenant in writing that Landlord will require the removal and restoration of any alterations at the time Landlord consents to the alterations (with respect to alterations for which Landlord's consent is required pursuant to this Lease) or within a reasonable period [not to exceed fifteen (15) days] after Tenant's written request for such determination (with respect to other alterations), as applicable; provided, however, that Landlord shall not have the right to require the removal of a particular alteration unless it is customary for landlords of comparable office buildings in Fairfax, Virginia to require tenants to remove and restore the same; provided further, however, that Landlord always shall have the right to require the removal of inter-floor slab openings and raised computer floors. Removal of Tenant's alterations shall be at Tenant's cost and expense, and Tenant shall, at its cost and expense, repair any damage to the Premises or the Building caused by such removal. The foregoing notwithstanding, Landlord shall not have the right to require removal of (i) any alterations or improvements that exist in the Premises as of the Commencement Date or (ii) any data and telecommunication cabling located in the Premises, Sublease Space or Additional Premises if at the time any such space was delivered to Tenant, any data and telecommunication cabling was located in such space.

15.4 Tenant shall remove any of its movable property, trade fixtures and roof devices. Tenant shall pay Landlord any damages for injury to the Premises or Building resulting from such removal. All items of Tenant's personal property that are not removed from the Premises or the Building by Tenant at the termination of this Lease shall be deemed abandoned and become the exclusive property of Landlord, without further notice to or demand upon Tenant. Tenant's obligations under these Sections 15.2, 15.3 and 15.4 shall survive the expiration or termination of this Lease. If the Premises are not surrendered as and when aforesaid, Tenant shall indemnify Landlord against all claims, losses, costs, expenses (including reasonable attorneys' fees) and liabilities resulting from the delay by Tenant in so surrendering the same, including without limitation any claims made by any succeeding occupant founded on such delay. Tenant's obligations under Section 15 shall survive the expiration or termination of this Lease.

15.5 Notwithstanding anything herein to the contrary, Landlord shall be entitled to charge Tenant an oversight fee in connection with any alterations, additions and/or improvements to the Premises (subsequent to the Leasehold Work) for which a building permit is required in an amount equal to one half percent (1/2%) of the actual hard costs thereof.

16. ACCEPTANCE OF PREMISES.

Landlord shall tender, and Tenant shall accept possession of, the Premises in its current as-is condition, provided the same does not obviate the terms of Exhibit C-1 attached hereto.

17. TENANT IMPROVEMENTS.

The provisions governing improvements to the Premises are set forth in Exhibits C-1 (Base Building Capital Improvements) and C-2 (Leasehold Work) attached hereto.

18. ACCESS.

18.1 Subject to the restrictions set forth below, Tenant shall permit Landlord and its agents to enter the Premises at all reasonable times to inspect the same; to show the Premises during the last eighteen (18) months of the Term to prospective tenants, or interested parties such as prospective lenders and purchasers; to exercise its rights under Section 48; to clean, repair, alter or improve the Premises or the Building; to discharge Tenant's obligations when Tenant has failed to do so within a reasonable time after written notice from Landlord; to post notices of non-responsibility and similar notices. Tenant shall permit Landlord and its agents to enter the Premises at any time in the event of an emergency. When reasonably necessary in connection with an emergency, Landlord may temporarily close entrances, doors, corridors, elevators or other facilities without liability to Tenant by reason of such closure. In exercising the foregoing rights, Landlord shall use reasonable efforts to minimize any disruption to Tenant's business. Landlord shall coordinate any entry into the Premises with Tenant's facilities supervisor at least 24 hours in advance (except in cases of emergency involving fire or other casualty, or other risk of injury or death to persons), and Landlord acknowledges that Tenant may require

Landlord and its agents to be accompanied by a representative of Tenant for security purposes upon Landlord's entry to the Premises (other than in cases of emergency involving fire or other casualty, or other risk of injury or death to persons) for legitimate, documented security purposes. Tenant shall supply Landlord with telephone numbers for Tenant's facilities supervisor so that Landlord will be able to comply with established security procedures to the extent feasible under the circumstances in the event Landlord requires immediate access to the Premises to cure any emergency situation. In the event Tenant, though no act or omission of its own, is deprived of access to the Premises as a result of Landlord's closure of all access to the Building or Premises for a period exceeding three (3) business days (other than in an Emergency Situation or to undertake Emergency Repairs), and as a result thereof Tenant is unable to and does not in fact occupy or conduct business from any applicable portion of the Premises, then from and after such date and until the restoration of access to the Building and/or Premises, as applicable, Tenant shall be entitled to abate its Rent obligations hereunder.

18.2 Notwithstanding anything in this Lease to the contrary, Landlord acknowledges and agrees that due to the nature of Tenant's business, certain areas of the Premises, as reasonably designated by Tenant from time to time, may be secured and Landlord and Landlord's agents, contractors and employees and others not possessing the required security clearances will not be permitted access to such areas. To the extent that access to any such areas is prohibited or unreasonably restricted by Tenant, Landlord shall have no obligation to maintain or repair such areas of the Premises, and Tenant does hereby indemnify and hold Landlord harmless from and against any loss, cost, damage or liability, including from any damage to the Building, resulting from Landlord's inability to access such areas. The foregoing notwithstanding, in the event of an Emergency Situation or in the event of the requirement for Emergency Repairs Landlord shall be entitled to immediate access to such areas irrespective of and notwithstanding the foregoing.

18.3 All work performed by Landlord under this Section 18 shall be done as promptly as reasonably possible and so as to cause as little interference to Tenant as reasonably possible. Further, in connection with any work performed by Landlord in the Premises pursuant to this Section 18, Landlord shall clean up all areas being utilized for such work and promptly after the completion of its work, restore or repair any damage to the Premises and any of Tenant's property therein as may have been affected by the performance of such work to the condition existing prior to the performance of such work.

19. MUTUAL WAIVER OF SUBROGATION.

19.1 Tenant. Notwithstanding anything to the contrary in this Lease, whether the loss or damage is due to the negligence of Landlord or Landlord's agents or employees, or any other cause, Tenant hereby releases Landlord and Landlord's agents and employees from responsibility for and waives its entire claim of recovery for (i) any and all loss or damage to the personal property of Tenant located in the Project, arising out of any of the perils which are covered by Tenant's property insurance policy, with extended coverage endorsements which Tenant is required to obtain under the applicable provisions of this Lease, whether or not actually obtained, and (ii) loss resulting from interruption to Tenant's business at the Premises.

19.2 Landlord. Notwithstanding anything to the contrary in this Lease, whether the loss or damage is due to the negligence of Tenant or Tenant's agents or employees, or any other cause, Landlord hereby releases Tenant and Tenant's agents and employees from responsibility for and waives its entire claim of recovery for any and all loss or damage to the Building or any personal property of Landlord located about the Project and the Building generally and all property attached thereto (excluding any such property required to be insured by Tenant hereunder), arising out of any of the perils which are covered by Landlord's property insurance policy which Landlord is required to obtain under the applicable provisions of this Lease, whether or not actually obtained.

19.3 Carriers. Landlord and Tenant shall each cause its respective insurance carrier(s) to consent to such waiver of all rights of subrogation against the other, and to issue an endorsement to all policies of insurance obtained by such party confirming that the foregoing release and waiver will not invalidate such policies.

20. INDEMNIFICATION.

20.1 Subject to the provisions of Section 19 hereof and other provisions of this Lease, Tenant shall indemnify and hold harmless Landlord, its agents, employees, officers, directors, partners and shareholders from and against any and all third party claims, liabilities, judgments, demands, causes of action, claims, losses, damages, costs and expenses, including reasonable attorneys' fees and costs, arising out of such third party claims, to the extent arising out of (i) the use and occupancy of the Premises by Tenant, its officers, contractors, licensees, agents, servants, employees, guests, invitees, visitors, assignees or subtenants; and/or (ii) the negligence or willful misconduct of Tenant, its officers, contractors, licensees, agents, servants, employees, guests, invitees, visitors, assignees or subtenants, in or about the Project; provided that this indemnity shall not apply to any loss, damage, liability or expense resulting from injuries to third parties caused by the negligence or willful misconduct of Landlord, or its officers, contractors, licensees, agents, employees or invitees. Tenant shall not be responsible or liable for any claims for the interruption of or loss to Landlord's business, nor any other consequential or indirect damages on account of or in connection with the indemnifications set forth above.

20.2 Subject to the provisions of Section 20 hereof and other provisions of this Lease, Landlord shall indemnify and hold harmless Tenant, its agents, employees, officers, directors, partners and shareholders from and against any and all third party claims, liabilities, judgments, demands, causes of action, claims, losses, damages, costs and expenses, including reasonable attorneys' fees and costs, arising out of such third party claims, to the extent arising out of (i) the use and occupancy of the Common Areas by Landlord, its officers, contractors, licensees, agents, servants, employees, guests, invitees or assignees, and/or (ii) the negligence or willful misconduct of Landlord, its officers, contractors, licensees, agents, servants, employees, guests, or visitors, in or about the Project; provided that this indemnity shall not apply to any loss, damage, liability or expense resulting from injuries to third parties caused by the negligence or willful misconduct of Tenant, or its officers, contractors, licensees, agents, employees or invitees. Landlord shall not be responsible or liable for any claims for the interruption of or loss to Tenant's business, nor any other consequential or indirect damages on account of or in connection with the indemnifications set forth above.

20.3 The indemnifications set forth in this Section 20 shall survive termination of this Lease.

21. ASSIGNMENT AND SUBLETTING.

21.1 Consent Required. Subject to the terms of this Section 21 and except as permitted in accordance with Section 21.4 below, Tenant shall not assign, encumber, mortgage, pledge, license, hypothecate or otherwise transfer the Premises or this Lease, or sublease all or any part of the Premises, or permit the use or occupancy of the Premises by any party other than Tenant, without the prior written consent of Landlord, which shall not be unreasonably withheld, conditioned or delayed, as more fully set forth below.

21.2 Procedure.

21.2.1 Tenant must request Landlord's consent to any such assignment, sublease or other transfer in writing at least fifteen (15) days prior to the commencement date of the proposed sublease or assignment, which written request (a "Proposal Notice") must include (1) the name and address of the proposed assignee or subtenant, (2) the nature and character of the business of the proposed assignee or subtenant, (3) financial information (including financial statements to the extent readily available) of the proposed assignee or subtenant, (4) the proposed effective date of the assignment or sublease, which shall be not less than fifteen (15) days thereafter, and (5) a copy of the proposed sublease or assignment agreement. Tenant shall also provide any additional information Landlord reasonably requests regarding a proposed assignment of the Lease or a proposed subletting. Within ten (10) days after Landlord receives Tenant's Proposal Notice (with all required information included), but subject to Section 21.5, below, Landlord shall have the option (i) to grant its consent to such proposed assignment or subletting, (ii) to deny its consent to such proposed assignment or subletting on a reasonable basis in accordance with the provisions of Section 21.1 above, or (iii) subject to the terms of Section 21.5 to notify Tenant that Landlord shall recapture that portion of the Premises for which consent to such proposed assignment or subleasing has been requested pursuant to the Proposal Notice (provided that such recapture right shall be applicable only in the event that Tenant's has sublet and/or assigned, in the aggregate inclusive of the space to be sublet or assigned pursuant to the Tenant's Proposal Notice, in excess of fifty percent (50%) of rentable square footage of the Premises). If Landlord does not provide notice to Tenant of the Landlord's exercise of one of the above options (or the recapture right set forth in Section 21.5 below, in the event Landlord exercises option "iii" above) within ten (10) business days after Landlord receives such Proposal Notice, then Tenant may assign or sublease the Premises upon the terms stated in the Proposal Notice.

21.2.2 Without limitation, it shall not be unreasonable for Landlord to withhold its consent to a proposed subletting or assignment if the proposed subtenant or assignee (1) proposes to use the Premises for a purpose that is not a Permitted Use or (2) has a history of landlord/tenant, debtor/creditor or other contractual problems (such as, but not limited to, defaults, evictions, or enforcement litigation) with Landlord and/or (3) enjoys or is entitled to sovereign or diplomatic immunity.

21.3 Conditions. Any subleases and/or assignments hereunder are also subject to all of the following terms and conditions:

21.3.1 Provided that and only if Landlord's consent is required for an assignment or sublease as herein provided, then, if Landlord approves such an assignment or sublease, Tenant shall pay to Landlord, as Additional Rent due under this Lease, (i) in the case of an assignment, fifty percent (50%) of the amount, if any, by which the rent, any additional rent and any other sums payable by the Assignee to Tenant under the assignment exceed the Base Rent plus Tenant's Share of Expense Increases and Tenant's Share of Tax Increases payable by Tenant, calculated after Tenant has recovered from such consideration its "Transaction Expenses" (as hereafter defined), and (ii) in the case of a sublease, fifty percent (50%) of the amount, if any, by which the rent, any additional rent and any other sums payable by the subtenant to Tenant under such sublease, exceeds that portion of the Base Rent plus Tenant's Share of Expense Increases and Tenant's Share of Tax Increases payable by Tenant hereunder which is allocable to the portion of the Premises which is the subject of such sublease, calculated after Tenant has recovered its Transaction Expenses from such net amount. The term "Transaction Expenses" shall mean all reasonable and actual out-of-pocket expenses incurred by Tenant in procuring such assignment or sublease, in payment of broker fees and legal fees (if any) paid by Tenant, any improvements which Tenant makes to the applicable portion of the Premises at Tenant's expense in connection with such assignment or sublease, any improvement or construction allowance provided by Tenant, the then depreciated book value of any of Tenant's furniture, furnishings or equipment conveyed to the subtenant or assignee as part of the sublease or assignment, any rent abatement, and any buy-out of the assignee's or sublessee's existing lease paid for by Tenant as a part of such transaction. The foregoing payments shall be made on not less than a monthly basis by Tenant (in the case of subleases) and in all cases within ten (10) business days after Tenant receives the applicable consideration from the assignee or subtenant.

21.3.2 No consent to any assignment, sublease or other transfer shall constitute a further waiver of the provisions of this Section, and all subsequent assignments, subleases or other transfers may be made only with the prior written consent of Landlord (if required hereunder). In no event shall any consent by Landlord be construed to permit reassignment, re-subletting or retransfer by a permitted assignee, sublessee or other transferee without obtaining Landlord's prior consent (to the extent Landlord's consent is required hereunder), which consent shall not be unreasonably withheld, conditioned or delayed.

21.3.3 The assignee under any assignment of this Lease shall be fully (and, at Landlord's option, directly) liable for all of the obligations of "Tenant" accruing under this Lease after such assignment, on a joint and several basis with Tenant. Tenant shall nevertheless remain fully liable to Landlord for all Lease obligations, including those accruing after the effective date of such assignment.

21.3.4 Any sublease or assignment shall be subject to the condition that the sublessee or assignee thereunder shall be bound by all of the terms, covenants and conditions of this Lease (in the case of a sublease, insofar as such terms, covenants and conditions relate to the portion of the Premises subleased and/or the operations and conduct of business by the sublessee).

21.3.5 Without limitation, any and all guaranties of this Lease shall be unaffected by such sublease and assignment, and shall remain in full force and effect for all purposes.

21.3.6 Any assignment or sublease without Landlord's prior written consent (if such consent is required as herein provided) shall be void, and shall, at the option of the Landlord, constitute a default under this Lease.

21.3.7 For any assignment or sublease which requires Landlord's consent (as herein provided), Tenant shall pay to Landlord a processing fee of Five Hundred Dollars ($500.00) which shall accompany any proposed assignment or sublease delivered by Tenant to Landlord, and which processing fee shall be in addition to Landlord's reasonable attorney's fees incurred in connection with Landlord's review of such sublease or assignment (if any), which shall also be reimbursed by Tenant which legal fees shall not exceed the sum of Two Thousand and 00/100 Dollars ($2,000.00) in any one instance.

21.4 <u>Transfers Without Landlord Consent</u>.

21.4.1 Notwithstanding anything to the contrary contained in this Lease, provided such transfer is not effectuated as part of a transaction or series of transfers orchestrated in order to effect a transfer of this Lease (or Tenant's interest herein) in violation of the terms of this Lease, Tenant shall not be required to obtain Landlord consent (but shall notify Landlord not less than 10 days after the effective date thereof) of any sublease, assignment or other transfer of this Lease to any other entity (i) which controls or is controlled by Tenant, or (ii) which is under common control with Tenant, or (iii) which purchases all of the assets or ownership interests of Tenant or Tenant's parent, or (iv) which merges with Tenant or Tenant's parent pursuant to a valid statutory merger; provided, that (a) except in the case of a statutory merger, Tenant (as well as any surviving or successor entity) shall continue to remain fully liable under the Lease, on a joint and several basis with the assignee or acquirer of such assets, (b) any guarantees of this Lease shall remain in full force and effect unaffected thereby, and (c) following such sublease or assignment, Tenant or such assignee, as the case may be, shall continue to comply with all of its obligations under this Lease, including with respect to its Permitted Use of the Premises, as set forth in Section 4.1, above. Notwithstanding anything to the contrary, (a) if the Tenant or its parent is a publicly traded entity there shall be no restrictions or conditions hereunder applicable to the transfer of any stock or ownership interests of Tenant, and (b) the provisions of Sections 21.3.1 and 21.5 of this Lease shall not be applicable to any transaction that is governed by the provisions of this Section 21.4.1.

21.4.2 Tenant shall not transfer all or substantially all of its assets to any person or entity unless either (i) this Lease is one of the assets so transferred to such other person or entity, and the transferee assumes in writing, for Landlord's benefit, the obligations of Tenant accruing hereunder from and after the effective date of the transfer, or (ii) the transferee(s) thereof otherwise delivers to Landlord a written assumption of Tenant's obligations hereunder.

21.4.3 Notwithstanding any provision of this Lease to the contrary, (a) Tenant shall be entitled, without the consent of Landlord (but with prior notice to Landlord and otherwise in compliance with the remaining terms of this Section 21) to (1) sublet from time to time portions of the Premises, to its corporate subsidiaries, affiliates, client and business partners or (2) on a hourly or day-to-day irregular basis permit the use of the auditorium, conference rooms and break-out rooms by third parties, and (b) the provisions of Section 21.3.1 and 21.5 of this Lease shall not be applicable to any transaction that is governed by the provisions of this Section 21.4.3.

21.5 Right of Termination. Except for any assignment or sublease permitted pursuant to Section 21.4, above, in the event of a proposed assignment of this Lease, or any proposed sublease of all or a portion of the Premises, which encompasses, when combined with all space within the Premises previously sublet, in excess of fifty percent (50%) of the rentable area within the Premises (exclusive of any sublease or assignment that is entered into by Tenant which does not require Landlord's consent), Landlord shall have the right, by notice to Tenant delivered within ten (10) business days after Landlord's receipt of Tenant's Proposal Notice (and in lieu of the granting or denial of consent provided for in Section 21.2, above), to terminate this Lease as to all of the Premises (in the event of an assignment) or as to only the proposed subleased portion of the Premises only (in the event of a sublease), in each case for the balance of the Term. In the event Landlord shall elect to terminate this Lease in connection with a proposed assignment or sublease of this Lease as provided above in whole or in part (as the case may be): (a) this Lease and the term hereof shall terminate (either as to the Premises as a whole, or only as to the portion thereof which Tenant is proposing to sublease, as the case may be) as of the later of (i) the proposed effective date of such assignment or sublease, as set forth in Tenant's Proposal Notice, or (ii) thirty (30) days after the date Landlord received Tenant's Proposal Notice; (b) Tenant shall be released from all liability under the Lease (as to the Premises as a whole, in the case of an assignment, or as to the terminated portion of the Premises only, in the case of a partial termination due to sublease) with respect to the period after the date of termination (other than obligations and indemnities of Tenant which accrued with respect to the applicable portion of the Premises prior to the effective date of such termination, which obligations shall expressly survive such termination or partial termination of this Lease); (c) all Base Rent, Additional Rent and other charges shall be prorated to the date of such termination, and appropriately adjusted if there is only a partial termination; (d) upon such termination date, Tenant shall surrender the Premises (or the applicable portion thereof) to Landlord in accordance with Section 26 hereof; and (e) in the case of a partial termination of this Lease, Landlord shall have the right, at Landlord's sole cost and expense, to separate the portion of the Premises being terminated from the balance of the Premises, including the erection of a demising wall and, to the extent necessary under the circumstances, the separation of any applicable Building systems. The foregoing notwithstanding, in the event following Landlord's receipt of the Proposal Notice Landlord elects to terminate this Lease or the applicable portion hereof as is set forth above, Tenant shall have the right, within ten (10) business days following Tenant's receipt of Landlord's notice of termination, to rescind the Proposal Notice, upon which this Lease shall remain in full force and effect, and the Proposal Notice shall be void ab initio.

22. SIGNAGE; ADVERTISING.

22.1 Generally. Except as provided below, Tenant shall not display any sign, graphics, notice, picture, or poster, or any advertising matter whatsoever, anywhere in or about the Premises or the Buildings at places visible from anywhere outside of or at the entrance to the Premises without first obtaining Landlord's written consent thereto, which consent shall not be unreasonably withheld, conditioned or delayed; it being agreed that Tenant shall not be required to obtain Landlord's consent for any sign entirely within the Premises and which is not visible from outside of the Premises. All signage, including interior and exterior signage, shall be at Tenant's sole expense, and subject to compliance with all applicable laws. Tenant shall be responsible to maintain any permitted signs and remove the same at Lease termination. In addition, upon the expiration or earlier termination of this Lease, all exterior signs identifying Tenant shall be removed by Tenant at Tenant's sole expense, and the affected portions of the Buildings shall be restored by Tenant. If Tenant shall fail to maintain or remove its signs, as aforesaid, Landlord may, upon ten (10) days prior written notice to Tenant, do so at Tenant's cost. Tenant shall be responsible to Landlord for any damage caused by the installation, use, maintenance or removal of any such signs. Notwithstanding anything herein to the contrary, Landlord hereby consents to all of Tenant's signage that exists as of the date of this Lease.

22.2 Signage Program/Permitted Signage.

(a) Lobby and Suite Signage. Notwithstanding anything herein to the contrary, lobby and suite identification signage shall be permitted in accordance with applicable legal requirements and the Landlord's overall signage program for the Building, subject to Landlord's approval which shall not be unreasonably withheld, conditioned or delayed. Generally, Tenant shall be permitted (at Tenant's expense) to install a standard suite entry sign, and directory identification panels on that portion of the Building's lobby directory located in the main lobby of the Building, commensurate with the relative square footage of the Premises as compared to the square footage of the applicable Building as a whole.

(b) Existing 9300 Signs. Notwithstanding anything herein to the contrary, Landlord hereby approves Tenant's two (2) existing building signs that are located on the exterior of the 9300 Building ("Existing 9300 Signs") and agrees that provided that the right to possession of the Premises by Tenant or its "Permitted Transferee" (which for the purposes of this Lease shall mean an assignee approved by Landlord pursuant to the terms of Section 21.2.1 or a transferee under Section 21.4) has not been terminated and Tenant, or its Permitted Transferee continues to lease at least 125,000 rentable square feet within the Project, Tenant may keep and maintain the Existing 9300 Signs throughout the term of the Lease and any extension thereof. If (i) Tenant or its Permitted Transferee no longer leases at least 125,000 rentable square feet in the Project or (ii) if the right to possession of the Premises by Tenant or its Permitted Transferee has been terminated, then Landlord may require that Tenant remove the Existing 9300 Signs.

(c) 9302 Signage. Landlord and Tenant acknowledge and agree that (i) the tenant commonly known as Odin Feldman ("Odin") has previously been granted rights by Landlord to install a sign on the south side of the 9302 Building and (ii) Odin shall be entitled to maintain said sign in place for as long as the Odin lease remains in effect (including extensions or renewals thereof) (the "Odin Sign"). Tenant shall have the right to place an additional sign [not to exceed one hundred (100%) of the total available signage for the 9302 Building including the Odin Sign] on the north side of the 9302 Building facing I-66.

When the Odin lease expires or is terminated, then provided Tenant (or its Permitted Transferee) leases at least 300,000 rentable square feet of rentable area in the Project, Tenant, at Tenant's expense, shall have the right to install an exterior sign [not to exceed one hundred (100%) of the total available signage for the 9302 Building] on the south side of the 9302 Building in the area where the Odin Sign is currently located and generally consistent (in location, design, lighting, and materials) with the Odin Sign, which sign shall be subject to Landlord's prior approval, which approval shall not be unreasonably withheld, conditioned or delayed. If when the Odin lease expires or is terminated, Tenant (or its Permitted Transferee) does not lease at least 300,000 rentable square feet in the Project, then Landlord shall retain the right to offer signage rights on the south side of the 9302 Building facing Route 29 Lee Highway to the tenant that leases the Odin space.

(d) General. All signage pursuant to the terms of this Section 22 shall be subject to the approval of Landlord, which such approval Landlord agrees not to unreasonably withhold, condition or delay, and to the requirements and limitations set forth in any comprehensive signage plan applicable to the project, as well as all regulations and requirements imposed by Fairfax County and/or the Commonwealth of Virginia. Notwithstanding the foregoing, the signs shown on the renderings or photograph(s) attached on Exhibit N are approved by Landlord provided that such approval does not constitute approval by any governmental agency. Tenant, at its sole cost and expense, shall install, operate, insure, repair and replace (as reasonably required by Landlord) such signs. At the expiration or earlier termination of the Lease Term, Tenant shall cause such signs to be removed and all damage associated therewith to be repaired. Except as set forth herein, Tenant shall not paint, affix or otherwise display any other sign, advertisement or notice within the Premises that is visible from outside the Premises or on any part of the exterior or interior of the Building.

In the event of a transfer of this Lease in accordance with Section 21 hereof, the successor to Tenant shall, subject to all other terms and conditions of this Lease (including the leasing requirements as set forth above) have the right to the signage rights granted to Tenant hereunder, provided that any new signage for such assignee shall be subject to Landlord's consent as set forth above (as to location, size, color, materials, manner of fixation and other elements).

22.3 In the event Landlord at any time (in Landlord's sole and absolute discretion) determines to erect a monument sign for the Project, Landlord shall place a sign panel containing Tenant's name on any such monument signs for the Project. Provided that Tenant is then leasing more rentable square footage in the Project than any other tenant, each sign panel shall be located in the most prominent location on each such sign and shall be of a size equal to or in excess of the sign panel of any other party that is listed on the monument sign.

22.4 Provided that Tenant or its Permitted Transferee is then leasing more rentable square footage in the applicable Building than any other tenant, Tenant shall have the right to install and maintain its sign and a reception desk in the lobby of such Building; provided however that the location, design and materials of such shall be subject to Landlord's prior written approval, which shall not be unreasonably withheld, conditioned or delayed.

22.5 Landlord shall not name either Building after any tenant or occupant of any Building nor shall Landlord publicly advertise that any Building is named after any tenant or occupant of either Building.

23. LIENS.

Tenant shall keep the Premises and the Building free from any liens arising out of any work performed, materials ordered or obligations incurred by or on behalf of Tenant, and Tenant hereby agrees to indemnify and hold Landlord, its agents, employees, independent contractors, officers, directors, partners, and shareholders harmless from any liability, cost or expense (including attorneys' fees and defense costs) for or arising from such liens. Tenant shall cause any such lien imposed to be released of record by payment or by bonding over the same within twenty (20) days after written request by Landlord. Tenant shall give Landlord written notice of Tenant's intention to perform work on the Premises which might result in any claim of lien at least ten (10) business days prior to the commencement of such work to enable Landlord to post and record a Notice of Nonresponsibility or other notice deemed proper before commencement of any such work. If Tenant fails to remove any lien within the prescribed twenty (20) day period, then Landlord may do so at Tenant's expense and Tenant's reimbursement to Landlord for such out-of-pocket amount, including reasonable attorneys' fees, shall be deemed Additional Rent hereunder.

24. DEFAULT.

24.1 <u>Tenant's Default</u>. A "Default" under this Lease by Tenant shall exist if any of the following occurs (taking into account the expiration of the notice and cure periods provided for below):

24.1.1 If Tenant fails to pay Base Rent, Additional Rent, timely bond off or pay off any lien pursuant to Section 23 hereof, or to pay any other sum required to be paid hereunder within ten (10) days after written notice from Landlord that such payment was due, but was not paid as of the due date, provided that if Landlord has provided such notice one (1) time in any Lease Year then for the balance of such Lease Year the cure period, rather than ten (10) days, shall be five (5) days; or

24.1.2 If Tenant fails to perform any term, covenant or condition of this Lease except those requiring the payment of money to Landlord as set forth in Section 24.1.1 above, and Tenant fails to cure such breach within thirty (30) days after written notice from Landlord where such breach could reasonably be cured within such thirty (30) day period; provided however that where such default could not reasonably be cured within the thirty (30) day period then Tenant shall not be in Default as long as Tenant promptly after receipt of Landlord's notice commences the action necessary to cure the breach and diligent and continuously thereafter prosecutes the cure to completion; or

24.1.3 If Tenant shall (i) make an assignment for the benefit of creditors, (ii) acquiesce in a petition in any court in any bankruptcy, reorganization, composition, extension or insolvency proceedings, (iii) seek, consent to or acquiesce in the appointment of any trustee, receiver or liquidator of Tenant and of all or substantially all of Tenant's property, (iv) file a petition seeking an order for relief under the Bankruptcy Code, as now or hereafter amended or supplemented, or by filing any petition under any other present or future federal, state or other statute or law for the same or similar relief, or (v) fail to win the dismissal, discontinuation or vacating of any involuntary bankruptcy proceeding within sixty (60) days after such proceeding is initiated; or

24.1.4 If Tenant defaults under any other lease or other occupancy agreement between Landlord and Tenant for space in the Buildings (or either of them) which may heretofore or hereafter exist (provided that upon a Tenant default under any such other lease or occupancy agreement beyond applicable notice and cure periods, the same shall be deemed an immediate Default hereunder without the requirement of Landlord providing additional notice or providing Tenant an additional period for cure thereof).

24.2 <u>Remedies</u>. For so long as a Default remains uncured, Landlord shall have the following remedies, in addition to all other rights and remedies provided by law or available in equity or otherwise provided in this Lease, any one or more of which Landlord may resort to cumulatively, consecutively, or in the alternative:

24.2.1 Landlord may continue this Lease in full force and effect, and this Lease shall continue in full force and effect as long as Landlord does not terminate this Lease, and Landlord shall have the right to collect Base Rent, Additional Rent and other charges when due.

24.2.2 Landlord may terminate this Lease, or may terminate Tenant’s right to possession of the Premises, at any time by giving written notice to that effect, in which event Landlord covenants to use commercially reasonable efforts to relet the Premises or any part thereof and mitigate its damages, as more fully set forth herein. Upon the giving of a notice of the termination of this Lease or right to possession of the Premises, Tenant’s obligation to pay Base Rent, Additional Rent, and any damages otherwise payable under this Section 24, shall survive such termination and shall not be extinguished thereby with Tenant remaining liable for all such sums through the original term of the Lease had the Lease or Tenant’s right of possession not been terminated. Upon either such termination, Tenant shall surrender and vacate the Premises in the condition required by Section 26, and Landlord may re-enter and take possession of the Premises and all the remaining improvements or property and eject Tenant or any of the Tenant’s subtenants, assignees or other person or persons claiming any right under or through Tenant or eject some and not others or eject none. This Lease may also be terminated by a judgment specifically providing for termination. Any termination under this Section shall not release Tenant from the payment of any sum then due Landlord or from any claim for damages for Base Rent, Additional Rent or other sum previously accrued or thereafter accruing against Tenant for the balance of the Term (which amounts shall not be subject to acceleration), all of which shall expressly survive such termination. Reletting may be for a period shorter or longer than the remaining Lease Term. No act by Landlord other than giving written notice to Tenant shall terminate this Lease. Acts of maintenance, efforts to relet the Premises or the appointment of a receiver on Landlord’s initiative to protect Landlord’s interest under this Lease shall not constitute a constructive or other termination of Tenant’s right to possession or of this Lease, either of which may be effected solely by an express written notice from Landlord to Tenant. On termination, Landlord shall be entitled to recover from Tenant.

24.2.2.1 The worth at the time of award of unpaid Base Rent, Additional Rent and other sums due and payable which had been earned at the time of termination; plus

24.2.2.2 Any other amount necessary to compensate Landlord for all of the out-of-pocket costs incurred on account of Tenant’s failure to perform Tenant’s obligations under this Lease, including, without limitation, any costs or expenses reasonably incurred by Landlord: (i) in retaking possession of the Premises; (ii) in maintaining, repairing, preserving, restoring, replacing, cleaning, altering or rehabilitating the Premises or a portion thereof, including such acts for reletting to a new tenant or tenants; (iii) for leasing commissions; or (iv) for any other costs necessary or appropriate to relet the Premises. To the extent any of such costs are incurred in connection with a lease transaction having a term in excess of the remaining Term hereof, all of the foregoing costs incurred in connection therewith shall be amortized on a straight-line basis over the term of such new lease, assuming equal monthly installments of principal, and Tenant’s liability shall be limited to the amortized portion of the same (i.e., the monthly payments as so determined) falling within the Term hereof.

24.2.2.3 The "worth at the time of award" of the amounts referred to in Section 24.2.2.1 is computed by allowing interest at the Default Rate through the date of payment. In addition to the amounts specified in Section 24.2.2.1 and 24.2.2.2 (or any other portion of this Section 24), Landlord may recover "Indemnity Payments," as defined hereinbelow, from Tenant. For purposes of this Lease "Indemnity Payments" means an amount equal to the Base Rent, Additional Rent and other payments provided for in this Lease which would have become due and owing hereunder from time to time during the unexpired Lease Term after the effective date of the termination, but for such termination, less the Base Rent, Additional Rent and other payments, if any, actually collected by Landlord and allocable to the Premises. Tenant shall, on demand, make Indemnity Payments monthly, and Landlord may sue for all Indemnity Payments at any time after they accrue, either monthly, or at less frequent intervals. Tenant further agrees that Landlord may bring suit for Indemnity Payments and/or any other damages recoverable herein prior to, at or after the end of the Lease Term as originally contemplated under this Lease, and Tenant agrees that, in such event, Landlord's cause of action to recover the Indemnity Payments shall be deemed to have accrued on the last day of the Lease Term as originally contemplated. In seeking any new tenant for the Premises, Landlord shall be entitled to grant any commercially reasonable concessions it deems reasonably necessary. In no event shall Tenant be entitled to any excess of any rental obtained by reletting over and above the rental herein reserved. To the fullest extent permitted by law, Tenant waives redemption or relief from forfeiture under any other present or future law, in the event Tenant is evicted or Landlord takes possession of the Premises by reason of any Default of Tenant hereunder.

24.2.3 Landlord may, with or without terminating this Lease, re-enter the Premises pursuant to judicial process (except in the event of Tenant's abandonment of the Premises in which event no judicial process shall be required) and remove all persons and property from the Premises; such property may be removed and stored in a public warehouse or elsewhere at the cost of and for the account of Tenant and upon fifteen (15) business days' prior written notice Landlord may dispose of such property and apply any net amounts received from such sale against Landlord's damages. No re-entry or taking possession of the Premises by Landlord pursuant to this Section shall be construed as an election to terminate this Lease unless a written notice of such intention is given to Tenant.

24.2.4 Tenant, on its own behalf and on behalf of all persons claiming through or under Tenant, including all creditors, does hereby specifically waive and surrender any and all rights and privileges, so far as is permitted by law, which Tenant and all such persons might otherwise have under any present or future law (1) except as may be otherwise specifically required herein, to the service of any notice to quit or of Landlord's intention to re-enter or to institute legal proceedings, which notice may otherwise be required to be given, (2) to redeem the Premises, (3) to re-enter or repossess the Premises, (4) to restore the operation of this Lease, with respect to any dispossession of Tenant by judgment or warrant of any court or judge, or any re-entry by Landlord, or any expiration or termination of this Lease, whether such dispossession, re-entry, expiration or termination shall be by operation of law or pursuant to the provisions of this Lease, (5) to the benefit of any law which exempts property from liability for debt or for distress for rent or (6) to a trial by jury in any claim, action proceeding or counter-claim arising out of or in any way connected with this Lease.

24.2.5 In the event of termination of this Lease or repossession of the Premises after a Default, Landlord agrees to use commercially reasonable efforts to relet the Premises, provided that (i) Landlord shall not be obligated to show preference for reletting the Premises over any other vacant space in the Project, (ii) Landlord shall have the right (but not the obligation) to divide the Premises, or to consolidate portions of the Premises with other spaces, in order to facilitate such reletting, as Landlord deems appropriate, (iii) Landlord shall not have any obligation to use efforts other than commercially reasonable efforts under the circumstances to collect rental after any such reletting, and (iv) Landlord may relet the whole or any portion of the Premises for any period, to any tenant, and for any use and purpose, upon such terms as it deems appropriate, and may grant any rental or other lease concessions as it deems advisable, including free rent. In any dispute regarding whether Landlord has met its obligation to use commercially reasonable efforts to mitigate its damages hereunder, Tenant shall have the burden of proving, by clear and convincing evidence, that Landlord has failed to do so. In no event shall Tenant be entitled to any excess of any rental obtained under this Section 24.2.5 by reletting over and above the Base Rent and Additional Rent herein reserved.

24.2.6 Notwithstanding anything to the contrary, (a) in no event shall Landlord be entitled to take possession of the Premises except pursuant to legal proceedings, and (b) in no event shall Landlord be permitted to accelerate the rent in the event of a default by Tenant under the Lease.

24.3 Landlord's Default. If Landlord defaults under any other lease or other occupancy agreement between Landlord and Tenant for space in the Buildings (or either of them) which may heretofore or hereafter exist, the same shall be deemed an immediate default hereunder by Landlord without the requirement of Tenant providing additional notice or providing Tenant an additional period for cure thereof.

25. SUBORDINATION.

25.1 Landlord represents and warrants to Tenant that except for Principal Commercial Funding, LLC, its successor and assigns ("Existing Lender"), and Wachovia Bank N.A. Trustee successor-in-interest to First Union National Bank of Virginia, Trustee, for the benefit of J. Willard Marriott, Jr., Richard E. Marriott and Eugene W. Hooper ("Existing Ground Lessor"), the Land and the Building are not encumbered by any mortgage, deed of trust or ground lease. Simultaneously with the execution of this Lease, Landlord agrees to obtain a Subordination, Non-Disturbance and Attornment Agreement ("SNDA") from the (i) holder of any current mortgages, or liens, that encumbers the Land and/or the Building in the form attached to and made a part hereof as Exhibit H-1 (the "Lender Form SNDA"), and (ii) the ground lessor under any ground lease that encumbers the Land in the form attached hereto as Exhibit H-2 (the “Ground Lessor SNDA”). In the event that Landlord re-finances the Building(s) during the Lease Term or any Renewal Terms, Landlord agrees to provide an SNDA from any future mortgages, liens or superior leases, which SNDA shall be on the Lender Form SNDA (with appropriate modifications) or such other form that is reasonably acceptable to Tenant.

25.2 Subject to the provisions of this Section 25, this Lease shall at all times be and remain subject and subordinate to the lien of any mortgage, deed of trust, ground lease or underlying lease now or hereafter in force against the Premises, and to all advances made or hereafter to be made upon the security thereof. In the event any proceedings are brought for foreclosure, or in the event of the exercise of the power of sale under any mortgage or deed of trust made by the Landlord covering the Premises, Tenant shall attorn to the purchaser at any such foreclosure, or to the grantee of a deed in lieu of foreclosure, and recognize such purchaser or grantee as the Landlord under this Lease in accordance with the terms of the SNDA that has been entered into by such lender, or lessor, or, as applicable, and Tenant. Subject to the provisions of Section 25.3 below, Tenant agrees that no mortgagee or successor to such mortgagee shall be (i) bound by any payment of Base Rent or Additional Rent for more than one (1) month in advance, (ii) bound by any amendment or modification of this Lease made without the consent of Landlord’s mortgagee or such successor in interest, which consent shall not be unreasonably withheld, conditioned or delayed, and shall not be required to implement any provisions of the Lease which by the terms of the Lease is scheduled to occur at a future date (such as adding additional rentable areas to the Premises from time to time in accordance with the terms of this Lease), (iii) liable for damages for any breach, act or omission of any prior landlord, or (iv) subject to any claim of offset or defenses that Tenant may have against any prior landlord; provided that such mortgagee or successor shall not be relieved of the obligation to comply with all of the Landlord’s obligations under the Lease accruing from and after the date such mortgagee or successor takes title to the Project, irrespective of whether the original non-compliance with any such obligation arose prior to and is continuing as of such date, or arose on or after such date (provided however that if such obligation arose prior to the date such mortgagee or successor took title to the Project, such mortgagee or successor shall not be deemed in default until after the provision of any notice of default required by this Lease to such mortgagee or successor, and its failure to cure same within the cure period provided for herein).

25.3 Notwithstanding anything to the contrary, Tenant’s obligation to subordinate the lien of the Lease to any future mortgage, deed of trust, or ground lease shall be expressly conditioned upon Tenant receiving an SNDA which is reasonably acceptable to Tenant in accordance with the terms of Section 25.1 above.

25.4 Landlord represents and warrants to Tenant that the Land upon which the Building is constructed is encumbered by two (2) ground leases, namely the “9300 Ground Lease” (as defined below) and the “9302 Ground Lease” (as defined below). As used herein, (a) the “9300 Ground Lease” shall mean that certain Ground Lease dated May 29, 1986, and recorded in Deed Book 6398 at page 127, among the Land Records of

Fairfax County, Virginia, as amended by a First Amendment to Ground Lease dated August 18, 1987, recorded in Deed Book 6847, at page 660, among said Land Records, a Second Amendment to Ground Lease dated September 22, 1987, recorded in Deed Book 6859, at page 278, among said Land Records, and a Third Amendment to Ground Lease dated June 23, 1988, recorded in Deed Book 7186 at page 1643 among said Land Records, and (b) the "9302 Ground Lease" shall mean that certain Ground Lease dated November 3, 1987, and recorded in Deed Book 6909, at page 793, among the Land Records of Fairfax County, Virginia, as amended by a First Amendment to Ground Lease dated June 23, 1988, recorded in Deed Book 7186, at page 1665, among said Land Records, and as assigned pursuant to an Assignment and Assumption of Ground Lease dated April 1, 1990, recorded in Deed Book 7589, at page 682, among said Land Records. Notwithstanding anything to the contrary, Landlord shall not terminate the Ground Lease or amend the Ground Lease in any manner which would materially adversely alter Tenant's rights under this Lease without obtaining Tenant's prior written consent, which consent may be granted or withheld in Tenant's sole and absolute discretion.

26. SURRENDER OF POSSESSION.

Upon expiration of the Lease Term, Tenant shall promptly and peacefully surrender the Premises to Landlord in as good condition as when received by Tenant from Landlord or as thereafter improved, reasonable use and wear and tear and damage by fire, casualty and condemnation excepted.

27. NON-WAIVER.

Waiver by Landlord or Tenant of any breach of any term, covenant or condition herein contained shall not be deemed to be a waiver of such term, covenant, or condition(s), or any subsequent breach of the same or any other term, covenant or condition of this Lease.

28. HOLDOVER.

Tenant shall, by written notice to Landlord received by Landlord not later than 90 days prior to the expiration of the Term or the then extended term, as applicable, have the option to extend the Lease Term or applicable Renewal Term, at 102.5% of the then- current Base Rent Rate and upon the then current terms and conditions of this Lease, for up to three (3) consecutive one (1) month periods. If Tenant so extends the term of Tenant's occupancy of the Premises during such extension term, it shall not be deemed a hold over. Thereafter, if Tenant shall, without the written consent of Landlord, hold over, Tenant shall be deemed a tenant at sufferance, which tenancy may be terminated as provided by applicable state law. During any holdover tenancy (whether or not consented to by Landlord), unless Landlord has otherwise agreed in writing, Tenant agrees to pay to Landlord, a per diem occupancy charge equal to (a) one hundred fifty percent (150%) of the per diem Base Rent plus (b) all Additional Rent as was in effect under this Lease for the last month of the Lease Term or Renewal term (as applicable). Such payments shall be made within five (5) days after Landlord's demand, and in no event less often than once per month (in advance). In the case of a holdover which has been consented to by

Landlord, unless otherwise agreed to in writing by Landlord and Tenant, Tenant shall give to Landlord thirty (30) days prior written notice of any intention to quit the Premises, and Tenant shall be entitled to thirty (30) days prior written notice to quit the Premises, except in the event of non-payment of Base Rent or Additional Rent in advance or the breach of any other covenant or the existence of a Default. Upon expiration of the Lease Term as provided herein, Tenant shall not be entitled to any notice to quit, the usual notice to quit being hereby expressly waived under such circumstances, and Tenant shall surrender the Premises on the last day of the Lease Term as provided in Section 26, above.

29. CONDEMNATION.

29.1 Definitions. The terms "eminent domain", "condemnation", and "taken", and the like in this Section 29 include takings for public or quasi-public use, and sales under threat of condemnation and private purchases in place of condemnation by any authority authorized to exercise the power of eminent domain.

29.2 Taking. If the whole of the Premises is taken, either permanently or temporarily, by eminent domain or condemnation, this Lease shall automatically terminate as of the date title vests in the condemning authority, and Tenant shall pay all Base Rent, Additional Rent, and other payments up to that date. If twenty percent (20%) or more of the Premises or twenty percent (20%) or more of the parking spaces for the Building is permanently taken, or if access to the Premises by Tenant is, by virtue of a taking, permanently denied, by eminent domain or condemnation, then Landlord or Tenant shall have the right (to be exercised by written notice to the other within sixty (60) days after receipt of notice of said taking) to terminate this Lease from the date when possession is taken thereunder pursuant to such proceeding or purchase. The parties agree that if this Lease is terminated as set forth above then either party, by simultaneous written notice, may also terminate the lease between Landlord and Tenant dated September 17, 2009 with respect to approximately 53,157 rentable square feet in the buildings at 9300 Lee Highway and 9302 Lee Highway. If neither party elects to terminate this Lease, as aforesaid, then Landlord shall within a reasonable time after title vests in the condemning authority, repair and restore, at Landlord's expense, the portion not taken so as to render same into an architectural whole to the fullest extent reasonably possible, and, if any portion of the Premises is taken, thereafter the Base Rent and Additional Rent shall be reduced (on a per square foot basis) in proportion to the portion of the Premises taken. If there is a temporary taking involving the Premises or Building, if a taking of other portions of the Building or Common Areas does not deny Tenant access to the Building and Premises, or if less than twenty percent (20%) of the Premises and less than twenty percent (20%) of the parking spaces is permanently taken by eminent domain or condemnation, then this Lease shall not terminate, and Landlord shall repair and restore, at its own expense, the portion not taken so as to render same into an architectural whole to the fullest extent reasonably possible, and, if any portion of the Premises was taken, thereafter the Base Rent shall be reduced (on a per square foot basis) in proportion to the portion of the Premises taken.

29.3 Award. Except as set forth below, Landlord reserves all rights to damages to the Premises or arising out of the loss of any leasehold interest in the Premises created hereby, arising in connection with any partial or entire taking by eminent domain or condemnation. Tenant hereby assigns to Landlord any right Tenant may have to such damages or award, and Tenant shall make no claim against Landlord or the condemning authority for damages for termination of Tenant's leasehold interest or for interference with Tenant's business as a result of such taking. The foregoing notwithstanding, Tenant shall have the right to claim and recover from the condemning authority compensation for any loss which Tenant may incur for Tenant's moving expenses, business interruption or taking of Tenant's personal property, trade fixtures and other improvements within the Premises (but specifically excluding any leasehold interest in the Building or Premises and any such fixtures or improvements funded by the Allowance) under the then applicable law provided that Tenant shall not make any claim that will detract from or diminish any award for which Landlord may make a claim.

30. NOTICES.

All notices and demands which may be required or permitted to be given to either party hereunder shall be in writing, and shall be delivered personally or sent by United States certified mail, postage prepaid, return receipt requested, or by Federal Express or other reputable overnight carrier, to the addresses set out in Section 1.9, and to such other person or place as each party may from time to time designate in a notice to the other. Notice shall be deemed given upon the earlier of actual receipt or refusal of delivery.

31. MORTGAGEE PROTECTION.

Tenant agrees to give any mortgagee(s) and/or trust deed holder(s), by registered mail, a copy of any notice of default served upon the Landlord, provided that prior to such notice Tenant has actually been notified in writing (by way of notice of assignment of rents and leases, or otherwise) of the addresses of such mortgagee(s) and/or trust deed holder(s). Tenant further agrees that if Landlord shall have failed to cure such default within the time provided for in this Lease, then the mortgagee(s) and/or trust deed holder(s) shall have an additional thirty (30) days within which to cure such default or if such default cannot be cured within that time, then such additional time as may be necessary [not to exceed an additional thirty (30) days] if within such thirty (30) days any mortgagee and/or trust deed holder(s) has commenced and is diligently pursuing the remedies necessary to cure such default, during which time Tenant shall not have the right to pursue any claim against Landlord, such mortgagee and/or such trust deed holder(s), including but not limited to any claim of actual or constructive eviction.

32. COSTS AND ATTORNEYS' FEES.

In any litigation between the parties arising out of this Lease, and in connection with any consultations with counsel and other actions taken or notices delivered, in relation to a default by any party to this Lease, the non-prevailing party shall pay to the prevailing party all reasonable expenses and court costs including reasonable attorneys' fees incurred by the prevailing party, in preparation for and (if applicable) at trial, and on appeal. Such reasonable attorney's fees and costs shall be payable upon demand.

33. BROKERS.

Tenant represents and warrants to Landlord that Jones Lang LaSalle-Northeast, Inc. is the only real estate broker that is acting on its behalf in connection with this Lease. Landlord represents and warrants to Tenant that CB Richard Ellis Real Estate Services, Inc. is the only real estate broker that is acting on its behalf in connection with this Lease. Landlord shall pay to Jones Lang LaSalle-Northeast, Inc. and CB Richard Ellis Real Estate Services, Inc. (collectively, "Broker") any leasing commission due Broker in connection with this Lease and in accordance with, and subject to the terms, covenants and conditions of a separate written commission agreement, if any, between Landlord and Broker.

34. LANDLORD LIABILITY.

Anything in this Lease to the contrary notwithstanding, covenants, undertakings and agreements herein made on the part of the Landlord are made and intended not for the purpose of binding Landlord personally or the assets of Landlord but are made and intended to bind only the Landlord's interest in the Premises, Building and the Complex (and the proceeds then held by Landlord on a sale of such estate and property), as the same may, from time to time, be encumbered, and no personal liability shall at any time be asserted or enforceable against Landlord or its stockholders, officers or partners or their respective heirs, legal representatives, successors and assigns on account of the Lease or on account of any covenant, undertaking or agreement of Landlord in this Lease. In addition, in no event shall Landlord be in default of this Lease unless Tenant notifies Landlord in writing of the precise nature of the alleged breach by Landlord, and Landlord fails to cure such breach within fifteen (15) days after the date of Landlord's receipt of such notice (provided that if the alleged breach is of such a nature that it cannot reasonably be cured within such fifteen (15) day period, then Landlord shall not be in default if Landlord commences a cure within such fifteen (15) day period and diligently thereafter prosecutes such cure to completion).

35. ESTOPPEL CERTIFICATES.

35.1 Tenant shall, from time to time, within ten (10) business days of Landlord's written request, execute, acknowledge and deliver to Landlord or its designee a written statement stating: the date the Lease was executed and the date it expires; the date the Tenant entered occupancy of the Premises; the amount of Base Rent, Additional Rent and other charges due hereunder and the date to which such amounts have been paid; that this Lease is in full force and effect and has not been assigned, modified, supplemented or amended in any way (or specifying the date and terms of any agreement so affecting this Lease); that this Lease represents the entire agreement between the parties as to this leasing; that all conditions under this Lease to be performed by the Landlord have been satisfied (or specifying any such conditions that have not been satisfied); that all required contributions by Landlord to Tenant on account of Tenant's improvements have been received (or specifying any such contributions that have not been received); that to Tenant's knowledge, there are no existing defenses or offsets which the Tenant has against the enforcement of this Lease by the Landlord; that no Base Rent or Additional Rent has been paid more than one (1) month in advance; that no security has been deposited with Landlord (or, if so, the amount thereof) other than the Security Deposit; or any other customary factual matters evidencing the status of the Lease, as may be reasonably required either by a lender making a loan to Landlord to be secured by a deed of trust or mortgage against the Building, or a purchaser of the Building, which written statement shall, to the extent the certifications required to be made therein are true and correct as of such time, be in substantially the same form as Exhibit F attached hereto and made a part hereof by this reference. It is intended that any such statement delivered pursuant to this paragraph may be relied upon by a prospective purchaser of Landlord's interest or a mortgagee of Landlord's interest or assignee of any mortgage upon Landlord's interest in the Building. If Tenant fails to respond within ten (10) business days after receipt by Tenant of a written request by Landlord as herein provided, such failure shall constitute a default hereunder for which (notwithstanding anything to the contrary herein) the notice and cure period shall be ten (10) calendar days.

35.2 Landlord agrees, at any time and from time to time in connection with an assignment of this Lease or a sublease of any portion of the Premises or in connection with any successor to Tenant's business or to any other party that may request, including any lender or prospective lender, upon not less than fifteen (15) business days prior written notice by Tenant, to execute, acknowledge and deliver to Tenant a statement in writing (i) certifying that this Lease is unmodified and in full force and effect (or, if there have been modifications, that the Lease is in full force and effect as modified and stating the modifications), (ii) stating whether or not, to the best knowledge of Landlord, Tenant is in default in the performance of any covenant, agreement or condition contained in this Lease, and, if so, specifying each such default of which Landlord may have knowledge, (iii) stating the address to which notices to Landlord should be sent and the name and address of its registered agent in the jurisdiction in which the building is located, and (iv) certifying to the best of Landlord's knowledge such other reasonable, non-confidential, factual matters related to this Lease as Tenant may reasonably request. Any such statement delivered pursuant hereto may be relied on by each party to whom it is addressed.

36. FINANCIAL STATEMENTS.

Tenant shall, within ten (10) days after Landlord's request, which request may not be made more than once during any fiscal year, provide to Landlord Tenant's unaudited financial statement for its most recent fiscal year, which financial statement may be in the form of a consolidated financial statement which contains financial information for Tenant's parent entity. Such annual financial statements shall include, at a minimum, a balance sheet, an income statement, and a statement of change in financial position or sources and uses of cash, together with any accompanying notes. Notwithstanding anything herein to the contrary, so long as Tenant or its parent entity is a publicly traded entity, Tenant shall have no obligation to provide Landlord with any financial statements.

Landlord hereby agrees that any financial statements delivered by Tenant to Landlord hereunder constitute Tenant's proprietary and confidential information and, notwithstanding anything to the contrary, Landlord agrees to (a) execute a reasonable confidentiality agreement regarding the use of any non-public financial information furnished by Tenant to Landlord and (b) use reasonable commercial efforts to protect the confidentiality of such information.

37. TRANSFER OF LANDLORD'S INTEREST.

In the event of any transfer(s) of Landlord's interest in the Premises or the Building to a bona-fide third-party purchaser, other than a transfer for security purposes only, then provided the transferee has agreed, in writing, to assume all of Landlord's obligations under the Lease, the transferor shall be automatically relieved of any and all obligations and liabilities on the part of Landlord accruing from and after the date of such transfer, and Tenant agrees to attorn to the transferee.

38. RIGHT TO PERFORM.

If Tenant shall fail to perform any act on its part to be performed hereunder, and such failure shall continue for fifteen (15) business days (or such longer cure period as may be provided for herein) after written notice thereof, Landlord may, but shall not be obligated so to do, and without waiving or releasing Tenant from any obligations of Tenant, perform any such other act on Tenant's part to be made or performed as provided in this Lease. Landlord shall have (in addition to any other right or remedy of Landlord) the same rights and remedies in the event of the nonpayment of sums due under this Section as in the case of Default by Tenant in the payment of Base Rent. All sums paid by Landlord and all penalties, interest and costs in connection therewith, shall be due and payable by Tenant upon written demand within thirty (30) days after such payment by Landlord, together with interest thereon at the Default Rate from such date to the date of payment.

39. COMMON AREAS.

39.1 For purposes hereof, the term "Common Areas" shall mean (i) all portions of the Land other than portions upon which the Building is situated, including landscaped areas and the like, as the same may be modified from time to time by Landlord; (ii) all loading docks, corridors, lobbies, elevator cabs, stairs and other portions of the Building that would customarily be made available to tenants of the Building, as the same may be modified from time to time by Landlord; (iii) any parking deck, parking structure, or surface parking facility, and any connector from the Building thereto; and (iv) any areas which are common areas for, on, or utilized in general by tenants, owners and/or occupants of the Hunters Branch complex, including both current and any future phases thereof, except, that before the last year of the Lease Term or before the last year of any "Extension Term" (as defined below) if Tenant has exercised any applicable extension option, Landlord is expressly prohibited from making (1) any alterations, additions, installations, substitutions or improvements in or to the Premises or (2) any non-cosmetic or significant alterations, additions, installations, substitutions or improvements affecting access to the Premises or the Building (except for limited periods of time during the renovation of the lobby), reducing the number of parking spaces in the parking garage by more than a de minimis amount, Building security systems or elevators without Tenant's prior consent, which consent shall not be unreasonably withheld, conditioned or delayed. In connection with any repairs, maintenance, improvements or alterations, in or about the Building, required or permitted to be made by Landlord, Landlord may erect scaffolding and other structures reasonably required, and may temporarily close public entry ways, other public areas, restrooms, stairways or corridors, so long as Tenant continues to have access to the Premises at all times (subject to Emergency Situations or other matters beyond the reasonable control of Landlord). Landlord shall take commercially reasonable steps to minimize any interference with Tenant's access to the Premises and its operations therein resulting from any actions taken by Landlord under this Section 39.

39.2 The fifth (5th) floor of the Building contains an enclosed area which contains approximately five hundred (500) square feet of space, (the "Fifth Floor Breakout Area"). Tenant shall have the right to install furniture, including chairs and sofas, in the Fifth Floor Breakout Area, and to use the Fifth Floor Breakout Area as a lounge provided the same shall be open to all tenants and visitors within the Buildings. After obtaining Landlord's prior approval, which shall not be unreasonably withheld, conditioned or delayed, Tenant shall have the right to use designated portions of the Common Areas, periodically but not on a continuous basis, for conducting special events, including charity auctions, provided Tenant shall abide by such rules and restrictions related thereto as Landlord may reasonably set forth.

40. SALES AND AUCTIONS.

Tenant may not display or sell merchandise outside the exterior walls and doorways of the Premises and may not use such areas for storage. Tenant shall not conduct or permit to be conducted any sale by auction in, upon or from the Premises whether said auction be voluntary, involuntary, pursuant to any assignment for the payment of creditors or pursuant to any bankruptcy or other insolvency proceedings.

41. ACCESS TO THE ROOF.

41.1 Tenant shall have the right, at no additional cost, to install telecommunications devices (each, a "Telecom Device") on the exterior roof of the Building in an area reasonably designated by Landlord for the sole purpose of serving the Premises in a manner consistent with the Permitted Use and not for commercial resale. The location, size, weight, design and shape of the Telecom Device shall be subject to (a) Landlord's reasonable approval as it relates to the structural integrity of the Building and maintenance of the Property in a first-class manner and appearance; (b) to the Project covenants and restrictions set forth in the Declaration of Easements, Covenants and Conditions for Hunters Branch recorded in the Land Records of Fairfax County, Virginia at Deed Book 7186 at Page 1505 as amended by a First Amendment to Declaration of Easements, Covenants and Conditions recorded in the Land Records of Fairfax County, Virginia at Deed Book 7373 at Page 1636 and all regulations and requirements imposed by any governmental entity having jurisdiction over the Property; and (c) any roof warranties whether existing as of the Commencement Date or obtained after the Commencement Date. Further, the Telecom Device shall not interfere with any other currently existing roof use granted by Landlord on the Buildings. Except in connection with an assignment of the Lease or subletting of the Premises (provided that in neither such event shall the same require Landlord to increase the area Landlord allocates for Tenant's Telecom Device), Tenant shall not be permitted to assign, sublet or license the Telecom Device and operation rights to any other party. In no event shall Tenant or any assignee or subtenant sell or rent time on or use of the Telecom Device to any other unaffiliated third parties or otherwise use such Telecom Device for commercial resale (as opposed to in the conduct of such party's business). Tenant's right to operate the Telecom Device shall expire upon the termination or earlier expiration of this Lease.

41.2 Tenant shall maintain the Telecom Device in a good state of repair and shall protect, defend, indemnify, save and hold harmless Landlord against and from any and all claims, losses, costs, damages and expenses, including reasonable attorney's fees, resulting from, or in connection with, the erection, maintenance, existence or removal of such Telecom Device; and shall repair any damage which may have been caused by the erection, maintenance, existence or removal of such Telecom Device. Tenant further warrants that Tenant shall, at its sole cost and expense, obtain any and all governmental licenses and permits necessary to install the Telecom Device and to operate the Telecom Device as herein contemplated. Tenant further agrees to obtain and maintain all necessary permits during the term hereof and that if it fails to do so, Landlord may require Tenant to remove the Telecom Device at Tenant's sole cost and expense. Any taxes or assessments levied against the Premises, the Building or Landlord due solely to the existence of such Telecom Device shall be Tenant's sole responsibility. The Tenant will have no right to an abatement or reduction in the amount of Rent if for any reason the Tenant is unable to use the Telecom Device.

41.3 Upon expiration or sooner termination of this Lease, Tenant shall promptly remove the Telecom Device and repair any damages caused by such removal and restore the roof, Building and its contents to the condition it was in prior to the installation of the Telecom Device, reasonable wear and tear and damage by casualty or condemnation excluded. Additionally, at the option of the Landlord, Landlord shall either retain ownership of all cables running through the Building, or require Tenant, at Tenant's sole cost and expense, to remove such cables, repair any damage caused by such removal, and restore those portion of the Building utilized to the condition they were in prior to the installation of the cable. If at any time under the provisions herein Tenant is required to remove the Telecom Device or cabling from the Building and Tenant fails to do so and/or the Tenant does not promptly repair damage to the roof, Building or its contents occasioned by the installation, maintenance or operation of the Telecom Device, Landlord may after ten (10) days' prior written notice remove or repair same and charge Tenant for the cost of said removal and/or repairs. Tenant's obligation to observe or perform the covenants of this Section 41.3 shall survive the expiration or termination of this Lease.

41.4 Except in an emergency (in which event Tenant shall have the right to access the roof without being accompanied by a representative of Landlord but shall and does hereby indemnify and hold Landlord harmless from and against any loss, cost, expense or liability in connection with such entry), nothing herein grants Tenant any right to access the roof of the Building unless accompanied by an employee of the Building's property manager or other representative of Landlord. Tenant may only access the roof of the Building through existing stairwells and/or common areas of the Building and Tenant agrees that it will not pass through other tenants' spaces nor will it interfere with any other tenants' businesses.

41.5 Notwithstanding anything herein to the contrary, Landlord (a) acknowledges that Tenant currently has placed satellite dishes, antennas and related equipment and cabling (collectively, the "Existing Roof Top Equipment") on the roof of the Building, and (b) consents to Tenant's maintaining and using the Existing Roof Top Equipment, at no cost, throughout the term of the Lease and any extension thereof.

42. OFAC COMPLIANCE.

42.1 (a) Tenant represents and warrants that: (1) Tenant: (i) is not currently identified on the Specially Designated Nationals and Blocked Persons List maintained by the Office of Foreign Assets Control, Department of the Treasury ("OFAC") and/or on any other similar list maintained by OFAC pursuant to any authorizing statute, executive order or regulation (collectively, the "List"), and (ii) is not a person or entity with whom a citizen of the United States is prohibited to engage in transactions by any trade embargo, economic sanction, or other prohibition of United States law, regulation, or Executive Order of the President of the United States, (2) none of the funds or other assets of Tenant constitute property of, or are beneficially owned, directly or indirectly, by any Embargoed Person (as hereinafter defined), (3) no Embargoed Person has any direct or indirect controlling interest of any nature whatsoever in Tenant (whether directly or indirectly), (4) none of the funds of Tenant have been derived from any unlawful activity with the result that the investment in Tenant is prohibited by law or that the Lease is in violation of law, and (5) Tenant has implemented procedures, and will consistently apply those procedures, to ensure the foregoing representations and warranties remain true and correct at all times.

(b) Landlord represents and warrants that: (1) Landlord: (i) is not currently identified on the Specially Designated Nationals and Blocked Persons List maintained by the Office of Foreign Assets Control, Department of the Treasury ("OFAC") and/or on any other similar list maintained by OFAC pursuant to any authorizing statute, executive order or regulation (collectively, the "List"), and (ii) is not a person or entity with whom a citizen of the United States is prohibited to engage in transactions by any trade embargo, economic sanction, or other prohibition of United States law, regulation, or Executive Order of the President of the United States, (2) none of the funds or other assets of Landlord constitute property of, or are beneficially owned, directly or indirectly, by any Embargoed Person (as hereinafter defined), (3) no Embargoed Person has any direct or indirect controlling interest of any nature whatsoever in Landlord (whether directly or indirectly), (4) none of the funds of Landlord have been derived from any unlawful activity with the result that the investment in Landlord is prohibited by law or that the Lease is in violation of law, and (5) Landlord has implemented procedures, and will consistently apply those procedures, to ensure the foregoing representations and warranties remain true and correct at all times.

(c) The term “Embargoed Person” means any person, entity or government subject to trade restrictions under U.S. law, including but not limited to, the International Emergency Economic Powers Act, 50 U.S.C. §1701 et seq., The Trading with the Enemy Act, 50 U.S.C. App. 1 et seq., and any Executive Orders or regulations promulgated thereunder with the result that the investment in Tenant is prohibited by law or Tenant is in violation of law.

42.2 Tenant covenants and agrees: (a) to comply with all requirements of law relating to money laundering, anti-terrorism, trade embargos and economic sanctions, now or hereafter in effect, (b) to immediately notify Landlord in writing as soon as Tenant receives notification that any of the representations, warranties or covenants set forth in this paragraph or the preceding paragraph are no longer true or have been breached or if Tenant has a reasonable basis to believe that they may no longer be true or have been breached, (c) not to use funds from any “Prohibited Person” (as such term is defined in the September 24, 2001 Executive Order Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism) to make any payment due to Landlord under the Lease and (d) at the request of Landlord, to provide such information as may be reasonably requested by Landlord to determine Tenant’s compliance with the terms hereof.

42.3 Tenant hereby acknowledges and agrees that Tenant’s inclusion on the List at any time during the Lease Term shall be a curable material default of the Lease. Notwithstanding anything herein to the contrary, Tenant shall not knowingly permit the Premises or any portion thereof to be used or occupied by any person or entity on the List or by any Embargoed Person (on a permanent, temporary or transient basis), and any such intentional use or occupancy of the Premises by any such person or entity shall be a material default of the Lease, subject to reasonable advance notice and Tenant’s opportunity to cure.

43. AUTHORITY OF LANDLORD AND TENANT.

Each of Landlord and Tenant shall furnish the other with appropriate partnership and/or corporate resolutions, as applicable, confirming that the individual executing this Lease on behalf of each has been duly authorized to execute and deliver this Lease on behalf of such party and that this Lease is binding upon such party.

44. NO ACCORD AND SATISFACTION.

No payment by Tenant or receipt by Landlord of a lesser amount than the Base Rent, Additional Rent and other sums due hereunder shall be deemed to be other than on account of the earliest Base Rent or other sums due, nor shall any endorsement or statement on any check or accompanying any check or payment be deemed an accord and satisfaction; and Landlord may accept such check or payment without prejudice to Landlord’s right to recover the balance of such Base Rent, Additional Rent or other sum and to pursue any other remedy provided in this Lease. No payment by Landlord or receipt by Tenant of a lesser amount than the other sums due hereunder by Landlord shall be deemed to be other than on account of the earliest sums due, nor shall any endorsement or statement on any check or accompanying any check or payment be deemed an accord and satisfaction; and Tenant may accept such check or payment without prejudice to Tenant's right to recover the balance of such sum and to pursue any other remedy provided in this Lease.

45. LEGAL REQUIREMENTS.

The "Architect" (as defined in Exhibit C) shall ensure that any Leasehold Work in the Premises to be performed by Landlord in accordance with the provisions of Exhibit C be designed to comply as of the Commencement Date with all laws, orders, ordinances and regulations of Federal and local authorities and all applicable building codes, to the extent the same are applicable to the Premises, respecting all matters pertaining to the use and occupancy of the Premises by Tenant, including, without limitation, the accessibility requirements of the Americans with Disabilities Act ("ADA"), all zoning and other land use laws, and all Environmental Laws. Landlord shall cause the Land and, subject to certain work to be undertaken after the Commencement Date in accordance with the terms of Exhibit C attached hereto, the Common Area to comply as of the Commencement Date with all laws, orders, ordinances and regulations of Federal and local authorities and all applicable building codes, to the extent the same are applicable to the Common Areas or the Landlord, respecting all matters pertaining to the use and occupancy of the Land and Common Areas, including, without limitation, the accessibility requirements of the ADA all zoning and other land use laws, and all Environmental Laws.

46. PARKING.

Tenant shall have the right (together with Landlord and its agents, employees and contractors, and together with the rights of other tenants in the Building and the Project) to use, from the parking areas available to the Project in the parking structure and surface parking on the Project and Common Areas an amount of parking as set forth in Section 1.1 hereof. To the extent that Tenant leases additional square footage in the Building, Tenant shall be entitled to use an additional three and six-tenths (3.6) unreserved parking permits for each one thousand (1,000) square feet of additional square footage so leased by Tenant. Except as provided for herein, such parking right shall be non-exclusive, and on an unreserved basis. Notwithstanding anything herein to the contrary, Tenant shall have the right, upon thirty (30) days prior written notice to Landlord, to designate up to twenty (20) parking spaces allocated to Tenant's use, to be reserved spaces. In such event, Landlord and Tenant shall in good faith mutually agree upon the location of such reserved spaces, and Landlord shall mark such spaces as reserved for Tenant's use. Tenant shall, within thirty (30) days after receiving an invoice from Landlord, reimburse Landlord for Landlord's actual, out-of-pocket cost of marking such spaces as being reserved for Tenant's use.

47. GENERAL PROVISIONS.

47.1 Acceptance. This Lease shall only become effective and binding upon full execution hereof by Landlord and Tenant and delivery of a signed copy by Landlord to Tenant.

47.2 Joint Obligation. If there be more than one Tenant, the obligations hereunder imposed shall be joint and several.

47.3 Marginal Headings, Etc. The marginal headings, Table of Contents, lease summary sheet and titles to the sections of this Lease are not a part of the Lease and shall have no effect upon the construction or interpretation of any part hereof.

47.4 Choice of Law. This Lease shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia (without regard to the choice of law and/or conflict of law principles applicable in such State).

47.5 Successors and Assigns. The covenants and conditions herein contained, subject to the provisions as to assignment, inure to and bind the heirs, successors, executors, administrators and assigns of the parties hereto.

47.6 Recordation. Except to the extent otherwise required by law, neither Landlord nor Tenant shall record this Lease or a memorandum hereof.

47.7 Quiet Possession. Upon Tenant's paying the Base Rent and Additional Rent reserved hereunder and observing and performing all of the covenants, conditions and provisions on Tenant's part to be observed and performed hereunder, Tenant shall have quiet possession and enjoyment of the Premises for the Lease Term hereof, free from any disturbance or molestation by Landlord, or anyone claiming by, through or under Landlord, but in all events subject to all the provisions of this Lease.

47.8 Inability to Perform; Force Majeure. This Lease and the obligations of the parties hereunder shall not be affected or impaired because either Landlord or Tenant is unable to fulfill any of its obligations hereunder or is delayed in doing so, to the extent such inability or delay is caused by reason of war, civil unrest, strike, labor troubles, unusually inclement weather, governmental delays, inability to procure services or materials despite reasonable efforts, third party delays, acts of God, or any other cause(s) beyond the reasonable control of the Landlord (which causes are referred to collectively herein as "Force Majeure"). Subject to the terms of this Lease, any time specified obligation of Landlord or Tenant in this Lease shall be extended one day for each day of delay suffered by the delayed party as a result of the occurrence of any Force Majeure. The foregoing notwithstanding in no event will an event of Force Majeure extend the time within which Tenant or Landlord must perform any of its monetary obligations under this Lease.

47.9 Partial Invalidity. Any provision of this Lease which shall prove to be invalid, void, or illegal shall in no way affect, impair or invalidate any other provision hereof and such other provision(s) shall remain in full force and effect.

47.10 Cumulative Remedies. No remedy or election hereunder shall be deemed exclusive but shall, whenever possible, be cumulative with all other remedies at law or in equity.

47.11 Entire Agreement. This Lease contains the entire agreement of the parties hereto and no representations, inducements, promises or agreements, oral or otherwise, between the parties, not embodied herein, shall be of any force or effect.

47.12 Survival. All indemnities set forth in this Lease shall survive the expiration or earlier termination of this Lease.

47.13 Consents. If any provision of this Lease subjects any action, inaction, activity or other right or obligation of any party to the prior consent or approval of the other, such consent shall not be unreasonably withheld, conditioned or delayed unless otherwise specifically provided herein.

47.14 Saving Clause. In the event (but solely to the extent) the limitations on Landlord’s liability set forth in Section 8.3 of this Lease would be held to be unenforceable or void in the absence of a modification holding the Landlord liable to Tenant or to another person for injury, loss, damage or liability arising from Landlord’s omission, fault, negligence or other misconduct on or about the Premises, or other areas of the Building appurtenant thereto or used in connection therewith and not under Tenant’s exclusive control, then such provision shall be deemed modified as and to the extent (but solely to the extent) necessary to render such provision enforceable under applicable law. The foregoing shall not affect the application of Section 34 of this Lease to limit the assets available for execution of any claim against Landlord.

47.15 Rule Against Perpetuities. In order to ensure the compliance of this Lease with any rule against perpetuities that may be in force in the state in which the Premises are located, and without limiting or otherwise affecting either Landlord’s or Tenant’s obligations under this Lease, as stated in the other sections hereof, or modifying any other termination rights which may be set forth herein, Landlord and Tenant agree that, irrespective of the reasons therefor (other than a Default by Tenant), in the event Tenant fails to take possession of the Premises and commence paying Base Rent and Additional Rent hereunder within ten (10) years after the date of execution of this Lease, then this Lease, and the obligations of the parties hereunder, shall be deemed to be null and void and of no further force and effect. Without affecting the specific timing requirements otherwise applicable thereto under this Lease, any and all options granted to Tenant under this Lease (including, without limitation, expansion, renewal, right of first refusal, right of first offer, and like options) must be exercised by Tenant, if at all, during the term of this Lease.

47.16 Lobby.

(a) Provided, and for as long as, Tenant leases not less than 50,000 rentable square feet in any Building and not less than 250,000 rentable square feet in the Project, then Tenant shall have the option, at its sole cost and expense, to utilize the applicable Building lobby as its reception and/or security area in a location and design approved by Landlord, which consent shall not be unreasonably withheld, conditioned or delayed. In the event Tenant uses the applicable Building lobby as its reception and/or security area, then for purposes of determining Tenant's Share the size of the Premises shall be increased by 1,000 square feet but the Base Rent shall not be modified.

(b) Provided, and for as long as, Tenant leases at least 250,000 rentable square feet in the Project then in the event that Landlord renovates the Lobby area of the Building so as to enclose the outdoor area that currently exists at the front of the entrance to the 9300 Building and 9302 Building, Tenant shall have the right, at Tenant's cost and expense, to utilize the renovated area as its reception or security area in a location and design approved by Landlord, which consent shall not be unreasonably withheld, conditioned or delayed. In such event then for purposes of determining Tenant's Share the size of the Premises Lease shall be increased by 1,000 square feet but the Base Rent shall not be modified.

48. RULES AND REGULATIONS.

Tenant agrees to comply with the Rules and Regulations attached hereto as Exhibit D. Notwithstanding the foregoing, Landlord shall use reasonable efforts to enforce all such rules and regulations, including any exceptions thereto, uniformly and in a manner which does not unreasonably discriminate against Tenant, or increase Tenant's monetary obligations under this Lease, although it is understood that Landlord may grant exceptions to such rules and regulations in circumstances in which it reasonably determines such exceptions are warranted. In the event of any conflict between the rules and regulations attached to the Lease (or provided separately to Tenant as reasonably modified from time to time) and the terms of the main body of the Lease, the terms of the main body of the Lease shall govern and control.

49. ARBITRATION.

49.1 If arbitration is specifically agreed upon hereunder as a dispute resolution procedure, the arbitration shall be conducted as provided in this Section. All proceedings shall be conducted according to the Commercial Arbitration Rules of the American Arbitration Association, except as hereinafter provided. No action at law or in equity in connection with any such dispute shall be brought until arbitration hereunder shall have been waived, either expressly or pursuant to this Section. The judgment upon the award rendered in any arbitration hereunder shall be final and binding on both parties hereto and may be entered in any court having jurisdiction thereof. During any arbitration proceeding pursuant to this Section, the parties shall continue to perform and discharge all of their respective obligations under this Lease, except as otherwise provided in this Lease.

49.2 All disputes that are required to be arbitrated in accordance with this Lease shall be raised by notice to the other party, which notice shall state with particularity the nature of the dispute and the demand for relief, making specific reference by Section number and title of the provisions of this Lease alleged to have given rise to the dispute. The notice shall also refer to this Section and shall state whether or not the party giving the notice demands arbitration under this Section.

49.3 Within thirty (30) days of any demand for arbitration, each of Tenant and Landlord shall appoint one (1) arbitrator, and within ten (10) days of their appointment, the two (2) arbitrators thus selected shall jointly select a third (3rd) arbitrator. All arbitrators shall have at least ten (10) years' experience in commercial real estate matters and, in particular, the subject matter of the dispute, to act as arbitrator hereunder. If either party fails to select an arbitrator within the initial thirty (30) day period, or if the two (2) arbitrators are unable to agree upon a third (3rd) arbitrator, then, upon the request of either party, the remaining arbitrator(s) shall be appointed by The American Arbitration Association. The arbitration proceedings shall take place in a mutually acceptable location in the Washington, D.C. area.

49.4 The right of Landlord and Tenant to submit a dispute to arbitration is limited to issues specifically agreed in this Lease to be submitted to arbitration, and specifically does not apply to any remedial action undertaken by Landlord pursuant to the provisions of Section 24 hereof. When resolving any dispute, the arbitrator shall apply the pertinent provisions of this Lease without departure therefrom in any respect. The arbitrator shall not have the power to change any of the provisions of this Lease, but this Section shall not prevent in any appropriate case the interpretation, construction and determination by the arbitrator of the applicable provisions of this Lease to the extent necessary in applying the same to the matters to be determined by arbitration.

50. **WAIVER OF JURY TRIAL.**

LANDLORD AND TENANT HEREBY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER OF THEM AGAINST THE OTHER ON ALL MATTERS ARISING OUT OF THIS LEASE, OR THE USE AND OCCUPANCY OF THE PREMISES. IF LANDLORD COMMENCES ANY SUMMARY PROCEEDING FOR NON-PAYMENT OF BASE RENT OR ADDITIONAL RENT, TENANT WILL NOT INTERPOSE (AND WAIVES THE RIGHT TO INTERPOSE) ANY NON-MANDATORY COUNTERCLAIM IN ANY SUCH PROCEEDING.

51. RIGHT OF FIRST OFFER.

51.1 Provided that Tenant is not then in Default of its monetary obligations under this Lease, Tenant shall have a right of first offer, subject to the remaining provisions of this Section 51, to lease all of the space which becomes available (i.e., as soon as the term of the applicable, existing lease ends) on any floor of the Building (hereinafter "Qualifying Space"), in accordance with the terms of this Section 51. Notwithstanding the preceding sentence, (a) this right of first offer is subject and subordinate to the existing rights of any tenants of the Building as are identified on

Exhibit J attached hereto and made a part hereof, (b) Tenant shall not be obligated to have a lease term on the Qualifying Space beyond the then-current Term for the Premises, but (c) Landlord shall not be required to accept a lease term on the Qualifying Space of less than three (3) years [i.e., if there is less than three (3) years remaining in the term, Landlord shall not be obligated to lease the applicable Qualifying Space to Tenant unless Tenant agrees to lease the Qualifying Space for a term of three (3) years].

51.2 In the event any Qualifying Space becomes available as set forth above, Landlord shall, notify Tenant in writing of the size and location of such space (the “Offered Space”). Landlord’s notice (the “Offer Notice”) shall include the Landlord’s estimate of the rent, improvement allowance and other economic terms which are equal to ninety-five percent (95%) of the then prevailing “FMR” (as defined in Section 52 below). The Offer Notice shall include the lease term which would be applicable to the Offered Space, which shall be coterminous with the Lease Term of the Premises. Tenant’s build-out allowance for the Offered Space (which shall be required to be used solely to pay hard costs and soft costs of installing leasehold improvements within the Offered Space) shall be pro-rated from market, based upon the number of months which will be remaining in the term as of the commencement date of the Offered Space. Such build-out shall be constructed using procedures consistent with, and otherwise substantially in accordance with the terms of, Exhibit C to this Lease, as modified to reflect the modified build-out contribution by Landlord and other modified business terms inherent within this Section 51.

51.3 Tenant shall have fifteen (15) days after receipt of the Offer Notice to (i) exercise its right of first offer by giving Landlord written notice of Tenant’s election to lease all of the Offered Space (“Tenant’s Election Notice”), or (ii) elect not to exercise its right of first offer for the Offered Space.

51.4 In the event Tenant exercises its right of first offer for an Offered Space within such fifteen (15) day period, such election shall, subject to the terms of Section 51.6 below, be irrevocable and this Lease shall automatically be deemed amended to bring the Offered Space within the Premises in accordance herewith. If Tenant’s Election Notice indicates that Tenant agrees that Landlord’s estimate of FMR accurately reflects a fair market rental rate for the Offered Space which is equal to ninety-five percent (95%) of the fair market rental for the Offered Space, then Tenant and Landlord shall execute an Amendment to this Lease in accordance with Section 51.7, below. If Tenant’s Election Notice fails to indicate that Tenant agrees that Landlord’s estimate of FMR accurately reflects a fair market rental rate equal to ninety-five percent (95%) of the fair market rental for the Offered Space, then Tenant shall be deemed to have rejected Landlord’s estimate of FMR.

51.5 In the event Tenant exercises its right of first offer for an Offered Space within such fifteen (15) day period, and Tenant reasonably believes that Landlord’s estimate of FMR does not accurately reflect a fair market rental rate equal to ninety-five percent (95%) of the fair market rental for the Offered Space, Tenant and Landlord shall have ten (10) days after Landlord’s receipt of Tenant’s Election Notice in which the parties shall negotiate in good faith to agree on the FMR for the Offered Space. If the parties agree on the FMR during such ten (10) day period, then Tenant and Landlord shall execute an Amendment to this Lease in accordance with Section 51.7, below.

51.6 If the parties fail to agree on FMR for the Offered Space within such ten (10) day period, then within five (5) days after the expiration of such ten (10) day period, Tenant shall have the option, which must be exercised by written notice to Landlord, (i) to decline to lease the Offered Space, or (ii) to lease the Offered Space at ninety-five percent (95%) of the FMR which shall be determined in accordance with Section 51.11 below. The determination of the FMR for the Offered Space shall be binding, and upon such determination, Tenant and Landlord shall execute an Amendment to this Lease in accordance with Section 51.7, below.

51.7 Within five (5) days after FMR is determined in accordance with this Section 51, Landlord shall prepare and deliver to Tenant an Amendment to this Lease (the "Amendment"), in form and substance similar to that attached hereto as Exhibit K, which brings the Offered Space under the terms and conditions of the Lease. Specifically, the Amendment shall: (i) make the square footage of the Offered Space part of the Premises as of the Commencement Date of the Offered Space (as defined below); (ii) specify that the rental rate for the Offered Space is ninety-five percent (95%) of the FMR (as determined in accordance with this Section 51); (iii) specify the build-out allowance for the Offered Space and that such build-out allowance shall be applied solely to pay the hard costs and soft costs of installing leasehold improvements within the Offered Space; (iv) increase Tenant's Proportionate Share to include the Offered Space as of the Commencement Date of the Offered Space; (v) specify that the "Commencement Date" for the Offered Space shall be that date which is one hundred twenty (120) days after the Landlord delivers the Offered Space to Tenant; (vi) specify that build-out of the Offered Space shall be constructed substantially in accordance with the procedures and terms set forth in Exhibit C to this Lease, as modified by this Section 51; (vii) there shall be no "free rent" or similar abatement otherwise applicable to Tenant's rental of the Offered Space; provided that such exclusion of abatement shall be considered in the determination of FMR, and (viii) specify that, except for (i) - (vii), all other terms and conditions of the Lease shall remain in full force an effect and with respect to the Premises and the Offered Space. Tenant shall execute and deliver the Amendment to Landlord within thirty (30) days after Tenant's receipt of the Amendment provided that such Amendment is prepared in accordance with the foregoing requirements. Notwithstanding the foregoing, if Landlord and Tenant agree to perform the build-out of the Offered Space differently than the build-out which is specified in this Lease, the Amendment shall incorporate such agreement (however, this shall have no effect on the Landlord's construction contribution).

51.8 In the event Tenant fails or declines to exercise its right of first offer within the requisite time periods in accordance with this Section 51 with respect to a particular Offered Space, then Tenant's right of first offer with respect to that particular Offered Space shall be extinguished and shall thereafter be null and void and of no further force and effect, and Landlord shall thereafter have the right to lease such Offered Space to any other prospective tenant; provided however that if Landlord has not entered into a lease with a party for such Offered Space within nine (9) months after the date Tenant fails or declines to exercise its right of first offer then Landlord shall not lease such Offered Space to any party without again complying with the provisions of this Section 51. After the Offered Space has been leased by Landlord to another person, partnership, corporation or other entity, if the Offered Space should again become available, Tenant shall again have the first right to lease with respect thereto on the terms and conditions set forth in this Section 51.

51.9 Time is of the essence in this Section 51.

51.10 Tenant acknowledges and agrees that this right of first offer and any other rights granted under this Section 51 are granted exclusively to Tenant (and/or any Permitted Transferee) and not to any sublessee of Tenant.

51.11 If the parties submit the issue of what constitutes the appropriate FMR for the Qualifying Space to determination using a "two broker method", then the Base Rent and annual escalations applicable during the lease term for the Qualifying Space shall be equal to ninety-five percent (95%) of the FMR and annual escalation rates determined by two (2) licensed real estate brokers, one of whom shall be named by Landlord, one by Tenant, none of which shall be affiliated with or employed by Landlord or Tenant. Each member of the board of brokers shall be independent from Landlord or Tenant, be licensed in the Commonwealth of Virginia as a real estate broker, with a substantial familiarity in the field of commercial office leasing in Fairfax, Virginia, having no less than seven (7) years experience in such field working in the applicable submarket, and recognized as ethical and reputable within the field. Landlord and Tenant agree to make their appointments within ten (10) days after the earlier to occur of their failure to agree. If either of the parties fail to select a broker within the aforesaid time periods, the broker selected by the other party shall select the other broker to participate in the determination, each of which shall meet the selection criteria set forth above, and be affiliated with a different company from the first broker and from each other. Within ten (10) business days after selection of the brokers, each broker shall submit their final determination of ninety-five percent (95%) of FMR (and escalations to the Landlord and Tenant. If there is less than a five percent (5%) difference, the average of the two shall be deemed the determination. If the difference is greater than five percent (5%), then the two brokers shall mutually agree to a third broker with five (5) days who shall render his determination of ninety-five percent (95%) of FMR within ten (10) days. The closer of the first two (2) broker determinations to the third broker's determination shall be deemed ninety-five percent (95%) of FMR. After ninety-five percent (95%) of FMR has been established, the brokers shall immediately notify the parties in writing, and such determination shall be conclusive and binding upon the parties. Landlord and Tenant shall each pay the fee of the broker selected by it, and they shall equally share the payment of the fee of the third broker (if applicable).

52. RENEWAL TERM.

52.1 Provided Tenant is not then in Default of its monetary obligations this under this Lease at the time its rights hereunder are to be exercised, Tenant shall have the option (the “Renewal Option(s)” and each a “Renewal Option”) to extend the Lease Term for two (2) additional terms of sixty (60) months each (the “Renewal Term(s)” and each a “Renewal Term”) provided Tenant gives written notice to Landlord of its election to exercise such Renewal Option (the “Renewal Notice”) not more than eighteen (18) nor less than fifteen (15) months prior to the expiration of the last day of the initial Lease Term or, as applicable, the initial Renewal Term. Time is of the essence in this Section 52.

52.2 All terms and conditions of this Lease, including without limitation, all provisions governing the payment of Additional Rent, shall remain in full force and effect during the Renewal Term(s), except (a) the Base Rent shall be as set forth in this Section 52, (b) the Tenant’s Share of Increases in Operating Expenses shall be re-set using the first year of such option term as the Base Year, which amount shall be grossed up to reflect a Building that is 100% occupied, and (c) the Tenant’s Share of Increases in Real Estate Taxes shall be reset using the first year of the option term as the Base Year, which amount shall be grossed up to reflect a fully assessed Building.

52.3 The Base Rent payable upon the commencement of the Renewal Term shall equal ninety-five percent (95%) of the then prevailing market rental rate (including base rental rate and annual escalation rate) applicable with respect to comparable space in comparable buildings in the vicinity of the Project [i.e., leases for space consisting of at least fifty thousand (50,000) square feet of rentable area in buildings located in the market area of the Building] (the “Fair Market Rate” or “FMR”) at the time of the commencement of the applicable Renewal Term, determined based upon then existing renewal market conditions applicable to the leasing of comparable space in comparable buildings in the vicinity of the Project (taking into consideration use, location, quality, age and location of the applicable building and “Base Year”, whether or not Tenant is separately paying for electricity or HVAC, as well as then market lease concessions and improvement allowances). The FMR shall be determined on a net basis with Tenant remaining responsible for the payment of all electrical consumption at the Premises. Landlord and Tenant shall negotiate in good faith and in accordance with the procedure set forth in Section 51, to determine the Fair Market Rate which will be applicable during the Renewal Term, and shall conclude such negotiation or trigger a determination of the FMR using same two or three-broker method (as described in Section 51, above).

53. STORAGE SPACE.

53.1 The Term of this Lease with respect to the Storage Space shall commence on the Commencement Date and shall expire, unless otherwise terminated pursuant to the terms of this Lease, on the Lease Expiration Date.

53.2 The rent payable by Tenant hereunder on account of the Storage Space (the “Storage Space Rent”) shall initially be Fifteen Dollars ($15.00) per usable square foot of the Storage Space on a full service basis (i.e., there shall be no pass-through of Operating

Expenses or Real Estate Taxes). The Storage Space Rent shall be paid in the same manner, at the same time as and subject to all of the same terms and provisions contained herein pertaining to, Base Rent, except that payment of Storage Space Rent shall commence on the Commencement Date. As of the first day of the second Lease Year and on the first day of each Lease Year thereafter, Storage Space Rent shall increase to an amount equal to one hundred two and one-half percent (102.5%) of the Storage Space Rent then in effect.

53.3 The parties acknowledge that Tenant may require more storage space in addition to the Storage Space listed above. If requested by Tenant in writing, Landlord may to the extent reasonably possible, convert additional garage space into storage space and provide Tenant with notice of the delivery date of such space.

54. TRENCHING; CONDUITS.

Tenant shall have the right, subject to obtaining Landlord's approvals of the plans therefor, which approval shall not be unreasonably withheld, conditioned or delayed, and subject to obtaining all necessary governmental approvals, to install conduit from the property line to the Premises in up to three (3) diverse routes. Tenant shall be required to restore any damage caused by the installation of such conduit. Tenant shall have no obligation to remove the conduits at the end of the term of the Lease.

55. TERMINATION OF PRIOR LEASE.

By the execution and delivery hereof, each of Landlord and Tenant acknowledge and agree that those two (2) certain Leases by and between HMCE Associates Limited Partnership, R.L.L.P, as predecessor in interest to Landlord, and ICF Kaiser Hunters Branch Leasing, Inc., as predecessor in interest to Tenant, each dated January 1, 1997 (as amended) are hereby terminated and of no further force and effect.

56. GUARANTEE.

This Lease is guaranteed by that certain guaranty agreement of even date herewith from ICF International, Inc. to and for the benefit of Landlord.

57. GENERATOR, FUEL CELL AND UPS.

Tenant shall have the right to install a generator and associated fuel cell up to a 750 KVA adjacent to the Building along with its associated equipment, including, without limitation, all switchgear, transformers, UPS, and heating, ventilating and air conditioning in a location (including applicable screening) and in a manner approved by Landlord in writing, which approval shall not be unreasonably withheld, conditioned or delayed. Such equipment shall be located in the area shown on Exhibit L attached hereto ("Generator Location"). There shall be no restrictions limiting (a) the times when Tenant may exercise the generator, or (b) the duration the generator(s) may run, however, Tenant agrees to coordinate with Landlord the times the generator(s) is run so as to limit disruption of other tenants in the Building. Tenant shall be responsible for obtaining all governmental approvals to install and use the foregoing equipment and shall be solely responsible for the repair and maintenance thereof. Further, Tenant shall be solely responsible for any shall indemnify Landlord against any and all cost, expense or liability arising due to Tenant's generator equipment, including, but not limited to any fuel leakage or spill arising in connection therewith. In the event of any conflict between the provisions of this Section and the provisions of Section 5, the provisions of this Section shall govern and control.

58. LIEN WAIVER.

Landlord agrees to execute from time to time a standard waiver of Landlord's liens in the form of Exhibit M attached hereto and made a part hereof, provided that in no event shall Landlord waive its lien on or against any improvements the ownership of which belongs to Landlord pursuant to the terms of Exhibit C attached hereto.

59. SHUTTLE SERVICE.

Landlord shall provide for Tenant's employees, other tenants of the Building and other adjacent buildings owned by Landlord or its affiliates, and the employees of such other tenants a private shuttle bus between the Building and the Vienna Metro Station. Subject to force majeure, the shuttle bus service shall be provided throughout the Term and continuously during the hours between 7:00 a.m. and 8:00 p.m. on business days. Landlord shall use shuttle buses which have reasonably adequate seating capacity taking into account average passenger usage from time to time. Landlord shall provide private shuttle bus service for Tenant's employees at times in addition to those specified in this Section, at Tenant's expense, as mutually agreed upon by Landlord and Tenant. Landlord shall charge Tenant for after-hours service at an hourly rate from time to time established by Landlord, in its sole discretion, but in no event will the rate per hour charged to Tenant be more than an amount per hour which represents Landlord's reasonable estimate of its actual cost of providing such after-hours service, including labor, cost of fuel, and wear and tear on equipment, plus an allowance of 10% thereof to cover general overhead. In the event the same after-hours service is also requested by other tenants of the Building (or any other building owned by Landlord or its affiliates) in addition to Tenant, the charge therefor to each Tenant requesting such after-hours service shall be a pro-rated amount based upon the net rentable area of the leased premises of all tenants requesting such after-hours service. Payment for such charges shall be due and payable to Landlord within 15 days after Tenant's receipt of an invoice therefor. Any dispute between Landlord and Tenant with respect to the adequacy of Landlord's shuttle bus service shall be submitted to arbitration in accordance with Section 49.

60. FOOD SERVICE OPERATOR.

Landlord has contracted with a food service operator (the "Restaurant Operator") who currently operates John's restaurant on the first floor of Building 9300 and who offers for sale breakfast and lunch items, including hot sandwiches. The Restaurant Operator will be required to open for business for breakfast and lunch Monday through Friday (except for Building standard holidays). The restaurant will be available for use by all tenants and occupants of the Building. The Restaurant Operator will have various (i) breakfast items available for sale (such as cereals, bagels, fruit, eggs, and breakfast sandwiches), and (ii) lunch items available for sale (such as salads, sandwiches, beverages and snacks). In the event the Restaurant Operator fails to remain open for business, Landlord shall, in good faith, use commercially reasonable efforts to contract with a replacement Restaurant Operator who will be obligated to operate its restaurant in accordance with the provisions of this Section 60.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Deed of Lease, or have caused this Deed of Lease to be executed on their respective behalves by their duly authorized officers, as of the day and year first above written.

LANDLORD:

HUNTERS BRANCH LEASING, LLC

By: Nutley Partners, LLC, its Managing Member

By: FP-Argo Hunters Branch, LC, its manager

By: Argo Investment Company, LC, its manager

By: /s/ Richard L. Perlmutter (SEAL)
Name: Richard L. Perlmutter
Title: Manager

TENANT:

ICF CONSULTING GROUP, INC.,
a Delaware corporation

By: /s/ Sudhakar Kesavan
Name: Sudhakar Kesavan
Title: CEO

JOINDER

The undersigned Hunters Branch Partners, L.L.C. joins in the execution hereof to (i) evidence its consent to the terms, conditions and existence hereof, and (ii) to agree with Tenant that, in the event of the termination of the Prime Lease for any reason, this Lease shall automatically become a direct lease between Tenant and Hunters Branch Partners, L.L.C., and each hereby irrevocably and unconditionally agree that in such event, each of Hunters Branch Partners, L.L.C. and Tenant shall execute a declaration evidencing the continuation hereof as a direct lease between Tenant and Hunters Branch Partners, L.L.C.

HUNTERS BRANCH PARTNERS, L.L.C.

By: IFA Nutley Partners, LLC, its Managing Member

By: Hunters Branch Manager, Inc.

By: /s/ Richard L. Perlmutter (SEAL)
Name: Richard L. Perlmutter
Title: Vice President

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") is made and entered into by and between **ALAN R. STEWART** (the "Executive") and **ICF INTERNATIONAL, INC.** (the "Company"), this 17th day of December, 2009 (the "Effective Date").

WHEREAS, the Executive currently is serving the Company as its Senior Vice President, Chief Financial Officer and Secretary; and

WHEREAS, the Executive's efforts have contributed to the growth and success of the Company for almost nine years; and

WHEREAS, the Company has decided to implement a program for the orderly transition of the duties of the Chief Financial Officer for the Company upon the Executive's separation from service with the Company in 2010;

NOW, **THEREFORE**, in consideration of the mutual promises and covenants set forth in this Agreement, the Executive and the Company agree as hereinafter set forth.

1. Employment. The following provisions set forth the terms of the employment of the Executive by the Company on and after the Effective Date.

(a) From the Effective Date until the Changeover Date (as defined below), the Executive shall continue to be employed as the Senior Vice President, Chief Financial Officer and Secretary of the Company with an annual base salary rate of $323,003.20. In addition, on or prior to March 15, 2010, the Executive shall be paid 100% of his bonus for 2009. As Senior Vice President, Chief Financial Officer and Secretary of the Company, the Executive shall have the normal managerial responsibilities, duties and authorities of an individual serving in such position, subject to the power of the Chief Executive Officer and/or the Board of Directors of the Company (the "Board") to limit or expand such responsibilities, duties and authorities.

(b) On or before June 1, 2010, the Board intends to elect a new Chief Financial Officer for the Company. The earlier of: (i) the date on which the new Chief Financial Officer is elected, or (ii) June 1, 2010, shall be referred to in the Agreement as the "Changeover Date." In the event that the Changeover Date occurs prior to June 1, 2010, the Executive shall continue to perform services for the Company and assist the new Chief Financial Officer with transition matters until the date he incurs a separation from service (as defined in Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A") (his "Separation from Service Date"). During such time period, the Executive shall perform duties on a regular and consistent basis with the expectation that such duties will require services to be performed no less than 20 percent of the Executive's customary working hours for the 36 months immediately preceding the Changeover Date. After the Changeover Date, the Executive shall continue to receive his base salary at the annual rate of $323,003.20 through his Separation from Service Date which shall occur no later than June 1, 2010 and no earlier than March 31, 2010.

(c) The Company shall reimburse the Executive for all reasonable expenses incurred by him in the course of performing his duties under the Agreement which are consistent with the Company's policies in effect from time to time with respect to travel, entertainment and other business expenses, subject to the Company's requirement with respect to reporting and documentation of such expenses; provided that reimbursement shall be made no later than 2 1/2 months after the end of the calendar year in which such expenses were incurred.

(d) The Executive shall be deemed to have resigned without further action on his part, effective on the Changeover Date, his position as Senior Vice President, Chief Financial Officer and Secretary of the Company. In addition, the Executive shall be deemed to have resigned without further action on his part, effective on the Changeover Date, (i) from all other offices of the Company to which he has been elected by the Board or to which he has otherwise been appointed, (ii) from all offices of any entity that is a subsidiary of, or is otherwise related to or affiliated with, the Company, (iii) from all administrative, fiduciary or other positions he may hold with respect to arrangements or plan for, of or relating to the Company or any subsidiary or other affiliate of the Company, and (iv) from any other office or other position of any corporation, partnership, joint venture, or other enterprise (each, an "Other Entity") insofar as the Executive is serving in the office or other position of the Other Entity at the request of the Company; provided, however, that if such resignation results in noncompliance with any statute, rule or regulation applicable to any entity, subsidiary, other affiliate of the Company or Other Entity, such resignation shall be effective at such time as the resignation would be in compliance with any such statute, rule or regulation. The Company hereby consents to and accepts such resignations.

(e) Upon his Separation from Service Date, the Executive shall receive the severance payments and benefits set forth in the letter agreement dated December 12, 2008, between the Executive and the Company.

(f) In the event that a "change in control" with respect to the Company (as defined in Section 409A) occurs prior to the Executive's Separation from Service Date, the Executive shall receive the benefits set forth in the Severance Protection Agreement dated December 12, 2008, between the Executive and the Company.

2. Confidential Information. The Executive agrees that he continues to be bound by the terms of the ICF International Employee Agreements on Ideas, Inventions, Confidentiality, Intellectual Property and Non-Solicitation.

3. Release by the Executive. In consideration of the payments specified in Paragraph 1 of the Agreement, the Executive, on behalf of himself, his heirs, executors, administrators, attorneys, representatives and assigns, agrees to and does hereby release, acquit and forever discharge from liability, the Company, its current and former officers, attorneys, directors, agents, employees, and the Company's affiliates, parents and related companies (all collectively referred to as the "Released Parties") from any and all claims, obligations, actions and causes of action, together with any contracts, agreements and promises, in law or in equity, which the Executive has or may have, which are known or may subsequently be discovered by him, arising out of acts or omissions by the Released Parties prior to the date of this Agreement.

The Executive understands that these released claims include, but are not limited to, any and all claims and causes of action related to, connected with or arising out of the Executive's employment with the Company, and/or cessation of employment with the Company.

The Executive understands that these released claims include, but are not limited to, any and all claims of discrimination or harassment on account of sex, race, age, sexual orientation, handicap or disability, veteran status, national origin, retaliation or religion, and claims or causes of action based upon any equal employment opportunity laws, or other employment laws, including but not limited to Title VII of the Civil Rights Act of 1964, as amended; 42 U.S.C. §1981, as amended; the Age Discrimination in Employment Act, as amended; the Americans with Disabilities Act, as amended; Executive Order 11246; the Uniformed Services Employment and Re-employment Act ("USERRA"); the Civil Rights Act of 1991; the Rehabilitation Act of 1973; the Fair Labor Standards Act; the Equal Pay Act; the Pregnancy Discrimination Act; the Family and Medical Leave Act; the Worker Adjustment Retraining and Notification Act; and any other applicable statue or local anti-discrimination, equal employment or other employment-related statutes and ordinances.

The Executive understands that these released claims include, but are not limited to, any and all claims under any state or local law such as Article 49B of the Maryland Code relating to discrimination and fair practices in employment, the Maryland Labor and Employment Law Article, the Maryland Equal Pay Law, the Maryland Discrimination on the Basis of Medical Information Law, the Maryland Adoption Leave Law, the Virginia Human Rights Act, the Virginia Equal Pay Act, the Virginians with Disabilities Act, Virginia laws relating to genetic testing and AIDS testing, the District of Columbia Human Rights Act of 1977 and the District of Columbia law relating to rights of the blind and physically disabled.

The Executive understands that these released claims include, but are not limited to, claims from breach of any contract, agreement or promises made prior to the Effective Date; claims for wrongful termination of any type; breach of express or implied covenant of good faith and fair dealing; promissory estoppel; equitable estoppel; detrimental reliance; quasi-contract; intentional or negligent infliction of emotional distress; intentional or negligent misrepresentation; claims for fraud, libel, slander or invasion of privacy, including without limitation statements made concerning my employment or termination; and any sort of tort or other claims brought under common law in any form.

The Executive understands that these released claims include, but are not limited to, claims for violation of any Company policy or procedure; claims for bodily or personal injury, medical expense, mental anguish, psychological or emotional distress; claims for severance benefits (other than are provided herein), vacation pay, and bonuses; claims for costs and attorney's fees; claims for stock options, executive compensation, deferred compensation, fringe benefits; claims relating to any consulting agreement; as well as any other claims or causes of action he might have against the Released Parties.

PROVIDED, however, the Executive understands and acknowledges that: (a) he is not waiving and does not waive any rights or claims under the Age Discrimination in Employment Act "that may arise after" the execution of this document by Executive, as provided for in the Older Workers Benefit Protection Act; (b) he is not waiving and does

not waive any rights set forth in this Agreement or under any tax-qualified pension plan; (c) nothing in this release or Agreement prevents the Executive from filing an administrative charge of discrimination with the U.S. Equal Employment Opportunity Commission ("EEOC") or similar state administrative agency relating to any released claim; and (d) the Executive agrees that he shall not seek, accept, or be entitled to any monetary relief, whether from himself individually or as a member of a class or group, arising from an EEOC charge or other administrative complaint filed by Executive or on his behalf.

4. Section 409A. The parties intend that any payment under the Agreement shall be paid in compliance with Section 409A such that there shall be no adverse tax consequences, interest or penalties as a result of the payments. To the extent legally feasible, the parties agree to modify this Agreement with respect to the timing (but not the amount) of any payment to the extent necessary to comply with Section 409A and avoid application of any taxes, penalties, or interest thereunder. Notwithstanding the foregoing, the parties agree that the Executive shall be responsible for any taxes imposed on any payment or benefit provided under the Agreement.

5. Confidential Information. Except as specifically authorized, the Executive agrees not to disclose, publish, use, or permit anyone else to disclose, publish, or use any proprietary or confidential information or trade secrets of the Company, or of the Company's clients, business partners, or subcontractors, at any time after his employment with the Company. In the event the Executive is not certain whether a given category or piece of information is considered to be proprietary and confidential to the Company, its clients, business partners or subcontractors, the Executive shall deem such information to be proprietary and confidential and treat it in accordance with the restrictions of this Paragraph 5. This obligation shall continue so long as such information remains legally protectable as to persons receiving it in a confidential relationship. The Executive also agrees to return to the Company any proprietary or confidential material the Executive possesses at the end of his employment.

6. Non-Disparagement. Neither party shall make any statements, written or oral, to the third party which disparage, criticize, discredit or otherwise operate to the detriment of the Executive or the Company, its officers, directors and employees and their respective business reputation, except as required by law.

7. Representations of the Company.

(a) The Company warrants and represents to the Executive that he is and will continue to be insured by the Company's officers and directors liability insurance policy (the "D&O Policy") for any current and/or future claims brought for any act which occurred or may occur while he was or is an officer of the Company, subject to the terms, conditions, and limitations of such D&O Policy; and that he is and will continue to be indemnified, pursuant to the regulations, bylaws and resolutions of the Company to the full extent allowed by law for any claims against him arising out of his duties as an officer of the Company.

(b) The Company acknowledges that this Agreement does not constitute an admission by the Executive of any wrongdoing, violation, or legal liability, nor may the Company use this Agreement or the Executive's actions under it as a basis for asserting any such wrongdoing, violation, or legal liability.

(c) The Company represents and warrants that the person whose signature appears below is authorized to execute this Agreement and to bind the Company to all provisions contained in this Agreement.

8. Acknowledgments of the Executive.

(a) The Executive acknowledges and understands that this Agreement does not constitute an admission by the Company of any wrongdoing, violation, or legal liability, nor may the Executive use this Agreement or the Company's actions under it as a basis for asserting any such wrongdoing, violation, or legal liability.

(b) The Executive acknowledges and understands that the Company has advised him, in writing, to consult with an attorney of his choosing regarding this Agreement and that the Executive has, in fact, consulted with an attorney of his choosing regarding the contents and consequences of this Agreement prior to its execution and/or that the Executive has knowingly and voluntarily waived that right. The Executive further understands that he has a right to consult the U.S. Equal Employment Opportunity Commission ("EEOC") or similar state or local agency on the contents and consequences of this Agreement. However, the Executive acknowledges and agrees that he is waiving any right to recover money in connection with any charge or lawsuit filed by himself or any other individual, group of individuals, or by the Equal Employment Opportunity Commission or any other federal or state agency on his behalf or on behalf of a group in which he is a member.

(c) The Executive acknowledges that he requested and received from the Company any information that he needs in order to make a knowing and voluntary release of all claims. The Executive further acknowledges that he has had a reasonable period of time to review and consider the consequences of this Agreement and to obtain all of the advice he requires regarding the purpose and effect of the release of claims under the Age Discrimination in Employment Act as required by the Older Workers Benefit Protection Act, that the Company has offered him at least 21 days to review the Agreement, and, if signed before the expiration of such 21 day period, the Executive acknowledges and agrees that he has voluntarily elected to sign this Agreement prior to the expiration of the 21 day period. In addition, the Executive acknowledges and understands that in order to be eligible for the severance payments identified in Paragraph 1 of this Agreement, the Executive will sign and return this Agreement no later than 21 days from receipt of this Agreement.

(d) The Executive represents and warrants that, knowing and understanding each of the statements in this Agreement, he acts knowingly and voluntarily and enters into this Agreement and accepts the benefits described herein in exchange for the terms of this Agreement that inure to the benefit of the Released Parties, without duress, coercion, fraud or undue influence. The Executive further acknowledges that he has knowingly, expressly, clearly, convincingly, specifically, voluntarily and without duress waived rights in this Agreement under (but not limited to) the Uniformed Services Employment and Re-employment Act, the Age Discrimination in Employment Act, Title VII of the Civil Rights Act of 1964, 42 U.S.C. § 1981, the Family and Medical Leave Act, and the Americans With Disabilities Act, in exchange for valuable consideration in addition to anything of value to which the Executive was already entitled.

(e) The Executive understands and agrees that this Agreement to waive and release claims under the Age Discrimination in Employment Act is irrevocable after a period of seven (7) days from the execution of this Agreement by him. The Agreement to waive and release claims under the Age Discrimination in Employment Act only shall not be enforceable or effective prior to the end of this seven day period. If the Executive elects to revoke the waiver and release of claims under the Age Discrimination in Employment Act, this entire Agreement is voidable at the election of the Company.

(f) If any provision of Paragraph 3 of this Agreement is adjudged by any court of law to be void or unenforceable, in whole or in part, or if the Executive subsequently makes any claim against the Released Parties arising out of his employment prior to the date he signed this Agreement and challenges the validity of the release, such adjudication and/or claim shall void all duties and obligations of the Company herein and, if such action is due to his making a claim or requesting court action to void the Agreement, the Executive shall promptly refund all severance payments made hereunder; provided, however, that nothing in this Agreement is intended to, or shall be interpreted to, discourage or interfere with his rights under the Older Workers Benefit Protection Act to test the knowing and voluntary nature of the waiver of claims under the Age Discrimination in Employment Act, or to prevent the exercise of such rights.

(g) In entering into this Agreement, the Executive acknowledges that he has relied only on its written terms and not upon any statements or representations of the Company.

9. Release by the Company. The Executive represents that he is not aware of any act of commission or omission by him that is likely to lead to a claim, complaint, or charge being brought against the Company or that would result in any liability to the Company. In reliance upon these representations and as further consideration for this Agreement, the Company hereby releases the Executive from any claims arising from his employment with the Company. The Executive understands that the undertakings by the Company set forth in this Limited Release are void if his representations set forth in this Paragraph 9 were false when made.

10. Successors. This Agreement shall be binding upon and the benefit shall inure to the benefit of Executive and Executive's heirs, and to the Company and its respective successors and assigns without the need for any further approval by either party.

11. Governing Law. The terms and enforcement of this Agreement are governed by the laws of the Commonwealth of Virginia, without regard to conflict of laws rules. Any legal action relating to or arising from this Agreement will be brought in a state court of competent jurisdiction in Fairfax County, Virginia or in the United States District Court for the Eastern District of Virginia, each venue being where the Company maintains its principal place of business.

(Remainder of page intentionally left blank)

IN WITNESS WHEREOF, the Executive and the Company execute this Agreement this 17th day of December, 2009.

ICF INTERNATIONAL, INC.

By: /s/ Sudhakar Kesavan

Title: Chairman, President & Chief Executive Officer

EXECUTIVE:

/s/ Alan R. Stewart
ALAN R. STEWART

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 Associates, L.L.C.	Delaware
(d/b/a ICF Consulting Associates in Washington)	
ICF Consulting Services, L.L.C.	Delaware
ICF Emergency Management Services, LLC	Delaware
ICF Incorporated, L.L.C.	Delaware
(d/b/a ICF (Delaware), L.L.C. in Arizona)	
(d/b/a ICF Consulting, L.L.C. in California)	
(d/b/a ICF, L.L.C. in Michigan)	
(d/b/a ICF Minnesota, L.L.C. in Minnesota)	
(d/b/a ICF (Delaware), L.L.C. in Missouri)	
(d/b/a ICF Delaware in New York)	
(d/b/a ICF Ohio, L.L.C. in Ohio)	
(d/b/a ICF PA, L.L.C. in Pennsylvania)	
(d/b/a ICF, L.L.C. in Texas)	
(d/b/a ICF, L.L.C. in Virginia)	
ICF Resources, L.L.C.	Delaware
Systems Applications International, L.L.C.	Delaware
ICF Services Company, L.L.C.	Delaware
ICF Consulting India Private Ltd.	India
ICF/EKO	Russia
ICF Consulting Limited	U.K.
Caliber Associates, Inc.	Virginia
(d/b/a Caliber Associates, Inc of Virginia in Washington)	
Advanced Performance Consulting Group, Inc.	Maryland
Z-Tech Corporation	Maryland
(d/b/a Z-Tech Corporation of Maryland in Arkansas)	
(d/b/a Maryland Z-Tech Corporation in California)	
(d/b/a Z-Tech Corporation (Maryland) in Georgia)	
(d/b/a Z-Tech Corporation of Maryland in Illinois)	
(d/b/a Z-Tech Corporation of Maryland in Pennsylvania)	
(d/b/a Maryland Z-Tech Corporation in Texas)	
(d/b/a Z-Tech Corporation of Maryland in Virginia)	
Simat, Helliesen & Eichner, Inc.	Delaware
SH&E Limited	U.K.
Jones & Stokes Associates, Inc.	Delaware
ICF International Consulting (Beijing) Company, Ltd	China
Jacob & Sundstrom, Inc.	Maryland
Macro International Inc.	Delaware

Exhibit 23.0

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our reports dated March 11, 2010, with respect to the consolidated financial statements and internal control over financial reporting included in the Annual Report of ICF International, Inc., and Subsidiaries on Form 10-K for the year ended December 31, 2009. We hereby consent to the incorporation by reference of said reports in the Registration Statements of ICF International, Inc., and Subsidiaries on Form S-3 File No. 333-161896, effective September 29, 2009 and Forms S-8 (File No. 333-137975, effective October 13, 2006, File No. 333-142265, effective April 20, 2007 and File No. 333-150932, effective May 15, 2008).

/s/ Grant Thornton LLP

McLean, Virginia
March 11, 2010

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 11 day of March, 2010.

By: /s/ SUDHAKAR KESAVAN

Sudhakar Kesavan
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION BY PRINCIPAL FINANCIAL OFFICER

I, Alan Stewart, 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 11 day of March, 2010.

By: /s/ ALAN STEWART

Alan Stewart
Senior Vice President,
Chief Financial Officer and Secretary
(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, 2009 (the "Report") of ICF International, Inc. (the "Registrant"), as filed with the Securities and Exchange Commission on the date hereof, I, Sudhakar Kesavan, Chairman, President and Chief Executive Officer of the Registrant, hereby certify that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: March 11, 2010

By: /s/ SUDHAKAR KESAVAN
Sudhakar Kesavan
Chairman, President 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, 2009 (the "Report") of ICF International, Inc. (the "Registrant"), as filed with the Securities and Exchange Commission on the date hereof, I, Alan Stewart, Senior Vice President, Chief Financial Officer and Assistant Secretary of the Registrant, hereby certify that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: March 11, 2010

By: /s/ ALAN STEWART

Alan Stewart
Senior Vice President, Chief Financial Officer
and Secretary
(Principal Financial Officer)