ICF INTERNATIONAL
"ICF International Conference Call"

March 30, 2009 at 8:30 AM Eastern
Doug Beck, Senior Vice President of Corporate Development with ICF International
Sudhakar Kesavan
John Wasson
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OPERATOR: Welcome to the ICF International Conference call. During the presentation all participants will be in a listen-only mode. Afterwards you will be invited to participate in a question and answer session. At that time if you have a question, please press * then 1 on your touch tone phone. As a reminder this conference is being recorded on Monday, March 30, 2009 and cannot be reproduced or re-broadcast without permission from the company. And now I would like to turn the program over to Doug Beck, Senior Vice President of Corporate Developments with ICF International. Please go ahead, sir.

DOUG BECK: Thank you, Operator. Good morning everyone, and thank you for joining us to review ICF's announcement of signing a definitive agreement to purchase Macro International, Inc. With us today from ICF are Sudhakar Kesavan, Chairman and CEO, John Wasson, COO, and Alan Stewart, CFO. During this conference call, we will make forward-looking statements to assist you in understanding ICF management's expectations about our future performance. These statements are subject to a number of risks that could cause actual events and results to differ materially and I refer you to our March 30, 2009 press release and our SEC filings for discussions of those risks. In addition, our statements during this call are based on our views as of today. We anticipate that future developments will cause our views to change. Please consider the information presented in that light. We may at some point elect to update the forward-looking statements made today but specifically disclaim any obligation to do so. During this call, we refer you to Non-GAAP financial measures such as backlog and EBITDA. A reconciliation of those measures to the most directly comparable GAAP measures is available in the investor relations section of our website. I will now turn the call over to our CEO, Sudhakar Kesavan to discuss today's announcement. Sudhakar.

SUDHAKAR KESAVAN: Good morning everyone and thank you for joining us on such short notice. This morning we announced the acquisition of Macro International, Inc., known as Macro, a 150 million dollar research-based professional services firm working primarily for federal government agencies. We see this as an excellent growth opportunity for ICF that significantly adds to our scale in the rapidly expanding health, human services and social programs market and provides cost selling potential across all of our targeted markets. Among our 4 key markets, the health, human service and social programs market has already shown the fastest organic growth; that is without acquisitions, over the past 2 years with the energy and climate change market and the addition of Macro puts us in a strong leadership position in what is going to be a front-burner issue for a long time to come. As you know, we are already well-positioned to capitalize on the huge growth potential of federal energy and environmental priorities as an acknowledged market leader. With the addition of Macro, we are the only professional services firm who can lead in both markets. Macro is a venerable firm, well-recognized for its expertise in research, evaluation, consulting and implementation services, particularly in federal health programs, where they cover a wide range of health issues in the United States and internationally. In fact, we have been following this company for several years and are now being able to capitalize on this special opportunity. Like ICF, their personnel are highly credentialed, dedicated and, in fact, their turnover is even lower than ICF's. Their backgrounds include MDs, PhDs, and hundreds of graduate degrees and we look forward to having these highly skilled individuals as part of ICF.

In addition to their health-related expertise, Macro has strong credentials in housing, labor, veteran's affairs issues and their work in energy, environment and transportation. I invite you to view their website at www.macrointernational.com, Macro's core areas of expertise are all budget priorities for the current Administration. For example, the Department of Health and Human Services' proposed budget in FY2010 is more than 6 billion dollars higher than FY2008 expenditures and over 40 billion dollars in stimulus funds are targeted for HHS. In addition, other important client agencies of Macro, such as the State Department, Veteran's Affairs, and the National Science Foundation, are all seeing large proposed budget increases. This acquisition puts ICF in an excellent position to leverage a client base that does not significantly overlap ours yet at the same time provides complementary advisory implementation evaluation skills that increase our scale and impact in the federal market. In addition to the complementary clients and capabilities that John Wasson will review in detail in a moment, Macro brings more than 450 million dollars in backlog to ICF, much of it with multi-year visibility, which increases our core business backlog to more than 1.2 billion dollars. It also increases our government business to approximately 80% of core business versus 74% prior to the acquisition, while the federal government's share will account for 67% versus 58 % prior to the acquisition. Greater visibility and stronger positioning in the civilian federal markets are important positives in the current economic environment. As a non-core subsidiary of a public company operating primarily outside the government arena, Macro has until now been managed solely for profitability at the expense of growth and, as a result, they have had low single digit growth over the last past several years. However, given their exceptional backlog and strong client relationships in key and growing markets, we plan to utilize our business development infrastructure and invest in their business to help them build their pipeline and increase their growth rates into the double digits.

ICF has had a successful track record of acquisition growth over the last 4 years by bringing in profitable companies that address our markets with complementary services and client relationships and, importantly, where the cultural fit was right. In the case of Macro, we share a deep commitment to our work, reputations for developing practical solutions to important issues and geographic proximity with very little office or client overlap. I'm excited that this acquisition gives us immediate scale and credibility across a full range of health and human services issues with a traditional quality that is fully compatible with what clients expect of ICF. Now I would like to turn the call over to John Wasson to provide more details on how we plan to create significant value with this acquisition. John.

JOHN WASSON: Thank you, Sudhakar. I share Sudhakar's enthusiasm for this acquisition and the potential it gives us to further penetrate the health, human services and social programs markets and leverage our collective capabilities to accelerate growth in this large and dynamic market. Let me tell you a little bit more about why we think Macro is an excellent fit within ICF. I'm sure you've all seen the famous 2x2 growth strategy chart that maps a company's clients by existing or new and by services existing or new. The core lesson from that chart is that it is easier to grow by selling new services to existing clients or existing services to new clients than by selling new services to new clients. The key to our excitement about Macro is that we have the ability to follow both of these preferable growth strategies in multiple ways.

First, let's briefly look at the clients. Both ICF and Macro have strong positions at the Department of Health and Human Services with its growing budget. Yet, there is almost no overlap. Among the major divisions in this huge agency, Macro is very strong in the substance abuse and mental health services administration known as SAMSA, the Centers for Disease Control and Prevention and the National Institutes of Health, while ICF has a strong presence in the Administration for Children and Families and primarily, an IT presence, where Macro dose not at NIH. Likewise, Macro has a number of contracts at the State Department, the National Science Foundation and Veteran Affairs whose recommended budgets for fiscal year 2010 are 26%, 15% and 21% higher than fiscal year 2008 levels, respectively. Yet, ICF only has a handful of contracts in other areas in those agencies. Similarly, ICF has a strong presence in the relevant parts of agencies where Macro has a toehold and has wanted to expand with services that are complementary to ours, including DOD, Justice, HUD and the Department of Education. Additionally, Macro has data collection in quantitative research capabilities that can help open new markets to ICF and other agencies where we have traditionally been strong, such as EPA, DOE, and the Department of Homeland Security.

Second, let's briefly look at the service offerings. When we review the comparative service offerings, we find great complementarity between the two firms with similar traditions of excellent delivery and long-standing client relationships. Macro brings world class research, data collection and evaluation capabilities in health and social programs, while ICF's comparative strengths in these areas are in policy and regulatory analysis, information technology and program management and delivery. Thus, the two of us together provide a strong array of services across the entire life cycle of health and social programs, putting us both in a much stronger position where domain expertise and functional strengths in areas such as IT and program delivery reinforce our mutual competitive advantage as a knowledge-driven professional services firm. In a few cases, there is, of course, some overlap in our capabilities but we again find that they are serving different clients and, by combining, we can achieve more scale and depth that will benefit us both. For example, as a result of this transaction, we will more than double our market presence in social marketing and strategic communications, a significant differentiator from generic government contractors. Macro's largest communications clients are in SAMSA, FEMA, and the National Institutes of Health, while ICF's largest clients in this area are with utilities and state energy efficiency commissions, EPA, different offices within FEMA and the State Department.

Finally, while we are convinced that the complementary nature of our clients and services create immediate opportunities, we also believe that ICF can bring added emphasis on business development, strategic capture and enhanced infrastructure to enable Macro to scale for growth in what we expect to be one of the largest growth markets in the public sector in the coming years. As Sudhakar has noted, previous parents of Macro were not well-aligned with their markets and, therefore, managed them for profitability, often at the expense of growth. ICF, however, is deeply committed to leveraging each other's expertise and market presence to continue to penetrate long-term growth markets within the corporate goals of overall profitability that we have already set for the coming year. Now, I'd like to turn the call over to Alan Stewart, who will address some of the key financial dimensions of the pending transaction. Alan.

ALAN STEWART: Thank you, John. Our cash purchase price of 155 million for Macro was financed through our revolving credit facility, which expires in February 2012. Based on the trailing unaudited 12 months ending December 31, 2008, the purchase price multiple is approximately 8.5 x EBITDA and, if you include the estimated 26 million net present value benefit of the 330H10 tax election, the multiple is reduced to 7 times, which is a very fair price given this excellent company. Our bank's credit agreement's primary covenant is the ratio of outstanding debt bank EBITDA shall not exceed 3.5 times. Bank EBITDA's earnings before interest, taxes, depreciation, amortization and FAS 123 are non-cash stock compensation expense. As of March 31, 2009, we are estimating the pro forma impact of this transaction to result in a ratio of less than 2.5 times of debt to bank EBITDA, giving us ample room for capital availability under our existing facility to fund future growth in calendar year 2009 and calendar year 2010. As we mentioned in our press release, Macro's unaudited results for 2008 were approximately 150 million of revenue and 12% EBITDA. We plan to invest in Macro's business development and infrastructure to improve its ability to grow in 2010 and beyond.

We are reaffirming our guidance for the first quarter ending March 31, 2009 for revenues of between 155 and 160 million, EBITDA of 9 to 9.5% and fully diluted earnings per share of 34 cents to 38 cents, exclusive of special charges. In accordance with FAS 141R, which became effective January 1, 2009, any due diligence expenses will be expenses incurred rather than capitalized. As a result, we anticipate taking pre-tax charged earnings for virtually all of the due diligence expenses on this transaction of approximately 1 million dollars in the 2009 first quarter. With that, I'd like to turn the call back to Sudhakar.

SUDHAKAR KESAVAN: Thank you, Alan. This transaction provides ICF with significant growth potential in the health and related services markets. We're also, of course, leaders in the fast-growing energy and climate change and environment and infrastructure markets which, together with Homeland Security, are top priorities for the Obama administration. This transaction in no way lessens our commitment to growth and leadership in these markets. Rather, in today's announcements we see a path to achieving greater scale and combined strengths in another cornerstone of our portfolio that addresses some of the most important issues of our time. We welcome these talented and dedicated professionals of Macro to ICF International. Because of today's announcement, we are revising our 2009 guidance to reflect a 9 month contribution from the Macro acquisition, which is expected to be completed shortly. We now expect revenues for the year to range from 645 million dollars to 675 million, which does not include any meaningful growth of Macro for the remainder of the year. Based upon planned investment spending in the acquisition in 2009, we are maintaining our EBITDA margin guidance for the year in the range of 9 to 10%.

We are also reaffirming our expectations that ICF's core business growth will be more than 15% compared to 2008 levels. Operator, I would like now to open the call for questions.

OPERATOR: At this time, if you would like to ask a question, please press * then 1 on a touch tone phone. You will hear a tone to confirm that you have entered the list. If you decide you want to withdraw your question, please press * then 2. The first question comes from Tim McHugh of William Blair & Co. Please go ahead.

TIM McHUGH: Yes, first I wanted to ask about the backlog for Macro, it seems quite large relative to the revenue run rate. Are those multi-year contracts or have they had some good business development lately? Can you just comment a little bit on that and how it relates to the growth, the relatively slow growth they've had?

SUDHAKAR KESAVAN: What…they just had a whole host of re-compete wins this past year. So they have just one, most of their re-competes, I think they won 63 of their 65 re-competes this past year and most of the large contracts were part of that whole recompetition process. So they have had a very good year in terms of winning all the work which they were incumbent on and they are multi-year contracts, yes and it so happens that the acquisition is taking place at the time when the backlog is at the highest level, primarily because of the fact the re-compete year went on, which was last year, one of the major re-compete years.

TIM McHUGH: Okay, and then the, as we look at the business, there is a number of different things that they do here and you talked through those. Is there any that's more sizeable than the other as we think about their business mix in terms of, you know, the Department of HHS, or other --- the State Department or whomever?

SUDHAKAR KESAVAN: Yeah, I think that the primary businesses and I'll let Doug and John perhaps, also talk about it. But the primary work which they do, what 30-35-40 million dollars of their revenue comes from survey research work where they have these multi-year contracts with large surveys. And then, subsequently, they also do technical assistance and training and clearing house work, so those are the 3 main areas which they have great strengths in. Doug? John, do you want to add anything?

JOHN WASSON: No, I think that's a good summary. They also do a bit of IT and other things but Sudhakar's correct. It's a high variety of quantitative analysis and oriented research which drives implementation in the training and technical assistance area.

DOUG BECK: So, the top 3 clients, two of them are at HHS and SAMSA and the Center for Disease Control and the third top client would be the State Department.

TIM McHUGH: Okay, and then, as you look at the budget and the stimulus package, you mentioned you're going to invest in business development here to grow this business for the next few years, what areas do you think offer the biggest opportunity to accelerate the growth rate of Macro?

SUDHAKAR KESAVAN: I think that, you know, all the areas which they have a presence in, as we said, they have a strong presence at CDC, at SAMSA, at NIH and I think all 3 of these sub-agencies within HHS have --- are going to get substantial amount of funding going forward and, if one of the priorities of the Administration is health care reform, I think all these agencies are going to play a significant role as that transpires so I think, as I have said before, any change in the regulatory framework helps us and I think any changes here will certainly help us because I think there will be a lot…there is going to be a lot of analysis and research required before any major reform is put in place. So I think that all those areas are strong for us and I think that there are a number of opportunities in each of those agencies where they have great strength in, which we can potentially help them go after.

JOHN WASSON: I'd like to add one note, Tim. One of the great strengths of Macro is in the evaluation area, in other words, how well are programs doing, that requires a great deal of quantitative and survey and research skill to do that. As you can imagine, given the unprecedented size of funds that are being put out on programs, we think there is going to be a premium in people wanting transparency and evaluating how well those programs are doing and Macro is an acknowledged leader in that area, and I think gives us great strengths in that phases…in those phases of program-life cycle development.

TIM McHUGH: Okay, great and then, last if I can slip in a quick financial for Alan. The borrowings here now, what rate are you available…are you able to borrow at? As well as the tax rate? The 338 election, you know, it's been a while since my last tax class, so can you remind us, does that have an impact on your income statement tax rate? Or is that really a financial or a cash flow impact?

ALAN STEWART: The net present value of 338 doesn't affect your P&L GAAP tax rate, unfortunately. It does help financially on the cash flow in reducing what you pay to the IRS on that piece. I would say you know, we haven't disclosed our interest rate matrix but we believe our interest rate for the remainder of calendar year 2009 will be around 4%, perhaps a little less. So as a placeholder, I would use a modeling of 4% interest rate on the debt for this acquisition.

TIM McHUGH: Thank you.

OPERATOR: The next question comes from Steve Ferazani of Sidoti & Co. Please go ahead.

STEVE FERAZANI: Good morning. You know when you made the SH&E acquisition, you were looking a lot of ways you could sort of cross target much larger projects you couldn't pursue before, do you see a sort of similar sort of potential here with this acquisition?

SUDHAKAR KESEVAN

Yeah, I think here we certainly do that…do see that because I think that, you know, some of the [unintelligible] research calls which Macro brings can be used with our traditional energy environment clients. In fact, Macro has done work on say energy efficiency you know, programs for utilities where they have gone and surveyed how well the energy efficiency programs have done. So, we do think that some of the opportunities which some of the skill sets they bring can potentially be very easily used in our energy environment client base. So we certainly see that, in addition, the whole health and human services arena where we do have a significant presence at the moment, even without the acquisition, I think potentially given the complementary nature of the client base, I think, we certainly think that part of their skills can be used with our clients and we could go in and work with their clients on specific things which we do, like IT and program management. So I think that here there is a strong complementary nature plus the skill sets are easily usable across different markets.

STEVE FERAZANI: I know you talked about no change in EBITDA margin guidance for '09, any impact on depreciation or amortization expense you can tell us, Alan?

ALAN STEWART: Still pretty early, you know, the transaction will definitely add incremental depreciation and amortization, primarily amortization of purchase intangibles. This was a pretty significant acquisition. We will have a lot more detail in the next --- by the time of our first quarter earnings call but a very rough order of magnitude which is subject to significant adjustment or finalization would be about 3 million a quarter of the last 3 quarters of '09.

STEVE FERAZANI: Okay. And the last question, just on the gross margin, when I look at the gross margin that segment was in for Info Group. It was doing like a low 30s gross margin the last couple years which would be below your core margin. Do you think with your management and the synergies you bring it back up towards your traditional gross margin level?

JOHN WASSON: They do have a larger proportion of subcontractors and the legacy or ICF core business. So their gross margin and, again, we're still going through some of the details to make sure it's apples to apples on our calculation of what they include in indirect versus direct costs, but they look to be about 34-35%, for historical.

SUDHAKAR KESEVAN: Yeah, I would just add that if you…if, you know, the other number we do look at sometimes is service revenue, so which is net of subcontractors. So if you look at gross margin vis-a-vis service revenues for them and for us, it's very similar.

STEVE FERAZANI: Okay, great. I appreciate it.

SUDHAKAR KESEVAN: Thank you.

OPERATOR: The next question comes from Joseph Vafi of Jefferies & Co. Please go ahead.

JOSEPH VAFI: Hi guys, good morning. Any large revenue concentration issues or contracts here with Macro that we should be aware of?

SUDHAKAR KEVASAN: I think, Joe, they have some, I think one contract which accounts for I think 10% or so of their revenue and another one which accounts for about 8 or 9%. The rest are all less than 3% but the combined ICF-Macro situation would be all the contracts would be less than 3% of overall revenue. So I think that they do have one or two but they just won the re-compete. So for the next 5 years, we're okay.

JOSEPH VAFI:	Okay, so those larger contracts that re-competed, those, yeah, they have been re-competed?
SUDHAKAR KEVASAN:	Yes, yeah.
JOSEPH VAFI:	Okay, great. And then secondly, I think this is the company's largest acquisition. Have you kind of taken a look at integration here, how that might work in terms of the management teams, you know, the back office, you know, the employee benefits, etc., etc. and how's that looking at this point?
SUDHAKAR KEVASAN:	In think we are, as you can imagine, we are working through it. We have some confidence that it will work well, given our track record. So I think that we are certainly working with the Macro management team and working on insuring that you know, we are doing the ---- insuring that the benefits, etc. are taken care of. So I think that we are reasonably confident that it will work well and have been working on the integration plan for the last few weeks. So I think that we have it well in hand and I think that it will work well.
JOSEPH VAFI:	Okay, and then, it sounds like their [unintelligible] proposal spending hasn't been as high, Could…I know that the deal is not closed or anything but is there a way to kind of give us an idea of you know, how much maybe they had been under spending on new…on new on new bids and new business versus say how you know, you're looking at new business and your…and your spending on growth?
SUDHAKAR KESAVAN:	It's hard to say, Joe, at the moment. I think that they had, they did a lot of work this past year winning all their re-competes. So they clearly are quite focused on it. I think we are right now focused on assessing the pipeline for the future for the Macro business and we certainly are quite focused on making sure that pipeline you know, goes up to levels which we traditionally think it should be, which would be 2 to 3 times you know, run rate revenue. So I think that it's hard to say but we will certainly, if we can, give you some sense of it in the next few weeks or at the first quarter earnings call.
JOSEPH VAFI:	Okay, that's helpful. And then, just one quick one for Alan, I might have missed it. You said that even with the expenses for due diligence, you reaffirmed the earnings guidance for the first quarter? Did I hear that right?
ALAN STEWART:	We reaffirmed the first quarter numbers exclusive of special charges. In addition, I made a comment that we will be taking a special one-time charge of about a million dollars for all the due diligence costs on those transactions in the first quarter.
JOSEPH VAFI:	Okay, very good. Congratulations, gentlemen. Thank you.
ALAN STEWART:	Thank you.
OPERATOR:	The next question comes from Tim Quillin of Stephens, Inc. Please go ahead.
TIM QUILLIN:	Good morning. In terms of EBITDA margins, you understand you're reaffirming the 9 to 10% range. Is…is there a change in where you expect to end up within that range with the acquisition? In other words, would you have previously expected to be you know, mid-low end of that range now towards the high end of that range?
SUDHAKAR KESAVAN:	It's an excellent question. I think we are a little leery of giving you more specifics because we don't have audited statements from Macro. We have just the cut based on what we got as part of the due diligence process. We are comfortable…we are

comfortable that the numbers are reasonable but we need to be sure that the audited statements reflect what we have. So I think that we'll be able to give you better color on that, Tim, in May. So we I think are reaffirming the guidance primarily for two reasons. One, that clearly, we'll have to spend more on business development going forward; and the second, we just are unsure exactly where the numbers fall in terms of the audited statement. So we're just waiting for those numbers to get finalized and then we'll give you a better sense in May.

TIM QUILLIN: Okay, and…and you know, just to clarify the margin situation. Would you expect to be within that range for each of the quarters of the year?

SUDHAKAR KESAVAN: That has been --- at least in the first quarter of the year, we certainly expect to be there. We certainly, that's been our general guidance all through. So, yes, we do intend to be in that range for the rest of the year.

TIM QUILLIN: Okay. And you know I think that the core…core revenue should be, you know, based on your guidance, you know, around 600 million dollars and you know, core EBITDA then would be, you know, let's just say 60…around 60 million dollars and your debt levels now are going to be above 3 times core EBITDA, which is you know, typically right now where you know, bankers are comfortable lending at least. I know you have a lot of headroom on your facility right now but where are you comfortable in borrowing relative to that core EBITDA level?

ALAN STEWART: Yeah, I think I'd clarify. This is Alan Stewart. We will be below 2.5 million as of March 31, a closing on a pro forma basis. And as I look through the rest of the year, it will be less than 2.5 times all of this year and declining as we accelerate our cash flow and start paying down this debt of…of bank EBITDA, right.

TIM QUILLIN: Okay, so you just…by the time…you're still getting cash flow pretty strongly this year and…and by the time we get to the end of this year, you'll still, you'll be less than, you know, well less than 180 million dollars in debt. But, so what…what does that imply in terms of free cash flow generation for the remainder of the year?

JOHN WASSON: I can let you know much more details in our first quarter earnings call the first week of May.

TIM QUILLIN: Okay, and then, in terms of Macro, you talked about the growth or you know…lack of growth that they've had. I mean how exactly have they been growing over let's say the past couple of years?

SUDHAKAR KESAVAN: It's around 3 or 4% a year.

TIM QUILLIN: Okay, okay, brilliant. Thanks, gentlemen.

OPERATOR: The next question comes from Jason Kupferburg of UBS. Please go ahead.

STEVE FORDHAM: Hey guys, this is actually Steve Fordham sitting in for Jason Kupferburg. I have a few questions. You guys mentioned that it was you know, slightly accretive to 2009, EPS? Can you break that out exactly and maybe roughly how much will be accretive to 2010?

JOHN WASSON: Yeah, I would say, again, I've got a lot of moving parts. This company hasn't had a separate audited statement since 1999. Last 9 years has been audited by 2 public commercial units. We are still reviewing purchase intangibles, potential amortization, cash flows, debt levels, etc. and the tax effect, which they haven't allocated and we're still working through. But I, based on our due diligence work to date, the transaction will clearly (unintelligible) and I will not be dilutive. It will be very slightly or marginally accretive for the 9 months ending December 31, 2009, excluding the million dollar transaction expenses by about a penny or two.

DOUG BECK: We'll have…we'll have much more definitive information, again, in the next 6 weeks.

STEVE FORDHAM: And any idea for 2010?

JOHN WASSON: We haven't given any 2010 guidance at this time.

STEVE FORDHAM: All right. And can you guys provide more detail as far as the revenue breakout for Macro as a percent of revenue for the main customers on the market, HHS?

DOUG BECK: I don't believe we have further detail on that for you today.

JOHN WASSON: Again, that's something I think we can construct here over the next several weeks.

DOUG BECK: We have it by contract but we don't have it by……

STEVE FORDHAM: Okay, can you give it by contract?

JOHN WASSON: No. I prefer not at this time.

STEVE FORDHAM: Okay. And the last question was does Macro have any debt outstanding?

JOHN WASSON: This is a debt-free balance sheet at closing. So no inter-company, no related party and no debt. So we're taking a clean balance sheet over.

STEVE FORDHAM: Okay, that's it. Thanks.

OPERATOR: The next question comes from Tobey Sommer of Sun Trust Robinson Humphrey. Please go ahead.

TOBEY SOMMER: Thank you. I was wondering if you could comment about any potential opportunities in terms of the private sector. It seems like there is a decent overwhelming percentage of government agency work but wondering if you think that the service offerings and the capabilities are applicable to the private sector as well.

SUDHAKAR KESAVAN: I think our current focus is certainly the federal government because I think the greatest opportunities at the moment are in the federal government. You know, we've had experience in the health arena working for the private sector. ICF has had, you know, many years ago, and we certainly will look at those. As you know, we have always worked for public and private sector. At the moment, over the next year, I think our focus is on making sure that we grow the pipeline and we grow the federal business because we believe the best use of resources is growing the federal business but we certainly will keep the commercial…the private sector in mind in the health arena. And we have in the past worked for HMOs and hospital systems and, if opportunities present themselves, we will certainly take advantage of them. But our focus at the moment in 2009 is the federal government.

TOBEY SOMMER: Thank you and then just one other question about your business development initiatives to stimulate sales growth. Could you give us a sense for whether that is marketing, is that head count, are those certain targeted individuals? Kind of what is the composition of what your strategy would be to stimulate the sales growth? Thanks.

SUDHAKAR I think fundamentally, you know, in the…if we are focused on the federal business, you

KESAVAN:	just have to make sure that you look for opportunities where the scale and the whole life cycle set of services which we can now provide potentially puts us in a strong position vis-à-vis us trying to do each of these things independently prior to the acquisition. So I think there are large contracts out there and there are competitors out there who have certain contracts which we can certainly go after which are much…which we have not individually, each company individually, has thought of. And I think the focus is on trying to position and making sure that we…we go after the new contracts based on the stimulus money, as well as go after the contracts where we think that we provide better value to the customer for those…against those firms which have an incumbency position and we've been reasonably successful in knocking them off. As you recall, with VTEC we went after the ERA contractor, NIH, where a very large professional services firm, one of the largest in the world, was the incumbent. I think both based on our skills and their skills, we knocked off the incumbent and won a 60 million dollar contract. So we hope to do similar things going forward with…with Macro and this was at NIH if you recall and I think that we certainly can do something similar, we hope in… and are reasonably confident we can as we focus in on the opportunities which exist and which are likely to come up in the next 12 to 18 months.
TOBEY SOMMERS:	Thank you very much.
OPERATOR:	The next question comes from Mark Jordan of Nobel Financial. Please go ahead.
MARK JORDAN:	Good morning gentlemen, First, could you confirm the tax treatment of the one million dollar, 141R charge, is that tax deductible or after tax?
JOHN WASSON:	I believe it is fully tax deductible.
MARK JORDAN:	Okay. Second question, did you say when this is formally going to close? Are you assuming it imminently?
JOHN WASSON:	I would say shortly. So I would say possibility of either days or a week or so. So there are a few closing conditions to be met, but….
MARK JORDAN:	Okay. And a final question is, you mentioned you're going to spend money to increase your bid and proposal work. What do you need to do, assuming success on that front, to …to change the hiring structure of this company because obviously they have not had a…you know, accelerated recruitment needs given their slow historic growth?
SUDHAKAR KEVASAN:	I think in terms of hiring, we have quite a bit of experience hiring large numbers of people. If you recall, the [unintelligible] contract we hired nearly a thousand employees, us alone and then, another thousand for the subs. So and we have even in the core business, hired over 600 people this past year. So I think we can certainly help on that front. We also strengthened our whole recruiting process by hiring some very senior people who have a lot of experience in doing hiring at a large scale over the last year. So, I think that we are confidence that we can certainly assist in the whole recruiting process you know, and given our experience as we grow the business.
MARK JORDAN:	Thank you.
OPERATOR:	The next question comes from Robert Kirkpatrick of Cardinal Capital. Please go ahead.
ROBERT KIRKPATRICK:	Good morning and congratulations. Did you win an auction for this process? You mentioned in your opening remarks that you'd been following it for several years and there was a special opportunity to capitalize on?

ALAN STEWART: This is Alan Stewart. No, there was no auction on this. This is a company that we have tracked for number of years and there were direct company-to-company communications on this process. So, no brokers for either company on this transaction.

ROBERT KIRKPATRICK: That's…that's great. Thanks so much.

OPERATOR: The next question comes from Eric Prouty of Canaccord. Please go ahead.

ERIC PROUTY: Great, thanks, guys. You've touched on this a bit but just maybe a bit more detail. How, you know, currently before you acquire Macro, how well are they positioned to tap into some of the stimulus dollars? Are you guys going to have to play a bit of catch-up with the stimulus bidding and you know, can we expect incremental growth out of that or are we waiting for the next budgetary cycle for some of your new efforts to really kick in?

SUDHAKAR KEVASAN: Yeah, I think Eric it's…it's a little early to tell but we think that their contract mix and the focus of their contracts which is at NIH-CDC and at SAMSA, all agencies which are going to be funded fairly substantially more than what they have been both by the budget, by the 2010 budget, as well as by, through the stimulus money. So…so I think in terms of the stimulus monies, given that there needs to be competitive contracts and there needs to be monies spent with some transparency. The fact that Macro has contract which it has won competitively at these various agencies makes it easier for the agencies to send the money through these contracts, which is what will lead to the incremental growth. So I think that they are quite well-positioned if these agencies get additional monies and, as and when they do, and we will certainly be I think beneficiaries of that. So it's…I think the…the important thing to note is that you need to have the channels to get the money and we certainly think that they have the contracts where if the money is spent, they have…we have the channels to get the money.

ERIC PROUTY: Great and then, it might be more detail than you can give at this point but given the nature of this company's backlog and the multi-year contracts, [unintelligible] you could just give what maybe a 12 month backlog is for these guys?

ALAN STEWART: This is Alan Stewart. If I could say, as of 12/31/08, they had 132 million of funded backlog, which represents 88% of the prior year's revenue. So very strong backlog coming into calendar '09 for ICF.

ERIC PROUTY: Got you, perfect. Okay, thank you. Congratulations.

OPERATOR: Once again, if you would like to ask a question, please press * then one on a touch tone phone. You will hear a tone to confirm that you have entered the list. Again, if you have a question, please press * then one on a touch tone phone. The next question comes from James Harlow of Stifel Nicolaus, please go ahead.

JAMES HARLOW: Thanks for taking my call. Most of my questions have been answered. Just a few things, you mentioned you know, on the largest contracts, one was 10% and another one was about 8 to 9. Which one was 10% and which one is 8 to 9%?

SUDHAKAR KESAVAN: I don't know whether we give that information out. But we can…we'll have to --- I was just trying to make sure that I answered Joe's question as whether there is any concentration of contracts. We just have to think through it to see whether there is any competitive aspect of it before we give you that information…but

JAMES HARLOW: Okay. And as far as the contract type, like fixed price, cost plus, is there one that is a pretty good mix of that or is there one that kind of dominates the rest for Macro?

JOHN WASSON: They're '08, again, on audited numbers. Cost…cost plus is about 50%, fixed price 29, T&M 21%.

JAMES HARLOW: Okay, and then the --- I think you said that, so I know most of the major contracts have been re-competed. Is there anything this year of note that they have coming up? Or is it pretty clear?

SUDHAKAR KESAVAN: I think they have about, you know, just the nature of the government business is that you'll have something coming up for re-compete every year. So I think they have I think 12 or 13% of their revenue likely to come up for re-compete this year.

JAMES HARLOW: Okay, but there's no particular contract that's focused because the major ones are done?

SUDHAKAR KESAVAN: No…no. Yeah.

JAMES HARLOW: Okay, that's all I had, thank you.

OPERATOR: As a final reminder, if you would like to ask a question, please press * then 1 on a touch tone phone. You will hear a tone to confirm that you have entered the list. We show no further questions at this time. I would like to turn the conference back over to management for any closing remarks.

SUDHAKAR KESAVAN: Thank you again for joining us on such short notice. We look forward to meeting with you for the first quarter earnings call in May, thanks very much again.

OPERATOR: The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.