

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

**Amendment No. 4  
to  
Form S-1  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933**

**ICF INTERNATIONAL, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of incorporation or organization)

**8742**  
(Primary Standard Industrial Classification Code Number)

**22-3661438**  
(I.R.S. Employer Identification Number)

**9300 Lee Highway  
Fairfax, VA 22031  
(703) 934-3000**  
(Address, including zip code, and telephone number including area code, of registrant's principal executive offices)

**Sudhakar Kesavan  
Chairman & Chief Executive Officer  
ICF INTERNATIONAL, INC.  
9300 Lee Highway  
Fairfax, VA 22031  
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(Name, address, including zip code, and telephone number, including area code, of agent for service)

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**Approximate date of commencement of proposed sale to the public:** As soon as practicable after the effective date hereof.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

**CALCULATION OF REGISTRATION FEE**

Title of Each Class of Securities to be Registered	Amount to be Registered <sup>(1)</sup>	Proposed Maximum Aggregate Offering Price Per Share <sup>(2)</sup>	Proposed Maximum Aggregate Offering Price <sup>(2)</sup>	Amount of Registration Fee <sup>(3)</sup>
Common Stock, par value \$0.001	5,370,500	\$ 16.00	\$ 85,928,000	\$ 9,194.30

(1) Includes shares that the underwriters have an option to purchase to cover over-allotments, if any.

(2) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.

(3) In connection with the initial filing of the Registration Statement, \$8,025.00 was paid to register \$75,000,000 of securities.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

**4,670,000 Shares**



**ICF INTERNATIONAL, INC.**

**Common Stock**

This is the initial public offering of our common stock. No public market currently exists for our common stock. We are offering 3,659,448 shares of our common stock and the selling stockholders identified in this prospectus are offering 1,010,552 shares of our common stock. We will not receive any proceeds from the sale of common stock by the selling stockholders. We expect the public offering price to be between \$14.00 and \$16.00 per share.

We have applied to have our common stock approved for listing on The Nasdaq Global Market under the symbol "ICFI."

Investing in our common stock involves a high degree of risk. Before buying any shares, you should read the discussion of material risks of investing in our common stock in "[Risk factors](#)" beginning on page 10 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

	Per share	Total
Public offering price	\$	\$
Underwriting discounts and commissions	\$	\$
Proceeds, before expenses, to us	\$	\$
Proceeds, before expenses, to the selling stockholders	\$	\$

The underwriters may also purchase up to an additional 700,500 shares of our common stock from us within 30 days of the date of this prospectus, solely to cover over-allotments. If the underwriters exercise this option in full, the total underwriting discounts and commissions will be \$ , and our total proceeds, before expenses, will be \$ .

The underwriters are offering the common stock as set forth under "Underwriting." Delivery of the shares will be made on or about , 2006.

**UBS Investment Bank**

**Stifel Nicolaus**

**William Blair & Company**

**Jefferies Quarterdeck**



**Defense & Homeland Security**

**Energy**



**Environment & Infrastructure**

**Health, Human Services & Social Programs**



Passion. **Expertise.** Results.

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Until \_\_\_\_\_, 2006 (25 days after the date of this prospectus), federal securities laws may require all dealers that effect transactions in our common stock, whether or not participating in this offering, to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

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Unless the context requires otherwise, the words "ICF," "we," "company," "us" and "our" refer to ICF International, Inc. and, where appropriate, its subsidiaries.

Unless the context requires otherwise, the term "CMEP" refers to our principal stockholder, CM Equity Partners, L.P. and its affiliated partnerships that hold shares of our common stock, who are also the selling stockholders identified under "Principal and selling stockholders."

Our fiscal year ends on December 31. In recent years, we have derived more than 70% of our revenue from departments and agencies of the U.S. federal government, which has a fiscal year ending on September 30. Unless the context requires otherwise, references in this prospectus to "fiscal year" mean the applicable fiscal year of the U.S. federal government.

The names "ICF International," "ICF Consulting," "CommentWorks," "Integrated Planning Model," "International Carbon Pricing Tool," "IPM," "K-PRISM," "UAM" and "Urban Airshed Model" are our trademarks. This prospectus also contains trademarks and service marks of other companies.

## Prospectus summary

*This summary highlights selected information appearing elsewhere in this prospectus and may not contain all of the information that is important to you. This prospectus includes information about the shares offered as well as information regarding our business and detailed financial data. You should read this prospectus in its entirety.*

### ICF INTERNATIONAL, INC.

We provide management, technology and policy consulting and implementation services primarily to the U.S. federal government, as well as to other 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 four key markets: defense and homeland security; energy; environment and infrastructure; and health, human services and social programs. Increased government involvement in virtually all aspects of our lives has created increasing opportunities for us to resolve issues at the intersection of the public and private sectors.

Our U.S. federal government clients include every cabinet-level department, including the Department of Defense, the Environmental Protection Agency, the Department of Homeland Security, the Department of Transportation, the Department of Health and Human Services, the Department of Housing and Urban Development, the Department of Justice and the Department of Energy. U.S. federal government clients generated 72% of our revenue in 2005. Our state and local government clients include the states of California, Louisiana, Massachusetts, New York and Pennsylvania. State and local government clients generated 9% of our revenue in 2005. Revenue generated from our state and local government clients is expected to increase in 2006, due primarily to our work in connection with the Road Home Contract with the State of Louisiana (discussed below under “Road Home Contract”). We also serve commercial and international clients, primarily in the energy sector, including electric and gas utilities, oil companies and law firms. Our commercial and international clients generated 19% of our revenue in 2005.

Across our markets, we provide end-to-end services that deliver value throughout the entire life of a policy, program, project or initiative:

- Ø **Advisory Services.** We provide advisory and management consulting services including needs and markets assessment, policy analysis, strategy and concept development, change management strategy, enterprise architecture and program design.
- Ø **Implementation Services.** Often based on the results of our advisory services, we provide implementation services including information technology solutions, project and program management, project delivery, strategic communications and training.
- Ø **Evaluation and Improvement Services.** In support of our advisory and implementation services, we provide evaluation and improvement services, including program evaluation, continuous improvement initiatives, performance management, benchmarking and return-on-investment analyses.

We have more than 1,600 employees and serve clients globally from our headquarters in the metropolitan Washington, D.C. area, our 15 domestic regional offices throughout the United States and our five international offices in London, Moscow, New Delhi, Rio de Janeiro and Toronto.

We generated revenue of \$177.2 million and \$109.6 million in 2005 and the six months ended June 30, 2006, respectively. Our total backlog was \$226.8 million and \$309.6 million as of December 31, 2005 and June 30, 2006, respectively. We define *total backlog* as the future revenue we expect to receive from our contracts and other engagements. See “Business—Contract Backlog” for a discussion of how we calculate backlog.

## MARKET OPPORTUNITY

An increasing number of complex, long-term factors are changing the way we live and the way in which government and industry must operate and interact. Some of these factors include terrorism, increasing federal budget deficits, emergency preparedness for natural disasters and national security threats, rising energy demands, environmental changes and an aging federal civilian workforce, among others. In response, government and industry stakeholders are continually evaluating, formulating and implementing new policies and modifying business processes, creating opportunities for professional services firms that understand these factors and the associated policy, technology and management implications. Our services address these opportunities primarily in the following four key markets:

**Defense and Homeland Security.** The U.S. Department of Defense (DoD) and the Department of Homeland Security are undergoing major transformations due to the changing nature of security threats, implications of the information age, logistics modernization requirements, emergency preparedness and the social issues associated with globally deployed armed forces. These factors, combined with a retiring federal civilian workforce, create opportunities for qualified professional services firms.

**Energy.** Rising global energy demands and constrained oil and gas supplies have prompted the search for alternative fuels and the implementation of energy efficiency initiatives. In addition, deregulation of utilities, capacity expansions, the emergence of emissions trading markets, and mergers and acquisitions in the energy sector are creating demand for professional services firms with knowledge of relevant economic and regulatory forces affecting the industry.

**Environment and Infrastructure.** Global warming, environmental degradation, depletion of natural resources, growth of city centers and underinvestment in transportation infrastructure are creating demand for professional services providers that can help reconcile the competing concerns of government and industry stakeholders in addressing these issues.

**Health, Human Services and Social Programs.** An aging U.S. population, continued immigration, population growth among lower income levels and rising health care costs are expected to drive an increased need for public spending in the areas of health, human services and social programs. Governments are increasingly turning to professional services firms that have strong expertise in designing and executing programs in these areas.

## COMPETITIVE STRENGTHS

We possess the following key business strengths:

**We have a highly educated professional staff with deep subject matter knowledge.** Our institutional thought leadership and experience in areas of policy, technology and management consulting, combined with our ability to assemble multi-disciplinary teams, enable us to deliver superior client service.

**We have long-standing relationships with our clients.** We have performed work for many of our clients for decades. This experience, combined with our prime contractor positions and multi-level client access, gives us better visibility into our clients' upcoming requirements.

**Our advisory services position us to capture a full range of engagements.** We believe our advisory services position us favorably to offer our clients end-to-end services across the entire life cycle of a particular policy or program, including implementation and improvement services.

**Our technology solutions are driven by our deep subject matter expertise.** We combine our information technology skills with our deep subject matter expertise and thorough understanding of organizational processes to deliver differentiated technology-enabled solutions.

**Our proprietary analytics and methods allow us to deliver superior solutions to clients.** We have developed proprietary tools, project management methodologies and models in the areas of energy

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planning, air-quality analysis and carbon emissions that are used by governments and commercial entities around the world.

**We are led by an experienced management team.** Our senior management team has successfully grown the business organically and through acquisitions and possesses extensive industry and management experience.

### **STRATEGY**

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

- ∅ Strengthen our end-to-end service offerings
- ∅ Grow our client base and increase scope of services provided to existing clients
- ∅ Expand into additional markets at the intersection of the public and private sectors
- ∅ Focus on high margin projects
- ∅ Capitalize on operating leverage
- ∅ Pursue strategic acquisitions

### **ROAD HOME CONTRACT**

Through our wholly owned subsidiary, ICF Emergency Management Services, LLC, or ICF EMS, we have been awarded a contract (Road Home Contract) by the State of Louisiana's Office of Community Development, effective June 12, 2006, to serve as the manager for The Road Home Housing Program (Road Home Program). This program, which is being funded with approximately \$8.1 billion of Community Development Block Grant funds allocated by the Department of Housing and Urban Development, is designed to assist the population affected by Hurricanes Rita and Katrina to repair, rebuild or relocate by making certain reimbursements to qualified homeowners and small rental unit landlords for their uninsured, uncompensated damages.

Our performance under a prior advisory contract with the Louisiana Office of Community Development was a factor in the award to ICF EMS of the Road Home Contract. This contract award illustrates how our advisory engagements can lead to larger implementation projects. Our pursuit of this contract was consistent with our emphasis on opportunities in the Defense and Homeland Security market through the use of multi-disciplinary teams, in this case combining our long-standing housing, community and economic development expertise with our growing emergency management and homeland security capabilities.

Although the request for proposals leading to this award anticipated a five-year contract, due to limitations under Louisiana law, the Road Home Contract has a stated term of three years. The maximum amount payable to ICF EMS and its subcontractors with respect to the first four-month phase of the contract will be \$87.2 million, and funding levels beyond the first phase have not yet been negotiated. We do not expect the amount payable during the first phase to be indicative of future revenue levels during the balance of the contract term. In addition, our key subcontractors will perform a substantial portion, perhaps 50 to 65%, of the work under the contract, which will increase our direct costs associated with the contract.

## **RISK FACTORS**

Our business is subject to risks. Many of these risks result from our dependence on contracts with U.S. federal government agencies and departments for the majority of our revenue and profit. As a result, we are exposed to a number of considerations, such as:

- Ø We derived 72% of our revenue for each of 2004 and 2005 from contracts with the U.S. federal government agencies; therefore, a change in federal government spending priorities could be adverse to our business.
- Ø Congress may not approve budgets in a timely manner for the federal agencies and departments we support, which could delay and reduce spending, and therefore cause us to lose revenue and profit.
- Ø Our failure to comply with complex laws, rules and regulations relating to federal government contracts could cause us to lose business and subject us to a variety of penalties.
- Ø Unfavorable government audit results could force us to adjust previously reported operating results, affect future operating results and subject us to a variety of penalties and sanctions.
- Ø Our federal 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.
- Ø The adoption of new procurement laws, rules and regulations, and changes in existing laws, rules and regulations, could impair our ability to obtain new contracts and could cause us to lose revenue and profit.

As described above under “Road Home Contract”, through our subsidiary, ICF EMS, we recently entered into the Road Home Contract with the State of Louisiana. This contract, which is by far our largest individual contract, contemplates three phases of work. Funding has been secured only for the first phase that lasts for a period of four months. Additional funding will depend on our performance in phase one and the ability of ICF EMS and its subcontractors to meet the deadlines stated in the contract. There is no assurance the State of Louisiana will amend the contract to add funding for later phases if these deadlines are not met or if the State is not satisfied with our and our subcontractors’ performance. The Road Home Contract poses substantial performance and other risks, has increased our working capital needs, and, if we and our subcontractors are unable to perform satisfactorily, could adversely affect our reputation and our overall operating results.

Our business with commercial clients depends primarily on the energy sector of the global economy, which is highly cyclical.

For a discussion of these and other risks we face, see “Risk factors.”

## **OUR CORPORATE 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. Several 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.

Our principal executive office is located at 9300 Lee Highway, Fairfax, Virginia 22031, and our telephone number is (703) 934-3000. We maintain an Internet website at [www.icfi.com](http://www.icfi.com). We have not incorporated by reference into this prospectus the information on our website and you should not consider it to be a part of this prospectus.



## The offering

Common stock we are offering	3,659,448 shares
Common stock being offered by the selling stockholders	1,010,552 shares
Total shares of common stock being offered	4,670,000 shares
Common stock to be outstanding immediately after this offering	12,946,132 shares
Over-allotment option	700,500 shares. All of the shares covered by this option are provided by us. If the over-allotment option is exercised in full, there will be 13,646,632 shares of common stock outstanding immediately after this offering.
Use of proceeds	<p>We estimate that the net proceeds to us from this offering will be approximately \$48.9 million, or approximately \$58.6 million if the underwriters exercise their over-allotment option in full, assuming an initial public offering price of \$15.00 per share (the midpoint of the range set forth on the cover page of this prospectus), after deducting estimated underwriting discounts and commissions and estimated offering expenses. Each \$1 increase (decrease) in the public offering price per share would increase (decrease) our net proceeds, after deducting estimated underwriting discounts and commissions, by \$3.4 million (assuming no exercise of the underwriters' over-allotment option).</p> <p>We intend to use up to \$46 million of the net proceeds for repayment of a portion of our existing indebtedness under our revolving credit facility and term loan facilities, \$2.7 million for payments due to employees as a one-time bonus under our amended and restated employee annual incentive compensation pool plan and the balance for general corporate purposes. See "Use of proceeds."</p> <p>We will not receive the proceeds from any sale of common stock by the selling stockholders.</p>
Proposed Nasdaq Global Market symbol	ICFI
Risk factors	Investing in our common stock involves a high degree of risk, including risks associated with the fact that we have earned most of our revenue under contracts with departments and agencies of

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the federal government. For a discussion of these and other risks that affect our business and operations, see “Risk factors.”

Unless otherwise specified, all share and net proceeds amounts in this prospectus assume that the underwriters do not exercise their over-allotment option to purchase up to an additional 700,500 shares of common stock from us.

Unless otherwise specified, the number of shares of our common stock outstanding is based on 9,286,684 shares outstanding as of August 31, 2006, and excludes:

- ∅ 1,542,182 shares issuable upon exercise of options outstanding as of August 31, 2006, at a weighted average exercise price of \$6.00 per share, all of which options will be exercisable upon completion of this offering;
- ∅ 30,904 shares issuable upon exercise of warrants outstanding as of August 31, 2006, at a nominal exercise price per share, all of which will be exercised upon completion of this offering; and
- ∅ 2 million shares available for future grant under our stock plans upon completion of this offering.

## Summary consolidated financial and other data

The following summarizes our historical consolidated financial and other information. We derived the historical financial and other information for each of the three years ended December 31, 2003, 2004 and 2005 from our audited consolidated financial statements. We derived the historical financial and other information for the six months ended July 1, 2005 and June 30, 2006 from our unaudited financial statements appearing elsewhere in this prospectus. Results for any interim period are not necessarily indicative of the results to be expected for a full year.

We have presented the balance sheet data as of June 30, 2006:

- ∅ on an actual basis; and
- ∅ on an adjusted basis to reflect our sale of common stock in this offering at an assumed public offering price of \$15.00 per share (the midpoint of the range set forth on the cover page of this prospectus), and receipt of the net proceeds, after deducting estimated underwriting discounts and commissions and estimated offering expenses. Each \$1 increase (decrease) in the public offering price per share would increase (decrease) the as-adjusted figure shown below for “cash and cash equivalents” and “total stockholders’ equity” by \$3.4 million (assuming no exercise of the underwriters’ over-allotment option), after deducting estimated underwriting discounts and commissions.

Effective October 1, 2005, we consummated the acquisition of Caliber Associates, Inc. for \$20.7 million in cash. The unaudited pro forma condensed consolidated statement of operations data for the year ended December 31, 2005 gives effect to the acquisition of Caliber Associates, Inc. as if it had occurred on January 1, 2005. Operating results for Caliber Associates, Inc. from the date of the acquisition, October 1, 2005, through December 31, 2005 are included in our statement of operations data for the year ended December 31, 2005. The pro forma information does not necessarily indicate what the operating results would have been had the acquisition been completed at the beginning of the period presented. Moreover, this information does not necessarily indicate what our future operating results or financial position will be.

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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 related notes appearing elsewhere in this prospectus.

Consolidated statement of operations data:	Year ended December 31,				Six months ended	
	2003	2004	2005	Pro forma 2005 (unaudited)	July 1, 2005 (unaudited)	June 30, 2006 (unaudited)
	(In thousands, except per share amounts)					
Revenue	\$ 145,803	\$ 139,488	\$ 177,218	\$ 207,794	\$ 83,285	\$ 109,593
Direct costs	91,022	83,638	106,078	122,192	49,415	66,462
Operating expenses						
Indirect and selling expenses	45,335	46,097	60,039 <sup>(1)</sup>	72,051 <sup>(1)</sup>	27,516	39,861 <sup>(2)</sup>
Depreciation and amortization	3,000	3,155	5,541	6,719	1,673	1,666
Earnings from operations	6,446	6,598	5,560	6,832	4,681	1,604
Other (expense) income						
Interest expense, net	(3,095)	(1,266)	(2,981)	(4,054)	(1,210)	(2,165)
Other	33	(33)	1,308	1,308	—	—
Total other (expense) income	(3,062)	(1,299)	(1,673)	(2,746)	(1,210)	(2,165)
Income (loss) from continuing operations before income taxes	3,384	5,299	3,887	4,086	3,471	(561)
Income tax expense (benefit)	1,320	2,466	1,865	2,309	1,666	(249)
Income (loss) from continuing operations	2,064	2,833	2,022	1,777	1,805	(312)
Income from discontinued operations	308	184	—	—	—	—
Net income (loss)	\$ 2,372	\$ 3,017	\$ 2,022	\$ 1,777	\$ 1,805	\$ (312)
Earnings (loss) per share from continuing operations						
Basic	\$ 0.23	\$ 0.31	\$ 0.22	\$ 0.19	\$ 0.20	\$ (0.03)
Diluted	\$ 0.23	\$ 0.30	\$ 0.21	\$ 0.18	\$ 0.19	\$ (0.03)
Earnings (loss) per share						
Basic	\$ 0.26	\$ 0.33	\$ 0.22	\$ 0.19	\$ 0.20	\$ (0.03)
Diluted	\$ 0.26	\$ 0.32	\$ 0.21	\$ 0.18	\$ 0.19	\$ (0.03)
Weighted-average shares						
Basic	9,088	9,080	9,185	9,185	9,163	9,248
Diluted	9,210	9,398	9,737	9,737	9,487	9,248

Other operating data:	Year ended December 31,				Six months ended	
	2003	2004	2005 (unaudited)	Pro forma 2005 (unaudited)	July 1, 2005 (unaudited)	June 30, 2006 (unaudited)
	(In thousands)					
EBITDA from continuing operations <sup>(3)</sup>	\$9,446	\$9,753	\$11,101	\$ 6,354	\$ 3,270	
Non-cash compensation charge included in EBITDA from continuing operations	—	—	2,138 <sup>(1)</sup>	—	—	272
Lease abandonment charge included in EBITDA from continuing operations	—	—	—	—	—	4,309 <sup>(2)</sup>

(footnotes on following page)

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As of June 30, 2006

Consolidated balance sheet data:	As of June 30, 2006	
	Actual	As adjusted (unaudited) (In thousands)
Cash and cash equivalents	\$ 1,144	\$ 50,002
Net working capital	18,188	67,046
Total assets	171,232	220,090
Current portion of long-term debt	12,400	12,400
Long-term debt, net of current portion	52,532	52,532
Total stockholders' equity	53,862	102,720

- (1) Indirect and selling expenses for the year ended December 31, 2005 includes a non-cash compensation charge of \$2.1 million in December 2005 resulting from the acceleration of the vesting of all then outstanding stock options. See "Management's discussion and analysis of financial condition and results of operations — Results of Operations — Year ended December 31, 2005 compared to year ended December 31, 2004."
- (2) Indirect and selling expenses for the six months ended June 30, 2006 includes a pre-tax charge of \$4.3 million in the second quarter of 2006 resulting from the abandonment of our San Francisco, California leased facility and abandonment of a portion of our Lexington, Massachusetts leased facility. See "Management's discussion and analysis of financial condition and results of operations — Operating Expenses — Indirect and selling expenses."
- (3) EBITDA from continuing operations, a measure used by us to evaluate performance, is defined as net income (loss) plus (less) loss (income) from discontinued operations, less gain from sale of discontinued operations, less other income, plus other expenses, net interest expense, income tax expense and depreciation and amortization. We believe EBITDA from continuing operations is useful to investors because similar measures are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry. EBITDA from continuing operations 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 from continuing operations may not be comparable to other similarly titled measures used by other companies. EBITDA from continuing operations 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 from continuing operations, 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 from continuing operations follows:

	Year ended December 31,			Six months ended	
	2003	2004	2005	July 1, 2005	June 30, 2006
				(unaudited)	
				(In thousands)	
Net income (loss)	\$2,372	\$3,017	\$ 2,022	\$ 1,805	\$ (312)
Loss (income) from discontinued operations	(308)	196	—	—	—
Gain from sale of discontinued operations	—	(380)	—	—	—
Other expense (income)	(33)	33	(1,308)	—	—
Interest expense, net	3,095	1,266	2,981	1,210	2,165
Income tax expense (benefit)	1,320	2,466	1,865	1,666	(249)
Depreciation and amortization	3,000	3,155	5,541	1,673	1,666
EBITDA from continuing operations	\$9,446	\$9,753	\$11,101	\$ 6,354	\$ 3,270

## Risk factors

*Investing in our common stock involves a high degree of risk. In addition to the other information in this prospectus, you should carefully consider the risks described below before purchasing our common stock. If any of the following risks actually occurs, our business, prospects, results of operations or financial condition could suffer. As a result, the trading price of our common stock may decline, and you might lose part or all of your investment.*

### **RISKS RELATED TO OUR INDUSTRY**

#### **Federal government spending priorities may change in a manner adverse to our business.**

We derived 72% of our revenue for each of 2004 and 2005 from contracts with U.S. federal government agencies and departments. Virtually all of our major government clients have experienced reductions in budgets at some time, often for a protracted period, and we expect similar changes in the future. In addition, the Office of Management and Budget (OMB) may restrict expenditures by our federal government clients. A decline in expenditures, or a shift in expenditures away from agencies, departments, projects, or programs that we support, whether to pay for other projects or programs within the same or other agencies or departments, to reduce federal 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 Congressional appropriations and spending may occur could adversely affect investor sentiment about our common stock and cause our stock price to fall.

#### **The failure by 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, then Congress typically enacts a continuing resolution. Continuing resolutions generally allow government agencies and departments to operate at spending levels based on the previous budget cycle. When government 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 either loss of revenue and profit in the event government agencies are required to cancel existing or new initiatives, or the deferral of revenue and profit to later periods due to delays in the implementation of existing or new initiatives.

#### **Our failure to comply with complex laws, rules and regulations relating to federal 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 federal government contracts, which affect how we do business with our government clients and impose added costs on our business. Among the more significant are:

- ∅ the Federal Acquisition Regulation, and agency regulations analogous or supplemental to the Federal Acquisition Regulation, which comprehensively regulate the formation, administration and performance of government contracts;
- ∅ the Truth in Negotiations Act, which requires certification and disclosure of cost and pricing data in connection with some contract negotiations;

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- ∅ the Procurement Integrity Act, which, among other things, defines standards of conduct for those attempting to secure government contracts, prohibits certain activities relating to government procurements, and limits the employment activities of certain former government employees;
- ∅ the Cost Accounting Standards, which impose accounting requirements that govern our right to reimbursement under cost-based government 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 government may in the future change its procurement practices and/or adopt new contracting laws, rules and/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 laws, rules and regulations could subject us to civil and criminal penalties and administrative sanctions, including termination of contracts, repayments of amounts already received under contracts, forfeiture of profit, suspension of payments, fines and suspension or debarment from doing business with U.S. federal and even state and local government agencies and departments, any of which could substantially adversely affect our reputation, our revenue and operating results, and the value of our stock. 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 audits and reviews our contract performance, pricing practices, cost structure, and compliance with applicable laws, regulations and standards. Like most major government contractors, we have our 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. 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.

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, repayments of amounts already received under contracts, forfeiture of profit, suspension of payments, fines and suspension or debarment from doing business with U.S. federal and even state and local government agencies and departments. In addition, we could suffer serious harm to our reputation if allegations of impropriety were made against us, whether or not true. Government audits have been completed on our incurred contract costs only through 2001; 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 we were suspended or debarred from contracting with the federal government generally, or any specific agency, if our reputation or relationship with government agencies and departments were impaired, or if the government otherwise ceased doing business with us or significantly decreased the amount of business it does with us, our revenue and operating results would be materially harmed.

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### **Our federal 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 federal government contracts contain provisions not typically found in commercial contracts, including provisions that allow our government 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 recover only our incurred and committed costs, settlement expenses, and any fee due on work completed prior to the termination but not the cost for or lost fees on the terminated work. 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 federal government client were to terminate, decline to exercise an option or to curtail further performance with respect to one or more of our significant contracts, our revenue and operating results would be materially harmed.

### **The 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 could cause us to lose revenue and profit.**

In the future, the federal government may change its procurement practices and/or adopt new contracting laws, rules or regulations that could cause federal 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 government 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.

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 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 have been dependent on contracts with U.S. federal government agencies and departments for the majority of our revenue and profit, and our business, revenue and profit levels could be materially and adversely affected if our relationships with these agencies and departments deteriorate.**

Contracts with U.S. federal government agencies and departments accounted for approximately 72% of our revenue for each of 2004 and 2005. Revenue from contracts with clients in the Environmental Protection Agency (EPA), the Department of Transportation (DOT) and the Department of Homeland Security (DHS) accounted for approximately 39% of our revenue for 2004. Revenue from contracts with clients in the Department of Defense (DoD), EPA and DHS accounted for approximately 41% of our revenue for 2005. We believe that federal government contracts will continue to be the source of the vast majority of our revenue and profit for the foreseeable future.

Because we have a large a number of contracts with clients, we continually bid for and execute new contracts and our existing contracts continually become subject to recompetition and expiration. Upon



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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, although there is no assurance that we will be successful in doing so. Of our 20 largest contracts, based on their contribution to revenue for the quarter ended December 31, 2005, 13 were expected to expire or become subject to recompetition in 2006. Collectively, these contracts represented approximately 25% of our revenue for the quarter ended December 31, 2005. While, as of August 31, 2006, we have procured replacement contracts for three of these expiring contracts, with respect to the remaining contracts, there can be no assurance that the government requirements those expiring contracts were satisfying will continue after their expiration, that the government 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 for those requirements or new contracts for new requirements, our revenue and operating results will be materially harmed.

Among the key factors in maintaining our relationships with federal government agencies and departments are our performance on individual contracts, the strength of our professional reputation, and the relationships of our senior management with client personnel. Because we have many government contracts, we expect disagreements and performance issues with government 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.

### **Our increasing dependence on GSA Schedule and other Indefinite Delivery/Indefinite Quantity 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 General Services Administration Multiple-Award Schedule (GSA Schedule) contracts and other Indefinite Delivery/Indefinite Quantity (IDIQ) contracts. As these types of contracts have increased in importance over the last several years, we believe our position as a prime contractor on these contracts has become increasingly important to our ability to sell our services to federal government 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 on which we are not qualified to compete or provide services, we could lose business, which would negatively affect our revenue and profitability.

### **Our new Road Home Contract with the State of Louisiana, which we expect to be our largest contract over the next several years, involves substantial performance, pricing, legal and publicity risks, required us to obtain additional working capital, and increases the overall risk profile of our business.**

In June 2006 our subsidiary, ICF EMS, was awarded a contract by the State of Louisiana, Office of Community Development, to manage a housing grants management program designed to help the population affected by Hurricanes Rita and Katrina. The program will assist with repair, rebuilding or relocation by making certain reimbursements to qualified homeowners and small rental unit landlords for their uninsured, uncompensated damages. The contract has a stated term of three years, with phase one to be completed during the first four months of the term, and ending mid-October 2006.

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We believe the Road Home Contract provides us with significant opportunities, but it also creates substantial risks, including principally those described below. If we are unable to satisfy the requirements of the Road Home Contract, our profitability could be reduced and we could suffer a loss. It is also possible that the contract could be terminated, either for cause or for convenience. Any adverse publicity surrounding this contract could damage our reputation and our ability to win future assignments.

**Performance risks.** The contract contemplates three phases of work. Funding has been secured only for the first phase that lasts for a period of four months. Additional funding will depend on the performance of ICF EMS and its subcontractors in phase one and their ability to meet the deadlines stated in the contract. There is no assurance the State of Louisiana will amend the contract to add funding for later phases if these deadlines are not met or if the State is not satisfied with our and our subcontractors' performance.

Additionally, the contract requires us to manage a large number of subcontractors, including Deltha Corporation, First American Title Insurance Company, Jones, Walker, Waechter, Poiltevent, Carrere & Denegre, L.L.P., KPMG International, Microsoft, Quadel Consulting, Providence Engineering & Environmental Group, L.L.C., The Shaw Group, and STR, L.L.C. Effectively organizing and managing this number of subcontractors, particularly during the first phase of the contract, will be challenging.

**Pricing and financial risks.** The Road Home Contract has a substantial fixed-price component. There is no assurance that this component will yield any profit, and it could result in a loss. In addition, the State of Louisiana is compensating us for services being provided under the contract on fixed hourly rates or unit prices, and there can be no assurance that we can profitably perform these services for such rates or unit prices. In short, there is no assurance that this contract can be performed profitably. Because of its size, poor financial results from this contract would adversely affect our overall operating results and the value of our stock.

### **Legal liability risks.**

- ∅ Homeowners or rental housing owners dissatisfied with the amount of money they have received from, or their treatment under, this program might take action against the State of Louisiana and us. There is also the possibility of class action or other litigation. These actions could disrupt the program significantly by diverting substantial amounts of management time and resources and could result in substantial liability for us.
- ∅ Although a substantial portion of the work under the contract will be performed by subcontractors, as between us and the State of Louisiana, we will remain responsible for timely, satisfactory performance of all aspects of the contract.
- ∅ We and our subcontractors will be gathering and maintaining sensitive information concerning potential and actual program participants. Failure to properly maintain and secure such information and failure to take appropriate actions to prevent fraud could result in substantial liability for us.
- ∅ Although the contract provides that we may 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 of the contract, the contract provides that we will indemnify the State of Louisiana for certain liabilities. Such liabilities could be substantial and exceed the amounts of, or may not be covered by, available insurance.

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**Visibility and related risks.** The Road Home Contract may be the largest non-construction contract ever awarded by the State of Louisiana. As a result, it has drawn significant attention from the State Legislature and the State Attorney General's office. It is probable that the contract will be audited frequently by State and other auditors. Significant management time is likely to be spent dealing with the auditors responding to their inquiries. Despite our best efforts, there is no assurance that these audits will not yield adverse findings, in part because we have no experience dealing with State of Louisiana auditors.

The work to be performed under this contract is of a significant public interest: encouraging homeowners and rental housing landlords to rebuild in Louisiana. The media in Louisiana, especially newspapers and radio networks, have covered this program and contract award closely. Any adverse publicity associated with complaints from homeowners, rental housing owners or others is likely to harm our reputation even if we are implementing the contract consistent with contract terms and conditions. This publicity might bring increased public pressure on State officials and disrupt contract implementation while senior management deals with the effects of such publicity.

**Increased working capital needs.** Although the Road Home Contract includes payment provisions that we believe are favorable, the contract has increased our working capital needs. The contract provides for an initial payment promptly after contract execution, that we will provide invoices twice per month during phase one of the contract, and that the State will make every reasonable effort to make payments within 25 days after receipt of an invoice. Because of the extraordinary nature of the contract, we cannot predict whether the State will comply with these provisions. However, even with these provisions, the Road Home Contract has increased our working capital needs by up to \$20 million. To meet these increased working capital needs, we and our lenders amended our revolving credit facility to increase the maximum availability under that facility from \$45 million to \$65 million.

**Our commercial business depends on the energy sector of the global economy, which is highly cyclical and can lead to substantial variations in revenue and profit from period to period.**

Our commercial business is heavily concentrated in the energy industry, which is highly cyclical. Our clients in the energy industry go through periods of high demand and high pricing followed by periods of low demand and low pricing. Their demand for our services has historically risen and fallen accordingly. We expect that demand for our services from energy industry clients, which is strong at the current time, will drop when the energy industry experiences its next downturn. Factors that could cause a downturn include a decline in general economic conditions, changes in political stability in the Middle East and other oil producing regions, and changes in government regulations impacting the energy sector. There are other factors, unrelated to the price or demand for energy, that have in the past affected demand for our services or may in the future affect it, such as the fate of a major corporation in the energy industry.

**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.**

We have included backlog data under "Business — Contract Backlog" and elsewhere in this prospectus. 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 upon 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 which may be renewed at the option of the applicable agency, we generally calculate backlog by assuming that the agency will exercise all of its renewal options; however, the applicable agency may elect not to exercise its renewal options. In

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addition, federal contracts rely upon 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 is often dependent upon 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.

The actual receipt of revenue on engagements included in backlog may never occur or may change because a program schedule could change, the program could be canceled, the governmental 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. We adjust our backlog periodically to reflect modifications to or renewals of existing contracts, awards of new contracts, or approvals of expenditures. Additionally, the maximum contract value specified under a contract awarded to us is not necessarily indicative of the revenue that we will realize under that contract. We also derive revenue from IDIQ contracts, which typically do not require the government to purchase a specific amount of goods or services under the contract other than a minimum quantity, which is generally very small. If we fail to realize revenue corresponding to our backlog, our revenue and operating results for the then current fiscal period as well as future reporting periods 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 both 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 can not obtain new work in a timely fashion, whether through new task orders or delivery orders, modifications to existing 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 carefully in order to ensure that staff 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 lack of staff utilization hurts revenue, profit and operating results.

**The loss of key members of our senior management team could impair our relationships with clients and disrupt the management of our business.**

We believe that our success depends on the continued contributions of the members of our senior management team, particularly Sudhakar Kesavan, our Chief Executive Officer, John Wasson, our Chief Operating Officer, and Alan Stewart, our Chief Financial Officer. We rely on our senior management to generate business and manage and execute projects and programs successfully. In addition, the relationships and reputation that many members of our senior management team have established and maintain with client personnel contribute to our ability to maintain good client relations and identify new business opportunities. We do not generally have employment agreements with members of our senior management team providing for a specific term of employment. The loss of any member of our senior management could impair our ability to identify and secure new contracts, to maintain good client relations, and otherwise manage our business.

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**If we fail to attract and retain skilled employees, we will not be able to continue to win new work, to staff engagements and to 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 cause a reduction in our revenue, profit and operating results and harm our 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.

**We may not be successful in identifying acquisition candidates, and if we undertake acquisitions, they could fail to perform as we expect, increase our costs and liabilities, and disrupt our business.**

One of our strategies is to pursue growth through strategic acquisitions. Although much of our recent growth has been through acquisitions, we have relatively limited acquisition experience to date. We may not be able to identify suitable acquisition candidates at prices that we consider appropriate. If we do identify an appropriate acquisition candidate, we may not be able to negotiate the terms of the acquisition successfully, finance the acquisition on terms satisfactory to us, or, if the acquisition occurs, integrate the acquired business into our existing business. Our out-of-pocket expenses in identifying, researching and negotiating potential acquisitions will likely be significant, even if we do not ultimately acquire identified businesses. In addition, negotiations of potential acquisitions and the integration of acquired business operations could disrupt our business by diverting management attention away from day-to-day operations and by reducing staff utilization during a transition period. 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. Moreover, we may need to record write-downs from future impairments of identified intangible assets and goodwill, which could reduce our future reported earnings.

It may be difficult and costly to integrate acquisitions due to geographic 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, including our strategy of offering our services to existing clients of acquired companies to increase our revenue and profit. In fact, our costs for managerial, operational, financial and administrative systems may increase and be higher than anticipated. In addition, we may experience attrition, including key employees of acquired and existing businesses, during and following the integration of an acquired business into our company. This attrition could adversely affect our future revenue and operating results and prevent us from achieving the anticipated benefits of the acquisition.

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### **Businesses that we acquire may have greater-than-expected liabilities for which we become responsible.**

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. For example, to the extent that any prior owners, employees or agents of any acquired businesses or properties failed to comply with or otherwise violated applicable laws, rules or regulations, or failed to fulfill their obligations, contractual or otherwise, to applicable government authorities, their customers, suppliers or others, we, as the successor owner, may be financially responsible for these violations and failures and may suffer harm to our reputation and otherwise be adversely affected. An acquired business may have problems with internal controls over financial reporting, which could be difficult for us to discover during our due diligence process and 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 and disruptions associated with any of our past acquisitions and any future acquisitions we may pursue could harm our operating results.

### **We face intense competition from many competitors that have greater resources than we do, which 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. We also compete with these competitors for the acquisition of new business. 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. Some of our principal competitors include BearingPoint, Inc., Booz Allen Hamilton, Inc., CRA International, Inc., L-3 Communications Corporation, Lockheed Martin Corporation, Navigant Consulting, Inc., Northrop Grumman Corporation, PA Consulting Group, SAIC, Inc. and SRA International, Inc. 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 and 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 contract. Our competitors also 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 professional personnel. Our competitors also have established or may establish relationships among themselves or with third parties, including through mergers and acquisitions, to increase their ability to address client needs. Accordingly, it is possible that new competitors or alliances among competitors may emerge. Our competitors may also be able to offer higher prices for attractive acquisition candidates, which could harm our strategy of growing through selected acquisitions. In addition, our competitors may engage in activities, whether proper or improper, to gain access to our proprietary information, to encourage our employees to terminate their employment with us, to disparage our company, and otherwise to gain competitive advantages over us. For further information regarding competition, see section entitled “Business — Competition.”

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

We derive significant revenue and profit from federal government 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 any such protest or challenge could result in the resubmission of bids on modified specifications, and in 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 would negatively affect our operating results, but we may lose the opportunity to operate in the market for services that are 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 the contract.**

We provide services to clients primarily under three types of contracts: time-and-materials contracts; cost-based contracts; and fixed-price contracts. For fiscal 2003, we derived 40%, 44%, and 16% of our revenue from time-and-materials, cost-based contracts and fixed-price contracts, respectively. For fiscal 2004, the corresponding percentages were 37%, 41% and 22%, respectively. For fiscal 2005, the corresponding percentages were 42%, 34%, and 24%, 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.

- ∅ 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 these caps under the terms of the contract and applicable regulations. If we incur unallowable costs in performance of the 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. In some cases, we receive no fees.
  - ∅ Under fixed-price contracts, we perform specific tasks for a fixed 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.
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For all three contract types, we bear varying degrees of risk associated with the assumptions we use to formulate our pricing for the work. To the extent our working assumptions prove inaccurate, we may lose money on the contract, which would adversely affect our operating results.

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

Our clients typically determine what type of contract will be awarded to us. In general, cost-based contracts are 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 or our indirect rates change for any reason, 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.

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

As a result of our business activities and acquisitions, we have incurred a substantial amount of debt. Although we will reduce our borrowings with the proceeds of this offering, we may incur significant additional debt in the future, which could increase the risks described here and lead to other risks. The amount of our debt could have important consequences for holders of our stock, including, but not limited to:

- ∅ our future ability to obtain additional financing for working capital, capital expenditures, product and service development, acquisitions, general corporate purposes, and other purposes may be impaired;
- ∅ a substantial portion of our cash flow from operations could be dedicated to the payment of the principal and interest on our debt;
- ∅ our vulnerability to economic downturns and rises in interest rates will be increased;
- ∅ our flexibility in planning for and reacting to changes in our business and the marketplace may be limited; and
- ∅ 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 on our successful financial and operating performance. Our financial and operational performance depends upon a number of factors, many of which are also 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, or selling additional stock, perhaps under unfavorable conditions. Any of these factors 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 then 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 such event, 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, or be subject to the actions listed below in the event of default. Any of these results could have a significant adverse effect on the value of our stock.



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### **A default under our debt could lead to a bankruptcy or other financial restructuring that would significantly adversely affect the value of our stock.**

In the event of a default under our financing arrangements, the 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 (iii) proceed against the collateral securing the obligations owed to them. Our senior debt is and will continue to be secured by substantially all of our assets. Defaults under additional indebtedness we incur in the future could have these and other effects. Any such default could have a significant adverse effect on the value of our stock.

A default under our debt could lead to the bankruptcy, insolvency, financial restructuring or liquidation of our company. In any such event stockholders would be entitled to share ratably in our assets available for distribution only after the payment in full to the holders of all of our debt and other liabilities. There can be no assurance that, in any such bankruptcy, insolvency, financial restructuring or liquidation, stockholders would receive any distribution whatsoever.

### **Our existing and future debt will include covenants that restrict our activities and create the risk of defaults, which could impair the value of your 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; 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, some of which may become more restrictive over time. At times we have not fulfilled the covenants, maintained the ratios, or complied with the financial tests specified in our financial arrangements or have only marginally fulfilled the covenants, maintained the ratios, or complied with the financial tests. The failure to fulfill the requirements of debt covenants, if not cured through performance or an amendment of the financing arrangements, could have the consequences of a default described in the risk factor above. At the times when we 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, nor is there any assurance that we will not be in default under our financial arrangements in the future.

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

We currently have offices in London, Moscow, New Delhi, Rio de Janeiro and Toronto; 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 government contracts, to the extent government 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, or FCPA,

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which generally prevents the making of payments to foreign officials 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 conversion of foreign currencies into U.S. dollars;
- ∅ recessions, depressions, inflation, hyperinflation, 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;
- ∅ difficulties in managing and staffing foreign operations and collecting accounts receivable;
- ∅ longer sales cycles;
- ∅ confiscatory taxes or other adverse tax consequences;
- ∅ tariffs, duties, export controls and other trade barriers; and
- ∅ 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 and/or service failures could interrupt our operations, leading to reduced revenue and profit.**

Any interruption in our operations or any systems failures, including, but not limited to: (1) inability of our staff to perform their work in a timely fashion, whether caused by limited access to, and/or closure of, our and/or our clients’ offices or otherwise, (2) failure of network, software and/or hardware systems, and (3) other interruptions and failures, whether caused by us, a third-party service provider, unauthorized intruders and/or hackers, computer viruses, natural disasters, power shortages, terrorist attacks or otherwise, could cause loss of data and interruptions or delays in our business or that of our clients, or both. In addition, the failure or disruption of mail, communications and/or utilities could cause an interruption or suspension of our operations or otherwise harm our business.

### **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 client expectations. We create, implement and maintain solutions that are often

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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. 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 the subcontractor and may have exposure as a result of problems caused by the subcontractor. 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.

If our work or the work of one or more of our subcontractors has significant defects or errors, fails to meet our clients' expectations, or fails to keep up with clients' ever-changing needs, we may, among other things:

- ∅ lose future contract opportunities due to receipt of poor past performance evaluations from our customers;
- ∅ be required to provide additional services to clients at no charge;
- ∅ have contracts terminated for default and be liable to our customers for procurement costs and other damages;
- ∅ suffer reduced profit and loss of revenue if clients postpone additional work or fail to exercise options or to award contracts;
- ∅ receive negative publicity, which could damage our reputation and the reputation of our staff and adversely affect our ability to attract and retain clients and hire and retain qualified staff; and
- ∅ incur substantial costs and suffer claims for substantial damages against us, regardless of our responsibility for the problem.

Any of these 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 government clients, which could cause us to lose business.**

Some federal government 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, government 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 for protection could cause serious harm to our business, damage our reputation and result in a loss of our facility or individual employee security clearances.

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### **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. During 2004 and 2005, our revenue as a subcontractor was between 12% and 14% of our revenue. 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 reduction of the amount of our work under or termination of that contract, and could 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 governmental agency or department in the development of regulations or enforcement strategies. Our internal procedure requires that, whenever a project we are pursuing may pose a potential conflict of interest or business, our Contracts Conflict of Interest Manager, or COI Manager, is notified in writing 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 the 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 and implemented. However, there can be no assurance that this process 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, even if we simply fail to recognize a perceived conflict of interest, we may be in violation of our existing contracts, may otherwise incur liability and 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, the potential for actual 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 later 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 the expenses already incurred or 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.

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

We currently assist our clients both in advisory capacities and by helping them implement and improve the solutions to their problems. As part of our corporate strategy, we will attempt to sell more services relating to implementation and improvement, and we are regularly searching for ways to provide new services to clients. In addition, we plan to extend our services to new clients, into new lines of business, and into new geographic locations. As we change our focus towards 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.

In addition, there can be no assurance that we can maintain our current revenue or profitability or achieve any growth at all or that, if we grow our revenue, we can do so profitably. Competitive pressures may require us to lower our prices in order to win new work. In addition, growth and attempts to grow place substantial additional demands on our management and staff, as well as on our information, financial, administrative and operational systems, demands that we may not be able to manage successfully. Growth may require increased recruiting efforts, opening new offices, increased business development, selling, marketing and other actions that are expensive and entail increased risk. We may need to invest more in our people and systems, controls, policies and procedures than we anticipate. Therefore, even if we do grow, the demands on our people and systems, controls, policies and procedures may be sufficiently great that the quality of our work, our operating margins and our operating results suffer.

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

**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 third parties. Some of the work we do, for example, in the environmental area, is potentially hazardous to our employees, our clients and third parties, 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 clients, employees and third parties. Our insurance coverage may not be sufficient to cover all of 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

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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 the 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 government clients typically retain a perpetual, world-wide, royalty-free right to use the intellectual property we develop for them in any manner they deem appropriate, including providing it to our competitors in connection with their performance of federal government contracts. When necessary, we seek governmental authorization to re-use intellectual property developed for the federal government or to secure export authorization. Federal government clients may grant contractors 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 even partially funded by the federal government, the federal government could seek damages and royalties from us, sanction us and prevent us from working on future government contracts.

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, to protect our trade secrets, and to determine the validity and scope of 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 that we do not maintain and improve our intellectual property, 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 third parties who assert that intellectual property we use in delivering services and business solutions to our clients infringe upon intellectual property rights of such employees or third parties. Our employees develop much of the intellectual property that we use to provide our services and business solutions to our clients, but we also engage third parties to assist us and we license technology from other vendors. If our vendors, our employees or third parties assert claims that we or our clients are infringing on their intellectual property, we could incur substantial costs to defend those claims, even if we prevail. In addition, if any of these infringement claims are ultimately successful, we could be required to:

- ∅ pay substantial damages;
- ∅ cease selling and using products and services that incorporate the challenged intellectual property;

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

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

### **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 the use of technology by our clients is not as rapid as in the past.**

Our success depends, in part, 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 anticipate, and we may never recover these costs. Also, 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 ability to obtain and successfully complete client engagements. Moreover, we use technology-enabled tools to differentiate ICF from our competitors and to 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 and, as a result, our operating results could suffer.

## **RISKS RELATED TO THIS OFFERING**

### **There is no prior public market for our common stock and the market price of our common stock could be extremely volatile and could decline following this offering, resulting in a substantial loss on, or total loss of, your investment.**

Prior to this offering, there has not been a public market for our common stock. An active trading market for our common stock may never develop nor be sustained, which could adversely affect your ability to sell your shares and could depress the market price of your shares. In addition, the initial public offering price will be determined through negotiations among us, the selling stockholders, and the representatives of the underwriters, and may bear no relationship to the price at which the common stock will trade upon completion of this offering.

The stock market in general has been highly volatile. As a result, the market price of our common stock is likely to be similarly 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:

- ∅ our operating performance and the performance of other similar companies and companies deemed to be similar;
- ∅ actual or anticipated fluctuations in our operating results from quarter to quarter;
- ∅ changes in estimates of our revenue, earnings or operating results or recommendations by securities analysts;
- ∅ revenue, earnings or operating results that differ from securities analysts’ estimates;
- ∅ publication of reports about us or our industry;
- ∅ speculation in the press and investment community;

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- ∅ commencement, completion and termination of contracts, any of which can cause us to incur significant expenses without corresponding payments or revenue, during any particular quarter;
- ∅ timing of significant costs and investments, such as bid and proposal costs;
- ∅ variations in purchasing patterns under GSA Schedule contracts, IDIQ contracts and other contracts;
- ∅ our contract mix and the extent of use of subcontractors and changes in either;
- ∅ changes in our staff utilization rates, which can be caused by various factors outside of our control, including inclement weather that prevents our professional staff from traveling to work sites;
- ∅ any seasonality of our business;
- ∅ the level and cost of our debt;
- ∅ changes in presidential administrations and federal government officials;
- ∅ changes or perceived changes in policy and budgetary measures that affect government contracts;
- ∅ the unwillingness of certain parties to purchase our stock because of limitations on foreign ownership, control or influence or for other reasons;
- ∅ changes in accounting principles and policies;
- ∅ general market conditions, including economic factors unrelated to our performance; and
- ∅ military and other actions related to international conflicts, wars or otherwise.

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.

### **Our principal investor will have significant influence over us, which could result in actions of which you or other stockholders do not approve.**

Following this offering, CMEP, our principal stockholder, will beneficially own 7,233,613 shares of common stock, or 56% of our outstanding common stock based on shares outstanding on August 31, 2006. If the underwriters exercise their over-allotment option in full, CMEP will beneficially own 53% of our outstanding common stock. In either case, CMEP will have significant influence over the outcome of all matters that our stockholders vote upon, including the election of directors, amendments to our certificate of incorporation and by-laws, and mergers and other business combinations. CMEP's interests may not be aligned with the interests of our other investors. This concentration of ownership and voting power may also have the effect of delaying or preventing a change in control of our company and could prevent stockholders from receiving a premium over the market price if a change in control is proposed.

### **Our principal investor and 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 following completion of this offering will be to make selective acquisitions of complementary businesses. CMEP, which will continue to be our principal stockholder following the closing of this offering, sponsors private equity funds. Some of these funds 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 and officers of Federal Services Acquisition Corporation (FSAC), a publicly held "special purpose acquisition company" formed to acquire federal services businesses. FSAC has approximately \$120 million available for this purpose. To date, there has not been



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a situation in which CMEP, FSAC and we have simultaneously pursued the same acquisition target. However, it is possible that CMEP and related funds and FSAC could be interested in acquiring businesses that we would also be interested in, 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 nor FSAC.

### **We have never operated as a public company, and fulfilling our obligations incident to being a public company will be expensive and time consuming.**

As a private company, we have maintained a relatively small finance and accounting staff. We currently do not have an internal audit group, and we have not been required to maintain and establish disclosure controls and procedures and internal control over financial reporting as required under the federal securities laws. As a public company, the Sarbanes-Oxley Act of 2002 and the related rules and regulations of the SEC, as well as the rules of the Nasdaq Global Market, will require us to implement additional corporate governance practices and adhere to a variety of reporting requirements and complex accounting rules. Compliance with these public company obligations will require significant management time, place significant additional demands on our finance and accounting staff and on our financial, accounting and information systems. We may need to hire additional accounting and financial staff with appropriate public company reporting experience and technical accounting knowledge. Other expenses associated with being a public company include increased auditing, accounting and legal fees and expenses, investor relations expenses, increased directors' fees and director and officer liability insurance costs, registrar and transfer agent fees, listing fees, as well as other miscellaneous expenses. We cannot accurately predict the amount of additional costs that we may incur or the timing of such costs, but we have estimated that such costs will exceed \$2 million during our first 12 months of being a public company. We believe, but cannot be certain, that the level of such costs will be higher during the first year or two of being a public company than in later years.

### **Section 404 of the Sarbanes-Oxley Act of 2002 will require us to document and test our internal controls over financial reporting for fiscal 2007 and beyond and will require an independent registered public accounting firm to report on our assessment as to the effectiveness of these controls. Any delays or difficulty in satisfying these requirements could adversely affect our future results of operations and our stock price.**

Section 404 of the Sarbanes-Oxley Act of 2002 will require us to document and test the effectiveness of our internal controls over financial reporting in accordance with an established internal control framework and to report on our conclusion as to the effectiveness of our internal controls. It will also require an independent registered public accounting firm to test our internal controls over financial reporting and report on the effectiveness of such controls for our fiscal year ending December 31, 2007 and subsequent years. An independent registered public accounting firm will also be required to test, evaluate and report on the completeness of our assessment. In addition, upon completion of this offering, we will be required under the Securities Exchange Act of 1934 to maintain disclosure controls and procedures and internal control over financial reporting. Moreover, it may cost us more than we expect to comply with these control- and procedure-related requirements.

We may in the future discover areas of our internal controls that need improvement, particularly with respect to businesses that we have recently acquired or may acquire in the future. We cannot be certain that any remedial measures we take will ensure that we implement and maintain adequate internal controls over our financial processes and reporting in the future. Any failure to implement required new or improved controls, or difficulties encountered in their implementation could harm our operating

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results or cause us to fail to meet our reporting obligations. If we are unable to conclude that we have effective internal controls over financial reporting, or if our independent auditors are unable to provide us with an unqualified report regarding the effectiveness of our internal controls over financial reporting as of December 31, 2007 and in future periods as required by Section 404, investors could lose confidence in the reliability of our financial statements, which could result in a decrease in the value of our common stock. Failure to comply with Section 404 could potentially subject us to sanctions or investigations by the SEC, the Nasdaq Global Market or other regulatory authorities.

### **A substantial number of shares will become eligible for sale in the near future, which could cause our common stock price to decline significantly.**

If our stockholders sell, or the market perceives that our stockholders intend to sell, substantial amounts of our common stock in the public market, the market price of our common stock could decline significantly. These sales also 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. In 2007, 8,215,604 shares will become available for sale in the public market following the expiration of lock-up agreements by CMEP and certain other stockholders. As these restrictions on resale end, the market price of our common stock could drop significantly if the holders of these shares sell them or are perceived by the market as intending to sell them. Also, upon completion of this offering, options to purchase 1,542,182 shares of our common stock will be exercisable and additional options will become exercisable in the future. Shares issued upon the exercise of any of these stock options would generally be available for sale in the public market.

### **We do not intend to pay dividends.**

We intend to retain our earnings, if any, for general corporate purposes, and we do not anticipate paying 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.**

There are provisions in our amended and restated certificate of incorporation and amended and restated bylaws that 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 contain other provisions that could have an anti-takeover effect. These provisions:

- ∅ 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;

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- ∅ 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 and could delay or prevent a change-in-control transaction. They could also have the effect of discouraging others from making tender offers for our common stock. These provisions may also prevent changes in our management.

We indemnify our officers and the members of our 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 have the effect of reducing 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 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.

### **Because our management will have broad discretion over the use of the net proceeds to us from this offering, you may not agree with how we use them and the proceeds may not be invested successfully.**

Our management will have broad discretion as to the use of the offering proceeds. Although we currently anticipate that the net proceeds of this offering to us will be used primarily for repayment of our existing indebtedness under our revolving credit facility and term loan facilities and one-time bonus payments due to employees under our amended and restated employee annual incentive compensation pool plan, with the balance to be used for general corporate purposes, including working capital and potential acquisitions, our management may allocate our net proceeds among these purposes as it determines is necessary. Even if our existing indebtedness is reduced, we may subsequently decide to incur additional debt. In addition, market or other factors may require our management to allocate portions of our net proceeds for other purposes. Accordingly, you will be relying on the judgment of our management with regard to the use of the net proceeds to us from this offering, and you will not have the opportunity, as part of your investment decision, to assess whether these proceeds are being used appropriately. It is possible that we will invest our portion of the net proceeds in a way that does not yield a favorable, or any, return for our company.

### **If you invest in this offering, you will experience immediate and substantial dilution.**

The initial public offering price of our common stock will be substantially higher than the net tangible book value (deficiency) per share of our outstanding common stock. Based on our net tangible book value (deficiency) per share of \$(3.33) as of June 30, 2006 and an assumed initial public offering price of \$15.00 per share, investors purchasing common stock in this offering will incur immediate dilution of approximately \$13.59 per share in the net tangible book value per share of our common stock. Additionally, investors who purchase shares in this offering will have contributed approximately 61.6% of the total consideration paid to date in exchange for shares of our stock, but will only own

**Risk factors**

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approximately 36.2% of the shares outstanding immediately after this offering, based on shares outstanding on June 30, 2006, calculated on a pro forma basis.

In the past, we have offered, and we expect to continue to offer, stock to our employees and directors. Such stock is likely to be offered to our employees and directors at prices below the then current market prices and may be offered at prices below the initial public offering price. Our employee stock purchase plan will allow employees to purchase our stock at a five percent discount to market price. Options issued in the past have had per share exercise prices below the initial public offering price per share. As of August 31, 2006, there were 1,542,182 shares of common stock issuable upon exercise of outstanding stock options at a weighted average exercise price of \$6.00 per share. Additional options may be granted to employees and directors in the future at per-share exercise prices below the then current market prices and below the initial public offering price per share.

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 and/or other assets or rights we may acquire or to pay for a reduction, change and/or elimination of liabilities in the future. 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.

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## Special note regarding forward-looking statements

Some of the statements under “Summary,” “Risk factors,” “Management’s discussion and analysis of financial condition and results of operations,” “Business,” and elsewhere in this prospectus constitute forward-looking statements. 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,” and “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. We believe that it is important to communicate our future expectations to our investors. However, there may be events in the future that we are not able to predict or control accurately. The factors listed above in the section captioned “Risk factors,” as well as any cautionary language in this prospectus, 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 federal government spending priorities;
- ∅ failure by Congress to timely approve budgets;
- ∅ our dependency on contracts with federal government agencies and departments for the majority of our revenue;
- ∅ an economic downturn in the energy sector;
- ∅ 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.

Before you invest in our common stock, you should be aware that the occurrence of the events described above, in the section captioned “Risk factors” and elsewhere in this prospectus could have a material adverse effect on our business, results of operations and financial position.

Although we believe that 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 prospectus. We undertake no obligation to update these forward-looking statements, even if our situation changes in the future.

### **NOTICE TO INVESTORS**

You should rely only on the information contained in this prospectus. We, the selling stockholders and the underwriters have not authorized anyone to give you different or additional information. We are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where those offers and sales are permitted. You should not assume that the information in this prospectus is accurate as of any date after the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of shares of common stock.

## Use of proceeds

We estimate that the net proceeds to us from this offering will be approximately \$48.9 million, or approximately \$58.6 million if the underwriters exercise their over-allotment option in full, assuming an initial public offering price of \$15.00 per share (the midpoint of the range set forth on the cover page of this prospectus), after deducting estimated underwriting discounts and commissions and estimated offering expenses. Each \$1 increase (decrease) in the public offering price per share would increase (decrease) our net proceeds, after deducting estimated underwriting discounts and commissions, by \$3.4 million (assuming no exercise of the underwriters' over-allotment option).

We intend to use:

- ∅ up to approximately \$46 million of the net proceeds of this offering to repay a portion of the existing indebtedness under our revolving credit and term loan facilities;
- ∅ \$2.7 million for one-time bonus payments due to employees under our amended and restated employee annual incentive compensation pool plan (see "Management — Employment Agreements"); and
- ∅ the balance for general corporate purposes, including working capital and potential acquisitions.

We are often engaged in preliminary discussions with acquisition candidates. As of the date of this prospectus, we have no binding commitments or agreements to enter into any acquisitions.

We expect to refinance our revolving credit facility and two term loan facilities in connection with the completion of this offering. Those facilities include:

- ∅ An \$8 million short-term term loan facility that matures in January 2007 (sometimes referred to herein as the time loan facility). As of August 25, 2006, the outstanding principal amount under this facility was \$7.7 million.
- ∅ A \$22 million term loan facility that matures in October 2010. As of August 25, 2006, the outstanding principal amount under this facility was \$18.7 million.
- ∅ A revolving credit facility that allows us to borrow up to the lesser of \$65 million or the applicable borrowing base comprised of eligible billed receivables and matures in October 2010. As of August 25, 2006, the principal amount outstanding under our revolving credit facility was \$13.6 million.

Our credit agreement requires that we apply the net proceeds to us from this offering, after payment of the \$2.7 million in one-time bonuses described above, to reduce, respectively, the outstanding principal balances of our short-term term loan facility, our term loan facility and, if proceeds are available, our revolving credit facility.

The indebtedness to be repaid under our short-term term loan facility, our term loan facility and our revolving credit facility bears interest at rates equal to an applicable margin, or spread, plus, at our option, either a base rate equal to the U.S. prime rate or a LIBOR rate determined by reference to the interest period relevant to the indebtedness. The applicable margins for base rate indebtedness and applicable spread for LIBOR rate indebtedness under the short-term term loan and term loan facilities and the revolving credit loan facility are variable subject to certain leverage ratio tests. As of August 25, 2006, the base rate margin and LIBOR spread were 0.50% and 3.50%, respectively, for borrowings under the short-term term loan facility; 0.25% and 3.00%, respectively, for borrowings under the term loan facility; and 0.25% and 3.00%, respectively, for borrowings under the revolving credit facility.

A substantial amount of the debt to be repaid with the proceeds of the offering was incurred in 2005 in connection with the Synergy and Caliber acquisitions and the repayment of \$6.4 million of subordinated debt due to our former parent. In connection with the Synergy acquisition in January 2005, we increased the capacity under our credit facilities by \$10 million. In October 2005, in connection with the Caliber acquisition and the repayment of debt to our former parent, we increased the capacity under our credit facilities by an additional \$25 million.

We will not receive any proceeds from the sale of common stock by the selling stockholders.

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## Dividend policy

We have never declared or paid any cash dividends on our common stock. We currently intend to retain all future earnings, if any, for use in the operations and expansion of our business. As a result, we do not anticipate paying cash dividends in the foreseeable future. Any future determination as to the declaration and payment of cash dividends will be at the discretion of our board of directors and will depend on factors our board of directors deems relevant, including among others, our results of operations, financial condition and cash requirements, business prospects, and the terms of our credit facilities and other financing arrangements. Our revolving credit and loan facilities prohibit us from declaring or paying dividends without the consent of our lenders.

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## Capitalization

The following table sets forth our cash and cash equivalents, short-term debt and capitalization as of June 30, 2006:

Ø on an actual basis; and

Ø on an adjusted basis to reflect our sale of common stock in this offering at an assumed public offering price of \$15.00 per share (the midpoint of the range set forth on the cover page of this prospectus), and receipt of the net proceeds, after deducting estimated underwriting discounts and commissions and estimated offering expenses. Each \$1 increase (decrease) in the public offering price per share would increase (decrease) the as-adjusted figure shown below for “cash and cash equivalents,” “additional paid-in capital” and “total stockholders’ equity” by \$3.4 million (assuming no exercise of the underwriters’ over-allotment option), after deducting estimated underwriting discounts and commissions.

The as-adjusted figures shown below for cash and cash equivalents, debt and total capitalization will be reduced following the completion of this offering upon the application of the net proceeds to us from this offering to the repayment of up to \$46 million of our existing indebtedness, and the as-adjusted figure for cash and cash equivalents will be reduced by the payment of \$2.7 million in one-time bonuses described in “Use of proceeds.”

	As of June 30, 2006	
	Actual	As adjusted (In thousands)
Cash and cash equivalents	\$ 1,144	\$ 50,002
Current portion of long-term debt	\$ 12,400	\$ 12,400
Long-term debt, net of current portion <sup>(1)</sup>	\$ 52,532	\$ 52,532
<b>Stockholders’ equity:</b>		
Common stock, \$0.01 par value per share prior to completion of initial public offering, \$0.001 par value per share upon completion of initial public offering; 20,000,000 shares authorized; 9,300,685 shares issued and 9,229,807 shares outstanding, actual; 12,960,133 shares issued and 12,889,255 shares outstanding, as adjusted	93	13
Additional paid-in capital	51,144	100,082
Retained earnings	3,522	3,522
Treasury stock	(520)	(520)
Stockholder notes receivable <sup>(2)</sup>	(568)	(568)
Accumulated other comprehensive income	191	191
<b>Total stockholders’ equity</b>	<b>53,862</b>	<b>102,720</b>
<b>Total capitalization (including current portion of long-term debt)</b>	<b>\$118,794</b>	<b>\$ 167,652</b>

You should read this table along with “Management’s discussion and analysis of financial condition and results of operations” and our financial statements and related notes appearing elsewhere in this prospectus.

The actual outstanding share information above excludes:

- Ø 1,564,682 shares issuable upon exercise of options outstanding as of June 30, 2006, at a weighted average exercise price of \$6.01 per share, of which options for 22,500 shares were exercised on July 21, 2006 and all of which remaining options will be exercisable upon completion of this offering;
- Ø 52,781 shares issuable upon exercise of warrants outstanding as of June 30, 2006, at a nominal exercise price per share, of which warrants for 21,877 shares were exercised on July 14, 2006 and warrants for the remaining 30,904 shares will be exercised upon completion of this offering;
- Ø 12,500 shares of restricted common stock issued to one of our employees on July 10, 2006; and
- Ø 2 million shares available for future grant under our stock plans upon completion of this offering.

(1) At August 25, 2006, we had approximately \$40.0 million in debt, including current portion, outstanding. See “Use of proceeds.”

(2) Represents loans provided by us to certain employees for the purpose of purchasing shares of our common stock. As of May 5, 2006, certain of those loans, with an aggregate principal balance of \$703,027, were repaid. See “Certain relationships and related party transactions—Loans to Executive Officers.”

## Dilution

If you invest in our common stock in this offering, your ownership will be diluted to the extent of the difference between the initial public offering price per share and the pro forma net tangible book value (deficiency) per share of our common stock after this offering. Our net tangible book value (deficiency), as of June 30, 2006, was approximately \$(30.7) million, or \$(3.33) per share of common stock. Net tangible book value (deficiency) per share represents the amount of total tangible assets less total liabilities, divided by the number of shares of common stock outstanding.

Dilution per share to new investors represents the difference between the amount per share paid by purchases of our common stock in this offering and the net tangible book value per share of common stock immediately after completion of this offering. As of June 30, 2006, after giving effect to:

- ∅ the sale by us of 3,659,448 shares of common stock in this offering at an assumed initial public offering price of \$15.00 per share (the midpoint of the range set forth on the cover page of this prospectus); and
- ∅ the deduction of the underwriting discounts and commissions and estimated offering expenses payable by us,

our pro forma net tangible book value would have been approximately \$18.1 million, or \$1.41 per share. The assumed initial public offering price of \$15.00 per share exceeds \$1.41 per share, which is the per share pro forma value of our total tangible assets less total liabilities after this offering. This represents an immediate increase in pro forma net tangible book value (deficiency) of \$4.74 per share to existing stockholders. Accordingly, new investors in the offering will suffer an immediate dilution of their investment of approximately \$13.59 per share. The table below illustrates this per share dilution as of June 30, 2006:

Assumed initial public offering price per share	\$15.00
Pro forma as adjusted net tangible book value (deficiency) per share before this offering	\$(3.33)
Increase in pro forma net tangible book value per share attributable to new investors	4.74
Pro forma as adjusted net tangible book value per share after giving effect to the offering	\$ 1.41
Pro forma net tangible book value per share dilution to new stockholders	\$13.59

Each \$1 increase (decrease) in the public offering price per share would increase (decrease) the as-adjusted pro forma net tangible book value by \$0.26 per share (assuming no exercise of the underwriters' over-allotment option) and the dilution to investors in this offering by \$0.74 per share, assuming that the number of shares offered in this offering, as set forth on the cover page of this prospectus, remains the same.

If the underwriters' over-allotment option is exercised in full, the as-adjusted pro forma net tangible book value will increase to approximately \$2.05 per share, representing an increase to existing stockholders of approximately \$5.38 per share, and there will be an immediate dilution of approximately \$12.95 per share to new investors.

The following table summarizes, on an as-adjusted basis as of June 30, 2006 after giving effect to this offering, the difference between the number of shares of common stock purchased from us (or, in the case of new investors, from the selling stockholders), the total consideration paid for such shares and the average price per share paid by existing stockholders and by new investors. As shown in the following table, new investors will contribute 61.6% of the total consideration paid to date in exchange for shares of our stock, in exchange for which they will own 36.2% of our outstanding shares of common

## Dilution

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stock. The calculation below is based on the assumed initial offering price of \$15.00 per share, before deducting underwriting discounts and commissions and our estimated expenses for this offering:

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing Stockholders	8,219,255	63.8%	\$ 43,757,252	38.4%	\$ 5.32
New Investors	4,670,000	36.2	70,050,000	61.6	\$ 15.00
Total	12,889,255	100.0%	\$113,807,252	100.0%	

Each \$1 increase (decrease) in the public offering price per share would increase (decrease) the total consideration paid by new investors, total consideration paid by all stockholders and the price per share paid by new stockholders by \$4.67 million, \$4.67 million and \$1, respectively, assuming that the number of shares offered in this offering, as set forth on the cover page of this prospectus, remains the same.

If the underwriters' over-allotment option is exercised in full, the number of shares held by new investors will increase to 5,370,500 shares, or 39.4%, of the total number of shares of common stock outstanding immediately after this offering.

The tables and calculations above are based on 9,229,807 shares outstanding as of June 30, 2006 and exclude:

- ∅ 1,564,682 shares issuable upon exercise of options outstanding as of June 30, 2006, at a weighted average exercise price of \$6.01 per share, of which options for 22,500 shares were exercised on July 21, 2006 and all of which remaining options will be exercisable upon completion of this offering;
- ∅ 52,781 shares issuable upon exercise of warrants outstanding as of June 30, 2006, at a nominal exercise price per share, of which warrants for 21,877 shares were exercised on July 14, 2006 and warrants for the remaining 30,904 shares will be exercised upon completion of this offering;
- ∅ 12,500 shares of restricted common stock issued to one of our employees on July 10, 2006; and
- ∅ 2 million shares available for future grant under our stock plans upon completion of this offering.

To the extent that any of these options or warrants are exercised, new options or warrants are issued or we issue additional shares of common stock in the future, there will be further dilution to new investors.

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## Selected consolidated financial and other data

The following selected consolidated financial and other data should be read in conjunction with our financial statements and the related notes, and with “Management’s discussion and analysis of financial condition and results of operations,” included elsewhere in this prospectus. The statement of operations data for 2003, 2004 and 2005 and the balance sheet data as of December 31, 2004 and 2005 are derived from, and are qualified by reference to, our audited financial statements included in this prospectus. The statement of operations data for 2001 and 2002 and the balance sheet data as of December 31, 2001, 2002 and 2003 are derived from our corresponding audited financial statements. The statement of operations data for the six months ended July 1, 2005 and June 30, 2006 and the balance sheet data as of July 1, 2005 and June 30, 2006 are derived from our unaudited financial statements included in this prospectus. In the opinion of management, those unaudited financial statements have been prepared on a basis substantially consistent with the audited financial statements and include all adjustments, consisting of normal and recurring adjustments, necessary for the fair presentation of the results for these periods and as of such dates. Results for any interim period are not necessarily indicative of the results to be expected for a full year.

We have presented the balance sheet data as of June 30, 2006:

- ∅ on an actual basis; and
- ∅ on an adjusted basis to reflect our sale of common stock in this offering at an assumed public offering price of \$15.00 per share (the midpoint of the range set forth on the cover page of this prospectus), and receipt of the net proceeds, after deducting estimated underwriting discounts and commissions and estimated offering expenses. Each \$1 increase (decrease) in the public offering price per share would increase (decrease) the as-adjusted figure shown below for “cash and cash equivalents” and “total stockholders’ equity” by \$3.4 million (assuming no exercise of the underwriters’ over-allotment option), after deducting estimated underwriting discounts and commissions.

We adopted the provisions of SFAS 123(R) on January 1, 2006, and our results for the six months ended June 30, 2006 reflect \$272,484 of stock-based compensation expense.

Effective October 1, 2005, we consummated the acquisition of Caliber Associates, Inc. for \$20.7 million in cash. The unaudited pro forma condensed consolidated statement of operations data for the year ended December 31, 2005 gives effect to the acquisition of Caliber Associates, Inc. as if it had occurred on January 1, 2005. Operating results for Caliber Associates, Inc. from the date of the acquisition, October 1, 2005, through December 31, 2005 are included in our statement of operations data for the year ended December 31, 2005. The pro forma information has been prepared for illustrative purposes only, and is not necessarily indicative of the operating results that would have occurred if the acquisition had been consummated on January 1, 2005, nor is it necessarily indicative of any future operating results.

**Selected consolidated financial and other data**

	Year ended December 31,					Pro forma 2005 (unaudited)	Six months ended	
	2001	2002	2003	2004	2005		July 1, 2005 (unaudited)	June 30, 2006 (unaudited)
	(In thousands, except per share amounts)							
Revenue	\$ 111,733	\$ 143,496	\$ 145,803	\$ 139,488	\$ 177,218	\$ 207,794	\$ 83,285	\$ 109,593
Direct costs	62,258	87,345	91,022	83,638	106,078	122,192	49,415	66,462
Operating expenses								
Indirect and selling expenses	41,068	47,156	45,335	46,097	60,039 <sup>(1)</sup>	72,051 <sup>(1)</sup>	27,516	39,861 <sup>(2)</sup>
Depreciation and amortization	5,196	3,664	3,000	3,155	5,541	6,719	1,673	1,666
Earnings from operations	3,211	5,331	6,446	6,598	5,560	6,832	4,681	1,604
Other (expense) income								
Interest expense, net	(3,688)	(2,940)	(3,095)	(1,266)	(2,981)	(4,054)	(1,210)	(2,165)
Other	—	—	33	(33)	1,308	1,308	—	—
Total other (expense) income	(3,688)	(2,940)	(3,062)	(1,299)	(1,673)	(2,746)	(1,210)	(2,165)
Income (loss) from continuing operations before income taxes	(477)	2,391	3,384	5,299	3,887	4,086	3,471	(561)
Minority interest in net loss	94	—	—	—	—	—	—	—
Income tax expense (benefit)	716	1,099	1,320	2,466	1,865	2,309	1,666	(249)
Income (loss) from continuing operations	(1,099)	1,292	2,064	2,833	2,022	1,777	1,805	(312)
Discontinued operations								
Income (loss) from discontinued operations, net	251	(503)	308	(196)	—	—	—	—
Gain from disposal of subsidiary, net	—	—	—	380	—	—	—	—
Income (loss) from discontinued operations	251	(503)	308	184	—	—	—	—
Net income (loss)	\$ (848)	\$ 789	\$ 2,372	\$ 3,017	\$ 2,022	\$ 1,777	\$ 1,805	\$ (312)
Earnings (loss) from continuing operations per share								
Basic	\$ (0.16)	\$ 0.16	\$ 0.23	\$ 0.31	\$ 0.22	\$ 0.19	\$ 0.20	\$ (0.03)
Diluted	\$ (0.16)	\$ 0.15	\$ 0.23	\$ 0.30	\$ 0.21	\$ 0.18	\$ 0.19	\$ (0.03)
Earnings (loss) per share								
Basic	\$ (0.12)	\$ 0.10	\$ 0.26	\$ 0.33	\$ 0.22	\$ 0.19	\$ 0.20	\$ (0.03)
Diluted	\$ (0.12)	\$ 0.09	\$ 0.26	\$ 0.32	\$ 0.21	\$ 0.18	\$ 0.19	\$ (0.03)
Weighted-average shares								
Basic	6,980	8,266	9,088	9,080	9,185	9,185	9,163	9,248
Diluted	6,980	8,385	9,210	9,398	9,737	9,737	9,487	9,248

Other operating data:	Year ended December 31,					Pro forma 2005 (unaudited)	Six months ended	
	2001	2002	2003	2004	2005		July 1, 2005 (unaudited)	June 30, 2006 (unaudited)
	(In thousands)							
EBITDA from continuing operations <sup>(3)</sup>	\$ 8,407	\$ 8,995	\$ 9,446	\$ 9,753	\$ 11,101	\$ 11,101	\$ 6,354	\$ 3,270
Non-cash compensation charge included in EBITDA from continuing operations	—	—	—	—	—	2,138 <sup>(1)</sup>	—	272
Lease abandonment charge included in EBITDA from continuing operations	—	—	—	—	—	—	—	4,309 <sup>(2)</sup>

(footnotes on following page)

**Selected consolidated financial and other data**

Consolidated balance sheet data:	As of December 31,					As of June 30, 2006	
	2001	2002	2003	2004	2005	Actual (unaudited)	Adjusted
	(In thousands)						
Cash and cash equivalents	\$ 1,011	\$ 660	\$ 1,643	\$ 797	\$ 499	\$ 1,144	\$ 50,002
Net working capital	10,499	10,305	6,085	5,502	18,141	18,188	67,046
Total assets	88,311	105,945	101,842	94,057	151,124	171,232	220,090
Current portion of long-term debt	2,750	3,750	4,235	4,235	6,767	12,400	12,400
Long-term debt, net of current portion	33,183	27,904	20,313	16,844	54,205	52,532	52,532
Total stockholders' equity	30,815	43,079	45,276	47,861	52,903	53,862	102,720

- (1) Indirect and selling expenses for the year ended December 31, 2005 includes a non-cash compensation charge of \$2.1 million in December 2005 resulting from the acceleration of the vesting of all then outstanding stock options. See "Management's discussion and analysis of financial condition and results of operations — Results of Operations — Year ended December 31, 2005 compared to year ended December 31, 2004."
- (2) Indirect and selling expenses for the six months ended June 30, 2006 includes a pre-tax charge of \$4.3 million in the second quarter of 2006 resulting from the abandonment of our San Francisco, California leased facility and abandonment of a portion of our Lexington, Massachusetts leased facility. See "Management's discussion and analysis of financial condition and results of operations — Operating Expenses — Indirect and selling expenses."
- (3) EBITDA from continuing operations, a measure used by us to evaluate performance, is defined as net income (loss) plus (less) loss (income) from discontinued operations, less gain from sale of discontinued operations, less other income, plus other expenses, net interest expense, income tax expense and depreciation and amortization. We believe EBITDA from continuing operations is useful to investors because similar measures are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry. EBITDA from continuing operations 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 from continuing operations may not be comparable to other similarly titled measures used by other companies. EBITDA from continuing operations 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 from continuing operations, 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 from continuing operations follows:

	Year ended December 31,					Six months ended		
	2001	2002	2003	2004	2005	July 1, 2005	June 30, 2006	
	(In thousands)							
Net income (loss)		\$ (848)	\$ 789	\$ 2,372	\$ 3,017	\$ 2,022	\$ 1,805	\$ (312)
Loss (income) from discontinued operations		(251)	503	(308)	196	—	—	—
Gain from sale of discontinued operations		—	—	—	(380)	—	—	—
Other expense (income)		—	—	(33)	33	(1,308)	—	—
Interest expense, net		3,688	2,940	3,095	1,266	2,981	1,210	2,165
Minority interest in net loss		(94)	—	—	—	—	—	—
Income tax expense (benefit)		716	1,099	1,320	2,466	1,865	1,666	(249)
Depreciation and amortization		5,196	3,664	3,000	3,155	5,541	1,673	1,666
<b>EBITDA from continuing operations</b>		<b>\$ 8,407</b>	<b>\$ 8,995</b>	<b>\$ 9,446</b>	<b>\$ 9,753</b>	<b>\$ 11,101</b>	<b>\$ 6,354</b>	<b>\$ 3,270</b>

**Selected consolidated financial and other data****UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL DATA**

We acquired Caliber Associates, Inc. (Caliber) effective as of October 1, 2005 for \$20.7 million in cash. The following unaudited pro forma condensed combined statement of operations data for the year ended December 31, 2005 gives effect to our acquisition of Caliber as if it had occurred on January 1, 2005. The acquisition has been accounted for using purchase price accounting in accordance with Statement of Financial Accounting Standards No. 141, *Business Combinations*.

This unaudited pro forma condensed combined statement of operations has been prepared in accordance with rules prescribed by Article 11 of Regulation S-X and based upon our historical financial statements and the historical financial statements of Caliber. This unaudited pro forma condensed combined statement of operations should be read in conjunction with our historical audited consolidated financial statements for the year ended December 31, 2005, and the historical audited consolidated financial statements of Caliber for the year ended December 31, 2004 and the historical unaudited consolidated financial statements of Caliber for the nine months ended September 30, 2005 included elsewhere in this prospectus. This unaudited pro forma condensed combined statement of operations has been prepared for illustrative purposes only, and is not necessarily indicative of the operating results that would have occurred if the acquisition transaction described above had been consummated on January 1, 2005, nor is it necessarily indicative of any future operating results.

Year ended December 31, 2005

	ICF (includes Caliber results from October 1, 2005)	Caliber (through September 30, 2005)  (unaudited) (In thousands, except per share amounts)	Pro forma adjustments (unaudited)	Pro forma (unaudited)
Revenue	\$ 177,218	\$ 30,576	\$ —	\$ 207,794
Direct costs	106,078	16,114	—	122,192
Operating expenses				
Indirect and selling expenses	60,039 <sup>(1)</sup>	14,517	(2,505) <sup>(2)</sup>	72,051 <sup>(1)</sup>
Depreciation and amortization	5,541	384	794 <sup>(3)</sup>	6,719
Earnings from operations	5,560	(439)	1,711	6,832
Other (expense) income				
Interest expense, net	(2,981)	(763)	(310) <sup>(4)</sup>	(4,054)
Other	1,308	—	—	1,308
Total other expense	1,673	(763)	(310)	(2,746)
Income (loss) from continuing operations before income taxes	3,887	(1,202)	1,401	4,086
Income tax expense	1,865	—	444 <sup>(5)</sup>	2,309
Income (loss) from continuing operations	\$ 2,022	\$ (1,202)	\$ 957	\$ 1,777
Earnings from continuing operations per share				
Basic	\$ 0.22			\$ 0.19
Diluted	\$ 0.21			\$ 0.18
Earnings per share				
Basic	\$ 0.22			\$ 0.19
Diluted	\$ 0.21			\$ 0.18
Weighted-average shares				
Basic	9,185			9,185
Diluted	9,737			9,737

(footnotes on following page)

**Selected consolidated financial and other data**

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- (1) Includes a non-cash compensation charge of \$2.1 million in December 2005 resulting from the acceleration of the vesting of all then outstanding stock options. See “Management’s discussion and analysis of financial condition and results of operations—Results of Operations—Year ended December 31, 2005 compared to year ended December 31, 2004.”
- (2) Pro forma adjustment to remove Caliber’s employee stock ownership plan (ESOP) expense for January to September 2005. The ESOP terminated upon the acquisition and would not have existed in the period provided or been replaced with a similar expense. See “Note 9—Employee Benefit Plans” of the notes to the historical unaudited consolidated financial statements of Caliber Associates, Inc. for the nine months ended September 30, 2005 included in this prospectus.
- (3) Pro forma adjustment to reflect increase in amortization expense of purchased intangibles assuming acquisition of Caliber on January 1, 2005, net of removal of amortization for Caliber’s own intangibles that ceased at purchase.
- (4) Pro forma adjustment to reflect net increase in interest expense for additional interest expense on acquisition financing indebtedness and for elimination of interest expense on indebtedness of Caliber related to its ESOP.
- (5) Pro forma adjustment to reflect a net increase in tax expense due to the following items (in thousands):
- |  |        |
|--|--------|
| Increase due to elimination of ESOP expense        | \$ 991 |
| Increase due to amortization expense               | 51     |
| Tax benefit of net loss of Caliber for nine months | (476)  |
| Decrease for additional interest expense           | (122)  |
|  | <hr/>  |
|  | \$ 444 |
|  | <hr/>  |



## 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 consolidated financial and other data" and the consolidated financial statements and related notes included elsewhere in this prospectus. 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 prospectus should be read as applying to all related forward-looking statements wherever they appear in this prospectus. 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 prospectus.*

### OVERVIEW

We provide management, technology and policy consulting and implementation services primarily to the U.S. federal government, as well as to other 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 four key markets: defense and homeland security; energy; environment and infrastructure; and health, human services and social programs. Increased government involvement in virtually all aspects of our lives has created opportunities for us to resolve issues at the intersection of the public and private sectors. We believe that demand for our services will continue to grow as government, industry and other stakeholders seek to understand and respond to geopolitical and demographic changes, budgetary constraints, heightened environmental and social concerns, rapid technological changes and increasing globalization.

Our federal government, 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 include every cabinet-level department, including the Department of Defense, the Environmental Protection Agency, the Department of Homeland Security, the Department of Transportation, the Department of Health and Human Services, the Department of Housing and Urban Development, the Department of Justice and the Department of Energy. U.S. federal government clients generated 72% of our revenue in 2005. Our state and local government clients include the states of California, Louisiana, Massachusetts, New York and Pennsylvania. State and local government clients generated 9% of our revenue in 2005. Revenue generated from our state and local government clients is expected to increase in 2006, due primarily to our work in connection with the Road Home Contract with the State of Louisiana. We also serve commercial and international clients, primarily in the energy sector, including electric and gas utilities, oil companies and law firms. Our commercial and international clients generated 19% of our revenue in 2005. 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 upon the information used by our chief operating decision makers in evaluating the performance of our business and allocating resources.

### REVENUE

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

- ∅ defense and homeland security;
- ∅ energy;

**Management's discussion and analysis of financial condition and results of operations**

Ø environment and infrastructure; and

Ø health, human services and social programs.

The following table shows our revenue from each of our four markets as a percentage of total revenue for the periods indicated. For each client, we have attributed all revenue from that client to the market we consider to be the client's primary market, even if a portion of that revenue relates to a different market.

	Year ended December 31,			Six months ended	
	2003	2004	2005	July 1, 2005	June 30, 2006
Defense and homeland security	16%	19%	28%	29%	28%
Energy	24	21	20	20	18
Environment and infrastructure	44	44	35	37	28
Health, human services and social programs	16	16	17	14	26
<b>Total revenue</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

The proportion of our revenue from each market identified in the above table changed significantly from 2004 to 2005, and may change from 2005 to 2006, due primarily to our recent acquisitions. See "—Acquisitions" below for a discussion of these acquisitions.

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

	Year ended December 31,			Six months ended	
	2003	2004	2005	July 1, 2005	June 30, 2006
U.S. federal government	72%	72%	72%	71%	75%
Domestic commercial	12	13	14	14	11
U.S. state and local government	7	8	9	9	9
International	9	7	5	6	5
<b>Total revenue</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Revenue generated from our state and local government clients is expected to increase in 2006, due primarily to our work in connection with 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 2003, 2004 and 2005, 91%, 87% and 86% of our revenue, respectively, was from prime contracts.

**Contract mix**

We had over 1,000 active contracts in 2005. Our contracts with clients include time-and-materials contracts, cost-based contracts (including cost-based fixed fee, cost-based award fee and cost-based incentive fee, as well as grants and cooperative agreements), and fixed-price contracts. 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 content requires otherwise, we use the term "contracts" to refer to contracts and any task orders or delivery orders issued under a contract.

**Management's discussion and analysis of financial condition and results of operations**

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

	Year ended December 31,			Six months ended	
	2003	2004	2005	July 1, 2005	June 30, 2006
Time-and-materials	40%	37%	42%	43%	44%
Cost-based	44	41	34	34	32
Fixed-price	16	22	24	23	24
Total	100%	100%	100%	100%	100%

**Time-and-materials contracts.** Under time-and-materials contracts, we are paid for labor at fixed hourly rates and generally reimbursed separately for allowable materials, other direct costs and out-of-pocket expenses. Our actual labor costs may vary from the expected costs which 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.

**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 upon actual results as compared to contractual targets for factors such as cost, quality, schedule and performance.

**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.

**DIRECT COSTS**

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

Direct costs associated with subcontractors are expected to increase in 2006, due primarily to our work in connection with the Road Home Contract with the State of Louisiana.

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 subcontracted labor or outside consultants for clients increase relative to our own labor, 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, if we are successful in our strategy

## Management's discussion and analysis of financial condition and results of operations

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to increase the proportion of our 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, but we anticipate that higher utilization of such staff will decrease the amount of indirect expenses. In addition, to the extent we are successful in winning larger contracts, our own labor services component could decrease because larger contracts typically are broader in scope and require more diverse capabilities, potentially resulting in more subcontracted labor, more other direct costs and lower margins. Although these factors could lead to a higher ratio of direct costs as a percentage of revenue, the economics of these larger jobs are nonetheless generally favorable because they increase income, broaden our revenue base and have a favorable return on invested capital.

### OPERATING EXPENSES

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

#### Indirect and selling expenses

Indirect and selling expenses include our management, facilities and infrastructure costs for all employees, as well as salaries and wages, plus associated fringe benefits, not directly related to client engagements. Among the functions covered by these expenses are marketing, business and corporate development, bids and proposals, facilities, information technology and systems, contracts administration, accounting, treasury, human resources, legal, corporate governance and executive and senior management. We include all of our cash incentive compensation in this item, as well as 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. See "— Significant New Accounting Pronouncement" below for a discussion of how we treat such compensation in our financial statements. In 2005, this stock-based compensation was comprised of a one-time non-cash compensation charge of \$2.1 million resulting from the acceleration of the vesting of all then outstanding stock options in December.

We try to utilize our office space as efficiently as possible, and therefore attempt to sublease or otherwise dispose of space we do not anticipate needing in the near-term, but there can be no assurance that we will be able to do so in a timely manner, on commercially reasonable terms or at all. For example, on April 14, 2006, we decided to abandon, effective June 30, 2006, our San Francisco, California leased facility and relocate our staff there to other space. Our San Francisco lease obligation expires in July 2010 and covers approximately 12,000 square feet at an annual rate of \$79 per square foot plus operating expenses. Management believes, based upon consultation with its leasing consultants, that the current market for similar space is substantially below this cost. In addition, we also abandoned a smaller space in Lexington, Massachusetts that we have been unable to sublease. We recognized a charge to earnings in the second quarter of 2006 of approximately \$4.3 million as a result of these actions.

#### Non-cash compensation

Our results for the year ended December 31, 2005 and the six months ended June 30, 2006 reflect non-cash compensation charges arising from stock option and restricted stock grants. As discussed below under "Significant New Accounting Pronouncement", we adopted SFAS 123(R), relating to accounting for stock-based compensation, effective January 1, 2006.

**Significant factors, assumptions and methodologies used in determining fair value.** The computation of non-cash compensation charges requires a determination of the fair value of our stock at various dates. Such determinations require complex and subjective judgments. The valuation as of September 30, 2005, which was used as a basis for the December 31, 2005 and March 31, 2006 valuations, and which

## Management's discussion and analysis of financial condition and results of operations

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is reflected in our non-cash compensation charges, was completed on a contemporaneous basis by an unrelated valuation firm.

The valuation firm considered several methodologies in its analysis, including guideline public company analysis, an analysis of comparable company transactions, and a discounted cash flow analysis. The results of the public company and comparable company transactions components of the analyses vary not only with factors such as our revenue, EBITDA, and income levels, but also with the performance and public market valuation of the companies and transactions used in the analyses. Although the market-based analyses did not include companies directly comparable to us, the analysis provided useful benchmarks.

The final valuation conclusion was based on a detailed discounted cash flow analysis in light of the results of the market-based analysis. The discounted cash flow analysis, an income-based approach, involves applying appropriate discount rates to estimated future free cash flows, which were based on management's forecasts of revenue and costs. The revenue forecasts were based on expected annual growth rates of approximately 10% and normalized EBITDA (earnings before interest, taxes, depreciation and amortization) margins of 8%. There is uncertainty inherent in these estimates; however, the assumptions underlying the estimates were consistent with our business plan. The risks associated with executing our business plan were assessed in selecting the appropriate discount rate, which averaged approximately 16%. If different discount rates had been used, without adjusting other assumptions, the valuation would have been different.

Once the enterprise value of the business was determined, the result was reconciled to equity value after the consideration of any interest-bearing debt and excess cash. Since there were no other classes of stock, there was no need to allocate the equity value between common and preferred classes of equity. In determining the per share value, management divided the equity value by the number of issued and outstanding common shares. For the December 31, 2005 and March 31, 2006 valuations, we did not obtain a contemporaneous valuation by an unrelated valuation firm. This was because our efforts were focused on integrating our recent acquisitions, determining if we were ready to pursue strategic alternatives (such as a public offering), the efficient operation of the business, and normal year-end accounting issues. Thus, our financial and managerial resources for completing a detailed, contemporaneous valuation were limited. In addition, since we had recently completed a detailed, formal contemporaneous valuation by an independent valuation specialist, we had available reasonable methodologies for estimating the fair value of our common stock.

We continued to stay abreast of the market and received informal research reports and other indications of value from various investment banks and valuation professionals. In connection with the December 31, 2005 and March 31, 2006 valuations, we considered various factors, including, but not limited to, the following:

- Ø During the fourth quarter of 2005 and the first quarter of 2006, we did not have any significant operational changes to our business. No acquisitions were made, the employee base stayed relatively constant, and we had no new significant contract wins. Annual revenues on a trailing, pro forma basis grew 1.4%, and pro forma profits decreased slightly.
- Ø Valuations in the public market for comparable public companies did not materially change during this time frame. In addition, the number of acquisitions of privately-held government contractors also decreased in the first quarter of 2006.
- Ø The macro-economic environment condition also remained uncertain, as the Federal Reserve Board continued to raise interest rates.

## Management's discussion and analysis of financial condition and results of operations

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Based on the foregoing, management believes its analysis resulted in a reasonable valuation of our common stock.

**Significant factors likely to contribute to the difference between fair value as of the date of recent grants and our public offering price.** We expect the completion of our public offering to add value to our shares for a variety of reasons, such as a strengthening of our balance sheet, increased capacity to consummate acquisitions, and the increased liquidity and marketability of our shares. However, the amount of such additional value, if any, cannot be measured with either precision or certainty, and it is possible that our shares will fall in value. We also expect the recent award to ICF EMS of the Road Home Contract with the State of Louisiana, Office of Community Development, to contribute to the difference between fair value as of the date of recent grants and our public offering price. The proposal for that contract was not submitted until May 2006, and the award was made in June 2006. The Road Home Contract is anticipated to have a significant impact on our financial results.

### Depreciation and amortization

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

### INCOME TAX EXPENSE

Our effective tax rate of 44.4% for the six months ended June 30, 2006 was higher than the statutory tax rate for the six months ended June 30, 2006 primarily due to permanent tax differences related to expenses not deductible for tax purposes and valuation allowances for tax losses from certain foreign subsidiaries. If we are successful in increasing our pre-tax income in the future, we expect our effective tax rate to decline.

### ACQUISITIONS

A key element of our growth strategy is to pursue acquisitions. In 2005, we completed the acquisitions of Synergy, Inc. and Caliber Associates, Inc.

**Synergy.** Effective January 1, 2005, we acquired all of the outstanding common stock of Synergy, Inc. Synergy provides strategic consulting, planning, analysis and technology solutions in the areas of logistics, defense operations and command and control, primarily to the U.S. Air Force. We undertook the acquisition in order to enhance our presence in the areas of homeland security and national defense and also in government technology and program management. The aggregate purchase price was approximately \$19.5 million, including \$18.4 million of cash, common stock valued at \$0.5 million, and \$0.6 million of transaction expenses. The excess of the purchase price over the estimated fair value of the net assets acquired was approximately \$14.9 million, of which we allocated approximately \$14.1 million to goodwill and \$0.8 million to customer-related intangible assets. Synergy's results are included in our statements of operations beginning January 1, 2005.

**Caliber Associates.** Effective October 1, 2005, we acquired all of the outstanding common stock of Caliber Associates, Inc. from its employee stock ownership plan. Caliber provides professional services in the areas of human services programs and policies. We undertook the acquisition to enhance our presence in the areas of child and family studies and also in information technology and human services. The aggregate initial purchase price was approximately \$20.7 million, including \$19.4 million of cash and \$1.3 million of transaction expenses. In addition to the initial consideration, the purchase agreement provides for additional contingent payments in cash up to an additional \$3.5 million over the two years following the acquisition, subject to Caliber achieving certain performance goals. This additional amount has already been placed in escrow and is shown on our balance sheet as restricted cash. The excess of the purchase price over the estimated fair value of the net assets acquired was approximately \$17.7 million,

## Management's discussion and analysis of financial condition and results of operations

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of which we allocated approximately \$13.8 million to goodwill and \$3.9 million to intangible assets. Caliber's results are included in our statements of operations beginning October 1, 2005.

Our results of operations in 2005 were affected significantly by our acquisitions of Synergy and Caliber. Synergy operations accounted for approximately \$21.7 million of our 2005 revenue, principally relating to our defense and homeland security market. Caliber operations had revenue of approximately \$39.8 million in 2005, of which approximately \$30.5 million was generated in the nine months ended September 30, 2005 (prior to our acquisition) and approximately \$9.3 million is included in our fourth quarter 2005 revenue. Our revenue derived from Caliber was principally related to our health, human services and social programs market.

Our prior acquisitions were 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. Increased levels of intangible assets will increase our depreciation and amortization charges. At December 31, 2005, goodwill accounted for 53.7% of our total assets, and purchased intangibles accounted for 2.7% of our total assets. Under generally accepted accounting principles, we test our goodwill for impairment at least annually, and if we conclude that our goodwill is impaired we will be required to write down its carrying value on our balance sheet and book 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 also be accounted for as purchases and therefore 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.

### IMPACT OF OUR INITIAL PUBLIC OFFERING

The completion of this offering will have near and long-term effects on our results of operations. For example, in the near term, under the terms of an incentive plan that has been in place since 1999, the completion of this offering will cause \$2.7 million of one-time bonuses to become due to approximately 30 members of our management team. These bonuses are expected to be payable upon completion of this offering.

We have historically paid fees and certain expenses to CMLS Management, L.P., an affiliate of CM Equity Partners, L.P., under a consulting agreement. These amounts were approximately \$333,000 for 2003, \$361,000 for 2004 and \$380,000 for 2005. The consulting agreement will terminate upon completion of this offering.

Over the long-term, our results of operations will be affected by the costs of being a public company, including changes in board and executive compensation, the costs of compliance with the Sarbanes-Oxley Act of 2002, the costs of complying with SEC and Nasdaq requirements, and increased insurance, accounting and legal costs. These costs are not reflected in our historical results.

### 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:

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

**Management's discussion and analysis of financial condition and results of operations**

- ∅ billing of other direct and subcontract costs;
- ∅ the commencement and completion of contracts;
- ∅ the timing of significant costs and investments (such as bid and proposal costs);
- ∅ our contract mix and use of subcontractors;
- ∅ changes in staff utilization;
- ∅ level and cost of our debt;
- ∅ changes in accounting principles and policies; and
- ∅ 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, our clients may have to suspend engagements on which we are working until a budget has been approved. Any such suspension 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 increase 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 be sure that we will be able to do so in the future.

**RESULTS OF OPERATIONS**

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

	Year ended December 31,			Six months ended	
	2003	2004	2005	July 1, 2005	June 30, 2006
Revenue	100.0%	100.0%	100.0%	100.0%	100.0%
Direct costs	62.4	60.0	59.9	59.4	60.6
Operating expenses					
Indirect and selling expenses	31.1	33.0	33.9	33.0	36.4
Depreciation and amortization	2.1	2.3	3.1	2.0	1.5
Earnings from operations	4.4	4.7	3.1	5.6	1.5
Other (expense) income					
Interest expense, net	(2.1)	(0.9)	(1.7)	(1.4)	(2.0)
Other	—	—	0.8	—	—
Total other expense	(2.1)	(0.9)	(0.9)	(1.4)	(2.0)
Income (loss) from continuing operations before income taxes	2.3	3.8	2.2	4.2	(0.5)
Income tax expense (benefit)	0.9	1.8	1.1	2.0	(0.2)
Income (loss) from continuing operations	1.4	2.0	1.1	2.2	(0.3)
Income from discontinued operations	0.2	0.2	—	—	—
Net income (loss)	1.6%	2.2%	1.1%	2.2%	(0.3%)



## Management's discussion and analysis of financial condition and results of operations

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### Six months ended June 30, 2006 compared to six months ended July 1, 2005

**Revenue.** Revenue for the six months ended June 30, 2006 was \$109.6 million, compared to \$83.3 million for the six months ended July 1, 2005, representing an increase of \$26.3 million or 31.6%. The increase in revenue was primarily due to the acquisition of Caliber (approximately \$22.1 million of revenue), as well as approximately \$4.2 million in net contract growth, excluding Caliber, due primarily to an increase in subcontractor revenue.

**Direct costs.** Direct costs for the six months ended June 30, 2006 were \$66.5 million, or 60.6% of revenue, compared to \$49.4 million, or 59.4% of revenue, for the six months ended July 1, 2005. This 34.5% increase resulted primarily from the corresponding increase in revenue and included approximately \$10.9 million in additional labor and related fringe benefit costs, \$5.5 million in additional subcontractor costs and \$0.7 million in additional other direct costs. The increase in direct costs as a percentage of revenue for the six months ended June 30, 2006 was primarily due to Caliber's contract mix as well as an increase in subcontractor costs.

**Indirect and selling expenses.** Indirect and selling expenses for the six months ended June 30, 2006 were \$39.9 million, or 36.4% of revenue, compared to \$27.5 million, or 33.0%, for the six months ended July 1, 2005. The 44.9% increase in indirect and selling expenses was primarily due to the addition of staff and related non-labor expenses of our Caliber acquisition as well as a \$4.3 million charge to earnings for the abandonment of leased space in Lexington, Massachusetts and San Francisco, California and \$0.3 million in non-cash compensation expense.

**Earnings from operations.** For the six months ended June 30, 2006, earnings from operations were \$1.6 million, or 1.5% of revenue, compared to \$4.7 million, or 5.6%, for the six months ended July 1, 2005. Earnings from operations decreased primarily due to the increase in indirect and selling expenses mentioned above partially offset by the increase in earnings from the Caliber acquisition. The decrease in earnings from operations as a percentage of revenue is due to the increase in indirect costs associated with the abandonment of leased space in Lexington and San Francisco.

**Interest expense.** For the six months ended June 30, 2006, interest expense was \$2.2 million, compared to \$1.2 million for the six months ended July 1, 2005. The 78.9% increase was due primarily to increased borrowings to fund the Caliber acquisition and higher interest rates.

**Income tax expense.** Our income tax rate for the six months ended June 30, 2006 was 44.4%, compared to 48.0% for the six months ended July 1, 2005. The effective tax rate decreased due to an expected increase in taxable income for the year resulting from the award of the Louisiana Road Home contract.

### Year ended December 31, 2005 compared to year ended December 31, 2004

**Revenue.** Revenue for 2005 was \$177.2 million, compared to \$139.5 million for 2004, representing an increase of 27.0%. The increase in revenue was primarily due to the acquisitions of Synergy, effective January 1, 2005 (approximately \$21.7 million of revenue), and Caliber, effective October 1, 2005 (approximately \$9.3 million of revenue), as well as approximately \$6.7 million in net contract growth.

**Direct costs.** Direct costs for 2005 were \$106.1 million, or 59.9% of revenue, compared to \$83.6 million, 60.0% of revenue, for 2004. This 26.9% increase resulted from the corresponding increase in revenue, and included approximately \$15.6 million in additional labor and related fringe benefit costs, approximately \$4 million in additional subcontract costs, and approximately \$2.9 million in additional other direct costs.

**Indirect and selling expenses.** Indirect and selling expenses for 2005 were \$60.0 million, or 33.9% of revenue, compared to \$46.1 million, or 33.0%, for 2004. The 30.2% increase in indirect and selling expenses was due principally to the addition of staff and related expenses of our two acquisitions. In December 2005, our board of directors accelerated the vesting of all of the outstanding unvested options previously awarded to our employees and officers, resulting in a non-cash stock compensation expense of approximately \$2.1 million for the year. Absent this action, the majority of these options would have

## Management's discussion and analysis of financial condition and results of operations

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vested at the completion of this offering. This acceleration of vesting provided us greater certainty concerning the costs and timing of the expenses for these options.

**Depreciation and amortization.** Depreciation and amortization for 2005 was \$5.5 million, compared to \$3.2 million for 2004. The 71.9% increase in depreciation and amortization was primarily due to the increased amortization of purchased intangibles of \$2.3 million. Of this amount, \$1.8 million is attributable to the change in the estimated life of the intangible assets related to customers and contracts we obtained in our 2002 acquisition of two of the operating units of Arthur D. Little, Inc., and the remainder is attributable to the Synergy and Caliber acquisitions. See "Note G — Goodwill and other intangible assets" of our "Notes to Consolidated Financial Statements" appearing in this prospectus.

**Earnings from operations.** For 2005, earnings from operations were \$5.6 million, or 3.1% of revenue, compared to \$6.6 million, or 4.7%, for 2004. Earnings from operations decreased primarily due to the \$2.1 million of non-cash compensation resulting primarily from the accelerated vesting of options in 2005, as well as the increased amortization and depreciation discussed above.

**Interest expense.** For 2005, interest expense was \$3.0 million, compared to \$1.3 million for 2004. This 131.0% increase was due primarily to increased borrowings to fund the acquisitions of Synergy and Caliber.

**Other income.** Our \$1.3 million of other income in 2005 resulted primarily from our reassessment of potential liabilities associated with the Arthur D. Little acquisitions. We had previously recorded a contingent liability of \$1.4 million. The pre-acquisition contingency was resolved in our favor during 2005.

**Income tax expense.** Our income tax rate for 2005 was 48.0% compared to 46.1% for 2004. The 2005 effective rate was higher primarily because of higher permanent tax differences due to expenses not deductible for tax purposes and prior-year deferred tax adjustments.

### Year ended December 31, 2004 compared to year ended December 31, 2003

**Revenue.** Revenue for 2004 was \$139.5 million, compared to \$145.8 million for 2003, representing a decrease of \$6.3 million, or 4.3%. This decrease was due primarily to \$8.4 million in 2003 revenue from two contracts acquired as part of the Arthur D. Little acquisitions that were completed or assigned to a third party in 2003 or early 2004.

**Direct costs.** Direct costs for 2004 were \$83.6 million, or 60.0% of revenue, compared to of \$91.0 million, or 62.4%, for 2003. This 8.1% decrease in direct costs was primarily due to a decrease of \$6.0 million in subcontractor costs on the two Arthur D. Little contracts discussed above.

**Indirect and selling expenses.** Indirect and selling expenses for 2004 were \$46.1 million, or 33.0% of revenue, compared to \$45.3 million, or 31.1% of revenue, for 2003. This 1.8% increase in indirect and selling expenses resulted from a variety of factors, including additional staff and related expenses in business development.

**Depreciation and amortization.** Depreciation and amortization for 2004 and 2003 was stable, at \$3.2 and \$3.0 million, respectively.

**Earnings from operations.** For 2004, earnings from operations increased slightly to \$6.6 million, or 4.7% of revenue, a 3.1% increase from \$6.4 million, or 4.4% of revenue, for 2003.

**Interest expense.** For 2004, interest expense was \$1.3 million, compared to \$3.1 million for 2003. This 58.1% decrease was due primarily to a prepayment penalty and acceleration of amortization of approximately \$1 million with respect to the refinancing of our debt in 2003, as well as to reduced borrowings.

**Discontinued operations.** In April 2004, we sold ICF Energy Solutions, Inc. (ESI) to Nexus Energy Software, Inc. on terms that resulted in a gain of approximately \$0.4 million. The discontinued operations of ESI contributed net income of \$0.3 million in 2003 and a net loss of \$0.2 million in 2004.

**Management's discussion and analysis of financial condition and results of operations**

We sold this software company because it did not fit with our long-range strategic goals. See "Note D — Divestiture" of our "Notes to Consolidated Financial Statements" included in this prospectus.

**Income tax expense.** Our income tax rate in 2004, 46.1%, was higher than in 2003, 39.0%, primarily because of our consumption of one-time research and development tax credits in 2003.

**Selected quarterly financial and other data**

We maintain a December 31 fiscal year-end for financial reporting purposes. Prior to 2006, our quarterly financial information is presented consistent with our labor and billing cycles. Management does not believe that this practice has a material effect on historically reported quarterly results or on the comparison of such results.

The following table shows our results of operations and other data by quarter for the periods indicated. See "—Overview — Fluctuation of Quarterly Results and Cash Flow" and "—Overview — Effect of Approval of Federal Budget" for a description of the factors that may cause our quarterly results to fluctuate.

Consolidated statement of operations data:	Quarter ended									
	Mar. 26, 2004	June 25, 2004	Sept. 30, 2004	Dec. 31, 2004	Apr. 1, 2005	July 1, 2005	Sept. 30, 2005	Dec. 31, 2005	March 31, 2006	June 30, 2006
	(unaudited) (In thousands)									
Revenue	\$ 34,111	\$ 35,862	\$ 36,055	\$ 33,460	\$ 41,212	\$ 42,073	\$ 42,151	\$ 51,782	\$ 53,448	\$ 56,145
Direct costs	20,426	21,727	21,648	19,837	23,969	25,446	25,465	31,198	31,626	34,836
Operating expenses										
Indirect and selling expenses	11,141	11,720	11,680	11,556	13,905	13,611	14,258	18,265 <sup>(1)</sup>	17,883	21,978 <sup>(2)</sup>
Depreciation and amortization	765	744	813	833	777	896	721	3,147	772	894
Total costs and expenses	11,906	12,464	12,493	12,389	14,682	14,507	14,979	21,412	18,655	22,872
Earnings from operations	1,779	1,671	1,914	1,234	2,561	2,120	1,707	(828)	3,167	(1,563)
Other (expense) income										
Interest expense, net	(334)	(309)	(298)	(325)	(473)	(737)	(628)	(1,143)	(1,026)	(1,139)
Other	—	(2)	(31)	—	1	(1)	1,320	(12)	—	—
Income (loss) from continuing operations before income taxes	1,445	1,360	1,585	909	2,089	1,382	2,399	(1,983)	2,141	(2,702)
Income tax expense (benefit)	673	632	738	423	1,002	664	1,150	(951)	1,047	(1,296)
Income (loss) from continuing operations	772	728	847	486	1,087	718	1,249	(1,032)	1,094	(1,406)
Discontinued operations										
Income (loss) from discontinued operations, net	(151)	(40)	—	(5)	—	—	—	—	—	—
Gain from disposal of subsidiary, net	—	271	—	109	—	—	—	—	—	—
Net income (loss)	\$ 621	\$ 959	\$ 847	\$ 590	\$ 1,087	\$ 718	\$ 1,249	\$ (1,032)	\$ 1,094	(1,406)
<b>Other operating data:</b>										
EBITDA from continuing operations <sup>(3)</sup>	\$ 2,544	\$ 2,415	\$ 2,727	\$ 2,067	\$ 3,338	\$ 3,016	\$ 2,428	\$ 2,319	\$ 3,939	\$ (669)
Non-cash compensation charge included in EBITDA from continuing operations								2,138 <sup>(1)</sup>	76	196
Lease abandonment charge included in EBITDA from continuing operations										4,309 <sup>(2)</sup>

(footnotes on following page)

**Management’s discussion and analysis of financial condition and results of operations**

- (1) *Indirect and selling expenses for the year ended December 31, 2005 includes a non-cash compensation charge of \$2.1 million in December 2005 resulting from the acceleration of the vesting of all then outstanding stock options. See “Management’s discussion and analysis of financial condition and results of operations—Results of Operations—Year ended December 31, 2005 compared to year ended December 31, 2004.”*
- (2) *Indirect and selling expenses for the six months ended June 30, 2006 includes a pre-tax charge of \$4.3 million in the second quarter of 2006 resulting from the abandonment of our San Francisco, California leased facility and abandonment of a portion of our Lexington, Massachusetts leased facility. See “Management’s discussion and analysis of financial condition and results of operations — Operating Expenses — Indirect and selling expenses.*
- (3) *EBITDA from continuing operations, a measure used by us to evaluate performance, is defined as net income (loss) plus (less) loss (income) from discontinued operations, less gain from sale of discontinued operations, less other income, plus other expenses, net interest expense, income tax expense and depreciation and amortization. We believe EBITDA from continuing operations is useful to investors because similar measures are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry. EBITDA from continuing operations 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 from continuing operations may not be comparable to other similarly titled measures used by other companies. EBITDA from continuing operations 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 from continuing operations, 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 from continuing operations follows:*

	Quarter ended									
	Mar. 26, 2004	June 25, 2004	Sept. 30, 2004	Dec. 31, 2004	April 1, 2005	July 1, 2005	Sept. 30, 2005	Dec. 31, 2005	Mar. 31, 2006	June 30, 2006
	(unaudited) (in thousands)									
Net income (loss)	\$ 621	\$ 959	\$ 847	\$ 590	\$1,087	\$ 718	\$ 1,249	\$(1,032)	\$1,094	\$(1,406)
Loss (income) from discontinued operations	151	40	—	5	—	—	—	—	—	—
Gain from sale of discontinued operations	—	(271)	—	(109)	—	—	—	—	—	—
Other expense (income)	—	2	31	—	(1)	1	(1,320)	12	—	—
Interest expense, net	334	309	298	325	473	737	628	1,143	1,026	1,139
Income tax expense (benefit)	673	632	738	423	1,002	664	1,150	(951)	1,047	(1,296)
Depreciation and amortization	765	744	813	833	777	896	721	3,147	772	894
<b>EBITDA from continuing operations</b>	<b>\$2,544</b>	<b>\$ 2,415</b>	<b>\$ 2,727</b>	<b>\$2,067</b>	<b>\$3,338</b>	<b>\$3,016</b>	<b>\$ 2,428</b>	<b>\$ 2,319</b>	<b>\$3,939</b>	<b>\$ (669)</b>

**Management's discussion and analysis of financial condition and results of operations****LIQUIDITY AND CAPITAL RESOURCES**

Our primary liquidity needs are for working capital, repayment of debt, new acquisitions, capital expenditures and the payment of obligations on prior acquisitions. Historically, we have relied primarily on our cash flow from operations and borrowings under our credit facility to provide the capital for our liquidity needs.

Our short-term liquidity requirements have been met, in part, by amounts borrowed under our revolving credit facility in excess of the otherwise applicable maximum borrowing base, as allowed by a March 14, 2006 amendment to our credit facilities. Such overadvances were permitted only through August 31, 2006. To meet our increased working capital needs in connection with the Road Home Contract, we amended our revolving line of credit to allow us to borrow up to the lesser of \$65 million or the applicable maximum borrowing base and to provide us with a temporary increase in our borrowing base so that it equals \$10 million plus eligible receivables but in no case to exceed the total amended revolving credit facility of \$65 million, through the earlier of the completion of this offering or December 15, 2006. As of August 25, 2006, no such overadvances were outstanding. We also have due in January 2007 an \$8 million short-term term loan facility with an outstanding principal amount of \$7.7 million as of August 25, 2006.

Over the longer term, our liquidity needs include continuing financing of our operations and the reduction of our existing revolving credit and term debt, which are at heightened levels due to the incurrence of debt during 2005 in connection with the Synergy and Caliber acquisitions and the repayment of debt to our former parent, which, in the aggregate, required us to increase the availability under our credit facilities by approximately \$35 million. We also require funding to pursue our acquisition strategy, which is severely constrained by our current liquidity.

Following this offering and the repayment of outstanding debt under our credit facilities, we expect the combination of cash flow from operations and our borrowing capacity under a new credit agreement to continue to meet our anticipated cash requirements for at least the next twelve months, excluding liquidity needed to pursue our acquisition strategy. Any acquisitions we undertake may be funded through other forms of debt, such as publicly issued or privately placed senior or subordinated debt, or the use of common or preferred equity as acquisition consideration.

**Cash and net working capital**

The following table sets forth our cash and net working capital (current assets less current liabilities) balances at the dates indicated.

	As of December 31,			July 1, 2005	June 30, 2006
	2003	2004	2005		
			(In thousands)		
Cash and cash equivalents	\$ 1,643	\$ 797	\$ 499	\$ —	\$ 1,144
Net working capital	6,085	5,502	18,141	(22,844)	18,188

We consider cash on deposit and all highly liquid investments with original maturities of three months or less to be cash and cash equivalents. We maintain minimal cash balances and have substantially all available cash credited against our borrowings under our line of credit. Our net working capital increased by \$12.6 million at December 31, 2005 as compared to December 31, 2004. The increase in net working capital for 2005 was primarily due to an increase in net contract receivables from \$29.5 million at December 31, 2004 to \$52.9 million at December 31, 2005, which more than offset an approximate \$11.8 million increase in current liabilities.

## Management's discussion and analysis of financial condition and results of operations

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This increase in net working capital was primarily due to the effects of the Synergy and Caliber acquisitions, both of which had higher receivables in terms of days sales outstanding than the company as a whole as of December 31, 2005, an increase in days sales outstanding for receivables for the rest of our company from December 31, 2004 to December 31, 2005 and a decrease in days payable outstanding from December 31, 2004 to December 31, 2005.

Our net working capital increased by \$41.0 million at June 30, 2006 as compared to July 1, 2005. The increase in net working capital for the six months ended June 30, 2006 was primarily due to an increase in our net contract receivables and a decrease in the current portion of our debt. Net contract receivables increased by \$26.6 million from \$41.1 million at July 1, 2005 to \$67.7 million at June 30, 2006. The increase in net contract receivables was primarily due to the acquisition of Caliber and an advance billing associated with the Louisiana Road Home Program, as well as delays in billings resulting from Caliber integration and related restructuring issues. In addition, the current portion of our debt decreased by \$27.9 million. The majority of this decrease was related to a change in the classification for our term loan facility. As of July 1, 2005, the \$20.9 million balance on the predecessor to our term loan facility was classified as current debt rather than long-term debt because the facility was scheduled to mature within one year from July 1, 2005. This facility has been replaced by our current \$22 million term loan facility, which matures in October 2010, and its balance is classified as long-term debt. The remainder of the decrease in our current debt was primarily caused by a \$6.4 million decrease in notes payable. The increase in net working capital was partially offset by an increase of \$10.0 million in deferred revenue, which was primarily due to the advance billing associated with the Louisiana Road Home Program.

### Cash flow

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 and prime contractors monthly after services are rendered.

Operating activities provided cash of \$11.8 million, \$3.3 million and \$2.2 million in 2003, 2004 and 2005, respectively. Operating activities in 2005 provided approximately \$1.0 million less cash than operating activities provided in 2004. This decrease was primarily attributable to an increase in contract receivables due to the integration of the two acquisitions made in 2005. Operating activities in 2004 provided approximately \$8.5 million less of net cash than in 2003. In 2003, we received large cash advances from a commercial client. As of December 31, 2003, the balance of the cash advances was approximately \$1.6 million. The criteria for payment to the third-parties were satisfied, and the payments were disbursed in 2004. The decrease in accrued expenses in 2004 was primarily attributable to a reduction of accrued subcontractor costs and liabilities related to the Arthur D. Little acquisitions.

Operating activities used cash of \$0.8 million for the six months ended June 30, 2006 as compared to using \$1.3 million for the six months ended July 1, 2005. Operating activities for the six months ended June 30, 2006 were negatively impacted by a net increase of \$6.6 million in net contract receivables and deferred revenue.

Our cash flow used in investing activities in recent years relates primarily to acquisitions. Investing activities used cash of \$2.1 million, \$0.2 million and \$38.8 million in 2003, 2004 and 2005, respectively. The \$38.8 million in cash used in investing activities for 2005, compared to \$0.2 million of cash used in investing activities in 2004, was primarily due to the \$38.6 million used for the Synergy and Caliber acquisitions.

Investing activities used cash of \$18.8 million and \$2.0 million for the six months ended July 1, 2005 and June 30, 2006, respectively. The cash used in investing activities for the first six months of 2006 was primarily for capital expenditures. The cash used in investing activities for the first six months of 2005 was primarily for the acquisition of Synergy (\$18.6 million).

## Management's discussion and analysis of financial condition and results of operations

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Our cash flow from financing activities consists primarily of proceeds from and payments on our credit facilities. Financing activities used cash of \$9.0 million and \$3.8 million in 2003 and 2004, respectively, and provided cash of \$36.3 million in 2005. For 2005, \$36.3 million of cash flow from financing activities reflected payments of \$21.8 million on our credit facilities and borrowings of \$61.7 million. The \$3.8 million used in financing activities for 2004 was primarily due to payments made under our credit facilities.

Financing activities provided cash of \$19.3 million and \$3.5 million for the six months ended July 1, 2005 and June 30, 2006, respectively. For the first six months of 2006, \$6.5 million of cash flow from financing activities reflected net borrowings to finance operating activities, partially offset by \$2.6 million of debt payments. For the first six months of 2005, the \$19.3 million provided in financing activities primarily reflected the increased borrowings to finance the Synergy acquisition.

### Credit agreement

In October 2005, in connection with the Caliber acquisition, we entered into an amended and restated credit agreement with a syndicate of banks. We amended this agreement in August 2006 to respond to our increased working capital needs in connection with the Road Home Contract. This agreement currently provides for three credit facilities:

- Ø a revolving line of credit for up to the lesser of \$65 million or a borrowing base comprised of eligible billed receivables, maturing in October 2010, that bears interest at either the U.S. prime rate plus a margin or LIBOR plus a spread, with both the margin and the spread depending on our total leverage and with interest payable monthly;
- Ø a term loan facility for \$22 million, maturing in October 2010, that also bears interest at the U.S. prime rate plus a margin or LIBOR plus a spread, with both the margin and the spread depending on our total leverage and with principal and interest payable in monthly installments; and
- Ø a short-term loan facility, or time loan, for \$8 million, maturing in January 2007, that bears interest at a rate 0.50%, with respect to LIBOR spreads, or 0.25%, with respect to prime rate margins, above that of the term loan, with interest payable monthly, with six monthly principal payments of \$333,334 commencing July 1, 2006, and with the balance due in January 2007.

On August 25, 2006 our lenders agreed to an amendment to the credit agreement to provide us with a temporary increase in our borrowing base so that it equals \$10 million plus eligible receivables through the earlier of the completion of this offering or December 15, 2006, but in no case to exceed the total amended revolving credit facility of \$65 million. Additionally, during any period when overadvances are outstanding, instead of the interest rates described above, each facility bears interest at the rates that would apply to such facility if our maximum leverage ratio financial covenant (discussed below) was in effect. As of August 25, 2006, no such overadvances were outstanding.

Under our credit agreement, with the exception of the temporary increases in the borrowing base discussed above, the applicable borrowing base for our revolving credit facility is comprised of eligible billed receivables consisting of 90% of eligible billed government accounts receivable that are outstanding less than 121 days from the original invoice date, 80% of eligible billed commercial accounts receivable that are outstanding less than 91 days from the original invoice date and 60% of eligible foreign accounts receivable (not to exceed \$2 million) that are outstanding less than 91 days from the original invoice date, as these terms are defined in our credit agreement.

**Management's discussion and analysis of financial condition and results of operations**

The outstanding borrowings are collateralized by a security interest in substantially all of our assets. Our credit agreement requires that we meet certain financial covenants. At the present time, these include a fixed charge coverage ratio (in general, EBITDA as defined in the credit agreement plus real property rent and operating lease expense divided by real property rent and operating lease expense, plus interest expense, plus cash taxes paid, plus required principal payments on debt and capital lease payments) of not less than 1.10 to 1.00 and a maximum leverage ratio (in general, total debt divided by EBITDA as defined in the credit agreement) of 3.5 to 1.0 (4.0 to 1.0 as of the quarters ended September 30 and December 31, 2006). EBITDA as defined in the credit agreement varies significantly from the calculation of EBITDA from continuing operations as set forth herein. Our credit agreement also limits capital expenditures to 1.5% of gross revenue during the past 12 months; prohibits net operating losses; and prohibits our total senior debt from exceeding our aggregate billed and unbilled receivables. We were in compliance with these financial covenants as of June 30, 2006.

In November 2005, we entered into an interest rate swap agreement as a partial hedge against interest rate fluctuations on approximately \$15 million. The effect of the agreement was to establish a fixed LIBOR rate of 5.11% on that amount.

For 2003, 2004 and 2005, our net interest expense was approximately \$3.1 million, \$1.3 million and \$3.0 million, respectively. For the first six months of 2005 and 2006, our net interest expense was approximately \$1.2 million and \$2.2 million, respectively.

The following table summarizes the amounts available and outstanding (excluding interest) under our credit facilities as of December 31, 2004 and 2005 and August 25, 2006. The amounts listed as available and outstanding prior to October 2005 below with respect to the term loan represent the amounts available and outstanding under a predecessor loan facility replaced by the term loan in October 2005. This table does not include a note payable to our former owner of approximately \$6.4 million that was outstanding as of December 31, 2004 and that was repaid in full during 2005.

	December 31,		August 25, 2006
	2004	2005	
	(In thousands)		
Capacity (Facility A/line of credit)	\$28,000	\$45,000	\$ 65,000
Capacity (term loan)	6,353	21,634	18,670
Capacity (time loan)	—	8,000	7,667
Availability (Facility A/line of credit)	26,061	37,352	58,752
Availability (term loan)	6,353	21,634	18,670
Availability (time loan)	—	8,000	7,667
Amount outstanding (Facility A/line of credit) <sup>(1)</sup>	8,965	32,019	14,292
Amount outstanding (term loan)	6,353	21,634	18,670
Amount outstanding (time loan)	—	8,000	7,667
Unused availability (Facility A/line of credit)	17,096	5,333	44,460
Unused availability (term loan)	—	—	—
Unused availability (time loan)	—	—	—
Interest rate on Facility A/line of credit	5.25%	7.25%	8.25%

(1) Includes letters of credit.

**Use of proceeds**

We plan to use the net proceeds to us from this offering to make \$2.7 million of one-time bonus payments to employees (see "Management--Employment, Severance and Restricted Stock Agreements")



**Management's discussion and analysis of financial condition and results of operations**

for a description of these incentive payments) and then, pursuant to our credit agreement, to use up to approximately \$46 million to reduce, respectively, the outstanding principal balances of our short-term term loan facility, our term loan facility and, if proceeds are available, our revolving credit facility.

**Replacement credit facilities**

We expect to enter into new credit facilities after the completion of this offering that will finance working capital needs and provide capacity for future acquisitions. These facilities will replace our existing credit facilities. We expect the completion of this offering to enable us to put in place a more cost-effective capital structure that will provide the financing needed for our existing operations and working capital needs, as well as possible acquisitions.

In the event it is not possible to enter into the new facilities we contemplate, we would have to resort to other more expensive and less attractive forms of financing, including publicly or privately placed senior and subordinated debt and the issuance of common stock, preferred stock or other forms of equity. Such forms of financing would likely carry higher interest and other costs, thereby reducing our profitability; include covenants that would be more restrictive than those under the capital structure that we contemplate after the completion of this offering; restrict our ability to grow through acquisitions or require the use of common or preferred equity as acquisition consideration; and could dilute the holders of our common stock.

**Off-balance sheet arrangements**

We do not have any off-balance sheet arrangements.

**Contractual obligations**

The following table summarizes our contractual obligations (excluding interest in the case of debt) as of June 30, 2006 that require us to make future cash payments.

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
	(In thousands)				
Facility A/line of credit	\$ —	\$ —	\$37,865	\$ —	\$ 37,865
Term loan <sup>(1)</sup>	4,400	8,800	5,867	—	19,067
Time loan <sup>(2)</sup>	8,000	—	—	—	8,000
Rent of facilities	10,046	17,667	15,922	9,317	52,952
Operating lease obligations	1,409	1,618	298	—	3,325
Purchase obligations	2,001	—	—	—	2,001
Other long-term liabilities	—	560	—	—	560
<b>Total</b>	<b>\$ 25,856</b>	<b>\$28,645</b>	<b>\$59,952</b>	<b>\$ 9,317</b>	<b>\$123,770</b>

(1) The term loan requires monthly principal payments of \$366,667 plus interest and matures in October 2010.

(2) The time loan requires monthly principal payments of \$333,334 plus interest commencing July 1, 2006 and matures in January 2007.

The components of our credit facilities referred to above (Facility A/line of credit, Term loan and Time loan) provide that each component defaults upon a default of any of the other components and, therefore, may be accelerated together. The other contractual obligations referred to in the above table do not include provisions that create, increase or accelerate other obligations.

## Management's discussion and analysis of financial condition and results of operations

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### DESCRIPTION OF CRITICAL ACCOUNTING POLICIES

The preparation of our financial statements in accordance with accounting principles generally accepted in the United States of America requires that we make estimates and judgments that affect the reported amount of assets, liabilities, revenue and expenses, as well as the disclosure of contingent assets and liabilities. If any of these estimates or judgments proves 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 collectibility is reasonably assured. We enter into contracts that are either time-and-materials contracts, cost-based contracts or fixed-price contracts.

**Time-and-Materials Contracts.** Revenue under time-and-materials contracts is recognized as costs are incurred. Revenue for time-and-materials contracts is recorded on the basis of allowable labor hours worked multiplied by the contract-defined billing rates, plus the costs of other items used in the performance of the contract. Profit and losses on time-and-materials contracts result from the difference between the cost of services performed and the contract-defined billing rates for these services.

**Cost-Based Contracts.** Revenue under cost-based contracts is recognized as costs are incurred. Applicable estimated profit, if any, is included in earnings in the proportion that incurred costs bear to total estimated costs. Incentives, award fees, or penalties related to performance are also considered in estimating revenue and profit rates based on actual and anticipated awards.

**Fixed-Price Contracts.** Revenue for fixed-price contracts is recognized when earned, generally as work is performed in accordance with the provisions of the Commission's Staff Accounting Bulletin No. 104, "*Revenue Recognition*." Services performed vary from contract to contract and are not uniformly performed over the term of the arrangement. Revenue on most 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. 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 under certain fixed-price contracts is recognized ratably over the period benefited.

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, subcontracting costs and other direct costs, as well as allocation of allowable indirect costs. We must also make assumptions regarding the length of time to complete the contract because costs 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.

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## Management's discussion and analysis of financial condition and results of operations

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We generate invoices to clients in accordance with the terms of the applicable contract, which may not be directly related to the performance of services. Unbilled receivables are invoiced based upon the achievement of specific events as defined by each contract including deliverables, timetables and incurrence of certain costs. Unbilled receivables are classified as a current asset. Advanced billings to clients in excess of revenue earned are recorded as deferred revenue until the revenue recognition criteria are met. Reimbursements of out-of-pocket expenses are included in revenue with corresponding costs incurred by us included in cost of revenue. We grant credit primarily to large companies and government agencies and occasionally perform credit evaluations of our clients' financial condition. We do not generally require collateral. Credit losses relating to clients generally have been within management's expectations.

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

### Goodwill and the amortization of intangible assets

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 Statement of Financial Accounting Standards (SFAS) 141, *Business Combinations*. 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 in accordance with the provisions of SFAS 142 *Goodwill and Other Intangible Assets*. SFAS 142 also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS 144, *Accounting for Impairment or Disposal of Long-lived Assets*.

We have elected to perform the annual goodwill impairment review on September 30 of each year. Based upon management's review, including a valuation report issued by an investment bank, we determined that no goodwill impairment charge was required for 2003, 2004 or 2005.

We follow the provisions of SFAS 144 in accounting for impairment or disposal of long-lived assets. SFAS 144 requires that long-lived assets and certain identifiable intangibles be 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 flow 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.

### SIGNIFICANT NEW ACCOUNTING PRONOUNCEMENT

In December 2004, the Financial Accounting Standards Board (FASB) issued SFAS 123 (revised 2004), *Share-Based Payment* (SFAS 123(R)), which is a revision of SFAS 123, *Accounting for Stock-Based Compensation*. SFAS 123(R) supersedes APB 25, and amends SFAS 95, *Statement of Cash Flows*.

SFAS 123(R) was effective for non-public companies in the first fiscal year beginning after December 15, 2005. We adopted SFAS 123(R) effective January 1, 2006. SFAS 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values (i.e., pro forma disclosure is no longer an alternative to financial statement recognition). Non-public entities that did not use the fair-value-based method of accounting

## Management's discussion and analysis of financial condition and results of operations

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are required to apply the prospective transition method of accounting under SFAS 123(R) as of the required effective date. Under the prospective method, a non-public entity accounting for its equity-based awards using the intrinsic-value method under APB 25 would continue to apply APB 25 in future periods to awards outstanding at the date they adopt SFAS 123(R). All awards granted, modified, or settled after the date of adoption would be accounted for using the measurement, recognition and attribution provisions of SFAS 123(R). Should we make share-based awards consistent with historical levels, the adoption of SFAS 123(R) will have a material impact on our financial statements.

### Implementation of FASB 123(R)

In adopting SFAS 123(R), companies must choose among alternative valuation models and amortization assumptions. We elected to use the Black-Scholes-Merton option pricing model and straight-line amortization of compensation expense over the requisite service period of the grant. We will reconsider 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 cannot be reasonably estimated using this model.

The following assumptions were used for option grants made during the six months ended June 30, 2006:

**Expected volatility.** Because we are not publicly traded, we have no history of share prices determined on the open market. Therefore, the expected volatility of our shares was estimated based upon analyzing volatilities of similar public companies. The expected volatility factor used in valuing options granted during the six months ended June 30, 2006 was 36%.

**Expected term.** We do not have any history of employee exercise behavior. The expected term of five years was estimated by consideration of the contractual terms of the grants, vesting schedules, employee forfeitures and expected terms of option grants by similar public companies.

**Risk-free interest rate.** We base the risk-free interest rates used in the Black-Scholes-Merton valuation method on implied interest rates for U.S. Treasury securities with a term consistent with the expected life of the stock options. The range of risk-free interest rates used in valuing options granted during the six months ended June 30, 2006 was from 4.3% to 4.99%.

**Dividend yield.** The Black-Scholes-Merton valuation model calls for a single expected dividend yield as an input. We have not paid dividends in the past nor do we expect to pay dividends in the future. We therefore used a dividend yield percentage of zero.

During the six months ended June 30, 2006, we granted stock options to purchase 78,780 shares of our common stock at an exercise price of \$9.05 per share, the fair value of the stock on the date of grant. The Black-Scholes-Merton weighted average valuation of the options granted during the six months ended June 30, 2006 was \$3.59 per share. These options expire in ten years and vest upon the attainment of certain levels of operating income or upon certain events, including this offering. We are expensing the value of these option grants over the period of time from the date of award to the expected date of this offering.

In addition, in September 2005 we made a restricted common stock award to a key employee, 25% of which vests each January 1 thereafter, with vesting accelerating effective upon the completion of this offering. This stock award is also being expensed based on the grant date value of the stock of \$7.34 per share. The total intrinsic value of the options outstanding and exercisable at June 30, 2006 was approximately \$4.8 million.

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## Management's discussion and analysis of financial condition and results of operations

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We recognized stock-based compensation expense of \$272,484 in the six months ended June 30, 2006, which is included in indirect and selling expenses. All of this expense related to the options and stock awards granted in the six months ended June 30, 2006. Net income for the six months ended June 30, 2006 also reflects income tax benefits relating to this expense of \$105,233. There was no stock-based compensation expense in the six months ended July 1, 2005.

As of June 30, 2006, there was approximately \$0.2 million of total unrecognized compensation cost related to unvested stock-based compensation agreements. This amount relates entirely to stock option grants and restricted stock grants during the six months ended June 30, 2006. This cost is expected to be fully amortized over the next year because such grants will vest upon completion of this offering.

Based on the initial public offering price of \$15.00 per share, the intrinsic value of options outstanding at June 30, 2006 was \$14.1 million.

### QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

In addition to the risks involved in our operations, we are exposed to interest rate and foreign exchange rate risks.

Our exposure to interest rate risk relates primarily to changes in interest rates for borrowings under our revolving credit agreement and our term loans. These borrowings accrue interest at variable rates. Based upon our borrowings under these facilities at the end of 2005 and without giving effect to the swap agreement we entered into in 2005, a hypothetical one hundred basis point increase in interest rates we pay on those borrowings would increase our annual interest expense by approximately \$0.6 million.

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.

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# Business

## COMPANY OVERVIEW

We provide management, technology and policy consulting and implementation services primarily to the U.S. federal government, as well as to other 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 four key markets: defense and homeland security; energy; environment and infrastructure; and health, human services and social programs. Increased government involvement in virtually all aspects of our lives has created opportunities for us to resolve issues at the intersection of the public and private sectors. We believe that demand for our services will continue to grow as government, industry and other stakeholders seek to understand and respond to geopolitical and demographic changes, budgetary constraints, heightened environmental and social concerns, rapid technological changes and increasing globalization.

Our federal government, 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 include every cabinet-level department, including the Department of Defense, the Environmental Protection Agency, the Department of Homeland Security, the Department of Transportation, the Department of Health and Human Services, the Department of Housing and Urban Development, the Department of Justice and the Department of Energy. U.S. federal government clients generated 72% of our revenue in 2005. Our state and local government clients include the states of California, Louisiana, Massachusetts, New York and Pennsylvania. State and local government clients generated 9% of our revenue in 2005. Revenue generated from our state and local government clients is expected to increase in 2006, due primarily to our work in connection with the Road Home Contract with the State of Louisiana. We also serve commercial and international clients, primarily in the energy sector, including electric and gas utilities, oil companies and law firms. Our commercial and international clients generated 19% of our revenue in 2005. We have successfully worked with many of these clients for decades, providing us a unique and knowledgeable perspective on their needs.

We partner with our clients to solve complex problems and produce mission-critical results. Across our markets, we provide end-to-end services that deliver value throughout the entire life of a policy, program, project or initiative:

- Ø **Advisory Services.** We help our clients analyze the policy, regulatory, technology and other challenges facing them and develop strategies and plans for responding. Our advisory and management consulting services include needs and markets assessment, policy analysis, strategy and concept development, change management strategy, enterprise architecture and program design.
- Ø **Implementation Services.** We implement and manage technological, organizational and management solutions for our clients, often based on the results of our advisory services. Our implementation services include information technology solutions, project and program management, project delivery, strategic communications and training.
- Ø **Evaluation and Improvement Services.** In support of advisory and implementation services, we provide evaluation and improvement services to help our clients increase the future efficiency and effectiveness of their programs. These services include program evaluation, continuous improvement initiatives, performance management, benchmarking and return-on-investment analyses.

We provide our services using multi-disciplinary teams with deep subject matter expertise, highly analytical methodologies and technology-enabled tools. We have more than 1,600 employees, including many who are recognized thought leaders in their respective fields. As of June 30, 2006, almost 50% of our professional staff held post-graduate degrees in diverse fields such as economics, engineering, business administration, information technology, law, life sciences and public policy. Over 300 of our

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employees hold a U.S. federal government security clearance. Our senior managers have extensive industry and project management experience and an average tenure of 14 years with our company. This diverse pool of intellectual capital enables us to assemble multi-disciplinary teams that can provide creative solutions to our clients' most pressing problems.

We serve clients globally from our headquarters in the metropolitan Washington, D.C. area, our 15 domestic regional offices throughout the United States and our five international offices in London, Moscow, New Delhi, Rio de Janeiro and Toronto.

We generated revenue of \$177.2 million and \$109.6 million in 2005 and the six months ended June 30, 2006, respectively. Our total backlog was \$226.8 million and \$309.6 million as of December 31, 2005 and June 30, 2006, respectively. See “—Contract Backlog” for a discussion of how we calculate backlog.

### MARKET OPPORTUNITY

An increasing number of complex, long-term factors are changing the way we live and the way in which government and industry must operate and interact. These factors include terrorism and changing national security priorities, increasing federal budget deficits, the need for emergency preparedness in response to natural disasters and threats to national security, rising energy demand, global climate change, aging infrastructure, environmental degradation and an aging population and federal civilian workforce. The federal government and other governments react to these factors by evaluating, adopting and implementing new policies, which drive governmental spending and the regulatory environment affecting industry. Industry, in turn, must adapt to this government involvement by realigning strategic direction, formulating plans for responding and modifying business processes. Both the reaction by governments to these factors and the resulting impact on industry create opportunities for professional service firms that are expert in addressing issues at the intersection of the public and private sectors.

Within the U.S. federal government, continuing budget deficits are forcing government departments and agencies to transform in order to provide more services with fewer resources. In addition, an aging workforce is retiring in large numbers from the federal government, resulting in diminished institutional knowledge and ability to perform services. This combination of forces provides opportunities for professional services firms with deep experience and expertise in the issues facing government and the ability to deliver innovative and transformational approaches to those issues. Further, these capabilities need to be combined seamlessly with strong information technology and other implementation skills. Government at every level recognizes the importance of information technology in fulfilling policy mandates, and there is increasing awareness among key government decision makers that, to be effective, technology solutions need to be properly integrated with the affected people and processes.

### Defense and homeland security

The U.S. 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. These factors include the changing nature of global security threats and enemies, the implications of the information age, the community and family issues associated with globally deployed armed forces, and the continued loss of professional capabilities in the military and senior civilian workforce through retirement. Other factors include 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. DoD and state and local governments are also grappling with domestic and international disaster relief requirements.

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Professional services firms that understand the strategic context of defense transformation and DoD's mission objectives while providing a wide range of services, such as policy analysis, information technology-enabled solutions and outsourced implementations, should see increased demand for their services. The need for rapid deployment and management of armed forces anywhere around the globe requires concept, policy and technology innovation in the fields of logistics management, operational support, and command and control. Demand is increasing to support military organizations and program offices as senior civilians retire and military personnel remain focused on war-fighting efforts. With families and communities experiencing longer troop deployments, we believe the global war on terror will increase demand for professional services firms in the area of social services to military personnel and their families

Similarly, homeland security programs continue to drive budgetary growth at the federal level and are also increasing funding for state and local budgets. Over the last few years, homeland security concerns have broadened to include areas such as health, food, energy, water and transportation safety and involve all levels of government and the private sector. For example, in the aftermath of Hurricane Katrina, government policy makers are reassessing the emergency management function of homeland security in order to refocus spending and support to respond to natural disasters. The increased dependence upon private sector personnel and organizations as first responders also requires a keen understanding of the diversity and relationships among various stakeholders involved in homeland security.

This complex environment of urgent needs and public scrutiny necessitates consulting support from firms that understand the interaction among government policies, implementation requirements and public sentiment. Developing and implementing systems to improve communications, logistics planning, information sharing and organizational effectiveness provide further opportunities for additional advisory and implementation services.

Finally, significant opportunities lie at the intersection of defense and homeland security. We believe the strengthened ties among traditional defense requirements, homeland security support, and disaster preparedness, response and recovery create significant demands for professional services. We believe that a major emphasis will be in the areas of strategy, policy, planning, execution and logistics and that companies possessing deep domain expertise across these disciplines will be well positioned to partner with DoD, the U.S. Department of Homeland Security (DHS), and state and local governments.

## Energy

Significant factors affecting suppliers, users and regulators of energy are driving private sector demand for professional services firms with expertise in this market. According to the International Energy Agency, world energy demand is expected to grow by 50% from 2004 to 2030. As a result, the global energy industry has estimated that approximately \$17 trillion in capital will be required from 2004 to 2030 to build sufficient energy infrastructure to meet the increased demand. At the same time, oil and gas supplies have become increasingly constrained, partly due to the need to source from politically sensitive or physically challenging regions. Moreover, most industrialized countries are undergoing deregulation of electric and gas utilities in order to stimulate competition at the generation, transmission and retail levels. These factors, together with the continual search for alternative fuels, are driving profound and long-term restructuring in the energy industry.

In addition, with evidence mounting that sea levels are rising and climate volatility is increasing at a rapid pace, reducing or offsetting greenhouse gas emissions is becoming a critical element of energy industry strategy, resulting in the development of additional regulations for curbing emissions that

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significantly affect energy industry operations. Entirely new markets are being created in response to problems associated with emissions, such as emissions trading. Although the regulatory landscape in this area is still evolving, the need to address carbon and other harmful emissions has significantly changed the way in which the world's governments and industries interact.

Consumers of energy are also reacting to deregulating energy markets, increasing environmental constraints and rising costs. Pressure is increasing to manage demand through energy efficiency programs, demand response and peak load management. Government programs and public-private partnerships are becoming more prevalent, pursuing sometimes overlapping and conflicting goals, such as reducing national dependence on foreign energy sources, limiting the growth of domestic power generation and the resultant pollutants, and reducing electricity and gas costs for businesses and consumers.

We believe there will be significant opportunities for professional services firms that combine industry expertise in complex, interdependent energy systems with deep knowledge of the economic, scientific and regulatory factors that influence those systems. In particular, for energy producers and other energy suppliers, these changes have increased the need for advisory and implementation services to support regulatory developments, power and transmission market assessments, capacity expansions and corporate restructurings, acquisitions and divestitures.

## Environment and infrastructure

A growing awareness of, and concern about, the effects of global warming, continued environmental degradation and depletion of key natural resources has increased demand for professional services that address these environmental issues. Furthermore, natural disasters, such as Hurricane Katrina, have underscored the importance of long-term stewardship, while environmental reviews of new facilities for energy refining, delivery and transportation have become increasingly complex. Solutions to these environmental issues need to integrate an understanding of evolving regulations, demands for improved infrastructure and economic incentives while providing equitable treatment of the various constituents involved in the political discourse related to these solutions. As a result, we anticipate continued demand for professional services firms that understand the complex relationships between these issues and can help reconcile the often competing concerns of different government and industry stakeholders. We believe that firms with these strengths are best positioned to help governments with developing and implementing effective public policies and programs and to assist commercial entities with responding to these policies and programs.

Environmental and public health services are also needed to help decision makers keep pace with advances in science while developing public policies that are protective but not unduly restrictive. The private sector is anxious to bring new products to the market, including new pesticides and food additives, while product developers and regulators must perform human health and ecological risk assessments to ensure product safety. Product developers and regulators therefore must evaluate the environmental and public health tradeoffs of alternative materials used in manufacturing and new approaches for controlling air and water pollution. In addition, public policy priorities often create tremendous development pressures that present significant environmental challenges. For example, new energy demands foster the development of additional liquefied natural gas facilities and associated pipelines, as well as uranium enrichment and nuclear power facilities. Moreover, additional transportation infrastructure is required to meet needs for defense logistics, freight movements and nuclear waste disposal. All of these pressures contribute to growing demand for firms with capabilities in environment and infrastructure.

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Important parts of the transportation infrastructure of the United States have suffered from under-investment for decades. The resurgence of city centers and the rapid growth of international trade have put tremendous pressure on access points and exits around our major urban and port areas. The U.S. Department of Transportation (DOT) has estimated that our highway, bridge and transit infrastructure will require approximately \$90 billion of annual investment through 2020 to maintain current operating conditions and that an additional \$36 billion in annual investment will be required during the same period to make planned improvements and capacity expansions. Both the public and private sectors will need assistance from experienced professional services firms that understand the economic, social and environmental implications of the options available to upgrade the transportation infrastructure.

### Health, human services and social programs

A confluence of long-term factors is expected to drive an increased need for public spending on health, human services and social programs, despite budgetary pressures. U.S. Social Security and Medicare trustees project a major rise in the percentage of the population age 65 and older from 12% today to 18% in 2025, placing significant burdens on a variety of public programs. Other major factors adding to pressure for more program support include continued immigration, increased military personnel returning home with health and social service needs, increased population growth at the lowest income levels, and the rising cost of healthcare. In addition, demand is growing for professional services that plan for and respond to the health and social consequences of threats from terrorism, natural disasters and epidemics.

We believe the resulting growth in demand for program services in this era of budget deficits will require agencies at all levels of government to utilize professional services firms with diverse expertise across social program areas. These areas include designing and enhancing programs to meet new threats, determining the effectiveness of programs, re-engineering current programs to increase efficiency, providing the required management and technical resources to support underlying knowledge management, training and technical assistance, and managing widely dispersed people and information. In addition, we expect that government will consolidate services with professional services firms with expertise across multiple social program areas in order to take advantage of best practices and extract additional efficiencies.

### 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 deep understanding of policies, processes and programs at the intersection of the public and private sectors. 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 corporate experience developed over decades of providing advisory services. As of December 31, 2005, almost 50% of our professional staff held post-graduate degrees in diverse fields such as economics, engineering, business administration, information technology, law, life sciences and public policy. These qualifications, and the complementary nature of our markets, enable us to deploy multi-disciplinary teams able to identify, develop and implement solutions that are creative, pragmatic and tailored to our clients' specific needs.

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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 personnel who can bring creative solutions drawing upon their experiences in different markets. 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 long-standing relationships with our clients.**

We have a successful record of fulfilling our clients' needs, as demonstrated by our continued long-term client relationships. We have numerous contacts at various levels within our clients' organizations, ranging from key decision makers to functional managers. We have advised the U.S. Environmental Protection Agency (EPA) for more than 30 years, the U.S. Department of Energy for more than 25 years, DoD for over 20 years and have multi-year relationships with many of our other clients. Such extensive experience, together with increasing on-site presence and prime contractor position on a substantial majority of our contracts, gives us clearer visibility into future opportunities and emerging requirements. In addition, over 300 of our employees hold a U.S. federal government security clearance, which affords us client access at appropriate levels and further strengthens our relationships. Our balance between defense and civilian agencies, our commercial presence and the diversity of the markets we serve mitigate the impact of annual shifts in our clients' budgets and priorities.

### **Our advisory services position us to capture a full range of engagements.**

We believe our advisory approach, which is based on 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 this expertise and understanding to formulate customized recommendations for our government and commercial clients. Because of our role in formulating initial recommendations, we are often well positioned to capture the implementation services that often result from our recommendations. Implementation services, in turn, allow us to hone our understanding of the client's requirements and objectives as they evolve over time. We use this understanding to provide evaluation and improvement services that maintain the relevance of our recommendations. In this manner, we believe we are able to offer end-to-end 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.**

We possess strong knowledge in information technology and a deep understanding of human and organizational processes. This combination of skills allows us to deliver technology-enabled solutions tailored to our clients' business and organizational needs. There is increasing awareness among government and commercial decision makers that, to be effective, technology solutions need to be seamlessly integrated with people and processes. An example of such a technology-enabled solution that we have developed is CommentWorks, a web-based tool that enables federal government agencies to collect and process public comments in connection with rulemaking or other activities.

### **Our proprietary analytics and methods allow us to deliver superior solutions to clients.**

We believe our innovative, and often proprietary, analytics and methods are key competitive differentiators because they improve our credibility with prospective clients, enhance our ability to deliver customized solutions and enable us to deliver services in a more cost-effective manner than our

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competitors. We have developed industry standard energy and environmental models such as IPM (Integrated Planning Model) and UAM (Urban Airshed Model), which are used by governments and commercial entities around the world for energy planning and air quality analyses, respectively. The scientific validity of UAM has been recognized in decisions by U.S. federal courts, including the Supreme Court, which supports use of these models by our government clients in their official administrative processes. In addition, we have developed a suite of proprietary climate change tools to help the private sector develop strategies for complying with greenhouse gas emission reduction requirements, including the K-PRISM project risk evaluation system and the International Carbon Pricing Tool. We also maintain proprietary databases that we continually refine and that are available to be incorporated quickly into our analyses on client engagements. In addition, we use proprietary project management methodologies that we believe help reduce process related risk, improve delivery, contain costs and help meet our clients' tight timetables. We have won numerous awards for the quality of our technical work.

### **We are led by an experienced management team.**

Our senior management team possesses extensive industry experience and has an average tenure of 14 years with our company. Our managers are experienced not only in generating business, but also in successfully managing and executing advisory and implementation assignments. For example, one of our senior managers served for 20 years on the New York City Fire Department and later as Federal Emergency Management Agency (FEMA) Operations Chief at Ground Zero. Our management team also has experience in acquiring other businesses and integrating their operations with our own. A number of our managers are industry-recognized thought leaders. For example, one of our senior managers was named last year to Project Management Institute's "Power 50," which recognized forward-thinking strategic leaders. 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, grow our company and increase stockholder value involves the following key elements:

#### **Strengthen our end-to-end service offerings**

We plan 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. Currently, we generate most of our revenue from advisory services, with the remainder coming from implementation and evaluation and improvement services. We believe our advisory services provide us with insight and understanding of our clients' missions and goals and, as a result, position us to capture a greater portion of the implementation engagements that directly result from our advisory services. Expanding our client engagements into implementation and evaluation and improvement services will increase the scale, scope and duration of our contracts and thus accelerate our growth.

#### **Grow our client base and increase scope of services provided to existing clients**

We intend to grow our client base, while maintaining strong relationships with our current clients, by expanding our geographic presence domestically in the United States and internationally. Within the United States, we plan to increase our presence at key government client sites. Our strong record of past performance with government clients, highly skilled multi-disciplinary teams and growing information technology implementation capabilities should facilitate this expansion. We also intend to take advantage of the growing need for our advisory services in Europe, Asia and Latin America through our existing offices in these regions. Expansion of our advisory services in these markets will help increase our client

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relationships and set the stage for us to expand into implementation and improvement services. In addition, we intend to invest in development and marketing initiatives in order to strengthen our brand recognition among potential clients. We intend to focus on additional opportunities in our existing client base by increasing the scope of our services, such as by identifying and offering clients new skill sets and implementation and improvement services that complement ongoing advisory services.

### **Expand into additional markets at the intersection of the public and private sectors**

We have a strong record of providing services that address complex issues at the intersection of the public and private sectors. We believe there are additional opportunities for us to expand into other markets that are impacted by government involvement. In the next three to five years, we expect key markets for these opportunities to include education, social and criminal justice and veterans' affairs. Although we believe we are well qualified to serve these additional markets, we have not yet fully capitalized on these additional opportunities and have only limited presence in these markets.

### **Focus on high margin projects**

We plan to pursue higher margin commercial energy projects and continue to shift our government contract base to increase margins. In light of recent oil price increases, the impact of those increases on the prices of other forms of energy, and the need for both governments and industry to react to these conditions, we view the energy industry as a particularly attractive market for us over the next decade, and we have strong global client relationships in this market. Historically, our margins on engagements in this market have been higher than those in our government business. We believe the size and scope of these assignments will grow in the future due to the major changes facing the energy industry. In addition, we will continue our efforts in 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.

### **Capitalize on operating leverage**

We have built a corporate infrastructure and internal systems that we believe are readily scalable and can accommodate significant growth without a proportionate increase in expense. We have invested significant time and resources in developing our accounting and financial systems and our information technology infrastructure. As our revenue base grows, we expect to realize operating leverage by spreading the costs associated with these investments over a larger revenue base, which would increase our operating margins. In addition, we intend to pursue larger prime contract opportunities, which should provide a greater return on our business development efforts and allow for enhanced employee utilization. Also, in an effort to reduce costs and access global talent, we are utilizing resources in India for our commercial work, including energy modeling, and intend to further utilize offshore resources where appropriate.

### **Pursue strategic acquisitions**

We plan to augment our organic growth with selected acquisitions. During the past five years, we have acquired and integrated several businesses, including two of Arthur D. Little's consulting units in May 2002, Synergy, Inc. in January 2005 and Caliber Associates, Inc. in October 2005. We plan to continue a disciplined acquisition strategy to obtain new customers, increase our size and market presence and obtain capabilities that complement our existing portfolio of services, while focusing on cultural compatibility and financial impact.

**Business**

**SERVICES AND SOLUTIONS**

We offer a broad and diverse set of services and solutions within our four key markets: defense and homeland security; energy; environment and infrastructure; and health, human services and social programs. We seek to provide end-to-end services that deliver value throughout the entire life of a policy, program, project or initiative. The following chart provides an overview of our end-to-end services and solutions in our four key markets.

	Advise	Implement	Improve
<b>Defense and Homeland Security</b>	<ul style="list-style-type: none"> <li>Defense and homeland security strategic planning</li> <li>Command &amp; control concept and policy development</li> <li>Domestic threat assessments</li> <li>Enterprise IT architecture</li> </ul>	<ul style="list-style-type: none"> <li>Emergency, disaster and anti-terrorism preparedness programs</li> <li>Enterprise IT solutions</li> <li>Logistics and supply chain management solutions</li> <li>War games, simulations and experiments support</li> </ul>	<ul style="list-style-type: none"> <li>Defense transformation initiatives</li> <li>Emergency exercise evaluation</li> <li>Human capital program evaluation</li> <li>Technology and process improvements</li> </ul>
<b>Energy</b>	<ul style="list-style-type: none"> <li>Demand management strategy</li> <li>Energy transmission strategy</li> <li>Fuels, power and water market analysis</li> <li>Mergers and acquisitions analysis</li> </ul>	<ul style="list-style-type: none"> <li>Carbon credit project development</li> <li>Energy efficiency program management</li> <li>Energy market modeling</li> <li>Regulatory and litigation support</li> </ul>	<ul style="list-style-type: none"> <li>Carbon credit verification protocols</li> <li>Energy efficiency program evaluation</li> <li>Regulatory impact assessments</li> <li>System impact and stability studies</li> </ul>
<b>Environment and Infrastructure</b>	<ul style="list-style-type: none"> <li>Air quality, risk and toxicity assessments</li> <li>Air regulatory and emission trading strategy</li> <li>Environmental policy and planning</li> <li>Transportation policy planning and design</li> </ul>	<ul style="list-style-type: none"> <li>Complex environmental impact assessments</li> <li>Environmental management information systems</li> <li>Integrated program management</li> <li>Regulatory program implementation</li> </ul>	<ul style="list-style-type: none"> <li>Environmental impact mitigation</li> <li>National Environmental Policy Act process streamlining</li> <li>Program evaluation</li> <li>Regulatory reinvention</li> </ul>
<b>Health, Human Services and Social Programs</b>	<ul style="list-style-type: none"> <li>Economic development planning</li> <li>Enterprise IT architecture</li> <li>Housing program design</li> <li>Policy analysis and needs assessments</li> </ul>	<ul style="list-style-type: none"> <li>Technical assistance and clearinghouse operations</li> <li>Health related strategic communications</li> <li>Personnel assessment systems</li> <li>IT solutions</li> </ul>	<ul style="list-style-type: none"> <li>Benchmarking and program evaluation</li> <li>Curriculum development and training</li> <li>Performance measurement and assessment</li> <li>Survey design and development</li> </ul>

**Defense and homeland security**

We support DoD by providing high-end strategic planning, analysis and technology solutions in the areas of logistics management, operational support and command and control. We also provide strong capabilities to the defense sector in environmental management, human capital assessment, military community research and technology-enabled solutions. In the area of homeland security, we provide services to federal, state and local government clients to prevent, prepare for, respond to and recover from natural disasters, technological failures and terrorist attacks. We are a national leader in critical infrastructure protection and are currently leading two efforts for DHS’s Preparedness Directorate in its Infrastructure Protection Division. We also manage the national program to test emergency preparedness at the federal, state, local and private sector levels in communities adjacent to nuclear power facilities.

## Business

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The following is a representative list of our clients in this market for 2005.

- |                               |  |
|-------------------------------|--|
| ∅ U.S. Department of Defense  | ∅ U.S. Department of Homeland Security   |
| ∅ Air Force                   | ∅ Federal Emergency Management Agency    |
| ∅ Army                        | ∅ Secret Service                         |
| ∅ Navy                        | ∅ Transportation Security Administration |
| ∅ Commonwealth of Puerto Rico | ∅ Directorate for Preparedness           |
| ∅ State of Nebraska           | ∅ Coast Guard                            |

Some of our representative client engagements in the defense and homeland security market are described below.

### ***Network Centric Logistics — Office of the Secretary of Defense, Office of Force Transformation (OSD/OFT)***

In support of OSD/OFT's efforts to leverage information technology to transform the U.S. military from disparate, isolated units into a well-coordinated, highly responsive and networked organization, we were retained to design, develop and implement a network-centric defense logistics solution. We utilized our expertise in strategy and concept development, research and analysis, and our in-depth understanding of logistics and the emerging complexities of modern warfare, to assist OSD/OFT with this web-based prototype solution. This system is designed to be linked to various information technology networks and provides real-time integration of information from the military's logistics, operations and intelligence groups. This integrated capability is a source of operational advantage and a force multiplier.

### ***E-Procurement System — U.S. Department of Defense***

By Congressional mandate, DoD's Joint Electronic Commerce Program Office was required to develop an electronic procurement system allowing military and other authorized government users to order from DoD catalogs. From this mandate emerged EMALL, one of DoD's most widely adopted web-based government procurement applications. Initially, EMALL targeted finished goods and off-the-shelf products, which comprised only a fraction of DoD procurements. In order to allow EMALL to handle more complicated transactions, DoD engaged us to develop more sophisticated functionality by integrating commercial off-the-shelf technology components with customized software. We have enhanced EMALL by enabling secure messaging, competitive pricing and collaborative checkout procedures to help users obtain the best price. We have also developed programs to allow various agencies (such as DHS) and other buyers (such as military bases) to develop their own business rules. Our efforts are responsible, in part, for EMALL's recent exponential growth in sales, from \$13.7 million in fiscal 2002, to over \$500 million in fiscal 2005 and projected sales of \$1 billion in fiscal 2006. In 2004, EMALL received the David Packard award for Acquisition Excellence, and in 2005 EMALL received the Defense Certificate of Recognition for Acquisition Innovation.

### ***The Road Home Housing Program — State of Louisiana, Office of Community Development***

As a result of Hurricanes Rita and Katrina, more than 200,000 homes and rental units were severely damaged or destroyed, leaving 780,000 Louisiana residents displaced. In response, the Department of Housing and Urban Development allocated \$11.4 billion of Community Development Block Grant funds to assist the State of Louisiana in its long-term recovery efforts. Of that amount, \$8.1 billion is being used to implement the Road Home Program. That program is designed to help the affected population repair, rebuild or relocate by providing reimbursements to qualified homeowners and small rental unit landlords for their uninsured, uncompensated damages. Our subsidiary, ICF EMS, was recently awarded a contract to serve as the manager of the Road Home Program for the State of Louisiana's Office of Community Development. Under the contract, ICF EMS and its subcontractors will:

- ∅ Open and operate housing assistance centers in various locations within and outside the State of Louisiana to serve displaced residents;

## Business

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- ∅ Develop a management information system for the program;
- ∅ Develop and initiate an outreach and public education campaign designed to provide information on the Road Home Program and housing assistance centers;
- ∅ Complete training sessions for home inspectors, financial institutions and building professionals;
- ∅ Initiate and complete a pilot program to process a sampling of pre-registered applicants to a final award in accordance with an operational plan we develop; and
- ∅ Interact with various state and federal agencies to facilitate the transmission of data necessary for program implementation.

Although the request for proposals leading to this award anticipated a five-year contract, due to limitations under Louisiana law, the Road Home Contract has a stated term of three years. During the first four-month phase of the contract, we and our subcontractors will establish centers to process applications and start to provide housing counseling and assistance to displaced residents. ICF EMS and subcontractor staffing levels exceeded 400 at the end of August 2006 and are expected to eventually reach a peak of 800 to 1,000 during subsequent phases.

Because the contract is in its start-up phase, it is not possible for us to predict the level of revenue or profit we will earn during the first four-month phase or through the balance of the contract. The maximum amount payable to ICF EMS and its subcontractors with respect to the first phase will be \$87.2 million, and funding levels beyond the first phase have not yet been negotiated. We do not expect the amount payable during the first phase to be indicative of future revenue levels during the balance of the contract term. In addition, our key subcontractors will perform a substantial portion, perhaps 50 to 65%, of the work under the contract, which will increase our direct costs associated with the contract.

### ***Radiological Emergency Preparedness Program and Offsite Exercises — U.S. Department of Homeland Security***

DHS has engaged us to evaluate the ability of state and local governments in regions with nuclear power plants to implement their radiological emergency preparedness and response plans. The Radiological Emergency Preparedness (REP) Program is designed to enhance the ability of all levels of government and their private sector partners to plan for, prepare for, and respond to, peacetime radiological emergencies, and to ensure that adequate off-site emergency plans are in place and can be implemented successfully. Under this contract, we conduct more than 75 annual exercises and drills, provide access to more than 130 subject matter experts and other evaluators and deliver training. To facilitate managing this complex engagement, we have developed a web-based system to analyze and track issues and personnel involved in these REP exercises.

### ***National Infrastructure Protection Plan Development — U.S. Department of Homeland Security***

In December 2003, the White House directed the Secretary of DHS to lead the federal government in protecting 17 critical infrastructure sectors of the United States, such as transportation, telecommunications and pipeline systems. We were selected by DHS as the lead contractor to coordinate the development of the National Infrastructure Protection Plan. Based on extensive research and interviews with DHS personnel, participating federal agencies and other stakeholders, we developed a framework for collecting information on critical infrastructure and key resources. In addition, this framework can be used in assessing potential asset risks, determining cross-sector impacts and interdependencies and for prioritizing assets based on vulnerabilities, threats and consequences in the development and performance assessment of protective programs.

## Energy

We assist energy enterprises and energy consumers worldwide in their efforts to develop, analyze and implement strategies related to their business operations and the interrelationships of those operations with the environment and applicable government regulations. Our clients include integrated energy



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enterprises, power developers, regulated electricity transmission and distribution companies, unregulated enterprises, municipal power authorities, energy traders and marketers, oil and gas exploration and production companies, gas transmission companies, pipeline developers, local distribution companies, industry associations, investors, financial institutions, law firms and regulators in the United States and throughout the Americas, Europe and Asia. We also support government and commercial clients in designing, implementing and improving effective and innovative demand-side management strategies in a wide range of areas, including energy efficiency and peak load management.

For more than 25 years, we have helped commercial and regulatory clients in the energy sector deal with complex and challenging regulatory and litigation issues. We provide advisory services in asset and contract valuation, rate structure and price analysis, resource planning, market structures and environmental compliance. Our expert testimony and support for scores of litigated cases reinforce our reputation for deep industry knowledge backed by our proprietary analytical models. We are currently providing support and representation in a number of regulatory proceedings, including those at the U.S. Federal Energy Regulatory Commission and the New Jersey Board of Public Utilities (NJBPU).

The following is a representative list of our clients in this market for 2005.

∅ U.S. Department of Energy	∅ We Energies
∅ U.S. Environmental Protection Agency	∅ GridFlorida
∅ TXU Energy	∅ Con Edison Company of New York
∅ Pacific Gas & Electric	∅ BP Global Power
∅ Cinergy	∅ Excelsior Energy
∅ CenterPoint Energy	∅ State of New York
∅ Northeast Utilities	

Some of our representative client engagements in the energy market are described below.

### ***Support for the ENERGY STAR® Program — U.S. Environmental Protection Agency, Utilities, State Agencies***

Since the program's inception in 1992, we have assisted EPA in the design and implementation of ENERGY STAR, one of the best known energy efficiency programs in the world to help government, business, and families save energy. Our roles in the ENERGY STAR program have included analyzing the market potential for energy efficiency in buildings and commercial products, designing incentives to encourage energy efficiency, developing energy use specifications for more than 25 ENERGY STAR products, and developing proprietary tools to map ENERGY STAR home specifications across various national climate zones. On behalf of EPA, we have also conducted extensive outreach to influence the manufacturing and building industries and have supported the promotion of energy efficient products and processes to thousands of top businesses in the U.S.

ENERGY STAR has become the national benchmark for best practices in energy efficiency. As a result of our role in the national ENERGY STAR program, we are now assisting regional and state entities in designing and implementing similar programs. For example, we have worked nationally and locally with a major utility to initiate the ENERGY STAR New Homes Transformation, contributing to the construction of over 500,000 ENERGY STAR homes. In addition, the ENERGY STAR label and tenets are used in other countries and jurisdictions, including the European Union, Australia, Canada, Japan, New Zealand and Taiwan. We have also provided consulting services to Brazil, China, India and Taiwan related to the use of ENERGY STAR concepts in their own energy efficiency labeling programs.

### ***Greenhouse Gas Strategy and Implementation Support — Major Oil & Gas Company***

The energy industry accounts for about one-third of the greenhouse gas (GHG) emissions generated by human activities. One of the world's largest oil and gas companies has employed our services as it strives

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to redefine its future in a carbon-constrained world. In addition to helping this client establish protocols for measuring and managing its GHG emissions, we helped develop an internal GHG trading system designed to increase corporate-wide awareness about the need for, and internal costs of, reducing our client's emissions. We have been engaged to support the client's interests in assessing the value and commercial viability of proposed new power market projects in Europe and Asia based on cleaner fuels such as gas and renewable fuels. More recently, as our client explores new business models that are less reliant on traditional petroleum-based fuels, we have been engaged to identify and evaluate various policy options that could be introduced to reduce GHG emissions throughout the fuel cycle in the transportation sector. As the global energy industry continues to address GHG emissions in various regions, we believe our combined expertise in carbon strategy, emission trading, global energy market analysis, energy efficiency, alternative fuels, and transportation will play an important role.

### ***Power Market Strategy, Regulatory and Litigation Support — Commercial and Regulatory Clients***

We work with companies in the power markets in the Americas, Europe and Asia to help them develop strategies that will optimize the value of their existing and proposed assets within continuously evolving regulatory and market frameworks. Our energy market models are used as the basis for decision-making by both commercial and regulatory clients. For example, we have recently been retained by the New Jersey Board of Public Utilities to provide analyses and legal filings and to serve as an expert witness with respect to a large proposed acquisition. Our work involves detailed node-by-node analyses of the power grid affecting the state, assessments of the impact of divesting specific generating units, and recommendations for additional power generation that the combined entity may have to sell to alleviate competition concerns.

### **Environment and infrastructure**

For more than three decades, we have been providing services for the design, evaluation and implementation of environmental policies and projects across all environmental media — land, air and water. We work with federal, regional and international governments and commercial clients to assess, establish and improve environmental policies using interdisciplinary skills ranging from finance and economics, to the earth and life sciences, to information technology and program management. Because of the wide range of potential environmental impacts of changes in transportation, energy and other types of infrastructure, our in-depth environmental knowledge is often critical to providing comprehensive solutions. In addressing infrastructure issues, however, we go beyond environmental questions to address problems at the nexus of transportation, energy, economic development and the environment. For example, we help shape national freight policy and assess alternatives for reducing urban congestion and pollution. Our solutions are based on skills in transportation planning, urban and land use planning, environmental science, economics, information technology, financial analysis, policy analysis and communications.

The following is a representative list of our clients in this market for 2005.

- |  |  |
|--|--|
| ∅ U.S. Department of Transportation                | ∅ U.S. Postal Service                                |
| ∅ Federal Aviation Administration                  | ∅ U.S. Department of Commerce                        |
| ∅ Federal Highway Administration                   | ∅ U.S. Department of Interior                        |
| ∅ U.S. Environmental Protection Agency             | ∅ U.S. Federal Trade Commission                      |
| ∅ U.S. Federal Motor Carrier Safety Administration | ∅ U.S. National Aeronautics and Space Administration |
| ∅ U.S. Nuclear Regulatory Commission               | ∅ European Commission                                |
| ∅ Commonwealth of Pennsylvania                     |  |

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Some of our representative client engagements in the environment and infrastructure market are described below.

### ***National Airspace Implementation Support — U.S. Federal Aviation Administration***

We have provided over 20 years of support to the U.S. Federal Aviation Administration (FAA) to improve its management, maximize return on its capital investments, and mitigate the risks in investment outcomes. We provide a wide variety of on-site management services, including:

- ∅ design and implementation of an agency-wide portfolio management framework that has improved capital investment planning and management processes;
- ∅ support to FAA Integrated Project Teams in their tailored implementation of program management processes, tools and techniques;
- ∅ curriculum development and training on acquisition management and program management;
- ∅ analyses of identified deficiencies and technology enhancement opportunities in air traffic control information technology systems;
- ∅ business process re-engineering for human resource, civil rights reporting and investment management processes; and
- ∅ assistance in developing the FAA's Acquisition Management System, one of the first such systems in government exempt from the Federal Acquisition Regulation.

### ***Market-Based Air Emission Control Programs — U.S. Environmental Protection Agency***

EPA's Clean Air Markets Division (CAMD) was established to use the successful market-based approach to utility regulation pioneered in the Title IV Acid Rain Program on new pollutants and sources. We have supported EPA's Clean Air programs since the 1970s through our deep knowledge of the regulated industries, their market relationships and the technologies they use for generating power and reducing emissions. This knowledge is vital in supporting CAMD's innovative market-based programs, which leave many compliance decisions to the affected industries. A critical dimension of our support is collecting industry knowledge in a detailed and sophisticated industry database that drives our proprietary Integrated Planning Model (IPM), which simulates the activities of the entire North American power industry. This approach allows us to provide detailed cost and air quality analyses of responses to emission cap and trade proposals and other air emissions requirements. These model runs form the core of the Regulatory Impact Analyses that EPA and the U.S. Office of Management and Budget require for program implementation.

### ***Environmental Assessment of Permitting Mexican Carriers to Operate in the United States — U.S. Department of Transportation***

The North American Free Trade Agreement requires that Mexican trucks and buses be permitted to operate in the United States beyond established commercial border zones. The U.S. Federal Motor Carrier Safety Administration (FMCSA) of the U.S. Department of Transportation (DOT) retained us to analyze air pollution, noise, safety, and other impacts of Mexican vehicles on U.S. highways. We applied firm-wide expertise in transportation, environmental assessment, commodity flow, traffic and air quality modeling, and stakeholder outreach to perform the required analyses, provide advisory services to FMCSA, conduct public hearings to reach out to stakeholders and carry out the required filings during an expedited environmental impact review schedule. We developed a system to estimate the likely movement of trucks throughout the United States, determine appropriate emissions factors and estimate emissions effects in every air quality non-attainment and maintenance area in the country under a variety of scenarios.

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***Environmental Safety and Occupational Health Support — U.S. Missile Defense Agency***

For the last five years, we have been supporting the efforts of the Civil Engineering and Environmental Management Division within the U.S. Missile Defense Agency (MDA) to facilitate environmental stewardship and compliance of all Ballistic Missile Defense System (BMDS) testing and deployment activities. We provide a range of environmental planning, safety and occupational health support to MDA. For example, we prepared MDA's first Programmatic Environmental Impact Statement (EIS) for the BMDS, which covered a wide variety of missile technologies and systems. We have also developed and are maintaining MDA's environmental knowledge management system, which allows MDA environmental professionals to analyze proposed future actions using data from hundreds of documents we have reviewed and, thus, streamline their environmental compliance activities. In addition, we have developed and implemented a geographic information system for MDA that analyzes the potential effects of BMDS activities on environmental resources. We have received numerous letters of commendation from MDA for our work and we were awarded the DoD Group Achievement Award for Environmental Management in 2005.

**Health, human services and social programs**

We provide research, consulting, implementation and improvement services that help government, industry and other stakeholders develop and manage effective programs in the areas of health and human services at the national, regional and local levels. Clients utilize our services in this market because we have deep subject matter expertise in complex social areas, including education, children and families, public health, economic development and disaster recovery, housing and communities, military personnel recruitment and retention, and substance abuse. We partner with our clients in the public, private and non-profit sectors to increase their knowledge base, support program development, enhance program operations, evaluate program results and improve program effectiveness.

The following is a representative list of our clients in this market for 2005.

- |  |  |
|--|--|
| ∅ U.S. Department of Health & Human Services | ∅ U.S. Department of Housing & Urban Development |
| ∅ Centers for Disease Control                | ∅ U.S. Department of Justice                     |
| ∅ Food & Drug Administration                 | ∅ U.S. Department of State                       |
| ∅ Administration for Children & Families     | ∅ U.S. Department of Education                   |
| ∅ U.S. Department of Agriculture             |  |

Some of our representative client engagements in the health, human services and social programs market are described below.

***Children's Bureau Clearinghouse Services — U.S. Department of Health and Human Services***

We help U.S. federal agencies such as the U.S. Department of Health and Human Services (HHS) implement human and social programs by managing technical assistance centers, providing instructional systems, supporting stakeholder outreach, developing information technology applications and managing clearinghouse operations. Clearinghouses disseminate information about a program or subject area to professionals in the field and the general public. We have been chosen to manage several clearinghouses because of our deep and broad understanding of legislation, regulations, emerging issues, research findings and promising practice models, combined with our ability to collect, synthesize and disseminate information to diverse audiences in multiple formats.

Since the 1990s, we have operated and provided leadership, in collaboration with the Children's Bureau, for two large, federally funded clearinghouses: the National Clearinghouse on Child Abuse and Neglect

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Information and the National Adoption Information Clearinghouse. Today, as a result of continuous process improvement, both of these clearinghouses have a strong Internet presence with total on-line libraries of more than 48,000 documents, on-line ordering capabilities and on-line databases that make information continuously available. We exhibited at more than 70 national, regional and state conferences in 2005 and distributed more than 170,000 publications.

### ***Addressing Domestic Violence and Child Maltreatment — U.S. Departments of Justice, and Health and Human Services***

In addition to providing advisory and research services at the front end of government programs, we also conduct evaluations and implement program enhancements. We received funding from the U.S. Department of Justice and HHS to evaluate and implement recommendations of *The Greenbook*, a groundbreaking work developed by the National Council of Juvenile and Family Court Judges to change approaches to family violence in order to help battered women and their children lead safer lives. We led a team of subject matter and evaluation experts to develop and implement data collection protocols, perform multi-level qualitative and quantitative analyses, and describe evaluation findings. The original three-year evaluation funding period (through August 2003) has been extended to seven years to allow a more comprehensive evaluation plan and development of products for targeted policymaker, practitioner and evaluator audiences. Our work has been referenced by government and industry stakeholders citing the *Greenbook* project as a model for collaborative systems change that can support safety and well-being among families experiencing violence.

### **CONTRACTS**

Government, commercial and international clients accounted for 81%, 14% and 5%, respectively, of our 2005 revenue. Our clients span a broad range of defense and civilian agencies and commercial enterprises. We had more than 1,000 active contracts as of December 31, 2005, including task orders and delivery orders under GSA Schedules. Our contract periods typically extend from one month to as much as seven years, including option periods. Option periods may be exercised at the election of the government. Our largest contract in 2005 accounted for approximately 5% and 3% of our revenue for 2004 and 2005, respectively. Our top ten contracts in 2005 collectively accounted for approximately 32% and 22% of our revenue for 2004 and 2005, respectively. Our contract mix will likely change in 2006 as a result of revenue derived from the Road Home Contract with the State of Louisiana. We received approximately 18% and 16% of our revenue for 2005 from DoD and EPA, respectively. Most of our revenue is derived from prime contracts, which accounted for 87% and 86% of our revenue for 2004 and 2005, respectively. We consider each task order and delivery order under GSA Schedules as a separate contract. 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.

### **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, though not exercised. We do not include any estimate of revenue relating to potential future delivery orders that might be awarded under our 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.

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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 if we have received client authorization to begin or continue working and we expect to sign a contract for the engagement. In this case, the amount of funded backlog is limited to the amount authorized. Our funded backlog does not represent the full revenue potential of our contracts because government clients, and sometimes other clients, generally authorize work under a particular contract on a yearly or more frequent basis, even though the contract may extend over a number of years. Most of the services we provide to commercial clients are provided under contracts with relatively short durations that authorize us to provide services and, 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 upon a number of factors, and we may not recognize revenue associated with a particular component of backlog when anticipated, or at all. The federal government has 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.

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

	December 31,		June 30, 2006
	2004	2005	
	(In millions)		
Funded	\$ 70.6	\$ 133.0	\$ 191.3
Unfunded	63.8	93.8	118.3
Total	\$ 134.4	\$ 226.8	\$ 309.6

The backlog estimates at June 30, 2006 include backlog of \$86.7 million associated with the first four-month phase of the Road Home Contract, which was awarded in June 2006. 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.”

## BUSINESS DEVELOPMENT

Our business development efforts drive 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

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well as to manage our aggregate sales pipeline. Major sales opportunities are each led by a capture manager and are put through executive reviews at multiple points during their lifecycle to ensure alignment with our corporate strategy and effective use of resources.

Business development efforts in priority market areas, which include our largest federal agency accounts (DoD, DHS, HHS, DOT and EPA) and the commercial energy sector, 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 the priorities and to 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 management group and a strategic capture unit. In addition, we have a marketing and communications group that is responsible for our website, press releases, sales collateral and trade show management. Pricing is not handled by the corporate business development function. 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 four key markets. Some of our principal competitors include BearingPoint, Inc., Booz Allen Hamilton, Inc., CRA International, Inc., L-3 Communications Corporation, Lockheed Martin Corporation, Navigant Consulting, Inc., Northrop Grumman Corporation, PA Consulting Group, SAIC, Inc., and SRA International, Inc. In addition, within each of our four 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.

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 have no 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 analysis and other work we perform for our clients. We use these innovative, and often proprietary, analytical models and tools throughout our service offerings. Our domestic and overseas staffs regularly maintain, update and improve 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," but there can be no assurance that these will adequately protect our intellectual property.

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**Business**

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**EMPLOYEES**

As of June 30, 2006 we had 1,327 benefits-eligible (full-time and regular part-time) employees and 431 non-benefits eligible (variable part-time) employees. On a full-time equivalents basis, our total headcount was 1,462. As of June 30, 2006, almost 50% of our professional staff held post-graduate degrees in diverse fields such as economics, engineering, business administration, information technology, law, life sciences and public policy. More than 85% of our employees hold a bachelor's degree or equivalent, and over 300 hold a U.S. federal government security clearance.

We have a professional environment that 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.

**FACILITIES**

We lease our office facilities and do not own any real estate. We have leased our corporate headquarters through October 2012 at 9300 Lee Highway in Fairfax, Virginia, in the Washington D.C. metropolitan area. As of December 31, 2005, we leased approximately 200,000 square feet of office space at this and an adjoining building. These buildings house a portion of our operations and substantially all of our corporate functions, including executive management, treasury, accounting, human resources, business and corporate development, facilities management, information services and contracts.

As of December 31, 2005, we also leased approximately 240,000 square feet of office space in about two dozen other locations throughout the United States and around the world, with various lease terms expiring over the next seven years. Approximately 30,000 square feet of the space we lease is currently subleased to other parties. We believe that our current office space, together with other office space we will be able to lease, will meet our needs for the next several years. For further discussion regarding our approach and plans with respect to leased office space, see "Management's discussion and analysis of financial condition and results of operations — Operating expenses."

In addition, a portion of our operations staff is housed at client-provided facilities, pursuant to the terms of a number of our customer contracts.

**LEGAL PROCEEDINGS**

From time to time, 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 flow.



# Management

## EXECUTIVE OFFICERS AND DIRECTORS

Our executive officers and directors, and their ages are as follows:

Name	Age	Title
Sudhakar Kesavan	51	Chairman, President and Chief Executive Officer
John Wasson	45	Executive Vice President and Chief Operating Officer
Alan Stewart	52	Senior Vice President, Chief Financial Officer and Secretary
Ellen Glover	51	Executive Vice President
Gerald Croan	56	Executive Vice President
Dr. Edward H. Bersoff	63	Director
Dr. Srikant M. Datar	52	Director
Robert Hopkins	49	Director
Joel R. Jacks	58	Director
David C. Lucien	56	Director
William Moody	53	Director
Peter M. Schulte	49	Director

**Sudhakar Kesavan** serves as the Chairman, President and Chief Executive Officer of ICF and its wholly owned subsidiary, ICF Consulting Group, Inc. In 1997, Mr. Kesavan was named President of ICF Consulting Group, Inc. when it was a subsidiary of ICF Kaiser. In 1999, the Group was divested from Kaiser and became a wholly owned subsidiary of the company through a joint effort of the management of ICF Consulting Group, Inc. and CM Equity Partners, L.P. Mr. Kesavan received his Master of Science degree from the Technology and Policy Program at the Massachusetts Institute of Technology, his postgraduate diploma in management from the Indian Institute of Management, Ahmedabad and his Bachelor of Technology degree (chemical engineering) from the Indian Institute of Technology, Kanpur. Mr. Kesavan serves on the Board of the Rainforest Alliance, a New York based nonprofit environmental organization.

**John Wasson** serves as an Executive Vice President and Chief Operating Officer of ICF and has been with ICF Consulting Group, Inc. since 1987. Mr. Wasson previously worked as a staff scientist at the Conservation Law Foundation of New England and as a researcher at the Massachusetts Institute of Technology Center for Technology, Policy and Industrial Development. Mr. Wasson holds an M.S. in Technology and Policy from the Massachusetts Institute of Technology and a B.S. in Chemical Engineering from the University of California, Davis.

**Alan Stewart** serves as Senior Vice President and Chief Financial Officer of ICF and has been with ICF Consulting Group, Inc. since 2001. Mr. Stewart has almost 30 years of experience in financial management, including mergers and acquisitions. Prior to joining the company, Mr. Stewart was chief financial officer at DataZen Corporation, Blackboard, Inc. and Deltek Systems, Inc. Prior to joining Deltek Systems, Inc., Mr. Stewart held senior finance positions at BTG, Inc., Tempest Technologies, Inc., C3, Inc., the Division of Corporation Finance at the U.S. Securities and Exchange Commission, Martin Marietta Corporation and Touche Ross & Co. Mr. Stewart received his B.S. in Accounting from Virginia Commonwealth University and is a Certified Public Accountant.

**Ellen Glover** serves as an Executive Vice President of ICF and joined ICF Consulting Group, Inc. in 2005. Prior to joining us, since 2004, Ms. Glover served as the Vice President and General Manager of Dynamics Research, a publicly traded professional and technical services contractor to federal and state government agencies, which acquired Impact Innovations Group. Prior to the acquisition, from 2002 to 2004, Ms. Glover served as President of Impact Innovations Group, a provider of information

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technology services to federal and commercial markets. From 1983 to 2002, Ms. Glover was an officer of Advanced Technology Systems, a provider of information technology services to the U.S. Department of Defense and civilian agencies. Ms. Glover served as President and Chief Operating Officer of Advanced Technology Systems from 1994 to 2002, as Director of Operations from 1990-1993 and as a Program Manager prior to 1990. Ms. Glover holds a M.S. in Urban Planning and a B.A. in History and Political Science from the University of Pittsburgh.

**Gerald Croan** serves as an Executive Vice President of ICF and the president of ICF's subsidiary, Caliber Associates, Inc., which focuses on our health, human services and social programs market. Mr. Croan joined ICF with our acquisition effective October 1, 2005 of Caliber Associates, Inc. Mr. Croan founded Caliber Associates, Inc. in 1983 and served as its president since its inception. Mr. Croan's experience includes research, evaluation, technical assistance and training, and related program support services for juvenile justice, victim services, youth services and community programs, military family issues and developmental work on community needs assessment systems for the military. Mr. Croan's work has been recognized by the U.S. Department of Defense, Department of Justice and Department of Health and Human Services. Prior to founding Caliber Associates, Inc., Mr. Croan served as a senior manager at two consulting organizations and with the Pennsylvania Department of Justice. Mr. Croan holds a B.S. and an M.C.P. (city planning) from the Massachusetts Institute of Technology. Mr. Croan has served on the Board of the National Association of Child Care Resource and Referral Agencies, an Arlington, Virginia based nonprofit organization since 2003 and on the Board of the National Learning Institute, a Washington, D.C. based nonprofit organization, since 2001.

**Dr. Edward H. Bersoff** has served as a director of ICF since October 2003. Dr. Bersoff is the chairman and founder of Greenwich Associates, a business advisory firm located in Northern Virginia which was formed in 2003. From November 2002 to June 2003, he was managing director of Quarterdeck Investment Partners, LLC, an investment banking firm, and chairman of Re-route Corporation, a company that offers email forwarding and address correction services. From February 1982 until November 2001, Dr. Bersoff was chairman, president and chief executive officer of BTG, Inc., a publicly traded information technology firm he founded in 1982. In November 2001 BTG, Inc. was acquired by The Titan Corporation, a NYSE listed company. Dr. Bersoff served as a director of Titan from February 2002 until August 2005 when Titan was sold. In addition, Dr. Bersoff serves on the boards of EFJ, Inc., a manufacturer of wireless communications products and systems primarily for public service and government customers, Fargo Electronics, Inc., a manufacturer of identity card issuance systems, materials and software for government and corporate applications, and Federal Services Acquisition Corporation, which are all public companies, and a number of private companies, including 3001, Inc. Dr. Bersoff holds A.B., M.S. and Ph.D. degrees in mathematics from New York University and is a graduate of the Harvard Business School's Owner/President Management Program. Dr. Bersoff is the Rector of the Board of Visitors of Virginia Commonwealth University, a Trustee of the VCU Medical Center, a Trustee of New York University and a Trustee of the George Mason University Foundation. He also serves as chairman of the Inova Health System Health Care Services Board and is a Trustee of the Inova Health System.

**Dr. Srikant M. Datar** has served as a director of ICF since July 2006. Dr. Datar is the Arthur Lowes Dickinson Professor of Business Administration at Harvard University and a Senior Associate Dean at Harvard Business School. Dr. Datar is a Chartered Accountant and has been a professor of accounting and business administration at Harvard since July 1, 1996, previously serving as a professor at Stanford University and Carnegie Mellon University. Dr. Datar is a member of the board of directors of Novartis AG, a holding company organized under Swiss law and publicly traded on the SWX Swiss Stock Exchange and, in the form of American Depositary Shares, NYSE. He has consulted with and done field-based research with many large corporations. He has presented his research to managers and executives in North and South America, Europe, Asia and Africa. Dr. Datar received gold medals upon his

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graduation from the Indian Institute of Management, Ahmedabad, and the Institute of Cost and Works Accountants of India. Dr. Datar received a master's degree in statistics, a master's degree in economics and a Ph.D. in accounting from Stanford University.

**Robert Hopkins** has served as a director of ICF since November 2001. Mr. Hopkins is a partner and has been associated with CM Equity Partners, L.P. since 1999. From 1991 to 1998, Mr. Hopkins was a partner at Connor & Company, a management consulting firm specializing in strategic alliances and operations management. From 1986 to 1991, Mr. Hopkins was an investment banker, including at Kidder Peabody, Inc. Mr. Hopkins has worked closely with the executive management team at Evans Consoles Inc., a Canadian company that consummated a court-ordered reorganization in 2004 by which all of its assets were transferred to its creditors, where he was CEO during an extended transition from the founder to present management. Mr. Hopkins also serves on the Board of Directors of Evans Consoles Inc., Devon Publishing Group and Martin Designs, Inc. Mr. Hopkins received a B.A. in Economics from Hobart College and a Master's degree in Public and Private Management from the Yale School of Management.

**Joel R. Jacks** has served as a director of ICF since June 1999. Mr. Jacks, together with Peter M. Schulte, co-founded CMLS Management, L.P. in 1996 and in 2000 they co-founded CM Equity Management, L.P. Mr. Jacks serves as a managing partner of each of these CMEP entities. Mr. Jacks is a director of several other CMEP portfolio companies, including 3001, Inc.; Falcon Communications, Inc.; Xebec Global Corporation; Echo Bridge Entertainment, LLC; Evans Consoles Inc., a Canadian company that consummated a court-ordered reorganization in 2004 by which all of its assets were transferred to its creditors; Martin Designs, Inc.; and Devon Publishing Group. Mr. Jacks is also the chairman and chief executive officer of Federal Services Acquisition Corporation, a publicly held "special purpose acquisition company" formed to acquire federal services businesses with its principal office in New York City. Mr. Jacks was previously a director of Resource Consultants, Inc., a technical services and program management firm serving the U.S. Department of Defense and federal civil agencies; and Examination Management Services, Inc., which subsequent to Mr. Jacks' service as chairman underwent a voluntary restructuring in 2005. Mr. Jacks was previously a member of the executive committee of Missota Paper Holding LLC prior to their sale in 2004. From January 2000 to April 2003, Mr. Jacks was chairman of Beta Brands Incorporated. In May 2003, following default by Beta Brands in the repayment of its secured indebtedness, a Canadian court approved a consensual foreclosure by which the secured lenders acquired all of the assets of Beta Brands. Mr. Jacks received a Bachelor of Commerce degree from the University of Cape Town and an MBA from the Wharton School, University of Pennsylvania.

**David C. Lucien** has served as a director of ICF since August 2004. Mr. Lucien has more than 36 years of experience in the information technology industry within both commercial and government sectors. He has held several senior-level executive positions for private and public technology companies involved in computer systems manufacturing, technology services and systems integration. Most recently, Mr. Lucien assumed the role of Chairman and CEO of CMS Information Services, Inc. in March 2003, serving until CMS was sold to CACI International in March 2004. Currently, Mr. Lucien serves on various boards and from time to time, through Mr. Lucien's company, DCL Associates of Leesburg, Virginia, a sole proprietorship, assists various equity funds in the review of current and potential portfolio companies that focus on information technology services, federal services, telecommunications and the Internet. Prior to his work at CMS Information Services, Inc., Mr. Lucien was the founder and principal of Interpro Corporation, a strategic advisory services firm, from January 1990 until December 2002. Mr. Lucien is a founder and Chairman Emeritus of the Northern Virginia Technology Council and Chairman Emeritus of the Virginia Technology Council. Mr. Lucien also sits on the Advisory Board of the Draper Atlantic Fund.

**William Moody** has served as a director of ICF since December 2005. Mr. Moody has more than 28 years of experience in environmental and economics consulting and directs ICF Consulting Group, Inc.'s

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administration and contracts group, where he manages the following departments: contracts, pricing, subcontracts, invoicing and collections, facilities and security. Prior to assuming this position, he held a variety of positions within the company including leading the environment, economics and regulations business, where he specialized in supporting U.S. federal programs in air quality and hazardous waste. Prior to joining ICF Consulting Group, Inc. in 1992, Mr. Moody held management positions at Midwest Research Institute and Radian Corporation. Mr. Moody holds a Master's of Science degree in Environmental Science from Washington State University and a Bachelor's of Science degree in Physics from Washington College.

**Peter M. Schulte** has served as a director of ICF since June 1999. Mr. Schulte, together with Mr. Jacks, co-founded CMLS Management, L.P., and in 2000 they co-founded CM Equity Management, L.P. Mr. Schulte serves as a managing partner of each of these CMEP entities. Mr. Schulte is a director of several CMEP portfolio companies, including 3001, Inc.; Falcon Communications, Inc.; and Echo Bridge Entertainment, LLC. Mr. Schulte is also a director and the president, chief financial officer and secretary of Federal Services Acquisition Corporation, a publicly held "special purpose acquisition company" formed to acquire federal services businesses with its principal office in New York City. Mr. Schulte was previously a director of Kronos Products, Inc., Central Foodservice Co. and a member of the executive committee of Missota Paper Holding LLC prior to their sale in 2004. Additionally, Mr. Schulte was previously a director of Resource Consultants, Inc.; AverStar, Inc., a provider of information technology services and software products for the mission-critical systems of federal, civil and defense agencies and to large commercial companies; Evans Consoles, Inc., a Canadian company that consummated a court-ordered reorganization in 2004 by which all of its assets were transferred to its creditors. Subsequent to the Canadian court-approved foreclosure of the assets of Beta Brands Incorporated and until its dissolution, Mr. Schulte was a director of Beta Brands Incorporated. Mr. Schulte received a B.A. in Government from Harvard College and a Masters in Public and Private Management from the Yale School of Management. Mr. Schulte also serves on the Board of the Rainforest Alliance, a New York based nonprofit environment organization.

## BOARD COMPOSITION

Upon completion of this offering, we will initially have an authorized board of directors comprised of six members. William Moody and Robert Hopkins have informed us that they intend to resign from the board of directors immediately prior to the closing of this offering. Sudhakar Kesavan will serve as the chairman of the board of directors pursuant to his employment agreement. Dr. Edward H. Bersoff, Dr. Srikant M. Datar and David C. Lucien are independent directors in accordance with the requirements of the Nasdaq Global Market and the rules of the SEC. We believe that, within the transition periods available to us following the completion of this offering, we will comply with all applicable requirements of the SEC and the Nasdaq Global Market relating to director independence and the composition of the committees of our board of directors. Upon completion of this offering, our board will be divided into three classes as follows:

- ∅ Class I will consist of Peter M. Schulte and Dr. Srikant M. Datar and have a term expiring at our annual meeting of stockholders in 2007;
- ∅ Class II will consist of Dr. Edward H. Bersoff and David C. Lucien and have a term expiring at our annual meeting of stockholders in 2008; and
- ∅ Class III will consist of Sudhakar Kesavan and Joel R. Jacks and have a term expiring at our annual meeting of stockholders in 2009.

At each annual meeting of stockholders to be held after the initial classification of directors described above, the successors to directors whose terms then expire will serve until the third annual stockholders' meeting following their election and until their successors are duly elected and qualified. Upon

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completion of this offering, our amended and restated bylaws will provide that the number of directors may be set from time to time by the holders of a majority of the company's outstanding common stock at a properly called and conducted stockholders meeting or by a majority vote of the board of directors.

### **CORPORATE GOVERNANCE AND BOARD COMMITTEES**

The board of directors has established an audit committee and a compensation committee.

**Audit Committee.** Upon completion of this offering, the audit committee will consist of Dr. Edward H. Bersoff, Chairman, Dr. Srikant M. Datar, Joel R. Jacks and David C. Lucien. The audit committee reviews the financial reports and related financial information provided by the company to governmental agencies and the general public, the company's system of internal and disclosure controls and the effectiveness of its control structure, and the company's accounting, internal and external auditing and financial reporting processes. The audit committee also reviews other matters with respect to our accounting, auditing and financial reporting practices and procedures as it may find appropriate or may be brought to its attention. The board of directors has determined that Dr. Edward H. Bersoff is an "audit committee financial expert" as defined under SEC rules and regulations by virtue of his background and experience described under "Executive Officers and Directors" above. Mr. Jacks will serve as a member of the audit committee in accordance with applicable Nasdaq Global Market rules allowing for a one-year period to transition to an audit committee consisting of all independent members. We expect the audit committee to meet not less often than four times a year.

**Compensation Committee.** Upon completion of this offering, the compensation committee will consist of Dr. Edward H. Bersoff, David C. Lucien and Peter M. Schulte. The compensation committee provides assistance to the board of directors in fulfilling the board's responsibilities relating to management, organization, performance, compensation and succession. In discharging its responsibilities, the compensation committee considers and authorizes our compensation philosophy, evaluates our senior management's performance, sets the compensation for the chief executive officer with the other non-employee directors, and makes recommendations to the board regarding the compensation of other members of senior management. The compensation committee also administers our incentive compensation, deferred compensation, executive retirement and equity-based plans. In accordance with applicable Nasdaq Global Market rules allowing for a one-year period to transition to a compensation committee consisting of all independent members and allowing for the appointment of a nonindependent member of the compensation committee in exceptional and limited circumstances, the board has determined that the appointment of Peter M. Schulte to the compensation committee is in the best interests of the company. We expect the compensation committee to meet not less often than twice per year.

### **COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

Dr. Edward H. Bersoff, David C. Lucien and Peter M. Schulte are the members of the compensation committee. Neither Dr. Edward H. Bersoff, David C. Lucien nor Peter M. Schulte is an officer or employee of the company. Except for Peter M. Schulte, who serves as a member of the board of directors of FSAC, of which Dr. Edward H. Bersoff will become chairman and chief executive officer upon the completion of FSAC's acquisition of Advanced Technology Systems, Inc., no member of our compensation committee and none of our executive officers serve as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of our board of directors or compensation committee. Dr. Bersoff is also a member of the board of directors of FSAC, as is Joel R. Jacks. During fiscal year 2005, the compensation committee consisted of Sudhakar Kesavan, Joel R. Jacks and Peter M. Schulte. Additionally, as described more fully below in the section entitled "Employment Agreements—employee annual incentive compensation pool plan," Sudhakar Kesavan, William Moody and Peter M. Schulte are members of the committee related to our Amended

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and Restated Annual Incentive Compensation Pool Plan. Following the completion of this offering, the Amended and Restated Employee Annual Incentive Compensation Pool Plan will be terminated and the committee related to the plan will be dissolved.

Sudhakar Kesavan is the chief executive officer, president and chairman of the company, and William Moody is an employee and director of the company. Also, as discussed more fully below in the section captioned “Certain relationships and related party transactions — Consulting Agreement,” Joel R. Jacks and Peter M. Schulte are the managing members of entities that direct the affairs of CMLS Management, L.P., with whom our subsidiary, ICF Consulting Group, Inc., has a consulting agreement. Pursuant to the consulting agreement, CMLS Management, L.P. provides financial, acquisition, strategic, business and consulting services to the company. In consideration for these services, ICF Consulting Group, Inc. annually pays a fixed consulting fee of \$100,000 and a variable fee equal to 2% the average EBITDA of ICF Consulting Group, Inc., as calculated pursuant to the terms of the consulting agreement, based on recent fiscal years of ICF Consulting Group, Inc. The consulting agreement will terminate automatically upon the completion of this public offering and requires payment of a \$90,000 termination fee by ICF Consulting Group, Inc. to CMLS Management, L.P. ICF Consulting Group, Inc. paid CMLS Management, L.P. approximately \$333,000 for 2003, \$361,000 for 2004 and \$380,000 for 2005 for consulting services under the consulting agreement.

### CODE OF ETHICS

We have adopted a Code of Ethics applicable to all of our directors, officers and employees, including our chief executive officer, chief financial officer and controller. The full text of the Code of Ethics is available on our website at [www.icfi.com](http://www.icfi.com).

### MANAGEMENT SHAREHOLDERS AGREEMENT

The company, CMEP and certain other stockholders are parties to a Management Shareholders Agreement, which will terminate upon completion of this public offering. Pursuant to the Management Shareholders Agreement, certain CMEP affiliates have the right to select up to a majority of the board of directors and at least one additional director, ICF’s chief executive officer is entitled to serve as a director, and the employees who are stockholders and party to the agreement are entitled to elect one director. Messrs. Jacks, Hopkins, Schulte, Bersoff and Lucien were selected by CMEP to serve on the board. The employees selected William Moody to serve on the board.

### COMPENSATION OF DIRECTORS

Our policies for the compensation of directors will be reviewed annually by the compensation committee of our board of directors, and any changes in those policies will be approved by the entire board.

**Cash Compensation.** Directors who are employed by us will not receive additional compensation for their service on the board of directors. All directors are entitled to reimbursement of expenses for attending each meeting of the board and each committee meeting.

Our non-employee directors will each receive annual retainers of \$24,000, payable quarterly, covering up to four regular board meetings, one annual meeting and a reasonable number of special board meetings. Additional retainers, if any, for additional meetings will be determined by the board of directors or the compensation committee. The chair of the audit committee will receive \$8,000 annually, and each other audit committee member will receive \$4,000 annually, payable in equal quarterly installments as compensation for services as audit committee chair and committee member, respectively. The chair of the compensation committee will receive \$6,000 annually, payable in equal quarterly installments, as compensation for service as chair of that committee, and each other compensation committee member will receive \$3,000 annually, payable in equal quarterly installments as compensation for services as compensation committee chair and committee member, respectively.

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**Restricted Stock Grants.** Non-employee members of the board upon completion of this offering, and thereafter new non-employee members of the board upon first being elected to the board of directors, will receive an initial grant of restricted shares of common stock with a fair market value equal to three times the annual cash retainer amount. These initial grants of restricted stock will vest equally over a period of three years, subject to acceleration upon events such as a change of control. Starting with their second year of service, non-employee directors will receive annual grants of restricted stock with a fair market value equal to the annual cash retainer amount. These annual restricted stock grants will vest immediately.

Board members are encouraged to own an amount of shares equal to three times their annual board compensation and may elect to convert their quarterly cash compensation into our common stock at the fair market value of our common stock on the quarterly payment date.

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**EXECUTIVE COMPENSATION**

The following table sets forth the total compensation paid or accrued for the last three years for our chief executive officer and all three of our other highest paid executive officers whose combined salary and bonus exceeded \$100,000 during 2005 for services rendered to us, collectively referred to as the named executives.

**Summary compensation table**

Name and Principal Position	Year	Annual compensation			Long-term compensation			All other compensation <sup>(2)</sup>
		Salary	Bonus <sup>(1)</sup>	Other annual compensation	Awards	Payouts		
					Restricted stock awards	Securities underlying stock options (shares)	LTIP payouts	
Sudhakar Kesavan	2005	\$330,530	\$282,000	\$ —	\$ —	—	\$ —	\$ 5,587
Chairman, President and Chief Executive Officer	2004	336,367	70,000	—	—	—	—	12,970
	2003	317,263	80,000	—	—	21,936	—	15,866
John Wasson	2005	229,142	205,000	—	—	—	—	8,400
Executive Vice President and Chief Operating Officer	2004	225,436	67,000	—	—	20,000	—	13,601
	2003	204,359	40,000	—	—	19,500	—	15,540
Alan Stewart	2005	209,791	140,000	—	—	5,000	—	7,744
Senior Vice President, Chief Financial Officer and Secretary	2004	213,430	40,000	—	—	15,000	—	13,436
	2003	193,184	40,000	—	—	11,000	—	15,920
Ellen Glover <sup>(3)</sup> Executive Vice President	2005	75,967	—	—	121,110 <sup>(4)</sup>	20,000	—	25,000

(1) The bonus amounts identified in this column were paid under our Amended and Restated Employee Annual Incentive Compensation Pool Plan. The bonus amounts for 2005 for each of Sudhakar Kesavan, John Wasson and Alan Stewart were paid partially in March 2005 and partially in April 2006.

(2) Represents matching contribution to our Retirement Savings Plan, except with respect to Ellen Glover. The \$25,000 payment to Ellen Glover included in this column represents a cash signing bonus. With respect to Sudhakar Kesavan, amounts in this column include annual term life insurance premiums of \$1,550 paid by the Company for the benefit of Mr. Kesavan.

(3) Ellen Glover joined us effective September 6, 2005.

(4) Represents the market value on September 6, 2005, the date of grant (calculated by multiplying the fair market value of our common stock on the date of the grant, which was \$7.34, by the number of shares awarded, which was 16,500. This restricted stock represented a market value of \$149,325 on December 31, 2005 (calculated by multiplying the fair market value on December 31, 2005, which was \$9.05, by the 16,500 shares awarded). Neither of these value calculations gives effect to the diminution in value attributable to the restrictions on such stock. This restricted stock vests at 25% each January 1 following the grant date. Accordingly, 4,125 shares vested on January 1, 2006. Additionally, all of these restricted shares will vest automatically if certain extraordinary transactions involving the company or CMEP occur, including the completion of this offering. If declared, dividends are payable on this stock.



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**STOCK OPTIONS**

The table below contains information relating to stock options granted to the named executives during the year ended December 31, 2005. All of these options were granted to purchase common stock. The percentage of total options granted to employees set forth below is based on an aggregate of 102,045 shares subject to options granted to our employees in 2005.

**Option grants in 2005**

Name	Individual grants				Potential realizable value at assumed annual rates of stock price appreciation for option term <sup>(1)</sup>	
	Number of securities underlying options granted	Percent of total options granted to employees in 2005	Exercise price per share	Expiration date	5%	10%
Sudhakar Kesavan	—	—	—	—	—	—
John Wasson	—	—	—	—	—	—
Alan Stewart	5,000 <sup>(2)</sup>	4.9%	\$ 9.05	December 22, 2015	\$ 76,918	\$ 149,281
Ellen Glover	20,000 <sup>(2)</sup>	19.6%	\$ 7.34	September 1, 2015	\$ 341,869	\$ 631,323

(1) The potential realizable value is calculated based on the term of the option at the time of grant. Assumed rates of stock price appreciation of 5% and 10% are prescribed by rules of the Securities and Exchange Commission and do not represent our prediction of our stock price performance. The potential realizable values at 5% and 10% appreciation are calculated by assuming that the price of \$15.00 per share in our initial public offering (the mid point of the range set forth on the cover page of this prospectus) appreciates at the indicated rate for the entire ten-year term of the option and that the option is exercised at the exercise price and sold on the last day of its term at the appreciated price.

(2) These options are vested and immediately exercisable.

**OPTION EXERCISES AND YEAR-END OPTION VALUES**

The following table sets forth information for the named executives with respect to options exercised by them during the year ended December 31, 2005 and the value of their options outstanding as of December 31, 2005.

**Aggregate option exercises in 2005 and year-end option values**

Name	Number of shares acquired on exercise	Value realized	Number of securities underlying unexercised options at year end		Value of unexercised in-the-money options at year end <sup>(1)</sup>	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Sudhakar Kesavan	—	—	226,031	—	\$2,183,643	—
John Wasson	—	—	97,771	—	881,272	—
Alan Stewart	—	—	50,000	—	422,650	—
Ellen Glover	—	—	20,000	—	153,200	—

(1) Represents the difference between the exercise price and the assumed initial public offering price of \$15.00 per share (the mid point of the range set forth on the cover page of this prospectus), multiplied by the number of shares subject to the option, without taking into account any taxes that may be payable in connection with the transaction.

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### EMPLOYMENT AGREEMENTS

#### Employment, severance and restricted stock agreements

We will enter into an amended and restated employment agreement with Sudhakar Kesavan as of the effective date of this offering. The agreement provides that Mr. Kesavan will serve as our chief executive officer, president and chairman of the board of directors and for Mr. Kesavan to receive a base salary of \$375,000 per year, with at least a \$25,000 increase in 2007 and annual increases at least equal to increases in the consumer price index each subsequent year. The compensation committee may further increase Mr. Kesavan's base salary. Mr. Kesavan will also be eligible to receive annual incentive bonuses equal to up to 100% of his base salary in the discretion of the compensation committee. We are also required to maintain a life insurance policy in an amount of at least \$1 million payable to Mr. Kesavan's immediate family. Either we or Mr. Kesavan may terminate this agreement by giving 45 days' notice to the other. Absent a change in control, if Mr. Kesavan is involuntarily terminated without cause or resigns for good reason, he will be paid all accrued salary, a severance payment equal to twenty-four months of his base salary and a pro rata bonus for the year of termination. Additionally, Mr. Kesavan's options, restricted stock and other equity compensation awards will be accelerated in connection with such a termination. Pursuant to the terms of his original employment agreement, as a result of his continuous service to the company since 1999, Mr. Kesavan may, in his discretion, declare that any termination of his employment by him is for "good reason" under the amended and restated employment agreement, resulting in our payment to him of the termination amounts, and the vesting of equity awards, described in this paragraph. Mr. Kesavan's severance agreement discussed below addresses Mr. Kesavan's severance in connection with a change in control event where Mr. Kesavan does not exercise his right to terminate his employment and declare such termination to be for good reason as described in this paragraph.

On October 1, 2005, we entered into an employment agreement with Gerald Croan. The agreement provides for Mr. Croan to receive a base salary of \$194,000 per year. Mr. Croan is also eligible to receive an award under our Amended and Restated Employee Annual Incentive Compensation Pool Plan in 2006. The employment agreement with Mr. Croan expires October 1, 2007. If Mr. Croan is involuntarily terminated without cause or resigns for good reason before October 1, 2007, he will be paid all accrued salary, bonus and benefits and a severance payment equal to the greater of twenty weeks of his base salary or his base salary for the rest of his employment term. If Mr. Croan is involuntarily terminated without cause or resigns for good reason after October 1, 2007, he will be paid all accrued salary, bonus and benefits and a severance payment equal to the greater of twenty weeks of his base salary or the amount payable, if any, under our standard severance policy on the date of his termination.

Effective as of the date of this offering, we will enter into severance protection agreements with Sudhakar Kesavan, John Wasson and Alan Stewart. For each of these executive officers, the severance protection agreements provide that if the officer is involuntarily terminated without cause or resigns for good reason within a 24 month period following a change in control, the officer will be paid all accrued salary and a pro rata bonus for the year of termination and a single lump sum equal to three times the officer's average compensation for the prior three years or the officer's term of employment if less than three years. The officer will also receive such life insurance, medical, dental, hospitalization, financial counseling and tax consulting benefits as are provided to other similarly situated executives who continue in the employ of ICF for the 36 months following termination and up to 12 months of outplacement services. Vesting of options, restricted stock or other equity compensation awards will be accelerated as provided in the applicable company equity incentive plans. The officer is not entitled to receive a "gross up" payment to account for any excise tax that might be payable under the Internal Revenue Code, although we may elect to have the severance payments reduced to the extent necessary to avoid an excise tax.

## Management

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Effective as of the date of this offering, we will enter into restricted stock award agreements with Sudhakar Kesavan, John Wasson and Alan Stewart. Under these agreements, effective upon completion of this offering, pursuant to our 2006 Long-Term Equity Incentive Plan, we will grant 50,000 restricted shares of common stock to Sudhakar Kesavan and 25,000 restricted shares of common stock to each of John Wasson and Alan Stewart. These grants of restricted stock will vest equally over a period of three years, subject to acceleration if we terminate the respective officer without cause or if the officer terminates his employment for good reason following a change in control. The officers generally will have all the rights and privileges of a stockholder with respect to the restricted stock, including the right to receive dividends and to vote.

Effective September 6, 2005, we entered into a restricted stock award agreement with Ellen Glover, pursuant to which we granted 16,500 restricted shares of common stock to Ellen Glover. This restricted stock vests at 25% each January 1 following the grant date. Accordingly, 4,125 shares vested on January 1, 2006. Additionally, all of these restricted shares will vest automatically if certain extraordinary transactions involving the company or CMEP occur, including the completion of this offering. Ellen Glover has all the rights and privileges of a stockholder with respect to the restricted stock, including the right to receive dividends and to vote.

### Employee annual incentive compensation pool plan

Executive officers and other employees may receive incentive compensation under our Amended and Restated Employee Annual Incentive Compensation Pool Plan. This plan provides that, if we meet certain EBITDA targets, an amount equal to a percentage change in EBITDA is pooled and distributed to employees by a committee of the directors based on each employee's job performance during that year. Additionally, this plan provides for a one-time pool of \$2.7 million to be allocated among our employees upon the occurrence of certain extraordinary transactions involving the company or CMEP, including the completion of this offering. Thus, immediately prior to or following the effective date of this offering, we will allocate and pay \$2.7 million among our executive officers and employees in accordance with determinations previously made by a board committee charged with making the allocation. Following the completion of this offering, the Amended and Restated Employee Annual Incentive Compensation Pool Plan will be terminated and the committee related to this plan will be dissolved.

## STOCK AND BENEFIT PLANS

### Management stock option plan

Effective June 25, 1999, ICF Consulting Group, Inc. adopted the Management Stock Option Plan or the 1999 Option Plan. The 1999 Option Plan, as amended, provides for the issuance of options for our common stock to our and our subsidiaries' eligible employees and other service providers, including officers, directors, consultants and advisors. As of August 31, 2006, there were options outstanding under the 1999 Option Plan to purchase a total of 1,542,182 shares of our common stock. Since August 31, 2006, we have not granted any options under the 1999 Option Plan. Except for a former employee's exercise of options for 22,500 shares of our common stock in July 2006, no options under the 1999 Option Plan have been exercised. No additional awards will be made under the 1999 Option Plan upon the completion of this offering and the effectiveness of the 2006 Long-Term Equity Incentive Plan described below.

### 2005 Restricted stock plan

Under our 2005 Restricted Stock Plan, a committee of the board of directors may grant restricted stock awards to our directors and employees. These awards will be subject to such terms, conditions, restrictions or limitations as the committee may determine are appropriate, including restrictions on transferability, requirements of continued employment or individual performance, or our financial

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## Management

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performance. During the period in which any shares of common stock are subject to restrictions, the compensation committee may, in its discretion, grant to the recipient of the restricted shares the rights of a stockholder with respect to such shares, including the right to vote such shares and to receive dividends paid on shares of common stock. Only two issuances, for a total of 29,000 shares of restricted stock, have been made under the 2005 Restricted Stock Plan and only one additional issuance of 7,500 restricted shares under the 2005 Restricted Stock Plan is anticipated prior to the completion of this offering. No additional awards will be made under the 2005 Restricted Stock Plan upon the completion of this offering and the effectiveness of the 2006 Long-Term Equity Incentive Plan described below.

### **2006 Long-term equity incentive plan**

Our board of directors and our stockholders have approved our 2006 Long-Term Equity Incentive Plan, or the 2006 Equity Plan, which will become effective upon completion of this offering. No additional awards will be made under our 1999 Option Plan and 2005 Restricted Stock Plan following the effectiveness of the 2006 Equity Plan.

Executive officers, other employees and non-employee directors may receive long-term incentive compensation under the 2006 Equity Plan. The 2006 Equity Plan provides for the award of stock options, stock appreciation rights, restricted stock, performance shares/units and other incentive awards.

**Purpose.** The purpose of the 2006 Equity Plan is to optimize the profitability and growth of the company through incentives consistent with the company's goals and that align the personal interests of plan participants with an incentive for individual performance. The plan is further intended to assist the company in motivating, attracting and retaining plan participants and allowing them to share in company successes.

**Administration.** The 2006 Equity Plan will be administered by the compensation committee and/or executive officers to whom the committee delegates administrative powers under the 2006 Equity Plan. The compensation committee and/or any such executive officers will determine who participates in the plan and type of awards under the plan. However, the compensation committee must fix the terms, including exercise price, and amount of awards to be granted by executive officers, and no executive officer is authorized to grant awards to any other officer or executive officer of the company (as those terms are defined by rules of the Securities and Exchange Commission).

**Eligibility.** Those persons eligible to participate in the 2006 Equity Plan are officers and other employees of ICF and our subsidiaries and our non-employee directors. No participant in the 2006 Equity Plan may receive more than 500,000 shares of common stock per calendar year, and no awards may be made under the plan on or after April 30, 2016.

**Shares Subject to the 2006 Equity Plan.** Upon completion of this offering, there will initially be 1 million shares of our common stock reserved for issuance under the 2006 Equity Plan. The number of shares of our common stock reserved under the 2006 Equity Plan shall, beginning January 1, 2007, annually increase by an amount equal to 3% of the shares of our common stock outstanding on such date or a lesser amount established by our board of directors. Except for the planned restricted stock grants to our non-employee directors and Messrs. Kesavan, Wasson and Stewart described above, no awards have been granted under the 2006 Equity Plan. The shares of common stock reserved for options outstanding under the 1999 Option Plan as of August 31, 2006 and for issuance under the 2006 Equity Plan and the 2006 Employee Stock Purchase Plan will together initially constitute approximately 27% of the shares of common stock outstanding upon completion of this offering. To the extent outstanding options are exercised, there will be dilution to investors.

**Stock Options.** Stock option awards may be granted in the form of non-statutory stock options or incentive stock options. Options are exercisable in whole or in such installments as may be determined by the compensation committee or its officer delegates. The compensation committee establishes the

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exercise price of stock options, which exercise price may not be less than the per share fair market value of our common stock on the date of the grant. The exercise price is payable in cash, shares of common stock or a combination of cash and common stock.

Stock options granted in the form of incentive stock options are also subject to certain additional limitations, as provided in Section 422 of the Internal Revenue Code of 1986, as amended. Incentive stock options may be made only to employees, and the aggregate fair market value of common stock with respect to which incentive stock options may become exercisable by an employee in any calendar year may not exceed \$100,000. In addition, incentive stock options may not be exercised after ten years from the grant date and any incentive stock option granted to an employee who owns shares of our common stock possessing more than 10% of the combined voting power of all classes of our shares must have an option price that is at least 110% of the fair market value of the shares and may not be exercisable after five years from the date of grant.

**Stock Appreciation Rights.** Stock appreciation rights are granted pursuant to stock appreciation rights awards on terms set by the compensation committee. The compensation committee determines the grant price for a stock appreciation right, except that unless otherwise designated by the compensation committee, the strike price of a stock appreciation right granted as a freestanding award will not be less than 100% of the fair market value of a share of common stock on the date of grant. Upon exercise of a stock appreciation right, we will pay the participant an amount equal to the excess of the aggregate fair market value of our common stock on the date of exercise, over the grant price. The compensation committee determines the term of stock appreciation rights granted under the 2006 Equity Plan, but unless otherwise designated by the compensation committee stock appreciation rights are not exercisable after the expiration of ten years from the date of grant. For each award of stock appreciation rights, the compensation committee will determine the extent to which the award recipient may exercise the stock appreciation rights after that recipient's service relationship with us ceases.

**Restricted Stock Awards.** The compensation committee or its officer delegates may grant restricted stock awards, which will be subject to such terms, conditions, restrictions or limitations as the compensation committee may determine are appropriate, including restrictions on transferability, requirements of continued employment or individual performance, or our financial performance. During the period in which any shares of common stock are subject to restrictions, the compensation committee may, in its discretion, grant to the recipient of the restricted shares the rights of a stockholder with respect to such shares, including the right to vote such shares and to receive dividends paid on shares of common stock.

**Performance Shares/Units.** The compensation committee or its officer delegates may grant performance shares or units subject to such terms, conditions, restrictions or limitations as the compensation committee may determine are appropriate. Performance units will be assigned an initial value established by the compensation committee and performance shares will be assigned an initial value equal to the per share fair market value of our common stock on the date of the grant. The compensation committee will set performance goals in its discretion and the number and value of the payout for the performance shares/units will be determined based on the extent to which those performance goals are met. Payouts for performance shares/units may be payable in cash, shares of common stock or a combination of cash and common stock. The compensation committee may assign rights to performance shares/units that entitle the recipient to receive any dividends declared with respect to shares of common stock earned in connection with grants of performance shares/units.

**Other Awards.** The compensation committee or its officer delegates may grant other awards, including restricted stock units, to employees or non-employee directors in amounts and on terms determined by the compensation committee.

**Change in Control.** In the event of a change in control of ICF:

- ∅ stock options and/or stock appreciation rights not otherwise exercisable will become fully exercisable;

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- ∅ all restrictions previously established with respect to restricted stock awards will lapse; and
- ∅ all performance shares/units or other awards will be deemed to be fully earned for the entire performance period applicable to them.

The vesting of all of these awards will be accelerated as of the effective date of the change in control.

**Transferability.** Except as explicitly set forth in an award agreement, the rights and interests of a participant under the 2006 Equity Plan may not be transferred, except by will or the applicable laws of descent and distribution in the event of the death of the participant.

**Adjustments upon Changes in Capitalization.** The number of shares of our common stock as to which awards may be granted under the 2006 Equity Plan and shares of common stock subject to outstanding awards will be appropriately adjusted to reflect changes in our capitalization, including stock splits, stock dividends, mergers, reorganizations, consolidations and recapitalizations.

**Amendments.** The board of directors may amend the 2006 Equity Plan at any time in any manner without stockholder approval, except that stockholder approval is required for amendments that materially increase the benefits to participants or the number of securities that may be issued under the 2006 Equity Plan, amendments that materially modify the requirements to participate in the 2006 Equity Plan, or amendments that require stockholder approval under applicable law or the rules of the NASDAQ Global Market. The compensation committee or its officer delegates may accelerate the vesting of an award or the lapse of restrictions on an award in the event of a participant's death, disability or normal or early retirement. The compensation committee or its officer delegates may also amend the terms of any previously granted award prospectively or retroactively except that no amendment may impair the rights of a participant in an award previously granted under the 2006 Equity Plan without the written consent of such participant. Further, the compensation committee or its officer delegates may not amend awards to employees who are designated by the board or the compensation committee as intended to satisfy the requirements for "qualified performance-based compensation" under Section 162(m) of the Internal Revenue Code, as amended, if such amendment would result in the loss of the Section 162(m) exemption.

### 2006 Employee stock purchase plan

Our board of directors approved our 2006 Employee Stock Purchase Plan as of April 20, 2006, and our stockholders approved the 2006 Employee Stock Purchase Plan at the 2006 annual meeting of our stockholders. The 2006 Employee Stock Purchase Plan will become effective upon completion of this offering. The 2006 Employee Stock Purchase Plan is intended to qualify as an employee stock purchase plan within the meaning of Section 423 of the Internal Revenue Code. The 2006 Employee Stock Purchase Plan provides a means by which eligible employees may purchase our common stock through payroll deductions. We will implement the 2006 Employee Stock Purchase Plan by offerings of purchase rights to eligible employees.

**Purpose.** The purpose of the 2006 Employee Stock Purchase Plan is to provide eligible employees of ICF and its subsidiaries with an opportunity to acquire equity in the company through the purchase of common stock. The plan is further intended to assist the company in retaining employees and allow them to share in company successes.

**Administration.** The 2006 Employee Stock Purchase Plan will be administered by the compensation committee.

**Eligibility.** Generally, all employees of ICF or its subsidiaries designated by the compensation committee are eligible to participate in the 2006 Employee Stock Purchase Plan except for employees who customarily work 20 hours or less per week or are customarily not employed for more than 5 months per year. However, no employee may participate in the 2006 Employee Stock Purchase Plan if

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immediately after we grant the employee a purchase right, the employee has voting power over 5% or more of our outstanding capital stock. Further, a participant's right to purchase our stock under the 2006 Employee Stock Purchase Plan, plus any other employee stock purchase plans intended to qualify under Section 423 of the Internal Revenue Code established by us or by our affiliates, is limited. The right may accrue to any participant at a rate of no more than \$25,000 worth of our stock for each calendar year in which purchase rights are outstanding.

**Shares Subject to the 2006 Employee Stock Purchase Plan.** There are currently 1 million shares of common stock of the company reserved for issuance under the 2006 Employee Stock Purchase Plan and no awards have been granted under the plan. The shares of common stock reserved for options outstanding under the 1999 Option Plan as of August 31, 2006 and for issuance under the 2006 Equity Plan and the 2006 Employee Stock Purchase Plan together constitute approximately 27% of the shares of common stock outstanding upon completion of this offering. To the extent stock is purchased under the plan, there will be dilution to investors.

**Offerings.** The compensation committee has the authority to set the terms of each offering under the 2006 Employee Stock Purchase Plan. The compensation committee may specify offerings of up to 6 months where common stock is purchased for accounts of participating employees at a price per share equal to not less than 95% of the fair market value of a share on the purchase date. Fair market value means the average of the high and low price per share of our common stock on the purchase date. The offering periods may generally start on the first business day on or after January 1 and July 1 of each year.

Participants in the plan may authorize payroll deductions be made by the company for the purchase of stock under the plan. Amounts deducted and accumulated for each participant are used to purchase shares of our common stock at the end of each offering period. Participants may end their participation in an offering with at least 20 days notice prior to a payroll deduction date. Their participation ends automatically on termination of their employment.

**Adjustments upon Changes in Capitalization.** The number of shares of our common stock subject to the 2006 Employee Stock Purchase Plan or rights to purchase under the plan, as well as the price of shares subject to purchase rights and the number of shares an employee can purchase, will be appropriately adjusted to reflect changes in our capitalization, including stock splits, stock dividends, mergers, reorganizations, consolidations and recapitalizations.

**Amendments.** The compensation committee may amend the 2006 Employee Stock Purchase Plan from time to time in any manner without stockholder approval, except the compensation committee may not make any changes that would adversely affect purchase rights previously granted under the plan unless the changes are necessary to comply with Section 423 of the Internal Revenue Code. Additionally, the compensation committee may not, without stockholder approval, make any changes that would increase the number of common shares subject to the plan or which may be purchased by an eligible employee, decrease the minimum purchase price for a share of common stock such that the plan would no longer comply with the requirements of Section 423, or change any of the provisions relating to eligibility for participation in offerings under the plan.

### 401(k) plan

We maintain the ICF Consulting Group Retirement Savings Plan, which is intended to be a tax-qualified defined contribution plan under Section 401(k) of the Internal Revenue Code of 1986, as amended. Under the terms of this plan, eligible employees may elect to contribute up to 70% of their eligible compensation as salary deferral contributions to the plan, subject to statutory limits. We make matching contributions each pay period equal to 100% of an employee's contributions up to the first 3% of the employee's compensation and we also make matching contributions equal to 50% of the employee's contributions up to the next 2% of the employee's compensation. We do not make matching contributions for employee contributions in excess of 5% of the employee's compensation.

## Certain relationships and related party transactions

The following includes a description of transactions since January 1, 2003 and certain transactions prior to that date to which we have been a party, in which the amount involved in the transaction exceeds \$60,000, and in which any of our directors, executive officers, or holders of more than 5% of our capital stock had or will have a direct or indirect material interest other than equity and other compensation, termination, change-in control and other arrangements, which are described under "Management."

### CONSULTING AGREEMENT

Our subsidiary, ICF Consulting Group, Inc., has a consulting agreement with CMLS Management, L.P. that we entered into on June 25, 1999 and which will be amended prior to completion of this offering. The consulting agreement will terminate upon the completion of this offering. CMLS Management, L.P. is an affiliate of CMEP, our majority stockholder prior to the completion of this offering. Also, Joel R. Jacks and Peter M. Schulte, who are both members of our board of directors, are the managing members of entities that direct the affairs of CMLS Management, L.P. and CMEP. CMLS Management, L.P. provides financial, acquisition, strategic, business and consulting services to the company. In consideration for these services, ICF Consulting Group, Inc. annually pays a fixed consulting fee of \$100,000 and a variable fee equal to 2% the average EBITDA of ICF Consulting Group, Inc., as calculated pursuant to the terms of the consulting agreement, based on recent fiscal years of ICF Consulting Group, Inc. Upon termination of the consulting agreement as a result of the completion of this offering, a \$90,000 termination fee will be due from ICF Consulting Group, Inc. to CMLS Management, L.P. ICF Consulting Group, Inc. paid CMLS Management, L.P. approximately \$333,000 for 2003, \$361,000 for 2004 and \$380,000 for 2005 for consulting services under the consulting agreement.

### LOANS TO EXECUTIVE OFFICERS

We provided loans to the executive officers specified below for the purpose of purchasing shares of our common stock. Each loan was approved by a majority of our board of directors, including a majority of the disinterested members of the board of directors. The loans bore interest at rates ranging from 4.0% to 7.4%. Each executive officer specified below pledged a portion of the shares acquired with the loan as security for the promissory note evidencing such loan. All of the loans were repaid by May 5, 2006.

Name & Title	Principal amount	Date of loan	January 1, 2003 to present: Largest aggregate indebtedness	Indebtedness as of August 31, 2006
Sudhakar Kesavan Chairman, President and Chief Executive Officer	\$250,000	June 25, 1999	\$ 250,000	\$ 0
John Wasson Executive Vice President and Chief Operating Officer	139,797 <sup>(1)</sup>	October 8, 2002 <sup>(1)</sup>	139,797	0
Alan Stewart Senior Vice President, Chief Financial Officer and Secretary	71,700 <sup>(2)</sup>	August 26, 2002 <sup>(2)</sup>	71,700	0
Ellen Glover Executive Vice President	216,530	September 6, 2005	216,530	0

(1) Represents two loans. The first loan was made as of October 8, 2002 in the principal amount of \$100,000 and the second loan was made as of December 28, 2004 in the principal amount of \$39,797.

(2) Represents two loans. The first loan was made as of August 26, 2002 in the principal amount of \$35,000 and the second loan was made as of December 28, 2004 in the principal amount of \$36,700.



## Principal and selling stockholders

The following table sets forth certain information regarding beneficial ownership of our common stock as of August 31, 2006, by:

- ∅ each person, or group of affiliated persons, known to us to beneficially own more than 5% of the outstanding shares of our common stock;
- ∅ each of our stockholders selling shares in this offering;
- ∅ each of our directors;
- ∅ each of our executive officers; and
- ∅ all of our directors and executive officers as a group.

The percentages shown in the following table are based on 9,286,684 shares of common stock outstanding as of August 31, 2006, after giving effect to the exercise of options and warrants to purchase an aggregate of 442,206 shares of common stock and, with respect to the percentages shown for shares beneficially owned after the offering, include the 3,659,448 shares that are being offered for sale by us in this offering. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission, and includes voting and investment power with respect to shares. The number of shares beneficially owned by a person includes shares subject to options held by that person that were exercisable as of August 31, 2006 or within 60 days of August 31, 2006. The shares issuable under those options are treated as if they were outstanding for computing the percentage ownership of the person holding those options but are not treated as if they were outstanding for the purposes of computing the percentage ownership of any other person. Unless otherwise indicated below, to our knowledge, all persons named in the table have sole voting and investment power with respect to their shares of common stock, except to the extent authority is shared by spouses under applicable law.

Unless otherwise indicated, the address of each person owning more than 5% of the outstanding shares of common stock is c/o ICF International, Inc., 9300 Lee Highway, Fairfax, VA 22031. The following table sets forth the number of shares of our common stock beneficially owned by the indicated parties. The table assumes that the underwriters' over-allotment option is not exercised.

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**Principal and selling stockholders**

Beneficial Owner	Shares beneficially owned prior to the offering		Shares beneficially owned and offered in the offering	Shares beneficially owned after the offering	
	Number	Percentage		Number	Percentage
CM Equity Partners, L.P. <sup>(1)</sup>	3,000,000	32.30%	363,758	2,636,242	20.3%
CMEP Co-Investment ICF, L.P. <sup>(1)</sup>	3,563,693	38.37%	432,107	3,131,586	24.19%
CM Equity Partners II, L.P. <sup>(1)</sup>	1,524,446	16.42%	184,843	1,339,603	10.35%
CM Equity Partners II Co-Investors, L.P. <sup>(1)</sup>	143,593	1.55%	17,411	126,182	*
CM Equity Partners, L.P. and affiliates as a group <sup>(1), (2)</sup>	8,231,732	88.64%	998,119 <sup>(3)</sup>	7,233,613	55.87%
Anton Schrafl	21,398	*	2,595	18,803	*
Mark Shufro <sup>(4)</sup>	49,944	*	6,056	43,887	*
Kenneth MacArtney	31,192	*	3,782	27,410	*
Sudhakar Kesavan <sup>(5)</sup>	326,031	3.43%	—	326,031	2.48%
John Wasson <sup>(6)</sup>	159,586	1.70%	—	159,586	1.22%
Alan Stewart <sup>(7)</sup>	65,000	*	—	65,000	*
Ellen Glover <sup>(8)</sup>	66,000	*	—	66,000	*
Gerald Croan	22,100	*	—	22,100	*
Dr. Edward H. Bersoff	15,000	*	—	15,000	*
Dr. Srikanth M. Datar	—	*	—	—	*
Joel R. Jacks <sup>(1)</sup>	8,231,732	88.64%	998,119	7,233,613	55.87%
Robert Hopkins	—	*	—	—	*
David C. Lucien	5,000	*	—	5,000	*
William Moody <sup>(9)</sup>	29,312	*	—	29,312	*
Peter M. Schulte <sup>(1)</sup>	8,231,732	88.64	998,119	7,233,613	55.87%
Directors and officers as a group (12 persons) <sup>(1), (5), (6), (7), (8), (9)</sup>	8,919,762	91.98%	998,119	7,921,642	59.31%

\* Represents beneficial ownership of less than 1%.

- (1) Directors Peter M. Schulte and Joel R. Jacks are the managing members of entities that serve as the general partners of CM Equity Partners, L.P., CMEP Co-Investment ICF, L.P., CM Equity Partners II, L.P. and CM Equity Partners II Co-Investors, L.P. Messrs. Schulte and Jacks disclaim beneficial ownership of the shares of the company's common stock owned by each of CM Equity Partners, L.P., CMEP Co-Investment ICF, L.P., CM Equity Partners II, L.P. and CM Equity Partners II Co-Investors, L.P. except to the extent of their respective pecuniary interests therein. The address for each of CM Equity Partners, L.P., CMEP Co-Investment ICF, L.P., CM Equity Partners II, L.P. and CM Equity Partners II Co-Investors, L.P. is 900 Third Avenue, 33rd Floor, New York, New York 10022-4775.
- (2) Represents shares of common stock held by CM Equity Partners, L.P. and CMEP Co-Investment ICF, L.P., CM Equity Partners II, L.P. and CM Equity Partners II Co-Investors, L.P., affiliates of CM Equity Partners, L.P.
- (3) Represents 363,758 shares offered by CM Equity Partners, L.P., 432,107 shares offered by CMEP Co-Investment ICF, L.P., 184,843 shares offered by CM Equity Partners II, L.P. and 17,411 shares offered by CM Equity Partners II Co-Investors, L.P.

(footnotes)

continued on following page)

**Principal and selling stockholders**

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- (4) *The total number of shares listed as beneficially owned by Mark Shufro includes warrants to purchase 30,904 shares of our common stock of Shufro Family Holdings, LLC.*
  - (5) *The total number of shares listed as beneficially owned by Sudhakar Kesavan includes options to purchase 226,031 shares of our common stock.*
  - (6) *The total number of shares listed as beneficially owned by John Wasson includes options to purchase 97,771 shares of our common stock.*
  - (7) *The total number of shares listed as beneficially owned by Alan Stewart includes options to purchase 50,000 shares of our common stock.*
  - (8) *The total number of shares listed as beneficially owned by Ellen Glover includes options to purchase 20,000 shares of our common stock and 12,375 shares of unvested restricted common stock.*
  - (9) *The total number of shares listed as beneficially owned by William Moody includes options to purchase 17,500 shares of our common stock.*
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## U.S. federal tax considerations for non-U.S. holders of common stock

The following is a general discussion of material U.S. federal income and estate tax consequences of the ownership and disposition of our common stock by a non-U.S. holder who acquires our common stock pursuant to this offering. The discussion is based on provisions of the Internal Revenue Code of 1986, as amended, or the Code, applicable U.S. Treasury regulations promulgated thereunder and U.S. Internal Revenue Service, or IRS, rulings and pronouncements and judicial decisions, all as in effect on the date of this prospectus, and all of which are subject to change, possibly on a retroactive basis, or different interpretations. There can be no assurance that the IRS will not take a position contrary to the tax consequences discussed below or that any positions taken by the IRS would not be sustained.

The discussion is limited to non-U.S. holders who hold our common stock as a “capital asset” within the meaning of Section 1221 of the Code (generally, property held for investment). As used in this discussion, the term “non-U.S. holder” means a beneficial owner of our common stock that is not, for U.S. federal income tax purposes:

- ∅ an individual who is a citizen or resident of the U.S.;
- ∅ a corporation (including any entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the U.S. or any political subdivision thereof;
- ∅ an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source; or
- ∅ a trust (1) if a U.S. court is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have authority to control all substantial decisions of the trust, or (2) that has made a valid election to be treated as a U.S. person for such purposes.

This discussion specifically does not address U.S. federal income and estate tax rules applicable to any person who holds our common stock through entities treated as partnerships for U.S. federal income tax purposes or through entities that are disregarded for U.S. federal income tax purposes or such entities themselves. If a partnership (including any entity or arrangement treated as a partnership for such purposes) owns our common stock, the tax treatment of a partner in the partnership will depend upon the status of the partner and the activities of the partnership. A holder that is a partnership or a disregarded entity or a holder of an interest in such an entity should consult its own tax advisor regarding the tax consequences of the purchase, ownership and disposition of our common stock.

This discussion does not consider:

- ∅ any U.S. state, local or foreign tax consequences;
- ∅ any U.S. federal gift tax consequences;
- ∅ any U.S. federal tax consideration that may be relevant to a non-U.S. holder in light of its particular circumstances or to non-U.S. holders that may be subject to special treatment under U.S. federal tax laws, including without limitation, banks or other financial institutions, insurance companies, common trust funds, tax-exempt organizations, certain trusts, hybrid entities, certain former citizens or residents of the U.S., holders subject to U.S. federal alternative minimum tax, broker-dealers and dealers or traders in securities or currencies; or
- ∅ special tax rules that may apply to a non-U.S. holder who is deemed to sell our common stock under the constructive sale provisions of the Code and to a non-U.S. holder who holds our common stock as part of a “straddle,” “hedge,” “conversion transaction,” “synthetic security” or other integrated investment.

## **U.S. federal tax considerations for non-U.S. holders of common stock**

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This discussion is for general purposes only. Prospective investors are urged to consult their own tax advisors regarding the application of the U.S. federal income and estate tax laws to their particular situations and the consequences under U.S. federal gift tax laws, as well as foreign, state and local laws and tax treaties.

### **DIVIDENDS**

As previously discussed under “Dividend Policy” above, we do not anticipate paying dividends on our common stock in the foreseeable future. If we make distributions on our common stock, those payments will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. To the extent those distributions exceed our current and accumulated earnings and profits, the distributions will constitute a return of capital and first reduce the non-U.S. holder’s adjusted tax basis, but not below zero, and then will be treated as gain from the sale of stock, as described in the section of this prospectus entitled “Gain on disposition of common stock.”

Dividends paid to a non-U.S. holder generally will be subject to withholding of tax at a 30% rate, or a lower rate under an applicable income tax treaty, unless the dividend is effectively connected with the conduct of a trade or business of the non-U.S. holder within the U.S. or, if an income tax treaty applies, attributable to a permanent establishment of the non-U.S. holder within the U.S. Under applicable U.S. Treasury regulations, a non-U.S. holder (including, in certain cases of non-U.S. holders that are entities, the owner or owners of such entities) will be required to satisfy certain certification and disclosure requirements in order to claim a reduced rate of withholding pursuant to an applicable income tax treaty. Non-U.S. holders should consult their tax advisors regarding their entitlement to benefits under a relevant income tax treaty.

Dividends that are effectively connected with a non-U.S. holder’s conduct of a trade or business in the U.S. or, if an income tax treaty applies, attributable to a permanent establishment in the U.S., are taxed on a net income basis at the regular graduated U.S. federal income tax rates in the same manner as if the non-U.S. holder were a resident of the U.S. In such cases, we will not have to withhold U.S. federal income tax if the non-U.S. holder complies with applicable certification and disclosure requirements. In addition, a “branch profits tax” may be imposed at a 30% rate, or a lower rate under an applicable income tax treaty, on dividends received by a foreign corporation that are effectively connected with the conduct of a trade or business in the U.S. A non-U.S. holder who is eligible for a reduced rate of U.S. federal withholding tax under an income tax treaty may obtain a refund or credit of any excess amounts withheld by filing an appropriate claim for a refund together with the required information with the IRS.

### **GAIN ON DISPOSITION OF COMMON STOCK**

A non-U.S. holder generally will not be subject to U.S. federal income tax with respect to gain realized on a sale or other disposition of our common stock unless one of the following applies:

- Ø the gain is effectively connected with the non-U.S. holder’s conduct of a trade or business in the U.S. or, if an income tax treaty applies, is attributable to a permanent establishment maintained by the non-U.S. holder in the U.S.; in these cases, the non-U.S. holder generally will be taxed on its net gain derived from the disposition at the regular graduated rates and in the manner applicable to U.S. persons and, if the non-U.S. holder is a foreign corporation, the “branch profits tax” described above may also apply;
- Ø the non-U.S. holder is an individual who holds the common stock as a capital asset and is present in the U.S. for 183 days or more in the taxable year of the disposition and certain other conditions are met; in this case, the non-U.S. holder will be subject to a 30% tax on the gain derived from the sale or other disposition or such lower rate as may be specified by an applicable income tax treaty; or

## U.S. federal tax considerations for non-U.S. holders of common stock

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Ø we are or have been a “U.S. real property holding corporation” for U.S. federal income tax purposes at any time within the shorter of the five-year period ending on the date of disposition or the period that the non-U.S. holder held our common stock. We do not believe that we have been, currently are, or will become, a U.S. real property holding corporation. If we were or were to become a U.S. real property holding corporation at any time during the applicable period, however, any gain recognized on a disposition of our common stock by a non-U.S. holder who did not own (directly, indirectly or constructively) more than 5% of our common stock during the applicable period would not be subject to U.S. federal income tax, provided that our common stock is “regularly traded on an established securities market” (within the meaning of Section 897(c)(3) of the Code).

### FEDERAL ESTATE TAX

Common stock owned or treated as owned by an individual who is a non-U.S. holder at the time of death will be included in the individual’s gross estate for U.S. federal estate tax purposes, unless an applicable estate tax or other treaty provides otherwise, and, therefore, such individual may be subject to U.S. federal estate tax.

### INFORMATION REPORTING AND BACKUP WITHHOLDING TAX

Dividends and proceeds from the sale or other taxable disposition of our common stock are potentially subject to backup withholding. In general, backup withholding will not apply to dividends on our common stock made by us or our paying agents, in their capacities as such, to a non-U.S. holder if the holder has provided the required certification that it is a non-U.S. holder and neither we nor our paying agent has actual knowledge (or reason to know) that the holder is a U.S. holder.

Generally, we must report to the IRS the amount of dividends paid, the name and address of the recipient and the amount, if any, of tax withheld. These information reporting requirements apply even if withholding was not required. A similar report is sent to the recipient of the dividend. Pursuant to income tax treaties or some other agreements, the IRS may make its reports available to tax authorities in the recipient’s country of residence.

In general, backup withholding and information reporting will not apply to proceeds from the disposition of our common stock paid to a non-U.S. holder if the holder has provided the required certification that it is a non-U.S. holder and neither we nor our paying agent has actual knowledge (or reason to know) that the holder is a U.S. holder.

Backup withholding is not an additional tax. Rather, the amount of any backup withholding will be allowed as a credit against the holder’s U.S. federal income tax liability, if any, and may entitle such holder to a refund, provided that the required information is furnished to the IRS in a timely manner.

Non-U.S. holders should consult their tax advisors regarding the application of the information reporting and backup withholding rules to them.

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## Description of capital stock

Upon the closing of this offering and the filing of our amended and restated certificate of incorporation, our authorized capital stock will consist of 70 million shares of common stock, \$0.001 par value per share and 5 million shares of preferred stock, \$0.001 par value per share. The following is a summary of the material features of our capital stock. For more detail, please see our amended and restated certificate of incorporation and amended and restated bylaws listed as exhibits to the registration statement of which this prospectus is a part.

### COMMON STOCK

As of August 31, 2006, there were 9,286,684 shares of common stock outstanding held by 77 stockholders of record. Based upon the number of shares outstanding as of that date, and giving effect to the issuance of the 3,659,448 shares of common stock offered by us in this offering, there will be 12,946,132 shares of common stock outstanding upon the completion of this offering. There are no shares of preferred stock outstanding.

As of August 31, 2006, 2 million shares of common stock were reserved for grants under our stock plans, and options and warrants to purchase a total of 1,573,086 shares of our common stock were outstanding.

Our common stock is all one class. Holders of common stock have identical rights. The holders of common stock do not have cumulative voting rights. Directors are elected by a plurality of the votes of the shares present in person or by proxy at the meeting and entitled to vote in such election. Subject to preferences that may be applicable to any outstanding preferred stock, holders of common stock are entitled to receive ratably such dividends, if any, as may be declared by the board of directors out of funds legally available to pay dividends. Upon our liquidation, dissolution, or winding up, the holders of common stock are entitled to receive ratably all assets after the payment of our liabilities, subject to the prior rights of any outstanding preferred stock. Holders of common stock have no preemptive, subscription, redemption, or conversion rights. They are not entitled to the benefit of any sinking fund. The outstanding shares of common stock are, and the shares of common stock offered by us in this offering will be, when issued and paid for, validly issued, fully paid and nonassessable. The rights, powers, preferences and privileges of holders of common stock are subject to the rights of the holders of shares of any series of preferred stock which we may designate and issue in the future.

In the case of a dividend or other distribution payable in shares of common stock, including distributions pursuant to stock splits or divisions of common stock, only shares of common stock may be distributed with respect to common stock.

### PREFERRED STOCK

Upon the closing of this offering and the filing of our amended and restated certificate of incorporation, the board of directors is authorized, subject to any limitations prescribed by law, without further stockholder approval, to issue up to an aggregate of 5 million shares of preferred stock. The preferred stock may be issued in one or more series and on one or more occasions. Each series of preferred stock shall have such number of shares, designations, preferences, voting powers, qualifications and special or relative rights or privileges as the board of directors may determine. These rights and privileges may include, among others, dividend rights, voting rights, redemption provisions, liquidation preferences, conversion rights and preemptive rights.

The issuance of preferred stock, while providing desirable flexibility in connection with possible acquisitions and other corporate purposes, could adversely affect the voting power or other rights of the holders of common stock. In addition, the issuance of preferred stock could make it more difficult for a third party to acquire us or discourage a third party from attempting to acquire us.

## Description of capital stock

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### WARRANTS

As of August 31, 2006, warrants to purchase 30,904 shares of our common stock at a nominal price per share were outstanding. These warrants expire on June 25, 2009. These warrants contain anti-dilution provisions providing for adjustments to the exercise price and the number of shares underlying the warrant upon the occurrence of certain events, including any issuance of common stock or convertible securities at a certain price, stock dividend, stock split, stock combination, or merger, consolidation or sale of substantially all of the assets, recapitalization or other similar transaction. As of August 31, 2006, all of our outstanding warrants were held by one warrant holder, and this warrant holder has entered into an agreement for the cashless exercise of all of its warrants upon the completion of this offering.

### ANTI-TAKEOVER EFFECTS OF VARIOUS PROVISIONS OF OUR AMENDED AND RESTATED CERTIFICATE OF INCORPORATION AND OUR AMENDED AND RESTATED BYLAWS

Provisions of our amended and restated certificate of incorporation and amended and restated bylaws, which are summarized below, may be deemed to have an anti-takeover effect and may delay, defer or prevent a tender offer or takeover attempt that a stockholder might consider in such stockholder's best interest, including those attempts that might result in a premium over the market price for the shares held by stockholders.

**Classified board of directors.** Our amended and restated certificate of incorporation and our amended and restated bylaws provide for a board of directors divided into three classes, with one class to be elected each year to serve for a three-year term. The provision for a classified board will have the effect of making it more difficult for stockholders to change the composition of our board.

**Number of directors; removal for cause; filling vacancies.** Our amended and restated certificate of incorporation and our amended and restated bylaws provide that our board of directors will consist of not less than one nor more than nine members, the exact number of which will be fixed from time to time by the holders of a majority of the company's outstanding stock at a properly called and conducted stockholders meeting or by a majority vote of the board of directors. The limitation on the total number of directors may be subject to adjustment by the rights of any outstanding preferred stock. Upon the closing of this offering, the size of our board will be fixed at five directors.

Under the General Corporation Law of the State of Delaware, or the DGCL, unless otherwise provided in our amended and restated certificate of incorporation, directors serving on a classified board may be removed by the stockholders only for cause. Our amended and restated certificate of incorporation and amended and restated bylaws also provide that any vacancy occurring on the board may be filled by a majority of the board then in office, even if less than a quorum, or by a plurality of the votes entitled to be cast in the election of directors at a stockholders' meeting. Any director elected in accordance with the preceding sentence will hold office for the remainder of the full term of the class of directors in which the new directorship was created or the vacancy occurred and until such director's successor shall have been elected and qualified. No decrease in the number of directors constituting the board of directors shall have the effect of removing or shortening the term of any incumbent director.

The director removal and vacancy provisions will make it more difficult for a stockholder to remove incumbent directors and simultaneously gain control of the board by filling vacancies created by such removal with its own nominees.

**Special meetings of stockholders.** Our amended and restated bylaws deny stockholders the right to call a special meeting of stockholders. Our amended and restated bylaws provide that a special meeting of stockholders may be called only by our board of directors.



## Description of capital stock

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**Unanimous stockholder action by written consent.** Our amended and restated certificate of incorporation requires all stockholder actions to be taken by a vote of the stockholders at an annual or special meeting or by a written consent without a meeting signed by all of the stockholders of outstanding common stock. Preferred stock may be issued with voting rights that alter these requirements for holders of preferred stock.

**Stockholder proposals.** At any meeting of stockholders, only business that is properly brought before the meeting will be conducted. To be properly brought before a meeting of stockholders, business must be specified in the notice of the meeting (or any supplement to that notice) given by or at the direction of the board of directors, brought before the meeting by or at the direction of the board or properly brought before the meeting by a stockholder. For business to be properly brought before a meeting by a stockholder, the stockholder must have given timely written notice of the business in proper written form to our corporate secretary.

To be timely, a stockholder's notice must be delivered to or mailed and received at our principal executive offices not less than 60 days nor more than 90 days prior to the date of the meeting; provided, however, that in the event that less than 75 days' notice or prior public disclosure is given or made to stockholders, notice by the stockholder must be received not later than the close of business on the 15th day following the day on which notice of the date of the meeting was mailed or public disclosure of the date of the meeting was made, whichever first occurs.

To be in proper written form, a stockholder's notice to the secretary must set forth as to each matter the stockholder proposes to bring before the meeting:

- ∅ a brief description of the business desired to be brought before the meeting and the reasons for conducting the business at the meeting;
- ∅ the name and record address of the stockholder proposing such business;
- ∅ the class, series and number of our shares of our capital stock beneficially owned by the stockholder proposing the business; and
- ∅ any material interest of the stockholder in the business that the stockholder intends to propose.

**Nomination of candidates for election to our board.** Under our amended and restated bylaws, only persons who are properly nominated will be eligible for election to be members of our board. To be properly nominated, a director candidate must be nominated at a meeting of the stockholders by or at the direction of the directors, by any nominating committee or person appointed by the directors or by any stockholder who is entitled to vote for the election of directors at the meeting and who nominates a director in accordance with our amended and restated bylaws. To properly nominate a director in accordance with our amended and restated bylaws, a stockholder must have given timely written notice in proper written form to our corporate secretary.

To be timely, a stockholder's notice must be delivered to or mailed and received at our principal executive offices not less than 60 days nor more than 90 days prior to the date of the meeting; provided, however, that in the event that less than 75 days' notice or prior public disclosure is given or made to stockholders, notice by the stockholder must be received not later than the close of business on the 15th day following the day on which notice of the date of the meeting was mailed or public disclosure of the date of the meeting was made, whichever first occurs.

To be in proper written form, a stockholder's notice to the corporate secretary must be accompanied by the written consent of each person whom the stockholder proposes to nominate for election as a director

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## Description of capital stock

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to serve as a director if elected and must set forth as to each intended director nominee (other than an incumbent director):

- ∅ the name, age, business address and residence address of the person;
- ∅ the principal occupation or employment of the person;
- ∅ the class and number of shares of our capital stock that are beneficially owned by the person; and
- ∅ any other information relating to the person that would be required to be disclosed in solicitations for proxies for election of directors pursuant to the rules and regulations of Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

Additionally, to be in proper written form, a stockholder's notice to the corporate secretary must set forth as to the stockholder giving the notice:

- ∅ the name and record address of such stockholder; and
- ∅ the class and number of shares of our capital stock that are beneficially owned by the stockholder.

**Amendment of amended and restated certificate of incorporation and amended and restated bylaws.** The DGCL provides generally that the affirmative vote of a majority of the outstanding shares entitled to vote is required to amend or repeal a corporation's amended and restated certificate of incorporation or amended and restated bylaws, unless the certificate of incorporation requires a greater percentage. Our amended and restated certificate of incorporation requires the approval of the holders of our capital stock representing at least two-thirds of the company's voting power entitled to vote in the election of directors to amend any provisions of our amended and restated certificate of incorporation described in the sections of this prospectus entitled "Classified board of directors" above and "Limitations on Liability and Indemnification of Directors and Officers" below. In addition, our amended and restated bylaws may be amended by our board of directors without a stockholder vote. Our amended and restated bylaws additionally require the approval of the holders of our capital stock representing at least two-thirds of the company's voting power entitled to vote in the election of directors to amend any provisions of our amended and restated bylaws described in the sections of this prospectus entitled "Classified board of directors," "Stockholder proposals" and "Nomination of candidates for election to our board" above.

### **ANTI-TAKEOVER EFFECTS OF PROVISIONS OF DELAWARE LAW**

We are subject to the provisions of Section 203 of the General Corporation Law of Delaware. Section 203 prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. A business combination includes mergers, consolidations, asset sales and other transactions involving us and an interested stockholder. In general, an interested stockholder is a person who, together with affiliates and associates, owns, or within three years did own, 15% or more of the corporation's voting stock.

### **LIMITATIONS ON LIABILITY AND INDEMNIFICATION OF DIRECTORS AND OFFICERS**

We have adopted provisions in our amended and restated certificate of incorporation that limit or eliminate the personal liability of our directors to the maximum extent permitted by the DGCL. The DGCL expressly permits a corporation to provide that its directors will not be liable for monetary damages for a breach of their fiduciary duties as directors, except for liability:

- ∅ for any breach of the director's duty of loyalty to us or our stockholders;

## Description of capital stock

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- ∅ for any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- ∅ under Section 174 of the DGCL (relating to unlawful stock repurchases, redemptions or other distributions or payment of dividends); or
- ∅ for any transaction from which the director derived an improper personal benefit.

These limitations of liability do not generally affect the availability of equitable remedies such as injunctive relief or rescission. Our amended and restated certificate of incorporation also obligates us to indemnify our officers, directors, employees and other agents to the fullest extent permitted under the DGCL, subject to limited exceptions. Also, we may advance expenses to our directors, officers and employees in connection with legal proceedings, subject to limited exceptions.

We may enter into separate indemnification agreements with our board members and officers that may be broader than the specific indemnification provisions contained in the DGCL. These indemnification agreements could require us, among other things, to indemnify our board members and officers against liabilities that may arise by reason of their status or service as board members and officers, other than liabilities arising from willful misconduct. These indemnification agreements may also require us to advance any expenses incurred by the board members and officers as a result of any proceeding against them as to which they could be indemnified and to obtain directors' and officers' insurance if available on reasonable terms.

The limited liability and indemnification provisions in our amended and restated certificate of incorporation and in any indemnification agreements we enter into may discourage stockholders from bringing a lawsuit against our board members for breach of their fiduciary duties and may reduce the likelihood of derivative litigation against our board members and officers, even though a derivative action, if successful, might otherwise benefit us and our stockholders. A stockholder's investment in us may be adversely affected to the extent we pay the costs of settlement or damage awards against our directors and officers under these indemnification provisions.

At present, there is no pending litigation or proceeding involving any of our directors, officers, employees or agents in which indemnification by us is sought, nor are we aware of any threatened litigation or proceeding that may result in a claim for indemnification.

## REGISTRATION RIGHTS

Following the completion of this offering, under the Amended and Restated Registration Rights Agreement between us and certain holders of shares of common stock, if we propose to register any of our equity securities under the Securities Act of 1933, our stockholders who are parties to the Amended and Restated Registration Rights Agreement are entitled to notice of such registration and are entitled to request inclusion of shares of their common stock in that registration. We are obligated to use reasonable commercial efforts to include such shares in the registration, if, and only if, CM Equity Partners, L.P., CMEP Co-Investment ICF, L.P., CM Equity Partners II, L.P. and CM Equity Partners II Co-Investors L.P. or their transferees participate as a seller in such registration. These registration rights are subject to typical conditions and limitations, among them the right of the underwriters of an offering to limit the number of shares included in the registration.

## TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the common stock is American Stock Transfer & Trust Company.

## LISTING

We have filed an application for our common stock to be listed on the Nasdaq Global Market under the symbol "ICFI."

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## Shares eligible for future sale

Prior to this offering, there was no public market for our common stock. Future sales of substantial amounts of our common stock in the public market, or the perception that these sales could occur, could adversely affect the price of our common stock. Based on the number of shares outstanding as of August 31, 2006, we will have approximately 12,946,132 shares of our common stock outstanding after the completion of this offering (approximately 13,646,632 shares if the underwriters exercise their over-allotment option in full). Of those shares, the 4,670,000 shares of common stock sold in this offering (5,370,500 shares if the underwriters exercise their over-allotment option in full) will be freely transferable without restriction, unless purchased by our affiliates. The remaining 8,276,132 shares of common stock to be outstanding immediately following the completion of this offering, which are “restricted securities” under Rule 144 of the Securities Act, or Rule 144, as well as any other shares held by our affiliates, may not be resold except pursuant to an effective registration statement or an applicable exemption from registration, including an exemption under Rule 144.

### **LOCK-UP AGREEMENTS**

The holders of approximately 8,215,604 shares of outstanding common stock as of the closing of this offering and the holders of 1,151,016 shares of common stock underlying options as of the closing of this offering, including all of our directors and executive officers and the selling stockholders have entered into lock-up agreements under which they have generally agreed, subject to certain exceptions, not to offer or sell any shares of common stock or securities convertible into or exchangeable or exercisable for shares of common stock for a period of at least 180 days from the date of this prospectus without the prior written consent of UBS Securities LLC. See “Underwriting — No Sales of Similar Securities.”

### **RULE 144**

In general, under Rule 144, an affiliate of ours who beneficially owns shares of our common stock that are not restricted securities, or a person who beneficially owns for more than one year shares of our common stock that are restricted securities, may generally sell, within any three-month period, a number of shares that does not exceed the greater of:

- Ø 1% of the number of shares of our common stock then outstanding, which will equal approximately 129,462 shares immediately after this offering; and
- Ø the average weekly trading volume of our common stock on the Nasdaq Global Market during the four preceding calendar weeks.

Sales under Rule 144 are also subject to requirements with respect to manner of sale, notice and the availability of current public information about us. Generally, a person who was not our affiliate at any time during the three months before the sale, and who has beneficially owned shares of our common stock that are restricted securities for at least two years, may sell those shares without regard to the volume limitations, manner of sale provisions, notice requirements or the requirements with respect to availability of current public information about us.

Rule 144 does not supersede the contractual obligations of our security holders set forth in the lock-up agreements described above.

### **RULE 701**

Generally, an employee, officer, director or consultant who purchased shares of our common stock before the effective date of the registration statement of which this prospectus is a part, or who holds

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**Shares eligible for future sale**

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options as of that date, under a written compensatory plan or contract, may rely on the resale provisions of Rule 701 under the Securities Act. Under Rule 701, these persons who are not our affiliates may generally sell their eligible securities, commencing 90 days after the effective date of the registration statement of which this prospectus is a part, without having to comply with the public information, holding period, volume limitation or notice provisions of Rule 144. These persons who are our affiliates may generally sell their eligible securities under Rule 701, commencing 90 days after the effective date of the registration statement of which this prospectus is a part, without having to comply with Rule 144's one-year holding period restriction.

Neither Rule 144 nor Rule 701 supersedes the contractual obligations of our security holders set forth in the lock-up agreements described above.

**REGISTRATION RIGHTS**

Upon completion of this offering, under the Amended and Restated Registration Rights Agreement between us and certain holders of shares of common stock, if we propose to register any of our equity securities under the Securities Act of 1933 (other than registrations via SEC Form S-4 or S-8), all of the parties to the Amended and Restated Registration Rights Agreement who are then current holders of common stock that has not been previously registered and is not permitted to be sold by SEC Rule 144 are entitled to notice of such registration and are entitled to request inclusion of shares of their common stock in that registration. The company is obligated to use reasonable commercial efforts to include such shares in the registration, if, and only if, CM Equity Partners, L.P., CMEP Co-Investment ICF, L.P., CM Equity Partners II, L.P. and CM Equity Partners II Co-Investors L.P. or their transferees are participating as sellers in such registration. These registration rights are subject to typical conditions and limitations, among them the right of the underwriters of an offering to limit the number of shares included in the registration.

**STOCK PLANS**

We intend to file a registration statement on Form S-8 under the Securities Act to register shares of common stock issued or reserved for issuance under our 1999 Option Plan, 2006 Equity Plan and 2006 Employee Stock Purchase Plan as soon as practicable after the completion of this offering. Accordingly, shares registered under the Form S-8 registration statement will be available for sale in the open market following its effective date, subject to Rule 144 volume limitations and the 180-day lock-up arrangement described above, if applicable.

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## Underwriting

We and the selling stockholders are offering shares of our common stock through the underwriters named below. UBS Securities LLC, Stifel, Nicolaus & Company, Incorporated, William Blair & Company, L.L.C. and Jefferies Quarterdeck, a division of Jefferies & Company, Inc. are the representatives of the underwriters. UBS Securities LLC is the sole book-running manager of our offering, and UBS Securities LLC and Stifel, Nicolaus & Company, Incorporated are the joint lead managers of our offering. We and the selling stockholders have entered into an underwriting agreement with the representatives. Subject to the terms and conditions of the underwriting agreement, each of the underwriters has severally agreed to purchase the number of shares listed next to its name in the following table:

<b>Underwriters</b>	<b>Number of shares</b>
UBS Securities LLC	
Stifel, Nicolaus & Company, Incorporated	
William Blair & Company, L.L.C.	
Jefferies Quarterdeck, a division of Jefferies & Company, Inc.	
<b>Total</b>	<b>4,670,000</b>

The underwriting agreement provides that the underwriters must buy all of the shares if they buy any of them. However, the underwriters are not required to take or pay for the shares covered by the underwriters' over-allotment option described below.

Our common stock is offered subject to a number of conditions, including:

- ∅ receipt and acceptance of our common stock by the underwriters; and
- ∅ the underwriters' right to reject orders in whole or in part.

We have been advised by the representatives that the underwriters intend to make a market in our common stock but that they are not obligated to do so and may discontinue making a market at any time without notice.

In connection with this offering, certain of the underwriters or securities dealers may distribute prospectuses electronically.

### OVER-ALLOTMENT OPTION

The underwriters have an option to buy up to an aggregate of 700,500 additional shares of our common stock from us. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with this offering. The underwriters have 30 days from the date of this prospectus to exercise this option. If the underwriters exercise this option, they will each purchase additional shares on a pro rata basis in approximately the same proportion to the amounts specified in the table above.

### DIRECTED SHARE PROGRAM

At our request, the underwriters have reserved up to 5% of the aggregate number of shares of common stock offered hereby for sale at the public offering price set forth on the cover page of this prospectus to persons who are our directors, officers, and employees, to certain vendors, suppliers, customers and business associates, and to persons who are otherwise associated with us, through a directed share program. The number of shares of common stock available for sale to the general public will be reduced by the number of directed shares purchased by participants in the directed share program. Any directed

## Underwriting

shares not purchased will be offered by the underwriters to the general public on the same basis as all other shares of common stock offered. We have agreed to indemnify the underwriters against certain liabilities and expenses, including liabilities under the Securities Act, in connection with the sales of the directed shares. We have been advised by UBS Securities LLC that any participants in the directed share program who purchase more than \$100,000 of our common stock will be required to sign a lock-up agreement, the form of which will be the same as the lock-up agreements to be entered into by all of our directors and officers and substantially all of our existing stockholders. See “—No Sales of Similar Securities” for a description of the material terms of these agreements.

### COMMISSIONS AND DISCOUNTS

Shares sold by the underwriters to the public will initially be offered at the initial offering price set forth on the cover of this prospectus. Any shares sold by the underwriters to securities dealers may be sold at a discount of up to \$ \_\_\_\_\_ per share from the initial public offering price. Any of these securities dealers may resell any shares purchased from the underwriters to other brokers or dealers at a discount of up to \$ \_\_\_\_\_ per share from the initial public offering price. If all the shares are not sold at the initial public offering price, the representatives may change the offering price and the other selling terms. Sales of shares made outside of the United States may be made by affiliates of the underwriters. Upon execution of the underwriting agreement, the underwriters will be obligated to purchase the shares at the price and upon the terms stated in the underwriting agreement and, as a result, will thereafter bear any risk associated with changing the offering price to the public or other selling terms.

The following table shows the per share and total underwriting discounts and commissions we and the selling stockholders will pay to the underwriters, assuming both no exercise and full exercise of their over-allotment option:

	Paid by us		Paid by the selling stockholders		Total	
	No exercise	Full exercise	No exercise	Full exercise	No exercise	Full exercise
Per share	\$	\$	\$	\$	\$	\$
Total	\$	\$	\$	\$	\$	\$

We estimate that the total expenses of this offering payable by us, not including the underwriting discounts and commissions, will be approximately \$2.2 million. The selling stockholders are not obligated to reimburse us for any of such expenses.

### NO SALES OF SIMILAR SECURITIES

We, the selling stockholders, our executive officers and directors and most of our other existing security holders (representing in excess of 95% of our shares outstanding prior to this offering on a fully diluted basis) have entered, and certain individuals who purchase shares of our common stock in this offering through the directed share program may enter, into lock-up agreements with the underwriters. Under these agreements, subject to certain exceptions, we and each of these persons may not, without the prior written approval of UBS Securities LLC, offer, sell, contract to sell or otherwise dispose of, directly or indirectly, or hedge our common stock or securities convertible into or exchangeable for our common stock. These restrictions will be in effect for a period of 180 days after the date of this prospectus. At any time and without public notice, UBS Securities LLC may, in its sole discretion, release some or all of the securities from these lock-up agreements.

Notwithstanding the foregoing, if (1) during the last 17 days of the 180-day lock-up period we issue an earnings release or material news or a material event relating to us occurs or (2) prior to the expiration of the 180-day lock-up period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 180-day lock-up period, then the restrictions described above will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event.

## Underwriting

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### INDEMNIFICATION AND CONTRIBUTION

We and the selling stockholders have agreed to indemnify the underwriters and their controlling persons against certain liabilities, including certain liabilities under the Securities Act. If we or the selling stockholders are unable to provide this indemnification, we and the selling stockholders have agreed to contribute to payments the underwriters and their controlling persons may be required to make in respect of those liabilities.

### LISTING

We have applied to have our common stock approved for listing on the Nasdaq Global Market under the symbol “ICFI.”

### PRICE-STABILIZATION, SHORT POSITIONS

In connection with this offering, the underwriters may engage in activities that stabilize, maintain or otherwise affect the price of our common stock, including:

- ∅ stabilizing transactions;
- ∅ short sales;
- ∅ purchases to cover positions created by short sales;
- ∅ imposition of penalty bids;
- ∅ syndicate covering transactions; and
- ∅ passive market making.

Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of our common stock while this offering is in progress. These transactions may also include making short sales of our common stock, which involve the sale by the underwriters of a greater number of shares of common stock than they are required to purchase in this offering and purchasing shares of common stock in the open market to cover positions created by short sales. Short sales may be “covered short sales,” which are short positions in an amount not greater than the underwriters’ over-allotment option referred to above, or may be “naked short sales,” which are short positions in excess of that amount.

The underwriters may close out any covered short position either by exercising their over-allotment option, in whole or in part, or by purchasing shares in the open market. In making this determination, the underwriters will consider, among other things, the price of shares available for purchase in the open market compared to the price at which they may purchase shares through the over-allotment option.

Naked short sales are sales in excess of the over-allotment option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market that could adversely affect investors who purchased in this offering.

The underwriters also may impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of that underwriter in stabilizing or short covering transactions.

In connection with this offering, certain underwriters and selling group members, if any, who are qualified market makers on the Nasdaq Global Market may engage in passive market making transactions in our common stock on the Nasdaq Global Market in accordance with Rule 103 of



## Underwriting

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Regulation M under the Securities Exchange Act of 1934. In general, a passive market maker must display its bid at a price not in excess of the highest independent bid of such security; if all independent bids are lowered below the passive market maker's bid, however, such bid must then be lowered when certain purchase limits are exceeded.

As a result of these activities, the price of our common stock may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the underwriters at any time. The underwriters may carry out these transactions on the Nasdaq Global Market, in the over-the-counter market or otherwise.

### DETERMINATION OF OFFERING PRICE

Prior to this offering, there was no public market for our common stock. The initial public offering price will be determined by negotiation by us, the selling stockholders and the representatives of the underwriters. The principal factors to be considered in determining the initial public offering price include:

- ∅ the information set forth in this prospectus and otherwise available to the representatives;
- ∅ our history and prospects and the history of, and prospects for, the industry in which we compete;
- ∅ our past and present financial performance and an assessment of our management;
- ∅ our prospects for future earnings and the present state of our development;
- ∅ the general condition of the securities markets at the time of this offering;
- ∅ the recent market prices of, and the demand for, publicly traded common stock of generally comparable companies; and
- ∅ other factors deemed relevant by the underwriters, the selling stockholders and us.

### AFFILIATIONS

Certain of the underwriters or their affiliates have in the past provided commercial banking, financial advisory, investment banking or other services for us and our affiliates, including companies we have acquired, or for the selling stockholders and their affiliates, for which they received customary fees. The underwriters and their affiliates may in the future provide these types of services to us, the selling stockholders and our respective affiliates.

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## Notice to investors

### EUROPEAN ECONOMIC AREA

With respect to each Member State of the European Economic Area which has implemented Prospectus Directive 2003/71/EC, including any applicable implementing measures, from and including the date on which the Prospectus Directive is implemented in that Member State, the offering of our common stock in this offering is only being made:

- (a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- (c) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

### UNITED KINGDOM

Shares of our common stock may not be offered or sold and will not be offered or sold to any persons in the United Kingdom other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses and in compliance with all applicable provisions of the FSMA with respect to anything done in relation to shares of our common stock in, from or otherwise involving the United Kingdom. In addition, each Underwriter has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of shares of our common stock in circumstances in which Section 21(1) of the FSMA does not apply to the Company. Without limitation to the other restrictions referred to herein, this offering circular is directed only at (1) persons outside the United Kingdom, (2) persons having professional experience in matters relating to investments who fall within the definition of “investment professionals” in Article 19(5) of the Financial Services and Markets act 2000 (Financial Promotion) Order 2005; or (3) high net worth bodies corporate, unincorporated associations and partnerships and trustees of high value trusts as described in Article 49(2) of the Financial Services and Markets act 2000 (Financial Promotion) Order 2005. Without limitation to the other restrictions referred to herein, any investment or investment activity to which this offering circular relates is available only to, and will be engaged in only with, such persons, and persons within the United Kingdom who receive this communication (other than persons who fall within (2) or (3) above) should not rely or act upon this communication.

### SWITZERLAND

Shares of our common stock may be offered in Switzerland only on the basis of a non-public offering. This prospectus does not constitute an issuance prospectus according to articles 652a or 1156 of the Swiss Federal Code of Obligations or a listing prospectus according to article 32 of the Listing Rules of the Swiss exchange. The shares of our common stock may not be offered or distributed on a professional basis in or from Switzerland and neither this prospectus nor any other offering material relating to shares of our common stock may be publicly issued in connection with any such offer or distribution. The shares have not been and will not be approved by any Swiss regulatory authority. In particular, the shares are not and will not be registered with or supervised by the Swiss Federal Banking Commission, and investors may not claim protection under the Swiss Investment Fund Act.

## Legal matters

The validity of the shares of common stock offered hereby will be passed upon for us by Squire, Sanders & Dempsey L.L.P., Tysons Corner, Virginia. Certain legal matters in connection with this offering will be passed upon for the underwriters by Davis Polk & Wardwell, New York, New York.

## Experts

The consolidated financial statements of ICF as of December 31, 2004 and 2005 and for the years ended December 31, 2003, 2004 and 2005 included in this prospectus have been audited by Grant Thornton LLP, independent registered public accounting firm, as stated in their report appearing herein and elsewhere in the registration statement, and are included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing in giving said reports.

The consolidated financial statements of Caliber Associates, Inc. as of and for the year ended December 31, 2004 included in this prospectus have been audited by Argy, Wiltse & Robinson, P.C., independent auditors, and are included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing. Argy, Wiltse & Robinson, P.C., are not registered with the Public Company Accounting Oversight Board, and their audit opinion on the financial statements of Caliber Associates, Inc. is included herein in reliance upon paragraph II.P.2 of the outline entitled "Current Accounting and Disclosure Issues in the Division of Corporation Finance," dated March 4, 2005, prepared by accounting staff members in the Division of Corporation Finance of the Securities and Exchange Commission.

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## Where you can find more information

We have filed with the Securities and Exchange Commission, or the SEC, a registration statement on Form S-1 under the Securities Act with respect to the shares of common stock we are offering. This prospectus does not contain all of the information in the registration statement and the exhibits to the registration statement. For further information with respect to us and our common stock, we refer you to the registration statement and to the exhibits to the registration statement. Statements contained in this prospectus about the contents of any contract or any other document are not necessarily complete, and, in each instance, we refer you to the copy of the contract or other document filed as an exhibit to the registration statement. Each of these statements is qualified in all respects by this reference.

You may read and copy the registration statement of which this prospectus is a part at the SEC's Public Reference Room, which is located at 100 F Street, N.E., Room 1850, Washington, D.C. 20549. You can request copies of the registration statement by writing to the SEC and paying a fee for the copying cost. Please call the SEC at 1-800-SEC-0330 for more information about the operation of the SEC's Public Reference Room. In addition, the SEC maintains an Internet website, which is located at <http://www.sec.gov>, that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. You may access the registration statement of which this prospectus is a part at the SEC's Internet website. Upon completion of this offering, we will be subject to the information reporting requirements of the Securities Exchange Act of 1934, and we will file reports, proxy statements and other information with the SEC.

We maintain an Internet website at [www.icfi.com](http://www.icfi.com). We have not incorporated by reference into this prospectus the information on our website, and you should not consider it to be a part of this prospectus.

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## Report of Independent Registered Public Accounting Firm

Board of Directors

ICF International, Inc., and Subsidiaries

(formerly known as ICF Consulting Group Holdings, Inc., and Subsidiaries)

We have audited the accompanying consolidated balance sheets of ICF International Inc., and Subsidiaries (formerly known as ICF Consulting Group Holdings, Inc., and Subsidiaries) (the Company) as of December 31, 2004 and 2005, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes 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, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of ICF International, Inc. and subsidiaries as of December 31, 2004 and 2005, and the consolidated results of their operations and cash flows for the three years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ GRANT THORNTON LLP

Vienna, Virginia

April 4, 2006 (except for Note R, as to which the date is April 14, 2006)

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## ICF International, Inc., and Subsidiaries

## CONSOLIDATED BALANCE SHEETS

	December 31, 2004	December 31, 2005	June 30, 2006 (unaudited)
	(in thousands, except share amounts)		
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	\$ 797	\$ 499	\$ 1,144
Contract receivables, net	29,470	52,871	67,651
Notes receivable, current portion	600	—	—
Prepaid expenses	928	1,549	1,672
Deferred income tax	983	2,342	5,115
<b>Total Current Assets</b>	<b>32,778</b>	<b>57,261</b>	<b>75,582</b>
<b>Property and Equipment, net</b>	<b>4,065</b>	<b>3,984</b>	<b>4,901</b>
<b>Note Receivable, net of current portion</b>	<b>600</b>	<b>—</b>	<b>—</b>
<b>Goodwill</b>	<b>53,287</b>	<b>81,182</b>	<b>81,145</b>
<b>Other Intangible Assets</b>	<b>2,205</b>	<b>4,127</b>	<b>3,430</b>
<b>Restricted Cash</b>	<b>—</b>	<b>3,500</b>	<b>3,596</b>
<b>Other Assets</b>	<b>1,122</b>	<b>1,070</b>	<b>2,578</b>
<b>Total Assets</b>	<b>\$ 94,057</b>	<b>\$ 151,124</b>	<b>\$ 171,232</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 4,187	\$ 7,062	\$ 7,786
Accrued salaries and benefits	7,410	10,201	9,810
Accrued expenses	7,205	8,271	11,853
Current portion of long-term debt	4,235	6,767	12,400
Deferred revenue	4,081	6,396	14,745
Income tax payable	158	423	800
<b>Total Current Liabilities</b>	<b>27,276</b>	<b>39,120</b>	<b>57,394</b>
<b>Long-term Debt, net of current portion</b>	<b>16,844</b>	<b>54,205</b>	<b>52,532</b>
<b>Deferred Rent</b>	<b>1,395</b>	<b>1,568</b>	<b>1,441</b>
<b>Deferred Income Tax</b>	<b>591</b>	<b>2,730</b>	<b>2,730</b>
<b>Other Liabilities</b>	<b>90</b>	<b>598</b>	<b>3,273</b>
<b>Total Liabilities</b>	<b>46,196</b>	<b>98,221</b>	<b>117,370</b>
<b>Commitments and Contingencies</b>			
	—	—	—
<b>Stockholders' Equity</b>			
Common stock, \$.01 par value; 20,000,000 shares authorized, 9,232,565, 9,300,685 and 9,300,685 issued, and 9,016,947, 9,164,157 and 9,229,807 outstanding as of December 31, 2004, December 31, 2005 and June 30, 2006	92	93	93
Additional paid-in capital	48,099	50,825	51,144
Retained earnings	1,812	3,834	3,522
Treasury stock	(1,383)	(918)	(520)
Stockholder notes receivable	(944)	(1,139)	(568)
Accumulated other comprehensive income	185	208	191
<b>Total Stockholders' Equity</b>	<b>47,861</b>	<b>52,903</b>	<b>53,862</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 94,057</b>	<b>\$ 151,124</b>	<b>\$ 171,232</b>

The accompanying notes are an integral part of these statements.

## ICF International, Inc., and Subsidiaries

## CONSOLIDATED STATEMENTS OF OPERATIONS

	Year ended December 31,			Six months ended	
	2003	2004	2005	July 1, 2005	June 30, 2006
	(in thousands, except per share amounts)				
<b>Revenue</b>	\$ 145,803	\$ 139,488	\$ 177,218	\$ 83,285	\$ 109,593
<b>Direct Costs</b>	91,022	83,638	106,078	49,415	66,462
<b>Operating Expenses</b>					
Indirect and selling expenses	45,335	46,097	60,039	27,516	39,861
Depreciation and amortization	3,000	3,155	5,541	1,673	1,666
<b>Earnings from Operations</b>	6,446	6,598	5,560	4,681	1,604
<b>Other (Expense) Income</b>					
Interest expense, net	(3,095)	(1,266)	(2,981)	(1,210)	(2,165)
Other	33	(33)	1,308	—	—
<b>Total Other Expense</b>	(3,062)	(1,299)	(1,673)	(1,210)	(2,165)
<b>Income (Loss) from Continuing Operations Before Income Taxes</b>	3,384	5,299	3,887	3,471	(561)
<b>Income Tax Expense (Benefit)</b>	1,320	2,466	1,865	1,666	(249)
<b>Income (Loss) from Continuing Operations</b>	2,064	2,833	2,022	1,805	(312)
<b>Discontinued Operations</b>					
Income (loss) from discontinued operations, net of taxes of \$194, and \$(123) respectively	308	(196)	—	—	—
Gain from disposal of subsidiary, net of tax of \$239	—	380	—	—	—
<b>Income from Discontinued Operations</b>	308	184	—	—	—
<b>Net Income (Loss)</b>	\$ 2,372	\$ 3,017	\$ 2,022	\$ 1,805	\$ (312)
<b>Earnings (Loss) from Continuing Operations per Share-Basic</b>	\$ 0.23	\$ 0.31	\$ 0.22	\$ 0.20	\$ (0.03)
<b>Earnings (Loss) from Continuing Operations per Share-Diluted</b>	\$ 0.23	\$ 0.30	\$ 0.21	\$ 0.19	\$ (0.03)
<b>Earnings from Discontinued Operations per Share-Basic</b>	\$ 0.03	\$ 0.02	\$ —	\$ —	\$ —
<b>Earnings from Discontinued Operations per Share-Diluted</b>	\$ 0.03	\$ 0.02	\$ —	\$ —	\$ —
<b>Earnings (Loss) per Share-Basic</b>	\$ 0.26	\$ 0.33	\$ 0.22	\$ 0.20	\$ (0.03)
<b>Earnings (Loss) per Share-Diluted</b>	\$ 0.26	\$ 0.32	\$ 0.21	\$ 0.19	\$ (0.03)
<b>Weighted-average Shares Outstanding — Basic</b>	9,088	9,080	9,185	9,163	9,248
<b>Weighted-average Shares Outstanding — Diluted</b>	9,210	9,398	9,737	9,487	9,248

The accompanying notes are an integral part of these statements.



**ICF International, Inc., and Subsidiaries**
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

	Common Stock		Additional Paid-in Capital	(Accumulated Deficit) Retained Earnings	Treasury Stock		Stockholder Notes Receivable	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount			Shares	Amount			
<b>January 1, 2003</b>	9,035	\$ 92	\$ 48,554	\$ (3,577)	197	\$ (1,199)	\$ (737)	\$ (54)	\$43,079
Net income	—	—	—	2,372	—	—	—	—	2,372
<b>Other Comprehensive Income</b>									
Foreign currency translation adjustment	—	—	—	—	—	—	—	349	349
<b>Total Comprehensive Income</b>									2,721
Purchase of warrants	—	—	(506)	—	—	—	—	—	(506)
Payments on stockholder notes	—	—	—	—	—	—	13	—	13
Interest receivable from stockholder notes	—	—	—	—	—	—	(31)	—	(31)
<b>December 31, 2003</b>	9,035	92	48,048	(1,205)	197	(1,199)	(755)	295	45,276
Net income	—	—	—	3,017	—	—	—	—	3,017
<b>Other Comprehensive Income</b>									
Foreign currency translation adjustment	—	—	—	—	—	—	—	(110)	(110)
<b>Total Comprehensive Income</b>									2,907
Net payments from management stockholder issuances and buybacks	(18)	—	51	—	18	(184)	(191)	—	(324)
Payments on stockholder notes	—	—	—	—	—	—	33	—	33
Interest receivable from stockholder notes	—	—	—	—	—	—	(31)	—	(31)
<b>December 31, 2004</b>	9,017	92	48,099	1,812	216	(1,383)	(944)	185	47,861
Net income	—	—	—	2,022	—	—	—	—	2,022
<b>Other Comprehensive Income</b>									
Foreign currency translation adjustment	—	—	—	—	—	—	—	23	23
<b>Total Comprehensive Income</b>									2,045
Issuance of common stock—Synergy acquisition	68	1	499	—	—	—	—	—	500
Non-cash equity compensation	—	—	2,138	—	—	—	—	—	2,138
Net payments from management stockholder issuances and buybacks	79	—	89	—	(79)	465	(242)	—	312
Payments on stockholder notes	—	—	—	—	—	—	107	—	107
Interest receivable from stockholder notes	—	—	—	—	—	—	(60)	—	(60)
<b>December 31, 2005</b>	9,164	\$ 93	\$ 50,825	\$ 3,834	137	\$ (918)	\$ (1,139)	\$ 208	\$52,903
Net Loss	—	—	—	(312)	—	—	—	—	(312)
<b>Other Comprehensive Income</b>									
Foreign currency translation adjustment	—	—	—	—	—	—	—	(17)	(17)
<b>Total Comprehensive Income (Loss)</b>									(329)
Non-cash equity compensation	—	—	272	—	—	—	—	—	272
Net payments from management stockholder issuances	66	—	47	—	(66)	398	(145)	—	300
Payments on stockholder notes	—	—	—	—	—	—	752	—	752
Interest receivable from stockholder notes	—	—	—	—	—	—	(36)	—	(36)
<b>June 30, 2006 (unaudited)</b>	9,230	\$ 93	\$ 51,144	\$ 3,522	71	\$ (520)	\$ (568)	\$ 191	\$53,862

The accompanying notes are an integral part of these statements.

## ICF International, Inc., and Subsidiaries

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,			Six months ended	
	2003	2004	2005	July 1, 2005	June 30, 2006
	(in thousands)				
<b>Cash Flows from Operating Activities</b>					
Net income (loss) from continuing operations	\$ 2,064	\$ 2,833	\$ 2,022	\$ 1,805	\$ (312)
Net income (loss) from discontinued operations	308	(196)	—	—	—
Gain on disposal of subsidiary, net of tax	—	380	—	—	—
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Accrued interest on stockholder notes	(31)	(31)	(60)	(26)	(36)
(Benefit) Provision for deferred income taxes	967	(280)	(1,916)	—	(2,773)
Gain on disposal of subsidiary	—	(620)	—	—	—
(Gain) loss on disposal of fixed assets	(11)	33	50	—	163
Non-cash equity compensation	—	—	2,138	—	272
Depreciation and amortization	3,000	3,155	5,541	1,673	1,666
Amortization of debt discount	913	—	—	—	—
Changes in operating assets and liabilities:					
Contract receivables, net	5,096	4,350	(4,340)	(3,428)	(14,900)
Prepaid expenses and other assets	(124)	(259)	(100)	(650)	(147)
Assets held for sale	(191)	—	—	—	—
Income tax receivable	177	259	—	—	—
Accounts payable	(2,434)	(179)	1,279	(1,452)	724
Accrued salaries and benefits	383	(1,990)	(3,170)	709	(391)
Accrued expenses	(1,365)	(2,365)	(580)	1,218	3,590
Deferred revenue	3,035	(2,163)	1,670	671	8,349
Income tax payable	—	158	(472)	(1,846)	377
Liabilities held for sale	(17)	—	—	—	—
Deferred rent	414	184	41	56	(79)
Other liabilities	(424)	—	133	—	2,675
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>11,760</b>	<b>3,269</b>	<b>2,236</b>	<b>(1,270)</b>	<b>(822)</b>
<b>Cash Flows from Investing Activities</b>					
Purchase of property and equipment	(1,930)	(1,155)	(1,370)	(547)	(1,913)
Proceeds from sale of property and equipment	222	11	—	—	—
Proceeds from sale of subsidiary	—	659	—	—	—
Payments received on notes receivable	—	300	1,200	300	—
Payments for trademark applications	—	—	—	—	(37)
Payments for ADL acquisition	(383)	—	—	—	—
Payments for Synergy acquisition	—	—	(18,546)	(18,563)	—
Payments for Caliber acquisition	—	—	(20,058)	—	102
Capitalized software development costs	(30)	—	(70)	—	(142)
<b>Net Cash Used in Investing Activities</b>	<b>(2,121)</b>	<b>(185)</b>	<b>(38,844)</b>	<b>(18,810)</b>	<b>(1,990)</b>
<b>Cash Flows from Financing Activities</b>					
Payments on notes payable	(23,537)	(4,235)	(21,808)	(2,083)	(2,567)
Proceeds from notes payable	12,000	—	38,647	18,647	—
Net borrowings from working capital facilities	3,518	766	23,054	2,642	6,527
Restricted cash related to Caliber acquisition	—	—	(3,500)	—	(96)
Debt issue costs	(493)	(60)	(525)	(323)	(132)
Prepaid offering costs	—	—	—	—	(1,310)
Purchase of warrants	(506)	—	—	—	—
Net payments for stockholder issuances and buybacks	—	(324)	312	350	300
Payments received on stockholder notes	13	33	107	41	752
<b>Net Cash Provided by (Used In) Financing Activities</b>	<b>(9,005)</b>	<b>(3,820)</b>	<b>36,287</b>	<b>19,274</b>	<b>3,474</b>
<b>Effect of Exchange Rate on Cash</b>	<b>349</b>	<b>(110)</b>	<b>23</b>	<b>9</b>	<b>(17)</b>
<b>(Decrease) Increase in Cash</b>	<b>983</b>	<b>(846)</b>	<b>(298)</b>	<b>(797)</b>	<b>645</b>
Cash, beginning of year	660	1,643	797	797	499
<b>Cash, end of year</b>	<b>\$ 1,643</b>	<b>\$ 797</b>	<b>\$ 499</b>	<b>\$ —</b>	<b>\$ 1,144</b>



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note A — Basis of Presentation and Nature of Operations**

**Interim Results**

The financial statements as of June 30, 2006 and for the six months ended July 1, 2005 and June 30, 2006 have been prepared by ICF International, Inc. without an audit and in accordance with accounting principles generally accepted in the United States (US GAAP) and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not contain all of the information and footnotes required by US GAAP for complete financial statements. All disclosures as of June 30, 2006 and for the six months ended July 1, 2005 and June 30, 2006, presented in the notes to the financial statements are unaudited. In the opinion of management, all adjustments (which include only normal recurring adjustments) considered necessary to present fairly the financial condition as of June 30, 2006 and results of operations and cash flows for the six months ended July 1, 2005 and June 30, 2006, have been made. The results of operations for the six months ended June 30, 2006 are not necessarily indicative of the results that may be expected for the full year ended December 31, 2006.

**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). The operations of Consulting are conducted within the following subsidiaries:

- ∅ The K.S. Crump Group, LLC
  - ∅ ICF Incorporated, LLC
  - ∅ ICF Information Technology, LLC
  - ∅ ICF Resources, LLC
  - ∅ Systems Applications International, LLC
  - ∅ ICF Associates, LLC
  - ∅ Commentworks.com Company, LLC
  - ∅ ICF Services Company, LLC
  - ∅ ICF Consulting Services, LLC
  - ∅ ICF Emergency Management Services, LLC
  - ∅ ICF Program 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.
  - ∅ Simulation Support, Inc.
  - ∅ ICF Biomedical Consulting, LLC
  - ∅ Caliber Associates, Inc.
  - ∅ Collins Management Consulting, Inc.
  - ∅ Fried & Sher, Inc.
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

With the exception of immaterial minority interests in ICF Consulting do Brasil, Ltda. and ICF/EKO, all subsidiaries are wholly owned by Consulting.

On June 25, 1999, ICFI purchased 90 percent of the outstanding shares of common stock of Consulting from Consulting's then parent, ICF Kaiser International, Inc. (Kaiser). In September 2002, ICFI purchased the remaining 10 percent of the outstanding shares of Consulting previously owned by Kaiser for \$4.5 million (see Note K). Consulting then became a wholly owned subsidiary of ICFI. ICFI is a holding company with no operations or assets, other than its investment in the common stock of Consulting. All significant intercompany transactions and balances have been eliminated.

**Nature of operations**

The Company provides management, technology, and policy professional services in the areas of defense and homeland security, energy, environment and infrastructure, and health, human services and social programs. The Company's major clients are United States (U.S.) government agencies, especially the Department of Defense, the Environmental Protection Agency, Department of Homeland Security, Department of Justice, Department of Health and Human Services, and Department of Transportation; commercial entities, particularly electric and gas utilities and other 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 experienced professional staff, industry and institutional knowledge, and analytical methods.

The Company, incorporated in Delaware, is headquartered in Fairfax, Virginia, with 15 primary domestic regional offices and international offices in Brazil, Canada, India, Russia, and the United Kingdom.

**Segment**

The Company has concluded that it operates in one segment based upon the information used by our chief operating decision makers in evaluating the performance of its business and allocating resources. Our single segment represents the Company's core business, professional services primarily for federal government clients. Although the Company describes multiple service offerings to four 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.

**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-type, time-and-materials, or fixed-price contracts. Revenues under cost-type contracts are recognized as costs are incurred. Applicable estimated profits are included in earnings in the proportion that incurred costs bear to total estimated costs. Incentives, award fees, or penalties related to performance are also considered in estimating revenues 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.

Service revenue for fixed-price contracts is recognized when earned, generally as work is performed in accordance with the provisions of the Securities and Exchange Commission's (SEC) Staff Accounting

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

Bulletin No. 104, *Revenue Recognition*. Services performed vary from contract to contract and are not uniformly performed over the term of the arrangement. Revenues on most fixed-price contracts are recorded based on contract costs incurred to date compared with total estimated costs at completion on a task or work order basis. 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. Progress on a contract is matched against project costs and costs to complete on a periodic basis. Customers are obligated to pay as services are performed, and in the event that an agency of the federal government cancels the contract, payment for services performed through the date of cancellation is negotiated with the client. Revenues under certain other fixed-price contracts are recognized ratably over the contract period.

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 revenues with corresponding costs incurred by the Company included in cost of revenues.

From time to time, the Company may proceed with work based on client commitment prior to the completion and signing of formal contract documents. The Company has a formal review process for approving any such work. Revenue associated with such work is recognized only when it can reliably be estimated and realization is probable.

Approximately 72 percent of the Company's revenue for each of the years 2003, 2004, and 2005 was derived under prime contracts and subcontracts with agencies and departments of the federal government. Revenue by contract type is as follows:

	Year ended December 31,			Six months ended	
	2003	2004	2005	July 1, 2005	June 30, 2006
				(unaudited)	
Time-and-materials	40%	37%	42%	43%	44%
Cost-based	44%	41%	34%	34%	32%
Fixed-price	16%	22%	24%	23%	24%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

For the years ending December 31, 2003, 2004, and 2005, revenue from various branches of the Department of Defense (DoD) accounted for approximately 6 percent or \$8.2 million, 8 percent or \$11.3

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

million, and 18 percent or \$31.8 million, respectively. The accounts receivable due from DoD contracts as of December 31, 2004 and 2005, was approximately \$1.7 million and \$7.8 million, respectively.

For the years ending December 31, 2003, 2004, and 2005, revenue from various branches of the Environmental Protection Agency (EPA) accounted for approximately 21 percent or \$30.3 million, 21 percent or \$29.4 million, and 16 percent or \$27.7 million, respectively. The accounts receivable due from EPA contracts as of December 31, 2004 and 2005, was approximately \$4.4 million and \$4.6 million, respectively.

Payments to the Company on cost-type 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, 2001. Contract revenue for subsequent periods has been recorded in amounts, which are expected to be realized upon final audit and settlement of costs in those years.

**Cash**

As of December 31, 2004 and 2005, the Company held \$0.9 million and \$0.4 million, respectively, in foreign financial institutions.

**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.

**Goodwill and other intangible assets**

Goodwill represents the excess of costs over fair value of assets of businesses acquired. The Company adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 142, *Goodwill and Other Intangible Assets*, as of January 1, 2002. 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 in accordance with the provisions of SFAS No. 142. SFAS No. 142 also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS No. 144, *Accounting for Impairment or Disposal of Long-lived Assets*.

The Company has elected to perform the annual goodwill impairment review on September 30 of each year. Based upon management's review, including a valuation report issued by an investment bank, it was determined that a goodwill impairment charge was not required in 2003, 2004, or 2005.

**Long-lived assets**

The Company follows the provisions of SFAS No. 144 in accounting for impairment or disposal of long-lived assets. SFAS No. 144 requires that long-lived assets and certain identifiable intangibles be 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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

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.

**Stock-based compensation plan**

Prior to January 1, 2006, as permitted under SFAS No. 123, *Accounting for Stock-Based Compensation*, the Company accounted for its stock-based compensation plan using the intrinsic value method prescribed by Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*.

On December 26, 2005, the Board of Directors approved resolutions to accelerate the vesting of all outstanding unvested options previously awarded to employees and officers of the Company effective December 30, 2005. Options to purchase 774,450 shares of stock with exercise prices ranging from \$5.00 to \$9.05 were accelerated. The majority of these options were performance based and subject to variable plan accounting under APB Opinion No. 25. Because the Company never attained the performance objectives, a measurement date had yet to be established for the performance based options. The option agreements also provide for full vesting upon a “change of control” event. Such an event would trigger a measurement date under APB Opinion No. 25 and the recording of compensation expense. The acceleration of the vesting of these options resulted in the Company recording a non-cash stock compensation expense of approximately \$2.1 million during the year ended December 31, 2005, using the intrinsic value method.

Historically, as a private company, the Company has disclosed pro forma SFAS No. 123 information using the minimum value method, which, in accordance with SFAS No. 123(R), is no longer presented.

**Implementation of FASB 123(R)**

In December 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 123 (revised 2004) (SFAS No. 123(R)), *Share-Based Payment*, which requires that compensation costs related to share-based payment transactions be recognized in financial statements. SFAS No. 123(R) eliminates the alternative to use the intrinsic method of accounting provided for in APB Opinion No. 25, which generally resulted in no compensation expense recorded in the financial statements related to the grant of stock options to employees if certain conditions were met.

Effective January 1, 2006, the Company adopted SFAS No. 123(R) using the prospective method. Under this method, compensation costs for all awards granted after the date of adoption and modifications of any previously granted awards outstanding at the date of adoption are measured at estimated fair value and included in operating expenses over the performance period during which an employee provides service in exchange for the award.

In adopting SFAS No. 123(R), companies must choose among alternative valuation models and amortization assumptions. The Company has elected to use the Black-Scholes-Merton option pricing model and straight-line amortization of compensation expense over the requisite service period of the grant. The Company will reconsider 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 cannot be reasonably estimated using this model.

The following assumptions were used for option grants made during the six months ended June 30, 2006:

**Expected Volatility.** Because the Company is not publicly traded, it has no history of share prices determined on the open market. Therefore, the expected volatility of the Company’s shares was estimated based upon analyzing volatilities of similar public companies. The expected volatility factor used in valuing options granted during the six months ended June 30, 2006 was 36%.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

**Expected Term.** The Company does not have any history of employee exercise behavior. The expected term of five years was estimated by consideration of the contractual terms of the grants, vesting schedules, employee forfeitures and expected terms of option grants by similar public companies.

**Risk-Free Interest Rate.** The Company bases the risk-free interest rates used in the Black-Scholes-Merton valuation method on implied interest rates for U.S. Treasury securities with a term consistent with the expected life of the stock options. The range of risk-free interest rates used in valuing options granted during the six months ended June 30, 2006 were from 4.3% to 4.99%.

**Dividend Yield.** The Black-Scholes-Merton valuation model calls for a single expected dividend yield as an input. The Company has not paid dividends in the past nor does it expect to pay dividends in the future. The Company therefore used a dividend yield percentage of zero.

During the six months ended June 30, 2006, the Company granted stock options to purchase 78,780 shares of the Company's common stock at an exercise price of \$9.05 per share, the fair value of the stock on the date of grant. The Black-Scholes-Merton weighted average valuation of the options granted during the six months ended June 30, 2006 was \$3.59 per share. These options expire in ten years and vest upon the attainment of certain levels of operating income or upon certain events, including an initial public offering. The Company is expensing the value of these option grants over the period of time from the date of award to the expected date of the initial public offering, when they will vest.

In addition, in September 2005 the Company made a restricted common stock award to a key employee of 16,500 shares, 25% of which vests each January 1 thereafter, with vesting accelerating effective upon the completion of the Company's initial public offering. This stock award is also being expensed based on the grant date value of the stock of \$9.05 per share.

The total intrinsic value of the options outstanding and exercisable at June 30, 2006 was approximately \$4.8 million.

The Company recognized stock-based compensation expense of \$272,484 in the six months ended June 30, 2006, which is included in indirect and selling expenses. All of this expense related to the options granted in the six months ended June 30, 2006 and a single stock grant awarded in September 2005. Net income for the six months ended June 30, 2006 also reflects income tax benefits relating to this expense of \$105,233. There was no stock-based compensation expense in the six months ended July 1, 2005.

As of June 30, 2006, there was approximately \$0.2 million of total unrecognized compensation cost related to unvested stock-based compensation agreements. This amount relates entirely to stock option grants during the six months ended June 30, 2006 and a single stock grant awarded in September 2005. This cost is expected to be fully amortized over the next year because such grants will vest in the event of the initial public offering.

**Foreign currency translation**

The financial positions and results of operations of the Company's foreign affiliates are translated using the local currency as the functional currency. 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.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

**Fair value of financial instruments**

Financial instruments are defined as cash, contract receivables, debt agreements, accounts payable and accrued expenses. The carrying amounts of contract receivables, accounts payable, and accrued expenses in the accompanying financial statements approximate fair value because of the short maturity of these instruments. The carrying value of the Company's long-term debt that incurs interest based on floating market rates approximates fair value as of December 31, 2005.

**Derivative financial instruments**

The Company uses a derivative financial instrument to manage its exposure to fluctuations in interest rates on its credit facility. This derivative is not accounted for as a hedge and is recorded as either an asset or liability in the consolidated balance sheet, and periodically adjusted to fair value. Adjustments to reflect the change in the fair value of the derivative are reflected in earnings. The Company does not hold or issue derivative instruments for trading purposes.

**Income taxes**

The Company accounts for income taxes in accordance with the provisions of SFAS No. 109, *Accounting for Income Taxes*. This method requires recognition of 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.

**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 amounts outstanding under the Company's line-of-credit. 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. The Company extends credit in the normal course of operations and does not require collateral from its clients.

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

**Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and

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**ICF International, Inc., and Subsidiaries****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

The assets acquired and liabilities assumed consist of the following (*in thousands of dollars*):

Cash	\$ 435
Contract receivables	8,386
Deferred tax asset — current	472
Other current assets	274
Customer-related intangibles	851
Goodwill	14,092
Property and equipment	175
<b>Total assets</b>	<b>24,685</b>
Accounts payable	687
Accrued salaries and benefits	3,164
Deferred tax liability — non-current	189
Other current liabilities	1,163
<b>Total liabilities</b>	<b>5,203</b>
<b>Net assets</b>	<b>\$ 19,482</b>

**Caliber Associates, Inc.**

Effective October 1, 2005, the Company acquired 100 percent of the outstanding common shares of Caliber Associates, Inc. (Caliber), which was formerly 100 percent owned by an Employee Stock Ownership Plan (ESOP) created in 2001. Caliber provides high-quality research and consulting services in the areas of human services programs and policies. As a result of the acquisition, the Company expects to enhance its presence in the areas of child and family studies, as well as information technology and human services.

The acquisition was accounted for as a purchase in accordance with the provisions of SFAS No. 141, *Business Combinations*. The aggregate purchase price was approximately \$20.7 million, including \$19.4 million of cash and \$1.3 million of transaction expenses. The excess of the purchase price over the estimated fair value of the net tangible assets acquired was approximately \$17.7 million. In February 2006, the Company obtained an independent valuation to assist management in the purchase price allocation. The independent valuation was used by the Company to allocate approximately \$13.8 million to goodwill and \$3.9 million to intangible assets. The intangible assets consist of customer-related intangibles, developed technology and non-compete agreement in the amounts of \$2.6 million, \$0.5 million, and \$0.8 million, respectively. The customer-related intangibles, developed technology and non-compete agreement are being amortized over 48 months, 24 months, and 48 months, respectively. Neither the goodwill, nor the amortization of intangibles, is deductible for tax purposes. In addition to the initial consideration, the purchase agreement provides for additional cash payments of approximately \$3.5 million over two years following closing, which are contingent upon the attainment of certain performance criteria. The additional payments were placed in escrow and classified as restricted cash. If the performance criteria are met, the payments will be recorded as goodwill. The results of operations for Caliber are included in the Company's statement of operations since October 1, 2005.

## ICF International, Inc., and Subsidiaries

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The assets acquired and liabilities assumed consist of the following (*in thousands of dollars*):

Cash	\$ 749
Contract receivables	10,092
Other current assets	849
Customer-related intangibles	2,560
Developed technology	545
Non-compete agreement	778
Goodwill	13,765
Property and equipment	605
<b>Total assets</b>	<b>29,943</b>
Accounts payable	909
Accrued salaries and benefits	2,848
Non-compete liability	1,000
Deferred tax liability—current	2,375
Deferred tax liability—non-current	742
Other current liabilities	1,365
<b>Total liabilities</b>	<b>9,239</b>
<b>Net assets</b>	<b>\$ 20,704</b>

**Proforma information**

The following unaudited condensed proforma information presents combined financial information as if the acquisitions of Synergy and Caliber had been effective at the beginning of each year presented. The proforma information includes adjustments reflecting changes in the amortization of intangibles, interest expense, ESOP related expenses, and to record income tax effects as if Synergy and Caliber had been included in the Company's results of operations:

	2004	2005
	(in thousands of dollars, except per share amounts)	
Revenue	\$ 202,293	\$ 207,794
Income from continuing operations	\$ 2,514	\$ 1,777
Net income	\$ 2,698	\$ 1,777
Earnings per share:		
Basic earnings per share	\$ .30	\$ .19
Diluted earnings per share	\$ .29	\$ .18

**Note D — Divestiture**

On March 19, 2004, the Company agreed to sell ICF Energy Solutions, Inc. (ESI), to Nexus Energy Software, Inc. (Nexus). The sale of ESI closed on April 8, 2004, and the consideration received consisted of the following components:

- ∅ \$1.3 million in cash upon closing
- ∅ \$1.5 million 30-month note with quarterly payments of principal and interest at 6 percent

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

Ø Earn-out of 13 percent of all future billings in excess of \$4 million a year for the first 24 months after the closing, and in excess of \$2 million for the six-month period following the initial 24 month period

The net assets sold had a carrying value of \$1.5 million and consisted primarily of capitalized software development costs. The gain on the sale of ESI was calculated using the cash and note received upon closing, totaling \$2.8 million. The earn-out was excluded due to the uncertainty of realization; therefore, the proceeds received upon closing, less the \$1.5 million of net assets sold and selling expenses of approximately \$0.6 million, resulted in a gain of approximately \$0.4 million, net of tax.

Net income (loss) from the Company's discontinued operations has been segregated from continuing operations and reported as a separate line item on the consolidated statements of operations for all periods presented.

The following amounts related to ESI have been segregated from continuing operations and reflected as discontinued operations (*in thousands of dollars*):

	2003	2004
Revenue	\$5,827	\$1,133
Expenses	5,519	1,329
Net (loss) income from discontinued operations, net of taxes of \$194 and \$(123), respectively	\$ 308	\$ (196)

During 2005, Nexus paid the remaining balance of the \$1.5 million note in full.

**Note E — Contract Receivables**

Contract receivables consist of the following (*in thousands of dollars*):

	December 31,		June 30,
	2004	2005	2006
Billed	\$23,975	\$45,316	\$ 57,679
Unbilled	7,191	9,539	11,484
Allowance for doubtful accounts	(1,696)	(1,984)	(1,512)
Contract receivables, net	\$29,470	\$52,871	\$ 67,651

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. The unbilled receivables can be invoiced at contractually defined intervals or milestones, as well as upon completion of the contract or U.S. government cost audits. The Company anticipates that the majority of unbilled receivables will be substantially billed and collected within one year. Contract receivables are classified 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 contracts receivable when such amounts are determined to be uncollectible. Losses have historically been within management's expectations.

## ICF International, Inc., and Subsidiaries

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

## Note F — Property and Equipment

Property and equipment consist of the following:

	December 31,		June 30,
	2004	2005	2006
Leasehold improvements	\$ 4,278	\$ 5,404	\$ 5,187
Software	3,682	5,330	7,010
Furniture and equipment	3,005	2,097	2,097
Computers	2,242	2,935	2,996
	<u>13,207</u>	<u>15,766</u>	<u>17,290</u>
Accumulated depreciation and amortization	(9,142)	(11,782)	(12,389)
	<u>\$ 4,065</u>	<u>\$ 3,984</u>	<u>\$ 4,901</u>

## Note G — Goodwill and Other Intangible Assets

## Goodwill

	(in thousands of dollars)
<b>Balance at December 31, 2003</b>	\$ 53,287
Goodwill acquired during year	—
<b>Balance at December 31, 2004</b>	53,287
Goodwill acquired during year (Note C)	27,895
<b>Balance at December 31, 2005</b>	\$ 81,182
Adjustment to Caliber goodwill (Note C) (unaudited)	(37)
<b>Balance at June 30, 2006 (unaudited)</b>	<u>\$ 81,145</u>

The balance of \$53.3 million as of December 31, 2003, consists of \$48.6 million and \$4.7 million arising from ICFI's June 1999 purchase of Consulting's common stock from Kaiser, and the Company's 2002 acquisition of two divisions of former Arthur D. Little International, Inc. (ADL), respectively.

## Other intangible assets

Intangible assets related to contracts and customers acquired from the Company's acquisition of two divisions of the former ADL in May 2002, were being amortized on a straight-line basis over expected contract periods and the estimated life of customer relationships over a weighted-average period of nine and 90 months, respectively. During 2005, the Company revised the initial estimated life of 90 months for customer-related intangible assets to 44 months, which was determined to be consistent with the estimated economic benefits of the intangible asset. The effect of the change in the estimated life of the ADL intangible assets was the recording of an additional \$1.8 million of amortization expense in 2005.

The customer-related intangible assets, which consists of customer contracts, backlog and non-contractual customer relationships, related to the Synergy and Caliber acquisitions are being amortized based on estimated cash flows and respective estimated economic benefit of the assets. The estimated life of the customer contracts assets is 48 months. Intangible assets related to acquired developed technology and non-compete agreements obtained in connection with business combinations are amortized on a straight-line basis over their estimated lives of 24 months and 48 months, respectively.

## ICF International, Inc., and Subsidiaries

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Other intangibles consist of the following (*in thousands of dollars*):

	December 31,		June 30,
	2004	2005	2006
			(unaudited)
Customer related intangibles	\$ 5,355	\$ 8,767	\$ 3,411
Non-compete agreements	—	778	778
Developed technology	—	545	545
Trademarks	—	—	37
	5,355	10,090	4,771
Less: accumulated amortization	(3,150)	(5,963)	(1,341)
<b>Total</b>	<b>\$ 2,205</b>	<b>\$ 4,127</b>	<b>\$ 3,430</b>

Aggregate amortization expense for the years ended December 31, 2003, 2004, and 2005, was \$0.7 million, \$0.5 million, and \$2.8 million, respectively. The estimated amortization expense relating to intangible assets for the next four years is as follows at December 31, 2005 (*in thousands of dollars*):

**Year ended December 31,**

2006	\$ 1,465
2007	1,226
2008	880
2009	556
	<u>\$ 4,127</u>

**Note H — Accrued Salaries and Benefits**

Accrued salaries and benefits consist of the following (*in thousands of dollars*):

	December 31,		June 30,
	2004	2005	2006
			(unaudited)
Accrued compensation	\$2,442	\$ 5,204	\$ 4,626
Accrued vacation	2,019	3,193	3,583
Accrued profit sharing	2,032	343	—
Other	917	1,461	1,601
	7,410	10,201	9,810
<b>Total</b>	<b>\$7,410</b>	<b>\$10,201</b>	<b>\$ 9,810</b>



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

## Note I — Accrued Expenses

Accrued expenses consist of the following (in thousands of dollars):

	December 31,		June 30,
	2004	2005	2006
Accrued subcontractor costs	\$ 3,025	\$ 3,355	\$ 3,988
Pre-acquisition contingency — ADL acquisition	1,440	—	—
Accrued non-compete liability	—	560	440
Accrued insurance premiums	595	862	1,041
Accrued professional services	439	729	1,722
Accrued rent	501	665	1,847
Accrued taxes	226	358	300
Accrued software licensing costs	—	352	1,311
Other accrued expenses/liabilities	979	1,390	1,204
Total	\$ 7,205	\$ 8,271	\$ 11,853

During 2005, a pre-acquisition contingency recorded during the ADL acquisition was resolved in the Company's favor, which resulted in the Company recording other income of \$1.4 million in 2005.

## Note J — Long-Term Debt

In August 2003, the Company entered into a credit facility with a syndicate of lenders. The agreement required the Company to retire its existing bank debt in full with the proceeds from Facilities A and B (see table below). The Company incurred approximately \$0.6 million in debt issuance costs related to its new credit facility.

In January 2005, in connection with the Synergy acquisition (Note C), the Company and its lenders agreed to modify the credit facility. The modification provided for an increase in the Facility A and B commitment amounts from \$28 million to \$35 million, and \$12 million to \$15 million, respectively. Substantially, all the other terms and conditions remained the same. The Company incurred approximately \$0.3 million in debt issuance costs related to its amended financing arrangement.

In October 2005, in connection with the Caliber acquisition (Note C), the Company and its lenders agreed to amend and restate its existing credit facility. The amendment provided for an increase in the Facility A commitment amount from \$35 million to \$45 million and replaced the Facility B commitment of \$15 million with a Term Loan Facility commitment of \$22 million and a Time Loan Facility commitment of \$8 million. In addition, the Note Payable to Kaiser (Note K) was paid in full. The Company incurred approximately \$0.2 million in debt issuance costs related to its amended financing arrangement. With the finalization of the new banking arrangement in October 2005, the unamortized debt issuance costs of approximately \$0.3 million associated with the January 2005 credit facility were charged to earnings. The banking arrangement has been amended twice, once in March 2006 and once in August 2006, as described below, resulting in an increase in the in the Facility A commitment amount from \$45 million to \$65 million.

The Company's debt issuance costs are being amortized over the term of indebtedness and total approximately \$0.3 million and \$0.2 million, net of accumulated amortization of \$0.2 million and \$0.01 million as of December 31, 2004 and 2005, respectively. Amortization expense of approximately \$0.5 million, \$0.2 million, and \$0.6 million was recorded during the years ended December 31, 2003, 2004, and 2005, respectively.

ICF International, Inc., and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Long-term debt consists of the following (in thousands of dollars):

	December 31,		June 30, 2006 (unaudited)
	2004	2005	
Facility A/Swing Line provides for borrowings up to the lesser of \$28 million for 2004, \$45 million for 2005 and \$65 million for 2006 for the eligible borrowing base, and matures in October 2010. Outstanding borrowings bear daily interest at a base rate (based on either the U.S. Prime Rate, which was 5.25% at December 31, 2004, 7.25% at December 31, 2005 and 8.25% at June 30, 2006, and, or London Interbank Offered Rate (LIBOR) plus spread), payable monthly.	\$ 8,284	\$31,338	\$ 37,865
Facility B note for \$15 million, maturing on June 1, 2006. The Facility B note was replaced by the Term Loan Facility and Time Loan Facility in October 2005. The outstanding principal incurred daily interest at the base rate plus 0.25% (4.25% at December 31, 2004), payable monthly. Monthly principal payments of \$352,942 commenced on September 1, 2003.	6,353	—	—
The Term Loan Facility for \$22 million, maturing in October 2010. Outstanding principal bears daily interest at a base rate plus 0.25% (based on the U.S. Prime Rate, which was 7.25% at December 31, 2005 and 8.25% at June 30, 2006, or LIBOR plus spread), payable monthly. Monthly principal payments of \$366,667 commenced in November 2005.	—	21,634	19,067
The Time Loan Facility for \$8 million, maturing in January 2007. Outstanding principal bears daily interest at a base rate plus 0.75% (based on the U.S. Prime Rate, which was 7.25% at December 31, 2005 and 8.25% at June 30, 2006, or LIBOR plus spread), payable monthly. Six monthly principal payments of \$333,334 commencing on July 1, 2006. The remaining balance of \$6 million is due upon maturity.	—	8,000	8,000
Note payable to Kaiser, subordinate to bank debt, due in full on June 25, 2006. The note bears interest at a fixed rate of 8.5%. Quarterly payments of interest commenced October 1, 2002 (see Note J). The note was paid in its entirety in October 2005.	6,442	—	—
	<u>21,079</u>	<u>60,972</u>	<u>64,932</u>
Less: current portion	(4,235)	(6,767)	(12,400)
	<u>\$16,844</u>	<u>\$54,205</u>	<u>\$ 52,532</u>

The bank loans are collateralized by substantially all assets of the Company, and require the Company to remain in compliance with certain financial ratios, as well as other restrictive covenants.

Minimum future principal payments of debt are as follows at December 31, 2005 (in thousands of dollars):

2006	\$ 6,767
2007	10,400
2008	4,400
2009	4,400
2010	35,005
	<u>60,972</u>
Less: current maturities	(6,767)
Total long-term debt	<u>\$54,205</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

**Amendments to credit facility**

On March 14, 2006, the Company and its lenders agreed to the 1<sup>st</sup> Amendment to the Business Loan and Security Agreement (dated October 5, 2005), to provide the Company with a temporary increase to Facility A (revolving line) of \$6 million through June 30, 2006, and then decreasing to \$4 million from the period July 1 through August 31, 2006, to cover working capital needs, not to exceed the total capacity of Facility A of \$45 million.

On August 25, 2006, the Company and its lenders agreed to the 2<sup>nd</sup> Amendment to the Business Loan and Security Agreement (dated October 5, 2005), to increase the Facility A commitment amount from \$45 million to \$65 million and to provide the Company with a temporary increase to Facility A (revolving line) of \$10 million through the earlier of the completion of the Company's initial public offering or December 15, 2006, to cover working capital needs, not to exceed the total capacity of Facility A of \$65 million.

**Letters-of-credit**

At December 31, 2004 and 2005, the Company had outstanding letters-of-credit totaling \$0.7 million. These letters-of-credit expire on various dates through September 30, 2006.

**Derivative instruments**

The Company designates its derivatives based upon the criteria established by SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, which establishes accounting and reporting standards for derivative instruments. SFAS No. 133 requires that an entity recognize all derivatives as assets or liabilities in the balance sheet and measure those instruments at fair value.

In November 2005, the Company entered into an interest rate swap agreement as part of its amended credit facility as a partial hedge of the Company's variable rate debt to reduce the Company's exposure to interest rate fluctuations. The effect of the agreement was to effectively establish a fixed USD-LIBOR rate of 5.11 percent. The interest rate swap agreement expires November 10, 2008. At December 31, 2005, the interest rate swap agreement covered a notional amount of \$15 million, and variable rate debt outstanding totaled approximately \$61 million.

The interest rate swap agreement did not qualify for hedge accounting. Therefore, the change in fair value resulted in a charge of approximately \$0.2 million to earnings.

**Note K — 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 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 of the 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, net of sub-lease income, for operating leases was approximately \$10.6 million, \$9.9 million, and \$10.3 million for the years ended December 31, 2003, 2004, and 2005, respectively.

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**ICF International, Inc., and Subsidiaries****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

Future minimum rental payments under all non-cancelable operating leases are as follows (*in thousands of dollars*):

<b>Year ended December 31,</b>	
2006	\$ 11,148
2007	10,087
2008	8,830
2009	8,528
2010	7,951
Thereafter	12,932
	<hr/>
	\$ 59,476

**Contingent bonuses**

In September 2004, the Board of Directors approved a contingent bonus pool of \$2.7 million, which will be payable from the proceeds of an event, such as a sale, merger, or initial public offering of the Company's common stock, realized or received by the Company at the time of distribution of the net proceeds to shareholders.

**Settlement of claims with Kaiser**

In June 2002, the Company and Kaiser executed a mutual release and settlement agreement to settle the pending claims (the Dispute) by the Company against Kaiser. In consideration of the Company settling the Dispute, Kaiser and the Company agreed to the following terms:

- ∅ Cancellation of \$2.2 million of the principal amount of indebtedness owed by the Company to Kaiser.
- ∅ Cancellation of the original notes owed to Kaiser, which totaled \$6.6 million, and the issuance of a new promissory note in the amount of \$6.4 million (see Note J). The new promissory note bears interest at 8.5 percent during the period the note is held by Kaiser. Upon the sale of the note to a third party, the interest rate will be adjusted to 10.5 percent per annum.
- ∅ Released by Kaiser, and all of its assigns of the Company from any liabilities, debts, and damages arising out of the Dispute.
- ∅ Sale by Kaiser to the Company of all its remaining common stock in Consulting for \$4.5 million.
- ∅ Release of Kaiser from its indemnification obligations to the Company against certain future subcontractor claims and other liabilities existing in 1999. Therefore, the Company recorded accrued liabilities based upon its best estimate of anticipated subcontractor claims and other liabilities. The carrying amount of this accrued liability was approximately \$1.0 million and \$0.9 million as of December 31, 2004 and 2005, respectively. Such amounts are reviewed periodically and adjusted when appropriate.

## ICF International, Inc., and Subsidiaries

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

## Note L — Income Taxes

Income tax expense (benefit) consists of the following at December 31 (*in thousands of dollars*):

	2003	2004	2005
Current:			
Federal	\$ 384	\$2,314	\$ 3,008
State	163	548	773
	<u>547</u>	<u>2,862</u>	<u>3,781</u>
Deferred:			
Federal	918	(230)	(1,578)
State	49	(50)	(338)
	<u>967</u>	<u>(280)</u>	<u>(1,916)</u>
	<u>\$1,514</u>	<u>\$2,582</u>	<u>\$ 1,865</u>

Deferred tax assets (liabilities) consist of the following at December 31 (*in thousands of dollars*):

	2004	2005
<b>Deferred Tax Assets</b>		
Current:		
Allowance for doubtful accounts	\$ 317	\$ 388
Accrued liabilities	555	1,193
Stock option compensation	—	846
Accrued vacation	477	873
Other	97	385
	<u>1,446</u>	<u>3,685</u>
Total current deferred tax asset	1,446	3,685
Non-current:		
Foreign net operating loss carryforward (NOL)	565	636
Depreciation	28	973
Deferred rent	548	682
Other	69	103
Valuation allowance	(565)	(636)
	<u>645</u>	<u>1,758</u>
Total non-current deferred tax assets	645	1,758
<b>Total Deferred Tax Assets</b>	<u>2,091</u>	<u>5,443</u>
<b>Deferred Tax Liabilities</b>		
Current:		
Retention	(463)	(616)
Section 481(a) adjustment	—	(727)
	<u>(463)</u>	<u>(1,343)</u>
Total current deferred liability	(463)	(1,343)
Non-current:		
Amortization	(874)	(2,994)
Section 481(a) adjustment	—	(1,455)
Installment sale	(362)	—
Other	—	(39)
	<u>(1,236)</u>	<u>(4,488)</u>
Total non-current deferred tax liabilities	(1,236)	(4,488)
<b>Total Net Deferred Tax Liabilities</b>	<u>(1,699)</u>	<u>(5,831)</u>
<b>Total Net Deferred Tax (Liability) Asset</b>	<u>\$ 392</u>	<u>\$ (388)</u>

## ICF International, Inc., and Subsidiaries

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

As of December 31, 2005, the Company had NOL carryforwards for state income tax purposes of approximately \$0.4 million, expiring through 2019. As of December 31, 2005, the Company had foreign NOL carryforwards of approximately \$1.6 million, which are fully reserved and begin to expire in 2006.

The Company has deferred tax assets applicable to the following jurisdictions where the Company's operations have a recent history of pre-tax cumulative losses for financial reporting purposes.

	2004	2005
	(in thousands of dollars)	
Canada	\$417	\$452
Russia	148	184
<b>Total</b>	<b>\$565</b>	<b>\$636</b>

The need to establish valuation allowances for these 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. It has been determined that is more likely than not that the deferred assets in the Company's Canadian and Russian operations will not be realized. Therefore, the Company has recorded a full valuation allowance against these deferred assets.

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

	2003	2004	2005
Taxes at statutory rate	34.0%	34.0%	34.0%
State taxes, net of federal benefit	4.6%	4.6%	4.6%
Other permanent differences	3.2%	2.2%	4.5%
Research and development credits	(5.0)%	0.0%	0.0%
Change in valuation allowance	1.6%	2.4%	1.4%
Prior year tax adjustments	0.6%	0.2%	3.2%
Deferred asset changes due to tax rate and other	0.0%	2.7%	0.3%
	<b>39.0%</b>	<b>46.1%</b>	<b>48.0%</b>

**Note M — Employee Benefit Plans**

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.

Effective January 1, 2005, participants in the Retirement Savings Plan were able to elect to defer up to 70 percent of their compensation subject to statutory limitations, and were entitled to receive 100 percent employer matching contributions for the first 3 percent and 50 percent for the next 2 percent of the participant's compensation. During 2003 and 2004, participants were entitled to receive 50 percent employer matching contributions up to a maximum of 4 percent of the participant's compensation. For 2003 and 2004, the Retirement Savings Plan also provided for non-elective employer contributions. Effective with the 2005 Plan Year, the Retirement Savings Plan was amended to cease employer non-elective contributions. Contribution expense related to the Plans for the years ended December 31, 2003, 2004, and 2005, was approximately \$3.7 million, \$2.7 million, and \$2.1 million, respectively.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

## Note N — Stockholders' Equity

## Management shareholder agreement

Pursuant to the 1999 acquisition by Holdings of Consulting, a management shareholder agreement (the Agreement) was executed, which provides management shareholders with the right to sell their shares back to the Company under certain circumstances at values specified in the Agreement. The agreement terminates upon an initial public offering of the Company's common stock.

## Employee stock option plan

On June 25, 1999, the Company adopted the ICF Consulting Group, Inc., Management Stock Option Plan (the Plan). The Plan provides for the granting of straight and incentive awards to employees of the Company to purchase shares of the Company's common stock. A total of 1,334,027 shares of common stock was reserved for issuance under the Plan. In May 2002, the Company amended the Plan to reserve an additional 238,313 shares for issuance. The exercise price for straight awards granted under the Plan shall not be less than \$5.00 per share. The option price for incentive awards granted under the Plan is determined by the Compensation Distribution Committee of the Board of Directors based upon the fair market value of the Company's common stock on the date of grant, and the Plan will expire in June 2009.

The following table depicts stock option activity for the years ended December 31, 2003, 2004, and 2005 and the six months ended June 30, 2006:

	Options Available for Grant	Options Outstanding	
		Shares	Weighted-Average Exercise Price
<b>As of January 1, 2003</b>	397,618	1,174,722	\$ 5.48
Options granted in 2003	189,936	189,936	\$ 6.10
Options forfeited or cancelled	11,375	11,375	\$ 5.75
<b>As of December 31, 2003</b>	219,057	1,353,283	\$ 5.56
Options granted in 2004	132,500	132,500	\$ 7.34
Options forfeited or cancelled	51,791	51,791	\$ 5.82
<b>As of December 31, 2004</b>	138,348	1,433,992	\$ 5.72
Options granted in 2005	102,045	102,045	\$ 7.84
Options forfeited or cancelled	18,798	18,798	6.28
<b>As of December 31, 2005</b>	55,101	1,517,239	\$ 5.85
Options granted in the first six months of 2006	78,780	78,780	\$ 9.05
Options forfeited or cancelled	31,337	31,337	6.32
<b>As of June 30, 2006 (unaudited)</b>	7,658	1,564,682	\$ 6.01

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

The following table summarizes additional information about stock options outstanding as of December 31, 2005:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number of Options	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Number of Options	Weighted-Average Exercise Price
\$ 5.00–9.05	1,517,239	6.51	\$ 5.85	1,517,239	\$ 5.85

Prior to January 1, 2006, the fair value of each option grant is established on the date of grant using the minimum value method, as prescribed by SFAS No. 123. The following assumptions were used under the minimum value method for grants in the 12 months ended December 31, 2003, 2004, and 2005, respectively: no dividends yield; risk-free interest rates of approximately 3.05 percent, 3.24 percent, and 4.10 percent, and expected life of five years. The weighted-average fair values of options granted during the years ended December 31, 2003, 2004 and 2005, were \$.85, \$1.00, and \$1.43, respectively.

The following table summarizes additional information about stock options outstanding as of June 30, 2006 (unaudited):

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number of Options	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Number of Options	Weighted-Average Exercise Price
\$ 5.00-9.05	1,564,682	5.65	\$ 6.01	1,485,902	\$ 5.84

As discussed in Note B, effective January 1, 2006, the fair value of each option grant is established on the date of grant using the prospective method under SFAS No. 123(R) using the Black-Scholes-Merton option pricing model. The following assumptions were used under the prospective method for grants in the six months ended June 30, 2006: expected volatility factor of 36 percent; dividend yield percentage of 0 percent; risk-free interest rates of 4.3 to 4.99 percent; and expected term of five years. The Black-Scholes-Merton weighted-average fair value of options granted during the six months ended June 30, 2006 was \$3.59 per share.

**Warrants**

On June 25, 1999, the Company issued 20.074028 warrants that entitled the holders, subject to certain conditions, to purchase 15,452.07 shares of the Company per warrant at an exercise price of \$.01 per share, for a total of 310,185.286 shares of the Company. The following table summarizes information about shares associated with outstanding warrants for the years ending December 31, 2003, 2004, and 2005 and the six months ended June 30, 2006:

<b>Outstanding at January 1, 2003</b>	310,185.286
Repurchased in 2003	257,403.938
<b>Balance at December 31, 2003</b>	52,781.348
Activity during 2004	—
<b>Balance at December 31, 2004</b>	52,781.348
Activity during 2005	—
<b>Balance at December 31, 2005</b>	52,781.348
Activity during first six months of 2006	—
<b>Balance at June 30, 2006 (unaudited)</b>	52,781.348



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)****Note O — Related-Party Transactions**

Effective with the 1999 purchase of Consulting from Kaiser, the Company entered into a seven-year management services agreement with the majority shareholder of ICFI. The agreement calls for a fixed consulting fee of \$0.1 million per annum, as well as a variable fee based upon the Company's annual earnings, adjusted as defined in the agreement. During 2003, 2004, and 2005, management fees related to this agreement were \$0.3 million, \$0.4 million, and \$0.4 million, respectively, and are included in operating expenses in the accompanying consolidated financial statements. The agreement terminates upon an initial public offering of the Company's common stock.

**Note P — Supplemental Cashflow Information****Cash paid**

Cash paid for interest for the years ended December 31, 2003, 2004, and 2005, was approximately \$2.5 million, \$1.4 million, and \$2.8 million, respectively. Income taxes paid for the years ended December 31, 2003, 2004, and 2005, were \$0.3 million, \$2.2 million, and \$5.0 million, respectively. Cash paid for interest for the six months ended June 30, 2006 was approximately \$2.8 million. Income taxes paid for the six months ended June 30, 2006 was approximately \$2.2 million.

**Note Q — Supplemental Information****Valuation and qualifying accounts**

Allowance for Doubtful Accounts (*in thousands of dollars*)

	December 31,			June 30,
	2003	2004	2005	2006
				(unaudited)
Balance at beginning of period	\$2,586	\$1,672	\$1,696	1,984
Addition at cost	—	274	1,167	(250)
Deductions	914	250	879	222
Balance at end of period	\$1,672	\$1,696	\$1,984	1,512

**Note R — Subsequent Event**

On April 14, 2006, the Company decided to abandon, effective June 30, 2006, its San Francisco, California leased facility and relocate its staff there to other space. The San Francisco lease obligation expires in July 2010 and covers 12,000 square feet, at an annual rate of \$79 per square foot plus operating expenses. Management believes, based upon consultation with its leasing consultants, that the current market for similar space is substantially below this cost. The Company recognized a \$3.5 million pre-tax charge during the second quarter of 2006, which is included in indirect and selling expenses, consisting of \$3.3 million for costs, primarily for rent expense, and \$0.2 million for the disposal of leasehold improvements associated with the abandonment of the San Francisco facility.

In addition, on April 14, 2006, the Company decided to abandon a portion of its Lexington, Massachusetts leased facility that it has been unable to sublease. The lease for the abandoned space expires in June 2012 and the abandoned space covers approximately 6,000 square feet. The Company recognized a \$0.8 million pre-tax charge during the second quarter of 2006, which is included in indirect and selling expenses, for costs, primarily for rent expense, associated with the abandonment of this Lexington, Massachusetts space.

## ICF International, Inc., and Subsidiaries

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes information regarding the liabilities associated with the above lease abandonments, of which \$1.4 million is included in accrued expenses with the remainder included in other liabilities, on the Company's consolidated balance sheet for the six months ended June 30, 2006 (*in thousands of dollars*):

	Six months ended June 30, 2006 (unaudited)
<b>Beginning balance</b>	\$ —
Costs incurred and charged to indirect and selling expenses	4,309
Costs settled	236
<b>Ending Balance</b>	<u>\$ 4,073</u>

## Report of Independent Accountants

To the Board of Directors and Stockholders  
of Caliber Associates, Inc.:

In our opinion, the accompanying consolidated balance sheet and related consolidated statements of income, of stockholders' deficit, and of cash flows present fairly, in all material respects, the financial position of Caliber Associates, Inc. (an S Corporation) and its subsidiary (collectively referred to as "the Company") at December 31, 2004, and results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above.

/s/ ARGY, WILTSE & ROBINSON, P.C.

McLean, Virginia  
March 6, 2005

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**Caliber Associates, Inc.****CONSOLIDATED BALANCE SHEET**

December 31, 2004

**ASSETS**

## Current assets

Cash and cash equivalents	\$	61,684
Accounts receivable		7,604,828
Unbilled receivables		4,062,560
Income taxes receivable		0
Other current assets		451,071

Total current assets 12,180,143

Property and equipment, net 756,515

Contract rights, net 49,984

Deposits 233,161

Marketable securities — restricted 455,410

Total assets \$ 13,675,213

**LIABILITIES AND STOCKHOLDERS' DEFICIT**

## Current liabilities

Accounts payable and accrued expenses	\$	739,687
Accrued payroll and related liabilities		2,097,767
Bank line-of-credit		836,678
Billings in excess of revenue recognized		499,325
Subordinated notes payable to employees		1,723,372
Deferred rent		170,230

Total current liabilities 6,067,059

Subordinated notes payable to employees 11,468,791

Deferred rent 243,367

Deferred compensation 559,586

Deferred income taxes 2,531,321

Total liabilities 20,870,124

## Stockholders' deficit

Common stock — no par value, 900,000 shares authorized 500

Retained earnings 5,791,083

Less: unallocated employee stock ownership plan shares (12,986,494)

Total stockholders' deficit (7,194,911)

## Commitments

Total liabilities and stockholders' deficit \$ 13,675,213

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

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**Caliber Associates, Inc. (An S Corporation)**

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**CONSOLIDATED STATEMENT OF INCOME**

Year ended December 31, 2004

Contract revenue	\$ 36,482,610
<hr/>	
Operating costs and expenses	
Direct labor	12,810,648
Other direct costs	6,344,747
Indirect costs	15,862,768
Unallowable costs	103,843
	<hr/>
	35,122,006
	<hr/>
Income from operations	1,360,604
Other income (expense)	
Interest income	12,324
Interest expense	(979,312)
	<hr/>
Net income	\$ 393,616
	<hr/>

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

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**Caliber Associates, Inc.**

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**CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT**

Year ended December 31, 2004

	<u>Common Stock</u>		<u>Retained Earnings</u>	<u>Unallocated Employee Stock Ownership Plan Shares</u>	<u>Total Stockholders' Deficit</u>
	<u>Shares</u>	<u>Amount</u>			
Balance at December 31, 2003	900,000	\$ 500	\$ 5,976,168	\$ (15,053,283)	\$ (9,076,615)
Value of ESOP shares released for allocation to participants in 2004	0	0	(578,701)	2,066,789	1,488,088
Net income for the year ended December 31, 2004	0	0	393,616	0	393,616
Balance at December 31, 2004	<u>900,000</u>	<u>\$ 500</u>	<u>\$ 5,791,083</u>	<u>\$ (12,986,494)</u>	<u>\$ (7,194,911)</u>

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

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## Caliber Associates, Inc.

**CONSOLIDATED STATEMENT OF CASH FLOWS**

Year ended December 31, 2004

**Cash flows from operating activities:**

Net income	\$ 393,616
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	722,722
Employee stock ownership plan expense	1,488,088
(Increase) decrease in:	
Accounts receivable	(1,904,778)
Unbilled receivables	3,330,854
Income taxes receivable	2,700
Other current assets	26,707
Marketable securities — restricted	(178,348)
Increase (decrease) in:	
Accounts payable and accrued expenses	130,276
Accrued payroll and related liabilities	(728,545)
Billings in excess of revenue recognized	(608,878)
Deferred rent	(332,114)
Deferred compensation	163,373
Total adjustments	2,112,057
Net cash provided by operating activities	2,505,673

**Cash flows from investing activities:**

Purchases of property and equipment, net	(205,312)
Increase in deposits	(179,139)
Net cash used in investing activities	(384,451)

**Cash flows from financing activities:**

Net (repayments) borrowings under bank line-of-credit	(855,003)
Repayments under subordinated notes payable to employees	(1,523,457)
Net cash (used in) provided by financing activities	(2,378,460)

Net decrease in cash and cash equivalents	(257,238)
Cash and cash equivalents at the beginning of the year	318,922
Cash and cash equivalents at the end of the year	\$ 61,684

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2004

**Note 1 — Organization and Significant Accounting Policies**

**Description of business and principles of consolidation**

The accompanying consolidated financial statements include the accounts of Caliber Associates, Inc. (Caliber) and its subsidiary, Fried & Sher, Inc. (Fried & Sher) (collectively referred to as the "Company"). Caliber is incorporated under the laws of the Commonwealth of Virginia to provide research and management consulting services to departments and agencies of the federal government. Fried & Sher provides leading work life professional services to the federal government and commercial businesses. All significant intercompany balances have been eliminated in consolidation.

**Use of estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**Revenue recognition**

Revenue on fixed-price and cost-reimbursable contracts includes direct costs and allocated indirect costs incurred plus recognized profit. Revenue is recognized under fixed-price contracts on the percentage-of-completion basis. Revenue on time-and-material contracts is recognized based upon time (at established rates) and other direct costs incurred. Unbilled receivables and billings in excess of revenue recognized result from differences between billings, which are determined based upon contractual terms, and amounts recognized as earned, which are based upon costs incurred and contract performance. Losses on contracts are provided for in the period they are first determined.

Federal government contract costs for 2002 through 2004, including indirect expenses, are subject to audit and adjustment by the Defense Contract Audit Agency. Contract revenue has been recorded in amounts which are expected to be realized upon final settlement.

**Cash equivalents**

The Company considers all highly liquid instruments with original maturities of three months or less to be cash equivalents.

**Marketable securities**

Management of the Company determines the appropriate classification of marketable securities at the time of purchase and reevaluates such designation at each balance sheet date. Management has classified its marketable securities as trading and, thus, is carrying them at current market value, with realized and unrealized gains and losses included in earnings. The cost of securities sold is based on the specific identification method.

**Property and equipment**

Property and equipment is stated at cost less accumulated depreciation and amortization. Depreciation of property and equipment is computed using accelerated methods over the estimated useful lives of three to seven years. Amortization of leasehold improvements is computed using the straight-line method over the shorter of the estimated useful lives of the assets or the term of the related lease.

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**Caliber Associates, Inc.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

December 31, 2004

**Contract rights**

Contract rights are stated at cost less accumulated amortization. Amortization of contract rights is computed using the straight-line method over the estimated useful life of three years. Contract rights were recorded at \$545,358 with accumulated amortization of \$495,374 at December 31, 2004. Amortization expense related to contract rights was \$160,720 for the year ended December 31, 2004.

**Income taxes**

Effective January 1, 2002, the Company became an S Corporation for federal income tax purposes (which also applies to most states). Accordingly, as of this date, the Company is generally not subject to corporate income taxes and the income, deductions and credits generated by the Company will flow to the Company's stockholders. However, any taxable income generated by the Company for any year through December 31, 2011 would subject the Company to income taxes to the extent income earned under C Corporation status had been previously deferred for income tax purposes. Accordingly, a deferred tax liability remains on the Company's consolidated balance sheet to reflect this liability, which may be triggered in future years.

**Note 2 — Marketable Securities**

The Company invests in several publicly-traded mutual funds under a Rabbi Trust Agreement for the funding of the nonqualified deferred compensation plan (Note 9). As such, all amounts are restricted for this use. During the year ended December 31, 2004, the securities produced unrealized capital gains of \$19,378. All investment income earned during the year ended December 31, 2004 relate to marketable securities held at year end.

**Note 3 — Unbilled Receivables**

Unbilled receivables consists of the following at December 31, 2004:

Amounts currently billable	\$ 3,160,863
Amounts billable upon completion of milestones	703,838
Rate variances	100,318
Contract retainages	97,541
	<u>\$ 4,062,560</u>

**Note 4 — Property and Equipment**

Property and equipment consists of the following at December 31, 2004:

Software licenses	\$ 809,709
Leasehold improvements	760,906
Computer equipment	753,855
Other equipment	615,321
Office furniture	442,969
	<u>3,382,760</u>
Less: accumulated depreciation and amortization	<u>(2,626,245)</u>
	<u>\$ 756,515</u>

**Caliber Associates, Inc.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

December 31, 2004

Depreciation and amortization expense on property and equipment totaled \$562,002 for the year ended December 31, 2004.

**Note 5 — Bank Line-of-Credit**

The Company maintains a bank line-of-credit facility under which it may borrow up to the lesser of \$4,000,000 or 85% of eligible billed receivables. Borrowings under this bank line-of-credit agreement are due upon demand, are secured by all of the Company's assets, and bear interest at the bank's prime rate (5.25% at December 31, 2004). This agreement requires the Company to comply with certain financial covenants. At December 31, 2004, the Company was in compliance with these covenants. The maturity date of this agreement is January 31, 2006.

Interest expense resulting from the line-of-credit agreement, which approximated interest paid, totaled \$75,026 for the year ended December 31, 2004.

**Note 6 — Subordinated Notes Payable to Employees**

Subordinated notes payable to employees consists of eleven subordinated notes payable to employees with stated amounts totaling \$18,239,857, with one-time payments ranging from \$4,500 to \$708,171, and remaining quarterly principal payments ranging from \$4,893 to \$152,743, plus accrued interest (ranging from 5.75% to 8.25% per annum), and terms ranging from 5 to 15 years. These notes payable are secured by the Company's common stock, and are subordinated to the bank line-of-credit agreement.

The scheduled maturities of these notes payable at December 31, 2004 are as follows:

Years ending December 31,	
2005	\$ 1,505,148
2006	1,502,884
2007	1,280,081
2008	1,278,054
2009	1,114,971
Thereafter	6,292,801
	<hr/>
	\$ 12,973,939

Interest expense resulting from subordinated notes payable to employees totaled \$904,286, of which \$718,924 was paid during the year ended December 31, 2004. As of December 31, 2004, the current portion of subordinated notes payable to employees includes accrued interest payable of \$218,224.

**Note 7 — Deferred Rent**

In October 1995, the Company entered into the first of a series of leases for office space. The net cost under these leases is approximately \$13,239,000 over the eleven year and eight month term including rent abatements, scheduled rent increases, and other related factors associated with these leases. The Company is recognizing the expense associated with these leases on a straight-line basis ratably over the lease terms in accordance with accounting principles generally accepted in the United States of America. The deferred rent liability represents the cumulative difference between the monthly rent expense recorded and the amount of rent paid.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

December 31, 2004

**Note 8 — Employee Benefit Plans****401(k) profit sharing plan**

The Company maintains a defined contribution 401(k) profit sharing plan (the Plan) for all employees who have attained the age of 21. Employees are eligible for the profit sharing contribution once they have completed twelve months of service with the Company. Participants may make voluntary contributions up to the maximum amount allowable by law. Company contributions to the Plan are at the discretion of management and vest to the participants ratably over a five year period for profit sharing contributions and ratably over a three year period for matching contributions. Employees begin vesting in the Company matching contribution upon completion of 1,000 hours of service to the Company and in the profit sharing contribution in the second year of participation. The Company recorded no contributions to the Plan for the year ended December 31, 2004.

**Employee Stock Ownership Plan**

The Company maintains an Employee Stock Ownership Plan (the ESOP) that covers all employees over the age of 21 who have work at least 1,000 hours in a year. Company contributions on behalf of the employees are determined at the discretion of the Board of Directors and vest to the participants ratably over five years, beginning with the second year of credited service. Initially, the ESOP borrowed funds from the Company to purchase 900,000 shares of common stock from the stockholders of the Company. The ESOP shares initially were pledged as collateral for its debt. As the debt is repaid, shares are released from collateral and allocated, based on the proportion of debt service paid in the year. Debt of the ESOP is recorded as subordinated notes payable to employees (see Note 6) and the shares pledged as collateral are reported as unallocated ESOP shares in the accompanying consolidated balance sheets. As shares are released from collateral, the Company reports compensation expense equal to the current market price of the shares, and the shares become outstanding. ESOP compensation expense was \$1,073,500 for the year ended December 31, 2004. The Company also recorded contributions to the 401(k) Plan of \$320,544, through shares acquired from the ESOP, for the year ended December 31, 2004.

The ESOP shares are as follows at December 31, 2004:

Allocated shares at the beginning of the year	147,336
Shares released for allocation	68,410
Unallocated shares at the end of the year	684,254
Total ESOP shares	900,000
Fair value of unallocated shares at the end of the year	\$ 9,853,258

**Note 9 — Nonqualified Deferred Compensation Plan**

The Company maintains a nonqualified deferred compensation plan (the deferred compensation plan) for all employees not eligible to participate in the Company's Employee Stock Plan (Note 8). Contributions to the deferred compensation plan are made through voluntary employee salary reductions of up to 100 percent of total compensation. The Company, at its discretion, may make a contribution to the deferred compensation plan. The Company's contribution to the deferred compensation plan vests immediately. The Company recorded contributions of \$123,526 to the Plan for the year ended December 31, 2004. The Company has funded its deferred compensation liability with marketable securities, as selected by the participating employees. The liability to the participants will increase or decrease according to the

**Caliber Associates, Inc.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

December 31, 2004

performance of the selected investments. The fair value of the liability, therefore, approximates the book value as of December 31, 2004, except for Company contributions accrued, but not yet paid.

**Note 10 — Concentrations of Credit Risk**

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents, accounts receivable, and unbilled receivables. The Company's management believes the risk of loss associated with cash and cash equivalents is very low since cash and cash equivalents are maintained in financial institutions. However, at various times throughout the year, the Company had cash and cash equivalents on deposit with a financial institution that exceeded the federally insured limit. To date, accounts receivable and unbilled receivables have been derived primarily from contracts with agencies of the federal government. Accounts receivable are generally due within 30 days and no collateral is required. The Company maintains reserves for potential credit losses and historically such losses have been insignificant and within management's expectations.

**Note 11 — Commitments**

The Company leases office space under the terms of noncancelable operating leases that expire at various dates through December 2008. These leases require the Company to reimburse the landlord for its pro rata share of the increases in annual operating expenses and real estate taxes. The following is a schedule of the future minimum lease payments required under noncancelable operating leases that have initial or remaining terms in excess of one year as of December 31, 2004:

Years ending December 31,	
2005	\$ 2,120,000
2006	1,264,000
2007	580,000
2008	35,000
	<hr/>
	\$ 3,999,000

Rent expense aggregated \$1,975,424 for the year ended December 31, 2004.

**Note 12 — Subsequent Event**

On January 10, 2005, the Company acquired certain assets and liabilities of Collins Management Consulting, Inc. Collins Management Consulting, Inc. provides consulting services in the field of child development. As a result of the acquisition, the Company becomes one of the largest purveyors of information about early childhood currently under contract to the government.

The aggregate purchase price was \$950,000 in cash plus additional consideration. The purchase price will be adjusted for any additional consideration earned during each accounting period.

**Caliber Associates, Inc.**

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

December 31, 2004

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition. The Company is in the process of valuing these assets and liabilities. Thus, the allocation of the purchase price is subject to adjustment.

Cash	\$ 27,306
Accounts receivable	743,996
Other current assets	18,170
Other assets	13,489
Property and equipment	68,305
Non-compete agreements	200,000
Contract rights	604,740
	<hr/>
Total assets acquired	1,676,006
Current liabilities	(717,103)
Noncurrent liabilities	(8,903)
	<hr/>
Net assets acquired	\$ 950,000
	<hr/> <hr/>

## Caliber Associates, Inc.

**CONSOLIDATED BALANCE SHEETS**

September 30, 2004 and 2005

	2004	2005
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 45,971	\$ 1,760,760
Accounts receivable	5,637,455	6,505,174
Unbilled receivables	5,359,332	4,174,650
Other current assets	354,999	179,878
Total current assets	11,397,757	12,620,462
Property and equipment, net	775,102	605,313
Intangible assets, net	79,510	726,727
Deposits	53,471	66,318
Marketable securities — restricted	306,037	0
Total assets	\$ 12,611,877	\$ 14,018,820
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 605,762	\$ 1,195,002
Accrued payroll and related liabilities	3,146,291	2,805,336
Bank line-of-credit	185,234	0
Billings in excess of revenue recognized	757,957	915,865
Subordinated notes payable to employees	1,717,433	1,516,501
Deferred rent	323,561	157,423
Total current liabilities	6,736,238	6,590,127
Subordinated notes payable to employees	11,846,430	10,329,929
Deferred rent	124,965	133,368
Deferred compensation	400,500	0
Deferred income taxes	2,585,000	2,588,164
Total liabilities	21,693,133	19,641,588
Stockholders' deficit		
Common stock — no par value, 900,000 and 2,000,000 shares authorized, respectively	500	500
Retained earnings	5,971,527	3,654,253
Less: unallocated employee stock ownership plan shares	(15,053,283)	(9,277,521)
Total stockholders' deficit	(9,081,256)	(5,622,768)
Commitments		
Total liabilities and stockholders' deficit	\$ 12,611,877	\$ 14,018,820

See the accompanying notes.

**Caliber Associates, Inc. (An S Corporation)****CONSOLIDATED STATEMENTS OF INCOME**

Nine month periods ended September 30, 2004 and 2005

	2004	2005
Contract revenue	\$ 27,305,611	\$ 30,576,421
Operating costs and expenses		
Direct labor	9,712,835	10,515,734
Other direct costs	4,355,717	5,597,971
Indirect costs	12,266,499	14,410,301
Unallowable costs	242,903	491,071
	<u>26,577,954</u>	<u>31,015,077</u>
Income from operations	727,657	(438,656)
Other income (expense)		
Interest income	5,150	16,828
Interest expense	(737,448)	(780,340)
Net loss	<u>\$ (4,641)</u>	<u>\$ (1,202,168)</u>

**See the accompanying notes.**

**Caliber Associates, Inc.****CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT**

Nine month periods ended September 30, 2004 and 2005

	Common Stock		Retained Earnings	Unallocated Employee Stock Ownership Plan Shares	Total Stockholders' Deficit
	Shares	Amount			
Balance at December 31, 2003	900,000	\$ 500	\$ 5,976,168	\$ (15,053,283)	\$ (9,076,615)
Net loss for the nine-month period ended September 30, 2004	0	0	(4,641)	0	(4,641)
Balance at September 30, 2004	900,000	\$ 500	\$ 5,971,527	\$ (15,053,283)	\$ (9,081,256)
Balance at December 31, 2004	900,000	\$ 500	\$ 5,791,083	\$ (12,986,494)	\$ (7,194,911)
Stock split	900,000	0	0	0	0
Value of ESOP shares released for allocation to participants for the nine-month period ended September 30, 2005	0	0	(934,662)	3,708,973	2,774,311
Net loss for the nine-month period ended September 30, 2005	0	0	(1,202,168)	0	(1,202,168)
Balance at September 30, 2005	1,800,000	\$ 500	\$ 3,654,253	\$ (9,277,521)	\$ (5,622,768)

**See the accompanying notes.**



## Caliber Associates, Inc.

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Nine month periods ended September 30, 2004 and 2005

	2004	2005
<b>Cash flows from operating activities:</b>		
Net loss	\$ (4,641)	\$(1,202,168)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	601,877	384,339
Employee stock ownership plan expense	805,125	2,774,311
Deferred rent	(297,185)	(138,050)
(Increase) decrease in:		
Accounts receivable	62,595	1,846,149
Unbilled receivables	2,034,082	(112,090)
Income taxes receivable	56,379	0
Other current assets	122,779	289,363
Marketable securities — restricted	(28,975)	455,410
Increase (decrease) in:		
Accounts payable and accrued expenses	(808,774)	67,010
Accrued payroll and related liabilities	319,979	529,007
Billings in excess of revenue recognized	(350,246)	416,540
Deferred compensation	4,287	(559,586)
Total adjustments	2,521,923	5,952,403
Net cash provided by operating activities	2,517,282	4,750,235
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment, net	(102,580)	(36,386)
Purchase of intangible assets	(30,000)	(892,694)
Decrease in deposits	551	180,332
Net cash used in investing activities	(132,029)	(748,748)
<b>Cash flows from financing activities:</b>		
Net repayments under bank line-of-credit	(1,506,447)	(956,678)
Repayments under subordinated notes payable to employees	(1,151,757)	(1,345,733)
Net cash used in financing activities	(2,658,204)	(2,302,411)
Net increase (decrease) in cash and cash equivalents	(272,951)	1,699,076
Cash and cash equivalents at the beginning of the period	318,922	61,684
Cash and cash equivalents at the end of the period	\$ 45,971	\$ 1,760,760

See the accompanying notes.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

September 30, 2004 and 2005

**Note 1 — Organization and Significant Accounting Policies**

**Description of business and principles of consolidation**

The accompanying consolidated financial statements include the accounts of Caliber Associates, Inc. (Caliber) and its subsidiaries, Fried & Sher, Inc. (Fried & Sher) and Collins Management, Inc. (Collins) (collectively referred to as the Company). Caliber is incorporated under the laws of the Commonwealth of Virginia to provide research and management consulting services to departments and agencies of the federal government. Fried & Sher provides leading work life professional services to the federal government and commercial businesses. Collins provides consulting services in the field of child development. All significant intercompany balances have been eliminated in consolidation.

**Purchase of the company**

Effective October 5, 2005, under the terms of a stock purchase agreement (the Agreement), ICF Consulting Group, Inc. (ICF) acquired all of the outstanding shares of the Company. The purchase price consists of a base consideration amount, plus or minus other items, as defined in the Agreement.

The accompanying financial statements do not include or reflect any other amounts or transactions related to the purchase of the Company by ICF.

The significant accounting policies followed by the Company are described below.

**Use of estimates**

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**Revenue recognition**

Revenue on fixed-price and cost-reimbursable contracts includes direct costs and allocated indirect costs incurred plus recognized profit. Revenue is recognized under fixed-price contracts on the percentage-of-completion basis. Revenue on time-and-material contracts is recognized based upon time (at established rates) and other direct costs incurred. Unbilled receivables and billings in excess of revenue recognized result from differences between billings, which are determined based upon contractual terms, and amounts recognized as earned, which are based upon costs incurred and contract performance. Losses on contracts are provided for in the period they are first determined.

Federal government contract costs for 2002 through 2005, including indirect expenses, are subject to audit and adjustment by the Defense Contract Audit Agency. Contract revenue has been recorded in amounts which are expected to be realized upon final settlement.

**Cash equivalents**

The Company considers all highly liquid instruments with original maturities of three months or less to be cash equivalents.

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**Caliber Associates, Inc.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

September 30, 2004 and 2005

**Marketable securities — restricted**

Management of the Company determines the appropriate classification of marketable securities at the time of purchase and reevaluates such designation at each balance sheet date. Management has classified its marketable securities as trading and, thus, is carrying them at current market value, with realized and unrealized gains and losses included in earnings. The cost of securities sold is based on the specific identification method.

**Property and equipment**

Property and equipment is stated at cost less accumulated depreciation and amortization. Depreciation of property and equipment is computed using accelerated methods over the estimated useful lives of three to seven years. Amortization of leasehold improvements is computed using the straight-line method over the shorter of the estimated useful lives of the assets or the term of the related lease.

**Intangible assets**

Intangible assets, which consist of contract rights and non-compete agreements, are stated at cost less accumulated amortization. Amortization of intangible assets is computed using the straight-line method over the estimated useful lives of three years to 80 months. Intangible assets were recorded at \$1,381,111 and \$575,358, with accumulated amortization of \$654,384 and \$495,848 at September 30, 2005 and 2004, respectively. Amortization expense related to intangible assets totaled \$129,010 and \$161,194 for the nine month periods ended September 30, 2005 and 2004, respectively.

The following is a schedule of estimated future amortization expense:

<b>Years ending September 30,</b>	
2006	\$ 163,904
2007	163,904
2008	113,904
2009	97,237
2010	97,237
Thereafter	90,540
	<hr/>
	\$ 726,727

**Income taxes**

Effective January 1, 2002, the Company became an S Corporation for federal income tax purposes (which also applies to most states). Accordingly, as of this date, the Company is generally not subject to corporate income taxes and the income, deductions and credits generated by the Company will flow to the Company's stockholders. However, any taxable income generated by the Company for any year through December 31, 2011 would subject the Company to income taxes to the extent income earned under C Corporation status had been previously deferred for income tax purposes. Accordingly, a deferred tax liability remains on the Company's consolidated balance sheet to reflect this liability, which may be triggered in future years.

**Caliber Associates, Inc.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

September 30, 2004 and 2005

**Note 2 — Business Combination**

On January 10, 2005, the Company acquired certain assets and liabilities of Collins Management Consulting, Inc. Collins Management Consulting, Inc. provides consulting services in the field of child development. As a result of the acquisition, the Company has become one of the largest purveyors of information about early childhood development currently under contract to the federal government.

The aggregate purchase price was \$950,000, which included net cash paid of \$922,694 (of which \$30,000 was paid in 2004). The purchase price will be adjusted for any additional consideration earned during future accounting periods.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition.

Cash	\$ 27,306
Accounts receivable	746,495
Other current assets	18,170
Other assets	13,489
Property and equipment	67,741
Non-compete agreements	200,000
Contract rights	635,753
	<hr/>
Total assets acquired	1,708,954
Current liabilities	(750,051)
Noncurrent liabilities	(8,903)
	<hr/>
Net assets acquired	\$ 950,000

**Note 3 — Marketable Securities — Restricted**

The Company invests in several publicly-traded mutual funds under a Rabbi Trust Agreement for the funding of the nonqualified deferred compensation plan (see Note 10). As such, all amounts are restricted for this use. During the nine month periods ended September 30, 2005 and 2004, the securities produced unrealized capital gains of \$0 and \$28,975, respectively. All investment income earned during the nine month periods ended September 30, 2005 and 2004 relate to marketable securities held at the end of each period. In September 2005, the marketable securities were sold for \$602,571 resulting in a realized gain of \$180,885.

**Note 4 — Unbilled Receivables**

Unbilled receivables consists of the following at September 30:

	2004	2005
Amounts currently billable	\$ 4,009,187	\$ 3,306,170
Amounts billable upon completion of milestones	1,162,476	765,986
Rate variances	103,825	83,799
Contract retainages	83,844	18,695
	<hr/>	<hr/>
	\$ 5,359,332	\$ 4,174,650

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

September 30, 2004 and 2005

**Note 5 — Property and Equipment**

Property and equipment consists of the following at September 30:

	2004	2005
Leasehold improvements	\$ 760,905	\$ 769,125
Other equipment	621,656	620,464
Computer equipment	753,856	528,676
Software licenses	700,642	468,473
Office furniture	442,969	442,969
	<u>3,280,028</u>	<u>2,829,707</u>
Less: accumulated depreciation and amortization	(2,504,926)	(2,224,394)
	<u>\$ 755,102</u>	<u>\$ 605,313</u>

Depreciation and amortization expense on property and equipment totaled \$255,329 and \$440,683 for the nine month periods ended September 30, 2005 and 2004, respectively.

**Note 6 — Bank Line-of-credit**

The Company maintains a bank line-of-credit facility under which it may borrow up to the lesser of \$4,000,000 or 85% of eligible billed receivables. Borrowings under this bank line-of-credit agreement are due upon demand, are secured by all of the Company's assets, and bear interest at the bank's prime rate (6.75% at September 30, 2005). This agreement requires the Company to comply with certain financial covenants. At September 30, 2005, the Company was in compliance with these covenants. The bank line-of-credit was terminated on October 5, 2005.

**Note 7 — Subordinated Notes Payable to Employees**

Subordinated notes payable to employees consists of eleven subordinated notes payable to employees with stated amounts totaling \$18,205,233, with one-time payments ranging from \$4,969 to \$796,666, and remaining quarterly principal payments ranging from \$4,893 to \$152,743, plus accrued interest (ranging from 5.75% to 8.25% per annum), and terms ranging from 5 to 15 years. These notes payable are secured by the Company's common stock, and are subordinated to the bank line-of-credit agreement.

The scheduled maturities of these notes payable at September 30, 2005 are as follows:

Years ending September 30,	
2006	\$ 1,516,501
2007	1,323,898
2008	1,281,624
2009	1,152,865
2010	1,114,971
2011	1,114,971
Thereafter	4,341,600
	<u>\$ 11,846,430</u>

Interest expense resulting from subordinated notes payable to employees totaled \$703,444 and \$712,840, of which \$703,444 and \$488,531 was paid during the nine month periods ended

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

September 30, 2004 and 2005

September 30, 2005 and 2004, respectively. As of September 30, 2005 and 2004, the current portion of subordinated notes payable to employees includes accrued interest payable of \$0 and \$224,309, respectively.

**Note 8 — Deferred Rent**

In October 1995, the Company entered into the first of a series of leases for office space. The net cost under these leases is approximately \$13,239,000 over the eleven-year and eight-month term including rent abatements, scheduled rent increases, and other related factors associated with these leases. The Company is recognizing the expense associated with these leases on a straight-line basis ratably over the lease terms in accordance with generally accepted accounting principles. The deferred rent liability reflected in the accompanying consolidated balance sheet represents the cumulative difference between the monthly rent expense recorded and the amount of rent paid.

**Note 9 — Employee Benefit Plans**

**401(k) profit sharing plan**

The Company maintains a defined contribution 401(k) profit sharing plan (the Plan) for all employees who have attained the age of 21. Employees are eligible for the profit sharing contribution once they have completed twelve months of service with the Company. Participants may make voluntary contributions up to the maximum amount allowable by law. Company contributions to the Plan are at the discretion of management and vest to the participants ratably over a five-year period for profit sharing contributions and ratably over a three-year period for matching contributions. Employees begin vesting in the Company matching contribution upon completion of 1,000 hours of service to the Company, and in the profit sharing contribution in the second year of participation. The Company recorded no contributions to the Plan for either of the nine month periods ended September 30, 2005 and 2004. On September 30, 2005, the Company's Board of Directors approved an amendment to the Plan to distribute all Plan assets to participants immediately prior to the effective date of the stock purchase agreement (see Note 1).

**Employee Stock Ownership Plan**

The Company maintains an Employee Stock Ownership Plan (the ESOP) that covers all employees over the age of 21 who have work at least 1,000 hours in a year. Company contributions on behalf of the employees are determined at the discretion of the Board of Directors and vest to the participants ratably over five years, beginning with the second year of credited service. Initially, the ESOP borrowed funds from the Company to purchase 900,000 shares of common stock from the stockholders of the Company, and these shares were initially pledged as collateral for the debt. As the debt is repaid, shares are released from collateral and allocated, based on the proportion of debt service paid in the year. Debt of the ESOP is recorded as subordinated notes payable to employees (see Note 7) and the shares pledged as collateral are reported as unallocated ESOP shares in the accompanying consolidated balance sheets. As shares are released from collateral, the Company reports compensation expense equal to the current market price of the shares, and the shares become outstanding. ESOP compensation expense totaled \$2,505,408 and \$564,717 for the periods ended September 30, 2005 and 2004, respectively. The Company also recorded contributions to the 401(k) Plan of \$268,903 and \$240,408, through shares acquired from the ESOP, for the nine month periods ended September 30, 2005 and 2004, respectively. Effective October 1, 2005, the Company's Board of Directors approved, immediately prior to the effective date of the stock purchase agreement (see Note 1), the sale of the ESOP assets, rights, title, and all interests in the issued and

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**Caliber Associates, Inc.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

September 30, 2004 and 2005

outstanding ESOP shares to Caliber ESOP Custodial Corporation (the ESOP Sponsor) for \$10 to a former officer of Caliber Associates, Inc. The ESOP Sponsor was created to administer the proceeds that resulted from the stock purchase agreement (see Note 1).

The ESOP shares are as follows at September 30:

	2004	2005
Allocated shares at the beginning of the period	147,336	501,350
Shares released for allocation	0	375,980
Unallocated shares at the end of the period	752,664	922,670
<b>Total ESOP shares</b>	<b>900,000</b>	<b>1,800,000</b>
<b>Fair value of unallocated shares at the end of the period</b>	<b>\$ 10,311,496</b>	<b>\$ 6,320,290</b>

**Note 10 — Nonqualified Deferred Compensation Plan**

The Company maintains a nonqualified deferred compensation plan (the Deferred Compensation Plan) for all employees not eligible to participate in the Company's Employee Stock Plan (Note 9). Contributions to the Deferred Compensation Plan are made through voluntary employee salary reductions of up to 100 percent of total compensation. The Company, at its discretion, may make a contribution to the Deferred Compensation Plan. The Company's contribution to the Deferred Compensation Plan vests immediately. The Company recorded contributions of \$12,900 and \$112,763 to the Plan for the nine month periods ended September 30, 2005 and 2004, respectively. The Company has funded its deferred compensation liability with marketable securities, as selected by the participating employees. The liability to the participants will increase or decrease according to the performance of the selected investments. The fair value of the liability, therefore, approximates the book value as of September 30, 2005 and 2004, respectively, except for Company contributions accrued, but not yet paid. On September 30, 2005, the Company's Board of Directors approved an amendment to the Deferred Compensation Plan to distribute all of its assets to the participants immediately prior to the effective date of the stock purchase agreement (see Note 1).

**Note 11 — Common Stock**

On May 18, 2005, the Company increased its authorized common stock to 2,000,000 shares, and approved a two-for-one stock split.

**Note 12 — Concentrations of Credit Risk**

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents, accounts receivable, and unbilled receivables. The Company's management believes the risk of loss associated with cash and cash equivalents is very low since cash and cash equivalents are maintained in financial institutions. However, at various times throughout the periods and at September 30, 2005, the Company had cash and cash equivalents on deposit with a financial institution that exceeded the federally insured limit. To date, accounts receivable and unbilled receivables have been derived primarily from contracts with agencies of the federal government. Accounts receivable are generally due within 30 days and no collateral is required. The Company maintains reserves for potential credit losses and historically such losses have been insignificant and within management's expectations.

**Caliber Associates, Inc.**

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

September 30, 2004 and 2005

**Note 13 — Commitments**

The Company leases office space under the terms of noncancelable operating leases that expire at various dates through December 31, 2008. These leases require the Company to reimburse the landlord for its pro rata share of the increases in annual operating expenses and real estate taxes. The following is a schedule of the future minimum lease payments required under noncancelable operating leases that have initial or remaining terms in excess of one year as of September 30, 2005:

<b>Years ending September 30,</b>	
2006	\$ 1,708,000
2007	853,000
2008	35,000
2009	9,000
	<hr/>
	\$ 2,605,000

Rent expense aggregated \$1,793,160 and \$1,557,150 for the nine month periods ended September 30, 2005 and 2004, respectively.

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Corporate Headquarters — Fairfax, Virginia USA

Rio De Janeiro, Brazil • Toronto, Canada • New Delhi, India • Moscow, Russia • London, England  
 Albany, New York • Charleston, South Carolina • Dallas, Texas • Dayton, Ohio • Houston, Texas  
 Lexington, Massachusetts • Los Angeles, California • Middletown, Pennsylvania  
 Ogden, Utah • Oklahoma City, Oklahoma • Orange County, California  
 Research Triangle Park, North Carolina • San Francisco, California • Washington, DC

Client Mission and Needs



Advise

Implement

Improve

Defense & Homeland Security

- Needs and Market Assessments
- Policy Analysis
- Strategy

Energy

- Concept Development
- Planning

Environment & Infrastructure

- Change Management
- Architecture

Health, Human Services & Social Programs

- Design

- IT Solutions
- Project Management
- Program Delivery
- Technical Assistance
- Outsourcing
- Clearinghouses
- Communications
- Training and Exercises

- Program Evaluation
- Transformation
- Continuous Improvement
- Performance Management
- Benchmarking
- Customer Satisfaction
- Business Process Reengineering
- Return on Investment Analysis

Passion. Expertise. Results.

**4,670,000 Shares**



**ICF INTERNATIONAL, INC.**

**Common Stock**

Until \_\_\_\_\_, 2006 (25 days after the date of this prospectus), federal securities laws may require all dealers that effect transactions in our common stock, whether or not participating in this offering, to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

## Part II

### Information not required in prospectus

#### ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table sets forth the costs and expenses, other than the underwriting discount, payable by the Registrant in connection with the sale of common stock being registered. All amounts are estimates except the SEC registration fee and the NASD filing fee.

SEC registration fee	\$ 9,194
NASD filing fee	9,093
Nasdaq listing fee	105,000
Printing and engraving expenses	250,000
Legal fees and expenses	850,000
Accounting fees and expenses	660,000
Road Show expenses	50,000
Transfer agent and registrar fees and expenses	3,500
Miscellaneous	\$ 255,000
	<hr/>
Total	\$ 2,191,787

The Registrant will bear all expenses shown above. The selling stockholders will not bear any of such expenses.

#### ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Article SIXTH of the Registrant's Amended and Restated Certificate of Incorporation provides that, to the extent not prohibited by law, the Registrant shall indemnify any person who is or was a party or is threatened to be made a party to or is involved in any threatened, pending or completed action, suit, proceeding or alternative dispute resolution procedure, whether civil, criminal, administrative, investigative or otherwise, formal or informal, including an action by or in the right of the Registrant, by reason of the fact that such person, or a person of whom such person is the legal representative, is or was a director, officer, employee or agent of the Registrant or is or was serving at the request of the Registrant, as a director, manager, officer, partner, trustee, employee or agent of another foreign or domestic corporation, limited liability company, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of proceeding is alleged action in an official capacity as such a director, officer, employee or agent of the Registrant or in any other capacity while serving as such other director, manager, partner, trustee, employee or agent, against all judgments, penalties and fines incurred or paid, and against all expenses (including attorneys' fees) and settlement amounts incurred or paid, in connection with any such proceeding, except in relation to matters as to which the person did not act in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the Registrant, and, with respect to any criminal action or proceeding, had reasonable cause to believe the person's conduct was unlawful.

Expenses shall be advanced to a person entitled to indemnification at his or her request, provided that, if the board of directors requires it and the expenses were incurred by the person in his or her capacity as a director or officer, he or she must undertake to repay the amount advanced if it is ultimately determined that he or she is not entitled to indemnification for such expenses.

The rights to indemnification and reimbursement or advancement of expenses provided by, or granted pursuant to, such Article SIXTH of the Amended and Restated Certificate of Incorporation are enforceable by any person entitled to such indemnification or reimbursement or advancement of

**Part II**

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expenses in any court of competent jurisdiction. The burden of proving that such indemnification or reimbursement or advancement of expenses is not appropriate is on the Registrant. Such a person is also entitled to indemnification for any expenses incurred in connection with successfully establishing his or her right to such indemnification or reimbursement or advancement of expenses.

Article SIXTH of the Registrant's Amended and Restated Certificate of Incorporation further provides that the indemnification provided therein is not exclusive.

The Registrant has purchased directors' and officers' liability insurance that would indemnify its directors and officers against damages arising out of certain kinds of claims that might be made against them based on their negligent acts or omissions while acting in their capacity as such.

Peter M. Schulte, Joel R. Jacks and Robert Hopkins are directors of the Registrant and Peter M. Schulte and Joel R. Jacks are also co-managers, and Robert Hopkins is a partner, of CM Equity Partners, L.P., and each is serving on the Registrant's board of directors at the request of CM Equity Partners, L.P. Pursuant to the limited partnership agreement with CM Equity Partners, L.P., Messrs. Schulte, Jacks and Hopkins are indemnified against liability they may incur in their capacity as a director of the Registrant. In addition, as Messrs. Schulte, Jacks, Hopkins, Bersoff and Lucien are serving on the Registrant's board of directors at the request of CM Equity Partners, L.P., each is a beneficiary of an insurance policy maintained by CM Equity Partners, L.P. and affiliated entities to cover liability they may incur in their capacity as directors of the Registrant.

The Underwriting Agreement provides that the Underwriters are obligated, under certain circumstances, to indemnify directors, officers and controlling persons of the Registrant against certain liabilities, including liabilities under the Securities Act of 1933, as amended (the Securities Act). Reference is made to the form of Underwriting Agreement to be filed as Exhibit 1.1 hereto.

At present, there is no pending litigation or proceeding involving any director, officer, employee or agent as to which indemnification will be required or permitted under the Amended and Restated Certificate of Incorporation. The Registrant is not aware of any threatened litigation or proceeding that may result in a claim for such indemnification.

**ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.**

Since January 1, 2003, the Registrant has issued the following securities that were not registered under the Securities Act as summarized below. No underwriters were involved in the following sales of securities.

(a) Issuances of Common Stock

- (1) On April 30, 2004, we issued 15,000 shares of our common stock to one of our directors for consideration of \$110,100.
- (2) On December 28, 2004, we issued an aggregate of 26,090 shares of our common stock to certain of our employees and directors for aggregate consideration of \$191,500.60.
- (3) Effective January 1, 2005, we issued 68,120 shares to certain stockholders of Synergy, Inc. as part of the consideration for our acquisition of Synergy, Inc.
- (4) On March 31, 2005, we issued an aggregate of 51,278 shares of our common stock to certain of our employees for aggregate consideration of \$376,380.52.
- (5) On September 6, 2005 we issued 29,500 shares of our common stock to one of our employees for consideration of \$216,530.
- (6) On September 30, 2005, we issued an aggregate of 11,812 shares of our common stock to certain of our employees and directors for aggregate consideration of \$86,700.08.

**Part II**

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- (7) On February 13, 2006, we issued 11,050 shares of our common stock to one of our employees for consideration of \$100,002.50.
- (8) On March 31, 2006, we issued an aggregate of 33,100 shares of our common stock to certain of our employees for aggregate consideration of \$299,555.
- (9) On April 3, 2006, we issued 5,000 shares of our common stock to one of our employees for consideration of \$45,250.
- (10) On July 14, 2006, we issued 21,877 shares of our common stock to one of our warrant holders upon the cashless exercise of warrants for aggregate consideration of \$0.02.
- (11) Effective upon completion of this offering, we will issue 30,904 shares of our common stock to one of our warrant holders upon the cashless exercise of warrants for aggregate consideration of \$0.02.

Each of the sales described under “Issuances of Common Stock” above 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 purchasers or 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

- (1) On January 1, 2003, we issued to certain of our employees options to purchase an aggregate of 188,936 shares of our common stock at an exercise price of \$6.10 per share.
  - (2) On December 17, 2003, we issued to one of our employees options to purchase 1,000 shares of our common stock at an exercise price of \$6.10 per share.
  - (3) On January 1, 2004, we issued to certain of our employees options to purchase an aggregate of 122,000 shares of our common stock at an exercise price of \$7.34 per share.
  - (4) In April and May 2004, we issued to certain of our employees options to purchase an aggregate of 9,000 shares of our common stock at an exercise price of \$7.34 per share.
  - (5) On August 23, 2004, we issued to one of our employees options to purchase 1,500 shares of our common stock at an exercise price of \$7.34 per share.
  - (6) In January 2005, we issued to certain of our employees options to purchase 16,000 shares of our common stock at an exercise price of \$7.34 per share.
  - (7) On March 28, 2005, we issued to one of our employees options to purchase 1,500 shares of our common stock at an exercise price of \$7.34 per share.
  - (8) In July, August and September 2005, we issued to certain of our employees options to purchase an aggregate of 48,000 shares of our common stock at an exercise price of \$7.34 per share.
  - (9) On September 6, 2005, we issued 16,500 shares of restricted common stock to an employee.
  - (10) On November 11, 2005, we issued to one of our employees options to purchase 7,000 shares of our common stock at an exercise price of \$7.34 per share.
  - (11) On December 22, 2005, we issued to certain of our employees options to purchase 29,545 shares of our common stock at an exercise price of \$9.05 per share.
  - (12) In January 2006, we issued to certain of our employees options to purchase an aggregate of 15,000 shares of our common stock at an exercise price of \$9.05 per share.
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**Part II**

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- (13) In April 2006, we issued to the certain of our employees options to purchase an aggregate of 16,000 shares of our common stock at an exercise price of \$9.05 per share.
- (14) On May 5, 2006, we issued to certain of our employees options to purchase an aggregate of 47,780 shares of our common stock at an exercise price of \$9.05 per share.
- (15) Effective July 10, 2006, we issued 12,500 shares of restricted common stock to an employee.
- (16) On July 21, 2006, we issued 22,500 shares of our common stock to one of our former employees upon the exercise of stock options at an exercise price of \$9.05 per share.
- (17) Effective the completion of this offering, we will issue 7,500 shares of restricted common stock to an employee.
- (18) Effective upon completion of this offering, we will issue a total of 100,000 shares of restricted common stock to Sudhakar Kesavan, John Wasson and Alan Stewart under their restricted stock award agreements and shares of restricted common stock to each of our non-employee directors with a fair market value equal to three times their respective annual director cash retainer amounts.

Each of the sales described under “Stock Option Grants/Exercises and Grants of Restricted Stock” above 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. Except with respect to the exercise of stock options by our former employee described in transaction (16) above, the recipients of these securities were our employees and directors and received the securities under our Management Stock Option Plan, and no consideration other than the continued employment or service by the employee and director recipients was received by us in connection with any of these issuances of securities. With respect to transaction (16) above, the recipient of the securities was our employee at the time the options for the securities were issued and received such options under our Management Stock Option Plan. Each of the recipients of securities in these transactions had adequate access, through employment, business or other relationships, to information about us.

**ITEM 16. EXHIBITS.**

**(a) Exhibits:**

<b>Exhibit Number</b>	<b>Exhibit</b>
1.1	Form of Underwriting Agreement
3.1	Form of Amended and Restated Certificate of Incorporation of the Registrant (to be effective upon completion of this offering)
3.2†	Amended and Restated Bylaws of the Registrant (to be effective upon completion of this offering)
4.1	Specimen common stock certificate
4.2†	Form of Amended and Restated Registration Rights Agreement
4.3	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 Registrant
5.1†	Form of Opinion of Squire, Sanders & Dempsey L.L.P.
10.1†	Management Stock Option Plan
10.2	2006 Long-Term Equity Incentive Plan (to be effective upon completion of this offering)
10.3	2006 Employee Stock Purchase Plan (to be effective upon completion of this offering)

**Part II**

<u>Exhibit Number</u>	<u>Exhibit</u>
10.4	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
10.5	Form of Amended and Restated Employment Agreement between the Registrant and Sudhakar Kesavan
10.6†	Employment Agreement dated October 1, 2005 between ICF Consulting Group, Inc. and Gerald Croan
10.7	Form of Severance Protection Agreement between the Registrant and each of Sudhakar Kesavan, Alan Stewart and John Wasson
10.8†	Form of Restricted Stock Award Agreement between the Registrant and each of Sudhakar Kesavan, Alan Stewart and John Wasson
10.9†	Consulting Agreement dated June 25, 1999 between ICF Consulting Group, Inc. and CMLS Management, L.P.; and Form of First Amendment to Consulting Agreement
10.10†	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
10.11†	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
10.12†	Agreement of Sublease between ICF Kaiser International, Inc. and ICF Consulting Group, Inc. dated June 1999
10.13†	Assignment Agreement regarding Deed of Lease among B2TECS, Hunters Branch Leasing, LLC and ICF Consulting Group, Inc. dated effective October 7, 2005
10.14†	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
10.15	ICF Consulting Group, Inc. 2005 Restricted Stock Plan
10.16	Restricted Stock Agreement dated September 6, 2005 between ICF Consulting Group, Inc. and Ellen Glover
21.1†	Subsidiaries of the Registrant
23.1	Consent of Grant Thornton LLP
23.2	Consent of Argy, Wiltse & Robinson, P.C.
23.3†	Consent of Squire, Sanders & Dempsey L.L.P. (included in Exhibit 5.1)
24.1†	Power of Attorney
24.2	Power of Attorney of Dr. Srikant M. Datar

† *Previously filed.*

**(b) Financial Statement Schedules:**

No financial statement schedules are provided because the information called for is not required or is shown either in the financial statements or the notes thereto.

**Part II**

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**ITEM 17. UNDERTAKINGS.**

Insofar as indemnification for liabilities arising under the Securities Act, may be permitted to directors, officers and controlling persons of the Registrant pursuant to the Delaware General Corporation Law, the Amended and Restated Certificate of Incorporation and the Amended and Restated Bylaws of the Registrant, the Underwriting Agreement, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered hereunder, the Registrant will, unless in the opinion of counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

- (1) For purpose of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4), or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.
- (2) For purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

The undersigned Registrant hereby further undertakes to provide to the underwriter at the closing specified in the underwriting agreements certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

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## Exhibit index

<u>Exhibit Number</u>	<u>Exhibit</u>
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10.2	2006 Long-Term Equity Incentive Plan (to be effective upon completion of this offering)
10.3	2006 Employee Stock Purchase Plan (to be effective upon completion of this offering)
10.4	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
10.5	Form of Amended and Restated Employment Agreement between the Registrant and Sudhakar Kesavan
10.6†	Employment Agreement dated October 1, 2005 between ICF Consulting Group, Inc. and Gerald Croan
10.7	Form of Severance Protection Agreement between the Registrant and each of Sudhakar Kesavan, Alan Stewart and John Wasson
10.8†	Form of Restricted Stock Award Agreement between the Registrant and each of Sudhakar Kesavan, Alan Stewart and John Wasson
10.9†	Consulting Agreement dated June 25, 1999 between ICF Consulting Group, Inc. and CMLS Management, L.P.; and Form of First Amendment to Consulting Agreement
10.10†	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
10.11†	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
10.12†	Agreement of Sublease between ICF Kaiser International, Inc. and ICF Consulting Group, Inc. dated June 1999

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**Exhibit index**

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<u>Exhibit Number</u>	<u>Exhibit</u>
10.13†	Assignment Agreement regarding Deed of Lease among B2TECS, Hunters Branch Leasing, LLC and ICF Consulting Group, Inc. dated effective October 7, 2005
10.14†	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
10.15	ICF Consulting Group, Inc. 2005 Restricted Stock Plan
10.16	Restricted Stock Agreement dated September 6, 2005 between ICF Consulting Group, Inc. and Ellen Glover
21.1†	Subsidiaries of the Registrant
23.1	Consent of Grant Thornton LLP
23.2	Consent of Argy, Wiltse & Robinson, P.C.
23.3†	Consent of Squire, Sanders & Dempsey L.L.P. (included in Exhibit 5.1)
24.1†	Power of Attorney
24.2	Power of Attorney of Dr. Srikant M. Datar

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† *Previously filed.*

FORM OF  
ICF INTERNATIONAL, INC.  
\_\_\_\_ Shares  
Common Stock  
(\$0.001 par value per Share)  
UNDERWRITING AGREEMENT

\_\_\_\_\_, 2006

UBS Securities LLC  
Stifel, Nicolaus & Company, Inc.  
William Blair & Company  
Jefferies Quarterdeck, a division of Jefferies & Company, Inc.  
as *Managing Underwriters*

c/o UBS Securities LLC  
299 Park Avenue  
New York, New York 10171-0026

Ladies and Gentlemen:

ICF INTERNATIONAL, INC., a Delaware corporation (the "Company"), proposes to issue and sell, and each stockholder (each, a "Selling Stockholder") identified as a Selling Stockholder in Schedule C annexed hereto, proposes to sell, to the underwriters named in Schedule A annexed hereto (the "Underwriters"), for whom you are acting as representatives, an aggregate of \_\_\_\_\_ shares (the "Firm Shares") of common stock, \$0.001 par value per share (the "Common Stock"), of the Company, of which \_\_\_\_\_ Firm Shares are to be issued and sold by the Company (the "Company Firm Shares") and an aggregate of \_\_\_\_\_ Firm Shares are to be sold by the Selling Stockholders. The number of Firm Shares to be sold by each Selling Stockholder is the number of Firm Shares set forth opposite the name of such Selling Stockholder in Schedule C annexed hereto. In addition, solely for the purpose of covering over-allotments, the Company proposes to grant to the Underwriters the option to purchase from the Company up to an additional \_\_\_\_\_ shares of Common Stock (the "Additional Shares"). The Firm Shares and the Additional Shares are hereinafter collectively sometimes referred to as the "Shares." The Shares are described in the Prospectus which is referred to below.

The Company hereby acknowledges that, in connection with the proposed offering of the Shares, it has requested UBS Financial Services Inc. ("UBS-FinSvc") to administer a directed share program (the "Directed Share Program") under which up to \_\_\_\_\_ Firm Shares, or 5% of the Firm Shares to be purchased by the Underwriters (the "Reserved Shares"), shall be reserved for sale by UBS-FinSvc at the initial public offering price to the Company's officers, directors, employees and consultants and other persons having a relationship with the Company as designated by the Company (the "Directed Share Participants") as part of the distribution of the Shares by the Underwriters, subject to the terms of this Agreement, the applicable rules, regulations and interpretations of the National Association of Securities

Dealers, Inc. (the “NASD”) and all other applicable laws, rules and regulations. The number of Shares available for sale to the general public will be reduced to the extent that Directed Share Participants purchase Reserved Shares. The Underwriters may offer any Reserved Shares not purchased by Directed Share Participants to the general public on the same basis as the other Shares being issued and sold hereunder. The Company has supplied UBS-FinSvc with the names, addresses and telephone numbers of the individuals or other entities which the Company has designated to be participants in the Directed Share Program. It is understood that any number of those so designated to participate in the Directed Share Program may decline to do so.

The Company has prepared and filed, in accordance with the provisions of the Securities Act of 1933, as amended, and the rules and regulations thereunder (collectively, the “Act”), with the Securities and Exchange Commission (the “Commission”) a registration statement on Form S-1 (File No. 333-134018) under the Act, including a prospectus, relating to the Shares.

Except where the context otherwise requires, “Registration Statement,” as used herein, means the registration statement, as amended at the time of such registration statement’s effectiveness for purposes of Section 11 of the Act, as such section applies to the respective Underwriters (the “Effective Time”), including (i) all documents filed as a part thereof, (ii) any information contained in a prospectus filed with the Commission pursuant to Rule 424(b) under the Act, to the extent such information is deemed, pursuant to Rule 430A or Rule 430C under the Act, to be part of the registration statement at the Effective Time, and (iii) any registration statement filed to register the offer and sale of Shares pursuant to Rule 462(b) under the Act.

The Company has furnished to you, for use by the Underwriters and by dealers in connection with the offering of the Shares, copies of the preliminary prospectus dated \_\_\_\_\_, 2006 relating to the Shares.<sup>1</sup> “Preliminary Prospectus,” as used herein, means such preliminary prospectus, in the form so furnished.

Except where the context otherwise requires, “Prospectus,” as used herein, means the prospectus, relating to the Shares, filed by the Company with the Commission pursuant to Rule 424(b) under the Act on or before the second business day after the date hereof (or such earlier time as may be required under the Act), or, if no such filing is required, the final prospectus included in the Registration Statement at the time it became effective under the Act, in each case in the form furnished by the Company to you for use by the Underwriters and by dealers in connection with the offering of the Shares.

“Permitted Free Writing Prospectuses,” as used herein, means the documents listed in Schedule B annexed hereto and each “road show” (as defined in Rule 433 under the Act), if any, related to the offering of the Shares contemplated hereby that is a “written communication” (as defined in Rule 405 under the Act) (each such road show, an “Electronic Road Show”). The Underwriters have not offered or sold and will not offer or sell, without the Company’s consent, any Shares by means of any “free writing prospectus” (as defined in Rule

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<sup>1</sup> Will be revised if more than one preliminary prospectus is circulated.

405 under the Act) that is required to be filed by the Underwriters with the Commission pursuant to Rule 433 under the Act, other than a Permitted Free Writing Prospectus.

“Disclosure Package,” as used herein, means the Preliminary Prospectus together with any combination of one or more of the Permitted Free Writing Prospectuses, if any.

As used in this Agreement, “business day” shall mean a day on which the New York Stock Exchange (the “NYSE”) is open for trading. The terms “herein,” “hereof,” “hereto,” “hereinafter” and similar terms, as used in this Agreement, shall in each case refer to this Agreement as a whole and not to any particular section, paragraph, sentence or other subdivision of this Agreement. The term “or,” as used herein, is not exclusive.

The Company has prepared and filed, in accordance with Section 12 of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (collectively, the “Exchange Act”), a registration statement (as amended, the “Exchange Act Registration Statement”) on Form 8-A (File No. \_\_\_\_\_) under the Exchange Act to register, under Section 12(b) of the Exchange Act, the class of securities consisting of the Common Stock.

The Company, each of the Selling Stockholders and the Underwriters agree as follows:

1. Sale and Purchase. Upon the basis of the representations and warranties and subject to the terms and conditions herein set forth, the Company agrees to issue and sell, and each of the Selling Stockholders agrees to sell, in each case severally and not jointly, to the respective Underwriters, and each of the Underwriters, severally and not jointly, agrees to purchase from the Company and each Selling Stockholder, the respective number of Firm Shares (subject to such adjustment as UBS may determine to avoid fractional shares) which bears the same proportion to the total number of Firm Shares to be sold by the Company or by such Selling Stockholder, as the case may be, as the number of Firm Shares set forth opposite the name of such Underwriter in Schedule A annexed hereto, subject to adjustment in accordance with Section 11 hereof, bears to the total number of Firm Shares, in each case at a purchase price of \$\_\_\_\_\_ per Share. The Company is advised by you that the Underwriters intend (i) to make a public offering of their respective portions of the Firm Shares as soon after the effective date of the Registration Statement as in your judgment is advisable and (ii) initially to offer the Firm Shares upon the terms set forth in the Prospectus. You may from time to time increase or decrease the public offering price after the initial public offering to such extent as you may determine.

In addition, the Company, hereby grants to the several Underwriters the option (the “Over-Allotment Option”) to purchase, and upon the basis of the representations and warranties and subject to the terms and conditions herein set forth, the Underwriters shall have the right to purchase, severally and not jointly, from the Company, ratably in accordance with the number of Firm Shares to be purchased by each of them, all or a portion of the Additional Shares as may be necessary to cover over-allotments made in connection with the offering of the Firm Shares, at the same purchase price per share to be paid by the Underwriters to the Company

for the Firm Shares. The Over-Allotment Option may be exercised by UBS on behalf of the several Underwriters at any time and from time to time on or before the thirtieth day following the date of the Prospectus, by written notice to the Company. Such notice shall set forth the aggregate number of Additional Shares as to which the Over-Allotment Option is being exercised and the date and time when the Additional Shares are to be delivered (any such date and time being herein referred to as an “additional time of purchase”); provided, however, that no additional time of purchase shall be earlier than the “time of purchase” (as defined below), nor earlier than the second business day after the date on which the Over-Allotment Option shall have been exercised, nor later than the tenth business day after the date on which the Over-Allotment Option shall have been exercised. Upon any exercise of the Over-Allotment Option, and subject to such adjustment as UBS may determine to avoid fractional shares, the number of Additional Shares to be purchased by each Underwriter, severally and not jointly, shall be the number which bears the same proportion to the aggregate number of Additional Shares being purchased (the “Option Purchased Amount”) as the number of Firm Shares set forth opposite the name of such Underwriter in Schedule A annexed hereto bears to the total number of Firm Shares, subject to adjustment in accordance with Section 11 hereof.

Pursuant to powers of attorney granted by each Selling Stockholder (which powers of attorney shall be satisfactory to UBS), Peter M. Schulte and Joel R. Jacks shall act as representatives of the Selling Stockholders. Each of the foregoing representatives (collectively, the “Representatives of the Selling Stockholders”) is authorized, on behalf of each Selling Stockholder, among other things, to execute any documents necessary or desirable in connection with the sale of the Firm Shares to be sold hereunder by such Selling Stockholder, to make delivery of the certificates of such Firm Shares, to receive the proceeds of the sale of such Firm Shares, to give receipts for such proceeds, to pay therefrom the expenses to be borne by such Selling Stockholder in connection with the sale and public offering of the Shares, to distribute the balance of such proceeds to such Selling Stockholder, to receive notices on behalf of such Selling Stockholder and to take such other action as may be necessary or desirable in connection with the transactions contemplated by this Agreement.

2. Payment and Delivery. Payment of the purchase price for the Firm Shares shall be made to the Company and to each Selling Stockholder by Federal Funds wire transfer against delivery of the certificates for the Firm Shares to you through the facilities of The Depository Trust Company (“DTC”) for the respective accounts of the Underwriters. Such payment and delivery shall be made at 10:00 A.M., New York City time, on \_\_\_\_\_, 2006 (unless another time shall be agreed to by you and the Company and any Representative of the Selling Stockholders, or unless postponed in accordance with the provisions of Section 11 hereof). The time at which such payment and delivery are to be made is hereinafter sometimes called the “time of purchase.” Electronic transfer of the Firm Shares shall be made to you at the time of purchase in such names and in such denominations as you shall specify.



Payment of the purchase price for the Additional Shares shall be made to the Company at the applicable additional time of purchase in the same manner and at the same office as the payment for the Firm Shares. Electronic transfer of the Additional Shares shall be made to you at the additional time of purchase in such names and in such denominations as you shall specify.

Deliveries of the documents described in Section 9 hereof with respect to the purchase of the Shares shall be made at the offices of Davis Polk & Wardwell at 450 Lexington Avenue, New York, New York, at 9:00 A.M., New York City time, on the date of the closing of the purchase of the Firm Shares or the Additional Shares, as the case may be.

3. Representations and Warranties of the Company. The Company represents and warrants to and agrees with each of the Underwriters that:

(a) the Registration Statement has heretofore become effective under the Act or, with respect to any registration statement to be filed to register the offer and sale of Shares pursuant to Rule 462(b) under the Act, will be filed with the Commission and become effective under the Act no later than 10:00 P.M., New York City time, on the date of determination of the public offering price for the Shares; no stop order of the Commission preventing or suspending the use of the Preliminary Prospectus or Permitted Free Writing Prospectus, or the effectiveness of the Registration Statement, has been issued, and no proceedings for such purpose have been instituted or, to the Company's knowledge, are contemplated by the Commission; the Exchange Act Registration Statement has become effective as provided in Section 12 of the Exchange Act;

(b) the Registration Statement complied when it became effective, complies as of the date hereof and, as amended or supplemented, at the time of purchase, each additional time of purchase, if any, and at all times during which a prospectus is required by the Act to be delivered (whether physically or through compliance with Rule 172 under the Act or any similar rule) in connection with any sale of Shares, will comply, in all material respects, with the requirements of the Act; the Registration Statement did not, as of the Effective Time, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; the Preliminary Prospectus complied, at the time it was filed with the Commission, and complies as of the date hereof, in all material respects with the requirements of the Act; at no time during the period that begins on the earlier of the date of the Preliminary Prospectus and the date such Preliminary Prospectus was filed with the Commission and ends at the time of purchase did or will any Preliminary Prospectus, as then amended or supplemented, include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, and at no time during such period did or will the Preliminary Prospectus, as then amended or supplemented, together with any combination of one or more of the then issued Permitted Free Writing Prospectuses, if any, include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; the Prospectus will comply, as of its date, the date that it is filed with the Commission, the time of purchase, each

additional time of purchase, if any, and at all times during which a prospectus is required by the Act to be delivered (whether physically or through compliance with Rule 172 under the Act or any similar rule) in connection with any sale of Shares, in all material respects, with the requirements of the Act (including, without limitation, Section 10(a) of the Act); at no time during the period that begins on the earlier of the date of the Prospectus and the date the Prospectus is filed with the Commission and ends at the later of the time of purchase, the latest additional time of purchase, if any, and the end of the period during which a prospectus is required by the Act to be delivered (whether physically or through compliance with Rule 172 under the Act or any similar rule) in connection with any sale of Shares did or will the Prospectus, as then amended or supplemented, include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; at no time during the period that begins on the date of such Permitted Free Writing Prospectus and ends at the time of purchase did or will any Permitted Free Writing Prospectus include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that the Company makes no representation or warranty in this Agreement with respect to any statement contained in the Registration Statement, the Preliminary Prospectus, the Prospectus or any Permitted Free Writing Prospectus in reliance upon and in conformity with information concerning an Underwriter and furnished in writing by or on behalf of such Underwriter through you to the Company expressly for use in the Registration Statement, such Preliminary Prospectus, the Prospectus or such Permitted Free Writing Prospectus;

(c) prior to the execution of this Agreement, the Company has not, directly or indirectly, offered or sold any Shares by means of any “prospectus” (within the meaning of the Act) or used any “prospectus” (within the meaning of the Act) in connection with the offer or sale of the Shares, in each case other than the Preliminary Prospectus and the Permitted Free Writing Prospectuses, if any; the Company has not, directly or indirectly, prepared, used or referred to any Permitted Free Writing Prospectus except in compliance with Rules 164 and 433 under the Act; assuming that such Permitted Free Writing Prospectus is accompanied or preceded by the most recent Preliminary Prospectus that contains a price range or the Prospectus, as the case may be, and that such Permitted Free Writing Prospectus is so sent or given after the Registration Statement was filed with the Commission (and after such Permitted Free Writing Prospectus was, if required pursuant to Rule 433(d) under the Act, filed with the Commission), the sending or giving, by any Underwriter, of any Permitted Free Writing Prospectus will satisfy the provisions of Rule 164 and Rule 433 (without reliance on subsections (b), (c) and (d) of Rule 164); the Preliminary Prospectus is a prospectus that, other than by reason of Rule 433 or Rule 431 under the Act, satisfies the requirements of Section 10 of the Act, including a price range where required by rule; neither the Company nor the Underwriters are disqualified, by reason of subsection (f) or (g) of Rule 164 under the Act, from using, in connection with the offer and sale of the Shares, “free writing prospectuses” (as defined in Rule 405 under the Act) pursuant to Rules 164 and 433 under the Act; the Company is not an “ineligible issuer” (as defined in Rule 405 under the Act) as of the eligibility determination date for purposes of Rules 164 and 433 under the Act with respect to the offering of the Shares

contemplated by the Registration Statement; the parties hereto agree and understand that the content of any and all “road shows” (as defined in Rule 433 under the Act) related to the offering of the Shares contemplated hereby is solely the property of the Company; the Company has caused there to be made available at least one version of a “*bona fide* electronic road show” (as defined in Rule 433 under the Act) in a manner that, pursuant to Rule 433(d)(8)(ii) under the Act, causes the Company not to be required, pursuant to Rule 433(d) under the Act, to file, with the Commission, any Electronic Road Show;

(d) as of the date of this Agreement, the Company has an authorized and outstanding capitalization as set forth in the sections of the Registration Statement, the Preliminary Prospectus and the Prospectus entitled “Capitalization” and “Description of capital stock” (and any similar sections or information, if any, contained in any Permitted Free Writing Prospectus), and, as of the time of purchase and any additional time of purchase, as the case may be, the Company shall have an authorized and outstanding capitalization as set forth in the sections of the Registration Statement, the Preliminary Prospectus and the Prospectus entitled “Capitalization” and “Description of capital stock” (and any similar sections or information, if any, contained in any Permitted Free Writing Prospectus) (subject, in each case, to the issuance of shares of Common Stock upon exercise of stock options and warrants disclosed as outstanding in the Registration Statement (excluding the exhibits thereto), the Preliminary Prospectus and the Prospectus and the grant of options under existing stock option plans described in the Registration Statement (excluding the exhibits thereto), the Preliminary Prospectus and the Prospectus); all of the issued and outstanding shares of capital stock, including the Common Stock, of the Company have been duly authorized and validly issued and are fully paid and non-assessable, have been issued in compliance with all applicable securities laws and were not issued in violation of any preemptive right, resale right, right of first refusal or similar right; prior to the date hereof, the Company has duly effected and completed a stock split of the Common Stock in the manner described in the Registration Statement (excluding the exhibits thereto), the Preliminary Prospectus and the Prospectus; and the Amended and Restated Certificate of Incorporation of the Company and the Amended and Restated Bylaws of the Company, each in the form filed as an exhibit to the Registration Statement, have been heretofore duly authorized and approved in accordance with the Delaware General Corporation Law and shall become effective and in full force and effect at or before the time of purchase; the Shares are duly listed, and admitted and authorized for trading, subject to official notice of issuance and evidence of satisfactory distribution, on the Nasdaq Global Market (the “NASDAQ”);

(e) the Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware, with full corporate power and authority to own, lease and operate its properties and conduct its business as described in the Registration Statement, the Preliminary Prospectus, the Prospectus and each Permitted Free Writing Prospectus, if any, to execute and deliver this Agreement and to issue, sell and deliver the Shares to be sold by it pursuant hereto as contemplated herein;

(f) the Company is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction where the ownership or leasing of its properties or

the conduct of its business requires such qualification, except where the failure to be so qualified and in good standing would not, individually or in the aggregate, either (i) have a material adverse effect on the business, properties, financial condition, results of operations, cash flows, management or prospects of the Company and the Subsidiaries (as defined below) taken as a whole, (ii) prevent or materially interfere with consummation of the transactions contemplated hereby or result in any liability for any Underwriter or (iii) prevent the shares of Common Stock from being accepted for listing on, or result in the delisting of shares of Common Stock from NASDAQ (the occurrence of any such effect or any such prevention or interference or any such result described in the foregoing clauses (i), (ii) and (iii) being herein referred to as a “Material Adverse Effect”);

(g) the Company has no subsidiaries (as defined under the Act) other than those identified in Exhibit 21.1 to the Registration Statement (collectively, the “Subsidiaries”); the Company owns all of the issued and outstanding capital stock of each of the Subsidiaries; other than the capital stock of the Subsidiaries, the Company does not own, directly or indirectly, any shares of stock or any other equity interests or long-term debt securities of any corporation, firm, partnership, joint venture, association or other entity; complete and correct copies of the charters and the bylaws of the Company and each Subsidiary and all amendments thereto have been delivered to you, and, except as set forth in the exhibits to the Registration Statement, no changes therein will be made on or after the date hereof through and including the time of purchase or, if later, any additional time of purchase; each Subsidiary has been duly incorporated and is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, with full corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement, each Preliminary Prospectus, the Prospectus and each Permitted Free Writing Prospectus, if any; each Subsidiary is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction where the ownership or leasing of its properties or the conduct of its business requires such qualification, except where the failure to be so qualified and in good standing would not, individually or in the aggregate, have a Material Adverse Effect; all of the outstanding shares of capital stock of each of the Subsidiaries have been duly authorized and validly issued, are fully paid and non-assessable, have been issued in compliance with all applicable securities laws, were not issued in violation of any preemptive right, resale right, right of first refusal or similar right and are owned by the Company subject to no security interest, other encumbrance or adverse claims; no options, warrants or other rights to purchase, agreements or other obligations to issue or other rights to convert any obligation into shares of capital stock or ownership interests in the Subsidiaries are outstanding; the Company has no “significant subsidiary,” as that term is defined in Rule 1-02(w) of Regulation S-X under the Act, other than \_\_\_\_\_;

(h) the Shares to be sold by the Company pursuant hereto have been duly and validly authorized and, when issued and delivered against payment therefor as provided herein, will be duly and validly issued, fully paid and non-assessable and free of statutory and contractual preemptive rights, resale rights, rights of first refusal and similar rights; the Shares to be sold by the Company pursuant hereto, when issued and delivered against

payment therefor as provided herein, will be free of any restriction upon the voting or transfer thereof pursuant to the Company's charter or bylaws or any agreement or other instrument to which the Company is a party; the Firm Shares to be sold by the Selling Stockholders pursuant hereto have been duly and validly authorized and issued and are and, after they are delivered against payment therefor as provided herein, will be fully paid, non-assessable and free of statutory and contractual preemptive rights, resale rights, rights of first refusal and similar rights; the Firm Shares to be sold by the Selling Stockholders pursuant hereto are and, after they are delivered against payment therefor as provided herein, will be free of any restriction upon the voting or transfer thereof pursuant to the Company's charter or bylaws or any agreement or other instrument to which the Company is a party;

(i) the capital stock of the Company, including the Shares, conforms in all material respects to each description thereof, if any, contained in the Registration Statement, the Preliminary Prospectus, the Prospectus and each Permitted Free Writing Prospectus, if any; and the certificates for the Shares are in due and proper form;

(j) this Agreement has been duly authorized, executed and delivered by the Company;

(k) neither the Company nor any of the Subsidiaries is in breach or violation of or in default under (nor has any event occurred which, with notice, lapse of time or both, would result in any breach or violation of, constitute a default under or give the holder of any indebtedness (or a person acting on such holder's behalf) the right to require the repurchase, redemption or repayment of all or a part of such indebtedness under) (A) its charter or bylaws, or (B) any indenture, mortgage, deed of trust, bank loan or credit agreement or other evidence of indebtedness, or any license, lease, contract or other agreement or instrument to which it is a party or by which it or any of its properties may be bound or affected, or (C) any federal, state, local or foreign law, regulation or rule, or (D) any rule or regulation of any self-regulatory organization or other non-governmental regulatory authority (including, without limitation, the rules and regulations of the NASDAQ, or (E) any decree, judgment or order applicable to it or any of its properties, except in the case of clause (B) above as would not, individually or in the aggregate, have a Material Adverse Effect;

(l) the execution, delivery and performance of this Agreement, the issuance and sale of the Shares to be sold by the Company pursuant hereto, the sale of the Shares to be sold by the Selling Stockholders pursuant hereto and the consummation of the transactions contemplated hereby will not conflict with, result in any breach or violation of or constitute a default under (nor constitute any event which, with notice, lapse of time or both, would result in any breach or violation of, constitute a default under or give the holder of any indebtedness (or a person acting on such holder's behalf) the right to require the repurchase, redemption or repayment of all or a part of such indebtedness under) (or result in the creation or imposition of a lien, charge or encumbrance on any property or assets of the Company or any Subsidiary pursuant to) (A) the charter or bylaws of the Company or any of the Subsidiaries, or (B) any indenture, mortgage, deed of trust, bank loan or credit agreement or other evidence of indebtedness, or any license,

lease, contract or other agreement or instrument to which the Company or any of the Subsidiaries is a party or by which any of them or any of their respective properties may be bound or affected, or (C) any federal, state, local or foreign law, regulation or rule, or (D) any rule or regulation of any self-regulatory organization or other non-governmental regulatory authority (including, without limitation, the rules and regulations of the NASDAQ), or (E) any decree, judgment or order applicable to the Company or any of the Subsidiaries or any of their respective properties;

(m) no approval, authorization, consent or order of or filing with any federal, state, local or foreign governmental or regulatory commission, board, body, authority or agency, or of or with any self-regulatory organization or other non-governmental regulatory authority (including, without limitation, the NASDAQ), or approval of the stockholders of the Company, is required in connection with the issuance and sale of the Shares to be sold by the Company pursuant hereto, the sale of the Firm Shares to be sold by the Selling Stockholders pursuant hereto or the consummation of the transactions contemplated hereby, other than (i) registration of the Shares under the Act, which has been effected (or, with respect to any registration statement to be filed hereunder pursuant to Rule 462(b) under the Act, will be effected in accordance herewith), (ii) any necessary qualification under the securities or blue sky laws of the various jurisdictions in which the Shares are being offered by the Underwriters or (iii) under the Conduct Rules of the NASD;

(n) except as described in the Registration Statement (excluding the exhibits thereto), the Preliminary Prospectus and the Prospectus, (i) no person has the right, contractual or otherwise, to cause the Company to issue or sell to it any shares of Common Stock or shares of any other capital stock or other equity interests of the Company, (ii) no person has any preemptive rights, resale rights, rights of first refusal or other rights to purchase any shares of Common Stock or shares of any other capital stock of or other equity interests in the Company and (iii) no person has the right to act as an underwriter or as a financial advisor to the Company in connection with the offer and sale of the Shares; no person has the right, contractual or otherwise, to cause the Company to register under the Act any shares of Common Stock or shares of any other capital stock of or other equity interests in the Company, or to include any such shares or interests in the Registration Statement or the offering contemplated thereby;

(o) each of the Company and the Subsidiaries has all necessary licenses, authorizations, consents and approvals and has made all necessary filings required under any applicable law, regulation or rule, and has obtained all necessary licenses, authorizations, consents and approvals from other persons, in order to conduct their respective businesses, except where the failure to have made any such filings or obtained any such authorizations, consents and approvals would not, individually or in the aggregate, have a Material Adverse Effect; neither the Company nor any of the Subsidiaries is in violation of, or in default under, or has received notice of any proceedings relating to revocation or modification of, any such license, authorization, consent or approval or any federal, state, local or foreign law, regulation or rule or any decree, order or judgment applicable to the Company or any of the Subsidiaries, except where such violation, default, revocation or modification would not, individually or in the aggregate, have a Material Adverse Effect;

(p) there are no actions, suits, claims, investigations or proceedings pending or, to the Company's knowledge, threatened or contemplated to which the Company or any of the Subsidiaries or any of their respective directors or officers is or would be a party or of which any of their respective properties is or would be subject at law or in equity, before or by any federal, state, local or foreign governmental or regulatory commission, board, body, authority or agency, or before or by any self-regulatory organization or other non-governmental regulatory authority (including, without limitation, the NASDAQ), except any such action, suit, claim, investigation or proceeding which, if resolved adversely to the Company or any Subsidiary, would not, individually or in the aggregate, have a Material Adverse Effect;

(q) Grant Thornton LLP, whose report on the consolidated financial statements of the Company and the Subsidiaries is included in the Registration Statement, the Preliminary Prospectus and the Prospectus, are independent registered public accountants as required by the Act and by the rules of the Public Company Accounting Oversight Board; Argy, Wiltse & Robinson, P.C., whose report on the consolidated financial statements of Caliber Associates, Inc. and its subsidiaries (together, "Caliber") is included in the Registration Statement, the Preliminary Prospectus and the Prospectus, are independent public accountants as required by the Act; and while Argy, Wiltse & Robinson, P.C., are not registered with the Public Company Accounting Oversight Board, their report on the consolidated financial statements of Caliber is included in the Registration Statement in reliance upon paragraph II.P.2 of the outline entitled "Current Accounting and Disclosure Issues in the Division of Corporation Finance," dated March 4, 2005, prepared by accounting staff members in the Division of Corporation Finance of the Commission;

(r) the financial statements included in the Registration Statement, the Preliminary Prospectus, the Prospectus and each Permitted Free Writing Prospectus, if any, together with the related notes and schedules, present fairly the consolidated financial position of the Company and the Subsidiaries as of the dates indicated and of Caliber as of the dates indicated and the consolidated results of operations, cash flows and changes in stockholders' equity of the Company for the periods specified and of Caliber for the periods specified and have been prepared in compliance with the requirements of the Act and Exchange Act and in conformity with U.S. generally accepted accounting principles applied on a consistent basis during the periods involved; all pro forma financial statements or data included in the Registration Statement, the Preliminary Prospectus, the Prospectus and each Permitted Free Writing Prospectus, if any, comply with the requirements of the Act and the Exchange Act, and the assumptions used in the preparation of such pro forma financial statements and data are reasonable, the pro forma adjustments used therein are appropriate to give effect to the transactions or circumstances described therein and the pro forma adjustments have been properly applied to the historical amounts in the compilation of those statements and data; the other financial and statistical data contained in the Registration Statement, the Preliminary Prospectus, the Prospectus and each Permitted Free Writing Prospectus, if any, are accurately and fairly presented and prepared on a basis consistent with the

financial statements and books and records of the Company; there are no financial statements (historical or pro forma) that are required to be included in the Registration Statement, the Preliminary Prospectus or the Prospectus that are not included as required; the Company and the Subsidiaries do not have any material liabilities or obligations, direct or contingent (including any off-balance sheet obligations), not described in the Registration Statement (excluding the exhibits thereto), the Preliminary Prospectus and the Prospectus; and all disclosures contained in the Registration Statement, each Preliminary Prospectus, the Prospectus and each Permitted Free Writing Prospectus, if any, regarding “non-GAAP financial measures” (as such term is defined by the rules and regulations of the Commission) comply with Regulation G of the Exchange Act and Item 10 of Regulation S-K under the Act, to the extent applicable;

(s) subsequent to the respective dates as of which information is given in the Registration Statement, the Preliminary Prospectus, the Prospectus and each Permitted Free Writing Prospectus, if any, in each case excluding any amendments or supplements to the foregoing made after the execution of this Agreement, there has not been (i) any material adverse change, or any development involving a prospective material adverse change, in the business, properties, financial condition, results of operations, cash flows, management or prospects of the Company and the Subsidiaries taken as a whole, (ii) any transaction which is material to the Company and the Subsidiaries taken as a whole, (iii) any obligation or liability, direct or contingent (including any off-balance sheet obligations), incurred by the Company or any Subsidiary, which is material to the Company and the Subsidiaries taken as a whole, (iv) any change in the capital stock or outstanding indebtedness of the Company or any Subsidiaries or (v) any dividend or distribution of any kind declared, paid or made on the capital stock of the Company or any Subsidiary;

(t) the Company has obtained for the benefit of the Underwriters the agreement (a “Lock-Up Agreement”), in substantially the form set forth as Exhibit A hereto, of (i) each of its directors and “officers” (within the meaning of Rule 16a-1(f) under the Exchange Act), (ii) each Selling Stockholder, (iii) holders, in the aggregate, of \_\_\_% of the shares of Common Stock outstanding on the date hereof, including, for these purposes, the shares of Common Stock underlying any security convertible into or exercisable or exchangeable for shares of Common Stock or any warrant or other right to acquire shares of Common Stock or any such security, and (iv) each Directed Share Participant (the parties referred to in clauses (i) through (iii) being identified on Exhibit A-1 attached hereto);

(u) neither the Company nor any Subsidiary is, and at no time during which a prospectus is required by the Act to be delivered (whether physically or through compliance with Rule 172 under the Act or any similar rule) in connection with any sale of Shares will either of them be, and, after giving effect to the offering and sale of the Shares, neither of them will be, an “investment company” or an entity “controlled” by an “investment company,” as such terms are defined in the Investment Company Act of 1940, as amended (the “Investment Company Act”);



(v) the Company and each of the Subsidiaries have good and marketable title to all property (real and personal) described in the Registration Statement, the Preliminary Prospectus, the Prospectus and each Permitted Free Writing Prospectus, if any, as being owned by any of them, free and clear of all liens, claims, security interests or other encumbrances, except for liens, security interests and encumbrances described in the Registration Statement, the Preliminary Prospectus, the Prospectus and each Permitted Free Writing Prospectus, if any, and except as would not, individually or in the aggregate, materially and adversely affect the value of such property; all the property described in the Registration Statement, the Preliminary Prospectus, the Prospectus and each Permitted Free Writing Prospectus, if any, as being held under lease by the Company or a Subsidiary is held thereby under valid, subsisting and enforceable leases, with such exceptions as do not, individually or in the aggregate, materially interfere with the use made or proposed to be made of such property and buildings by the Company or such Subsidiary;

(w) each of the Company and the Subsidiaries owns or possesses all inventions, patent applications, patents, trademarks (both registered and unregistered), tradenames, service names, copyrights, trade secrets and other proprietary information described in the Registration Statement, the Preliminary Prospectus, the Prospectus and each Permitted Free Writing Prospectus, if any, as being owned or licensed by it or which is necessary for the conduct of, or material to, its businesses (collectively, the “Intellectual Property”), except where the failure to own or possess such Intellectual Property would not, individually or in the aggregate, have a Material Adverse Effect, and the Company is unaware of any claim to the contrary or any challenge by any other person to the rights of the Company or any of the Subsidiaries with respect to the Intellectual Property; neither the Company nor any of the Subsidiaries has infringed or is infringing the intellectual property of a third party, and neither the Company nor any Subsidiary has received notice of a claim by a third party to the contrary;

(x) neither the Company nor any of the Subsidiaries is engaged in any unfair labor practice; except for matters which would not, individually or in the aggregate, have a Material Adverse Effect, (i) there is (A) no unfair labor practice complaint pending or, to the Company’s knowledge, threatened against the Company or any of the Subsidiaries before the National Labor Relations Board, and no grievance or arbitration proceeding arising out of or under collective bargaining agreements is pending or, to the Company’s knowledge, threatened, (B) no strike, labor dispute, slowdown or stoppage pending or, to the Company’s knowledge, threatened against the Company or any of the Subsidiaries and (C) no union representation dispute currently existing concerning the employees of the Company or any of the Subsidiaries, (ii) to the Company’s knowledge, no union organizing activities are currently taking place concerning the employees of the Company or any of the Subsidiaries and (iii) there has been no violation of any federal, state, local or foreign law relating to discrimination in the hiring, promotion or pay of employees, any applicable wage or hour laws or any provision of the Employee Retirement Income Security Act of 1974 (“ERISA”) or the rules and regulations promulgated thereunder concerning the employees of the Company or any of the Subsidiaries;

(y) the Company and the Subsidiaries and their respective properties, assets and operations are in compliance with, and the Company and each of the Subsidiaries

hold all permits, authorizations and approvals required under, Environmental Laws (as defined below), except to the extent that failure to so comply or to hold such permits, authorizations or approvals would not, individually or in the aggregate, have a Material Adverse Effect; there are no past, present or, to the Company's knowledge, reasonably anticipated future events, conditions, circumstances, activities, practices, actions, omissions or plans that could reasonably be expected to give rise to any material costs or liabilities to the Company or any Subsidiary under, or to interfere with or prevent compliance by the Company or any Subsidiary with, Environmental Laws; except as would not, individually or in the aggregate, have a Material Adverse Effect, neither the Company nor any of the Subsidiaries (i) is the subject of any investigation, (ii) has received any notice or claim, (iii) is a party to or affected by any pending or, to the Company's knowledge, threatened action, suit or proceeding, (iv) is bound by any judgment, decree or order or (v) has entered into any agreement, in each case relating to any alleged violation of any Environmental Law or any actual or alleged release or threatened release or cleanup at any location of any Hazardous Materials (as defined below) (as used herein, "Environmental Law" means any federal, state, local or foreign law, statute, ordinance, rule, regulation, order, decree, judgment, injunction, permit, license, authorization or other binding requirement, or common law, relating to health, safety or the protection, cleanup or restoration of the environment or natural resources, including those relating to the distribution, processing, generation, treatment, storage, disposal, transportation, other handling or release or threatened release of Hazardous Materials, and "Hazardous Materials" means any material (including, without limitation, pollutants, contaminants, hazardous or toxic substances or wastes) that is regulated by or may give rise to liability under any Environmental Law);

(z) all tax returns required to be filed by the Company or any of the Subsidiaries have been timely filed, and all taxes and other assessments of a similar nature (whether imposed directly or through withholding) including any interest, additions to tax or penalties applicable thereto due or claimed to be due from such entities have been timely paid, other than those with respect to which the Company or such Subsidiary has filed for or received extensions or those being contested in good faith and for which adequate reserves have been provided, except where the failure to make such required filings and payments would not, individually or in the aggregate, have a Material Adverse Effect;

(aa) the Company and each of the Subsidiaries maintain insurance covering their respective properties, operations, personnel and businesses as the Company reasonably deems adequate; such insurance insures against such losses and risks to an extent which is adequate in accordance with customary industry practice to protect the Company and the Subsidiaries and their respective businesses; all such insurance is fully in force on the date hereof and will be fully in force at the time of purchase and each additional time of purchase, if any; neither the Company nor any Subsidiary has reason to believe that it will not be able to renew any such insurance as and when such insurance expires;

(bb) neither the Company nor any Subsidiary has sent or received any communication regarding termination of, or intent not to renew, any of the contracts or

agreements referred to or described in the Preliminary Prospectus, the Prospectus or any Permitted Free Writing Prospectus, or referred to or described in, or filed as an exhibit to, the Registration Statement, and no such termination or non-renewal has been threatened by the Company or any Subsidiary or, to the Company's knowledge, any other party to any such contract or agreement;

(cc) the Company and each of the Subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences;

(dd) the Company has established and maintains and evaluates "disclosure controls and procedures" (as such term is defined in Rule 13a-15 and 15d-15 under the Exchange Act) and "internal control over financial reporting" (as such term is defined in Rule 13a-15 and 15d-15 under the Exchange Act); such disclosure controls and procedures are designed to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to the Company's Chief Executive Officer and its Chief Financial Officer by others within those entities, and such disclosure controls and procedures are effective to perform the functions for which they were established; the Company's independent auditors and the Audit Committee of the Board of Directors of the Company have been advised of: (i) all significant deficiencies, if any, in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data; and (ii) all fraud, if any, whether or not material, that involves management or other employees who have a role in the Company's internal controls; all material weaknesses, if any, in internal controls have been identified to the Company's independent auditors; since the date of the most recent evaluation of such disclosure controls and procedures and internal controls, there have been no significant changes in internal controls or in other factors that could significantly affect internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses; and the Company has taken all necessary actions to ensure that, upon and at all times after the filing of the Registration Statement, the Company and the Subsidiaries and their respective officers and directors, in their capacities as such, will be in compliance in all material respects with the applicable provisions of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") and the rules and regulations promulgated thereunder;

(ee) each "forward-looking statement" (within the meaning of Section 27A of the Act or Section 21E of the Exchange Act) contained in the Registration Statement, the Preliminary Prospectus, the Prospectus and each Permitted Free Writing Prospectus, if any, has been made or reaffirmed with a reasonable basis and in good faith;

(ff) all statistical or market-related data included in the Registration Statement, the Preliminary Prospectus, the Prospectus and each Permitted Free Writing Prospectus, if any, are based on or derived from sources that the Company reasonably believes to be reliable and accurate, and the Company has obtained the written consent to the use of such data from such sources to the extent required;

(gg) neither the Company nor any of the Subsidiaries nor, to the Company's knowledge, any employee or agent of the Company or any Subsidiary has made any payment of funds of the Company or any Subsidiary or received or retained any funds in violation of any law, rule or regulation (including, without limitation, the Foreign Corrupt Practices Act of 1977), which payment, receipt or retention of funds is of a character required to be disclosed in the Registration Statement, the Preliminary Prospectus or the Prospectus;

(hh) no Subsidiary is currently prohibited, directly or indirectly, from paying any dividends to the Company, from making any other distribution on such Subsidiary's capital stock, from repaying to the Company any loans or advances to such Subsidiary from the Company or from transferring any of such Subsidiary's property or assets to the Company or any other Subsidiary of the Company, except as described in the Registration Statement (excluding the exhibits thereto), the Preliminary Prospectus and the Prospectus;

(ii) the issuance and sale of the Shares to be sold by the Company and the sale of the Firm Shares to be sold by the Selling Stockholders as contemplated hereby will not cause any holder of any shares of capital stock, securities convertible into or exchangeable or exercisable for capital stock or options, warrants or other rights to purchase capital stock or any other securities of the Company to have any right to acquire any shares of preferred stock of the Company;

(jj) except pursuant to this Agreement, neither the Company nor any of the Subsidiaries has incurred any liability for any finder's or broker's fee or agent's commission in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby or by the Registration Statement;

(kk) neither the Company nor any of the Subsidiaries nor any of their respective directors, officers, affiliates or controlling persons has taken, directly or indirectly, any action designed, or which has constituted or might reasonably be expected to cause or result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares;

(ll) to the Company's knowledge, there are no affiliations or associations between (i) any member of the NASD and (ii) the Company or any of the Company's officers, directors or 5% or greater security holders or any beneficial owner of the Company's unregistered equity securities that were acquired at any time on or after the 180th day immediately preceding the date the Registration Statement was initially filed with the Commission, except as disclosed in the Registration Statement (excluding the exhibits thereto), the Preliminary Prospectus and the Prospectus;

(mm) the Registration Statement, the Preliminary Prospectus, the Prospectus and each Permitted Free Writing Prospectus comply, and any further amendments or supplements thereto will comply, with any applicable laws or regulations of any foreign jurisdiction in which the Preliminary Prospectus, the Prospectus or any Permitted Free Writing Prospectus is distributed in connection with the Directed Share Program; and no approval, authorization, consent or order of or filing with any governmental or regulatory commission, board, body, authority or agency, other than those heretofore obtained, is required in connection with the offering of the Reserved Shares in any jurisdiction where the Reserved Shares are being offered; and

(nn) the Company has not offered, or caused the Underwriters to offer, Shares to any person pursuant to the Directed Share Program with the intent to influence unlawfully (i) a customer or supplier of the Company or any of the Subsidiaries to alter the customer's or supplier's level or type of business with the Company or any of the Subsidiaries, or (ii) a trade journalist or publication to write or publish favorable information about the Company or any of the Subsidiaries or any of their respective products or services.

In addition, any certificate signed by any officer of the Company or any of the Subsidiaries and delivered to the Underwriters or counsel for the Underwriters in connection with the offering of the Shares shall be deemed to be a representation and warranty by the Company, as to matters covered thereby, to each Underwriter.

4. Representations and Warranties of the Selling Stockholders. Each Selling Stockholder, jointly and severally with the other Selling Stockholders, represents and warrants to each of the Underwriters that:

(a) all information with respect to such Selling Stockholder included in the Registration Statement, the Preliminary Prospectus or the Prospectus complied and will comply with all applicable provisions of the Act; the Registration Statement, as it relates to such Selling Stockholder, did not, as of the Effective Time, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; at no time during the period that begins on the earlier of the date of such Preliminary Prospectus and the date such Preliminary Prospectus was filed with the Commission and ends at the time of purchase did or will any Preliminary Prospectus, as then amended or supplemented, as such Preliminary Prospectus relates to such Selling Stockholder, include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, and at no time during such period did or will the Preliminary Prospectus, as then amended or supplemented, together with any combination of one or more of the then issued Permitted Free Writing Prospectuses, if any, in each case as they relate to the Selling Stockholder, include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; at no time during the period that begins on the earlier of the date of the Prospectus and the date the Prospectus is filed with the Commission and ends at the later of the time of purchase, the latest additional

time of purchase, if any, and the end of the period during which a prospectus is required by the Act to be delivered (whether physically or through compliance with Rule 172 under the Act or any similar rule) in connection with any sale of Shares did or will the Prospectus, as then amended or supplemented, as the Prospectus relates to such Selling Stockholder, include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; at no time during the period that begins on the date of such Permitted Free Writing Prospectus and ends at the time of purchase did or will any Permitted Free Writing Prospectus, as such Permitted Free Writing Prospectus relates to such Selling Stockholder, include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(b) such Selling Stockholder has not, prior to the execution of this Agreement, offered or sold any Shares by means of any "prospectus" (within the meaning of the Act), or used any "prospectus" (within the meaning of the Act) in connection with the offer or sale of the Shares, in each case other than the then most recent Preliminary Prospectus;

(c) neither the execution, delivery and performance of this Agreement or the Custody Agreement (as defined below) to which such Selling Stockholder is a party nor the sale by such Selling Stockholder of the Firm Shares to be sold by such Selling Stockholder pursuant to this Agreement nor the consummation of the transactions contemplated hereby or thereby will conflict with, result in any breach or violation of or constitute a default under (or constitute any event which with notice, lapse of time or both would result in any breach or violation of or constitute a default under) (i) if such Selling Stockholder is not an individual, the charter or bylaws or other organizational instruments of such Selling Stockholder, (ii) any indenture, mortgage, deed of trust, bank loan or credit agreement or other evidence of indebtedness, or any license, lease, contract or other agreement or instrument to which such Selling Stockholder is a party or by which such Selling Stockholder or any of its properties may be bound or affected, (iii) any federal, state, local or foreign law, regulation or rule, (iv) or any rule or regulation of any self-regulatory organization or other non-governmental regulatory authority (including, without limitation, the rules and regulations of the NASDAQ), or (v) any decree, judgment or order applicable to such Selling Stockholder or any of its properties;

(d) no approval, authorization, consent or order of or filing with any federal, state, local or foreign governmental or regulatory commission, board, body, authority or agency, or of or with any self-regulatory organization or other non-governmental regulatory authority (including, without limitation, the NASDAQ), is required in connection with the sale of the Firm Shares to be sold by such Selling Stockholder pursuant to this Agreement or the consummation by such Selling Stockholder of the transactions contemplated hereby or by the Custody Agreement to which such Selling Stockholder is a party other than (i) registration of the Shares under the Act, which has been effected (or, with respect to any registration statement to be filed hereunder pursuant to Rule 462(b) under the Act, will be effected in accordance herewith), (ii) any necessary qualification under the securities or blue sky laws of the

various jurisdictions in which the Shares are being offered by the Underwriters or (iii) under the Conduct Rules of the NASD;

(e) neither such Selling Stockholder nor any of its affiliates has taken, directly or indirectly, any action designed to, or which has constituted or might reasonably be expected to cause or result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares;

(f) there are no affiliations or associations between any member of the NASD and such Selling Stockholder, except as disclosed in the Registration Statement (excluding the exhibits thereto), the Preliminary Prospectus and the Prospectus; none of the proceeds received by such Selling Stockholder from the sale of the Shares to be sold by such Selling Stockholder pursuant to this Agreement will be paid to a member of the NASD or any affiliate of (or person "associated with," as such terms are used in the Rules of the NASD) such member;

(g) such Selling Stockholder now is and, at the time of delivery of such Firm Shares, will be the lawful owner of the number of Firm Shares to be sold by such Selling Stockholder pursuant to this Agreement and has and, at the time of delivery of such Firm Shares, will have valid and marketable title to such Firm Shares, and upon delivery of and payment for such Firm Shares, the Underwriters will acquire valid and marketable title to such Firm Shares free and clear of any claim, lien, encumbrance, security interest, community property right, restriction on transfer or other defect in title;

(h) such Selling Stockholder has and, at the time of delivery of the Firm Shares to be sold by such Selling Stockholder pursuant to this Agreement, will have full legal right, power and capacity, and all authorizations and approvals required by law (other than those imposed by the Act and state securities or blue sky laws), to (i) enter into this Agreement and the Custody Agreement, (ii) sell, assign, transfer and deliver the Firm Shares to be sold by such Selling Stockholder pursuant to this Agreement in the manner provided in this Agreement and (iii) make the representations, warranties and agreements made by such Selling Stockholder herein;

(i) this Agreement and the Power of Attorney and Custody Agreement (the "Custody Agreement"), dated \_\_\_\_\_, 2006 between American Stock Transfer & Trust Company, as custodian (the "Custodian"), and such Selling Stockholder has been duly executed and delivered by (or, in the case of this Agreement, on behalf of) such Selling Stockholder, and is a legal, valid and binding agreement of such Selling Stockholder enforceable in accordance with its terms, except as the same may be subject to or limited by bankruptcy, insolvency, reorganization, arrangement, moratorium or other similar laws relating to or affecting the rights of creditors or by general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law;

(j) such Selling Stockholder has duly and irrevocably authorized each of the Representatives of the Selling Stockholders (whether acting alone or together), on behalf of such Selling Stockholder, to execute and deliver this Agreement and any other documents necessary or desirable in connection with the transactions contemplated hereby or thereby and to deliver the Firm Shares to be sold by such Selling Stockholder pursuant to this Agreement and receive payment therefor pursuant hereto;

(k) the sale of the Firm Shares to be sold by such Selling Stockholder pursuant to this Agreement is not prompted by any information concerning the Company or any Subsidiary which is not set forth in the Registration Statement (excluding the exhibits thereto), the Preliminary Prospectus and the Prospectus; and, except as set forth in the Registration Statement (excluding the exhibits thereto), the Preliminary Prospectus and the Prospectus, neither such Selling Stockholder (or, if such Selling Stockholder is a trust, estate, partnership or corporation, any beneficiary, partner or other equity owner thereof) nor any immediate family member of such Selling Stockholder (or beneficiary, partner or other equity owner) is a director, officer or employee of or consultant to the Company or any of its Subsidiaries;

(l) at the time of purchase and each additional time of purchase, all stock transfer or other taxes (other than income taxes), if any, that are required to be paid in connection with the sale and transfer of the Firm Shares to be sold by such Selling Stockholder to the several Underwriters hereunder will be fully paid or provided for by such Selling Stockholder, and all laws imposing such taxes will be fully complied with; and

(m) pursuant to the Custody Agreement to which such Selling Stockholder is a party, certificates in negotiable form for the Firm Shares to be sold by such Selling Stockholder pursuant to this Agreement have been placed in custody for the purpose of making delivery of such Firm Shares in accordance with this Agreement; such Selling Stockholder agrees that (i) such Firm Shares represented by such certificates are for the benefit of, and coupled with and subject to the interest of, the Custodian, the Representatives of the Selling Stockholders, the Underwriters and the Company, (ii) the arrangements made by such Selling Stockholder for custody and for the appointment of the Custodian and the Representatives of the Selling Stockholders by such Selling Stockholder are irrevocable, and (iii) the obligations of such Selling Stockholder hereunder shall not be terminated by operation of law, whether by the death, disability or incapacity of such Selling Stockholder (or, if such Selling Stockholder is not an individual, the bankruptcy, liquidation, dissolution, merger or consolidation of such Selling Stockholder) or the occurrence of any other event (each, an "Event"); if an Event occurs before the delivery of the Firm Shares hereunder, certificates for the Firm Shares shall be delivered by the Custodian in accordance with the terms and conditions of the Custody Agreement to which such Selling Stockholder is a party and this Agreement, and actions taken by the Custodian and the Representatives of the Selling Stockholders pursuant to such Custody Agreement shall be as valid as if such Event had not occurred, regardless of whether or not the Custodian or the Representatives of the Selling Stockholders, or either of them, shall have received notice thereof.



In addition, any certificate signed by any Selling Stockholder (or, with respect to any Selling Stockholder that is not an individual, any officer of such Selling Stockholder or of any of such Selling Stockholder's subsidiaries) or by any Representative of the Selling Stockholders and delivered to the Underwriters or counsel for the Underwriters in connection with the offering of the Shares shall be deemed to be a representation and warranty by such Selling Stockholder, as to matters covered thereby, to each Underwriter.

5. Certain Covenants of the Company. The Company hereby agrees:

(a) to furnish such information as may be required and otherwise to cooperate in qualifying the Shares for offering and sale under the securities or blue sky laws of such states or other jurisdictions as you may designate and to maintain such qualifications in effect so long as you may request for the distribution of the Shares; provided, however, that the Company shall not be required to qualify as a foreign corporation or to consent to the service of process under the laws of any such jurisdiction (except service of process with respect to the offering and sale of the Shares); and to promptly advise you of the receipt by the Company of any notification with respect to the suspension of the qualification of the Shares for offer or sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose;

(b) to make available to the Underwriters in New York City, as soon as practicable after this Agreement becomes effective, and thereafter from time to time to furnish to the Underwriters, as many copies of the Prospectus (or of the Prospectus as amended or supplemented if the Company shall have made any amendments or supplements thereto after the effective date of the Registration Statement) as the Underwriters may request for the purposes contemplated by the Act; in case any Underwriter is required to deliver (whether physically or through compliance with Rule 172 under the Act or any similar rule), in connection with the sale of the Shares, a prospectus after the nine-month period referred to in Section 10(a)(3) of the Act, the Company will prepare, at its expense, promptly upon request such amendment or amendments to the Registration Statement and the Prospectus as may be necessary to permit compliance with the requirements of Section 10(a)(3) of the Act;

(c) if, at the time this Agreement is executed and delivered, it is necessary or appropriate for a post-effective amendment to the Registration Statement, or a Registration Statement under Rule 462(b) under the Act, to be filed with the Commission and become effective before the Shares may be sold, the Company will use its best efforts to cause such post-effective amendment or such Registration Statement to be filed and become effective, and will pay any applicable fees in accordance with the Act, as soon as possible; and the Company will advise you promptly and, if requested by you, will confirm such advice in writing, (i) when such post-effective amendment or such Registration Statement has become effective, and (ii) if Rule 430A under the Act is used, when the Prospectus is filed with the Commission pursuant to Rule 424(b) under the Act (which the Company agrees to file in a timely manner in accordance with such Rules);

(d) to advise you promptly, confirming such advice in writing, of any request by the Commission for amendments or supplements to the Registration Statement or the Exchange Act Registration Statement, the Preliminary Prospectus, the Prospectus or any Permitted Free Writing Prospectus or for additional information with respect thereto, or of notice of institution of proceedings for, or the entry of a stop order, suspending the effectiveness of the Registration Statement and, if the Commission should enter a stop order suspending the effectiveness of the Registration Statement, to use its best efforts to obtain the lifting or removal of such order as soon as possible; to advise you promptly of any proposal to amend or supplement the Registration Statement or the Exchange Act Registration Statement, the Preliminary Prospectus or the Prospectus, and to provide you and Underwriters' counsel copies of any such documents for review and comment a reasonable amount of time prior to any proposed filing and to file no such amendment or supplement to which you shall object in writing;

(e) to file promptly all reports and documents and any preliminary or definitive proxy or information statement required to be filed by the Company with the Commission in order to comply with the Exchange Act for so long as a prospectus is required by the Act to be delivered (whether physically or through compliance with Rule 172 under the Act or any similar rule) in connection with any sale of Shares; and to provide you, for your review and comment, with a copy of such reports and statements and other documents to be filed by the Company pursuant to Section 13, 14 or 15(d) of the Exchange Act during such period a reasonable amount of time prior to any proposed filing; and to promptly notify you of such filing;

(f) to advise the Underwriters promptly of the happening of any event within the period during which a prospectus is required by the Act to be delivered (whether physically or through compliance with Rule 172 under the Act or any similar rule) in connection with any sale of Shares, which event could require the making of any change in the Prospectus then being used so that the Prospectus would not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading, and to advise the Underwriters promptly if, during such period, it shall become necessary to amend or supplement the Prospectus to cause the Prospectus to comply with the requirements of the Act, and, in each case, during such time, to prepare and furnish, at the Company's expense, to the Underwriters promptly such amendments or supplements to such Prospectus as may be necessary to reflect any such change or to effect such compliance;

(g) to make generally available to its security holders, and to deliver to you, an earnings statement of the Company (which will satisfy the provisions of Section 11(a) of the Act) covering a period of twelve months beginning after the effective date of the Registration Statement (as defined in Rule 158(c) under the Act) as soon as is reasonably practicable after the termination of such twelve-month period but in any case not later than the first date by which the Company is required to file with the Commission a Quarterly Report on Form 10-Q or Annual Report on Form 10-K that is required to include financial statements covering a period that includes the last month of such twelve-month period;

(h) to furnish to you five copies of the Registration Statement, as initially filed with the Commission, and of all amendments thereto (including all exhibits thereto) and sufficient copies of the foregoing (other than exhibits) for distribution of a copy to each of the other Underwriters;

(i) to furnish to you as early as practicable prior to the time of purchase and any additional time of purchase, as the case may be, but not later than two business days prior thereto, a copy of the latest available unaudited interim and monthly consolidated financial statements, if any, of the Company and the Subsidiaries which have been read by the Company's independent registered public accountants, as stated in their letter to be furnished pursuant to Section 9(c) hereof;

(j) to apply the net proceeds to the Company from the sale of the Shares in the manner set forth under the caption "Use of proceeds" in the Prospectus and to file such reports with the Commission with respect to the sale of the Shares and the application of the proceeds therefrom as may be required by Rule 463 under the Act;

(k) to comply with Rule 433(d) under the Act (without reliance on Rule 164(b) under the Act) and with Rule 433(g) under the Act;

(l) beginning on the date hereof and ending on, and including, the date that is 180 days after the date of the Prospectus (the "Lock-Up Period"), without the prior written consent of UBS, not to (i) issue, sell, offer to sell, contract or agree to sell, hypothecate, pledge, grant any option to purchase or otherwise dispose of or agree to dispose of, directly or indirectly, or establish or increase a put equivalent position or liquidate or decrease a call equivalent position within the meaning of Section 16 of the Exchange Act and the rules and regulations of the Commission promulgated thereunder, with respect to, any Common Stock or any other securities of the Company that are substantially similar to Common Stock, or any securities convertible into or exchangeable or exercisable for, or any warrants or other rights to purchase, the foregoing, (ii) file or cause to become effective a registration statement under the Act relating to the offer and sale of any Common Stock or any other securities of the Company that are substantially similar to Common Stock, or any securities convertible into or exchangeable or exercisable for, or any warrants or other rights to purchase, the foregoing, (iii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Common Stock or any other securities of the Company that are substantially similar to Common Stock, or any securities convertible into or exchangeable or exercisable for, or any warrants or other rights to purchase, the foregoing, whether any such transaction is to be settled by delivery of Common Stock or such other securities, in cash or otherwise or (iv) publicly announce an intention to effect any transaction specified in clause (i), (ii) or (iii), except, in each case, for (A) the registration of the offer and sale of the Shares as contemplated by this Agreement, (B) issuances of Common Stock upon the exercise of options or warrants disclosed as outstanding in the Registration Statement (excluding the exhibits thereto), the Preliminary Prospectus and the Prospectus, and (C) the issuance to employees or directors of restricted stock grants or stock options not vested or exercisable during the Lock-Up Period pursuant to equity incentive plans described in the Registration

Statement (excluding the exhibits thereto), the Preliminary Prospectus and the Prospectus; provided, however, that if (a) during the period that begins on the date that is fifteen (15) calendar days plus three (3) business days before the last day of the Lock-Up Period and ends on the last day of the Lock-Up Period, the Company issues an earnings release or material news or a material event relating to the Company occurs; or (b) prior to the expiration of the Lock-Up Period, the Company announces that it will release earnings results during the sixteen (16) day period beginning on the last day of the Lock-Up Period, then the restrictions imposed by this Section 5(l) shall continue to apply until the expiration of the date that is fifteen (15) calendar days plus three (3) business days after the date on which the issuance of the earnings release or the material news or material event occurs;

(m) prior to the time of purchase or any additional time of purchase, as the case may be, to issue no press release or other communication directly or indirectly and hold no press conferences with respect to the Company or any Subsidiary, the financial condition, results of operations, business, properties, assets, or liabilities of the Company or any Subsidiary, or the offering of the Shares, without your prior consent;

(n) not, at any time at or after the execution of this Agreement, to, directly or indirectly, offer or sell any Shares by means of any "prospectus" (within the meaning of the Act), or use any "prospectus" (within the meaning of the Act) in connection with the offer or sale of the Shares, in each case other than the Prospectus;

(o) not to, and to cause the Subsidiaries not to, take, directly or indirectly, any action designed, or which will constitute, or has constituted, or might reasonably be expected to cause or result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares;

(p) to use its best efforts to cause the Common Stock, including the Shares, to be listed on and for quotation on the NASDAQ and to maintain such listing;

(q) to maintain a transfer agent and, if necessary under the jurisdiction of incorporation of the Company, a registrar for the Common Stock; and

(r) to cause each Directed Share Participant to execute a Lock-Up Agreement and otherwise to cause the Reserved Shares to be restricted from sale, transfer, assignment, pledge or hypothecation to such extent as may be required by the NASD and its rules, and to direct the transfer agent to place stop transfer restrictions upon such Reserved Shares during the Lock-Up Period or any such longer period of time as may be required by the NASD and its rules; and to comply with all applicable securities and other laws, rules and regulations in each jurisdiction in which the Reserved Shares are offered in connection with the Directed Share Program.

6. Certain Covenants of the Selling Stockholders. Each Selling Stockholder hereby agrees:

(a) not, at any time at or after the execution of this Agreement, to offer or sell any Shares by means of any "prospectus" (within the meaning of the Act), or use any

“prospectus” (within the meaning of the Act) in connection with the offer or sale of the Shares, in each case other than the Prospectus;

(b) not to take, directly or indirectly, any action designed, or which will constitute, or has constituted, or might reasonably be expected to cause or result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares;

(c) to pay or cause to be paid all taxes, if any, on the transfer and sale of the Shares being sold by such Selling Stockholder;

(d) to advise you promptly, and if requested by you, confirm such advice in writing, so long as a prospectus is required by the Act to be delivered (whether physically or through compliance with Rule 172 under the Act or any similar rule) in connection with any sale of Shares, of (i) any material change in the business, properties, financial condition, results of operations, cash flows, management or prospects of the Company and the Subsidiaries taken as a whole, which comes to the attention of such Selling Stockholder, (ii) any change in information in the Registration Statement, the Preliminary Prospectus, the Prospectus and each Permitted Free Writing Prospectus, if any, relating to such Selling Stockholder and (iii) any new material information relating to the Company or relating to any matter stated in the Registration Statement, the Preliminary Prospectus, the Prospectus and each Permitted Free Writing Prospectus, if any, which comes to the attention of such Selling Stockholder; and

(e) prior to or concurrently with the execution and delivery of this Agreement, to execute and deliver to the Underwriters a Custody Agreement and a Lock-Up Agreement.

7. Covenant to Pay Costs. The Company agrees to pay all costs, expenses, fees and taxes in connection with (i) the preparation and filing of the Registration Statement, the Preliminary Prospectus, the Prospectus, each Permitted Free Writing Prospectus and any amendments or supplements thereto, and the printing and furnishing of copies of each thereof to the Underwriters and to dealers (including costs of mailing and shipment), (ii) the registration, issue, sale and delivery of the Shares including any stock or transfer taxes and stamp or similar duties payable upon the sale, issuance or delivery of the Shares to the Underwriters, (iii) the producing, word processing and/or printing of this Agreement, any Agreement Among Underwriters, any dealer agreements, any Custody Agreements and any closing documents (including compilations thereof) and the reproduction and/or printing and furnishing of copies of each thereof to the Underwriters and (except closing documents) to dealers (including costs of mailing and shipment), (iv) the qualification of the Shares for offering and sale under state or foreign laws and the determination of their eligibility for investment under state or foreign law (including the legal fees and filing fees and other disbursements of counsel for the Underwriters) and the printing and furnishing of copies of any blue sky surveys or legal investment surveys to the Underwriters and to dealers, (v) any listing of the Shares on any securities exchange or qualification of the Shares for quotation on the NASDAQ and any registration thereof under the Exchange Act, (vi) any filing for review of the public offering of the Shares by the NASD, including the legal fees and filing fees and other disbursements of

counsel to the Underwriters relating to NASD matters, (vii) the fees and disbursements of any transfer agent or registrar for the Shares and the fees and disbursements of any Custodian, (viii) the costs and expenses of the Company and such Selling Stockholder relating to presentations or meetings undertaken in connection with the marketing of the offering and sale of the Shares to prospective investors and the Underwriters' sales forces, including, without limitation, expenses associated with the production of road show slides and graphics, reasonable fees and expenses of any consultants engaged in connection with the road show presentations, travel, lodging and other expenses incurred by the officers of the Company or by such Selling Stockholder and any such consultants, and the cost of any aircraft chartered in connection with the road show (provided that no aircraft shall be chartered without the prior consent of the Company, which consent may be the oral consent of the Chief Executive Officer or the Chief Financial Officer), (ix) the costs and expenses of qualifying the Shares for inclusion in the book-entry settlement system of the DTC, (x) the preparation and filing of the Exchange Act Registration Statement, including any amendments thereto, (xi) the offer and sale of the Reserved Shares, including all costs and expenses of UBS-FinSvc and the Underwriters, including the fees and disbursement of counsel for the Underwriters and (xii) the performance of the Company's and such Selling Stockholder's other obligations hereunder. It is understood, however, that except as provided in this Section 7 and Sections 8 and 12 hereof, the Underwriters will pay the fees and disbursements of their own counsel.

8. Reimbursement of Underwriters' Expenses. If the Shares are not delivered for any reason other than the termination of this Agreement pursuant to the fifth paragraph of Section 11 hereof or the default by one or more of the Underwriters in its or their respective obligations hereunder, the Company shall, in addition to paying the amounts described in Section 7 hereof, reimburse the Underwriters for all of their out-of-pocket expenses, including the fees and disbursements of their counsel.

9. Conditions of Underwriters' Obligations. The several obligations of the Underwriters hereunder are subject to the accuracy of the respective representations and warranties on the part of the Company and each Selling Stockholder on the date hereof, at the time of purchase and, if applicable, at the additional time of purchase, the performance by the Company and each Selling Stockholder of each of their respective obligations hereunder and to the following additional conditions precedent:

(a) The Company shall furnish to you at the time of purchase and, if applicable, at the additional time of purchase, an opinion of Squire, Sanders & Dempsey L.L.P., counsel for the Company, addressed to the Underwriters, and dated the time of purchase or the additional time of purchase, as the case may be, with executed copies for each of the other Underwriters, and in form and substance satisfactory to UBS, in the form set forth in Exhibit B hereto.

(b) The Selling Stockholders shall furnish to you at the time of purchase an opinion of Squire, Sanders & Dempsey L.L.P., counsel for the Selling Stockholders, addressed to the Underwriters, and dated the time of purchase, with executed copies for each of the other Underwriters, and in form and substance satisfactory to UBS, in the form set forth in Exhibit C hereto.

(c) You shall have received (i) from Grant Thornton LLP letters dated, respectively, the date of this Agreement, the date of the Prospectus, the time of purchase and, if applicable, the additional time of purchase, and addressed to the Underwriters (with executed copies for each of the Underwriters) in the forms satisfactory to UBS, which letters shall cover, without limitation, the various financial disclosures contained in the Registration Statement, the Preliminary Prospectus, the Prospectus and each Permitted Free Writing Prospectus, if any; and (ii) from Argy, Wiltse & Robinson, P.C. letters dated, respectively, the date of this Agreement, the date of the Prospectus, the time of purchase and, if applicable, the additional time of purchase, and addressed to the Underwriters (with executed copies for each of the Underwriters) in the forms satisfactory to UBS, which letters shall cover, without limitation, the various financial disclosures relating to Caliber contained in the Registration Statement, the Preliminary Prospectus, the Prospectus and each Permitted Free Writing Prospectus, if any.

(d) You shall have received at the time of purchase and, if applicable, at the additional time of purchase, the favorable opinion of Davis Polk & Wardwell, counsel for the Underwriters, dated the time of purchase or the additional time of purchase, as the case may be, in form and substance reasonably satisfactory to UBS.

(e) No Prospectus or amendment or supplement to the Registration Statement or the Prospectus shall have been filed to which you shall have objected in writing.

(f) The Registration Statement, the Exchange Act Registration Statement and any registration statement required to be filed, prior to the sale of the Shares, under the Act pursuant to Rule 462(b) shall have been filed and shall have become effective under the Act or the Exchange Act, as the case may be. If Rule 430A under the Act is used, the Prospectus shall have been filed with the Commission pursuant to Rule 424(b) under the Act at or before 5:30 P.M., New York City time, on the second full business day after the date of this Agreement (or such earlier time as may be required under the Act).

(g) Prior to and at the time of purchase, and, if applicable, the additional time of purchase, (i) no stop order with respect to the effectiveness of the Registration Statement shall have been issued under the Act or proceedings initiated under Section 8(d) or 8(e) of the Act; (ii) the Registration Statement and all amendments thereto shall not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; (iii) neither the Preliminary Prospectus nor the Prospectus, and no amendment or supplement thereto, shall include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading; (iv) no Disclosure Package, and no amendment or supplement thereto, shall include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading; and (v) none of the Permitted Free Writing Prospectuses, if any, shall include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading.

(h) The Company will, at the time of purchase and, if applicable, at the additional time of purchase, deliver to you a certificate of its Chief Executive Officer and its Chief Financial Officer, dated the time of purchase or the additional time of purchase, as the case may be, in the form attached as Exhibit D hereto.

(i) The Selling Stockholders will, at the time of purchase, deliver to you a certificate signed by a Representative of the Selling Stockholders, dated the time of purchase, in the form attached as Exhibit E hereto.

(j) You shall have received each of the signed Lock-Up Agreements referred to in Section 3(t) hereof, and each such Lock-Up Agreement shall be in full force and effect at the time of purchase and the additional time of purchase, as the case may be.

(k) The Company and each Selling Stockholder shall have furnished to you such other documents and certificates as to the accuracy and completeness of any statement in the Registration Statement, the Preliminary Prospectus, the Prospectus or any Permitted Free Writing Prospectus as of the time of purchase and, if applicable, the additional time of purchase, as you may reasonably request.

(l) The Shares shall have been approved for listing on and for quotation on the NASDAQ, subject only to notice of issuance and evidence of satisfactory distribution at or prior to the time of purchase or the additional time of purchase, as the case may be.

(m) The NASD shall not have raised any objection with respect to the fairness or reasonableness of the underwriting, or other arrangements of the transactions, contemplated hereby.

(n) Each Selling Stockholder shall have delivered to you a duly executed Custody Agreement, in each case in form and substance satisfactory to UBS.

10. Effective Date of Agreement; Termination. This Agreement shall become effective when the parties hereto have executed and delivered this Agreement.

The obligations of the several Underwriters hereunder shall be subject to termination in the absolute discretion of UBS, if (1) since the time of execution of this Agreement or the earlier respective dates as of which information is given in the Registration Statement, the Preliminary Prospectus, the Prospectus and each Permitted Free Writing Prospectus, if any, there has been any change or any development involving a prospective change in the business, properties, management, financial condition or results of operations of the Company and the Subsidiaries taken as a whole, the effect of which change or development is, in the sole judgment of UBS, so material and adverse as to make it impractical or inadvisable to proceed with the public offering or the delivery of the Shares on the terms and in the manner contemplated in the Registration Statement, the Preliminary Prospectus, the Prospectus and each Permitted Free Writing Prospectus, if any, or (2) since the time of execution of this Agreement, there shall have occurred: (A) a suspension or material limitation in trading in securities generally on the NYSE, the American Stock Exchange or the NASDAQ; (B) a suspension or



material limitation in trading in the Company's securities on the NASDAQ; (C) a general moratorium on commercial banking activities declared by either federal or New York State authorities or a material disruption in commercial banking or securities settlement or clearance services in the United States; (D) an outbreak or escalation of hostilities or acts of terrorism involving the United States or a declaration by the United States of a national emergency or war; or (E) any other calamity or crisis or any change in financial, political or economic conditions in the United States or elsewhere, if the effect of any such event specified in clause (D) or (E), in the sole judgment of UBS, makes it impractical or inadvisable to proceed with the public offering or the delivery of the Shares on the terms and in the manner contemplated in the Registration Statement, the Preliminary Prospectus, the Prospectus and each Permitted Free Writing Prospectus, if any, or (3) since the time of execution of this Agreement, there shall have occurred any downgrading, or any notice or announcement shall have been given or made of: (A) any intended or potential downgrading or (B) any watch, review or possible change that does not indicate an affirmation or improvement in the rating accorded any securities of or guaranteed by the Company or any Subsidiary by any "nationally recognized statistical rating organization," as that term is defined in Rule 436(g)(2) under the Act.

If UBS elects to terminate this Agreement as provided in this Section 10, the Company, the Selling Stockholders and each other Underwriter shall be notified promptly in writing.

If the sale to the Underwriters of the Shares, as contemplated by this Agreement, is not carried out by the Underwriters for any reason permitted under this Agreement, or if such sale is not carried out because the Company or any Selling Stockholder, as the case may be, shall be unable to comply with any of the terms of this Agreement, the Company and the Selling Stockholders shall not be under any obligation or liability under this Agreement (except to the extent provided in Sections 7, 8 and 12 hereof), and the Underwriters shall be under no obligation or liability to the Company or any Selling Stockholder under this Agreement (except to the extent provided in Section 12 hereof) or to one another hereunder.

11. Increase in Underwriters' Commitments. Subject to Sections 9 and 10 hereof, if any Underwriter shall default in its obligation to take up and pay for the Firm Shares to be purchased by it hereunder (otherwise than for a failure of a condition set forth in Section 9 hereof or a reason sufficient to justify the termination of this Agreement under the provisions of Section 10 hereof) and if the number of Firm Shares which all Underwriters so defaulting shall have agreed but failed to take up and pay for does not exceed 10% of the total number of Firm Shares, the non-defaulting Underwriters (including the Underwriters, if any, substituted in the manner set forth below) shall take up and pay for (in addition to the aggregate number of Firm Shares they are obligated to purchase pursuant to Section 1 hereof) the number of Firm Shares agreed to be purchased by all such defaulting Underwriters, as hereinafter provided. Such Shares shall be taken up and paid for by such non-defaulting Underwriters in such amount or amounts as you may designate with the consent of each Underwriter so designated or, in the event no such designation is made, such Shares shall be taken up and paid for by all non-defaulting Underwriters pro rata in proportion to the aggregate number of Firm Shares set forth opposite the names of such non-defaulting Underwriters in Schedule A annexed hereto.

Without relieving any defaulting Underwriter from its obligations hereunder, the Company and each Selling Stockholder each agrees with the non-defaulting Underwriters that it will not sell any Firm Shares hereunder unless all of the Firm Shares are purchased by the Underwriters (or by substituted Underwriters selected by you with the approval of the Company or selected by the Company with your approval).

If a new Underwriter or Underwriters are substituted by the Underwriters or by the Company for a defaulting Underwriter or Underwriters in accordance with the foregoing provision, the Company or you shall have the right to postpone the time of purchase for a period not exceeding five business days in order that any necessary changes in the Registration Statement and the Prospectus and other documents may be effected.

The term "Underwriter" as used in this Agreement shall refer to and include any Underwriter substituted under this Section 11 with like effect as if such substituted Underwriter had originally been named in Schedule A annexed hereto.

If the aggregate number of Firm Shares which the defaulting Underwriter or Underwriters agreed to purchase exceeds 10% of the total number of Firm Shares which all Underwriters agreed to purchase hereunder, and if neither the non-defaulting Underwriters nor the Company shall make arrangements within the five business day period stated above for the purchase of all the Firm Shares which the defaulting Underwriter or Underwriters agreed to purchase hereunder, this Agreement shall terminate without further act or deed and without any liability on the part of the Company or any Selling Stockholder to any Underwriter and without any liability on the part of any non-defaulting Underwriter to the Company or to any Selling Stockholder. Nothing in this paragraph, and no action taken hereunder, shall relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

#### 12. Indemnity and Contribution.

(a) The Company agrees to indemnify, defend and hold harmless each Underwriter, its partners, directors and officers, and any person who controls any Underwriter within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, and the successors and assigns of all of the foregoing persons, from and against any loss, damage, expense, liability or claim (including the reasonable cost of investigation) which, jointly or severally, any such Underwriter or any such person may incur under the Act, the Exchange Act, the common law or otherwise, insofar as such loss, damage, expense, liability or claim arises out of or is based upon (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or in the Registration Statement as amended by any post-effective amendment thereof by the Company) or arises out of or is based upon any omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as any such loss, damage, expense, liability or claim arises out of or is based upon any untrue statement or alleged untrue statement of a material fact contained in, and in conformity with information concerning such Underwriter furnished in writing by or on behalf of such Underwriter through you to the Company expressly for use in, the Registration Statement or arises out of or is based upon any omission or alleged omission to state a material fact in the Registration Statement in connection with

such information, which material fact was not contained in such information and which material fact was required to be stated in such Registration Statement or was necessary to make such information not misleading, (ii) any untrue statement or alleged untrue statement of a material fact included in any Prospectus (the term Prospectus for the purpose of this Section 12 being deemed to include the Preliminary Prospectus, the Prospectus and any amendments or supplements to the foregoing), in any Permitted Free Writing Prospectus, in any "issuer information" (as defined in Rule 433 under the Act) of the Company, which "issuer information" is required to be, or is, filed with the Commission, or in any Prospectus together with any combination of one or more of the Permitted Free Writing Prospectuses, if any, or arises out of or is based upon any omission or alleged omission to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except, with respect to such Prospectus or Permitted Free Writing Prospectus, insofar as any such loss, damage, expense, liability or claim arises out of or is based upon any untrue statement or alleged untrue statement of a material fact contained in, and in conformity with information concerning such Underwriter furnished in writing by or on behalf of such Underwriter through you to the Company expressly for use in, such Prospectus or Permitted Free Writing Prospectus or arises out of or is based upon any omission or alleged omission to state a material fact in such Prospectus or Permitted Free Writing Prospectus in connection with such information, which material fact was not contained in such information and which material fact was necessary in order to make the statements in such information, in the light of the circumstances under which they were made, not misleading or (iii) the Directed Share Program, except, with respect to this clause (iii), insofar as such loss, damage, expense, liability or claim is finally judicially determined to have resulted from the gross negligence or willful misconduct of the Underwriters in conducting the Directed Share Program.

Without limitation of and in addition to its obligations under the other paragraphs of this Section 12, the Company agrees to indemnify, defend and hold harmless UBS-FinSvc and its partners, directors and officers, and any person who controls UBS-FinSvc within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, and the successors and assigns of all of the foregoing persons, from and against any loss, damage, expense, liability or claim (including the reasonable cost of investigation) which, jointly or severally, UBS-FinSvc or any such person may incur under the Act, the Exchange Act, the common law or otherwise, insofar as such loss, damage, expense, liability or claim (1) arises out of or is based upon (a) any of the matters referred to in clauses (i) through (iii) of the first paragraph of this Section 12(a), or (b) any untrue statement or alleged untrue statement of a material fact contained in any material prepared by or on behalf or with the consent of the Company for distribution to Directed Share Participants in connection with the Directed Share Program or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; (2) is or was caused by the failure of any Directed Share Participant to pay for and accept delivery of Reserved Shares that the Directed Share Participant has agreed to purchase; or (3) otherwise arises out of or is based upon the Directed Share Program, provided, however, that the Company shall not be responsible under this clause (3) for any loss, damage, expense, liability or claim that is finally judicially determined to have resulted from the

gross negligence or willful misconduct of UBS-FinSvc in conducting the Directed Share Program. Section 12(d) shall apply equally to any Proceeding (as defined below) brought against UBS-FinSvc or any such person in respect of which indemnity may be sought against the Company pursuant to the immediately preceding sentence, except that the Company shall be liable for the expenses of one separate counsel (in addition to any local counsel) for UBS-FinSvc and any such person, separate and in addition to counsel for the persons who may seek indemnification pursuant to the first paragraph of this Section 12(a), in any such Proceeding.

(b) Each Selling Stockholder agrees to indemnify, defend and hold harmless each Underwriter, its partners, directors and officers, and any person who controls any Underwriter within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, and the successors and assigns of all of the foregoing persons, from and against any loss, damage, expense, liability or claim (including the reasonable cost of investigation) which, jointly or severally, any such Underwriter or any such person may incur under the Act, the Exchange Act, the common law or otherwise, insofar as such loss, damage, expense, liability or claim arises out of or is based upon (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or in the Registration Statement as amended by any post-effective amendment thereof by the Company), as such Registration Statement relates to such Selling Stockholder, or arises out of or is based upon any omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading or (ii) any untrue statement or alleged untrue statement of a material fact included in any Prospectus, in any Permitted Free Writing Prospectus or in any Prospectus together with any combination of one or more of the Permitted Free Writing Prospectuses, if any, in each case as such document(s) relate to such Selling Stockholder, or arises out of or is based upon any omission or alleged omission to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. Notwithstanding anything herein to the contrary, in no event shall the liability of any Selling Stockholder to provide for indemnity pursuant to this Section 12(b), or contribution pursuant to Section 12(e), exceed an amount equal to the aggregate initial public offering price of the Shares sold by Selling Stockholder to the Underwriters pursuant hereto.

(c) Each Underwriter severally agrees to indemnify, defend and hold harmless the Company, its directors and officers, each Selling Stockholder and any person who controls the Company within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, and the successors and assigns of all of the foregoing persons, from and against any loss, damage, expense, liability or claim (including the reasonable cost of investigation) which, jointly or severally, the Company, such Selling Stockholder or any such person may incur under the Act, the Exchange Act, the common law or otherwise, insofar as such loss, damage, expense, liability or claim arises out of or is based upon (i) any untrue statement or alleged untrue statement of a material fact contained in, and in conformity with information concerning such Underwriter furnished in writing by or on behalf of such Underwriter through you to the Company expressly for use in, the Registration Statement (or in the Registration Statement as amended by any post-effective amendment thereof by the Company), or arises out of or is based upon any

omission or alleged omission to state a material fact in such Registration Statement in connection with such information, which material fact was not contained in such information and which material fact was required to be stated in such Registration Statement or was necessary to make such information not misleading or (ii) any untrue statement or alleged untrue statement of a material fact contained in, and in conformity with information concerning such Underwriter furnished in writing by or on behalf of such Underwriter through you to the Company expressly for use in, a Prospectus or a Permitted Free Writing Prospectus, or arises out of or is based upon any omission or alleged omission to state a material fact in such Prospectus or Permitted Free Writing Prospectus in connection with such information, which material fact was not contained in such information and which material fact was necessary in order to make the statements in such information, in the light of the circumstances under which they were made, not misleading.

(d) If any action, suit or proceeding (each, a “Proceeding”) is brought against a person (an “indemnified party”) in respect of which indemnity may be sought against the Company, a Selling Stockholder or an Underwriter (as applicable, the “indemnifying party”) pursuant to subsection (a), (b) or (c), respectively, of this Section 12, such indemnified party shall promptly notify such indemnifying party in writing of the institution of such Proceeding and such indemnifying party shall assume the defense of such Proceeding, including the employment of counsel reasonably satisfactory to such indemnified party and payment of all fees and expenses; provided, however, that the omission to so notify such indemnifying party shall not relieve such indemnifying party from any liability which such indemnifying party may have to any indemnified party or otherwise. The indemnified party or parties shall have the right to employ its or their own counsel in any such case, but the fees and expenses of such counsel shall be at the expense of such indemnified party or parties unless the employment of such counsel shall have been authorized in writing by the indemnifying party (or, in the case such indemnifying party is a Selling Stockholder, by such Selling Stockholder or by a Representative of the Selling Stockholders) in connection with the defense of such Proceeding or the indemnifying party shall not have, within a reasonable period of time in light of the circumstances, employed counsel to defend such Proceeding or such indemnified party or parties shall have reasonably concluded that there may be defenses available to it or them which are different from, additional to or in conflict with those available to such indemnifying party (in which case such indemnifying party shall not have the right to direct the defense of such Proceeding on behalf of the indemnified party or parties), in any of which events such fees and expenses shall be borne by such indemnifying party and paid as incurred (it being understood, however, that, except as provided in the second paragraph of Section 12(a), such indemnifying party shall not be liable for the expenses of more than one separate counsel (in addition to any local counsel) in any one Proceeding or series of related Proceedings in the same jurisdiction representing the indemnified parties who are parties to such Proceeding). The indemnifying party shall not be liable for any settlement of any Proceeding effected without its written consent (or, in the case such indemnifying party is a Selling Stockholder, without the written consent of either such Selling Stockholder or a Representative of the Selling Stockholders) but, if settled with its written consent (or, in the case such indemnifying party is a Selling Stockholder, with the written consent of

such Selling Stockholder or of a Representative of the Selling Stockholders), such indemnifying party agrees to indemnify and hold harmless the indemnified party or parties from and against any loss or liability by reason of such settlement. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested an indemnifying party (or, where such indemnifying party is a Selling Stockholder, requested such Selling Stockholder or any Representative of the Selling Stockholders) to reimburse the indemnified party for fees and expenses of counsel as contemplated by the second sentence of this Section 12(d), then the indemnifying party agrees that it shall be liable for any settlement of any Proceeding effected without its written consent if (i) such settlement is entered into more than 60 business days after receipt by such indemnifying party (or, where such indemnifying party is a Selling Stockholder, receipt by such Selling Stockholder or by any Representative of the Selling Stockholders) of the aforesaid request, (ii) such indemnifying party shall not have fully reimbursed the indemnified party in accordance with such request prior to the date of such settlement and (iii) such indemnified party shall have given the indemnifying party (or, where such indemnifying party is a Selling Stockholder, given such Selling Stockholder or any Representative of the Selling Stockholders) at least 30 days' prior notice of its intention to settle. No indemnifying party shall, without the prior written consent of the indemnified party (or, where such indemnified party is a Selling Stockholder, the prior written consent of such Selling Stockholder or of any Representative of the Selling Stockholders), effect any settlement of any pending or threatened Proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such Proceeding and does not include an admission of fault or culpability or a failure to act by or on behalf of such indemnified party.

(e) If the indemnification provided for in this Section 12 is unavailable to an indemnified party under subsections (a), (b) and (c) of this Section 12 or insufficient to hold an indemnified party harmless in respect of any losses, damages, expenses, liabilities or claims referred to therein, then each applicable indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, damages, expenses, liabilities or claims (i) in such proportion as is appropriate to reflect the relative benefits received by the Company and the Selling Stockholders on the one hand and the Underwriters on the other hand from the offering of the Shares or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company and the Selling Stockholders on the one hand and of the Underwriters on the other in connection with the statements or omissions which resulted in such losses, damages, expenses, liabilities or claims, as well as any other relevant equitable considerations. The relative benefits received by the Company and the Selling Stockholders on the one hand and the Underwriters on the other shall be deemed to be in the same respective proportions as the total proceeds from the offering (net of underwriting discounts and commissions but before deducting expenses) received by the Company and the Selling Stockholders, and the total underwriting discounts and commissions received by the Underwriters, bear to the aggregate public offering price of

the Shares. The relative fault of the Company and the Selling Stockholders on the one hand and of the Underwriters on the other shall be determined by reference to, among other things, whether the untrue statement or alleged untrue statement of a material fact or omission or alleged omission relates to information supplied by the Company or the Selling Stockholders or by the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The amount paid or payable by a party as a result of the losses, damages, expenses, liabilities and claims referred to in this subsection shall be deemed to include any legal or other fees or expenses reasonably incurred by such party in connection with investigating, preparing to defend or defending any Proceeding.

(f) The Company, the Selling Stockholders and the Underwriters agree that it would not be just and equitable if contribution pursuant to this Section 12 were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in subsection (e) above. Notwithstanding the provisions of this Section 12, no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by such Underwriter and distributed to the public were offered to the public exceeds the amount of any damage which such Underwriter has otherwise been required to pay by reason of such untrue statement or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations to contribute pursuant to this Section 12 are several in proportion to their respective underwriting commitments and not joint.

(g) The indemnity and contribution agreements contained in this Section 12 and the covenants, warranties and representations of the Company and the Selling Stockholders contained in this Agreement shall remain in full force and effect regardless of any investigation made by or on behalf of any Underwriter, its partners, directors or officers or any person (including each partner, officer or director of such person) who controls any Underwriter within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, or by or on behalf of the Company or the Selling Stockholders, their respective directors or officers or any person who controls the Company or any Selling Stockholder within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, and shall survive any termination of this Agreement or the issuance and delivery of the Shares to be sold by the Company pursuant hereto and the delivery of the Shares to be sold by the Selling Stockholders pursuant hereto. The Company, the Selling Stockholders and each Underwriter agree promptly to notify each other of the commencement of any Proceeding against it and, in the case of the Company or a Selling Stockholder, against any of their officers or directors in connection with the issuance and sale of the Shares, or in connection with the Registration Statement, the Preliminary Prospectus, the Prospectus or any Permitted Free Writing Prospectus.

13. Information Furnished by the Underwriters. The statements set forth in the two paragraphs immediately preceding the subheading "Underwriting—Over-Allotment Option," the

first paragraph immediately under the subheading “Underwriting—Commissions and Discounts” and the paragraphs under the subheadings “Underwriting—Price-Stabilization, Short Positions,” constitute the only information furnished by or on behalf of the Underwriters, as such information is referred to in Sections 3 and 12 hereof.

14. Notices. Except as otherwise herein provided, all statements, requests, notices and agreements shall be in writing or by telegram or facsimile and, if to the Underwriters, shall be sufficient in all respects if delivered or sent to UBS Securities LLC, 299 Park Avenue, New York, NY 10171-0026, Attention: Syndicate Department and, if to the Company, shall be sufficient in all respects if delivered or sent to the Company at the offices of the Company at 9300 Lee Highway, Fairfax, VA 22031, Attention: Sudhakar Kesavan, Chairman & Chief Executive Officer (facsimile: 703-934-3740), and, if to any Selling Stockholder, shall be sufficient in all respects if delivered or sent to any Representative of the Selling Stockholders at CM Equity Partners, 900 Third Avenue, 33<sup>rd</sup> Floor, New York, NY 10022, Attention: Peter M. Schulte and Joel R. Jacks (facsimile: (212) 371-7254).

15. Governing Law; Construction. This Agreement and any claim, counterclaim or dispute of any kind or nature whatsoever arising out of or in any way relating to this Agreement (“Claim”), directly or indirectly, shall be governed by, and construed in accordance with, the laws of the State of New York. The section headings in this Agreement have been inserted as a matter of convenience of reference and are not a part of this Agreement.

16. Submission to Jurisdiction. Except as set forth below, no Claim may be commenced, prosecuted or continued in any court other than the courts of the State of New York located in the City and County of New York or in the United States District Court for the Southern District of New York, which courts shall have jurisdiction over the adjudication of such matters, and the Company and the Selling Stockholders each consent to the jurisdiction of such courts and personal service with respect thereto. The Company and the Selling Stockholders each hereby consent to personal jurisdiction, service and venue in any court in which any Claim arising out of or in any way relating to this Agreement is brought by any third party against any Underwriter or any indemnified party. Each Underwriter and the Company (on its behalf and, to the extent permitted by applicable law, on behalf of its stockholders and affiliates) and each Selling Stockholder (on its behalf and, in the case such Selling Stockholder is not an individual, to the extent permitted by applicable law, on behalf of its stockholders and affiliates) each waive all right to trial by jury in any action, proceeding or counterclaim (whether based upon contract, tort or otherwise) in any way arising out of or relating to this Agreement. The Company and the Selling Stockholders each agree that a final judgment in any such action, proceeding or counterclaim brought in any such court shall be conclusive and binding upon the Company and each Selling Stockholder and may be enforced in any other courts to the jurisdiction of which the Company or any Selling Stockholder is or may be subject, by suit upon such judgment.

17. Parties at Interest. The Agreement herein set forth has been and is made solely for the benefit of the Underwriters and the Company and the Selling Stockholders and to the extent provided in Section 12 hereof the controlling persons, partners, directors and officers referred to in such Section, and their respective successors, assigns, heirs, personal representatives and executors and administrators. No other person, partnership, association or corporation (including a purchaser, as such purchaser, from any of the Underwriters) shall acquire or have any right under or by virtue of this Agreement.



18. No Fiduciary Relationship. The Company and the Selling Stockholders each hereby acknowledge that the Underwriters are acting solely as underwriters in connection with the purchase and sale of the Company's securities. The Company and the Selling Stockholders each further acknowledge that the Underwriters are acting pursuant to a contractual relationship created solely by this Agreement entered into on an arm's length basis, and in no event do the parties intend that the Underwriters act or be responsible as a fiduciary to the Company or any Selling Stockholder, their respective management, stockholders or creditors or any other person in connection with any activity that the Underwriters may undertake or have undertaken in furtherance of the purchase and sale of the Company's securities, either before or after the date hereof. The Underwriters hereby expressly disclaim any fiduciary or similar obligations to the Company or any Selling Stockholder, either in connection with the transactions contemplated by this Agreement or any matters leading up to such transactions, and the Company and the Selling Stockholders each hereby confirm their understanding and agreement to that effect. The Company, the Selling Stockholders and the Underwriters agree that they are each responsible for making their own independent judgments with respect to any such transactions and that any opinions or views expressed by the Underwriters to the Company or any Selling Stockholder regarding such transactions, including, but not limited to, any opinions or views with respect to the price or market for the Company's securities, do not constitute advice or recommendations to the Company or any Selling Stockholder. The Company and the Selling Stockholders each hereby waive and release, to the fullest extent permitted by law, any claims that the Company or any Selling Stockholder may have against the Underwriters with respect to any breach or alleged breach of any fiduciary or similar duty to the Company or any Selling Stockholder in connection with the transactions contemplated by this Agreement or any matters leading up to such transactions.

19. Counterparts. This Agreement may be signed by the parties in one or more counterparts which together shall constitute one and the same agreement among the parties.

20. Successors and Assigns. This Agreement shall be binding upon the Underwriters and the Company and the Selling Stockholders and their successors and assigns and any successor or assign of any substantial portion of the Company's, any Selling Stockholder's and any of the Underwriters' respective businesses and/or assets.

21. Miscellaneous. UBS, an indirect, wholly owned subsidiary of UBS AG, is not a bank and is separate from any affiliated bank, including any U.S. branch or agency of UBS AG. Because UBS is a separately incorporated entity, it is solely responsible for its own contractual obligations and commitments, including obligations with respect to sales and purchases of securities. Securities sold, offered or recommended by UBS are not deposits, are not insured by the Federal Deposit Insurance Corporation, are not guaranteed by a branch or agency, and are not otherwise an obligation or responsibility of a branch or agency.

***[The Remainder of This Page Intentionally Left Blank; Signature Pages Follow]***

If the foregoing correctly sets forth the understanding among the Company, the Selling Stockholders and the several Underwriters, please so indicate in the space provided below for that purpose, whereupon this Agreement and your acceptance shall constitute a binding agreement among the Company, the Selling Stockholders and the Underwriters, severally.

Very truly yours,

ICF INTERNATIONAL, INC.

By: \_\_\_\_\_

Name:

Title:

THE SELLING STOCKHOLDERS NAMED IN SCHEDULE C  
ANNEXED HERETO

By: [REPRESENTATIVE], Attorney-in-Fact

By: \_\_\_\_\_

Name:

Title:

Accepted and agreed to as of the date  
first above written, on behalf of  
themselves and the other  
several Underwriters named in Schedule A  
annexed hereto

UBS SECURITIES LLC  
STIFEL, NICOLAUS & COMPANY, INC.  
WILLIAM BLAIR & COMPANY  
JEFFERIES & COMPANY, INC.

By: UBS SECURITIES LLC

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

**SCHEDULE A**

<b>Underwriter</b>	<b>Number of Firm Shares</b>
UBS SECURITIES LLC	
STIFEL, NICOLAUS & COMPANY, INC.	
WILLIAM BLAIR & COMPANY	
JEFFERIES QUARTERDECK, A DIVISION OF JEFFERIES & COMPANY, INC.	
Total	

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**SCHEDULE B**

[List any Permitted Free Writing Prospectuses]

**SCHEDULE C**

	<b>Number of Firm Shares</b>
<b><u>Selling Stockholders</u></b>	
CM Equity Partners, L.P.	[ ]
CMEP Co-Investment ICF, L.P.	[ ]
CM Equity Partners II, L.P.	[ ]
CM Equity Partners II Co-Investors, L.P.	[ ]
Anton Schrafl	[ ]
Mark Shufro	[ ]
Kenneth MacArtney	[ ]
Total	<u>          </u>

**EXHIBIT A**

Lock-Up Agreement

\_\_\_\_\_, 2006

UBS Securities LLC  
Stifel, Nicolaus & Company, Inc.  
William Blair & Company  
Jefferies Quarterdeck, a division of Jefferies & Company, Inc.  
As representatives of the Underwriters  
named in Schedule A annexed to the  
Underwriting Agreement referred to below

c/o UBS Securities LLC  
299 Park Avenue  
New York, New York 10171-0026

Ladies and Gentlemen:

This Lock-Up Agreement is being delivered to you in connection with the proposed Underwriting Agreement (the "Underwriting Agreement") to be entered into by ICF International, Inc., a Delaware corporation (the "Company"), the Selling Stockholders named therein and you and the other underwriters named in Schedule A annexed to the Underwriting Agreement, with respect to the public offering (the "Offering") of common stock, par value \$0.01 per share, of the Company (the "Common Stock").

In order to induce you to enter into the Underwriting Agreement, the undersigned agrees that, for a period (the "Lock-Up Period") beginning on the date hereof and ending on, and including, the date that is 180 days after the date of the final prospectus relating to the Offering, the undersigned will not, without the prior written consent of UBS Securities LLC, (i) sell, offer to sell, contract or agree to sell, hypothecate, pledge, grant any option to purchase or otherwise dispose of or agree to dispose of, directly or indirectly, or file (or participate in the filing of) a registration statement with the Securities and Exchange Commission (the "Commission") in respect of, or establish or increase a put equivalent position or liquidate or decrease a call equivalent position within the meaning of Section 16 of the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder (the "Exchange Act") with respect to, any Common Stock or any other securities of the Company that are substantially similar to Common Stock, or any securities convertible into or exchangeable or exercisable for, or any warrants or other rights to purchase, the foregoing, (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Common Stock or any other securities of the Company that are substantially similar to Common Stock, or any securities convertible into or exchangeable or exercisable for, or any warrants or other rights to purchase, the foregoing, whether any such transaction is to be settled by delivery of Common Stock or such other securities, in cash or otherwise or (iii) publicly announce an intention to effect any transaction specified in clause (i) or (ii). The foregoing sentence shall not apply to (a) the registration of the offer and sale of Common Stock as contemplated by the Underwriting Agreement and the sale of the Common Stock to the Underwriters (as defined in the Underwriting Agreement) in the Offering, (b) bona

fide gifts, provided the recipient thereof agrees in writing with the Underwriters to be bound by the terms of this Lock-Up Agreement or (c) dispositions to any trust for the direct or indirect benefit of the undersigned and/or the immediate family of the undersigned, provided that such trust agrees in writing with the Underwriters to be bound by the terms of this Lock-Up Agreement. For purposes of this paragraph, "immediate family" shall mean the undersigned and the spouse, any lineal descendent, father, mother, brother or sister of the undersigned.

Notwithstanding anything herein to the contrary, the preceding paragraph shall not apply to the sale of Firm Shares or Additional Shares by any Selling Stockholder to the Underwriters pursuant to the Underwriting Agreement.

In addition, the undersigned hereby waives any rights the undersigned may have to require registration of Common Stock in connection with the filing of a registration statement relating to the Offering. The undersigned further agrees that, for the Lock-Up Period, the undersigned will not, without the prior written consent of UBS Securities LLC, make any demand for, or exercise any right with respect to, the registration of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock, or warrants or other rights to purchase Common Stock or any such securities.

Notwithstanding the above, if (a) during the period that begins on the date that is fifteen (15) calendar days plus three (3) business days before the last day of the Lock-Up Period and ends on the last day of the Lock-Up Period, the Company issues an earnings release or material news or a material event relating to the Company occurs; or (b) prior to the expiration of the Lock-Up Period, the Company announces that it will release earnings results during the sixteen (16) day period beginning on the last day of the Lock-Up Period, then the restrictions imposed by this Lock-Up Agreement shall continue to apply until the expiration of the date that is fifteen (15) calendar days plus three (3) business days after the date on which the issuance of the earnings release or the material news or material event occurs.

In addition, the undersigned hereby waives any and all preemptive rights, participation rights, resale rights, rights of first refusal and similar rights that the undersigned may have in connection with the Offering or with any issuance or sale by the Company of any equity or other securities before the Offering, except for any such rights as have been heretofore duly exercised.

The undersigned hereby confirms that the undersigned has not, directly or indirectly, taken, and hereby covenants that the undersigned will not, directly or indirectly, take, any action designed, or which has constituted or will constitute or might reasonably be expected to cause or result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of shares of Common Stock.

\* \* \*



If (i) the Company notifies you in writing that it does not intend to proceed with the Offering, (ii) the registration statement filed with the Commission with respect to the Offering is withdrawn or (iii) for any reason the Underwriting Agreement shall be terminated prior to the "time of purchase" (as defined in the Underwriting Agreement), this Lock-Up Agreement shall be terminated and the undersigned shall be released from its obligations hereunder.

Very truly yours,

\_\_\_\_\_  
Name:

**EXHIBIT A-1**

LIST OF PARTIES TO EXECUTE LOCK-UP AGREEMENTS

**Officers and Directors**

	<b><u>Position</u></b>
1. Sudhakar Kesavan	Chairman, President and Chief Executive Officer
2. John Wasson	Executive Vice President and Chief Operating Officer
3. Alan Stewart	Senior Vice President, Chief Financial Officer and Secretary
4. Ellen Glover	Executive Vice President
5. Gerald Croan	Executive Vice President
6. Dr. Edward H. Bersoff	Director
8. Joel R. Jacks	Director
9. David C. Lucien	Director
10. William Moody	Director
11. Peter M. Schulte	Director

**Selling Stockholders**

1. CM Equity Partners, L.P.
2. CMEP Co-Investment ICF, L.P.
3. CM Equity Partners II, L.P.
4. CM Equity Partners II Co-Investors, L.P.
5. Anton Schrafl
6. Mark Shufro
7. Kenneth MacArtney

**EXHIBIT B**

OPINION OF SQUIRE, SANDERS & DEMPSEY L.L.P.

\_\_\_\_\_, 2006

UBS Securities LLC  
Stifel, Nicolaus & Company, Inc.  
William Blair & Company  
Jefferies Quarterdeck, a division of Jefferies & Company, Inc.  
*as Managing Underwriters*

c/o UBS Securities LLC  
299 Park Avenue  
New York, New York 10171-0026

Ladies and Gentlemen:

We have acted as counsel for ICF International, Inc., a Delaware corporation (the "Company"), in connection with the offering and sale of the Company's Common Stock, par value \$0.001 per share (the "Shares"). This opinion is being delivered to you at the request of the Company pursuant to Section 9(a) of the Underwriting Agreement dated as of \_\_\_\_\_, 2006 (the "Underwriting Agreement") among the Company, the Selling Stockholders and UBS Securities LLC, as representative of the several underwriters, relating to the offering of \_\_\_\_\_ Shares. Capitalized terms used in this opinion have the same meanings as in the Underwriting Agreement, unless otherwise defined in this opinion.

In rendering this opinion, we have examined originals or copies, certified or otherwise identified to our satisfaction, of all such agreements, certificates and documents, and have considered such matters of law, as we have deemed necessary or appropriate for purposes of this opinion. As to various matters of fact relevant to the opinions herein expressed, we have assumed the correctness of, and have relied upon, the statements and representations, including, without limitation, the statements and representations contained in the Underwriting Agreement, and certificates of the Company, its Subsidiaries and their respective officers, and on certificates of public officials and other persons, including governmental agencies.

We have assumed without independent verification the genuineness of all signatures on all documents reviewed by us (other than signatures by officers of the Company or its Subsidiaries), the authenticity of all documents submitted to us as originals, the conformity to authentic originals of all documents submitted to us as copies, and the due authorization, execution and delivery of all documents by all parties other than the Company or its Subsidiaries.

Based upon the foregoing and subject to the qualifications expressed below, we are of the opinion that:

1. The Company is a corporation validly existing and in good standing under the laws of the State of Delaware, with the corporate power and authority requisite to own, lease and operate its properties and conduct its business as described in the Registration Statement, the preliminary prospectus of the Company, dated \_\_\_\_\_, 2006, relating to the Shares (the

“Preliminary Prospectus”), the Prospectus and the Permitted Free Writing Prospectuses attached hereto as Annex A, to execute and deliver the Underwriting Agreement and to perform its obligations thereunder, including, without limitation, to issue, sell and deliver the Shares to be sold by the Company as contemplated by the Underwriting Agreement.

2. Each of the Company’s Subsidiaries organized under the laws of a State of the United States or the District of Columbia (each, a “Domestic Subsidiary”) is a corporation validly existing and in good standing under the laws of its jurisdiction of incorporation, with the corporate power and authority requisite to own, lease and operate its properties and to conduct its business as described in the Registration Statement, the Preliminary Prospectus, the Prospectus and the Permitted Free Writing Prospectuses attached hereto as Annex A.
3. The Company and the Domestic Subsidiaries are each duly qualified to do business as a foreign corporation and are in good standing in each jurisdiction where the ownership or leasing of their respective properties or the conduct of their respective businesses requires such qualification, except where the failure to be so qualified and in good standing would not, individually or in the aggregate, have a Material Adverse Effect.
4. The Underwriting Agreement has been duly authorized, executed and delivered by the Company.
5. The Shares to be sold by the Company pursuant to the Underwriting Agreement have been duly authorized and, when issued and delivered against payment therefor in accordance with the Underwriting Agreement, will be validly issued, fully paid and non-assessable.
6. The Company has an authorized and outstanding capitalization as set forth in the Registration Statement, the Preliminary Prospectus and the Prospectus (and any similar sections or information, if any, contained in any Permitted Free Writing Prospectus attached hereto as Annex A); all of the issued and outstanding shares of capital stock of the Company have been duly authorized and validly issued, are to our knowledge fully paid and non-assessable and are free of statutory preemptive rights and, to our knowledge, contractual preemptive rights, resale rights, rights of first refusal and similar rights; the Shares to be sold by the Company pursuant to the Underwriting Agreement are free of statutory preemptive rights and, to our knowledge, contractual preemptive rights, resale rights, rights of first refusal and similar rights; the certificates for the Shares are in due and proper form; the Amended and Restated Certificate of Incorporation of the Company and the Amended and Restated Bylaws of the Company, each in the form filed as an exhibit to the Registration Statement, have been heretofore duly adopted, have been filed as required with the Secretary of State of the State of Delaware, and are in full force and effect as of the date hereof, in each case in accordance with the Delaware General Corporation Law.
7. All of the outstanding shares of capital stock of each of the Domestic Subsidiaries have been duly authorized and validly issued, are fully paid and non-assessable and, except as otherwise disclosed in the Registration Statement (excluding the exhibits thereto), the Preliminary Prospectus and the Prospectus, are owned by the Company, in each case subject to no security interest, other encumbrance or adverse claim.

8. The Shares are duly listed, and admitted and authorized for trading, subject to official notice of issuance and evidence of satisfactory distribution, on the NASDAQ.
9. The capital stock of the Company, including the Shares, conforms in all material respects to the description thereof, if any, contained in the Registration Statement, the Preliminary Prospectus, the Prospectus and the Permitted Free Writing Prospectuses attached hereto as Annex A.
10. The Registration Statement, the Preliminary Prospectus and the Prospectus (except as to the financial statements and schedules, and other financial data derived therefrom, contained in the Registration Statement, the Preliminary Prospectus and the Prospectus, as to which we express no opinion) comply as to form in all material respects with the requirements of the Act (including, in the case of the Prospectus, Section 10(a) of the Act).
11. To our knowledge, the Company is not an “ineligible issuer” (as defined in Rule 405 under the Act) as of the eligibility determination date for purposes of Rules 164 and 433 under the Act with respect to the offering of the Shares contemplated by the Registration Statement.
12. The Registration Statement has become effective under the Act and, to our knowledge, no stop order proceedings with respect thereto are pending or threatened under the Act, and any required filing of the Prospectus and any supplement thereto pursuant to Rule 424 under the Act has been made in the manner and within the time period required by such Rule 424 and in the manner and within the time period required by Rule 430A under the Act; and the class of securities consisting of the Common Stock has become registered under Section 12(b) of the Exchange Act.
13. No approval, authorization, consent, order or filing under any federal law, the laws of the State of New York or Virginia or under the Delaware General Corporation Law or approval of the stockholders of the Company, is required in connection with the issuance and sale of the Shares to be sold by the Company pursuant to the Underwriting Agreement or the sale of the Firm Shares to be sold by the Selling Stockholders pursuant to the Underwriting Agreement or with the consummation of the transactions contemplated by the Underwriting Agreement other than registration of such Shares under the Act, which has been effected (except that we express no opinion as to any necessary qualification under the state securities or blue sky laws of the various jurisdictions in which such Shares are being offered by the Underwriters and we express no opinion with respect to the Conduct Rules of the NASD).
14. The execution, delivery and performance of the Underwriting Agreement by the Company, the issuance and sale of the Shares to be sold by the Company pursuant to the Underwriting Agreement, the sale of the Firm Shares to be sold by the Selling Stockholders pursuant to the Underwriting Agreement and the consummation of the transactions contemplated by the Underwriting Agreement do not and will not result in any breach or violation of or constitute a default under (nor constitute any event which, with notice, lapse of time or both, would result in any breach or violation of or constitute a default under or give the holder of any indebtedness (or a person acting on such holder’s behalf) the right to require the repurchase, redemption or repayment of all or a part of such indebtedness under) (or result in the creation or imposition of a lien, charge or encumbrance on any property or assets of the Company or

any Subsidiary pursuant to) (i) the charter or bylaws of the Company or any of the Domestic Subsidiaries, or (ii) any indenture, mortgage, deed of trust, bank loan or credit agreement or other evidence of indebtedness, or any license, lease, contract or other agreement or instrument (collectively, "Agreements and Instruments") which is filed as an exhibit to the Registration Statement or, to our knowledge, under any other Agreement and Instrument to which the Company or any of the Domestic Subsidiaries is a party or by which any of them or any of their respective properties may be bound or affected, or (iii) federal laws, the laws of the State of New York or Virginia or the Delaware General Corporation Law, or (iv) any decree, judgment or order applicable to the Company or any of the Domestic Subsidiaries or any of their respective properties, which decree, judgment or order is known by us.

15. To our knowledge, there are no contracts, licenses, agreements, leases or documents of a character that are required to be described in the Registration Statement, the Preliminary Prospectus or the Prospectus or to be filed as an exhibit to the Registration Statement that have not been so described or filed as required.
16. To our knowledge, (i) the Company is not a party to any legal or governmental action or proceeding that challenges the validity or enforceability, or seeks to enjoin the performance, of the Underwriting Agreement; and (ii) there are no actions, suits, claims, investigations or proceedings pending, threatened or contemplated to which the Company or any of the Domestic Subsidiaries or any of their respective directors or officers is or would be a party or to which any of their respective properties is or would be subject at law or in equity, before or by any federal, state, local or foreign governmental or regulatory commission, board, body, authority or agency that are required to be described in the Registration Statement, the Preliminary Prospectus or the Prospectus but are not so described as required.
17. The Company is not and, after giving effect to the offering and sale of the Shares, will not be an "investment company" as such term is defined in the Investment Company Act.
18. The statements in the Registration Statement, the Preliminary Prospectus and the Prospectus under the headings "U.S. federal tax considerations for non-U.S. holders of common stock," "Description of capital stock" and "Shares eligible for future sale", insofar as such statements constitute summaries of documents or legal proceedings or refer to matters of law or legal conclusions, are an accurate presentation of such information in the context in which made in the Registration Statement, the Preliminary Prospectus and the Prospectus.
19. No person has the right, pursuant to the terms of any contract, agreement or other instrument described in or filed as an exhibit to the Registration Statement or otherwise known to us, to cause the Company to register under the Act any shares of Common Stock or shares of any other capital stock or other equity interest in the Company or to include any such shares or interest in the Registration Statement or the offering contemplated thereby.
20. We have participated in conferences with officers and other representatives of the Company, representatives of the independent public accountants of the Company, representatives of the Selling Stockholders and representatives of the Underwriters at which the contents of the Registration Statement, the Preliminary Prospectus, the Prospectus and the Permitted Free Writing Prospectuses were discussed and, although we have not independently verified and

are not passing upon and do not assume responsibility for the accuracy, completeness or fairness of the statements contained in the Registration Statement, the Preliminary Prospectus, the Prospectus or any Permitted Free Writing Prospectus (except as and to the extent stated in subparagraphs 6, 9 and 18 above), on the basis of the foregoing, nothing has come to our attention that causes us to believe that (i) the Registration Statement, at the Effective Time, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) the Disclosure Package (as defined below), as of the Applicable Time (as defined below), when taken together with the Pricing Information (as defined below), included an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading or (iii) the Prospectus, as of its date, or as of the date hereof, included or includes an untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading (it being understood that we express no opinion in this paragraph 20 with respect to the financial statements and schedules, and other financial data derived therefrom, included in the Registration Statement, the Disclosure Package or the Prospectus). As used herein, (A) "Disclosure Package" means the Preliminary Prospectus together with the Permitted Free Writing Prospectuses attached hereto as Annex A, (B) "Applicable Time" means 5:00 P.M., New York City time, on \_\_\_\_\_, 2006, and (C) "Pricing Information" means (i) the aggregate number of Shares offered for sale pursuant to the Prospectus and the number of such Shares being offered by Company and the number of Firm Shares being offered by each of the Selling Stockholders and (ii) the public offering price per Share, in the case of each of clause (C)(i) and clause (C)(ii), as reflected on the cover page of the Prospectus.

This opinion is based solely upon the federal laws of the United States of America and the laws of the States of New York and the General Corporation Law of Delaware.

This opinion speaks as of its date and we assume no obligation to advise you of any events or circumstances occurring after this date that may change any opinion or statement of belief expressed above. This opinion is rendered to you solely for your benefit in connection with the transactions described above and may not be relied upon for any other purpose or by any other person without our prior written consent.

Respectfully submitted,

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**EXHIBIT C**

OPINION OF SQUIRE, SANDERS & DEMPSEY L.L.P.

\_\_\_\_\_, 2006

UBS Securities LLC  
Stifel, Nicolaus & Company, Inc.  
William Blair & Company  
Jefferies Quarterdeck, a division of Jefferies & Company, Inc.  
*as Managing Underwriters*

c/o UBS Securities LLC  
299 Park Avenue  
New York, New York 10171-0026

Ladies and Gentlemen:

We have acted as counsel for certain stockholders of ICF International, Inc., a Delaware corporation (the "Company"), in connection with the offering and sale of the Company's Common Stock, par value \$0.001 per share (the "Shares"). This opinion is being delivered to you at the request of the Company pursuant to Section 9(b) of the Underwriting Agreement dated as of \_\_\_\_\_, 2006 (the "Underwriting Agreement") among the Company, the Selling Stockholders and UBS Securities LLC, as representative of the several underwriters, relating to the offering of \_\_\_\_\_ Shares. Capitalized terms used in this opinion have the same meanings as in the Underwriting Agreement, unless otherwise defined in this opinion.

In rendering this opinion, we have examined originals or copies, certified or otherwise identified to our satisfaction, of all such agreements, certificates and documents, and have considered such matters of law, as we have deemed necessary or appropriate for purposes of this opinion. As to various matters of fact relevant to the opinions herein expressed, we have assumed the correctness of, and have relied upon, the statements and representations, including, without limitation, the statements and representations contained in the Underwriting Agreement, and certificates of the Company, its Subsidiaries and their respective officers, and on certificates of public officials and other persons, including governmental agencies.

We have assumed without independent verification the genuineness of all signatures on all documents reviewed by us (other than signatures by officers of the Company or its Subsidiaries), the authenticity of all documents submitted to us as originals, the conformity to authentic originals of all documents submitted to us as copies, and the due authorization, execution and delivery of all documents by all parties other than the Company or its Subsidiaries.

Based upon the foregoing and subject to the qualifications expressed below, we are of the opinion that:

1. The Underwriting Agreement and each Custody Agreement have been duly authorized, executed and delivered by or on behalf of each Selling Stockholder; the Custody Agreement is a legal, valid and binding agreement of each Selling Stockholder enforceable against such Selling Stockholder in accordance with its



terms, except as the same may be subject to or limited by bankruptcy, insolvency, reorganization, arrangement, moratorium or other similar laws relating to or affecting the rights of creditors or by general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law.

2. The Firm Shares to be sold by each Selling Stockholder have been duly authorized and validly issued and are fully paid and non-assessable.
3. The execution, delivery and performance by each Selling Stockholder of the Underwriting Agreement or the Custody Agreement to which such Selling Stockholder is a party and the consummation by such Selling Stockholder of the transactions contemplated by the Underwriting Agreement or the Custody Agreement to which such Selling Stockholder is a party do not and will not result in any breach or violation of or constitute a default under (nor constitute any event which, with notice, lapse of time or both, would result in any breach or violation of or constitute a default under or give the holder of any indebtedness (or a person acting on such holder's behalf) the right to require the repurchase, redemption or repayment of all or a part of such indebtedness under) (or result in the creation or imposition of a lien, charge or encumbrance on any property or assets of such Selling Stockholder pursuant to) (i) if such Selling Stockholder is not an individual, the charter or bylaws or other organizational instruments of such Selling Stockholder, (ii) to our knowledge, any indenture, mortgage, deed of trust, bank loan or credit agreement or other evidence of indebtedness, or any license, lease, contract or other agreement or instrument to which such Selling Stockholder is a party or by which such Selling Stockholder or any of its properties may be bound or affected, (iii) federal laws, the laws of the State of New York or Virginia or the Delaware General Corporation Law, or (iv) any decree, judgment or order applicable to such Selling Stockholder or any of such Selling Stockholder's properties, which decree, judgment or order is known by us.
4. Each Selling Stockholder has requisite legal right and power, and has obtained all authorization and approval required by law (other than those imposed by the Act and state securities or blue sky laws), to execute and perform its obligations under the Underwriting Agreement and the Custody Agreement to which such Selling Stockholder is a party and to sell, assign, transfer and deliver the Firm Shares to be sold by such Selling Stockholder in the manner provided in the Underwriting Agreement.
5. Each Selling Stockholder has valid marketable title to the Firm Shares to be sold by such Selling Stockholder pursuant to the Underwriting Agreement, and delivery of certificates for such Firm Shares pursuant to the Underwriting Agreement will pass valid and marketable title thereto to the Underwriters, free and clear of any claim, lien, encumbrance, security interest, community property right, restriction on transfer or other defect in title.
6. Each of the Representatives of the Selling Stockholders has been duly authorized by each Selling Stockholder to execute and deliver on behalf of such Selling Stockholder the Underwriting Agreement and any and all other documents necessary or desirable in

connection with the transactions contemplated thereby and to deliver the Firm Shares to be sold by such Selling Stockholder.

7. The statements included in the Registration Statement, the preliminary prospectus of the Company, dated \_\_\_\_\_, 2006, relating to the Shares (the "Preliminary Prospectus") and the Prospectus under the caption "Principal and selling stockholders" (the "Selling Stockholder Statements"), insofar as such Selling Stockholder Statements constitute summaries of documents or legal proceedings or refer to matters of law or legal conclusions, are an accurate and fair presentation of such information in the context in which made in the Registration Statement, the Preliminary Prospectus and the Prospectus.
8. Although we have not independently verified and are not passing upon and do not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Registration Statement, the Preliminary Prospectus, the Prospectus or any Permitted Free Writing Prospectus (except as and to the extent stated in subparagraph 7 above), nothing has come to our attention that causes us to believe that (i) the Selling Stockholder Statements included in the Registration Statement, at the Effective Time, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) the Selling Stockholder Statements included in the Preliminary Prospectus, as of 5:00 P.M., New York City time, on \_\_\_\_\_, 2006, included an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading or (iii) the Selling Stockholder Statements included in the Prospectus, as of the date of the Prospectus or the date hereof, included or include an untrue statement of a material fact or omitted or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.
9. The Selling Stockholder Statements included in the Registration Statement, the Preliminary Prospectus or the Prospectus comply as to form in all material respects with the requirements of the Act.

This opinion is based solely upon the federal laws of the United States of America and the laws of the States of New York and the General Corporation Law of Delaware.

This opinion speaks as of its date and we assume no obligation to advise you of any events or circumstances occurring after this date that may change any opinion or statement of belief expressed above. This opinion is rendered to you solely for your benefit in connection with the transactions described above and may not be relied upon for any other purpose or by any other person without our prior written consent.

Respectfully submitted,

**EXHIBIT D**

OFFICERS' CERTIFICATE

Each of the undersigned, Sudhakar Kesavan, Chairman & Chief Executive Officer of ICF International, Inc., a Delaware corporation (the "Company"), and Alan Stewart, Chief Financial Officer of the Company, on behalf of the Company, does hereby certify pursuant to Section 9(h) of that certain Underwriting Agreement dated \_\_\_\_\_, 2006 (the "Underwriting Agreement") among the Company, the Selling Stockholders named therein and, on behalf of the several Underwriters named therein, UBS Securities LLC, Stifel, Nicolaus & Company, Inc., William Blair & Company and Jefferies Quarterdeck, a division of Jefferies & Company, Inc., that as of \_\_\_\_\_, 2006:

1. He has reviewed the Registration Statement, the Preliminary Prospectus, the Prospectus and each Permitted Free Writing Prospectus.
2. The representations and warranties of the Company as set forth in the Underwriting Agreement are true and correct as of the date hereof and as if made on the date hereof.
3. The Company has performed all of its obligations under the Underwriting Agreement as are to be performed at or before the date hereof.
4. The conditions set forth in paragraph (g) of Section 9 of the Underwriting Agreement have been met.

Capitalized terms used herein without definition shall have the respective meanings ascribed to them in the Underwriting Agreement.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands on this \_\_\_\_ day of \_\_\_\_\_, 2006.

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Name: Sudhakar Kesavan  
Title: Chairman & Chief Executive Officer

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Name: Alan Stewart  
Title: Chief Financial Officer

**EXHIBIT E**

CERTIFICATE OF A REPRESENTATIVE OF THE SELLING STOCKHOLDERS

The undersigned, \_\_\_\_\_, on behalf of each Selling Stockholder (as defined in the Underwriting Agreement referred to below), does hereby certify pursuant to Section 9(i) of that certain Underwriting Agreement dated \_\_\_\_\_, 2006 (the "Underwriting Agreement") among ICF International, Inc., a Delaware corporation (the "Company"), the Selling Stockholders named therein and, on behalf of the several Underwriters named therein, UBS Securities LLC, Stifel, Nicolaus & Company, Inc., William Blair & Company and Jefferies Quarterdeck, a division of Jefferies & Company, Inc., that as of \_\_\_\_\_, 2006:

1. Each Selling Stockholder has reviewed the Registration Statement, each Preliminary Prospectus, the Prospectus and each Permitted Free Writing Prospectus.
2. The representations and warranties of each Selling Stockholder as set forth in the Underwriting Agreement are true and correct as of the date hereof and as if made on the date hereof.
3. Each Selling Stockholder has performed all of its obligations under the Underwriting Agreement as are to be performed at or before the date hereof.

Capitalized terms used herein without definition shall have the respective meanings ascribed to them in the Underwriting Agreement.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand on this \_\_\_\_ day of \_\_\_\_\_, 2006 on behalf of each Selling Stockholder.

THE SELLING STOCKHOLDERS NAMED IN SCHEDULE C  
ANNEXED TO THE UNDERWRITING AGREEMENT

By: [REPRESENTATIVE], Attorney-in-Fact

\_\_\_\_\_  
Name:  
Title:

**FORM OF**  
**AMENDED AND RESTATED**  
**CERTIFICATE OF INCORPORATION**  
**OF**  
**ICF INTERNATIONAL, INC.**

Pursuant to Section 242 and 245 of the General Corporation Law of the State of Delaware, ICF International, Inc., a Delaware corporation originally formed as ICF Consulting Group Holdings, LLC on April 21, 1999 and converted to a corporation formerly named ICF Consulting Group Holdings, Inc. by the filing of a Certificate of Conversion and its original Certificate of Incorporation in the Office of the Secretary of State of the State of Delaware on April 7, 2003 and renamed ICF International, Inc. by the filing of a Certificate of Ownership and Merger in the Office of the Secretary of State of the State of Delaware on April 21, 2006, hereby amends and restates its Certificate of Incorporation by its President and Chief Executive Officer and hereby certifies as follows:

**FIRST: Name.** The name of this corporation is ICF International, Inc. (the "Corporation").

**SECOND: Registered Office and Agent.** The address of the Corporation's registered office in the State of Delaware is to be located at 2711 Centerville Road, Suite 400 in the City of Wilmington, County of New Castle, State of Delaware 19808. Its registered agent at such address is Corporation Service Company.

**THIRD: Purpose.** The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the Delaware General Corporation Law, as amended from time to time (the "DGCL").

**FOURTH: Capital Stock.**

Section 4.1. Authorized Shares. The total number of shares of stock which the Corporation shall have authority to issue is seventy-five million (75,000,000), seventy million (70,000,000) of which shall be shares of Common Stock with a par value of \$0.001 per share and five million (5,000,000) of which shall be shares of Preferred Stock with a par value of \$0.001 per share.

Section 4.2. Reclassification of Common Stock. Each share of authorized Common Stock, par value \$0.01 per share, issued and outstanding or standing in the name of the Corporation at the close of business on the date of filing in the Office of the Secretary of State of the State of Delaware of this Amended and Restated Certificate of Incorporation shall thereupon automatically, and without further action by the Corporation or the holders thereof, be reclassified and changed into one (1) validly issued, fully paid and nonassessable share of Common Stock, par value \$0.001 per share.

Section 4.3. Preferred Stock.

(a) Board Authorized to Fix Terms. The Board of Directors is authorized, subject to limitations prescribed by law, by resolution or resolutions to provide for the issuance of shares of Preferred Stock in one or more series, and, by filing a certificate when

required by the applicable law of the State of Delaware, to establish from time to time the number of shares to be included in each such series and to fix the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions thereof. The authority of the Board with respect to each series shall include, but not be limited to, determination of the following:

(i) the number of shares constituting that series, including the authority to increase or decrease such number, and the distinctive designation of that series;

(ii) the dividend rate on the shares of that series, whether dividends shall be cumulative, and, if so, the date or dates from which they shall be cumulative and the relative rights of priority, if any, in the payment of dividends on shares of that series;

(iii) the voting rights, if any, of the shares of that series in addition to the voting rights provided by law and the terms of any such voting rights;

(iv) the terms and conditions, if any, upon which shares of that series shall be convertible or exchangeable for shares of any other class or classes of stock of the Corporation or other entity, including provision for adjustment of the conversion or exchange rate upon the occurrence of such events as the Board of Directors shall determine;

(v) the right, if any, of the Corporation to redeem shares of that series and the terms and conditions of such redemption, including the date or dates upon or after which they shall be redeemable and the amount per share payable in case of redemption, which amount may vary according to different conditions and different redemption dates;

(vi) the obligation, if any, of the Corporation to retire shares of that series pursuant to a retirement or sinking fund or fund of a similar nature for the redemption or purchase of shares of that series and the terms and conditions of such obligation;

(vii) the rights of the shares of that series in the event of voluntary or involuntary liquidation, dissolution or winding up of the Corporation, and the relative rights of priority, if any, in the payment of shares of that series; and

(viii) any other rights, preferences and limitations of the shares of that series as may be permitted by law.

(b) Dividend Preference. Dividends, if any, on outstanding shares of Preferred Stock shall be paid or declared and set apart for payment before any dividends shall be paid or declared and set apart for payment on shares of Common Stock with respect to the same dividend period.

(c) Relative Liquidation Preference. If, upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the assets available for distribution to holders of shares of Preferred Stock of all series shall be insufficient to pay such holders the full preferential amount to which they are entitled, then such assets shall be distributed ratably among the shares of all series of preferred stock in accordance with their respective priorities and preferential amounts (including unpaid cumulative dividends, if any) payable with respect thereto.

(d) Reissuance of Preferred Stock. Subject to the conditions or restrictions on issuance set forth in the resolution or resolutions adopted by the Board of Directors providing for the issue of any series of shares of Preferred Stock, shares of Preferred Stock of any series that have been redeemed or repurchased by the Corporation (whether through the operation of a sinking fund or otherwise) or that, if convertible or exchangeable, have been converted or exchanged in accordance with their terms, shall be retired and have the status of authorized and unissued shares of Preferred Stock of the same series and may be reissued as a part of the series of which they were originally a part or may, upon the filing of an appropriate certificate with the Delaware Secretary of State, be reissued as part of a new series of shares of Preferred Stock to be created by resolution or resolutions of the Board of Directors or as part of any other series of shares of Preferred Stock.

**FIFTH: Elimination of Certain Liability of Directors**. No director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director except (a) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (b) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (c) under Section 174 of the DGCL or (d) for any transaction from which the director derived an improper personal benefit. If the DGCL is hereafter amended to permit a corporation to further eliminate or limit the liability of a director of a corporation, then the liability of a director of the Corporation, in addition to the circumstances in which a director is not personally liable as set forth in the preceding sentence, shall, without further action of the directors or stockholders, be further eliminated or limited to the fullest extent permitted by the DGCL as so amended. Neither any amendment, repeal, or modification of this Article Fifth, nor the adoption or amendment of any other provision of this Certificate of Incorporation or the bylaws of the Corporation inconsistent with this Article Fifth, shall adversely affect any right or protection provided hereby with respect to any act or omission occurring prior to the date when such amendment, repeal, modification, or adoption became effective.

**SIXTH: Indemnification**.

Section 6.1. Right to Indemnification. Each person who was or is a party or is threatened to be made a party to or is involved in any threatened, pending or completed action, suit, proceeding or alternative dispute resolution procedure, whether (a) civil, criminal, administrative, investigative or otherwise, (b) formal or informal or (c) by or in the right of the Corporation (collectively, a "proceeding"), by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director, officer, employee or agent of the

Corporation or is or was serving at the request of the Corporation as a director, manager, officer, partner, trustee, employee or agent of another foreign or domestic corporation or of a foreign or domestic limited liability company, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as such a director, officer, employee or agent of the Corporation or in any other capacity while serving as such other director, manager, officer, partner, trustee, employee or agent, shall be indemnified and held harmless by the Corporation against all judgments, penalties and fines incurred or paid, and against all expenses (including attorneys' fees) and settlement amounts incurred or paid, in connection with any such proceeding, except in relation to matters as to which the person did not act in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe the person's conduct was unlawful. The termination of any proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that (a) the person did not act in good faith and in a manner which the person reasonably believed to be in or not opposed to the best interests of the Corporation, (b) with respect to any criminal action or proceeding, the person had reasonable cause to believe that the person's conduct was unlawful or (c) the person was not successful on the merits or otherwise in defense of the proceeding or of any claim, issue or matter therein. If the DGCL is hereafter amended to provide for indemnification rights broader than those provided by this Section 6.1, then the persons referred to in this Section 6.1 shall be indemnified and held harmless by the Corporation to the fullest extent permitted by the DGCL as so amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than permitted prior to such amendment).

Section 6.2. Determination of Entitlement to Indemnification. A determination as to whether a person who is a director or officer of the Corporation at the time of the determination is entitled to be indemnified and held harmless under Section 6.1 shall be made (a) by a majority vote of the directors who are not parties to such proceeding, even though less than a quorum, (b) by a committee of such directors designated by majority vote of such directors, even though less than a quorum, (c) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (d) by the stockholders. A determination as to whether a person who is not a director or officer of the Corporation at the time of the determination is entitled to be indemnified and held harmless under Section 6.1 shall be made by or as directed by the Board of Directors of the Corporation.

Section 6.3. Mandatory Advancement of Expenses. The right to indemnification conferred in this Article Sixth shall include the right to require the Corporation to pay the expenses (including attorneys' fees) incurred in defending any such proceeding in advance of its final disposition; provided, however, that, if the Board of Directors so determines, an advancement of expenses incurred by an indemnitee in his or her capacity as a director or officer of the Corporation (but not in any other capacity in which service was or is rendered by such indemnitee, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such indemnitee, to repay all amounts so advanced if it shall be finally determined that such indemnitee is not entitled to be indemnified for such expenses under Section 6.1 or otherwise.



Section 6.4. Non-Exclusivity of Rights. The right to indemnification and the advancement of expenses conferred in this Article Sixth shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, any provision of this Certificate of Incorporation or of any bylaw, agreement, or insurance policy or arrangement, or any vote of stockholders or disinterested directors, or otherwise. The Board of Directors is expressly authorized to adopt and enter into indemnification agreements with, and obtain insurance for, directors and officers.

Section 6.5. Effect of Amendment. Neither any amendment, repeal, or modification of this Article Sixth, nor the adoption or amendment of any other provision of this Certificate of Incorporation or the bylaws of the Corporation inconsistent with this Article Sixth, shall adversely affect any right or protection provided hereby with respect to any act or omission occurring prior to the date when such amendment, repeal, modification, or adoption became effective.

**SEVENTH: Miscellaneous**. The following provisions are inserted for the management of the business and for the conduct of the affairs of the Corporation and for the purpose of creating, defining, limiting and regulating powers of the Corporation and its directors and stockholders:

Section 7.1 Classification, Election and Term of Office of Directors. The directors, other than those who may be elected by the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, shall be classified with respect to the time for which they severally hold office into three classes, as nearly equal in number as possible. At each annual meeting of stockholders successors to the class of directors whose term expires at that meeting shall be elected by plurality vote of all votes cast at such meeting to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election, subject, however, to their prior death, resignation or removal from office as provided by law. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain a number of directors in each class as nearly equal as possible. Any additional director of any class elected to fill a vacancy resulting from an increase in such class shall hold office for a term that shall coincide with the remaining term of such class. No decrease in the number of directors shall change the term of any director in office at the time of such decrease. A director shall hold office until the annual meeting for the year in which the director's term expires and such director's successor shall be elected and qualified, subject, however, to such director's prior death, resignation or removal from office.

Section 7.2 No Preemptive Rights. The holders of the Corporation's capital stock shall have no preemptive rights to subscribe for any shares of any class of stock of the Corporation whether now or hereafter authorized.

Section 7.3 Manner of Election of Directors. Elections of directors need not be by written ballot unless the bylaws of the Corporation shall so provide.

Section 7.4 Adoption and Amendment of Bylaws. The Board of Directors shall have power to make and adopt bylaws with respect to the organization, operation and government of the Corporation and, subject to such restrictions as may be set forth in the bylaws, from time to time to change, alter, amend or repeal the same, but the stockholders of the Corporation may make and adopt additional bylaws and, subject to such restrictions as may be set forth in the bylaws, may change, alter, amend or repeal any bylaw whether adopted by them or otherwise.

Section 7.5 Consents of Stockholders Must Be Unanimous. Any action required or permitted to be taken at any annual or special meeting of the stockholders may be taken without a meeting, without prior notice and without a vote, in accordance with Section 228 of the DGCL, provided that one or more consents in writing, setting forth the action so taken, shall be signed by the holders of all of the outstanding stock entitled to vote thereon in accordance with the bylaws, provided that any action permitted by this Certificate of Incorporation to be taken by the holders of any class or series of stock having preference over the Common Stock as to dividends or upon liquidation, voting separately as a class, may be taken by one or more consents in writing signed by the holders of such stock having such number of votes sufficient to take such action in accordance with the applicable terms of such stock.

Section 7.6 Vote Required to Amend Certificate of Incorporation. Notwithstanding any other provision of this Certificate of Incorporation or the bylaws of the Corporation or any provision of law which might otherwise permit a lesser vote, but in addition to any affirmative vote of the holders of any particular class or series of stock required by law, this Certificate of Incorporation, the terms of any class or series of stock having preference over the Common Stock as to dividends or upon liquidation, or the bylaws, the affirmative vote of the holders of capital stock representing at least 66 2/3% of the Corporation's voting power entitled to vote generally in the election of directors, voting as a single class, shall be required to alter, amend, adopt any provision inconsistent with or repeal Articles Fifth and Sixth and Section 7.1 of this Certificate of Incorporation.

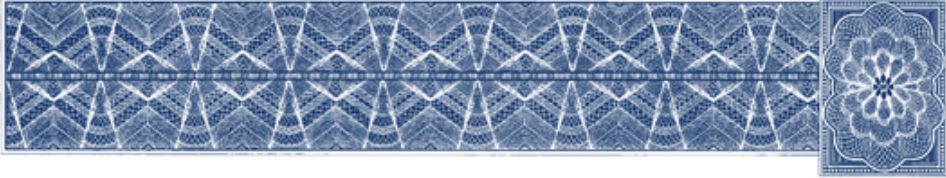
Section 7.7 Severability. In the event any provision (or portion thereof) of this Certificate of Incorporation shall be found to be invalid, prohibited, or unenforceable for any reason, the remaining provisions (or portions thereof) of this Certificate of Incorporation shall be deemed to remain in full force and effect, and shall be construed as if such invalid, prohibited, or unenforceable provision had been stricken herefrom or otherwise rendered inapplicable, it being the intent of the Corporation and its stockholders that each such remaining provision (or portion thereof) of this Certificate of Incorporation remain, to the fullest extent permitted by law, applicable and enforceable as to all stockholders, notwithstanding any such finding.

Section 7.8 Reservation of Right to Amend Certificate of Incorporation. The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute or herein, and all rights conferred upon stockholders herein are granted subject to this reservation.

IN WITNESS WHEREOF, the Corporation has caused this Amended and Restated Certificate of Incorporation to be signed by Sudhakar Kesavan, President and Chief Executive Officer, as of the \_\_ day of \_\_\_\_, 2006.

By: \_\_\_\_\_  
Its: President and Chief Executive Officer

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COMMON STOCK



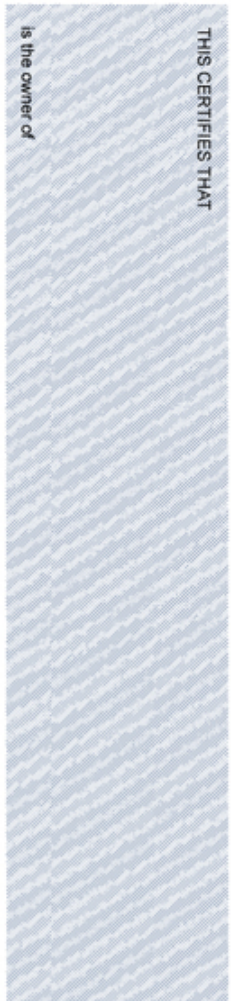
ICF INTERNATIONAL, INC.  
INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE



SEE REVERSE FOR  
CERTAIN DEFINITIONS

CUSIP 44925C 10 3

THIS CERTIFIES THAT



is the owner of

FULLY PAID AND NON-ASSESSABLE SHARES OF THE COMMON STOCK, PAR VALUE \$0.001 PER SHARE, OF  
ICF INTERNATIONAL, INC.

transferable on the books of the Corporation by the holder hereof in person or by duly authorized attorney upon surrender  
of this certificate properly endorsed.

This certificate is not valid unless countersigned and registered by the Transfer Agent and Registrar.  
WITNESS the facsimile seal of the Corporation and the facsimile signatures of its duly authorized officers.  
Dated: **COMMON STOCK**

PRESIDENT AND  
CHIEF EXECUTIVE OFFICER

SIGNATURE TO COME

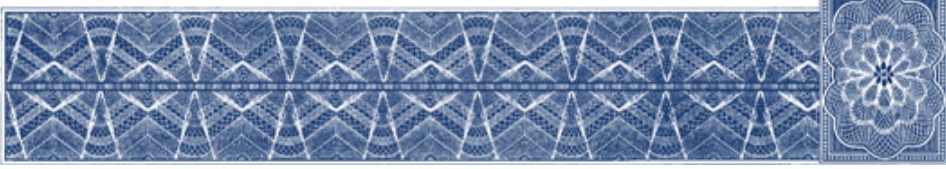


SECRETARY AND CHIEF  
FINANCIAL OFFICER

SIGNATURE TO COME

AUTHORIZED SIGNATURE

COUNTERSIGNED AND REGISTERED  
AMERICAN STOCK TRANSFER & TRUST COMPANY  
NEW YORK, NY  
TRANSFER AGENT AND REGISTRAR



The Corporation will furnish without charge to each stockholder who so requests a statement of the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM — as tenants in common  
TEN ENT — as tenants by the entireties  
JT TEN — as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT — \_\_\_\_\_ Custodian \_\_\_\_\_  
(Cust) (Minor)  
under Uniform Gifts to Minors  
Act \_\_\_\_\_  
(State)

Additional abbreviations may also be used though not in the above list.

*For value received, \_\_\_\_\_ hereby sell, assign and transfer unto*

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE, OF ASSIGNEE)

\_\_\_\_\_ *shares*  
*of the capital stock represented by the within Certificate, and do hereby irrevocably constitute and appoint*

\_\_\_\_\_ *Attorney*  
*to transfer the said stock on the books of the within named Corporation with full power of substitution in the premises.*

*Dated* \_\_\_\_\_

**NOTICE:** THE SIGNATURE TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATSOEVER.

SIGNATURE(S) GUARANTEED:

THE SIGNATURE(S) MUST BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM), PURSUANT TO S.E.C. RULE 17Ad-15.

## ICF INTERNATIONAL, INC.

## 2006 LONG-TERM EQUITY INCENTIVE PLAN

## ARTICLE 1

## ESTABLISHMENT, OBJECTIVES AND DURATION

1.1 ESTABLISHMENT OF THE PLAN. ICF International, Inc., a Delaware corporation (the “Company”), hereby adopts, effective upon the effectiveness of the registration statement for the Company’s initial public offering (the “Effective Date”), the ICF International, Inc. 2006 Long-Term Equity Incentive Plan as set forth in this document. The Plan permits the grant of Nonqualified Stock Options, Incentive Stock Options, Stock Appreciation Rights, Restricted Stock, Performance Shares and Performance Units, and Other Incentive Awards, all as defined in Article 2.

1.2 OBJECTIVES OF THE PLAN. The objectives of the Plan are to optimize the profitability and growth of the Company through incentives consistent with the Company’s goals and that link and align the personal interests of Participants with an incentive for excellence in individual performance, and to promote teamwork.

The Plan is further intended to provide flexibility to the Company in its ability to motivate, attract and retain the services of Participants who make significant contributions to the Company’s success and to allow Participants to share in the success of the Company.

1.3 DURATION OF THE PLAN. The Plan shall commence on the Effective Date, as described in Section 1.1, and shall remain in effect, subject to the right of the Board of Directors to amend or terminate the Plan at any time pursuant to Article 15, until all Shares subject to it shall have been purchased or acquired according to the Plan’s provisions. However, in no event may an Award be granted under the Plan on or after April 30, 2016.

## ARTICLE 2

## DEFINITIONS

Whenever used in the Plan, the following terms shall have the meanings set forth below, and when the meaning is intended, the initial letter of the word or words, as the case may be, shall be capitalized:

“Award” means, individually or collectively, a grant under this Plan of Nonqualified Stock Options, Incentive Stock Options, Stock Appreciation Rights, Restricted Stock, Performance Shares or Performance Units, or Other Incentive Awards.

“Award Agreement” means an agreement entered into by the Company and each Participant setting forth the terms and provisions applicable to Awards granted under this Plan.

“Beneficial Owner” or “Beneficial Ownership” shall have the meaning ascribed to such term in Rule 13d-3 of the General Rules and Regulations under the Exchange Act.

“Board” or “Board of Directors” means the Board of Directors of the Company.

“Change in Control” of the Company means any one or more of the following:

(a) The Company is merged, consolidated or reorganized into or with another corporation, partnership, limited liability company, trust, or other legal person (collectively, a “Business Entity”) and, immediately after such merger, consolidation, or reorganization, less than fifty percent (50%) of the then outstanding securities of such Business Entity entitled to vote generally in the election of directors is held, in the aggregate, by the holders of voting stock of the Company immediately prior to such transaction;

(b) The Company sells all or substantially all of its assets to any other Business Entity, and, immediately after such sale, less than fifty percent (50%) of the outstanding securities of such Business Entity entitled to vote generally in the election of directors is held, in the aggregate, by the holders of voting stock of the Company immediately prior to such sale;

(c) Any person (as the term “person” is used in Section 13(d)(3) or Section 14(d)(2) of the Exchange Act) or group of persons acting in concert (other than persons acting in concert as of August 31, 2006 who, as of such date, beneficially owned more than twenty percent (20%) or more of the securities entitled to vote generally in the election of directors of the Company) has become the beneficial owner (as the term “beneficial owner” is defined under Rule 13d-3 or any successor rule or regulation promulgated under the Exchange Act) of securities representing fifty percent (50%) or more of the securities entitled to vote generally in the election of directors of the Company.

“Code” means the Internal Revenue Code of 1986, as amended from time to time.

“Committee” means the Compensation Committee of the Board, as specified in Article 3 herein, or such other Committee appointed by the Board to administer the Plan with respect to grants of Awards. As the context requires, the term “Committee” shall include executive officers to whom the Committee has delegated powers pursuant to Section 3.3.

“Common Stock” means the common stock of the Company.

“Company” means ICF International, Inc., a Delaware corporation, as well as any successor to the Company as provided in Article 18.

“Director” means any individual who is a member of the Board of Directors of the Company.

“Disability” as used herein shall take its meaning from the definition set forth in any group long-term disability insurance contract maintained by the Company under which the affected Employee is covered, or, if the Company shall not maintain such insurance, “Disability” shall mean that the affected Employee is incapacitated by reason of a physical or mental illness which is long-term in nature and which prevents the Employee from performing the substantial and material duties of his employment with the Company, provided that such incapacity can reasonably be expected to prevent the Employee from working at least six consecutive months in any twelve month period. The Company may require the Employee to have an examination at any time for the purpose of determining whether the Employee has a long-term disability as described in the preceding sentence, and the Employee agrees to submit to such examination upon request of the Committee, provided that the Company shall pay all costs and expenses associated with such examination.

“Effective Date” shall have the meaning ascribed to such term in Section 1.1.

“Employee” means any employee of the Company or any Subsidiary. Nonemployee Directors shall not be considered Employees under this Plan unless specifically designated otherwise.

“Exchange Act” means the Securities Exchange Act of 1934, as amended from time to time, or any successor act thereto.

“Fair Market Value” shall be the fair market value of a share of Common Stock, as determined in good faith by the Committee pursuant to the provisions of Section 409A of the Code.

“Freestanding SAR” means an SAR that is granted independently of any Options, as described in Article 7.

“Incentive Stock Option” or “ISO” means an option to purchase Shares granted under Article 6 and which is designated as an Incentive Stock Option and which is intended to meet the requirements of Code Section 422.

“Nonemployee Director” means an individual who is a member of the Board of Directors of the Company but who is not an Employee of the Company or a Subsidiary.

“Nonqualified Stock Option” or “NQSO” means an option to purchase Shares granted under Article 6 and which is not intended to meet the requirements of Code Section 422.

“Option” means an Incentive Stock Option or a Nonqualified Stock Option, as described in Article 6.

“Option Price” means the price at which a Share may be purchased by a Participant pursuant to an Option.

“Other Incentive Award” means an Award granted pursuant to Article 10.

“Participant” means an Employee or Nonemployee Director who has outstanding an Award granted under the Plan.

“Performance Period” means the time period during which performance goals must be achieved with respect to an Award, as determined by the Committee.

“Performance Share” means an Award granted to a Participant, as described in Article 9.

“Performance Unit” means an Award granted to a Participant, as described in Article 9.

“Period of Restriction” means the period during which the transfer of Shares of Restricted Stock is limited in some manner (based on the passage of time, the achievement of performance goals, and/or upon the occurrence of other events as determined by the Committee



at its discretion), and the Shares are subject to a substantial risk of forfeiture, as provided in Article 8 herein.

“Person” shall have the meaning ascribed to such term in Section 3(a) (9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including a “group” as defined in Section 13(d) thereof.

“Restricted Stock” means an Award granted to a Participant pursuant to Article 8.

“Shares” means the shares of Common Stock of the Company.

“Share Pool” means the number of shares authorized for issuance under Section 4.1, as adjusted for Awards and payouts under Section 4.2 and as adjusted for changes in corporate capitalization under Section 4.3.

“Stock Appreciation Right” or “SAR” means an Award, granted alone or in connection with a related Option, designated as an SAR, pursuant to the terms of Article 7 herein.

“Subsidiary” means any corporation, partnership, limited liability company, joint venture, affiliate or other entity in which the Company has the right to elect or designate at least a majority of the directors or similar managers, and which the Committee designates as a participating entity in the Plan.

“Tandem SAR” means an SAR that is granted in connection with a related Option pursuant to Article 7, the exercise of which shall require forfeiture of the right to purchase a Share under the related Option (and when a Share is purchased under the Option, the Tandem SAR shall similarly be canceled).

### **ARTICLE 3**

#### **ADMINISTRATION**

3.1 THE COMMITTEE. The Plan shall be administered by the Committee.

3.2 AUTHORITY OF THE COMMITTEE. Except as limited by law or by the Certificate of Incorporation or Bylaws of the Company, and subject to the provisions herein, the Committee shall have full power to select Employees and Nonemployee Directors who shall participate in the Plan; determine the sizes and types of Awards; determine the terms and conditions of Awards in a manner consistent with the Plan; construe and interpret the Plan and any Award Agreement or instrument entered into under the Plan; establish, amend or waive rules and regulations for the Plan’s administration; and (subject to the provisions of Article 15) amend the terms and conditions of any outstanding Award to the extent such terms and conditions are within the discretion of the Committee as provided in the Plan. Further, the Committee shall make all other determinations which may be necessary or advisable for the administration of the Plan.

3.3 DELEGATION TO EXECUTIVE OFFICERS. To the extent permitted by applicable law, the Committee may delegate to one or more executive officers of the Company the power to grant Awards to Employees and to exercise such other powers under the Plan as the Committee may determine, provided that the Committee shall fix the terms of the Awards to be granted by such executive officers (including the exercise price of such Awards, which may include a formula by which the exercise price will be determined) and the maximum number of shares subject to Awards that the executive officers may grant; provided further, however, that no executive officer shall be authorized to grant Awards to any "executive officer" of the Company (as defined by Rule 3b-7 under the Exchange Act or to any "officer" of the Company (as defined by Rule 16a-1 under the Exchange Act).

3.4 DECISIONS BINDING. All determinations and decisions made by the Committee pursuant to the provisions of the Plan and all related orders and resolutions of the Board shall be final, conclusive and binding on all persons, including the Company, its stockholders, Employees, Participants and their estates and beneficiaries.

#### ARTICLE 4

##### SHARES SUBJECT TO THE PLAN AND MAXIMUM AWARDS

###### 4.1 NUMBER OF SHARES AVAILABLE FOR GRANTS.

(a) Number of Shares. Subject to adjustment under Section 4.3, Awards may be made under the Plan for up to the number of Shares that is equal to the sum of:

- (i) 1,000,000 Shares; plus
- (ii) an annual increase to be added on the first day of each of the Company's fiscal years beginning with 2007 equal to the lesser of (x) three percent (3%) of the number of outstanding Shares on such date and (y) an amount determined by the Board.

(b) Per-Participant Limit. Subject to adjustment under Section 4.3, the maximum number of Shares with respect to which Awards may be granted to any Participant under the Plan shall be 500,000 per calendar year. The per-Participant limit described in this Section 4.1(b) shall be construed and applied consistently with Section 162(m) of the Code and the regulations issued thereunder.

4.2 LAPSED AWARDS. Subject in the case of Incentive Stock Options to any limitations under the Code, if any Award granted under this Plan is canceled, terminates, expires, or lapses for any reason (with the exception of the termination of a Tandem SAR upon exercise of the related Option, or the termination of a related Option upon exercise of the corresponding Tandem SAR), any Shares subject to such Award shall again be available for the grant of an Award under the Plan.

4.3 ADJUSTMENTS IN AUTHORIZED SHARES. In the event of any change following Board adoption of the Plan (including any such change prior to the Effective Date) in corporate capitalization, such as a stock split, or a corporate transaction, such as any merger, consolidation, separation, including a spin-off, or other distribution of stock or property of the Company, any reorganization (whether or not such reorganization comes within the definition of such term in Code Section 368), or any partial or complete liquidation of the Company, such adjustment shall be made in the number and class of Shares available in the Share Pool and in the number and class of and/or price of Shares subject to outstanding Awards granted under the Plan, as may be determined to be appropriate and equitable by the Committee, in its sole discretion, to prevent dilution or enlargement of rights; provided, however, that the number of Shares subject to any Award shall always be a whole number.

#### ARTICLE 5

##### ELIGIBILITY AND PARTICIPATION

5.1 ELIGIBILITY. Persons eligible to participate in this Plan include (a) all officers and key Employees of the Company, as determined by the Committee, including Employees who are members of the Board, and (b) all Nonemployee Directors.

5.2 ACTUAL PARTICIPATION. Subject to the provisions of the Plan, the Committee may, from time to time, select from all eligible Employees and Nonemployee Directors those to whom Awards shall be granted and shall determine the nature and amount of each Award.

## ARTICLE 6

### STOCK OPTIONS

6.1 GRANT OF OPTIONS. Subject to the terms and provisions of the Plan, Options may be granted, either by the Committee or the Board, to one or more Participants in such number, and upon such terms, and at any time and from time to time as shall be determined by the Committee. The Committee or the Board shall have the authority to grant Incentive Stock Options or to grant Nonqualified Stock Options or to grant both types of Options. In the case of Incentive Stock Options, the terms and conditions of such grants shall be subject to, and comply with, such rules as may be prescribed by Section 422 of the Code, as from time to time amended, and any regulations implementing such statute, including, without limitation, the requirements of Code Section 422(d) which limit the aggregate Fair Market Value of Shares (determined at the time that such Option is granted) for which Incentive Stock Options are exercisable for the first time to \$100,000 per calendar year, and the requirement that Incentive Stock Options may only be granted to Employees. Each provision of the Plan and of each written Award Agreement relating to an Option designated as an Incentive Stock Option shall be construed so that such Option qualifies as an Incentive Stock Option, and any provision that cannot be so construed shall be disregarded.

6.2 AWARD AGREEMENT. Each Option grant shall be evidenced by an Award Agreement that shall specify the Option Price, the duration of the Option, the number of Shares to which the Option pertains, and such other provisions as the Committee shall determine. The Award Agreement also shall specify whether the Option is intended to be an ISO or an NQSO.

6.3 OPTION PRICE. The Option Price for each grant of an Option under this Plan shall be at least equal to one hundred percent (100%) of the Fair Market Value of a Share on the date the Option is granted. Notwithstanding any provision contained herein, in the case of an Incentive Stock Option, the exercise price at the time such Incentive Stock Option is granted to any Employee who, at the time of such grant, owns (within the meaning of Section 424(d) of the Code) more than ten percent of the voting power of all classes of stock of the Company or a Subsidiary, shall not be less than 110% of the per Share Fair Market Value on the date of grant.

6.4 DURATION OF OPTIONS. Each Option shall expire at such time as the Committee shall determine at the time of grant; provided, however, that in the case of an Incentive Stock Option, an Employee may not exercise such Incentive Stock Option after the date which is ten years (five years in the case of a Participant who owns more than ten percent of the voting power of the Company or a Subsidiary) after the date on which such Incentive Stock Option is granted. Except to the extent permitted by Section 409A of the Code, no extension of the exercise period fixed on the original date of grant of an Option shall be permitted.

6.5 EXERCISE OF OPTIONS. Options granted under this Article 6 shall be exercisable at such times and be subject to such restrictions and conditions as the Committee shall in each instance approve, which need not be the same for each grant or for each Participant.

6.6 PAYMENT. Options granted under this Article 6 shall be exercised by the delivery of a written notice of exercise to the Company, setting forth the number of Shares with respect to which the Option is to be exercised, accompanied by full payment for the Shares.

The Option Price upon exercise of any Option shall be payable to the Company in full either: (a) in cash or its equivalent, or (b) by tendering previously acquired Shares having an aggregate Fair Market Value at the time of exercise equal to the total Option Price (provided that the Shares that are tendered must have been held by the Participant for at least six (6) months prior to their tender to satisfy the Option Price), or (c) by a combination of (a) and (b).

As soon as practicable after receipt of a written notification of exercise and full payment, the Company shall deliver to the Participant, in the Participant's name, Share certificates in an appropriate amount based upon the number of Shares purchased under the Option(s).

6.7 RESTRICTIONS ON SHARE TRANSFERABILITY. The Committee may impose such restrictions on any Shares acquired pursuant to the exercise of an Option granted under this Article 6 as it may deem advisable, including, without limitation, restrictions under applicable federal securities laws, under the requirements of any stock exchange or market upon which such Shares are then listed and/or traded, and under any blue sky or state securities laws applicable to such Shares.

6.8 TERMINATION OF EMPLOYMENT. Each Option Award Agreement shall set forth the extent to which the Participant shall have the right to exercise the Option following termination of the Participant's employment with (or service to) the Company and/or its Subsidiaries. Such provisions shall be determined in the sole discretion of the Committee, shall be included in the Award Agreement entered into with each Participant, need not be uniform among all Options issued pursuant to the Plan, and may reflect distinctions based on the reasons for termination of employment or service.

#### 6.9 NONTRANSFERABILITY OF OPTIONS.

(a) INCENTIVE STOCK OPTIONS. No ISO granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, all ISOs granted to a Participant under the Plan shall be exercisable during his or her lifetime only by such Participant.

(b) NON-QUALIFIED STOCK OPTIONS. Except as otherwise provided in a Participant's Award Agreement, no NQSO granted under this Article 6 may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, except as otherwise provided in a Participant's Award Agreement, all NQSOs granted to a Participant under this Article 6 shall be exercisable during his or her lifetime only by such Participant.

6.10 NO DEFERRAL FEATURE. Except to the extent permitted under Section 409A of the Code, an NQSO (or ISO) shall not contain any feature for the deferral of compensation (other than the deferral of recognition of income until the exercise of the NQSO).

### ARTICLE 7

#### STOCK APPRECIATION RIGHTS

7.1 GRANT OF SARs. Subject to the terms and conditions of the Plan, SARs may be granted to Participants at any time and from time to time as shall be determined by the Committee. The Committee may grant Freestanding SARs, Tandem SARs, or any combination of these forms of SAR.

The Committee shall have complete discretion in determining the number of SARs granted to each Participant (subject to Article 4) and, consistent with the provisions of the Plan, in determining the terms and conditions pertaining to such SARs.

The grant price of a Freestanding SAR shall equal the Fair Market Value of a Share on the date of grant of the SAR. The grant price of Tandem SARs shall equal the Option Price of the related Option.

7.2 EXERCISE OF TANDEM SARs. Tandem SARs may be exercised for all or part of the Shares subject to the related Option upon the surrender of the right to exercise the equivalent portion of the related Option. A Tandem SAR may be exercised only with respect to the Shares for which its related Option is then exercisable.

Notwithstanding any other provision of this Plan to the contrary, with respect to a Tandem SAR granted in connection with an ISO: (a) the Tandem SAR will expire no later than the expiration of the underlying ISO; (b) the value of the payout with respect to the Tandem SAR may be for no more than one hundred percent (100%) of the difference between the Option Price of the underlying ISO and the Fair Market Value of the Shares subject to the underlying ISO at the time the Tandem SAR is exercised; and (c) the Tandem SAR may be exercised only when the Fair Market Value of the Shares subject to the ISO exceeds the Option Price of the ISO.

7.3 EXERCISE OF FREESTANDING SARs. Freestanding SARs may be exercised upon whatever terms and conditions the Committee, in its sole discretion, imposes upon them.

7.4 SAR AGREEMENT. Each SAR grant shall be evidenced by an Award Agreement that shall specify the grant price, the term of the SAR, the number of Shares subject to the SAR, and such other provisions as the Committee shall determine.

7.5 TERM OF SARs. The term of an SAR granted under the Plan shall be determined by the Committee, in its sole discretion; provided, however, that unless otherwise designated by the Committee, such term shall not exceed ten (10) years.

7.6 PAYMENT OF SAR AMOUNT. Upon exercise of an SAR, a Participant shall be entitled to receive payment from the Company in an amount determined by multiplying:

- (a) The difference between the Fair Market Value of a Share on the date of exercise over the grant price; by
- (b) The number of Shares with respect to which the SAR is exercised.

At the discretion of the Committee, the payment upon SAR exercise may be in cash, in Shares of equivalent value, in Restricted Shares of equivalent value, or in some combination thereof.

7.7 TERMINATION OF EMPLOYMENT. Each SAR Award Agreement shall set forth the extent to which the Participant shall have the right to exercise the SAR following termination of the Participant's employment with (or service to) the Company and/or its

Subsidiaries. Such provisions shall be determined in the sole discretion of the Committee, shall be included in the Award Agreement entered into with Participants, need not be uniform among all SARs issued pursuant to the Plan, and may reflect distinctions based on the reasons for termination of employment or service.

7.8 NON-TRANSFERABILITY OF SARs. Except as otherwise provided in a Participant's Award Agreement, no SAR granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, except as otherwise provided in a Participant's Award Agreement, all SARs granted to a Participant under the Plan shall be exercisable during his or her lifetime only by such Participant.

7.9 NO DEFERRAL FEATURE. Except to the extent permitted under Section 409A of the Code, a SAR shall not contain any feature for the deferral of compensation (other than the deferral of recognition of income until the exercise of the SAR).

## **ARTICLE 8**

### **RESTRICTED STOCK**

8.1 GRANT OF RESTRICTED STOCK. Subject to the terms and provisions of the Plan, the Committee, at any time and from time to time, may grant Shares of Restricted Stock to Participants in such amounts as the Committee shall determine.

8.2 RESTRICTED STOCK AGREEMENT. Each Restricted Stock grant shall be evidenced by an Award Agreement that shall specify the Period(s) of Restriction, the number of Shares of Restricted Stock granted, and such other provisions as the Committee shall determine.

8.3 TRANSFERABILITY. Except as provided in this Article 8, the Shares of Restricted Stock granted hereunder may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until the end of the applicable Period of Restriction established by the Committee and specified in the Restricted Stock Award Agreement, or upon earlier satisfaction of any other conditions, as specified by the Committee in its sole discretion and set forth in the Restricted Stock Award Agreement. All rights with respect to the Restricted Stock granted to a Participant under the Plan shall be available during his or her lifetime only to such Participant.

8.4 OTHER RESTRICTIONS. Subject to the provisions of this Plan, the Committee may impose such other conditions and/or restrictions on any Shares of Restricted Stock granted pursuant to the Plan as it may deem advisable including, without limitation, a requirement that Participants pay a stipulated purchase price for each Share of Restricted Stock, a requirement that Participants own a certain amount of Shares before vesting shall occur, restrictions based upon the achievement of specific performance goals (Company-wide, business unit, and/or individual), time-based employment or service restrictions on vesting following the attainment of the performance goals, requirement and/or restrictions under applicable federal or state securities laws.

The Company shall retain the certificates representing Shares of Restricted Stock in the Company's possession until such time as all conditions and/or restrictions applicable to such Shares have been satisfied.

Except as otherwise provided in this Article 8, Shares of Restricted Stock covered by each Restricted Stock grant made under the Plan shall become freely transferable by the Participant after the last day of the applicable Period of Restriction.

8.5 VOTING RIGHTS. Unless otherwise designated by the Committee at the time of grant, Participants holding Shares of Restricted Stock granted hereunder may exercise full voting rights with respect to those Shares during the Period of Restriction.

8.6 DIVIDENDS AND OTHER DISTRIBUTIONS. Unless otherwise determined by the Committee at the time of grant, Participants holding Shares of Restricted Stock granted hereunder may be credited with regular cash dividends paid with respect to the underlying Shares while they are so held during the Period of Restriction. The Committee may apply any restrictions to the dividends that the Committee deems appropriate.

8.7 TERMINATION OF EMPLOYMENT. Each Restricted Stock Award Agreement shall set forth the extent to which the Participant shall have the right to receive unvested Restricted Shares following termination of the Participant's employment with (or service to) the Company and/or its Subsidiaries. Such provisions shall be determined in the sole discretion of the Committee, shall be included in the Award Agreement entered into with each Participant, need not be uniform among all Shares of Restricted Stock issued pursuant to the Plan, and may reflect distinctions based on the reasons for termination of employment or service.

## ARTICLE 9

### PERFORMANCE UNITS AND PERFORMANCE SHARES

9.1 GRANT OF PERFORMANCE UNITS AND PERFORMANCE SHARES. Subject to the terms of the Plan, Performance Units and/or Performance Shares may be granted to Participants in such amounts and upon such terms, and at any time and from time to time, as shall be determined by the Committee; provided, however, that such Awards shall comply with Treasury Regulation §1.162-27(e).

9.2 VALUE OF PERFORMANCE UNITS/SHARES. Each Performance Unit shall have an initial value that is established by the Committee at the time of grant. Each Performance Share shall have an initial value equal to the Fair Market Value of a Share on the date of grant. The Committee shall set performance goals in its discretion which, depending on the extent to which they are met, will determine the number and/or value of Performance Units/Shares that will be paid out to the Participant. For purposes of this Article 9, the time period during which the performance goals must be met shall be called a "Performance Period."

9.3 EARNING OF PERFORMANCE UNITS/SHARES. Subject to the terms of this Plan, after the applicable Performance Period has ended, the holder of Performance Units/Shares shall be entitled to receive payout on the number and value of Performance Units/Shares earned by the Participant over the Performance Period, to be determined as a function of the extent to which the corresponding performance goals have been achieved, as established by the Committee.

9.4 FORM AND TIMING OF PAYMENT OF PERFORMANCE UNITS/SHARES. Subject to the terms of this Plan, the Committee, in its sole discretion, may pay earned Performance Units/Shares in the form of cash or in Shares (or in a combination thereof) which have an aggregate Fair Market Value equal to the value of the earned Performance Units/Shares at the close of the applicable Performance Period. Such Shares may be granted subject to any restrictions deemed appropriate by the Committee.

At the discretion of the Committee, Participants may be entitled to receive any dividends declared with respect to Shares which have been earned in connection with grants of Performance Units and/or Performance Shares which have been earned, but not yet distributed to Participants (such dividends shall be subject to the same accrual, forfeiture, and payout restrictions as apply to dividends earned with respect to Shares of Restricted Stock, as set forth in Section 8.6). In addition, Participants may, at the discretion of the Committee, be entitled to exercise their voting rights with respect to such earned Shares.

9.5 TERMINATION OF EMPLOYMENT DUE TO DEATH, DISABILITY OR RETIREMENT. Unless otherwise designated by the Committee, and set forth in the Participant's Award Agreement, in the event the employment (or service) of a Participant is terminated due to death, Disability or retirement during a Performance Period, the Participant shall receive a prorated payout of the Performance Units/Shares. The prorated payout shall be determined by the Committee, shall be based upon the length of time that the Participant held the Performance Units/Shares during the Performance Period and shall further be adjusted based on the achievement of the preestablished performance goals. Payment of earned Performance Units/Shares shall be made at a time specified by the Committee in its sole discretion and set forth in the Participant's Award Agreement.

9.6 TERMINATION OF EMPLOYMENT FOR OTHER REASONS. In the event that a Participant's employment (or service) terminates for any reason other than those reasons set forth in Section 9.5, all Performance Units/Shares shall be forfeited by the Participant to the Company unless determined otherwise by the Committee, as set forth in the Participant's Award Agreement.

9.7 NONTRANSFERABILITY. Except as otherwise provided in a Participant's Award Agreement, Performance Units/Shares may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, except as otherwise provided in a Participant's Award Agreement, a Participant's rights under the Plan shall be exercisable during the Participant's lifetime only by the Participant or the Participant's legal representative.

## **ARTICLE 10**

### **OTHER INCENTIVE AWARDS**

10.1 GRANT OF OTHER INCENTIVE AWARDS. Subject to the terms and provisions of the Plan, Other Incentive Awards (including, without limitation, restricted stock units providing for the right to receive Shares or cash in accordance with the terms of such Awards) may be granted to Participants in such amount, upon such terms, and at any time and from time to time as shall be determined by the Committee.

10.2 OTHER INCENTIVE AWARD AGREEMENT. Each Other Incentive Award grant shall be evidenced by an Award Agreement that shall specify the amount of the Other Incentive Award granted, the terms and conditions applicable to such grant, the applicable Performance Period and performance goals, and such other provisions as the Committee shall determine, subject to the terms and provisions of the Plan.

10.3 NONTRANSFERABILITY. Except as otherwise provided in a Participant's Award Agreement, Other Incentive Awards may not be sold, transferred, pledged, assigned or



otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution.

10.4 FORM AND TIMING OF PAYMENT OF OTHER INCENTIVE AWARDS. Payment of Other Incentive Awards shall be made at such times and in such form, in cash, in Shares, or in Restricted Shares (or a combination thereof), as established by the Committee subject to the terms of the Plan. Such Shares may be granted subject to any restrictions deemed appropriate by the Committee. Without limiting the generality of the foregoing, annual Other Incentive Awards may be paid in the form of Shares and/or other types of Awards (which may or may not be subject to restrictions, at the discretion of the Committee).

## **ARTICLE 11**

### **BENEFICIARY DESIGNATION**

Each Participant under the Plan may, from time to time, name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under the Plan is to be paid in case of his or her death before he or she receives any or all of such benefit. Each such designation shall revoke all prior designations by the same Participant, shall be in a form prescribed the Company, and will be effective only when filed by the Participant in writing with the Company during the Participant's lifetime. In the absence of any such designation, benefits remaining unpaid at the Participant's death shall be paid to the Participant's estate.

## **ARTICLE 12**

### **DEFERRALS**

The Committee may permit a Participant to defer such Participant's receipt of the payment of cash or the delivery of Shares that would otherwise be due to such Participant by virtue of the exercise of an Option or SAR, the lapse or waiver of restrictions with respect to Restricted Stock, or the satisfaction of any requirements or goals with respect to Performance Units/Shares or Other Incentive Awards. If any such deferral election is required or permitted, the Committee shall, in its sole discretion, establish rules and procedures for such payment deferrals. Any such deferral shall be made in a manner consistent with the requirements of Section 409A of the Code.

## **ARTICLE 13**

### **RIGHTS OF EMPLOYEES AND NONEMPLOYEE DIRECTORS**

13.1 EMPLOYMENT. Nothing in the Plan shall interfere with or limit in any way the right of the Company to terminate any Participant's employment at any time, nor confer upon any Participant any right to continue in the employ of the Company.

13.2 PARTICIPATION. No Employee or Nonemployee Director shall have the right to be selected to receive an Award under this Plan or, having been so selected, to be selected to receive a future Award.

## ARTICLE 14

### CHANGE IN CONTROL

14.1 TREATMENT OF OUTSTANDING AWARDS. Upon the occurrence of a Change in Control, unless otherwise specifically prohibited under applicable laws, or by the rules and regulations of any governing governmental agencies or national securities exchanges:

(a) Any and all Options and SARs granted hereunder shall become immediately exercisable, and shall remain exercisable throughout their entire term, and any cash or property received upon exercise of any Option or SAR shall be free from further restriction;

(b) Any restriction periods and restrictions imposed on Restricted Shares shall lapse; and

(c) Unless otherwise specified in a Participant's Award Agreement at time of grant, the target payout opportunities attainable under all outstanding Awards of Performance Units and Performance Shares and Other Incentive Awards shall be deemed to have been fully earned for the entire Performance period(s) as of the effective date of the Change in Control. The vesting of all such Awards shall be accelerated as of the effective date of the Change in Control and, in full settlement of such Awards, there shall be paid out to Participants (in Shares for Awards normally paid in Shares and in cash for Awards normally paid in cash) within thirty (30) days following the effective date of the Change in Control a pro rata portion of all targeted Award opportunities associated with such outstanding Awards, based on the number of complete and partial calendar months within the Performance Period which had elapsed as of such effective date.

14.2 TERMINATION, AMENDMENT AND MODIFICATIONS OF CHANGE IN CONTROL PROVISIONS. Notwithstanding any other provision of this Plan or any Award Agreement provision, the provisions of this Article 14 may not be terminated, amended or modified to affect adversely any Award theretofore granted under the Plan without the prior written consent of the Participant with respect to said Participant's outstanding Awards.

## ARTICLE 15

### AMENDMENT, MODIFICATION AND TERMINATION

#### 15.1 AMENDMENTS.

(a) The Board may at any time and from time to time amend this Plan in whole or in part; provided, however, that if an amendment to this Plan (i) would materially increase the benefits accruing to participants under this Plan, (ii) would materially increase the number of securities which may be issued under this Plan, (iii) would materially modify the requirements for participation in this Plan or (iv) must otherwise be approved by the stockholders of the Company in order to comply with applicable law or the rules of the principal securities exchange upon which the Shares are traded or quoted, then such amendment will be subject to stockholder approval and will not be effective unless and until such approval has been obtained.

(b) If permitted by Section 409A of the Code, in case of termination of service by reason of death, disability or normal or early retirement, or in the case of unforeseeable emergency or other special circumstances, of a Participant who holds an Award not immediately exercisable in full, or as to which the substantial risk of forfeiture or the prohibition or restriction on transfer has not lapsed, or which has not been fully earned or is subject to any vesting schedule or transfer restriction, the Committee or its delegatee or delegates, as applicable, may, in its sole discretion, accelerate the time at which such Award may be exercised or the time at which such substantial risk of forfeiture or prohibition or restriction on transfer will lapse or the time at which such Award will be deemed to have been fully earned or may waive any other limitation or requirement under any such Awards, except in the case of an Award to an Employee who is designated by the Committee as intended to satisfy the requirements for "qualified performance-based compensation" under Section 162(m) of the Code where such action would result in the loss of the otherwise available exemption of the award under Section 162(m) of the Code.

(c) Subject to the provisions of the Plan and applicable law, the Committee or its delegatee or delegates, as applicable, may amend the terms of any award theretofore granted under this Plan prospectively or retroactively, except in the case of an award to a an Employee who is designated by the Board as intended to satisfy the requirements for "qualified performance-based compensation" under Section 162(m) of the Code where such action would result in the loss of the otherwise available exemption of the award under Section 162(m) of the Code. In such case, no modification with respect to such award shall be made. Subject to provisions of the Plan, no such amendment shall impair the rights of any Participant without his or her consent.

15.2 TERMINATION. The Board may, in its discretion, terminate this Plan at any time.

15.3 AWARDS PREVIOUSLY GRANTED. No termination, amendment or modification of the Plan shall adversely affect in any material way any Award previously granted under the Plan, without the written consent of the Participant holding such Award.

**ARTICLE 16**

**WITHHOLDING**

16.1 TAX WITHHOLDING. The Company shall have the power and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy federal, state, and local taxes, domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising as a result of this Plan.

16.2 SHARE WITHHOLDING. With respect to withholding required upon the exercise of Options or SARs, upon the lapse of restrictions on Restricted Stock, or upon any other taxable event arising as a result of Awards granted hereunder, Participants may elect, subject to the approval of the Committee, to satisfy the withholding requirement, in whole or in part, by having the Company withhold Shares having a Fair Market Value on the date the tax is to be determined equal to the minimum statutory total tax which could be imposed on the transaction. All such elections shall be irrevocable, made in writing, signed by the Participant, and shall be subject to any restrictions or limitations that the Committee, in its sole discretion, deems appropriate.

**ARTICLE 17**

**INDEMNIFICATION**

Each person who is or shall have been a member of the Committee, or of the Board, shall be indemnified by the Company against and from any loss, cost, liability or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan. Such person shall be indemnified by the Company for all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in any such action, suit or proceeding against him or her, provided he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Articles of Incorporation or Bylaws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

**ARTICLE 18**

**SUCCESSORS**

All obligations of the Company under the Plan with respect to Awards granted hereunder shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation or otherwise, of all or substantially all of the business and/or assets of the Company.

ARTICLE 19

LEGAL CONSTRUCTION

19.1 COMPLIANCE WITH SECTION 409A OF THE CODE.

(a) To the extent applicable, it is intended that this Plan and any grants made hereunder comply with the provisions of Section 409A of the Code. This Plan and any grants made hereunder shall be administrated in a manner consistent with this intent, and any provision that would cause this Plan or any grant made hereunder to fail to satisfy Section 409A of the Code shall have no force and effect unless and until amended to comply with Section 409A of the Code (which amendment may be retroactive to the extent permitted by Section 409A of the Code and may be made by the Company without consent of Participants). Any reference in this Plan to Section 409A of the Code will also include any proposed, temporary or final regulations, or any other guidance, promulgated with respect to such Section by the U.S. Department of the Treasury or the Internal Revenue Service.

(b) In order to determine for purposes of Section 409A of the Code whether a Participant is in the service of a member of the Company's controlled group of corporations under Section 414(b) of the Code (or by a member of a group of trades or businesses under common control with the Company under Section 414(c) of the Code) and, therefore, whether the Shares that are or have been purchased by or awarded under this Plan to the Participant are shares of "service recipient" stock within the meaning of Section 409A of the Code:

- (i) In applying the Code Section 1563(a)(1), (2) and (3) for purposes of determining the Company's controlled group under Section 414(b) of the Code, the language "at least 50 percent" is to be used instead of "at least 80 percent" each place it appears in Code Section 1563(a)(1), (2) and (3), and
- (ii) In applying Treasury Regulation Section 1.414(c)-2 for purposes of determining trades or businesses under common control with the Company for purposes of Section 414(c) of the Code, the language "at least 50 percent" is to be used instead of "at least 80 percent" each place it appears in Treasury Regulation Section 1.414(c)-2.

19.2 GENDER AND NUMBER. Except where otherwise indicated by the context, any masculine term used herein shall also include the feminine, the plural shall include the singular, and the singular shall include the plural.

19.3 SEVERABILITY. In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

19.4 REQUIREMENTS OF LAW. The granting of Awards and the issuance of Shares under the Plan shall be subject to all applicable laws, rules and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

19.4 GOVERNING LAW. To the extent not preempted by federal law, the Plan, and all agreements hereunder, shall be construed in accordance with and governed by the laws of the State of Delaware, without giving effect to the conflict of laws principles thereof.

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## ICF INTERNATIONAL, INC.

## 2006 EMPLOYEE STOCK PURCHASE PLAN

1. PURPOSE OF THE PLAN. The purpose of the ICF International, Inc. 2006 Employee Stock Purchase Plan (the "Plan") is to provide eligible employees of ICF International, Inc. (the "Company") and its Subsidiaries with an opportunity to acquire an equity interest in the Company through the purchase of Common Shares and thus develop an incentive to remain with the Company, provide a means for employees to share in the future success of the Company, and to link and align the personal interests of such employees to those of the Company' stockholders. If the Company issues Common Shares under the Plan, the proceeds therefrom will provide additional capital for the Company, which will be used for general corporate purposes. It is the intention of the Company to have the Plan qualify as an "employee stock purchase plan" under Section 423 of the Code and the Plan is to be construed accordingly.

2. DEFINITIONS. For purposes of this Plan, the following terms when capitalized shall have the meanings designated herein unless a different meaning is plainly required by the context. Where applicable, the masculine pronouns shall include the feminine and the singular shall include the plural.

(a) "Board" shall mean the Board of Directors of the Company.

(b) "Cash Account" shall mean the account established for each Participant to which amounts withheld through payroll deductions shall be credited.

(c) "Code" shall mean the Internal Revenue Code of 1986, as amended, and the regulations and rulings thereunder.

(d) "Committee" shall mean the Compensation Committee of the Board or such other committee of at least three directors as may be appointed by the Board from time to time to serve at the pleasure of the Board.

(e) "Common Shares" shall mean the shares of common stock of the Company.

(f) "Company" shall mean ICF International, Inc.

(g) "Custodian" shall mean the person selected by the Company to hold the amounts withheld through Participants' payroll deductions pending the purchase of Common Shares pursuant to the Plan and to hold the Common Shares so purchased for the benefit of Participants until such Common Shares are withdrawn pursuant to the terms of the Plan. The Custodian shall qualify as an "agent independent of the issuer" as that term is used in Regulation M promulgated under the Securities Exchange Act of 1934, as amended.

(h) "Effective Date" shall mean the last business day of each Offering Period under the Plan.

(i) "Offering" shall mean an opportunity provided by the Committee to purchase Common Shares under the Plan.

(j) "Offering Period" shall mean the semi-annual periods ending on June 30<sup>th</sup> and December 31<sup>st</sup> during which an Offering shall be made under the Plan.

(k) "Participant" shall include any employee who has satisfied the requirements of the Plan to acquire Common Shares under the Plan and has elected to have payroll deductions made pursuant to the Plan.

(l) "Payroll Deduction Date(s)" shall mean the date or dates specified by the Company on which withholdings for each semi-annual period of the Plan shall be made.

(m) "Right to Purchase" shall mean an option to purchase Common Shares granted to a Participant who elects to participate in an Offering under the provisions of the Plan.

(n) "Right to Purchase Date" shall mean the Effective Date of an Offering Period.

(o) "Share Account" shall mean the account established for each Participant to which Common Shares purchased on each Right to Purchase Date for the Participant shall be credited.

(p) "Subsidiary" means any corporation, partnership, limited liability company, joint venture, affiliate or other entity in which the Company has the right to elect or designate at least a majority of the directors or similar managers, and which the Committee designates as a participating entity in the Plan.

3. ADMINISTRATION. The Plan shall be administered by the Committee. Members of the Committee shall not be eligible to participate in the Plan. Subject to express provisions of the Plan and to such instructions and limitations as the Board may establish from time to time, the Committee shall have the authority to prescribe, amend and rescind rules and regulations relating to the Plan. The Committee may interpret the Plan and may correct any defect or supply any omission or reconcile any inconsistency in the Plan to the extent necessary for the effective operation of the Plan. Any determination, decision or action taken by the Committee on the matters referred to in this paragraph shall be conclusive.

4. EFFECTIVENESS OF THE PLAN. The Plan shall become effective upon the effectiveness of the registration statement for the Company's initial public offering following Board adoption and stockholder approval of the Plan.

5. COMMON SHARES SUBJECT TO THE PLAN. Subject to adjustment as provided in Paragraph 17 herein, not more than 1,000,000 Common Shares shall be offered under the Plan. The Common Shares subject to the Plan shall be authorized and unissued Common Shares, as well as any previously issued Common Shares acquired by the Company.

6. OFFERINGS UNDER THE PLAN. After the Plan has become effective, one or more Offerings, as determined by the Committee, may be made to eligible employees to purchase Common Shares subject to the Plan. The Offerings may be consecutive or concurrent as determined by the Committee. Each Offering shall be made during an Offering Period. Common Shares not sold under one Offering may be offered again in any subsequent Offering.

7. ELIGIBILITY. Subject to the terms of this Plan, all employees of the Company and employees of any of its Subsidiaries may participate in the Plan, except (i) employees whose customary employment is 20 hours or less per week and (ii) employees whose customary employment is for not more than 5 months in any calendar year. Notwithstanding the previous sentence, any employee who owns greater than 5% of the total combined voting power or value of all classes of shares of the Company shall not be eligible to participate in any Offerings under the Plan.

An eligible employee may begin to participate in the Plan as of the January 1<sup>st</sup> or July 1<sup>st</sup> following the date on which he or she commences employment.

Nothing contained herein and no rules and regulations prescribed by the Committee shall permit or deny participation in any offering contrary to the requirements of the Code (including, without limitation, Sections 423(b)(3), 423(b)(4) and 423(b)(8) thereof).

Nothing contained herein and no rules and regulations prescribed by the Committee shall permit any employee to be granted a Right to Purchase under the Plan:

(a) if, immediately after such Right to Purchase is granted, such employee would own, and/or hold outstanding options or rights to purchase, shares of the Company possessing five percent (5%) or more of the total combined voting power or value of all classes of shares of the Company; or

(b) which permits an employee's rights to purchase Common Shares under all employee stock purchase plans of the Company to accrue at a rate which exceeds Twenty-Five Thousand Dollars (\$25,000.00) of fair market value of Common Shares (determined as of the date such Right to Purchase is granted) for each calendar year in which such Right to Purchase is outstanding at any time.

For purposes of this paragraph, the provisions of Section 424(d) of the Code, shall apply in determining the stock ownership of each employee. For purposes of clause 7(b) above, the provisions of Section 423(b)(8) of the Code shall apply in determining whether an employee's Rights to Purchase and other rights are permitted to accrue at a rate in excess of the permitted rate.

8. PAYROLL DEDUCTIONS. In order to participate in the Plan, an eligible employee must indicate on an Enrollment/Change Form (to be provided by the Committee) the contribution percentage or amount that he wishes to authorize the Company or appropriate Subsidiary to deduct at regular payroll intervals. The minimum deduction for each eligible employee, during each Offering Period, shall be an amount equal to five dollars (\$5.00) per pay period. Each Enrollment/Change Form will include authorization for the Company or appropriate Subsidiary to make payroll deductions from the eligible employee's compensation.

The amounts withheld through such payroll deductions shall be credited to each Participant's Cash Account. The withholdings for each semi-annual period of the Plan from the compensation of a Participant shall be made on the Payroll Deduction Dates specified by the Company. Such amounts will be delivered to the Custodian and held pending the purchase of Common Shares as described in Paragraph 10 hereof.

Any employee of the Company or a Subsidiary who satisfies the eligibility requirements of Section 7 hereof shall be eligible to complete an Enrollment/Change Form and to begin payroll deductions hereunder as of the January 1<sup>st</sup> or July 1<sup>st</sup> following the date on which he or she commences employment. Subject to the other limitations of this Paragraph 8, a Participant may, by written notice to the Company at least twenty (20) days prior to each January 1<sup>st</sup> or July 1<sup>st</sup>, increase or decrease the amount of his payroll deduction as of each Payroll Deduction Date. In addition, a Participant may by written notice to the Company at least twenty days prior to any Payroll Deduction Date discontinue payroll deductions as of such Payroll Deduction Date. Payroll deductions may not thereafter be resumed until the next following January 1<sup>st</sup> or July 1<sup>st</sup>. In the event that a Participant ceases his payroll deductions as provided herein, such Participant's Cash Account balance will be used, as of the next Right to Purchase Date, to purchase Common Shares. The Committee may impose such other restrictions on the right to cease payroll deductions as it may deem appropriate.

9. NO INTEREST ON CASH ACCOUNTS. The payroll deductions and other monies held in Participants' Cash Accounts shall bear no interest.

10. PURCHASE PRICE AND EXERCISE OF RIGHT TO PURCHASE. The purchase price for a Common Share under each Offering shall be determined by the Committee as of the Right to Purchase Date of each Offering and shall be stated as a percentage of the fair market value of a Common Share on the Right to Purchase Date of the Offering. Such purchase price shall be equal to not less than ninety-five percent (95%) of the per share fair market value of the Common Shares as of the Right to Purchase Date.

The fair market value of a Common Share on any date shall be the average of the high and low price per share of the Common Shares (or, if applicable, the price paid by the Custodian) on the principal stock exchange on which the Company's Common Shares are traded on such date or, if no such sales of Common Shares are made on such date, on the next preceding date on which sales of Common Shares were made on such stock exchange.

Each Participant shall be deemed to have been granted a Right to Purchase on the Effective Date of each Offering for the number of whole Common Shares which the Participant would be able to purchase with the balance in his Cash Account. Each outstanding Right to



Purchase will be exercised automatically on the Right to Purchase Date to purchase the number of whole Common Shares which the amount in the Participant's Cash Account at that time is sufficient to purchase at the applicable purchase price. Any amounts remaining in a Participant's Cash Account after such application will remain in the Cash Account for use during the next Offering Period.

The Custodian shall purchase the number of Common Shares with respect to which Rights to Purchase have been exercised beginning on the Right to Purchase Date. The Custodian shall establish and maintain a separate Share Account for each Participant, which shall be credited with the number of whole Common Shares purchased on the Right to Purchase Date on behalf of each Participant. A Participant may withdraw the Common Shares credited to his Share Account on a first-in-first-out basis by written notice to the Custodian at least twenty (20) days prior to any January 1<sup>st</sup> or July 1<sup>st</sup>. A Participant may withdraw all or a portion of the Common Shares which were credited to his Share Account on or prior to the Right to Purchase Date immediately preceding such January 1<sup>st</sup> or July 1<sup>st</sup>. A Participant will be charged a fee by the Custodian for each such withdrawal. The amount of such fee shall be as agreed from time to time by the Custodian and the Company. The Custodian shall deliver to such Participant a share certificate issued in his name for the number of whole Common Shares he wishes to withdraw from his Share Account. At least annually, there shall be delivered to each Participant a statement of his Share Account showing the number of Common Shares purchased during the preceding twelve months (or lesser period of existence of the Offering), the Right to Purchase prices paid for the Common Shares, the dates of purchase of the Common Shares, and the amount to be included in the ordinary income of the Participant at such time as the Common Shares are sold, as prescribed by Section 423(c) of the Code.

The initial Custodian shall be selected by the Company prior to the initial Offering under the Plan. The Company may remove any Custodian, and any Custodian may resign, upon 60 days' notice in writing to the other party, as the case may be. Any successor Custodian shall be appointed by the Company. The Company shall pay all fees and costs of the Custodian as agreed between the Company and the Custodian from time to time, except for the withdrawal fees payable by Participants as described above.

The Company may, at any time after the end of an Offering Period, close the Cash Accounts of eligible employees not participating in another Offering under the Plan, in which case any balance in such Cash Accounts will be refunded to such eligible employees. Any balance remaining in the Cash Account of a Participant after the end of an offering Period shall remain in the Participant's Cash Account for use in the next Offering.

The Company may, at any time after the end of an Offering Period, close the Share Accounts related to such Offering, in which case the Custodian shall deliver to each Participant in that Offering a share certificate issued in his name for the number of whole Common Shares credited to his Share Account, without charging a withdrawal fee.

11. REGISTRATION OF CERTIFICATES. Common Shares withdrawn by Participants will be registered, and share certificates therefore will be issued, only in the name of the Participant.

12. RIGHTS AS SHAREHOLDERS. With respect to Common Shares subject to a Right to Purchase, pending exercise of such Right to Purchase, the Participant shall not be deemed to be a stockholder of the Company and shall not have any of the rights or privileges of a stockholder. A Participant who has exercised a Right to Purchase shall have the rights and privileges of a stockholder immediately following such exercise.

13. USE OF PLAN FUNDS. Subject to Paragraph 10 hereof, to the extent the Company issues Common Shares to Participants upon exercise of Rights to Purchase granted under the Plan, the amounts received by the Company may be used for any corporate purpose or purposes of the Company.

14. TERMINATION OF EMPLOYMENT. If the employment of a Participant terminates for any reason, including death, disability, retirement or other cause, his participation in the Plan automatically and without any act on his part shall terminate as of the date of termination of his employment. As soon as practicable following the Participant's termination of employment, the Company shall refund to such Participant (or his beneficiary, in the case of the participant's death) any and all amounts in his Cash Account and the Custodian shall deliver to such Participant (or beneficiary) a share certificate issued in his name for the number of whole Common Shares credited to his Share Account through prior Offerings.

15. RESTRICTION UPON ASSIGNMENT. Rights to Purchase granted to a Participant under the Plan shall not be transferable (including pledge or hypothecation), and shall be exercisable during the Participant's lifetime only by the Participant. The Company shall not recognize and shall be under no duty to recognize assignment or purported assignment by a Participant of his Rights to Purchase or of any rights under his Rights to Purchase.

16. GOVERNMENT REGULATIONS. The Company's obligation to issue, sell or deliver any Common Shares under this Plan is subject to all applicable laws and regulations and to the approval of any governmental or regulatory authority required in connection with the issuance, sale or delivery of such Common Shares. The Company shall not be required to issue, sell or deliver any Common Shares under this Plan prior to:

(a) the approval of such Common Shares for listing on any stock exchange (if such approval must be obtained); and

(b) the completion of any registration or other qualification of such Common Shares under any state or Federal law or any ruling or regulation of any governmental or regulatory authority that the Company in its sole discretion shall determine to be necessary or advisable.

17. ADJUSTMENT OF SHARES UPON CHANGES IN CAPITALIZATION. Notwithstanding any other provision of the Plan, in the event of any change following Board adoption of the Plan (including any such change prior to the effectiveness of the Plan) in the outstanding Common Shares, by reason of a stock split, dividend payable in Common Shares, recapitalization, merger, consolidation, split-up, combination or exchange of shares, or the like, appropriate adjustments shall be made to the aggregate number and class of shares subject to the Plan, the number and class of shares subject to outstanding Rights to Purchase, the purchase

price per share (in the case of shares subject to outstanding Rights to Purchase), and the number and class of shares which may be subscribed to by any one employee, and such other adjustments shall be made as may be deemed equitable by the Committee.

18. DIVIDEND REINVESTMENT. All cash dividends paid, if any, with respect to the Common Shares credited to a Participant's Share Account shall be added to the Participant's Cash Account and thereby shall be applied to exercise Rights to Purchase to purchase whole Common Shares on the Right to Purchase Date next following the date such cash dividends are paid by the Company. An election to leave Common Shares with the Custodian shall constitute an election to apply the cash dividends with respect to such shares to the exercise of Rights to Purchase hereunder. Common Shares so purchased shall be applied to the Common Shares credited to each Participant's Share Account.

19. AMENDMENT OF THE PLAN. To the extent permitted by law, the Committee may at any time and from time to time make such changes in the Plan and additions to it as the Committee deems advisable; provided, however, that, except as provided in Paragraph 17 hereof, and except with respect to changes or additions in order to make the Plan comply with Section 423 of the Code, the Committee may not make any changes or additions that would adversely affect Rights to Purchase previously granted under the Plan and may not, without approval of the stockholders of the Company, make any changes or additions that would (a) increase the aggregate number of Common Shares subject to the Plan or which may be subscribed to by an eligible employee, (b) decrease the minimum purchase price for a Common Share to a purchase price that would cause the Plan to no longer comply with the requirements of Section 423 of the Code, or (c) change any of the provisions of the Plan relating to eligibility for participation in Offerings.

20. DURATION AND TERMINATION OF THE PLAN. The Plan shall terminate upon the earlier to occur of the following two events:

- (a) the purchase by eligible employees of all of the Common Shares subject to the Plan; or
- (b) the termination of the Plan by the Board.

No termination of the Plan shall affect Rights to Purchase previously granted under this Plan.

\* \* \* \* \*

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. and other  
“Borrower” parties hereto from time to time, as Borrowers,

CITIZENS BANK OF PENNSYLVANIA,  
CHEVY CHASE BANK, F.S.B.,  
PNC BANK, NATIONAL ASSOCIATION, COMMERCE BANK, N.A.,  
and other “Lender” parties hereto from time to time, as Lenders,

and

CITIZENS BANK OF PENNSYLVANIA,  
as Agent

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**AMENDED AND RESTATED BUSINESS LOAN AND SECURITY AGREEMENT**

**THIS AMENDED AND RESTATED BUSINESS LOAN AND SECURITY AGREEMENT** is executed as of October 5<sup>th</sup>, 2005, and is by and among (i) CITIZENS BANK OF PENNSYLVANIA, a Pennsylvania state chartered bank (“Citizens Bank”), acting in the capacity of Lender, Swing Line Lender and as Agent for the Lenders; (ii) CHEVY CHASE BANK, F.S.B., a federal savings bank (“Chevy Chase Bank”), PNC BANK, NATIONAL ASSOCIATION, as successor-in-interest to Riggs Bank, N.A., a national banking association (“PNC Bank”), COMMERCE BANK, N.A., a national banking association (“Commerce Bank”), and other “Lender” parties to this Amended and Restated Business Loan and Security Agreement from time to time; (iii) ICF CONSULTING GROUP, INC., a Delaware corporation, ICF CONSULTING GROUP HOLDINGS, INC., a Delaware corporation, ICF CONSULTING LIMITED, a private limited company organized under the laws of England and Wales, COMMENTWORKS.COM COMPANY, L.L.C., a Delaware limited liability company, THE K.S. CRUMP GROUP, L.L.C., a Delaware limited liability company, ICF INCORPORATED, L.L.C., a Delaware limited liability company, ICF INFORMATION TECHNOLOGY, L.L.C., a Delaware limited liability company, ICF RESOURCES L.L.C., a Delaware limited liability company, SYSTEMS APPLICATIONS INTERNATIONAL, L.L.C., a Delaware limited liability company, ICF ASSOCIATES, L.L.C., a Delaware limited liability company, ICF SERVICES COMPANY, L.L.C., a Delaware limited liability company, ICF CONSULTING SERVICES, L.L.C., a Delaware limited liability company, ICF EMERGENCY MANAGEMENT SERVICES, LLC, a Delaware limited liability company, ICF CONSULTING PTY LTD, an Australian corporation, ICF CONSULTING CANADA, INC., a Canadian corporation, ICF/EKO, a Russian corporation, ICF CONSULTORIA DO BRASIL LTDA., a Brazilian limited liability company, SYNERGY, INC., a District of Columbia corporation (“Synergy”), SIMULATION SUPPORT, INC., a Virginia corporation (“Simulation”), SYNERGY BIOMEDICAL, LLC, a Delaware limited liability company (“Synergy Biomedical”), ICF PROGRAM SERVICES LLC, a Delaware limited liability company, and CALIBER ASSOCIATES, INC., a Virginia corporation, COLLINS MANAGEMENT CONSULTING, INC., a Virginia corporation, FRIED & SHER, INC., a Virginia corporation; and (iv) other “Borrower” parties to this Amended and Restated Business Loan and Security Agreement from time to time.

**WITNESSETH THAT:**

**WHEREAS**, pursuant to a certain Business Loan Agreement dated August 27, 2003 (as heretofore amended or modified from time to time, the “Existing Loan Agreement”) by and among certain of the Borrowers, the Agent and certain of the Lenders, certain of the Borrowers obtained loans and certain other financial accommodations (collectively, the “Existing Loan”) from certain of the Lenders in the aggregate maximum principal amount of Fifty Million and No/100 Dollars (\$50,000,000.00); and

**WHEREAS**, the Borrowers, the Agent and the Lenders have agreed to increase the maximum principal of the Existing Loan from Fifty Million and No/100 Dollars (\$50,000,000.00) to Seventy-five Million and No/100 Dollars (\$75,000,000.00), and amend and restate the Existing Loan Agreement, in its entirety, as hereinafter provided.

In consideration of the mutual covenants and agreements herein contained, Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree, represent and warrant as follows:

**CERTAIN DEFINITIONS**

For the purposes of this Amended and Restated Business Loan and Security Agreement, the terms set forth below shall have the following definitions:

“**Account Debtor**” shall mean any person or entity who is indebted to one (1) or more of the Borrowers for the payment of any Receivable; it being understood and agreed that when computations are being

made with respect to amounts due and owing from an Account Debtor (a) such computations shall be made on a contract by contract basis (as opposed to on an Account Debtor basis), with respect to amounts owing in connection with Government Contracts and Government Subcontracts, and (b) such computations shall be made on the basis of all amounts due from the Account Debtor and any Affiliate of the particular Account Debtor, with respect to amounts owing in connection with contracts which are not Government Contracts or Government Subcontracts.

“**Accounts**” shall have the meaning attributed to such term under the UCC, and shall include any and all of the following, whether now or hereafter existing: (a) all accounts receivable, other receivables, book debts and other forms of obligations (other than forms of obligations evidenced by Chattel Paper, or Instruments), (including any such obligations that may be characterized as an account or contract right under the UCC), (b) all rights in, to and under all purchase orders or receipts for goods or services, (c) all rights to any goods represented by any of the foregoing (including unpaid sellers’ rights of rescission, replevin, reclamation and stoppage in transit and rights to returned, reclaimed or repossessed goods), (d) all rights to payment due for property sold, leased, licensed, assigned or otherwise disposed of, for a policy of insurance issued or to be issued, for a secondary obligation incurred or to be incurred, for energy provided or to be provided, for the use or hire of a vessel under a charter or other contract, arising out of the use of a credit card or charge card, or for services rendered or to be rendered in connection with any other transaction (whether or not yet earned by performance), (e) all “health care insurance receivables”, as such term is defined in the UCC and (f) all collateral security of any kind, given by any person or entity with respect to any of the foregoing.

“**ADA**” shall have the meaning attributed to such term in Section 5.14(a) of the Agreement.

“**Additional Equity Stock**” shall mean the shares of either treasury stock or newly issued preferred stock, common stock or other equity interests (including options, warrants or rights to purchase) of any Borrower issued to any person or entity on or after the Restatement Date.

“**Additional Base Rate Interest Margin**” shall have the meaning attributed to such term in the Notes and in Exhibit Z attached to this Agreement.

“**Additional Libor Interest Margin**” shall have the meaning attributed to such term in the Notes and in Exhibit Z attached to this Agreement.

“**Affiliate**” shall mean, as to any person or entity, any other person or entity which, directly or indirectly, is in control of, is controlled by or is under common control with such person or entity, or which owns, directly or indirectly, five percent (5%) or more of the outstanding equity interests of any entity.

“**Affirmative Covenant**” shall mean any affirmative or similar covenant made by the Borrowers set forth in this Agreement or in any other Loan Document.

“**Agent**” shall mean Citizens Bank, acting in its capacity as agent for the Lenders, or any successor Agent appointed pursuant to Section 10.10 of this Agreement.

“**Agent Fee**” shall have the meaning attributed to such term in Section 1.7(c) of this Agreement.

“**Agent Fee Due Date**” shall mean the Restatement Date and each anniversary thereof.

“**Agent’s Commitment**” shall have the meaning attributed to such term in Section 10.8(b) of this Agreement.

“**Agreement**” or “**Loan Agreement**” shall mean this Amended and Restated Business Loan and Security Agreement, together with the schedules and exhibits attached hereto and any and all amendments or modifications of this Amended and Restated Business Loan and Security Agreement.

“**Annual Excess Cash Limitation**” shall mean One Million and No/100 Dollars (\$1,000,000.00).

**“Applicable Interest Rate”** shall mean either the (i) LIBOR Lending Rate, plus the Additional Libor Interest Margin or (ii) Base Rate, plus the Additional Base Rate Interest Margin, as set forth in the Notes.

**“Applicable Laws”** shall mean any federal, state or local law, ordinance, statute, rule or regulation to which any Borrower or the property of any Borrower is subject, whether domestic or international.

**“Approved ESOP”** shall have the meaning assigned to such term in Section 7.1(b) of this Agreement.

**“Approved ESPP”** shall have the meaning assigned to such term in Section 7.1(b) of this Agreement.

**“Approved International Organization”** shall mean, as of the date hereof, any of the international multilateral organizations listed on **Schedule B** hereto, or any other similar organization deemed acceptable by the Agent from time to time, in its sole and absolute discretion.

**“Base Rate”** shall mean the higher of the (i) Federal Funds Rate plus one-half of one percent (.50%) or (ii) Prime Rate.

**“Bonded Accounts Receivable”** shall mean any Receivable which, as of any date of determination, is subject to the rights or remedies of any surety, bonding company or similar entity.

**“Borrower”** and **“Borrowers”** shall mean, individually or collectively, as the context may require, one or more of the following entities: the Parent Company, the Primary Operating Company, the entities listed on **Schedule A** hereto, and each other entity which, as of any date of determination, is a “Borrower” party to this Agreement and the other Loan Documents.

**“Borrowing Base/Non-Default Certificate”** shall mean a certificate in the form of **Exhibit 4** hereto.

**“Borrowing Base Deficiency”** shall have the meaning assigned to such term in Section 1.3 of this Agreement.

**“Business Day”** shall mean (a) any day which is neither a Saturday or Sunday nor a legal holiday on which commercial banks are authorized or required to be closed in the Commonwealth of Virginia; (b) when such term is used to describe a day on which a borrowing, payment, prepaying, or repaying is to be made in respect of any LIBOR Rate Loan, any day which is: (i) neither a Saturday or Sunday nor a legal holiday on which commercial banks are authorized or required to be closed in New York City; and (ii) a London Banking Day; and (c) when such term is used to describe a day on which an interest rate determination is to be made in respect of any LIBOR Rate Loan, any day which is a London Banking Day.

**“Caliber”** shall mean Caliber Associates, Inc., a Virginia corporation.

**“Caliber Acquisition”** shall mean the acquisition by the Primary Operating Company of all of the issued and outstanding capital stock of Caliber pursuant to the Caliber Purchase Agreement.

**“Caliber Entities”** shall mean, collectively, Caliber, Collins and F&S.

**“Caliber ESOP”** shall mean the Caliber Associates, Inc. Employee Stock Ownership Plan and Trust.

**“Caliber Purchase Agreement”** shall mean that certain Stock Purchase Agreement of even date herewith by and between the Primary Operating Company, the Caliber ESOP, Caliber, Gerald Croan and Sharon Bishop.

**“CERCLA”** shall mean the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (42 U.S.C. Sections 9601 et seq.).

**“Chattel Paper”** shall have the meaning attributed to such term under the UCC, and shall include “electronic chattel paper” and “tangible chattel paper”, as such terms are defined in the UCC, whether now or hereafter existing.

**“Citizens Bank”** shall mean Citizens Bank of Pennsylvania, a Pennsylvania state chartered bank, acting individually, together with its successors and assigns.

**“CM Equity Consulting Agreement”** shall mean that certain Consulting Agreement dated as of July 25, 1999, by and between CMLS Management, L.P., a Delaware limited partnership, and the Primary Operating Company, as the same may be amended or modified from time to time pursuant to this Agreement.

**“Collateral”** shall have the meaning assigned to such term in Article 3 of this Agreement.

**“Collateral Account”** shall have the meaning assigned to such term in Article 8 of this Agreement.

**“Collins”** shall mean Collins Management Consulting, Inc., a Virginia corporation and wholly-owned direct subsidiary of Caliber.

**“Commercial Contract”** shall mean any written contract to which a Borrower is a party (other than a Government Contract or Government Subcontract) which gives rise or may give rise to Receivables.

**“Commercial Tort Claims”** shall have the meaning attributed to such term under the UCC, and shall include any and all claims now existing or hereafter arising in tort with respect to which (a) the claimant is an organization, or (b) the claimant is an individual and the claim (i) arose in the course of the claimant’s business or profession, and (ii) does not include damages arising out of personal injury to or death of any individual.

**“Commitment Amount”** shall mean Seventy-five Million and No/100 Dollars (\$75,000,000.00), or if the maximum aggregate commitment of the Lenders hereunder is reduced pursuant to the terms of this Agreement, such lesser amount.

**“Commitment Fee”** shall have the meaning assigned to such term in Section 1.7(b) of this Agreement.

**“Commitment Letter”** shall mean that certain letter dated September 24, 2005, from the Agent to the Primary Operating Company relating to the Loan, including the term sheet and schedules annexed thereto.

**“Consolidated Net Operating Income”** shall mean, with respect to the Borrowers for any period of determination, the sum of consolidated gross revenues, minus all consolidated operating expenses (excluding interest expense and taxes), plus all Agent-approved non-cash, non-recurring charges against Consolidated Net Operating Income (including, without limitation, the non-cash, non-recurring charges against Consolidated Net Operating Income set forth on Schedule C-1 hereto), minus any non-cash gain (to the extent included in determining Consolidated Net Operating Income), and with respect to the calculation of Consolidated Net Operating Income for the quarter ending December 31, 2005, plus all Agent-approved transaction costs and expenses incurred by any Borrower during such quarterly period (including, without limitation, the transaction costs and expenses set forth on Schedule C-2 hereto), all as determined in accordance with GAAP.

**“Contribution Agreement”** shall mean that certain Amended and Restated Contribution Agreement of even date herewith, by and among the Borrowers, and delivered by the Borrowers prior to or simultaneously with their execution and delivery of this Agreement or a Joinder Agreement (as the case may be), together with all Agent-approved amendments and modifications thereof.

**“Deposit Accounts”** shall have the meaning attributed to such term under the UCC, and shall include any and all demand, time, savings, passbook or similar account(s) from time to time established and maintained with a bank.

**“Documents”** shall have the meaning attributed to such term under the UCC, and shall include any and all documents of any type and nature, whether now or hereafter existing.

**“EBITDA”** shall mean, with respect to the Borrowers for any period of determination, net income, plus interest expense, plus federal, state and local income taxes, plus depreciation expense, plus amortization expense, plus all Agent-approved non-cash, non-recurring charges against income, plus any non-cash charges related to stock and stock-option compensation, minus any non-cash gain (to the extent included in determining net income); and with respect to the determinations of EBITDA for the quarters ending December 31, 2005, March 31, 2006 and June 30, 2006, the consolidated results will be calculated and tested on an annualized basis, and solely with respect to the determinations of EBITDA with respect to the quarter ending December 31, 2005, plus Agent approved transaction costs and expenses incurred by any Borrower during such quarterly period (including, without limitation, the transaction costs and expenses set forth on Schedule C-2 hereto), all as determined on a consolidated basis in accordance with GAAP.

**“Eligible Assignee”** shall mean any Lender, an Affiliate of any Lender, a Federal Reserve Bank or any other “Qualified Institutional Buyer”, as such term is defined under Rule 144(A), promulgated under the Securities Act of 1933, as amended.

**“Eligible Billed Government Accounts Receivable”** shall mean any and all Receivables arising from Government Contracts or Government Subcontracts which (a) with respect to “cost-plus” or “time and materials” type contracts, represent amounts due and owing for products actually delivered or services actually performed or rendered by or on behalf of a Borrower pursuant to such contract(s), and with respect to “fixed-price” type contracts, represent amounts due and owing on a percentage-of-completion or milestone billing basis in accordance with such contract(s); (b) have been properly billed; (c) are outstanding less than one hundred twenty-one (121) days from the date of original invoice; (d) arise in the ordinary course of the Borrower’s business; (e) are due, owing and not subject to any defense, set-off or counterclaim; (f) are not close out invoices arising from any “cost-plus” type contract; and (g) are not otherwise Ineligible Receivables.

**“Eligible Billed Commercial Accounts Receivable”** shall mean any and all Receivables arising from Commercial Contracts which (a) with respect to “cost-plus” or “time and materials” type contracts, represent amounts due and owing for products actually delivered or services actually performed or rendered by or on behalf of a Borrower to or for the benefit of an Account Debtor pursuant to such contract(s), and with respect to “fixed-price” type contracts, represent amounts due and owing on a percentage-of-completion or milestone billing basis in accordance with such contract(s); (b) have been properly billed; (c) are outstanding less than ninety-one (91) days from the date of original invoice; (d) arise in the ordinary course of the Borrower’s business; (e) are due, owing and not subject to any defense, dispute, set-off, claim, counterclaim, escrow arrangement, prior assignment, lien, security interest or encumbrance (other than in favor of the Agent); and (f) are not otherwise Ineligible Receivables.

**“Eligible Foreign Accounts Receivable”** shall mean any and all Receivables which (a) with respect to “cost-plus” or “time and materials” type contracts, represent amounts due and owing for products actually delivered or services actually performed or rendered by or on behalf of a Borrower to or for the benefit of a Foreign Account Debtor pursuant to such contract(s), and with respect to “fixed-price” type contracts, represent amounts due and owing from a Foreign Account Debtor on a percentage-of-completion or milestone billing basis in accordance with such contract(s); (b) are outstanding less than ninety-one (91) days from the date of original invoice; (c) are owing from a Foreign Account Debtor deemed acceptable by the Agent from time to time, in its sole and absolute discretion (including, without limitation, as of the Restatement Date, the Foreign Account Debtors listed on Schedule D hereto); and (d) are not otherwise Ineligible Receivables.

**“Equipment”** shall have the meaning attributed to such term under the UCC, and shall include any and all of the following, whether now or hereafter existing: machinery and equipment, including processing equipment, conveyors, machine tools, data processing and computer equipment, including embedded software and peripheral equipment and all engineering, processing and manufacturing equipment, office machinery, furniture, materials handling equipment, tools, attachments, accessories, automotive equipment, trailers, trucks, forklifts, molds, dies, stamps, motor vehicles, rolling stock and other equipment of every kind and nature, trade fixtures and fixtures not forming a part of real property, together with all additions and accessions thereto, replacements therefor,

all parts thereof, all substitutes for any of the foregoing, fuel therefor, and all manuals, drawings, instructions, warranties and rights with respect thereto, and all products and proceeds thereof and condemnation awards and insurance proceeds with respect thereto.

**“ERISA”** shall have the meaning assigned to such term in Section 5.13(a) of this Agreement.

**“Event of Default”** shall have the meaning assigned to such term in Section 9.1 of this Agreement.

**“Excess Cash Event”** shall mean (i) any sale or disposition of any of the assets of any Borrower which is (a) not in the ordinary course of business; or (b) prohibited by the terms of this Agreement; (ii) the issuance by any Borrower after the date of this Agreement of debt securities or other debt obligations (other than in connection with debt expressly permitted pursuant to Section 7.7(a) of this Agreement); (iii) the receipt by or on behalf of any Borrower of insurance proceeds (other than insurance recoveries for business interruption loss, workers compensation or damage to tangible property, which (a) with respect to any of the foregoing insurance losses, do not exceed Five Hundred Thousand and No/100 Dollars (\$500,000.00), individually or in the aggregate, and (b) with respect to insurance recoveries for damage(s) to tangible property, are promptly applied toward repair or replacement of the damaged property); (iv) the reversion of any pension plan assets; and/or (v) any other extraordinary cash event resulting in excess cash to a Borrower, including, without limitation, cash proceeds resulting from the issuance of additional equity interests or capital stock by a Borrower (other than the issuance of additional equity interests or capital stock by a Borrower pursuant to an Approved ESOP or an Approved ESPP).

**“Existing Loan”** shall have the meaning attributed to such term in the recitals to this Agreement.

**“Existing Loan Agreement”** shall have the meaning attributed to such term in the recitals to this Agreement.

**“Facility”** or **“Facilities”** shall mean Facility A, Facility B, Facility C and/or the Swing Line Facility, individually or collectively, as the context may require.

**“Facility A”** shall mean the revolving credit facility being extended pursuant to this Agreement on the basis of Eligible Billed Government Accounts Receivable, Eligible Billed Commercial Accounts Receivable and Eligible Foreign Accounts Receivable, in the maximum principal amount of Forty-five Million and No/100 Dollars (\$45,000,000.00), with a sub-limit of Five Million and No/100 Dollars (\$5,000,000.00) for Letters of Credit.

**“Facility A Commitment Amount”** shall mean Forty-five Million and No/100 Dollars (\$45,000,000.00), or if such amount shall be reduced pursuant to this Agreement, such lesser amount.

**“Facility A Commitment Fee”** shall have the meaning assigned to such term in Section 1.7(b) of this Agreement.

**“Facility B”** shall mean the term loan being extended pursuant to this Agreement, in the original principal amount of Twenty-two Million and No/100 Dollars (\$22,000,000.00).

**“Facility B Commitment Amount”** shall mean Twenty-two Million and No/100 Dollars (\$22,000,000.00).

**“Facility C”** shall mean the term loan being extended pursuant to this Agreement, in the original principal amount of Eight Million and No/100 Dollars (\$8,000,000.00).

**“Facility C Commitment Amount”** shall mean Eight Million and No/100 Dollars (\$8,000,000.00).

**“Federal Funds Rate”** for any day shall mean the rate per annum (rounded upward to the nearest 1/8 of 1%) determined by the Agent to be the rate per annum announced by the Federal Reserve Bank of New York (or any successor) on such day as being the weighted average of the rates on overnight Federal Funds transactions

arranged by Federal Funds brokers on the previous trading day, as computed and announced by such Federal Reserve Bank (or any successor) in substantially the same manner as such Federal Reserve Bank computes and announces the weighted average it refers to as the “Federal Funds Effective Rate” as of the date of this Agreement; provided that if such Federal Reserve Bank (or its successor) does not announce such rate on any day, the “Federal Funds Effective Rate” for such day shall be the Federal Funds Rate for the last day on which such rate was announced.

“**Fiscal Year**” shall mean any annual period designated by the Borrowers as a fiscal year for financial accounting purposes.

“**Fixed Charge Coverage Ratio**” shall have the meaning assigned to such term in Section 6.15(a) of this Agreement.

“**Foreign Account Debtor**” shall mean any Account Debtor not organized, existing and doing business within the United States of America.

“**Foreign Borrower**” and “**Foreign Borrowers**” shall mean, as of any date of determination and individually or collectively (as the context may require), each and all of the Borrowers listed on Schedule A-1 hereto, and any other Borrower not incorporated, formed or organized within the United States.

“**F&S**” shall mean Fried & Sher, Inc., a Virginia corporation and a wholly-owned direct subsidiary of Caliber.

“**GAAP**” shall mean generally accepted accounting principles.

“**General Intangibles**” shall have the meaning attributed to such term under the UCC, and shall include any and all of the following, whether now or hereafter existing: all right, title and interest in or under any contract, all “payment intangibles”, as such term is defined under the UCC, customer lists, licenses, copyrights, trademarks, patents, and all applications therefor and reissues, extensions or renewals thereof, rights in intellectual property, interests in partnerships, joint ventures and other business associations, licenses, permits, copyrights, trade secrets, proprietary or confidential information, inventions (whether or not patented or patentable), technical information, procedures, designs, knowledge, know how, software, data bases, data, skill, expertise, experience, processes, models, drawings, materials and records, goodwill (including the goodwill associated with any trademark or trademark license), all rights and claims in or under insurance policies (including insurance for fire, damage, loss and casualty, whether covering personal property, real property, tangible rights or intangible rights, all liability, life, key man and business interruption insurance, and all unearned premiums), uncertificated securities, choses in action, deposit, checking and other bank accounts, rights to receive tax refunds and other payments, rights to receive dividends, distributions, cash, Instruments and other property in respect of or in exchange for pledged stock and investment property, rights of indemnification, all books and records, correspondence, credit files, invoices and other papers, including without limitation all tapes, cards, computer runs and other papers and documents.

“**Goods**” shall have the meaning attributed to such term under the UCC, and shall include any and all Goods whether now or hereafter existing.

“**Government**” shall mean the United States government, any state government, any local government, any department, instrumentality or any agency of the United States government, any state government or any local government, or any Approved International Organization.

“**Government Contract Assignments**” shall have the meaning assigned to such term in Section 6.11 of this Agreement.

“**Government Contract**” and “**Government Contracts**” shall mean, individually or collectively as the context may require, (i) written contracts between any Borrower and the Government; and (ii) written subcontracts between any Borrower and a Prime Contractor who is providing goods or services to the Government

pursuant to a written contract with the Government (a "Government Subcontract"), provided that the subcontract relates only to goods or services being provided to the Government pursuant to the Government Subcontract.

**"Government Subcontract"** shall have the meaning attributed to such term under the definition of "Government Contract".

**"Hazardous Substance"** shall mean, without limitation, any flammable explosives, radon, radioactive materials, asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, petroleum and petroleum products, methane, hazardous materials, hazardous wastes, hazardous or toxic substances, pollutants or contaminants as defined in CERCLA, HMTA, RCRA or any other applicable environmental law, rule, order or regulation.

**"Hazardous Wastes"** shall mean, without limitation, all waste materials subject to regulation under CERCLA, RCRA or analogous state law, and/or any other applicable Federal and/or state law now in force or hereafter enacted relating to hazardous waste treatment or disposal.

**"Hedging Contracts"** shall mean interest rate swap agreements, interest rate cap agreements and interest rate collar agreements, or any other agreements or arrangements entered into between any Borrower and the Agent or a Lender and designed to protect such Borrower against fluctuations in interest rates or currency exchange rates.

**"Hedging Obligations"** shall mean all liabilities of any and all Borrowers to the Agent or a Lender under Hedging Contracts.

**"HMTA"** shall mean the Hazardous Materials Transportation Act, as amended (49 U.S.C. Sections 1801 *et seq.*).

**"Ineligible Receivables"** shall mean Receivables which are (i) evidenced by a promissory note, trade acceptance draft or other similar instrument; (ii) owed or payable by an Account Debtor pursuant to a Commercial Contract, if payment of fifty percent (50%) or more of the aggregate balance due from such Account Debtor is outstanding for more than ninety (90) days from the date of original invoice; (iii) owed or payable by an Account Debtor pursuant to a Government Contract or Government Subcontract, if the payment of fifty percent (50%) or more of the aggregate balance due from such Account Debtor is outstanding for more than one hundred twenty (120) days from the date of original invoice; (iv) owing from any Account Debtor that is the subject of any (a) suit, lien, levy or judgment which would or could reasonably be expected to affect the collectibility of said account(s), or (b) bankruptcy, insolvency or a similar process or proceeding, unless the payment of the Receivables owed by such Account Debtor to a Borrower shall have been approved or authorized by a court of competent jurisdiction; (v) owing from Foreign Account Debtors, but do not constitute Eligible Foreign Accounts Receivable; (vi) unbilled Receivables; (vii) close out invoices arising from any "cost-plus" type contract; (viii) Bonded Accounts Receivable; or (ix) owed or payable to a Foreign Borrower, unless (A) with respect to the Receivables of any Primary Foreign Borrower, the Agent shall have a perfected lien on and security interest in and to (or, as the case may be under any applicable foreign law, such foreign jurisdiction's equivalent of a perfected lien on and security interest in and to) sixty-five percent (65%) of all the issued and outstanding stock or other ownership interests of such Primary Foreign Borrower, as determined by the Agent in its sole, but reasonable discretion, and (B) with respect to the Receivables of any Foreign Borrower (other than any Primary Foreign Borrower), the Agent shall have a perfected lien on and security interest in and to (or, as the case may be under any applicable foreign law, such foreign jurisdiction's equivalent of a perfected lien on and security interest in and to) sixty-five percent (65%) of all the issued and outstanding stock or other ownership interests of each of the Primary Foreign Borrowers, as determined by the Agent in its sole, but reasonable discretion. Additionally, without limiting any other provision of this Agreement, or the discretion of the Agent to deem Receivables ineligible pursuant to any other provision of this Agreement, it is expressly understood and agreed that if any Borrower (I) has been debarred or suspended by the Government, or been issued a notice of proposed debarment or notice of proposed suspension by the Government; (II) is the subject of a Government investigation (other than a normal and customary review by the Government) involving or possibly involving fraud, willful misconduct or other wrongdoing; (III) is a party to any Government Contract or Government Subcontract which has been actually terminated due to such Borrower's alleged fraud, willful misconduct or any other wrongdoing; (IV) is a party to any Government Contract or Government Subcontract which has been actually



terminated for any other reason whatsoever, which could result in liability or expense in excess of Five Hundred Thousand and No/100 Dollars (\$500,000.00); or (V) has been issued a cure notice or show cause notice under any Government Contract or Government Subcontract involving amounts in excess of Five Hundred Thousand and No/100 Dollars (\$500,000.00), and has failed to cure the default giving rise to such cure notice or failed to resolve the matter set forth in the show cause notice (a) within the time period available to such Borrower pursuant to such Government Contract, Government Subcontract and/or such notice, or (b) before the date on which the Government or other contracting party is entitled to exercise its rights and remedies under the Government Contract or Government Subcontract (as the case may be) as a consequence of such default or matter set forth in the show cause notice, then in any such event, any and all Receivables of such Borrower may, in the sole discretion of the Agent, be deemed and treated as Ineligible Receivables.

**“Instrument”** shall have the meaning attributed to such term under the UCC, and shall include any and all of the following, whether now or hereafter existing: all certificates of deposit, and all “promissory notes”, as such term is defined under the UCC, and other evidences of indebtedness (other than instruments that constitute, or are a part of a group of writings that constitute, Chattel Paper).

**“Interest Expense”** shall mean, as of the date of any determination, the Borrowers’ aggregate cash interest expense for borrowed money (including, without limitation, premiums and interest expense arising from or relating to interest rate protection agreements and original issue discounts), plus the amount of all other interest due (whether paid or not paid) on any indebtedness of each Borrower for the applicable measurement period, all as determined on a consolidated basis in accordance with GAAP.

**“Interest Payment Date”** shall mean, relative to any LIBOR Rate Loan having an Interest Period of three months or less, the last Business Day of such Interest Period, and as to any LIBOR Rate Loan having an Interest Period longer than three months, each Business Day which is three months, or a whole multiple thereof, after the first day of such Interest Period and the last day of such Interest Period.

**“Interest Period”** shall mean, relative to any LIBOR Rate Loans, (i) initially, the period beginning on (and including) the date on which such LIBOR Rate Loan is made or continued as, or converted into, a LIBOR Rate Loan pursuant to this Agreement (including, without limitation, Exhibit 3 hereto) and the Notes and ending on (but excluding) the day which numerically corresponds to such date one, three or six months thereafter (or, if such month has no numerically corresponding day, on the last Business Day of such month), in each case as the Borrower may select in its notice pursuant to this Agreement (including, without limitation, Exhibit 3 hereto) and the Notes; and (ii) thereafter, each period commencing on the last day of the next preceding Interest Period applicable to such LIBOR Rate Loan and ending one, three or six months thereafter, as selected by the Borrower by irrevocable notice to the Agent not less than three (3) Business Days prior to the last day of the then current Interest Period with respect thereto.

**“Inventory”** shall have the meaning attributed to such term under the UCC, and shall include any and all of the following, whether now or hereafter existing: all inventory, merchandise, goods and other personal property for sale or lease or are furnished or are to be furnished under a contract of service, or that constitute raw materials, work in process, finished goods, returned goods, or materials or supplies of any kind, nature or description used or consumed or to be used or consumed or in the processing, production, packaging, promotion, delivery or shipping of the same, including all supplies and embedded software.

**“Investment Property”** shall have the meaning attributed to such term under the UCC, and shall include any and all of the following, whether now or hereafter existing: (a) all securities, whether certificated or uncertificated, including stocks, bonds, interests in limited liability companies, partnership interests, treasuries, certificates of deposit, and mutual fund shares; (b) all Securities Entitlements, including the rights to any securities account and the financial assets held by a securities intermediary in such securities account and any free credit balance or other money owing by any securities intermediary with respect to that account; (c) all securities accounts; (d) all commodity contracts; and (e) all commodity accounts.

**“Joinder Agreement”** shall have the meaning assigned to such term in Section 1.10 of this Agreement.

**“Key Man Life Insurance Policies”** shall mean each and all of those certain key man life insurance policies covering the lives of Sudakhar Kesavan and Don Zimmerman, respectively, for the benefit of the Borrowers, each in a minimum amount of Three Million and No/100 Dollars (\$3,000,000.00).

**“Kaiser Group Debt”** shall mean the subordinated debt owing by the Primary Operating Company and certain other Borrowers to Kaiser Group International, Inc. in a principal amount not to exceed Six Million Four Hundred Forty-one Thousand Nine Hundred Fifty-nine and 59/100 Dollars (\$6,441,959.59), which subordinated debt is evidenced by a certain Parent Promissory Note dated June 30, 2002, made by the Primary Operating Company and certain other Borrowers which are signatories thereto, and payable to the order of Kaiser Group International, Inc., a Delaware corporation, in the original principal amount of Six Million Four Hundred Forty-one Thousand Nine Hundred Fifty-nine and 59/100 Dollars (\$6,441,959.59).

**“Lender”** and **“Lenders”** shall mean, respectively, each and all of the banking or financial institutions which, as of any date of determination, have (i) extended credit or agreed to extend credit to the Borrowers pursuant to this Agreement, and/or (ii) agreed in writing to be bound by the terms and provisions of this Agreement.

**“Letter of Credit”** and **“Letters of Credit”** shall mean, respectively, each and all of the standby letters of credit issued pursuant to this Agreement.

**“Letter of Credit Application”** shall have the meaning assigned to such term in Section 2.1 of this Agreement.

**“Letter of Credit Administration Fee”** shall have the meaning assigned to such term in Section 2.3 of this Agreement.

**“Letter of Credit Fee”** shall have the meaning assigned to such term in Section 2.3 of this Agreement.

**“Letter of Credit Rights”** shall have the meaning attributed to such term under the UCC, and shall include any and all of the following, whether now or hereafter existing: any right to payment or performance under a letter of credit, whether or not the beneficiary has demanded or is at the time entitled to demand payment or performance, but specifically excludes any right of a beneficiary to demand payment or performance under a letter of credit.

**“Leverage Ratio”** shall have the meaning attributed to such term in Section 6.15(b) of this Agreement.

**“LIBOR”** or **“LIBOR Rate”** shall mean relative to any Interest Period for LIBOR Rate Loans, the offered rate for deposits of U.S. Dollars in an amount approximately equal to the amount of the requested LIBOR Rate Loan for a term coextensive with the designated Interest Period which the British Bankers’ Association fixes as its LIBOR rate and which appears on the Telerate Page 3750 as of 11:00 a.m. London time on the day which is two London Banking Days prior to the beginning of such Interest Period.

**“LIBOR Election Form and Certification”** shall mean the form attached as Exhibit 2 hereto.

**“LIBOR Rate Loan”** shall mean any loan or advance, the rate of interest applicable to which is based upon the LIBOR Rate.

**“LIBOR Lending Rate”** shall mean, relative to any LIBOR Rate Loan to be made, continued or maintained as, or converted into, a LIBOR Rate Loan for any Interest Period, a rate per annum determined pursuant to the following formula:

$$\text{LIBOR Lending Rate} = \frac{\text{LIBOR Rate}}{(1.00 - \text{LIBOR Reserve Percentage})}$$

**“LIBOR Reserve Percentage”** shall mean, relative to any day of any Interest Period for LIBOR Rate Loans, the maximum aggregate (without duplication) of the rates (expressed as a decimal fraction) of reserve requirements (including all basic, emergency, supplemental, marginal and other reserves and taking into account any transitional adjustments or other scheduled changes in reserve requirements) under any regulations of the Board of Governors of the Federal Reserve System (the “Board”) or other governmental authority having jurisdiction with respect thereto as issued from time to time and then applicable to assets or liabilities consisting of “Eurocurrency Liabilities”, as currently defined in Regulation D of the Board, having a term approximately equal or comparable to such Interest Period.

**“Loan”** and **“Loans”** shall mean, individually or collectively as the context may require, the loan and loans made by the Lenders to the Borrowers in the aggregate maximum principal amount of Seventy-five Million and No/100 Dollars (\$75,000,000.00), or so much thereof as shall be advanced or readvanced from time to time, which are represented by the Facilities, and which are evidenced by, bear interest and are payable in accordance with the terms and provisions set forth in the Notes.

**“Loan Document”** and **“Loan Documents”** shall mean, respectively, each and all of this Agreement, the Notes, the Stock Security Agreement, the Membership Interest Assignment and each other document, instrument, agreement or certificate heretofore, now or hereafter executed and delivered by any Borrower in connection with the Loan.

**“London Banking Day”** shall mean a day on which dealings in US dollar deposits are transacted in the London interbank market.

**“Mandatory Payment”** and **“Mandatory Payments”** shall mean, individually or collectively as the context may require, any and all mandatory payments required to be made on the Loan pursuant to Section 1.5 of this Agreement.

**“Material Contract”** and **“Material Contracts”** shall mean, as of any date of determination and individually or collectively as the context may require, any and all contracts or agreements to which a Borrower is a party and pursuant to which such Borrower (a) is or may be entitled to receive payment(s) in excess of Five Hundred Thousand and No/100 Dollars (\$500,000.00), in the aggregate, per annum, or (b) is obligated to make payment(s) or have any other obligation or liability thereunder in excess of Five Hundred Thousand and No/100 Dollars (\$500,000.00), in the aggregate, per annum.

**“Maturity Date”** shall mean October \_\_, 2010, or such other date as may be agreed to by the Agent, the Lenders and the Borrowers in writing.

**“Maximum Borrowing Base”** shall have the meaning assigned to such term in Section 1.3 of this Agreement.

**“Membership Interest Assignment”** shall mean that certain Amended and Restated Collateral Assignment of Membership Interests dated as of the Restatement Date, entered into by certain “Borrower” parties thereto in favor of the Agent for the benefit of the Lenders ratably, as the same may be modified or amended from time to time.

**“Negative Covenants”** shall mean any negative or similar restrictive covenant made by the Borrowers set forth in this Agreement or in any other Loan Document.

**“Net Cash”** shall mean the cash proceeds (net of cash taxes paid and reasonable and customary costs paid to unrelated and unaffiliated third parties in connection with a particular transaction) arising from any Excess Cash Event.

**“Note”** and **“Notes”** shall mean, respectively, each and all of the amended and restated promissory notes and other promissory notes executed, issued and delivered pursuant to this Agreement, together with all extensions, renewals, modifications, replacements and substitutions thereof and therefor.

**“Obligation”** and **“Obligations”** shall mean, respectively, any and all obligations or liabilities of any Borrower to any Lender or the Agent in connection with the Loan, whether now existing or hereafter created or arising, direct or indirect, matured or unmatured, and whether absolute or contingent, joint, several or joint and several, and no matter how the same may be evidenced or shall arise (including, without limitation, any and all Hedging Obligations and/or Interest Rate Contracts).

**“Ordinary Course Payments”** shall mean payments made directly by a Borrower to any non-Borrower Affiliate; provided that such payments are made (i) in the ordinary course of such Borrower’s business, (ii) for products actually delivered or services actually performed, and (iii) pursuant to an “arm’s length” transaction (i.e., a transaction that would otherwise be made with an unrelated and unaffiliated third party).

**“Parent Company”** shall mean ICF Consulting Group Holdings, Inc., a Delaware corporation, and its successors and assigns.

**“Patriot Act”** shall mean the U.S.A. Patriot Act (Title III of Pub. L. 107-56 (signed into law on October 26, 2001)), as amended.

**“Pension Plan”** or **“Pension Plans”** shall have the meaning assigned to such term in Section 5.13(a) of this Agreement.

**“Percentage”** shall mean, as of any date of determination and with respect to each Lender, the percentage(s) corresponding to such Lender’s name on Schedule 1 attached to this Agreement in respect of the Commitment Amount, the Facility A Commitment Amount, the Facility B Commitment Amount, the Facility C Commitment Amount and/or the Swing Line Commitment Amount (as the context may require), as the same may be modified or amended from time to time.

**“Permitted Acquisition”** shall mean (i) the Caliber Acquisition; or (ii) any merger or acquisition which is (a) expressly permitted pursuant to Section 7.1(d)(ii) of this Agreement, or (b) consummated pursuant to and in strict accordance with all of the terms and provisions set forth in any modification or amendment to this Agreement or in a consent letter specifically issued by the Agent, acting at the direction of the Required Lenders, for such merger or acquisition.

**“Permitted Foreign Bank Accounts”** shall mean any and all of the bank accounts described on Schedule E hereto, together with any and all other foreign bank accounts approved from time to time by the Agent in writing; provided that each such bank account (a) has been established by and in the name of a Borrower, (b) is located outside of the United States of America, (c) is used solely for the collection of Receivables, payment of Ordinary Course Payments and other general operating purposes, (d) is not subject to any lien, claim, charge or encumbrance (other than (i) the security interests granted to the Agent under this Agreement or any other Loan Document, and (ii) normal and customary rights of set off or similar rights (of the financial institution maintaining such account), but only if such rights may be exercised solely for past due fees, charges and expenses arising from the general administration of such bank account, (e) if required by the Agent, is subject to a control agreement or blocked account agreement, in form and substance reasonably satisfactory to the Agent, and (f) if not subject to a control agreement or blocked account agreement, in form and substance reasonably satisfactory to the Agent, does not, for thirty (30) or more consecutive days, contain funds and/or other items of value which, in the aggregate, exceed the U.S. Dollar equivalent of One Million and No/100 Dollars (\$1,000,000.00).

**“Permitted Investments”** shall mean: (a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States (or by any agency thereof to the extent such obligations are backed by the full faith and credit of the United States), in each case maturing within one year from the date of acquisition thereof; (b) commercial paper having the highest rating, at the time of acquisition thereof, of Standard and Poor’s or Moody’s Investors Services and in either case maturing within six (6) months from the date

of acquisition thereof; (c) certificates of deposit, bankers' acceptances and time deposits maturing within one hundred eighty (180) days of the date of acquisition thereof issued or guaranteed by or placed with, and money market deposit accounts issued or offered by, any domestic office of any commercial bank organized under the laws of the United States or any state thereof which has a combined capital and surplus and undivided profits of not less than Five Hundred Million Dollars (\$500,000,000); (d) fully collateralized repurchase agreements with a term of not more than thirty (30) days for securities described in clause (a) above and entered into with a financial institution satisfying the criteria described in clause (c) above; and (e) mutual funds investing solely in any one or more of the Permitted Investments described in clauses (a) through (d) above.

**"Permitted Liens"** shall mean: (a) liens for taxes which are being contested in good faith and by appropriate proceedings, which (i) the Borrower has the financial ability to pay, including penalties and interest, and (ii) the non-payment thereof will not result in the execution of any such tax lien or otherwise jeopardize the interests of the Agent and/or the Lenders in, on or to any Collateral; (b) deposits or pledges to secure obligations under workers' compensation, social security or similar laws, incurred in the ordinary course of business; (c) liens securing secured indebtedness of the Borrowers, but only to the extent and dollar amount such secured indebtedness is permitted pursuant to Section 7.7(a) of this Agreement; (d) cash deposits pledged to secure the performance of bids, tenders, contracts (other than contracts for the payment of money), leases, statutory obligations, surety and appeal bonds and other obligations of like nature made in the ordinary course of business; (e) mechanics', workmen's, repairmen's, warehousemen's, vendors', lessors' or carriers' liens or other similar liens; provided that such liens arise in the ordinary course of the Borrowers' business and secure sums which are not past due, or which are separately secured by cash deposits or pledges in an amount adequate to obtain the release of such liens; (f) except as otherwise provided in this Agreement, statutory or contractual landlord's liens on the Borrower's tangible personal property located in such Borrower's demised premises; (g) zoning or other similar and customary land use restrictions, which do not materially impair the use or value of any Collateral or property of any Borrower; (h) judgment liens which are not prohibited by Section 7.4 of this Agreement; (i) other liens expressly permitted by the terms and provisions of this Agreement; and (j) liens in favor of the Agent and/or any Lender with respect to the Loans.

**"Person"** shall mean an individual, partnership, corporation, trust, limited liability company, limited liability partnership, unincorporated association or organization, joint venture or any other entity.

**"Primary Foreign Borrower"** and **"Primary Foreign Borrowers"** shall mean, individually or collectively (as the context may require), each and all of ICF Consulting Limited, a private limited company organized under the laws of England and Wales, and ICF Consulting Canada, Inc., a Canadian corporation.

**"Primary Operating Company"** shall mean ICF Consulting Group, Inc., a Delaware corporation.

**"Prime Contractor"** shall mean any person or entity (other than a Borrower) which is a party to any Government Subcontract.

**"Prime Rate"** shall mean the rate of interest from time to time established and publicly announced by Citizens Bank as its prime rate, in Citizens Bank's sole discretion, which rate of interest may be greater or less than other interest rates charged by Citizens Bank to other borrowers and is not solely based or dependent upon the interest rate which Citizens Bank may charge any particular borrower or class of borrowers.

**"Proceeds"** shall have the meaning assigned to that term under the UCC or under other applicable law, and, in any event, shall include, but shall not be limited to, any and all of the following, whether now owned or hereafter acquired: (i) any and all proceeds of, or amounts (in any form whatsoever, whether cash, securities, property or other assets) received under or with respect to, any insurance, indemnity, warranty or guaranty payable from time to time, and claims for insurance, indemnity, warranty or guaranty effected or held with respect to any of the Collateral, (ii) any and all payments (in any form whatsoever, whether cash, securities, property or other assets) made or due and payable from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Collateral by any governmental authority (or any person acting under color of governmental authority), (iii) any claim against third parties (a) for past, present or future infringement of any patent or patent license, or (b) for past, present or future infringement or dilution of any copyright, copyright license,

trademark or trademark license, or for injury to the goodwill associated with any trademark or trademark license, (iv) any recoveries against third parties with respect to any litigation or dispute concerning any of the Collateral including claims arising out of the loss or nonconformity of, interference with the use of, defects in, or infringement of rights in, or damage to, Collateral, (v) all amounts collected on, or distributed on account of, other Collateral, including dividends, interest, distributions and Instruments with respect to Investment Property and pledged stock, and (vi) any and all other amounts (in any form whatsoever, whether cash, securities, property or other assets) from time to time paid or payable under or in connection with any of the Collateral (whether or not in connection with the sale, lease, license, exchange or other disposition of the Collateral).

“**RCRA**” shall mean the Resource Conservation and Recovery Act, as amended (42 U.S.C. Sections 6901 *et. seq.*).

“**Receivable**” and “**Receivables**” shall mean, individually or collectively as the context may require, any and all of the Borrowers’ present and future accounts, contracts, contract rights, chattel paper, general intangibles, notes, drafts, acceptances, chattel mortgages, conditional sale contracts, bailment leases, security agreements, contribution rights and other forms of obligations now or hereafter arising out of or acquired in the course of or in connection with any business the Borrowers conduct, together with all liens, guaranties, securities, rights, remedies and privileges pertaining to any of the foregoing, whether now existing or hereafter created or arising, and all rights with respect to returned and repossessed items of inventory.

“**Request for Advance and Certification**” shall mean any Request for Advance and Certification in the form attached as ***Exhibit 1*** hereto.

“**Required Lenders**” shall mean all of the Lenders who at any given time, are not in default under or in breach of any of the terms and conditions of this Agreement applicable to such Lender, and who hold Notes or participation interests representing, in the aggregate, at least sixty-six and two-thirds percent (66 <sup>2</sup>/<sub>3</sub>%) of the aggregate Commitment Amount (excluding the Swing Line Commitment Amount).

“**Restatement**” shall mean the settlement of the transactions contemplated by this Agreement.

“**Restatement Date**” shall mean the date on which the Restatement shall occur, such date being also the date of this Agreement.

“**Revolver Notes**” shall mean each and all of the promissory notes executed, issued and delivered pursuant to this Agreement in connection with Facility A, together with all extensions, renewals, modifications, replacements and substitutions thereof and therefor.

“**Security Entitlements**” shall have the meaning attributed to such term under the UCC, and shall include any and all Security Entitlements whether now or hereafter existing.

“**Stock Security Agreement**” shall mean that certain Amended and Restated Stock Security Agreement dated as of the Restatement Date, entered into by certain “Borrower” parties thereto in favor of the Agent for the benefit of the Lenders ratably, as the same may be modified or amended from time to time.

“**Supporting Obligations**” shall have the meaning attributed to such term under the UCC, and shall include any and all of the following, whether now or hereafter existing: any and all letter of credit rights or secondary obligations that support the payment or performance of an Account, Chattel Paper, Document, General Intangible, Instrument or Investment Property.

“**Swing Line Commitment**” shall mean the Swing Line Lender’s obligation to make Swing Line Loans to the Borrowers in an aggregate principal amount not to exceed Ten Million and No/100 Dollars (\$10,000,000.00).

“**Swing Line Commitment Amount**” shall mean Ten Million and No/100 Dollars (\$10,000,000.00).

**“Swing Line Commitment Period”** shall mean the period commencing on the Restatement Date and ending on the Swing Line Termination Date.

**“Swing Line Facility”** shall mean the swing line credit facility being extended pursuant to this Agreement, in the original maximum principal amount equal to the Swing Line Commitment Amount.

**“Swing Line Lender”** shall mean Citizens Bank.

**“Swing Line Loan”** or **“Swing Line Loans”** shall have the meaning attributed to such term in Section 1.1(b) of this Agreement.

**“Swing Line Note”** shall mean that certain Amended and Restated Swing Line Promissory Note of even date herewith, made by the Borrowers and payable to the order of the Swing Line Lender, in the maximum principal amount of Ten Million and No/100 Dollars (\$10,000,000.00) or so much thereof as shall be advanced or readvanced, together with all extensions, renewals, modifications, replacements and substitutions thereof or therefor.

**“Swing Line Outstandings”** shall mean, as of any date of determination, the aggregate principal amount of all Swing Line Loans then outstanding.

**“Swing Line Termination Date”** shall mean the fifth (5<sup>th</sup>) Business Day prior to the Maturity Date, or such earlier date on which the Swing Line Lender shall have elected, in its sole and absolute discretion, to terminate the Swing Line Facility.

**“Synergy Entities”** shall mean Synergy, Simulation and Synergy Biomedical.

**“Total Debt”** shall mean the actual amount of borrowed money (including, without limitation, subordinated debt, capital leases and synthetic leases that remain unpaid or outstanding as of the date of any determination), plus the aggregate amount of any and all financial guarantees (i.e., contingent monetary obligations or liabilities) and the face amount of any and all outstanding letters of credit.

**“Total Senior Debt”** shall have the meaning attributed to such term in Section 6.15(e) of this Agreement.

**“Transitional Deposit Account”** shall have the meaning attributed to such term in Article 8 of this Agreement.

**“UCC”** shall mean the Uniform Commercial Code as the same may, from time to time, be enacted and in effect in the Commonwealth of Virginia; provided, that to the extent that the UCC is used to define any term herein and such term is defined differently in different Articles or Divisions of the UCC, the definition of such term contained in Article or Division 9 shall govern; provided further, that in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection or priority of, or remedies with respect to, the Agent’s lien on any Collateral is governed by the Uniform Commercial Code as enacted and in effect in a jurisdiction other than the Commonwealth of Virginia, the term “UCC” shall mean the Uniform Commercial Code as enacted and in effect in such other jurisdiction solely for purposes of the provisions thereof relating to such attachment, perfection, priority or remedies and for purposes of definitions related to such provisions.

#### **INTERPRETIVE PROVISIONS**

(a) The meanings of defined terms are equally applicable to the singular and plural forms of the defined terms

(b) The words “hereof”, “herein”, “hereunder” and similar words refer to this Agreement as a whole and not to any particular provision of this Agreement; and “Subsection”, “Section”, “Schedule” and “Exhibit” references are to this Agreement unless otherwise specified.

(c) Unless otherwise expressly provided herein, (i) references to agreements (including this Agreement) and other contractual instruments shall be deemed to include all subsequent amendments and other modifications thereto, but only to the extent such amendments and other modifications are not prohibited by the terms of this Agreement, and (ii) references to any statute or regulation are to be construed as including all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting the statute or regulation.

(d) The article, section and paragraph headings of this Agreement are for convenience of reference only, and in no way define, limit or describe the scope of this Agreement or the intent of any provision hereof.

(e) This Agreement and the other Loan Documents are the result of negotiations among all parties hereto, and have been reviewed by counsel to the Agent, the Borrowers and the Lenders, and are the products of all parties. Accordingly, this Agreement and the other Loan Documents shall not be construed against the Agent or the Lenders merely because of the Agent's or Lenders' involvement in their preparation.

## **ARTICLE 1 COMMITMENT**

### **1.1 Maximum Loan Amount.**

(a) Subject to the terms and conditions of this Agreement, (i) each Lender severally agrees to make the Loans to the Borrowers (except for the Swing Line Loan, which shall be extended only by the Swing Line Lender), with the maximum amount of each Lender's obligation being equal to the Lender's Percentage of the Commitment Amount; and (ii) as set forth more fully in Section 1.1(b) below, the Swing Line Lender will make the Swing Line Loan to the Borrowers. The Loans, including the Swing Line Loan, shall bear interest and be payable in accordance with the terms and provisions of and be initially evidenced by thirteen (13) promissory notes, four (4) amended and restated promissory notes or other promissory notes shall evidence Facility A, four (4) amended and restated promissory notes or other promissory notes shall evidence Facility B, four (4) promissory notes shall evidence Facility C, and one (1) amended and restated promissory note shall evidence the Swing Line Facility. Concurrent with the Borrowers' execution of this Agreement, (a) Citizens Bank shall receive an amended and restated revolving promissory note in the maximum principal amount of Twenty-two Million Five Hundred Thousand and No/100 Dollars (\$22,500,000.00) or so much thereof as shall be advanced or readvanced, an amended and restated term promissory note in the original principal amount of Eleven Million and No/100 Dollars (\$11,000,000.00) or so much thereof as shall be advanced (but not readvanced), a time promissory note in the original principal amount of Four Million and No/100 Dollars (\$4,000,000.00) or so much as shall be advanced (but not readvanced), and the Swing Line Note, (b) Chevy Chase Bank shall receive an amended and restated revolving promissory note in the maximum principal amount of Five Million Six Hundred Twenty-five Thousand and No/100 Dollars (\$5,625,000.00) or so much thereof as shall be advanced or readvanced, an amended and restated term promissory note in the original principal amount of Two Million Seven Hundred Fifty Thousand and No/100 Dollars (\$2,750,000.00) or so much thereof as shall be advanced (but not readvanced), and a time promissory note in the original principal amount of One Million and No/100 Dollars (\$1,000,000.00) or so much as shall be advanced (but not readvanced), (c) PNC Bank shall receive an amended and restated revolving promissory note in the maximum principal amount of Eleven Million Two Hundred Fifty Thousand and No/100 Dollars (\$11,250,000.00) or so much thereof as shall be advanced or readvanced, an amended and restated term promissory note in the original principal amount of Five Million Five Hundred Thousand and No/100 Dollars (\$5,500,000.00) or so much thereof as shall be advanced (but not readvanced), and a time promissory note in the original principal amount of Two Million and No/100 Dollars (\$2,000,000.00) or so much as shall be advanced (but not readvanced), and (d) Commerce Bank shall receive a revolving promissory note in the maximum principal amount of Five Million Six Hundred Twenty-five Thousand and No/100 Dollars (\$5,625,000.00) or so much thereof as shall be advanced or readvanced, a term promissory note in the original principal amount of Two Million Seven Hundred Fifty Thousand and No/100 Dollars (\$2,750,000.00) or so much thereof as shall be advanced (but not readvanced), and a time promissory note in the original principal amount of One Million and No/100 Dollars (\$1,000,000.00) or so much as shall be advanced (but not readvanced).



(b) Subject to the terms and conditions of this Agreement, the Swing Line Lender shall make swing line loans (each, a “Swing Line Loan” and collectively, the “Swing Line Loans”) to the Borrowers from time to time during the Swing Line Commitment Period, in the aggregate principal amount at any one time outstanding not to exceed Ten Million and No/100 Dollars (\$10,000,000.00); provided, however, that at no time may the aggregate outstanding principal amount of the Swing Line Loans, plus the aggregate outstanding principal amount of Facility A (including the aggregate face amount of all Letters of Credit outstanding), exceed the lesser of (i) the Facility A Commitment Amount, and (ii) the applicable Maximum Borrowing Base. During the Swing Line Commitment Period, the Borrowers may use the Swing Line Commitment by borrowing, repaying Swing Line Loans in whole or in part, and reborrowing, all in accordance with the terms of this Agreement. At the request of the Swing Line Lender, the Agent may, at any time, on behalf of the Borrowers (which hereby irrevocably direct the Agent to act on their behalf) request each Lender having a Percentage of Facility A, including the Lender then acting as the Swing Line Lender, to make, and each such Lender, including the Lender then acting as the Swing Line Lender, shall make an advance under Facility A, in an amount equal to such Lender’s Percentage of Facility A, of the amount of the Swing Line Outstandings as of the date such request is made. In such event, each such Lender shall make the requested proceeds available to the Agent for the account of the Swing Line Lender in accordance with the funding provisions set forth in this Agreement. The proceeds of Facility A advanced pursuant to this Section 1.1(b) shall be immediately applied to repay the Swing Line Outstandings.

1.2 **Use of Proceeds.** The Loan shall be used by the Borrowers only for the following purposes: (i) to refinance certain existing indebtedness of the Borrowers, including, without limitation, the Kaiser Group Debt; (ii) to finance any Permitted Acquisition (including, the purchase price of a Permitted Acquisition, together with customary transaction costs and expenses payable to unrelated and unaffiliated third parties relating thereto); and (iii) for working capital and general corporate needs. Each Borrower agrees that it will not use or permit the Loan proceeds to be used for any other purpose without the prior written consent of the Agent.

1.3 **Borrowing Base and Maximum Advances.** Notwithstanding any term or provision of this Agreement or any other Loan Document to the contrary, it is understood and agreed that in no event whatsoever shall the Lenders (including the Swing Line Lender) be obligated to advance any amount or issue any Letter of Credit hereunder if such advance or the issuance of such Letter of Credit would cause the aggregate amount of outstanding Loans (including Swing Line Outstandings), plus the face amount of all outstanding Letters of Credit, to exceed the following amounts:

- (a) as to Facility A, the lesser of:
  - (i) the Facility A Commitment Amount; or
  - (ii) the aggregate of (the “Maximum Borrowing Base”):
    - A. ninety percent (90%) of Eligible Billed Government Accounts Receivable; plus
    - B. eighty percent (80%) of Eligible Billed Commercial Accounts Receivable; plus
    - C. the lesser of (i) sixty percent (60%) of Eligible Foreign Accounts Receivable, and (ii) Two Million and No/100 Dollars (\$2,000,000.00);
- (b) as to Facility B, the Facility B Commitment Amount;
- (c) as to Facility C, the Facility C Commitment Amount; and
- (d) as to the Swing Line Facility, the Swing Line Commitment Amount.

All determinations regarding whether any Receivable constitutes an Eligible Billed Government Account Receivable, Eligible Billed Commercial Account Receivable or Eligible Foreign Account Receivable shall be made by the Agent, from time to time, in its sole and absolute discretion.

If at any time the outstanding principal balance of Facility A (including the maximum aggregate face amount of all outstanding Letters of Credit, plus Swing Line Outstandings) shall exceed the lesser of (i) the Facility A Commitment Amount, and (ii) the Maximum Borrowing Base (such excess, in either case, being referred to herein as a "Borrowing Base Deficiency"), then the Borrowers shall immediately make a principal payment in the amount of the Borrowing Base Deficiency.

#### 1.4 **Advances.**

(a) **Agreement to Advance and Readvance; Procedure.** So long as no Event of Default shall have occurred and be continuing, and no act, event or condition shall have occurred and be continuing which with notice or the lapse of time, or both, shall constitute an Event of Default, and subject to the terms and provisions of this Agreement, the Lenders (and the Swing Line Lender, as the case may be) shall (i) advance and readvance the proceeds of Facility A and the proceeds of the Swing Line Facility (as applicable) from time to time in accordance with this Agreement; and (ii) advance the proceeds of Facility B and Facility C to the Borrowers upon the Borrowers' execution and delivery of this Agreement and all other documents, instruments and agreements required by the Agent and Lenders in connection herewith. Requests for advances with respect to Facility A shall be in the form attached as **Exhibit 1** hereto, and requests for advances with respect to the Swing Line Facility shall be in the form attached as **Exhibit 1(a)** hereto. Requests for advances of Loan proceeds with respect to Facility A and the Swing Line Facility may be made via facsimile on any given Business Day if the Borrowers provide the Agent, in advance, with a written list of the names of the specific officers authorized to request disbursements by facsimile. Upon request by the Agent, the Borrowers shall confirm, in an original writing, each facsimile request for advance made by any Borrower. Notwithstanding the foregoing, (a) the Lenders shall have no obligation to make any advance with respect to Facility A after the Maturity Date; and (b) the Swing Line Lender shall have no obligation to make any advance with respect to the Swing Line Facility after the Swing Line Termination Date.

(b) **Interest Rate Election; Certain Advance Procedures and Limits.** Amounts advanced in connection with the Loans shall bear interest either on a Base Rate basis or LIBOR basis, as more fully set forth in the Notes and in the exhibits attached to this Agreement, except that Swing Line Loans shall only be made available to the Borrowers on a Base Rate basis. Advances bearing interest on a Base Rate basis shall be in minimum and incremental amounts of One Hundred Thousand and No/100 Dollars (\$100,000.00), and shall be made available on a same-day basis, if requested by 12:00 Noon, Washington, D.C. time, on any Business Day. Advances bearing interest on a LIBOR basis shall also be in minimum and incremental amounts of One Hundred Thousand and No/100 Dollars (\$100,000.00), and shall be made available not less than three (3) Business Days, nor more than five (5) Business Days, after request therefor. The Borrowers' right to request LIBOR based interest, as well as certain additional terms, conditions and requirements relating thereto, are set forth in the Notes and in the exhibits attached to this Agreement, and each Borrower expressly acknowledges and consents to such additional terms and provisions.

(c) **Automatic Advances/Payments.** The Borrowers hereby authorize the Agent, on any Business Day, to transfer funds from the Collateral Account or any other designated account of the Borrowers to pay down the Obligations and to make advances available to the Borrowers to cover shortages or overdrafts in the Collateral Account or such other designated account of the Borrowers. All such transfers are subject to the availability of Loan proceeds under Facility A (with respect to advances) and the availability of funds in the Collateral Account or such other designated account of the Borrowers (with respect to paydowns). The Lenders may, in their discretion, make such transfers, but shall have no liability for its failure to do so. Subject to the terms of any cash management agreement between the Borrowers and any Lender, the Borrowers may, at any time, terminate the authority granted by the Borrowers to the Agent herein upon not less than two (2) Business Days prior written notice to the Agent.

1.5 **Additional Mandatory Payments; Reduction of Commitment.** In addition to all other sums payable by the Borrowers pursuant to any of the Notes, this Agreement or any other Loan Document, the

Borrowers shall also make mandatory payments on the Notes (applied first to amounts outstanding under Facility C, then to Facility B, then to Swing Line Outstandings (if any), and then to amounts outstanding under Facility A, as provided herein below), upon the occurrence of any Excess Cash Event. Notwithstanding the foregoing, no mandatory payment shall be due and payable unless the Net Cash arising from any Excess Cash Event occurring in any Fiscal Year, when aggregated with the Net Cash arising from all other Excess Cash Events occurring during such Fiscal Year, exceeds the Annual Excess Cash Limitation, in which event the amount of such mandatory payment shall be equal to the amount by which the Net Cash arising from such Excess Cash Event(s) exceeds the Annual Excess Cash Limitation. In the event any payment(s) made or required to be made by the Borrowers pursuant to this Section 1.5 shall be applied to Facility A (i.e., all amounts outstanding under Facility B, Facility C and Swing Line Outstandings (if any) shall have been paid and satisfied in full), the Facility A Commitment Amount shall be automatically (and without further documentation) reduced by an amount equal to such payment, unless such reduction shall have been waived in writing by the Agent.

1.6 **Field Audits.** The Agent has the right at any time and in its discretion to conduct field audits with respect to the Collateral and each Borrower's Receivables, inventory, business and operations. All field audits shall be at the cost and expense of the Borrowers; it being understood and agreed that, in the absence of an Event of Default, the Borrowers' maximum liability for field audit costs and expenses shall be limited to the reasonable costs and expenses of only two (2) field audits conducted during any twelve (12) month period (unless the Agent shall conduct a field audit pursuant to Section 1.10 of this Agreement in connection with the joinder of a new "Borrower" hereunder, in which event the Borrowers shall be liable for the costs and expenses of such field audit as well). Any and all field audits conducted following an Event of Default shall be at the Borrowers' cost and expense, with the foregoing limitation on maximum costs and expense being inapplicable.

1.7 **Certain Fees.** In addition to principal, interest and other sums payable under the Notes, the Borrowers shall pay the following fees:

(a) **Upfront Fee.** Simultaneously with the execution of this Agreement, the Borrowers shall pay to the Agent, for the benefit of all Lenders pro-rata based on each Lender's Percentage (herein referred to as the "benefit of the Lenders ratably"), an upfront fee in the aggregate amount of One Hundred Thousand and No/100 Dollars (\$100,000.00).

(b) **Commitment Fee.** So long as any amounts remain outstanding in connection with Facility A, or the Lenders have any obligation to make any advance in connection therewith, the Borrowers agree to pay to the Agent for the benefit of the Lenders ratably, a quarterly commitment fee (the "Facility A Commitment Fee"), at a per annum rate equal to one-quarter of one percent (.25%), calculated on the difference between (i) the Facility A Commitment Amount, and (ii) the sum of the average daily outstanding principal balance of Facility A and Swing Line Outstandings during the applicable three (3) month period, plus the aggregate face amount of all Letters of Credit outstanding at any time during the applicable three (3) month period. The Facility A Commitment Fee shall be calculated on the basis of the actual number of days elapsed and a three hundred sixty (360) day year, shall be due for any three (3) month period during which the Lenders shall have any obligation in connection with the Facility, and shall be payable in arrears, commencing on December 31, 2005, and continuing on the last Business Day of every third (3<sup>rd</sup>) calendar month thereafter for so long as this Agreement remains in effect, and on the date on which the Obligations have been paid and satisfied in full.

(c) **Agent Fee.** On each Agent Fee Due Date, the Borrowers shall pay to the Agent, for its own account, an agent fee (the "Agent Fee"), in a per annum amount equal to the sum of (i) Ten Thousand and No/100 Dollars (\$10,000.00), plus (ii) the product of (a) Five Thousand and No/100 Dollars (\$5,000.00), multiplied by (b) the number of Lender parties to this Agreement (excluding the Lender then acting in the capacity as the Agent) as of the applicable Agent Fee Due Date; provided, however, that if the number of Lender parties to this Agreement shall increase at any time (a "Lender Joinder Date") other than on an Agent Fee Due Date, then the Borrowers shall pay to the Agent, on the Lender Joinder Date, for the Agent's own account and in addition to the Agent Fee paid or payable on the immediately preceding Agent Fee Due Date, an amount equal to the product of (I) Thirteen and 89/100 Dollars (\$13.89), multiplied by (II) the actual number of days that will elapse between (but including) the Lender Joinder Date and the next Agent Fee Due Date.

(d) Letter of Credit Fees. The Borrowers shall pay any and all Letter of Credit fees as and when such fees become due and payable pursuant to this Agreement.

(e) Out-of-Pocket Fees and Expenses. The Borrowers shall be liable for and shall timely pay all out-of-pocket costs and expenses (including reasonable attorneys' fees and expenses of counsel for the Agent, and of other special and local counsel and other experts, if any, engaged by the Agent) from time to time incurred by the Agent in connection with the administration of, preservation of rights in and enforcement of this Agreement, the other Loan Documents and the transactions contemplated by this Agreement. Without limiting the generality of the foregoing, the Borrowers shall be liable for all of the Agent's out-of-pocket costs and expenses (including reasonable attorneys' fees and expenses of counsel for the Agent) associated with any and all amendments, waivers and/or consents prepared, negotiated, executed, issued and/or delivered in connection with this Agreement.

#### **1.8 Intentionally Omitted**

**1.9 Appointment of the Primary Operating Company**. Each Borrower acknowledges that (i) the Lenders have agreed to extend credit to each of the Borrowers on an integrated basis for the purposes herein set forth; (ii) it is receiving direct and/or indirect benefits from each such extension of credit; and (iii) the obligations of the "Borrower" or "Borrowers" under this Agreement are the joint and several obligations of each Borrower. To facilitate the administration of the Loan, each Borrower hereby irrevocably appoints the Primary Operating Company as its true and lawful agent and attorney-in-fact with full power and authority to execute, deliver and acknowledge on such Borrower's behalf, each Request for Advance and Certification, Borrowing Base/Non-Default Certificate and all other Loan Documents or other materials provided or to be provided to the Agent or any Lender pursuant to this Agreement or in connection with the Loan. This power-of-attorney is coupled with an interest and cannot be revoked, modified or amended without the prior written consent of the Agent. Upon request of the Agent, each Borrower shall execute, acknowledge and deliver to the Agent a Power of Attorney, in form and substance reasonably satisfactory to the Agent, confirming and restating the power-of-attorney granted herein.

#### **1.10 Joinder of New Subsidiaries and Affiliates; Release of Certain Borrowers**

(a) Unless waived in writing by the Agent, in its sole and absolute discretion, the Borrowers shall cause any present or future Affiliate of any Borrower in which such Borrower now or hereafter owns, directly or indirectly, an ownership interest of greater than fifty percent (50%) to execute and deliver to the Agent (i) within forty-five (45) days of the date of formation or acquisition (as applicable) of any domestic entity, and (ii) ninety (90) days of the date of formation or acquisition (as applicable) of any foreign entity (x) a Joinder Agreement in the form attached as Exhibit 6 hereto (a "Joinder Agreement"), pursuant to which such Affiliate shall (A) join in and become a party to this Agreement and the other Loan Documents; (B) agree to comply with and be bound by the terms and conditions of this Agreement and all of the other Loan Documents; and (C) become a "Borrower" and thereafter be jointly and severally liable for the performance of all the past, present and future obligations and liabilities of the Borrowers hereunder and under the Loan Documents; and (y) such other documents, instruments and agreements as may be reasonably required by the Agent in connection therewith (including, without limitation, an opinion of counsel), in form and substance acceptable to the Agent and its counsel in all respects. The Borrowers acknowledge and agree that the Agent shall have the right, at the Borrowers' cost and expense, to perform a field audit of the Receivables, inventory, business and operations of any present or future Affiliate proposed to be joined as a "Borrower" hereunder;

(b) Subject to the terms and provisions set forth in Exhibit 9 attached hereto, the Agent agrees that it shall not unreasonably withhold, delay or condition (i) its waiver of any or all of the joinder requirements set forth in clause (a) above, (ii) its consent to any Foreign Borrower entering into other financing arrangements with any person or entity, whether secured or unsecured, and/or (iii) in connection with any such financing arrangement(s), its release of any Foreign Borrower from such Foreign Borrower's Obligations, including any security interest of the Agent in such Foreign Borrower's assets granted in connection herewith.

**ARTICLE 2**  
**LETTERS OF CREDIT**

2.1 **Issuance.** The Borrowers and Lenders acknowledge that from time to time the Borrowers may request that Citizens Bank issue or amend Letter(s) of Credit. Subject to the terms and conditions of this Agreement, and any other requirements for letters of credit normally and customarily imposed by Citizens Bank, Citizens Bank agrees to issue such requested letters of credit, provided that no Event of Default has occurred and is continuing, and no act, event or condition has occurred or exists which with notice or the passage of time, or both, would constitute an Event of Default. If any such Letter(s) of Credit are issued by Citizens Bank, each of the Lenders shall purchase from Citizens Bank a risk participation with respect to such Letter(s) of Credit in an amount equal to such Lender's Percentage of such Letter(s) of Credit. Citizens Bank shall have no obligation to issue any Letter of Credit which has an expiration date beyond the Maturity Date, unless the Borrowers shall have deposited with Citizens Bank, concurrent with the issuance of any such Letter of Credit, cash security therefor in an amount equal to the face amount of the Letter of Credit. Any request for a Letter of Credit shall be made by a Borrower submitting to the Agent an Application and Agreement for Letter of Credit or Amendment to Letter of Credit (each being herein referred to as a "Letter of Credit Application") on Citizens Bank's standard form, at least three (3) Business Days prior to the date on which the issuance or amendment of the Letter of Credit shall be required, which Letter of Credit Application shall be executed by a duly authorized officer of a Borrower, and be accompanied by such other supporting documentation and information as the Agent may from time to time reasonably request. Each Letter of Credit Application shall be deemed to govern the terms of issuance of the subject Letter of Credit, except to the extent inconsistent with the terms of this Agreement. It is understood and agreed that Letters of Credit shall not be issued for durations of longer than one (1) year. Any outstanding Letter of Credit may be renewed from time to time; provided that (i) at least sixty (60) days' prior written notice thereof shall have been given by the Borrower to the Agent and the Lenders; and (ii) no Event of Default exists under the terms and provisions of the particular Letter of Credit or this Agreement, and no act, event or condition has occurred or exists which with notice or the passage of time, or both, would constitute an Event of Default under the terms and provisions of the particular Letter of Credit or this Agreement.

2.2 **Amounts Advanced Pursuant to Letters of Credit.** Upon the issuance of any Letter(s) of Credit (i) any amounts drawn under any Letter of Credit shall be deemed advanced ratably under the Revolver Notes, shall bear interest and be payable in accordance with the terms of the Revolver Notes and shall be secured by the Collateral (in the same manner as all other sums advanced under the Revolver Notes); and (ii) each Lender shall purchase from Citizens Bank such risk participations in the Letter(s) of Credit as shall be necessary to cause each Lender to share the funding obligations with respect thereto ratably in accordance with such Lender's Percentage. It is expressly understood and agreed that all obligations and liabilities of the Borrowers to Citizens Bank in connection with any such Letter(s) of Credit shall be deemed to be "Obligations," and the Agent shall not be required to release its security interest in the Collateral until (i) all Notes and all other sums due to the Lenders in connection with the Loan have been paid and satisfied in full, (ii) all Letters of Credit have been canceled or expired, and (iii) no Lender has any further obligation or responsibility to make additional Loan advances or issue additional Letters of Credit. Furthermore, in no event whatsoever shall Citizens Bank have any obligation to issue any Letter of Credit which would cause the face amount of all then outstanding Letters of Credit issued for the account of any or all Borrowers to exceed Five Million and No/100 Dollars (\$5,000,000.00), in the aggregate, at any time.

2.3 **Letter of Credit Fees.** The Borrowers shall be jointly and severally liable for the payment of: (i) to the Agent, for the benefit of the Lenders ratably, a quarterly- fee (the "Letter of Credit Fee") at the annual rate equal to the Additional Libor Interest Margin corresponding to the Borrower's Leverage Ratio reported as of the immediately preceding quarter, as set forth on Exhibit Z hereto, which shall be calculated (a) on the face amount of each Letter of Credit as of the date of issuance (or the anniversary or amendment date, as applicable), and (b) on the basis of the actual number of days elapsed and a three hundred sixty (360) day year; and (ii) to the Agent, customary issuance and administrative charges (the "Letter of Credit Administration Fee"). The Letter of Credit Fee shall be due and payable, in advance, on the date the Letter of Credit is issued, amended, extended or renewed and on the same day of every third (3rd) month thereafter during which such Letter of Credit shall remain issued or outstanding. The Letter of Credit Administration Fee shall be due and payable simultaneously with the Agent's issuance, amendment, extension or renewal of the particular Letter of Credit (as the case may be).

**ARTICLE 3  
SECURITY**

3.1 **Security Generally.** As collateral security for the Loan and all other Obligations, the Borrowers hereby grant and convey to the Agent, for the benefit of the Lenders ratably, a security interest in all of the following (collectively, the "Collateral"):

**Receivables.** All of each Borrower's present and future right, title and interest in and to any and all Accounts, contracts, contract rights, Chattel Paper, General Intangibles, notes, drafts, acceptances, chattel mortgages, conditional sale contracts, bailment leases, security agreements and other forms of obligations now or hereafter arising out of or acquired in the course of or in connection with any business each Borrower conducts, together with all liens, guaranties, securities, rights, remedies and privileges pertaining to any of the foregoing, whether now existing or hereafter created or arising, and all rights with respect to returned and repossessed items of Inventory;

**Inventory.** All of each Borrower's present and future right, title and interest in and to any and all Inventory and Goods, wherever located, and whether held for sale or lease or furnished or to be furnished under contracts of service, and all raw materials, work in process and materials now or hereafter owned by each Borrower, wherever located, and used or consumed in its business, including all returned and repossessed items; and all other property now or hereafter constituting Inventory;

**Other Collateral.** All of each Borrower's present and future right, title and interest in and to any and all Deposit Accounts, Documents, Instruments, Investment Property, Letter of Credit Rights and Supporting Obligations, whether any of the foregoing shall be now owned or hereafter acquired by such Borrower, together with all of each Borrower's present and future furniture, fixtures, Equipment, machinery, supplies and other assets (other than stock, as below provided) and personal property of every type or nature whatsoever, including without limitation, all of each Borrower's present and future inventions, designs, patents, patent applications, trademarks, trademark applications, trade names, trade secrets, goodwill, registrations, copyrights, licenses, franchises, customer lists, tax refunds, tax refund claims, rights of claims against carriers and shippers, leases and rights to indemnification;

**Stock or Other Ownership Interests.** All of each Borrower's present and future right, title and interest in and to any and all of the issued and outstanding capital stock, membership interests and/or other ownership interests in any Foreign Borrower, Caliber and the Synergy Entities whether such interests are now or hereafter issued or outstanding and whether now or hereafter acquired by such Borrower, together with all voting, economic and other rights thereof or appurtenant thereto, pursuant to the Stock Security Agreement, Membership Interest Assignment and/or such other documents, instruments or agreements as may be reasonably required by the Agent;

**Leases.** All of each Borrower's present and future right, title and interest in and to any and all leases, occupancy agreements, subleases, contracts, licenses, agreements and other understandings of or relating to the use, enjoyment or occupancy of real property or any improvements thereon; provided, however, that if the terms of any such lease or other contract require such Borrower to notify or obtain the prior written consent of a third party for the grant of a security interest in such lease or other contract, the security interest granted hereby in such lease or other contract shall not be effective until such notification is delivered or such consent is obtained;

**Key Man Life Insurance.** All of each Borrower's present and future right, title and interest in and to the Key Man Life Insurance Policies.

**Records.** All of each Borrower's present and future right, title and interest in and to any and all records, documents and files, in whatever form, pertaining to the Collateral; and

Proceeds, Etc. Any and all Proceeds of the foregoing, whether cash or non-cash proceeds, and all increases, substitutions, replacements and/or additions to any or all of the foregoing.

It is expressly understood and agreed that the foregoing grant and conveyance of a security interest in the Collateral is in confirmation of (and not replacement of) the grant and conveyance of a security interest in the Collateral which was previously made pursuant to or in accordance with the Existing Loan Agreement and the other Loan Documents; that the liens created by such prior grant and conveyance of a security interest in the Collateral remain in full force and effect; and that the grant of and conveyance of a security interest in the Collateral pursuant hereto shall be supplemental to such prior grant and conveyance.

Notwithstanding the foregoing, the above described conveyance shall not be deemed to include the conveyance of (A) any Government Contract, Government Subcontract or Commercial Contract, which by its terms or applicable law may not be conveyed; it being understood, however, that in any such situation(s), the Agent's security interest shall include (i) the entirety of each Borrower's right, title and interest in and to all Receivables and all other Proceeds directly or indirectly arising from such Government Contract, Government Subcontract or Commercial Contract, and (ii) all other rights and interests which any Borrower may lawfully convey to the Agent with respect to such Government Contract, Government Subcontract or Commercial Contract; (B) any stock or other ownership interests of a Foreign Borrower in excess of sixty-five percent (65%) of all of the issued and outstanding stock or other ownership interests of such Foreign Borrower; (C) motor vehicles titled in the name of any Borrower; and (D) except as otherwise set forth in Section 3.1 of this Agreement with respect to leases, interests in real property owned by any Borrower.

**3.2 No Preference or Priority.** It is expressly understood and agreed that each of the Notes shall be secured without preference or priority; it being the intention of the parties that the Notes shall be co-equal and coordinate in right of payment of principal, interest, late charges and other sums due thereunder.

#### **ARTICLE 4 CONDITIONS TO THE LENDERS' OBLIGATIONS**

The initial performance of the Lenders' obligations under this Agreement shall be subject to the following conditions:

**4.1 Compliance with Law and Agreements; Third Party Consents.** The Lenders shall be reasonably satisfied that (a) the Loan shall be in full compliance with all legal requirements, (b) all regulatory and third party consents and approvals required to be obtained have been obtained, and (c) the Borrowers shall have performed all agreements theretofore to be performed by the Borrowers.

**4.2 Financial Condition.** There shall have been no material adverse change in the financial condition of the Borrowers, in the aggregate, between the date of the most recent financial statement(s) delivered to the Lenders and the Restatement Date.

**4.3 Litigation/Bankruptcy.** There shall be no pending or threatened litigation by any entity (private or governmental) with respect to the Loan or any documentation executed in connection therewith (except for such litigation disclosed to and not objected to by the Agent prior to Closing), nor shall there be any litigation, bankruptcy or other proceedings which the Agent believes, in good faith, could reasonably be expected to have a material adverse effect on a going forward basis.

**4.4 Opinion of Counsel.** The Agent shall have received an opinion of Borrowers' counsel with respect to each Borrower that is incorporated, formed or organized within the United States, in form and substance satisfactory to the Agent and its counsel in all respects.

**4.5 No Default.** There shall exist no Event of Default, and no act, event or condition shall have occurred or exist which with notice or the lapse of time, or both, would constitute an Event of Default.

4.6 **Documentation.** The Agent shall have received an initial Borrowing Base/Non-Default Certificate, and such financial statements, projections, certificates of good standing, corporate resolutions, limited liability company consents, UCC financing statements, opinions, certifications, schedules to be attached to this Agreement and such other documents, instruments and agreements as may be reasonably required by the Lenders or the Agent, in such form and content and from such parties, as the Agent shall require (including, without limitation, all documentation and other information required by bank regulatory authorities applicable to “know your customer” and anti-money laundering rules and regulations, including the Patriot Act). All documentation relating to the Loan and all related transactions must be satisfactory in all respects to the Agent, the Lenders and their respective counsel.

4.7 **Restatement Costs and Expenses.** The Borrowers shall have paid all fees payable to the Agent and/or the Lenders, plus all restatement/closing costs and expenses incurred by the Agent in connection with the transactions contemplated hereby, including, without limitation, all filing fees, recording costs and the reasonable attorneys’ fees and expenses of the Agent’s counsel.

4.8 **Restatement Matters.** On or before the Restatement Date:

(a) The Agent shall have received (i) a certificate, dated the Restatement Date and signed by Chief Financial Officer or other duly authorized officer of the Borrowers, certifying (A) that except as set forth on any schedule attached thereto, the certificate or articles of incorporation or formation (or similar document) of each Borrower previously delivered to the Agent and its counsel in connection with the Existing Loan Agreement have not been amended since the date of the last amendment thereto shown on the certificate of good standing so furnished, (B) that except as set forth on any schedule attached thereto, the by-laws of each Borrower as in effect and delivered in connection with the Existing Loan Agreement have not been amended, (C) that attached thereto is a true and complete copy of resolutions duly adopted by the Board of Directors or other equivalent body of each Borrower, authorizing the execution, delivery and performance of this Agreement, the Notes and the other Loan Documents by such Borrower, the undertaking by such Borrower of the Obligations, and that such resolutions have not been modified, rescinded or amended and are in full force and effect as of the Restatement Date, and (D) as to the incumbency and specimen signature of each officer executing this Agreement, the Notes, or any other Loan Document or any other document delivered in connection therewith on behalf of such Borrower; and (ii) a certificate of another officer as to the incumbency and specimen signature of the Chief Financial Officer or other duly authorized officer executing the certificate pursuant to clause (i) above;

(b) This Agreement, the Notes and all other Loan Documents required to be executed and delivered by any Lender and/or any Borrower shall have been executed and delivered to the Agent and its counsel in form and substance acceptable to the Agent, all such documents shall be in full force and effect, and each such document (including each UCC financing statement) required by law or reasonably requested by the Agent to be filed, registered or recorded in order to create or continue in favor of the Agent for the benefit of the Lenders a valid, legal and perfected first-priority (except to the extent otherwise provided therein) security interest in and lien on the Collateral (subject to any Permitted Lien) described therein shall have been prepared and delivered to the Agent and its counsel;

(c) All legal matters incident to this Agreement and the Restatement shall be reasonably satisfactory to the Lenders, the Agent and their respective counsel; and

(d) After giving effect to the Restatement, all representations and warranties of the Borrowers set forth in this Agreement and the other Loan Documents shall be true, accurate and complete in all material respects, and not misleading in any material respect.

4.9 **Financial Documents.** The Agent shall have received the following with respect to the Borrowers an initial Borrowing Base/Non-Default Certificate evidencing excess borrowing availability in an amount greater than Five Million and No/100 Dollars (\$5,000,000.00) as of the Closing Date. All of the foregoing must be satisfactory to the Agent in all respects.



4.10 **Security Interests.** The Borrowers shall have executed and delivered all documentation that the Agent deems necessary or appropriate for the perfection of any Liens granted to the Lenders pursuant to this Agreement or any other Loan Document.

4.11 **Caliber Documents.** The Borrowers shall have provided to the Agent all documents, instruments and agreements pertaining to the transactions contemplated by the Caliber Purchase Agreement which must be satisfactory to the Agent in all respects.

4.12 **Insurance.** The Borrowers shall have delivered to the Agent for the ratable benefit of the Lenders (i) evidence of compliance with the insurance requirements set forth in this Agreement and the other Loan Documents; and (ii) copies of the Key-Man Life Insurance Policies.

4.13 **Other Deliveries.** The Borrowers shall have provided to the Agent all other documents, instruments and agreements requested by the Agent on or prior to the Restatement Date.

## ARTICLE 5 REPRESENTATIONS AND WARRANTIES

To induce the Agent and Lenders to enter into this Agreement, each Borrower jointly and severally represents, warrants, covenants and agrees as follows:

5.1 **Existence and Qualification.** Each Borrower is a corporation or limited liability company duly organized, validly existing and in good standing (to the extent applicable) under the laws of its jurisdiction of incorporation or organization referenced in the preamble of this Agreement, with all corporate or limited liability company power and authority and all necessary licenses and permits to own, operate and lease its properties and carry on its business as now being conducted, and as it may in the future be conducted, except where the failure to obtain such licenses or permits could not reasonably be expected to have a material adverse effect on such Borrower. Each Borrower has only one jurisdiction of incorporation or organization (as the case may be). Each Borrower is duly qualified and authorized to do business and is in good standing in each jurisdiction in which the nature of its activities or the character of its properties makes qualification necessary, except where the failure to so qualify could not reasonably be expected to have a material adverse effect on such Borrower.

5.2 **Authority; Noncontravention.** Except as set forth in Schedule 5.2 hereto, the execution, delivery and performance of the obligations of each Borrower set forth in this Agreement, the Notes and the other Loan Documents (i) have been duly authorized by all necessary corporate, limited liability company, stockholder or member action (as applicable); (ii) do not require the consent of any governmental body, agency or authority; (iii) will not violate or result in (and with notice or the lapse of time will not violate or result in) the breach of any provision of any Borrower's Articles/Certificate of Incorporation, Articles/Certificate of Organization, By-laws, Operating Agreement, Material Contracts existing as of the Restatement Date, or any order or regulation of any governmental authority or arbitration board or tribunal; and (iv) except as permitted by the terms and provisions of this Agreement, will not result in the creation of a lien, charge or encumbrance of any nature upon any of the properties or assets of any Borrower. When the Loan Documents are executed and delivered, they will constitute legal, valid and binding obligations of each Borrower, enforceable against each Borrower in accordance with their respective terms, subject to applicable bankruptcy, insolvency and other similar laws affecting the rights of creditors generally.

5.3 **Financial Position.** The financial statements listed on Schedule 5.3 hereto, copies of which have been delivered to the Lenders (a) present fairly the financial condition of the Borrowers as of the date(s) thereof and the results of the Borrowers' operations for the periods indicated therein, (b) were prepared in accordance with GAAP, (c) with respect to all historical data, are true and accurate in all material respects, (d) with respect to all projections, are reasonable, and (e) are not misleading in any material respect. All material liabilities, fixed or contingent, are fully shown or provided for on the referenced financial statements or the notes thereto as of the date(s) thereof. There has been no material adverse change in the business, property or condition (financial or otherwise) of the Borrowers since the date of the most recent financial statements listed on Schedule 5.3 hereto.

5.4 **Payment of Taxes.** Each Borrower has filed all tax returns and reports required to be filed by it with the United States Government and/or with all state and local governments, and has paid in full or made adequate provision on its books for the payment of all taxes, interest, penalties, assessments or deficiencies shown to be due or claimed to be due on or in respect of such tax returns and reports, except to the extent that the validity or amount thereof is being contested in good faith by appropriate proceedings and the non-payment thereof pending such contest will not result in the execution of any tax lien or otherwise jeopardize the Agent's or the Lenders' interests in any Collateral.

5.5 **Accuracy of Submitted Information; Omissions.** As of the date furnished, all documents, certificates, information, materials and financial statements furnished or to be furnished to any Lender or the Agent pursuant to this Agreement or otherwise in connection with the Loan (i) are true and correct in all material respects; (ii) do not contain any untrue statement of a material fact; and (iii) do not omit any material fact necessary to make the statements contained therein or herein not misleading. No Borrower is aware of any fact which has not been disclosed to the Agent and Lenders in writing which materially adversely affects, or so far as any Borrower can now reasonably foresee, could materially adversely affect, the properties, business, profit or condition (financial or otherwise) of any Borrower or the ability of any Borrower to perform its obligations set forth in this Agreement or in any other Loan Document.

5.6 **Government Contracts/Government Subcontracts.** Except for the matters set forth on Schedule 5.6(a) hereto, since December 31, 2000, and with respect to Caliber Entities, December 31, 2001, no notice of suspension, debarment, cure notice, show cause notice or notice of termination for default has been issued by the Government to any Borrower, and no Borrower is a party to any pending, or to any Borrower's knowledge threatened, suspension, debarment, termination for default or show cause requirement by the Government or other adverse Government action or proceeding in connection with any Government Contract; it being understood and agreed that, for purposes hereof, normal and customary reviews and audits conducted by the Government in the ordinary course of business shall not be deemed adverse Government action(s) or proceeding(s). All Government Contracts (other than Government Contracts with an Approved International Organization) existing as of the Restatement Date and having (i) a remaining contract value of Five Hundred Thousand and No/100 Dollars (\$500,000.00) or more, and (ii) a remaining term of twelve (12) months or longer are listed on Schedule 5.6(b) hereto.

5.7 **No Defaults or Liabilities.** No Borrower is in default of any obligation, covenant or condition contained in any Material Contract which materially adversely affects, or could reasonably be expected to have a material adverse effect on, the properties, business, profit or condition (financial or otherwise) of such Borrower or the ability of such Borrower to perform its obligations set forth in this Agreement or in any other Loan Document. Additionally, except for the matters disclosed on Schedule 5.9 hereto, there is no litigation, legal or administrative proceeding or investigation pending against any Borrower, and no litigation, legal or administrative proceeding or investigation has been threatened against any Borrower, which has not been disclosed to the Agent and the Lenders in writing and which involves amounts in excess of Five Hundred Thousand and No/100 Dollars (\$500,000.00) or which could prejudice, in any material respect, the Agent's or any Lender's rights or remedies under any Loan Document, or the priority, perfection or enforceability of the Agent's security interest in or lien on any Collateral.

5.8 **No Violations of Law.** No Borrower is in violation of any Applicable Laws in any material respect; no Borrower has failed to obtain any license, permit, franchise or other governmental authorization necessary to the ownership of its properties or to the conduct of its business, and each Borrower has conducted its business and operations in compliance with all Applicable Laws, except for such non-compliance which could not reasonably be expected to have a material adverse effect on such Borrower.

5.9 **Litigation and Proceedings.** Except for the matters set forth on Schedule 5.9 attached hereto, as of the Restatement Date, no action, suit or proceeding against or affecting any Borrower is presently pending, or to the knowledge of any Borrower, threatened, in any court, before any governmental agency or department, or before any arbitration board or tribunal, which involves the possibility of any judgment or liability in excess of Five Hundred Thousand and No/100 Dollars (\$500,000.00) and is not fully covered by insurance. No Borrower is in default with respect to any order, writ, injunction or decree of any court, governmental authority or arbitration board or tribunal.

5.10 **Security Interest in the Collateral.** Each Borrower is the sole legal and beneficial owner of the Collateral owned or purported to be owned by it, free and clear of all liens, claims and encumbrances of any nature, except for the Permitted Liens and other liens expressly permitted by the terms and provisions of this Agreement. Except as expressly set forth in this Agreement or unless requirements of any applicable foreign law(s) dictate an alternative or additional method of creating valid and enforceable security interests in the Collateral (or, as the case may be under any applicable foreign law, such foreign jurisdiction's equivalent of a valid and enforceable security interest in and to such Collateral), the security interests and liens granted by the Borrowers to the Agent pursuant to this Agreement constitute valid and enforceable security interests in and liens on each item of the Collateral of the type or nature which may be made subject to a security interest under the UCC, subject to no other liens other than Permitted Liens. Upon execution of this Agreement, and subject to (i) the filing of UCC-1 financing statements containing a description of the Collateral and naming the Borrowers as debtors in the appropriate jurisdictions as determined by applicable law, and/or (ii) the requirements of any applicable foreign law(s) which dictate an alternative or additional method of perfecting the security interest (or, as the case may be under any applicable foreign law, such foreign jurisdiction's equivalent of a perfected lien on and security interest) in the Collateral pursuant to this Agreement, the security interests and liens granted by the Borrowers to the Agent, for the benefit of the Lenders ratably, pursuant to this Agreement (a) constitute perfected security interests in all Collateral of the type or nature in which a security interest may be perfected by filing, recording or registering a financing statement in the United States pursuant to the UCC, (b) shall be superior to and prior to any other lien on any of such Collateral (but excluding Collateral consisting of capital stock, membership interests or ownership interests in any Foreign Borrower), other than Permitted Liens, and no further recordings or filings are or will be required in connection with the creation, perfection or enforcement of such security interests and liens, other the filing of continuation statements in accordance with applicable law, and (c) in the case of Collateral consisting of capital stock, membership interest(s) or ownership interest(s) in any Foreign Borrower, Caliber and the Synergy Entities, subject to (i) having control thereof within the meaning of the UCC, and/or (ii) satisfaction of any requirements of applicable laws of a foreign jurisdiction which dictate an alternative or additional method of perfection (or, as the case may be under any applicable foreign law, such foreign jurisdiction's equivalent of a perfected lien on and security interest in and to such Collateral), shall be superior to and prior to any other lien on any of such Collateral, other than Permitted Liens.

5.11 **Principal Place of Business; Location of Books and Records.** As of the Restatement Date, each Borrower maintains its principal place of business and the office where it keeps its books and records with respect to Receivables at the locations listed on **Schedule 2** hereto. **Schedule 5.11** hereto sets forth all primary business locations of the Borrowers situated within the United States as of the Restatement Date and where Borrower assets valued, individually or in the aggregate, in excess of Five Hundred Thousand and No/100 Dollars (\$500,000.00) are located as of the Restatement Date.

5.12 **Fiscal Year.** Each Borrower's Fiscal Year ends on December 31<sup>st</sup>.

5.13 **Pension Plans.**

(a) Except for the matters set forth on **Schedule 5.13(a)** attached hereto, the present value of all benefits vested under all "employee pension benefit plans", as such term is defined in Section 3(2) of the Employee Retirement Income Security Act of 1974 ("ERISA"), from time to time maintained by the Borrowers (individually, a "Pension Plan" and collectively, the "Pension Plans") did not, as of December 31, 2004, exceed the value of the assets of the Pension Plans allocable to such vested benefits;

(b) No Pension Plan, trust created thereunder or other person dealing with any Pension Plan has engaged in a non-exempt transaction proscribed by Section 406 of ERISA or a non-exempt "prohibited transaction", as such term is defined in Section 4975 of the Internal Revenue Code;

(c) Except for the matters set forth on **Schedule 5.13(c)** attached hereto, no Pension Plan or trust created thereunder has been terminated within the last three (3) years, and there have been no "reportable events" (as such term is defined in Section 4043 of ERISA and the regulations thereunder) with respect to any pension plan or trust created thereunder after June 30, 1974; and

(d) No Pension Plan or trust created thereunder has incurred any “accumulated funding deficiency” (as such term is defined in Section 302 of ERISA or Section 412 of the Internal Revenue Code) as of the end of any plan year, whether or not waived, since the effective date of ERISA.

#### 5.14 **O.S.H.A., ADA and Environmental Compliance.**

(a) Each Borrower has duly complied in all material respects with, and its facilities, business assets, property, leaseholds and equipment are in compliance in all material respects with, the provisions of the Federal Occupational Safety and Health Act (“O.S.H.A.”), the Americans with Disabilities Act (“ADA”), the Environmental Protection Act, RCRA and all other environmental laws which non-compliance with could result in a material adverse effect on the business, condition (financial or otherwise) or results of operations of any Borrower; and there have been no citations, notices, notifications or orders of any such non-compliance issued to any Borrower or relating to its business, assets, property, leaseholds or equipment under any such laws, rules or regulations;

(b) each Borrower has been issued all required federal, state and local licenses, certificates and permits necessary or appropriate in the operation of its facilities, businesses, assets, property, leaseholds and equipment, unless the failure to obtain any such license, certificate or permit would not have a material adverse effect on the business condition (financial or otherwise) or results of operations of any Borrower; and

(c) (i) there are no visible signs of releases, spills, discharges, leaks or disposal (collectively referred to herein as “Releases”) of Hazardous Substances at, upon, under or within any real property owned, or to the actual knowledge of any Borrower any premises leased, by any Borrower; (ii) there are no underground storage tanks or polychlorinated biphenyls on any real property owned, or to the actual knowledge of any Borrower any premises leased, by any Borrower; (iii) no real property owned, or to the actual knowledge of any Borrower premises leased, by any Borrower has ever been used by any Borrower (and to the best of each Borrower’s knowledge, any other person) as a treatment, storage or disposal facility for Hazardous Waste; and (iv) no Hazardous Substances are present on any real property owned, or to the actual knowledge of any Borrower any premises leased, by any Borrower, except for such quantities of Hazardous Substances as are handled in all material respects in accordance with all applicable manufacturer’s instructions and governmental regulations, and as are necessary or appropriate for the operation of the business of the Borrowers. Each Borrower, for itself and its successors and assigns, hereby covenants and agrees to indemnify, defend and hold harmless the Agent and Lenders from and against any and all liabilities, losses, claims, damages, suits, penalties, costs and expenses of every kind or nature, including, without limitation, reasonable attorneys’ fees arising from or in connection with (i) the presence or alleged presence of any Hazardous Substance or Hazardous Waste on, under or about any property of any Borrower (including, without limitation, any property or premises now or hereafter owned or leased by any Borrower), or which is caused by or results from, directly or indirectly, any act or omission to act by any Borrower; and (ii) any Borrower’s violation of any environmental statute, ordinance, order, rule or regulation of any governmental entity or agency thereof (including, without limitation, any liability arising under CERCLA, RCRA, HMTA or any Applicable Laws).

5.15 **Intellectual Property.** All patents, patent applications, trademarks, trademark applications, copyrights, copyright applications, trade names, trade secrets and licenses necessary for the conduct of the business of each Borrower are (i) owned or utilized by such Borrower, and (ii) valid and, except with respect to licenses, trade secrets and certain copyrights, have **been** duly registered or filed with all appropriate governmental authorities. **Schedule 5.15 (a)** hereto sets forth all patents, patent applications, trademarks, trademark applications, copyrights, copyright applications, trade names, trade secrets and licenses necessary for the conduct of the business of each Borrower as of the Restatement Date, and except as disclosed in **Schedule 5.15(a)** hereto, there is no objection or pending challenge to the validity of any such patent, trademark, copyright, trade name, trade secret or license; no Borrower is aware of any grounds for any such challenge or objection thereto. Except as disclosed in **Schedule 5.15(b)** hereto, as of the Restatement Date, no Borrower pays any royalty to anyone in connection with any patent, trademark, copyright, trade name, trade secret or license; and each Borrower has the right to bring legal action for the infringement of any such patent, trademark, copyright, trade name, trade secret or license.

5.16 **Existing or Pending Defaults; Material Contracts.** No Borrower is aware of any pending or threatened litigation, or any other legal or administrative proceeding or investigation pending or threatened, against any Borrower arising from or related to any Material Contract.

5.17 **Leases and Real Property.** No Borrower owns any real property other than fixtures that may relate to various leaseholds. All leases and other agreements under which any Borrower occupies real property are in full force and effect and constitute legal, valid and binding obligations of, and are legally enforceable against, the Borrower party thereto and, to the Borrowers' best knowledge, are the binding obligations of and legally enforceable against, the other parties thereto. To the Borrowers' best knowledge, all necessary governmental approvals, if any, have been obtained for each such lease or agreement, and there have been no threatened cancellations thereof or outstanding disputes with respect thereto.

5.18 **Labor Relations.** There are no strikes, work stoppages, material grievance proceedings, union organization efforts or other controversies pending, or to any Borrower's knowledge, threatened or reasonably anticipated, between any Borrower and (i) any current or former employee of any Borrower or (ii) any union or other collective bargaining unit representing any such employee. Each Borrower has complied and is in compliance with all Applicable Laws relating to employment or the workplace, including, without limitation, provisions relating to wages, hours, collective bargaining, safety and health, work authorization, equal employment opportunity, immigration, withholding, unemployment compensation, employee privacy and right to know, except for such non-compliance which could not reasonably be expected to have a material adverse effect on the business, condition (financial or otherwise) or results of operations of any Borrower. Except as set forth on **Schedule 5.18** hereto, as of the Restatement Date, there are no collective bargaining agreements, employment agreements between any Borrower and any of its employees, or professional service agreements not terminable at will relating to the businesses or assets of any Borrower. The consummation of the transactions contemplated hereby will not cause any Borrower to incur or suffer any liability relating to, or obligation to pay, severance, termination or other similar payments to any person or entity.

5.19 **Assignment of Contracts** No existing Government Contract, Government Subcontract or other Material Contract of any Borrower (and no present or future interest of any Borrower, in whole or in part, in, to or under any such Government Contract, Government Subcontract or other Material Contract) is currently assigned, pledged, hypothecated or otherwise transferred to any person or entity (other than in favor of the Agent for the benefit of the Lenders ratably).

5.20 **Contribution Agreement.** The Contribution Agreement is in full force and effect, has not been modified, altered or amended in any respect whatsoever (other than to add a new Borrower party thereto from time to time), and no Borrower is in default thereunder.

5.21 **Registered Names.** The corporate or company name of each Borrower set forth in this Agreement and the other Loan Documents (including, without limitation, all of the UCC-1 financing statements) is accurate in all respects, and such corporate or company name is identical to the corporate or company name of record with such Borrower's jurisdiction of incorporation or organization (as applicable).

5.22 **Ownership of the Borrowers.** As of the Restatement Date, all of the issued and outstanding capital stock of the Parent Company is owned in the percentages and by the persons or entities referenced on **Schedule 5.22(a)** hereto. Except as described on **Schedule 5.22(b)** hereto, all of the issued and outstanding capital stock or other ownership interests of each other Borrower is owned by either the Parent Company, the Primary Operating Company or another Borrower, free and clear of any and all liens, claims and encumbrances of any type or nature (other than the security interests granted to the Agent, for the benefit of the Lenders ratably, pursuant to this Agreement).

5.23 **Solvency.** Both prior to and after giving effect to the transactions contemplated by the terms and provisions of this Agreement, (i) each Borrower owned and owns property (including, without limitation, the

Borrower's rights under the Contribution Agreement) whose fair saleable value is greater than the amount required to pay all of such Borrower's indebtedness (including contingent debts), (ii) each Borrower was and is able to pay all of its indebtedness as such indebtedness matures, and (iii) each Borrower had and has capital sufficient to carry on its business and transactions and all business and transactions in which it is about to engage.

5.24 **Foreign Assets Control Regulations, Etc.** No Borrower is an "enemy" or an "ally of the enemy" within the meaning of Section 2 of the Trading with the Enemy Act of the United States of America (50 U.S.C. App. §§1 *et seq.*), as amended. No Borrower is in violation of (a) the Trading with the Enemy Act, as amended, (b) any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto or (c) the Patriot Act. None of the Borrowers (i) is a blocked Person described in Section 1 of the Anti-Terrorism Order or (ii) engages in any dealings or transactions or is otherwise associated, with any such blocked Person.

5.25 **Federal Reserve Regulations** No director, executive officer or principal shareholder of any Borrower is a director, executive officer or principal shareholder of any Lender. For the purposes hereof the terms "director" "executive officer" and "principal shareholder" (when used with reference to any Lender), have the respective meanings assigned thereto in Regulations issued by the Board of Governors of the Federal Reserve System.

5.26 **Commercial Tort Claims** No Borrower is a party to any Commercial Tort Claims, except as shown on Schedule 5.26 hereto.

5.27 **Letter of Credit Rights** No Borrower has any Letter of Credit Rights, except as shown on Schedule 5.27 hereto.

5.28 **Survival of Representations and Warranties.** All representations and warranties made herein shall survive the making of the Loan, and shall be deemed remade and redated as of the date of each request for an advance or readvance of any Loan proceeds, unless the Borrower is unable to remake and/or redate any such representation or warranty, discloses the same to the Lenders in writing, and such inability does not constitute or give rise to an Event of Default.

## ARTICLE 6 AFFIRMATIVE COVENANTS OF THE BORROWERS

So long as any Obligation remains outstanding or this Agreement remains in effect, each Borrower jointly and severally covenants and agrees with the Agent and Lenders that:

6.1 **Payment of Loan Obligations.** Each Borrower will duly and punctually pay all sums to be paid to the Lenders and the Agent in accordance with the terms and provisions of the Loan Documents, and will comply with, perform and observe all of the terms and provisions thereof.

6.2 **Payment of Taxes.** Each Borrower will promptly pay and discharge when due all federal, state and other governmental taxes, assessments, fees and charges imposed upon it, or upon any of its properties or assets, except to the extent that the non-payment thereof will not result in the execution of any tax lien or otherwise jeopardize the Agent's or the Lenders' interest in any Collateral.

6.3 **Delivery of Financial and Other Statements.** The Borrowers shall deliver to the Agent and the Lenders financial and other statements, each of which shall, unless otherwise expressly set forth below to the contrary, be prepared in accordance with GAAP consistently applied, as follows:

(a) on or before the one hundred twentieth (120th) day following the close of each Fiscal Year, the Borrowers will submit to the Agent and the Lenders (i) annual audited and unqualified consolidated financial statements, which shall be accompanied by consolidating schedules and management letters (if issued) and certified by an independent certified public accountant acceptable to the Agent, and (ii) an annual budget for the then current year, in form reasonably satisfactory to the Agent, certified by the Borrowers' Chief Financial Officer or another duly authorized executive officer of the Borrowers;

(b) on or before the forty-fifth (45th) day following the close of each fiscal quarter, the Borrowers will submit to the Agent and the Lenders (i) a consolidated balance sheet and income statement, reporting the Borrowers' current financial position and the results of their operations for the fiscal quarter then ended and year-to-date, (ii) internally prepared statements of cash flow and contract/status backlog reports, (iii) a Quarterly Covenant Compliance/Non-Default Certificate in the form attached as **Exhibit 5** hereto, (iv) a schedule listing each Government Contract (other than Government Contracts with an Approved International Organization) which constitutes a Material Contract and has a remaining term of twelve (12) months or longer, and (v) a written report listing all office locations of the Borrowers and denoting each office location where the Borrowers maintain their books and records, each of which shall be in form and substance satisfactory to the Agent in all respects and certified by the Borrowers' Chief Financial Officer or another duly authorized executive officer of the Borrowers;

(c) on or before the thirty-fifth (35th) day following the close of each fiscal month, the Borrowers will submit to the Agent and the Lenders a Borrowing Base/Non-Default Certificate in the form attached as **Exhibit 4** hereto, accompanied by detailed current aged billed accounts receivable reports, each of which shall be certified by the Borrowers' Chief Financial Officer or another duly authorized executive officer of the Borrowers;

(d) within five (5) days of issuance, distribution or filing, as applicable, the Borrowers will submit to the Agent and the Lenders copies of all public filings, disclosure statements and/or registration statements which any Borrower issues to, distributes to or files with the Securities and Exchange Commission or any state agency or department regulating securities (or any other person or entity, pursuant to the rules and/or regulations of the Securities and Exchange Commission or any state agency or department regulating securities);

(e) not less than thirty (30) days prior to any change of or addition to any of the locations within the United States where any Collateral (other than Receivables) valued, individually or in the aggregate, in excess of Five Hundred Thousand and No/100 Dollars (\$500,000.00) is or will be located, or any change of or addition to the location(s) of the books and records used to generate any Borrower's Receivables, the Borrowers will submit to the Agent and each Lender a written notice specifying the new address or location of such Collateral or books and records (as the case may be), and if required pursuant to Section 6.17 hereof, the written notice from the Borrowers shall be accompanied by the landlord lien waiver required thereunder, executed by the landlord for such new location; and

(f) promptly upon the request of the Agent or any Lender, the Borrowers will provide to the Agent and the Lenders such other information and/or reports relating to each Borrower's business, operations, properties or prospects as the Agent or Lenders may from time to time reasonably request.

It is expressly understood and agreed that the Borrower certifications required under this Section 6.3 shall (i) with respect to historical data, be true and accurate in all material respects, and (ii) with respect to projections, be reasonable.

**6.4 Maintenance of Records; Review by the Lenders.** Each Borrower will maintain at all times proper books of record and account in accordance with GAAP, consistently applied, and, subject to any applicable confidentiality and secrecy requirements imposed by any Government agency, will permit the Agent's and Lenders' officers or any of the Agent's or Lenders' authorized representatives or accountants to visit and inspect each Borrower's offices and properties, examine its books of account and other records, and discuss its affairs, finances and accounts with the officers of any Borrower, all at such reasonable times during normal business hours, and as often as the Agent or Required Lenders may reasonably request.

**6.5 Maintenance of Insurance Coverage.**

(a) Each Borrower will maintain in effect fire and extended coverage insurance, public liability insurance, worker's compensation insurance and insurance on the Collateral and each of its properties, with responsible insurance companies, in such amounts and against such risks as are customary for similar businesses,

required by governmental authorities, if any, having jurisdiction over all or part of its operations, or otherwise reasonably required by the Agent, and will furnish to the Agent certificates evidencing such continuing insurance. The Agent, for the benefit of the Lenders ratably, shall be named as loss payee on all hazard and casualty insurance policies and as an additional insured on all liability insurance policies. All insurance policies shall also provide (i) that the insurer shall endeavor to provide not less than thirty (30) days written notice to the Agent prior to expiration, cancellation or material change in any coverage or otherwise, except where the expiration or cancellation of a policy results from no-payment of premium(s) or non-renewal of the policy (in which case the policy shall provide for not less than ten (10) days prior written notice); and (ii) for waiver of subrogation.

(b) The Borrowers shall maintain, at all times for so long as the Facilities shall remain in effect and the particular officer shall remain employed by the Borrowers, the Key Man Life Insurance Policies, which shall be in form and substance reasonably acceptable to the Agent in all respects.

**6.6 Maintenance of Property/Collateral; Performance of Contracts.** Each Borrower will at all times maintain the Collateral and its tangible property, both real and personal, in good order and repair (subject to ordinary wear and tear), and will permit the Agent's officers or authorized representatives to visit and inspect the Collateral and each Borrower's tangible property at such reasonable times during normal business hours, as and when the Agent deems necessary or appropriate. Each Borrower shall perform all obligations under all Material Contracts to which it is a party (including, without limitation, all obligations of such Borrower set forth in any Material Contract to which such Borrower is a party), including all exhibits and other attachments to such contracts, all modifications thereto and all documents and instruments delivered pursuant thereto, and will comply with all laws, rules and regulations governing the execution, delivery and performance thereof, except for such non-compliance which would or could reasonably be expected to have a material adverse effect on the business, condition (financial or otherwise), results of operations or properties of such Borrower.

**6.7 Maintenance of Existence.** Each Borrower will maintain its corporate or company existence (as applicable) in its state of incorporation or organization as of the Restatement Date, and will provide the Agent with evidence of the same from time to time upon the Agent's request.

**6.8 Maintenance of Certain Deposit Accounts with the Agent.** Except for the Transitional Deposit Account and Permitted Foreign Bank Accounts, each Borrower will maintain its primary cash collection accounts with the Agent and all of its other primary bank accounts with a Lender; it being expressly understood and agreed, however, that Caliber shall have a reasonable period of time (not to exceed one hundred twenty (120) days from the Restatement Date) to close its existing primary bank accounts and re-establish such primary bank accounts with a Lender unless arrangements have been made in a manner acceptable to the Agent, in its sole but reasonable discretion, to promptly sweep available funds from such accounts to an account maintained with a Lender. Each Lender maintaining a primary bank account of any Borrower expressly acknowledges and agrees that (a) the Agent, for the benefit of the Lenders ratably, has been granted a first priority security interest in and to such bank account pursuant to this Agreement, (b) the Lender's possession of such bank account constitutes "control" for purposes of perfecting the Agent's security interest in and to such bank account under the UCC or otherwise, and (c) such Lender's rights and remedies with respect to such bank account (other than rights and remedies necessary to recoup normal and customary account fees and charges imposed from time to time for maintaining and administering such bank account) shall be, and at all times remain, subject and subordinate to the rights and remedies of the Agent granted pursuant to this Agreement or available pursuant to applicable law.

**6.9 Maintenance of Management.** The Borrowers will notify the Agent and the Lenders in writing of the change of any executive officer or director of the Parent Company or the Primary Operating Company within thirty (30) days of the date of any such change.

**6.10 Disclosure of Defaults, Etc.**

(a) Promptly upon the occurrence thereof, each Borrower will provide the Agent and the Lenders with written notice of any Event of Default, or any act, event, condition or occurrence that upon the giving of any required notice or the lapse of time, or both, would constitute an Event of Default. In addition, each Borrower will promptly advise the Agent and the Lenders in writing of any condition, act, event or occurrence



which comes to such Borrower's attention that would or could reasonably be expected to prejudice the Agent's or any Lender's rights in connection with any Material Contract, any Collateral, this Agreement, any Note or any other Loan Document, including, without limitation, the details of any pending or threatened suspension, debarment or other governmental action or proceeding, any pending or threatened litigation, and any other legal or administrative proceeding or investigation pending or threatened against any Borrower, including the entry of any judgment in excess of Five Hundred Thousand and No/100 Dollars (\$500,000.00) or lien (other than a Permitted Lien) against any Borrower, its assets or property. Additionally, the Borrowers agree to provide written notice to the Agent and Lenders within five (5) days of the date on which any obligation of a Borrower for the payment of borrowed money, whether now existing or hereafter created, incurred or arising, becomes or is declared to be due and payable prior to the expressed maturity thereof.

(b) If, at any time after the Restatement Date, any Borrower shall receive any letter, notice, subpoena, court order, pleading or other document issued, given or delivered by the Government, any Prime Contractor or by any person or entity acting for or on behalf of the Government or such Prime Contractor with respect to, or in any manner related to any alleged default, fraud, dishonesty, malfeasance or other willful misconduct of a Borrower, such Borrower shall deliver a true, correct and complete copy of such letter, notice, subpoena, court order, pleading or document to the Agent, the Agent's counsel and each Lender within five (5) Business Days of such Borrower's receipt thereof. Furthermore, if any Borrower shall issue, give or deliver to the Government any Prime Contractor or by any person or entity acting for or on behalf of the Government or such Prime Contractor, any letter, notice, subpoena, court order, pleading or other document with respect to, or in any manner related to, or otherwise in response to any alleged default, fraud, dishonesty, malfeasance or other willful misconduct of a Borrower, such Borrower shall deliver a true, correct and complete copy of such letter, notice, subpoena, court order, pleading or other document to the Agent, the Agent's counsel and each Lender concurrent with the Borrower's issuance or delivery thereof to the Government, such Prime Contractor or any person or entity acting for or on behalf of the Government or such Prime Contractor. If any letter, notice, subpoena, court order, pleading or other document required to be delivered to the Agent, the Agent's counsel and each Lender pursuant to this Section 6.10 contains any information deemed "classified" by the Government and/or the dissemination of any such information to the Agent, the Agent's counsel and each Lender would result in the Borrowers violating any Applicable Law, then the Borrowers shall deliver to the Agent, the Agent's counsel and each Lender a summary of such letter, notice, subpoena, court order, pleading or other document containing a summary thereof, but including as much (but no more than) detail as can be included therein without violating any Applicable Law.

**6.11 Security Perfection; Assignment of Claims Act; Payment of Costs.** The Borrowers will execute and deliver and pay the costs of recording and filing financing statements, continuation statements, termination statements, assignments and other documents, as the Agent may from time to time deem necessary or appropriate for the perfection of any liens granted to the Agent or Lenders pursuant hereto or pursuant to any other Loan Document. On or before the date which is ninety (90) days from the date of any Government Contract hereafter entered into, extended or renewed by one or more Borrowers, such Borrower(s) shall execute all documents necessary or appropriate in order to comply with the Assignment of Claims Act of 1940, as amended, 31 U.S.C. Section 3727 and 41 U.S.C. Section 15 (the "Government Contract Assignments") in connection with each such Government Contract; it being understood and agreed, however, that (i) no Borrower's failure to execute and deliver any Government Contract Assignment shall constitute a default, breach or violation of the Borrowers' obligation(s) set forth in this Section 6.11, unless the Agent shall have made written demand upon the Borrowers to fully and faithfully comply with its obligation(s) with respect to Government Contract Assignments set forth in this Section 6.11 above, and such demand shall have been issued by the Agent only after the occurrence of an Event of Default; and (ii) no Government Contract Assignment shall be required for any Government Contract which (a) has a remaining value of less than Five Hundred Thousand and No/100 Dollars (\$500,000.00), (b) has a remaining term of less than twelve (12) months (with no option to extend), or (c) has an Approved International Organization as the other party thereto. The Borrowers acknowledge that the Agent and the Lenders will be irreparably harmed if any Borrower fails or refuses to execute and deliver any Government Contract Assignment after the Agent's demand therefor, as and when required pursuant to this Section 6.11, and that the Agent and the Lenders have no adequate remedy at law. In such event, the Borrowers agree that the Agent shall be entitled, in addition to all other rights and remedies available to the Agent and/or the Lenders, to injunctive or other equitable relief to compel the Borrowers' full compliance with the requirements of this Section 6.11. All costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) incurred in connection with the preparation, execution, delivery and administration of Government Contract Assignments shall be borne solely by the Borrowers. Additionally, the

Borrowers will pay any and all costs incurred in connection with the transactions contemplated hereby, as well as any and all taxes (other than the Lenders' income and franchise taxes), which may be payable as a result of the execution of this Agreement or any agreement supplemental hereto, or as a result of the execution and/or delivery of any Note or other Loan Document.

6.12 **Defense of Title to Collateral.** The Borrowers will at all times defend the Lenders', the Agent's and Borrowers' rights in the Collateral, subject to the Permitted Liens, against all persons and all claims and demands whatsoever, and will, upon request of the Agent (i) furnish such further assurances of title as may be required by the Agent, and (ii) do any other acts necessary to effectuate the purposes and provisions of this Agreement, or as required by law or otherwise in order to perfect, preserve, maintain or continue the interests of the Agent and/or Lenders in any Collateral.

6.13 **Compliance with Law.** Each Borrower will conduct its businesses and operations in compliance in all material respects with (i) all Applicable Laws and requirements of all federal, state and local regulatory authorities having jurisdiction, (ii) the provisions of its charter documents and by-laws, (iii) all agreements and instruments by which it or any of its properties may be bound, and (iv) all applicable decrees, orders and judgments.

6.14 **Other Collateral Covenants.**

(a) The Borrowers will, at their own expense, make, execute, endorse, acknowledge, file and/or deliver to the Agent from time to time such lists, descriptions and designations of Collateral, warehouse receipts, receipts in the nature of warehouse receipts, bills of lading, documents of title, vouchers, invoices, schedules, confirmatory assignments, conveyances, financing statements, transfer endorsements, powers of attorney, certificates, reports and other assurances or instruments, and take such further steps relating to the Collateral and other property or rights covered by the interests hereby granted which the Agent deems reasonably appropriate or advisable to perfect, preserve or protect its ownership and security interests in any Collateral.

(b) The Borrowers shall promptly notify the Agent in writing if, at any time, any issuer of uncertificated securities, securities intermediary or commodities intermediary has issued or holds, or will issue or hold, any financial assets or commodities to or for the benefit of any Borrower, and the Borrowers shall obtain authenticated control letters from such issuer or intermediary, in form and substance reasonably satisfactory to the Agent, within ten (10) days of the Agent's demand therefor.

(c) If any Borrower is or becomes the beneficiary of a letter of credit, such Borrower shall promptly, and in any event within two (2) Business Days after becoming a beneficiary, notify the Agent thereof and, following the Agent's request, enter into a tri-party agreement with the Agent and the issuer and/or confirmation bank with respect to all Letter of Credit Rights in connection with such letter of credit, assigning such Letter of Credit Rights to the Agent and directing all payments thereunder to an account designated by the Agent, which tri-party agreement shall be in form and substance reasonably satisfactory to the Agent.

(d) The Borrowers shall promptly take all steps necessary to grant the Agent control of all electronic chattel paper in accordance with the UCC and all "transferable records" as defined in each of the Uniform Electronic Transactions Act and the Electronic Signatures in Global and National Commerce Act.

(e) The Borrowers hereby irrevocably authorize the Agent at any time and from time to time to file in any filing office in any Uniform Commercial Code jurisdiction any initial financing statements and amendments thereto that (A) describe Collateral (I) as all assets of the Borrowers or words of similar effect (other than assets expressly excluded from the description of Collateral herein), regardless of whether any particular asset comprised in the Collateral falls within the scope of Article 9 of the Uniform Commercial Code in such jurisdiction, or (II) as being of an equal or lesser scope or with greater detail, and (B) contain any other information required by part 5 of Article 9 of the Uniform Commercial Code for the sufficiency or filing office acceptance of any financing statement or amendment, including (I) whether any Borrower is an organization, the type of organization and any organization identification number issued to such Borrower, and (II) in the case of a financing statement filed as a fixture filing or indicating Collateral as as-extracted collateral or timber to be cut, a sufficient description of real

property to which the Collateral relates. The Borrowers agree to furnish any such information to the Agent promptly upon request. The Borrowers also ratify their authorization for the Agent to have filed in any Uniform Commercial Code jurisdiction any initial financing statements or amendments thereto, if filed prior to the Restatement Date.

(f) The Borrowers shall promptly, and in any event within two (2) Business Days after the same is acquired by any Borrower, notify the Agent of any Commercial Tort Claim (as defined in the UCC) acquired by a Borrower and unless otherwise consented to by the Agent, such Borrower shall enter into a supplement to this Agreement, granting to the Agent, for the benefit of the Lenders ratably, a security interest in such Commercial Tort Claim.

(g) If any Borrower retains possession of any Chattel Paper or Instruments with the Agent's consent, such Chattel Paper and Instruments shall be marked with the following legend: "This writing and the obligations evidenced or secured hereby are subject to the security interest of Citizens Bank of Pennsylvania, as Agent."

(h) No Borrower shall reincorporate or reorganize itself under the laws of any jurisdiction other than the jurisdiction in which it is incorporated as of the Restatement Date without the prior written consent of the Agent.

(i) Each Borrower acknowledges that it is not authorized to file any financing statement or amendment or termination statement with respect to any financing statement without the prior written consent of the Agent and agrees that it will not do so without the prior written consent of the Agent, subject to such Borrower's rights under Section 9-509(d)(2) of the UCC.

6.15 **Financial Covenants of the Borrowers.** So long as any Obligation remains outstanding or this Agreement remains in effect, the Borrowers will comply with each of the financial covenants set forth below.

(a) **Fixed Charge Coverage Ratio.** The Borrowers will maintain on a consolidated basis for each quarter, a Fixed Charge Coverage Ratio of not less than 1.10 to 1.00. For purposes of the foregoing, "Fixed Charge Coverage Ratio" shall mean, for each measurement period, the sum of the Borrowers' EBITDA, plus real property rent expense and operating lease expense, divided by the sum of the Borrowers' real property rent expense and operating lease expense, plus interest expense, plus cash taxes paid, plus required principal payments on debt and capital lease payments; provided, however, that (i) Principal payments made under Facility C, and (ii) the Primary Operating Company's assumption of Caliber's tax liability in an amount not to exceed Four Million and No/100 Dollars (\$4,000,000.00) will be excluded from the calculation of the Fixed Charge Coverage Ratio. The Fixed Charge Coverage Ratio shall be measured on the last day of each fiscal quarter throughout the term of the Loan.

(b) **Leverage Ratio.** The Borrowers will maintain at all times on a consolidated basis a Leverage Ratio of not more than 3.50 to 1.00. For purposes of the foregoing, "Leverage Ratio" shall mean, for each measurement period, the ratio of the Borrower's Total Debt to EBITDA. The Leverage Ratio shall be measured on the last day of each fiscal quarter throughout the term of the Loan.

(c) **Capital Expenditures.** The Borrowers shall not, on an aggregate and consolidated basis, make or incur any capital expenditures, during any Fiscal Year, in excess of an amount equal to one and one-half percent (1.50%) of the Borrowers' gross annual revenues for the immediately preceding twelve (12) month period.

(d) **Continued Profitability.** The Borrowers shall not, on a consolidated basis, sustain or incur negative Consolidated Net Operating Income for any fiscal quarter throughout the term of the Loan.

(e) **Maximum Total Senior Debt.** The Borrowers shall not, at any time, suffer or permit Total Senior Debt to exceed the aggregate amount of all of the Borrowers' Receivables (including all billed and unbilled Receivables). For purposes hereof, "Total Senior Debt" shall mean Total Debt, less the sum of (i) the aggregate unpaid amount of principal, accrued interest and other amounts payable in respect of Facility C, plus (ii) any and all other indebtedness expressly subordinated to the Loan in payment, priority, collection and all other respects pursuant to one or more written subordination agreements acceptable to the Agent in all respects.

Except as otherwise expressly provided above, the financial covenants referenced above shall be calculated and tested on a rolling four (4) quarter basis, and shall include the results of any entity acquired pursuant to a Permitted Acquisition and consolidated into the Borrowers' financial statements within the twelve (12) month period immediately preceding the applicable covenant calculation date; provided, however, that for the quarters ending December 31, 2005, March 31, 2006 and June 30, 2006, the financial covenants referenced above shall be calculated and tested on an annualized basis, beginning with the results for the quarter ending December 31, 2005. Unless otherwise defined, all financial terms used in this Section 6.15 shall have the meanings attributed to such terms in accordance with GAAP.

**6.16 Intentionally Omitted.**

**6.17 Landlord Waivers; Subordination.** If, at any time after the Restatement Date, any Borrower (other than any Foreign Borrower) shall move or relocate any of its (a) books and records or (b) primary business location(s) situated within the United States where Borrower assets valued, individually or in the aggregate, in excess of Five Hundred Thousand and No/100 Dollars (\$500,000.00) are located, the Borrowers shall provide to the Agent, prior to any such move or relocation, a landlord lien waiver, in form and substance reasonably satisfactory to the Agent, pursuant to which each landlord shall subordinate any statutory, contractual or other lien the landlord may have in any of the Collateral to the lien, operation and effect of the lien granted to the Agent pursuant to this Agreement and the other Loan Documents. Notwithstanding the foregoing, on or prior to November 22, 2005, all books and records of Caliber shall be moved to one of the Borrowers' current primary business location(s) listed on Schedule 5.11 to this Agreement.

**6.18 Substitute Notes.** Upon request of the Agent, each Borrower shall execute and deliver to the Agent substitute promissory notes, in form and substance satisfactory to the Agent in all respects, payable to the order of such person or entity as may be designated by the Agent; it being understood and agreed, however, that the aggregate principal amount of all outstanding promissory notes shall not exceed the Commitment Amount (plus the Swing Line Commitment Amount) as of the date such substitute note(s) are issued.

**6.19 Interest Rate Contracts.** The Borrowers shall have in effect within thirty (30) days of Closing at all times until the third (3rd) anniversary of the Restatement Date, one or more interest rate protection agreements ("Interest Rate Contracts"), in form and substance reasonably satisfactory to the Agent in all respects (but in no event on terms that are other than commercially reasonable) covering a minimum amount of Fifteen Million and No/100 Dollars (\$15,000,000.00) of the Borrowers' Obligations. The Borrowers may have in effect, from time to time, Interest Rate Contracts reasonably satisfactory to the Agent. Any such Interest Rate Contract must be purchased from the Agent. The Borrowers' obligations under any Interest Rate Contract purchased from the Agent shall be secured by the Collateral on a pari passu basis. The Borrowers shall determine to their own satisfaction whether each such Interest Rate Contract is sufficient to meet the Borrowers' needs for interest rate protection, and neither the Agent nor any Lender shall have any obligation or liability with respect thereto, nor any obligation to propose, quote or enter into any Interest Rate Contract, unless such Interest Rate Contract shall be on terms and conditions satisfactory to the Agent in all respects.

**ARTICLE 7  
NEGATIVE COVENANTS OF THE BORROWERS**

So long as any Obligation remains outstanding or this Agreement remains in effect, each Borrower jointly and severally covenants and agrees that, without the prior written consent of the Agent, the Borrowers will not:

**7.1 Change of Control; Disposition of Assets; Merger.**

(a) Permit majority ownership or effective control of any Borrower to be sold, assigned or otherwise transferred, legally or equitably, to any person or entity, except to another Borrower; or

(b) suffer or permit the issuance of any capital stock of any Borrower, except for the issuance of Additional Equity Stock, whether pursuant to an employee stock option plan or an employee stock ownership plan, in form and substance reasonably satisfactory to the Agent (either such plan being referred to herein as an “Approved ESOP”), or an employee stock purchase plan, program or arrangement, in form and substance reasonably satisfactory to the Agent (an “Approved ESPP”); or

(c) permit any Borrower to sell, assign, loan, deliver, lease, transfer or otherwise dispose of property or assets (including, without limitation, stock, equity or any other type of ownership interests of another Borrower), except for (i) transfers of assets between Borrowers in which the Agent continues to have a perfected first priority security interest in and to all such assets constituting Collateral (after giving effect to such transfer), subject, however, to Permitted Liens; (ii) subleasing of any premises which is not necessary for a Borrower’s business operations; and (iii) asset dispositions to non-Borrowers consummated in the ordinary course of the Borrowers’ business, provided that the fair market value of any and all such asset dispositions does not exceed Five Hundred Thousand and No/100 Dollars (\$500,000.00), in the aggregate, during any Fiscal Year; or permit any Borrower to become a party to any document, instrument or agreement (other than this Agreement and the other Loan Documents) which prohibits, limits or restricts such Borrower from assigning, pledging, hypothecating or otherwise encumbering any of its assets, including, without limitation, any stock of another Borrower; or

(d) permit any Borrower or any Affiliate of any Borrower to merge or consolidate with any business, company or enterprise, or acquire or purchase any business, company or enterprise or acquire or purchase substantially all of the assets of any business, company or enterprise; it being understood and agreed, however, that the Agent’s prior written consent shall not be required for any of the following:

(i) any merger between Borrowers; provided that (A) the Borrowers shall have provided not less than twenty (20) days prior written notice to the Agent and Lenders of the proposed merger, and such notice sets forth all of the material terms of such merger (including, without limitation, the purpose for consummating such merger), (B) after giving effect to such merger, the Agent, for the benefit of the Lenders ratably, shall have a perfected first priority security interest in and to the all of the assets of the surviving Borrower constituting Collateral (subject to Permitted Liens), (C), within ten (10) days of the effective date of such merger, true, correct and complete state-certified copies of the articles of merger, plan of merger and all other documents, instruments and agreements relating thereto shall have been provided by the Borrowers to the Agent and Lenders, and (D) promptly (but in all events within twenty (20) days) following the Agent’s request, the Borrowers shall have executed, issued and/or delivered to the Agent such documents, instruments and agreements as the Agent or the Lenders may reasonably require in connection with or as a result of such merger; or

(ii) the Caliber Acquisition or any other merger or acquisition by any Borrower with or of a non-Borrower (a “Target”) which meets all of the following criteria:

A. the merger or acquisition results in the acquisition by such Borrower of all or substantially all of the assets of the Target or at least eighty-five percent (85%) of all of the issued and outstanding equity or ownership interests in the Target, in either case, free and clear of any and all liens, claims and encumbrances (other than Permitted Liens);

B. the Target is in a similar line or lines of business as that of the Borrowers;

C. the Target is a going concern, not involved in any material litigation that is not fully covered by reserves and/or insurance and shall have (i) had net earnings after all expenses in excess of One Cent (\$0.01) for the immediately preceding four (4) fiscal quarters, and (ii) not suffered any material adverse change in its business, operations, condition or assets at any time after the immediately preceding fiscal quarter end and prior to the effective date of the merger or acquisition;

D. the subject transaction does not constitute a hostile acquisition or merger, nor does it involve the acquisition or merger of any equity interests in, or assets of an existing customer of any Lender;

E. both prior to and after giving effect to the merger or acquisition, no Event of Default shall exist or have occurred;

F. the Borrowers will be in compliance with all financial covenants set forth in Section 6.15 of this Agreement both prior to and after giving effect to the merger or acquisition;

G. after giving effect to the merger or acquisition, there is at least Five Million and No/100 Dollars (\$5,000,000.00) of excess availability under Facility A;

H. both prior to and after giving effect to the merger or acquisition, the aggregate amount of cash consideration, whether paid or unpaid, for all mergers and/or acquisitions that have occurred since the Restatement Date (and pursuant to Section 7.1(d)(ii) do not require Lenders' approval) shall not exceed Five Million and No/100 Dollars (\$5,000,000.00), in the aggregate; it being understood that neither the acquisition of the Synergy Entities nor the acquisition of the Caliber Entities are included for purposes of the calculation of the aggregate amount of cash consideration set forth in this Section 7.1(d)(ii) (H);

I. the Borrowers shall not assume any obligation or liability that would be included in the calculation of Total Debt as a condition of such merger or acquisition other than capitalized leases entered into in the ordinary course of business, normal and customary accruals and other indebtedness expressly permitted pursuant to this Agreement;

J. the Borrowers shall have certified in writing, or concurrent with the consummation of the subject merger or acquisition shall certify in writing, to the Agent and the Lenders that the subject merger or acquisition meets the requirements of a Permitted Acquisition as set forth above; and

K. the Target shall be joined as a "Borrower" pursuant to Section 1.10 of this Agreement within fifteen (15) days of the effective date of the merger or acquisition or such later date as otherwise provided for pursuant to Section 1.10 of this Agreement; it being understood and agreed, however, that unless and until the Agent shall have conducted a field audit with respect to the Target or newly joined Borrower (as the case may be), the assets of such Target or newly joined Borrower will not be included in the calculation of the Maximum Borrowing Base without the Agent's prior approval.

In the event that the Agent issues its consent to a hostile acquisition or an acquisition involving the stock or assets of an existing customer of any Lender, such consent shall be subject to, among other things, the Borrowers' agreement to indemnify, defend and hold the Agent and Lenders harmless from and against any and all claims, demands, losses, liabilities, damages, costs and expenses of every kind and nature, including without limitation, reasonable attorneys' fees, related to, arising out of or in connection with such acquisition, pursuant to an indemnity agreement satisfactory to the Agent and the affected Lender in all respects.

7.2 **Margin Stocks.** Use all or any part of the proceeds of any advance made hereunder to purchase or carry, or to reduce or retire any loan incurred to purchase or carry, any margin stocks (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System) or to extend credit to others for the purpose of purchasing or carrying any such margin stocks.

7.3 **Change of Operations.** Change the general character of any Borrower's business as conducted on the Restatement Date, or engage in any type of business not directly related to or compatible with such business as presently and normally conducted.

7.4 **Judgments; Attachments.** Suffer or permit any judgment in excess of Five Hundred Thousand and No/100 Dollars (\$500,000.00) against any Borrower or any attachment against any Borrower's property (for an amount not fully covered by insurance) to remain unpaid, undischarged or undismissed for a period of twenty (20) days, unless enforcement thereof shall be effectively stayed or bonded.

**7.5 Further Assignments; Performance and Modification of Contracts; etc.** Except as may be expressly permitted by the Loan Documents (i) make any further assignment, pledge or disposition of the Collateral or any part thereof; (ii) permit any set-off or reduction, delay the timing of any payment under, or otherwise modify any Material Contract, if such set-off, reduction, delay or modification (a) would give rise to a Borrowing Base Deficiency, (b) would have a material adverse effect on the business, condition (financial or otherwise) or results of operations of any Borrower, or (c) could reasonably be expected to have a material adverse effect on the condition (financial or otherwise), operations, properties or assets of any Borrower; (iii) create, incur or permit to exist any lien or encumbrance on any real property now or hereafter owned by any Borrower; or (iv) do or permit to be done anything to impair the Agent's security interest in any Collateral or the payments due to any Borrower thereunder; it being understood that reasonable and customary compromises and settlements with Account Debtors in the ordinary course of the Borrower's business will not constitute a violation of this covenant.

**7.6 Affect Rights of the Agent or Lenders.** At any time do or perform any act or permit any act to be performed which would or reasonably could materially adversely affect the interests or rights of the Agent or Lenders under any Loan Document.

**7.7 Indebtedness; Granting of Security Interests.**

(a) Suffer or permit any Borrower to incur any indebtedness, whether direct or indirect, except for:

(i) trade debt and operating leases incurred in the ordinary course of business;

(ii) indebtedness outstanding on the Restatement Date and listed on **Schedule 7.7(a)** hereto;

(iii) inter-company indebtedness (including inter-company guarantees) by and among the Borrowers in which the Agent has a perfected security interest in and to all of their assets constituting Collateral;

(iv) performance guarantees issued by any Borrower for the benefit of another Borrower;

(v) bid bonds and/or performance bonds issued on behalf of any and all Borrowers in the ordinary course of business in an amount not to exceed, individually or in the aggregate, Five Hundred Thousand and No/100 Dollars (\$500,000.00), at any time;

(vi) indebtedness secured by liens listed on **Schedule 7.7(c)** hereto, or other indebtedness secured by Permitted Liens;

(vii) indebtedness incurred pursuant to Interest Rate Contracts entered into by the Borrowers in accordance with Section 6.19 of this Agreement;

(viii) indebtedness incurred to finance (by purchase or lease) equipment constituting capital expenditures, provided that such indebtedness does not violate any other covenant set forth in this Agreement;

(ix) guarantees expressly permitted by the terms of this Agreement; and

(x) any other unsecured indebtedness (not specifically described in this Section 7.7(a)), provided that the aggregate amount of such indebtedness remaining unpaid and outstanding as of any date of determination does not exceed One Million Five Hundred Thousand and No/100 Dollars (\$1,500,000.00).

(b) mortgage, assign, pledge, hypothecate or otherwise encumber or permit any lien, security interest or other encumbrance, including purchase money liens, whether under conditional or installment sales arrangements or otherwise, to affect the Collateral or any other assets or properties of any Borrower (except for Permitted Liens and other liens, security interests or encumbrances expressly permitted herein); or

(c) enter into any agreement or understanding with any person or entity pursuant to which any Borrower agrees to be bound by a covenant not to encumber all or any part of the property or assets of such Borrower, unless such agreement or understanding is entered into in connection with the granting of purchase money security interests permitted pursuant to the terms and provisions of this Agreement.

#### **7.8 Dividends; Loans; Advances; Investments and Similar Events.**

(a) Declare or pay any dividend on any Borrower's capital stock of any class, alter or amend any Borrower's capital structure, purchase, redeem or otherwise retire any shares of any Borrower's capital stock (other than purchases or redemptions made pursuant to an Approved ESOP or an Approved ESPP which (i) do not occur at any time after an Event of Default has occurred and is continuing, (ii) do not cause or result in an Event of Default, and (iii) when netted against any new issuances of capital stock to employees of any Borrower, do not exceed One Million and No/100 Dollars (\$1,000,000.00), in the aggregate, for so long as the Facilities remain unpaid and outstanding or the Lenders have any continuing obligations hereunder), voluntarily prepay, acquire or anticipate any sinking fund requirement of any indebtedness, or make any distributions in cash or assets to any Borrower's shareholders or any Borrower's Affiliate which is not a Borrower under this Agreement;

(b) make any loans, salary advances or other payments to (i) any shareholders of any Borrower, unless such shareholder is also a Borrower party to this Agreement in which the Agent has a perfected security interest in and to all of its assets constituting Collateral at the time such loan, salary advance or other payment is made; (ii) any corporation or other enterprise directly or indirectly owned in whole or in part by any shareholder of any Borrower, unless such corporation or other enterprise is also a Borrower party to this Agreement in which the Agent has a perfected security interest in and to all of its assets constituting Collateral at the time such loan, salary advance or other payment is made; or (iii) any other person or entity; provided, however, that the Borrowers may make or continue to have outstanding any or all of the following:

(i) loans or advances to individual officers, present employees or former employees of any Borrower, provided, that all such loans and advances to such persons may not at any time exceed Two Hundred Thousand and No/100 Dollars (\$200,000.00), in the aggregate; it being understood that travel advances and employee retention bonuses made in the ordinary course of business shall not be included in calculating the foregoing computation;

(ii) loans to individual officers and employees of any Borrower, the proceeds of which shall be advanced on a net cash basis and used solely to finance the purchase of stock in the Parent Company by such officer or employee pursuant to and in accordance with an Approved ESPP;

(iii) loans, advances and/or payments from one Borrower to another Borrower; provided that the Agent has a perfected security interest in and to all of each Borrower's assets constituting Collateral;

(iv) loans, advances and/or payments in the amounts which are unpaid or outstanding as of the Restatement Date and listed on Schedule 7.8(c) hereto;

(v) trade credit extended to customers of the Borrowers in the ordinary course of business;

(vi) Ordinary Course Payments;



(vii) negotiable instruments endorsed for deposit or collection in the ordinary course of business;

(viii) securities or certificates of deposit with maturities of two (2) years or less; provided that, concurrent with such investment, any and all securities or certificates of deposit (other than those acquired in connection with RABBI trusts and deferred compensation plans) shall have been pledged to the Agent, for the benefit of the Lenders ratably, pursuant to documentation reasonably satisfactory to the Agent;

(ix) so long as no Event of Default shall have occurred and be continuing, regularly scheduled consulting fees payable pursuant to the CM Equity Consulting Agreement;

(x) Permitted Investments; and

(xi) so long as no Event of Default shall have occurred and be continuing, regularly scheduled payments on any other indebtedness expressly permitted pursuant to Section 7.7 of this Agreement.

7.9 **Lease Obligations.** Except as may be expressly permitted by Section 7.7 of this Agreement, enter into any new lease of real or personal property, except in the ordinary course of business.

7.10 **Intentionally Omitted.**

7.11 **Lockbox Deposits.** Permit or cause any and all payments required to be made directly to the Agent, pursuant to Section 11.2 of this Agreement, to be made or directed to any other person or entity, without the prior approval of the Agent.

7.12 **Sale and Leaseback Transactions; Other Agreements.**

(a) Directly or indirectly, enter into any arrangement with any person or entity providing for such Borrower to lease or rent property that such Borrower has sold or will sell or otherwise transfer to such person or entity; or

(b) directly or indirectly, enter into any Material Contract pursuant to which the execution, delivery and/or performance of the obligations of any Borrower under this Agreement or under any other Loan Document would violate the terms of or constitute a default under such Material Contract.

7.13 **CM Equity Consulting Agreement; Other Transactions With Affiliates.** Modify or amend the CM Equity Consulting Agreement, or enter into, bind itself to or amend any contract, agreement or other understanding with any Affiliate, except upon fair and reasonable terms which are at least as favorable to the Borrower as would be the case in a comparable, arm's-length transaction with an unaffiliated and unrelated person or entity.

7.14 **Anti-Terrorism Laws.** Conduct any business or engage in any transaction or dealing with a blocked Person, including the making or receiving of any contribution of funds, goods or services to or for the benefit of any blocked Person; (ii) deal in, or otherwise engage in any transaction relating to, any property or interests in property blocked pursuant to Executive Order No. 13224; or (iii) engage in or conspire to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in Executive Order No. 13224 or the Patriot Act. Each Borrower shall deliver to the Agent any certification or other evidence reasonably requested from time to time by the Agent, confirming such Borrower's compliance with this Section 7.14.

**ARTICLE 8  
COLLATERAL ACCOUNT**

Except for any Borrower utilizing a Permitted Foreign Bank Account, the Borrowers will deposit or cause to be deposited into a collateral account (the "Collateral Account") designated by the Agent, all checks, drafts, cash and other remittances received by the Borrowers, and shall deposit such items for credit to the Collateral Account within two (2) Business Days of the receipt thereof and in precisely the form received. Pending such deposit, the Borrowers will not commingle any such items of payment with any of their other funds or property, but will hold them separate and apart. Notwithstanding the foregoing, the Borrowers shall have the right to maintain deposit account(s) (the "Transitional Deposit Account") with each of Sun Trust Bank, N.A. and United Bank in the name of one or more of the Caliber Entities and having an account number or numbers of 0000202969940 and 001002-6509, respectively; provided that the Transitional Deposit Account shall be (i) used solely for the deposit/receipt of cash, checks and other remittances owing to the Borrowers from time to time; (ii) at all times, free and clear of any and all liens claims and encumbrances (other than the security interest of the Agent granted hereby and the rights and remedies of Sun Trust Bank, N.A. and United Bank, but only to the extent that the exercise of such rights and remedies by Sun Trust Bank, N.A. or United Bank can be based solely upon claims for reimbursement of normal and customary fees and charges for account maintenance and account administration), and (iii) permanently closed on or before September 30, 2006. The Borrowers agree to exercise commercially reasonable efforts to cause Sun Trust Bank, N.A. and United Bank to enter into a wire transfer agreement with respect to the Transitional Deposit Account, in form and substance reasonably satisfactory to the Agent, on or before November 22, 2005.

The Borrowers hereby covenant and agree that the Collateral Account, the Transitional Deposit Account and the Permitted Foreign Bank Accounts shall secure the Obligations and hereby grants, assigns and transfers to or at the direction of the Agent, for the benefit of the Lenders ratably, a continuing security interest in all of the Borrowers' right, title and interest in and to the Collateral Account, the Transitional Deposit Account and the Permitted Foreign Bank Accounts, whenever created or established. Subject to the terms of this Agreement or any other Loan Document, the Agent may apply funds in the Collateral Account, the Transitional Deposit Account and/or the Permitted Foreign Bank Accounts to any of the Obligations, including, without limitation, any principal, interest or other payment(s) not made when due, whether arising under this Loan Agreement and/or any other Loan Document, or any other Obligation of the Borrowers, without regard to the origin of the deposits in the account, the beneficial ownership of the funds therein or whether such Obligations are owed jointly with another or severally; the order and method of such application to be in the sole discretion of the Agent. The Agent's right to deduct sums due under the Loan Documents from the Borrowers' account(s) shall not relieve the Borrowers from their obligation to make all payments required by the Loan Documents as and when required by the Loan Documents, and the Agent shall not have any obligation to make any such deductions or any liability whatsoever for any failure to do so.

**ARTICLE 9  
DEFAULT AND REMEDIES**

9.1 **Events of Default.** Any one of the following events shall be considered an "Event of Default":

(a) if any Borrower shall fail to pay any principal, interest or other sum owing on any of the Notes or any other Obligation when the same shall become due and payable, whether by reason of acceleration or otherwise; or

(b) if a Borrowing Base Deficiency shall occur, and the Borrowers fail, immediately upon the happening of such occurrence, without notice or demand therefor, to make a payment to the Agent in an amount equal to or greater than the Borrowing Base Deficiency; or

(c) if any Borrower shall fail to pay and satisfy in full, within ten (10) days of the rendering thereof, any judgment against any Borrower in excess of Five Hundred Thousand and No/100 Dollars (\$500,000.00), which is not, to the reasonable satisfaction of the Agent, fully bonded, stayed, covered by insurance or covered by appropriate reserves; or

(d) if any warranty or representation set forth in this Agreement or in any other Loan Document shall be misleading or untrue in any material respect when made or remade; or

(e) if there shall be non-compliance with or a breach of any of the Affirmative Covenants contained in this Agreement (other than financial covenants set forth in Section 6.15 of this Agreement or any other Affirmative Covenant specifically addressed elsewhere in this Section 9.1), and such non-compliance or breach shall continue unremedied after fifteen (15) days written notice from the Agent; or

(f) if there shall be non-compliance with or a breach of any of the Negative Covenants contained in this Agreement; or

(g) if there shall be non-compliance with or a breach of any of the financial covenants set forth in Section 6.15 of this Agreement; or

(h) if a default shall occur under any of the other Loan Documents and such default shall have continued unremedied after the expiration of any applicable notice and/or cure period; or

(i) if (i) without the prior written consent of the Agent, any Borrower shall be liquidated or dissolved or shall discontinue its business; (ii) a trustee or receiver is appointed for any Borrower or for all or a substantial part of its assets; (iii) any Borrower makes a general assignment for the benefit of creditors; (iv) any Borrower files or is the subject of any insolvency proceeding, petition in bankruptcy or similar proceeding (whether such petition or proceeding shall be pursued in a court of law or equity), which in the case of an involuntary bankruptcy, remains undismissed for sixty (60) days; (v) any Borrower shall become insolvent or any Borrower shall at any time fail generally to pay its debts as such debts become due; or (vi) any governmental agency or bankruptcy court or other court of competent jurisdiction shall assume custody or control of the whole or any part of the assets of any Borrower; or

(j) if any Borrower's property or assets, including, without limitation, any deposit accounts, are levied upon, attached or subject to any other enforcement proceeding and such levy, attachment or enforcement proceeding (i) involves in the excess of Fifty Thousand and No/100 Dollars (\$50,000.00), and (ii) is not fully bonded or stayed; or

(k) if any Borrower shall change its registered name, state of incorporation or state of organization (as applicable), without the prior written consent of the Agent; or

(l) if any obligation(s) of one or more Borrowers for the payment of borrowed money, which involves amounts, individually or in the aggregate, in excess of Five Hundred Thousand and No/100 Dollars (\$500,000.00), whether now existing or hereafter created, incurred or arising, becomes or is declared to be due and payable prior to the expressed maturity thereof, whether such obligation is owed to a Lender or any other person or entity; or

(m) if (i) there shall be a default under any Material Contract which has had or could reasonably be expected to have a material adverse effect on the properties, business, profit or condition (financial or otherwise) of any Borrower or the ability of any Borrower to perform its obligations set forth in this Agreement or in any other Loan Document; or (ii) a cure notice issued under any Material Contract shall remain uncured beyond (x) the expiration of the time period available to the Borrower pursuant to such Material Contract and/or such cure notice (as the case may be), to cure the noticed default, or (y) the date on which the other contracting party is entitled to exercise its rights and remedies under such Material Contract as a consequence of such default; or

(n) if (i) any Borrower is debarred or suspended from contracting with any part of the Government; (ii) a notice of debarment or suspension shall have been issued to any Borrower; or (iii) a notice of termination for default or the actual termination for default of any federal Government Contract shall have been issued to or received by any Borrower; or (iv) a Government investigation or inquiry relating to any Borrower and involving fraud, deception, dishonesty, willful misconduct or any allegation thereof shall have been commenced in connection with any federal Government Contract or any Borrower's activities; or

(o) if the Required Lenders are not satisfied in their sole discretion with the results of any field audit conducted pursuant to this Agreement; and/or

(p) if the Required Lenders believe that a material adverse change shall have occurred in the business, assets, properties, condition (financial or otherwise) of the Borrowers, in the aggregate.

9.2 **Remedies.** Without limiting any right or remedy of the Agent and/or the Lenders set forth in this Agreement, upon the occurrence of any Event of Default, the Agent, acting on behalf of the Lenders, may exercise any or all of the following remedies:

(a) Withhold disbursement of all or any part of the Loan proceeds;

(b) Terminate the Lenders' obligation to make further disbursements of the Loan proceeds;

(c) Declare all principal, interest and other sums owing on the Obligations to be immediately due and payable without demand, protest, notice of protest, notice of default, presentment for payment or further notice of any kind;

(d) Without notice, redirect any and all of the Borrowers' deposits to the Collateral Account or any other account under the Agent's exclusive control;

(e) Without notice, offset and apply against all or any part of the Obligations then owing by any Borrower to any Lender, any and all money, credits, stocks, bonds or other securities or property of any Borrower of any kind or nature whatsoever on deposit with, held by or in the possession of any Lender in any capacity whatsoever, including, without limitation, any deposits with any Lender or any of its Affiliates, to the credit of or for the account of any Borrower. The Agent and Lenders are authorized at any time to charge the Obligations against any Borrower's account(s), without regard to the origin of deposits to the account or beneficial ownership of the funds. Any and all amounts obtained by the Agent or any Lender pursuant to this subsection (e) shall be shared by all of the Lenders ratably, in accordance with each Lender's Percentage; it being expressly acknowledged and agreed that each Lender, as well as the Agent, shall be entitled to exercise the rights of set-off provided in this subsection (e) of this Section 9.2;

(f) Exercise all rights, powers and remedies of a secured party under the UCC and/or any other applicable law(s), including, without limitation, the right to (i) require any Borrower to assemble the Collateral (to the extent that it is movable) and make it available to the Agent at a place to be designated by the Agent, and (ii) enter upon any Borrower's premises, peaceably by the Agent's own means or with legal process, and take possession of, render unusable or dispose of the Collateral on such premises; each Borrower hereby agreeing not to resist or interfere with any such action. The Agent agrees to give the Borrowers written notice of the time and place of any public sale of the Collateral or any part thereof, and the time after which any private sale or any other intended disposition of the Collateral is to be made, and such notice will be mailed, postage prepaid, to the principal place of business of the Borrowers, at least ten (10) days before the time of any such sale or disposition. Each Borrower hereby authorizes and appoints the Agent and its successors and assigns to (x) sell the Collateral, and (y) declare that each Borrower assents to the passage of a decree by a court of proper jurisdiction for the sale of the Collateral. Any such sale pursuant to (x) or (y) above is to be made in accordance with the applicable provisions of the laws and rules of procedure of the Commonwealth of Virginia or other applicable law; and/or

(g) Proceed to enforce such other and additional rights and remedies as the Agent and/or Lenders may have hereunder and/or under any of the other Loan Documents, or as may be provided by applicable law.

It is expressly understood and agreed that the Lenders and/or the Agent may exercise their respective rights under this Agreement or under any other Loan Document without exercising the rights or affecting the security afforded by any other Loan Document, and it is further understood and agreed that the Agent may (at the direction of the Required Lenders) proceed against all or any portion of the Collateral in such order and at such times as the Agent, in its sole discretion, sees fit; and each Borrower hereby expressly waives, to the extent permitted by law, all benefit of valuation, appraisal, marshaling of assets and all exemptions under the laws of the Commonwealth of Virginia and/or any other state, district or territory of the United States. Notwithstanding the

foregoing delegation of authority by the Lenders to the Agent, it is agreed that at any time there are two (2) or fewer Lender parties to this Agreement, any Lender may request the Agent to commence enforcement action against the Borrowers and/or Collateral upon an Event of Default. In this event, if the Agent fails or refuses to take enforcement action upon the request of a Lender, such Lender may itself commence appropriate enforcement action. Furthermore, if any Borrower shall default in the performance when due of any of the provisions of this Agreement, the Agent, without notice to or demand upon the Borrowers (and without any grace or cure period) and without waiving or releasing any of the Obligations or any default hereunder, under the Notes or under any other Loan Document, may (but shall be under no obligation to) perform the same for each Borrower's account, and any monies expended in so doing shall be chargeable to the Borrowers with interest, at the highest rate of interest payable under Notes, plus two percent (2%) per annum, and added to the indebtedness secured by the Collateral.

All sums paid or advanced by the Agent (or any Lender to the extent incurred pursuant to this Agreement) in connection with the foregoing or otherwise in connection with the Loan, and all court costs and expenses of collection, including without limitation, reasonable attorneys' fees and expenses (and fees and expenses resulting from the taking, holding or disposition of the Collateral) incurred in connection therewith shall be paid by the Borrowers upon demand and shall become a part of the Obligations secured by the Collateral. The Borrowers agree to bear the expense of each lien search, property and judgment report or other form of Collateral ownership investigation as the Agent, in its discretion, shall deem necessary or desirable to assure or further assure to the Lenders and/or the Agent their respective interests in the Collateral.

## **ARTICLE 10 THE AGENT; AGENCY**

10.1 **Appointment.** Each Lender hereby affirms its irrevocable appointment of Citizens Bank to act as the Agent for each such Lender pursuant to the provisions of this Agreement and the other Loan Documents, and affirms its irrevocable authorization given to the Agent to take such action, and exercise such powers and perform such duties as are expressly delegated to or required of the Agent by the terms hereof or thereof, or are reasonably incidental thereto, including without limitation, executing documents on behalf of the Lenders, as Agent. Citizens Bank affirms its agreement to act as the Agent on behalf of the Lenders on the terms and conditions set forth in this Agreement and the other Loan Documents, subject to its right to resign as provided in Section 10.10. Each Lender agrees that the rights and remedies granted to the Agent under this Agreement and the other Loan Documents shall be exercised exclusively by the Agent, and that no Lender shall have the right individually to exercise any such right or remedy, except to the extent expressly provided herein or therein.

10.2 **General Nature of Agent's Duties.** Notwithstanding anything to the contrary elsewhere in this Agreement or any other Loan Document:

(a) The Agent shall have no duties or responsibilities other than those expressly set forth in this Agreement and the other Loan Documents, and no implied duties or responsibilities on the part of the Agent shall be read into this Agreement or any other Loan Document or shall otherwise exist.

(b) The duties and responsibilities of the Agent under this Agreement and the other Loan Documents shall be mechanical and administrative in nature, and the Agent shall not have a fiduciary relationship in respect of any Lender.

(c) The Agent is and shall be solely the agent of the Lenders. The Agent does not assume, and shall not at any time be deemed to have, any relationship of agency or trust with or for, or any other duty or responsibility to, any Borrower or any other person (except only for its relationship as agent for, its express duties and responsibilities as agent for, and its express duties and responsibilities to, the Lenders as provided in this Agreement and the other Loan Documents).

(d) The Agent shall not have any obligation to take any action hereunder or under any other Loan Document if the Agent believes in good faith that taking such action may (i) conflict with any Applicable Laws, or any provision of this Agreement or any other Loan Document, (ii) may require the Agent to qualify to do business in any jurisdiction where it is not then so qualified, or (iii) result in any liability of the Agent or any Lender not fully covered by insurance.

### 10.3 Exercise of Powers.

(a) The Agent shall have the authority to take any action of the type specified in this Agreement or any other Loan Document as being within the Agent's rights, powers or discretion, as it determines in its sole discretion, except as provided in subsection (b) below, and except as provided herein or in any other Loan Document, when such action expressly requires the direction or consent of (i) the Required Lenders; or (ii) all of the Lenders, in either of which circumstances the Agent shall not take such action absent such direction or consent. Any action or inaction pursuant to such direction or consent shall be binding on all of the Lenders.

(b) The Agent shall not in any material respect amend, modify, grant consents or waive any term or provision of this Agreement or any other Loan Document without the consent or approval of the Required Lenders, or declare an Event of Default, provide formal written notice of default to any Borrower or exercise any rights or remedies against any Borrower without the prior consent of the Required Lenders. Each Lender agrees that its decision to consent to or reject any request by the Agent for permission to declare an Event of Default, provide formal notice thereof to any Borrower and/or exercise any rights or remedies arising by virtue of such default, shall be made as soon as reasonably practicable after the Lender has received all relevant information with respect to such request (to the extent such information shall be readily available), but in all events within five (5) Business Days of the receipt of such information; it being understood and agreed that, unless otherwise provided herein, the Agent shall exercise any and all rights and responsibilities on behalf of the Lenders in connection with an Event of Default. Additionally, only with the consent or approval of all of the Lenders, the Agent may (a) extend the final maturity of the Loan or any Note, reduce the interest rate payable on or extend the time of payment for any installment of principal, interest or fees payable in connection with the Loan, or issue Letters of Credit (i) having an expiration date beyond the Maturity Date, except as otherwise expressly provided in this Agreement, or (ii) causing the aggregate outstanding amount of all such Letters of Credit issued to exceed Five Million and No/100 Dollars (\$5,000,000); (b) change the Percentage of the Commitment Amount of any Lender, (c) release all or a substantial portion of the Collateral, except in accordance with the provisions of any applicable Loan Document, (d) amend the definition of the Required Lenders or expand the definitions of Eligible Billed Government Accounts Receivable, Eligible Billed Commercial Accounts Receivable and/or Eligible Foreign Accounts Receivable, (e) consent to the assignment or transfer by any Borrower of any of its rights or obligations hereunder, (f) amend, modify or waive any of the provisions set forth in this Section 10.3, (g) change the manner of application by the Agent of payments made under the Loan Documents, or (h) change the method of calculation used in connection with the computation of interest, commissions or fees. Each Lender agrees that its decision to approve or reject any request for an amendment or waiver with respect to this Agreement shall be made as soon as reasonably practicable after the Lender has received all relevant information with respect to such request.

### 10.4 General Exculpatory Provisions. Notwithstanding anything to the contrary elsewhere in this Agreement or any other Loan Document:

(a) The Agent, in its capacity as Agent (but not as a Lender), shall not be liable for any action taken or omitted to be taken by it in a manner consistent with the terms of this Agreement or any other Loan Document, unless caused by its own gross negligence or willful misconduct.

(b) The Agent shall not be responsible for (i) the execution, delivery, effectiveness, enforceability, genuineness, validity or adequacy of this Agreement or any other Loan Document, (ii) any recital, representation, warranty, document, certificate, report or statement in this Agreement or any other Loan Document, (iii) any failure of any Borrower or any Lender to perform any of their respective obligations under this Agreement or any other Loan Document, (iv) the existence, validity, enforceability, perfection, recordation, priority, adequacy or value, now or hereafter, of any lien or encumbrance or other direct or indirect security afforded or purported to be afforded by any of the Loan Documents, or otherwise from time to time, or (v) caring for, protecting, insuring or paying any taxes, charges or assessments with respect to any Collateral.

(c) The Agent shall have no obligation to ascertain, inquire or give any notice relating to (i) the performance or observance of any of the terms or conditions of this Agreement or any other Loan Document on the part of any Borrower, (ii) the business, operations, condition (financial or otherwise) or prospects of any Borrower, or (iii) except as otherwise expressly set forth in this Agreement, the occurrence or existence of any Event of Default.

(d) The Agent shall have no obligation, either initially or on a continuing basis, to provide any Lender with any notices, reports or information of any nature, whether in its possession presently or hereafter, except for such notices, reports and other information expressly required by this Agreement or any other Loan Document to be furnished by the Agent to such Lender.

#### **10.5 Administration by the Agent.**

(a) The Agent may rely upon any notice or other communication of any nature (written or oral, including telephone conversations, whether or not such notice or other communication is made in a manner permitted or required by this Agreement or any other Loan Document) purportedly made by or on behalf of the proper party or parties, and the Agent shall not have any duty to verify the identity or authority of any person giving such notice or other communication.

(b) The Agent may consult with legal counsel (including in-house counsel for the Agent), independent public accountants and any other experts selected by the Agent from time to time, and the Agent shall not be liable for any action reasonably taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts.

(c) The Agent may conclusively rely upon the truth of the statements and the correctness of the opinions expressed in any certificates or opinions furnished to the Agent in accordance with the requirements of this Agreement or any other Loan Document. Whenever the Agent shall deem it necessary or desirable that a matter be proved or established with respect to any Borrower or any Lender, such matter may be established by a certificate of such Borrower or such Lender, as the case may be, and the Agent may conclusively rely upon such certificate.

(d) The Agent may fail or refuse to take any action unless it shall be indemnified to its satisfaction from time to time against any and all amounts, liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses and disbursements of every kind and nature which may be imposed on, incurred by or asserted against the Agent by reason of taking or continuing to take any such action; provided that no Lender shall be obligated to indemnify the Agent for any portion of such amounts, liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses and disbursements resulting solely from the gross negligence or willful misconduct of the Agent, as finally determined by a court of competent jurisdiction.

(e) The Agent may perform any of its duties under this Agreement or any other Loan Document by or through agents or attorneys-in-fact. The Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

(f) The Agent shall not be deemed to have any knowledge or notice of the occurrence of any Event of Default (other than a default in the payment of regularly scheduled principal or interest), unless the Agent has received from a Lender or a Borrower a written notice describing the Event of Default. If the Agent receives such a notice, the Agent shall give prompt notice thereof to each Lender, unless such notice shall have been addressed and/or issued to all of the Lenders.

(g) The Agent shall provide three (3) Business Days prior notice to the Lenders of any field audit scheduled to be performed by the Agent pursuant to Section 1.6 of this Agreement. The Lenders shall be entitled to (i) receive copies of field audits performed by the Agent, and (ii) accompany the Agent to any field audit, provided that the Agent may, in its discretion, limit the number of Lender representatives attending any such field audit.

10.6 **Lenders Not Relying on the Agent or Other Lenders.** Each Lender acknowledges as follows:

(a) Neither the Agent nor any other Lender has made any representations or warranties to it, and no act taken hereafter by the Agent or any other Lender shall be deemed to constitute any representation or warranty by the Agent or such other Lender to it;

(b) It has, independently and without reliance upon the Agent or any other Lender, and based upon such documents and information as it has deemed appropriate, made its own credit and legal analysis and decision to enter into this Agreement and the other Loan Documents; and

(c) It will, independently and without reliance upon the Agent or any other Lender, and based upon such documents and information as it shall deem appropriate at the time, make its own decisions to take or not take action under or in connection with this Agreement and the other Loan Documents.

10.7 **Indemnification.** Each Lender agrees to reimburse and indemnify the Agent and the Agent's directors, officers, employees and agents (to the extent not reimbursed by the Borrowers, and without limitation of the obligation of the Borrowers to do so), ratably in accordance with each Lender's Percentage, from and against any and all amounts, losses, liabilities, claims, damages, expenses, obligations, penalties, actions, judgments, suits, costs and disbursements of every kind or nature (including the reasonable fees and disbursements of counsel for the Agent or such other person in connection with any investigative, administrative or judicial proceeding commenced or threatened, whether or not the Agent or such other person shall be designated a party thereto) that may at any time be imposed on, incurred by or asserted against the Agent or such other person as a result of this Agreement, any other Loan Document, any transaction from time to time contemplated hereby or thereby, or any transaction financed in whole or in part or directly or indirectly with the proceeds of the Loan; provided that no Lender shall be obligated to indemnify the Agent or such other person for any portion of such amounts, losses, liabilities, claims, damages, expenses, obligations, penalties, actions, judgments, suits, costs or disbursements resulting solely from the gross negligence or willful misconduct of the person seeking indemnity, as finally determined by a court of competent jurisdiction.

10.8 **Agent in its Individual Capacity; Agent's Commitment.**

(a) With respect to its commitment and the Obligations owing to it, Citizens Bank shall have the same rights and powers under this Agreement and each other Loan Document as any other Lender, and may exercise the same as though it was not the Agent. The terms "Lender," "holders of Notes" and like terms shall include Citizens Bank in its individual capacity. Citizens Bank and its Affiliates may, without liability to account for, make loans to, accept deposits from, acquire debt or equity interests in, act as trustee under indentures of and engage in any other business with any Borrower and any Affiliate of any Borrower, as though Citizens Bank was not the Agent hereunder.

(b) The Agent hereby agrees that it shall at all times maintain, at a minimum, the lesser of (the "Agent's Commitment"):

(i) a Ten Million and No/100 Dollar (\$10,000,000.00) interest in the aggregate Commitment Amount; or

(ii) a Percentage of the Commitment Amount that is at least equal to twenty-five percent (25%).

In the event the Agent fails to maintain the Agent's Commitment, the Agent agrees to resign as the Agent hereunder, if requested by the Borrowers and/or the Lenders, pursuant to Section 10.10 of this Agreement; it being expressly acknowledged and agreed that the Borrowers shall be third party beneficiaries of the Agent's Commitment requirement set forth in this Section 10.8(b).



10.9  **Holders of Notes.** Without limiting the requirements of Section 12.11 of this Agreement, the Agent may deem and treat any Lender which is the payee of a Note as the owner and holder of such Note for all purposes hereof unless and until written notice evidencing such transfer shall have been filed with the Agent. Any authority, direction or consent of any person who at the time of giving such authority, direction or consent was a Lender shall be conclusive and binding on each present and subsequent holder, transferee or assignee of any Note or Notes payable to such Lender or issued in exchange therefor.

10.10  **Successor Agent.** The Agent may resign at any time by giving thirty (30) days prior written notice thereof to the Lenders and Borrowers, subject to appointment of a successor Agent (and such appointees acceptance of appointment) as below provided in this Section 10.10. Additionally, the Agent may be removed for cause by all of the Lenders (other than the Agent, if the Agent is then a Lender), or in the absence of an Event of Default, the Borrowers may request the Agent's resignation pursuant to Section 10.8(b) hereof, if removal or resignation, as applicable, is requested in writing (which wording must specifically identify the "cause" for removal), and ten (10) days' prior written notice of removal or resignation is provided to the Agent and Borrowers (or Lenders, if applicable). Upon any such resignation or removal, the Agent shall, on behalf of the Lenders, immediately appoint, as its successor, another Lender; provided that such Lender is a commercial bank or trust company organized under the laws of the United States of America or any State thereof and has a combined capital and surplus of at least Five Hundred Million and No/100 Dollars (\$500,000,000.00). In such event, the Agent's resignation or removal shall not be effective until the successor Agent shall have accepted its appointment. Upon the acceptance by a successor Agent of its appointment as the Agent hereunder, such successor Agent shall thereupon succeed to and become vested with all of the properties, rights, powers, privileges and duties of the former Agent, without further act, deed or conveyance. Upon the effective date of resignation or removal of the retiring Agent and payment of all amounts then due and payable by the Agent to the Lenders pursuant to this Agreement, such Agent shall be discharged from its duties under this Agreement and the other Loan Documents. If for any reason, at any time, there is no Agent hereunder, then during such period, the Required Lenders shall have the right to exercise the Agent's rights and perform its duties hereunder, except that (i) all notices or other communications required or permitted to be given to the Agent shall be given to each Lender, and (ii) all payments to be made to the Agent shall be made directly to the Borrowers or the Lender for whose account such payment is made.

10.11  **Additional Agents.** If the Agent shall from time to time deem it necessary or advisable to engage other agents for its own protection in the performance of its duties hereunder or in the interests of the Lenders, then the Agent and Borrowers shall execute and deliver a supplemental agreement and all other instruments and agreements necessary or advisable, in the opinion of the Agent, to constitute another commercial bank or trust company, or one or more other persons approved by the Agent, to act as co-Agent or a separate agent with respect to any part of the Collateral, with such powers as may be provided in such supplemental agreement, and with the power to vest in such bank, trust company or other person (as such co-Agent or separate agent, as the case may be), any properties, rights, powers, privileges and duties of the Agent under this Agreement or any other Loan Document.

10.12  **Calculations.** The Agent shall not be liable for any calculation, apportionment or distribution of payments made by it in good faith. If such calculation, apportionment or distribution is subsequently determined to have been made in error, the sole recourse of any Lender to whom payment was due but not made shall be to recover from the Lenders any payment in excess of the amount to which they are determined to be entitled, with interest thereon at the Federal Funds Rate, or, if the amount due was not paid by any Borrower, to recover such amount from such Borrower (subject to the terms and provisions of this Agreement), with interest thereon at the rate provided in the applicable Note.

10.13  **Funding by the Agent.**

(a) Except as otherwise provided in this Agreement, the Agent alone shall be entitled to make all advances in connection with the Loan and shall receive all payments and other receipts relating to the Loan; it being understood, however, that the Agent has reserved the right not to advance any amounts to the Borrowers which the Agent has not received from the Lenders. The Agent will notify each Lender of the date and amount of any requested advance, and if such notification is received by 1:00 p.m. Washington, D.C. time on any

given Business Day, the Lenders shall provide the required funds to the Agent no later than the close of business on such Business Day. Once per week, or within such shorter time frame as may be requested by the Agent or the Swing Line Lender, the Agent and each Lender shall pay to each other such amounts (the "Equalization Payments") as may be necessary to cause each Lender to own its applicable Percentage of the Loan and otherwise implement the terms and provisions of this Agreement; it being understood that each Lender shall be entitled to receive interest on amounts advanced by it only from the date of such Lender's advance of funds. The obligation of the Agent and each Lender to make Equalization Payments shall not be affected by a bankruptcy filing by any Borrower, the occurrence of any Event of Default or any other act, occurrence or event whatsoever, whether the same occurs, before, on or after the date on which an Equalization Payment is required to be made. All Equalization Payments shall be made by 5:00 p.m. Washington, D.C. time on the date such payment is required, provided that notice of such Equalization Payment shall have been given to the party obligated to make such payment by 1:00 p.m. Washington, D.C. time; otherwise such Equalization Payment shall be made on the next Business Day.

(b) Unless the Agent shall have been notified in writing by any Lender no later than the close of business on the Business Day before the Business Day on which an advance requested by the Borrowers is to be made, that such Lender will not make its ratable share of such advance, the Agent may assume that such Lender will make its ratable share of the advance, and in reliance upon such assumption the Agent may (but in no circumstances shall be required to) make available to the Borrowers a corresponding amount. If and to the extent that any Lender fails to make such payment to the Agent when required, such Lender shall pay such amount on demand (or, if such Lender fails to pay such amount on demand, the Borrowers shall arrange for the repayment of such amount to the Agent), together with interest for the Agent's own account for each day from and including the date of the Agent's payment, to and including the date of repayment to the Agent (before and after judgment). Interest (a) if paid by such Lender (i) for each day from and including the date of the Agent's payment to and including the second Business Day thereafter, shall accrue at the Federal Funds Rate for such day, and (ii) for each day thereafter, shall accrue at the rate or rates per annum payable under the Notes; and (b) if paid by the Borrowers, shall accrue at the rate or rates per annum payable under the Notes. All payments to the Agent under this Section shall be made to the Agent at its office set forth in the preamble of this Agreement (or as otherwise directed by the Agent), in dollars, in immediately available funds, without set-off, withholding, counterclaim or other deduction of any nature.

(c) All borrowings under this Agreement shall be incurred from the Lenders pro rata on the basis of their respective Percentages (except to the extent advanced (i) as a Swing Line Loan, or (ii) by the Agent on behalf of any Lender as provided in subsection (a) or (b) above). It is understood that no Lender shall be responsible for any other Lender's failure to meet its obligation to make advances hereunder, and that each Lender shall be obligated to make advances required to be made by it hereunder regardless of the failure of any other Lender to make its advances hereunder.

(d) Each payment and prepayment received by the Agent for the account of the Lenders shall be distributed first to the Swing Line Lender for application to any Swing Line Outstandings, and then to each Lender entitled to share in such payment, ratably in accordance with each Lender's Percentage. Notwithstanding the provisions of Section 9.2(e) of this Agreement, any Lender who has failed to fund its Percentage of any advance under the Loan shall not be entitled to share in any such payment(s) until such time as the funding deficiency caused thereby, together with interest thereon (as provided in subsection (b) above), has been paid to the Agent in accordance with the terms and conditions of this Agreement. Payments from the Agent to the Lenders shall be made by wire transfer in accordance with written instructions provided to the Agent by the Lenders from time to time. Unless the Agent shall have received notice from the Borrowers prior to the date on which any payment is due to the Lenders hereunder that the Borrowers will not make such payment in full, the Agent may assume that the Borrowers have made such payment in full on such date and the Agent, in reliance upon such assumption, may cause to be distributed to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent the Borrowers shall not have made such payment in full to the Agent, each Lender shall repay to the Agent upon its demand therefor such amount distributed to such Lender, together with interest thereon at the overnight Federal Funds Rate for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Agent.

(e) If any Lender shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of setoff, or otherwise) in excess of such Lender's Percentage of payments, such Lender shall forthwith purchase from the other Lender(s) such participations in the Loans made by them as shall be necessary to cause such purchasing Lender to share the excess payment ratably with each of the other Lender(s); provided, however, if all or any portion of such excess payment is thereafter recovered from such purchasing Lender, such purchase from the other Lender(s) shall be rescinded and each other Lender shall repay to the purchasing Lender the purchase price to the extent of such recovery, together with an amount equal to such Lender's ratable share (according to the proportion of (1) the amount of such Lender's required repayment, to (2) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount recovered. Each Borrower agrees that any Lender purchasing a participation from another Lender pursuant to this Section 10.13(e), to the fullest extent permitted by law, may exercise all of its rights of payment with respect to such participation as fully as if such Lender were the direct creditor of the Borrowers in the amount of such participation.

10.14 **Benefit of Article.** The provisions of this Article 10 are solely for the benefit of the Agent and Lenders. Except as otherwise expressly set forth in this Article 10, no Borrower shall have any rights under any of the provisions of this Article 10; it being understood that the provisions of this Article 10 are not in limitation of any right, remedy, power, duty, obligation or liability which the Agent would have to or against any Borrower.

## ARTICLE 11 CERTAIN ADDITIONAL RIGHTS AND OBLIGATIONS REGARDING THE COLLATERAL

11.1 **Power of Attorney.** Each Borrower hereby reaffirms its irrevocable appointment of the Agent, as its agent and attorney-in-fact, with power of substitution, having full power and authority, in its own name, in the name of any Lender(s), in the name of any Borrower or otherwise (but at the cost and expense of the Borrowers and without notice to any Borrower), to (i) upon an Event of Default, notify Account Debtors obligated on any of the Receivables to make payments thereon directly to the lockbox referenced in Section 11.2 of this Agreement, and to take control of the cash and non-cash proceeds of any such Receivables, which right the Agent may exercise at any time whether or not an Event of Default shall have occurred and be continuing hereunder or was theretofore making collections thereon; (ii) upon an Event of Default, compromise, extend or renew any of the Collateral constituting Receivables or deal with any of the Collateral as the Agent may deem advisable; (iii) upon an Event of Default, release its interest in, make exchanges or substitutions for and/or surrender, all or any part of any Borrower's interest in all or any part of the Collateral; (iv) upon an Event of Default, remove from any Borrower's place(s) of business all books, records, ledger sheets, correspondence, invoices and documents relating to or evidencing any of the Collateral, or without cost or expense to the Agent, make such use of any Borrower's place(s) of business as may be reasonably necessary to administer, control and/or collect the Collateral; (v) upon an Event of Default, repair, alter or supply goods, if any, necessary to fulfill in whole or in part the purchase order of any Account Debtor; (vi) demand, collect receipt for and upon an Event of Default, and give renewals, extensions, discharges and releases of all or any part of the Collateral; (vii) upon an Event of Default, institute and prosecute legal and equitable proceedings to enforce collection of, or realize upon, all or any part of the Collateral; (viii) upon an Event of Default, settle, renew, extend, compromise, compound, exchange or adjust claims with respect to all or any part of the Collateral or any legal proceedings brought with respect thereto; and (ix) upon an Event of Default, receive and open all mail addressed to any Borrower (other than mail sent to the Lockbox which may be received and opened in the ordinary course of Lockbox procedures irrespective of whether any Event of Default has occurred), and if an Event of Default exists hereunder, notify the Post Office authorities to change the address for the delivery of mail to any Borrower to such address as the Agent may designate; it being understood that the rights granted to the Agent in this clause (ix), which are operative on the occurrence of an Event of Default, shall not in any way limit or impair the other rights provided to the Agent and/or Lenders in this Agreement or any other Loan Document, including, without limitation, their rights with respect to the Collateral Account and the below-referenced lockbox. Furthermore, each Borrower hereby reaffirms its irrevocable appointment of the Agent, as its agent and attorney-in-fact, with power of substitution, having full power and authority, in its own name, in the name of any Lender(s), in the name of any Borrower or otherwise (but at the cost and expense of the Borrowers and without notice to any Borrower) and regardless of whether an Event of Default has occurred or any act, event or condition which with notice or the lapse of time, or both, would constitute an Event of Default has occurred, to (a)

file financing statements and continuation statements covering the Collateral and execute the same on behalf of any Borrower; (b) charge against any banking account of any Borrower any item of payment credited to any Borrower's account which is dishonored by the drawee or maker thereof; and/or (iii) endorse the name of any Borrower upon any items of payment relating to the Collateral or upon any proof of claim in bankruptcy against any Account Debtor.

11.2 **Lockbox.** Each Borrower hereby authorizes the Agent to receive and collect any amount or amounts due or to become due on account of any Receivables and, at its discretion, to apply the same to the repayment of the Notes, and each Borrower represents, warrants, acknowledges and agrees that, except where a Permitted Foreign Bank Account is being used, it has established and shall continually maintain on terms and conditions satisfactory to the Agent in all respects, one or more lockboxes (and, if required by the Agent, one or more blocked accounts) for the collection of Receivables. Except as otherwise may be approved by the Agent in writing, any checks or other remittances received by any Borrower in payment of the Receivables shall be held in trust by each Borrower for the Agent and Lenders. Caliber shall, within forty-five (45) days after the Restatement Date (or within such longer period as may be reasonably required by Caliber), direct all of its customers (other than customers making payments to Caliber utilizing a Permitted Foreign Bank Account and certain other customers as may be approved by the Agent) to make payments directly to the lockbox or account described below or any other lockbox or account designated by the Agent from time to time for the collection of Caliber Receivables, and/or include on all of its invoices, a direction to its customer to make all payments directly to such lockbox or account.

**Lockbox**

ICF Consulting Group  
P.O. Box 7777 – W510501  
Philadelphia, Pennsylvania 19175-0501

**Account**

ICF Consulting Group, Inc.  
Fairfax, Virginia  
Account No. 6203219502  
Citizens Bank  
Attn: ACH Department ROP-440  
1 Citizens Drive  
Riverside, Rhode Island 02915  
ABA No. 036076150

11.3 **Other Agreements.** Except as may otherwise be expressly permitted by the terms of this Agreement, and without limiting any other restrictions or provisions of this Agreement, each Borrower will (i) on demand, subject to any confidentiality and secrecy requirements imposed by any Government agency, make available in form reasonably acceptable to the Agent, shipping documents and delivery receipts evidencing the shipment of goods which gave rise to the sale or lease of inventory or of an account, contract right or chattel paper, completion certificates or other proof of the satisfactory performance of services which gave rise to the sale or lease of inventory or of an account, contract right or chattel paper, and each Borrower's copy of any written contract or order from which a sale or lease of inventory, an account, contract right or chattel paper arose; and (ii) when requested, advise the Agent when an Account Debtor returns or refuses to retain any goods, the sale or lease of which gave rise to an account, contract right or chattel paper, and of any delay in delivery or performance, or claims made in regard to any sale or lease of inventory, account, contract right or chattel paper. Upon reasonable notice, all such records will be available for examination by authorized agents of the Agent.

It is expressly understood and agreed, however, that the Agent shall not be required or obligated in any manner to make any inquiries as to the nature or sufficiency of any payment received by it or to present or file any claims or take any other action to collect or enforce a payment of any amounts which may have been assigned to the Agent or to which the Agent or the Lenders may be entitled hereunder at any time or times.

**ARTICLE 12  
MISCELLANEOUS**

12.1 **Remedies Cumulative.** Each right, power and remedy of the Agent or Lenders provided for in this Agreement or in any other Loan Document or now or hereafter existing at law or in equity, by statute or otherwise, shall be cumulative and concurrent and shall be in addition to every other right, power or remedy provided for in this Agreement or in any other Loan Document, or now or hereafter existing at law or in equity, by

statute or otherwise, and the exercise or beginning of the exercise by the Agent or any Lender of any one or more of such rights, powers or remedies shall not preclude the simultaneous or later exercise by the Agent or any such Lender of any or all such other rights, powers or remedies.

12.2 **Waiver.** Time is of the essence of this Agreement. No failure or delay by the Agent to insist upon the strict performance of any term, condition, covenant or agreement set forth in this Agreement or any other Loan Document, or to exercise any right, power or remedy consequent upon a breach thereof, shall constitute a waiver of such term, condition, covenant or agreement or of any such breach, or preclude the Agent or any Lender from exercising any such right, power or remedy at any later time or times. By accepting payment after the due date of any of the Obligations, neither the Lenders nor the Agent shall be deemed to have waived either the right to require prompt payment when due of all other Obligations, or the right to declare a default for failure to make payment of any such other Obligations.

12.3 **Notices.** Notices to either party shall be in writing and shall be delivered personally or by first-class mail or nationally-recognized overnight delivery service addressed to the parties at the addresses set forth below or otherwise designated in writing:

If to the Borrowers:            ICF Consulting Group, Inc.  
   9300 Lee Highway  
   Fairfax, Virginia 22031  
   Attention: Mr. Alan Stewart  
   Fax:            (703) 934-3675  
   and  
   Attention: Mr. Terrance McGovern  
   Fax:            (703) 218-2547

with a copy of all notices  
to the Borrowers to:

Squire, Sanders & Dempsey L.L.P.  
14th Floor, 8000 Towers Crescent Drive  
Tysons Corner, Virginia 22182-2700  
Attention: Kirk D. Beckhorn, Esq.  
Fax:            (703) 720-7801

If to the Lenders:                Citizens Bank of Pennsylvania  
   8521 Leesburg Pike  
   Suite 405  
   Vienna, Virginia 22182  
   Attention: Mr. Richard Krogmann  
   Fax:            (703) 610-6070

   PNC Bank, National Association  
   808 17th Street, N.W.  
   10th Floor  
   Washington, D.C. 20006  
   Attention: Mr. Douglas T. Brown  
   Fax:            (202) 835-5977

   Chevy Chase Bank, F.S.B.  
   Government Contracting & Technology Group  
   7501 Wisconsin Avenue  
   12th Floor  
   Bethesda, Maryland 20814  
   Attention: Ms. Debra Owen  
   Fax:            (240) 497-7718

and

Commerce Bank, N.A.  
2070 Chain Bridge Road, Suite B5  
Vienna, Virginia 22182  
Attention: Mr. Eric A. Pietras  
Fax: (703) 663-4367

If to the Agent: Citizens Bank of Pennsylvania  
8521 Leesburg Pike  
Suite 405  
Vienna, Virginia 22182  
Attention: Mr. Richard Krogmann  
Fax: (703) 610-6070

with a copy of all  
notices to any Lender  
or the Agent to:

Dickstein Shapiro Morin & Oshinsky LLP  
2101 L Street, N.W.  
Washington, D.C. 20037  
Attention: Matthew S. Bergman, Esq.  
Fax: (202) 887-0689

Any notice or other communication hereunder will be deemed given and effective (i) when actually received, in the case of hand delivery or nationally recognized overnight delivery service, (ii) when deposited in the United States mail or with such courier, in the case of first class mail or overnight delivery, or (iii) when completely sent and received, as evidenced by a transmission report from sender's facsimile machine, in the case of facsimile transmission.

**12.4 Entire Agreement.** This Agreement and the other Loan Documents constitute the entire agreement of the parties with respect to the Loan and supersede all prior agreements and understandings; it being expressly understood and agreed that this Agreement is a complete amendment and restatement of the Existing Loan Agreement, the terms and conditions of which have been superseded and replaced in their entirety by the terms and provisions of this Agreement. The parties hereto agree that this Agreement is given as a continuation, modification and extension of the Existing Loan Agreement and shall not constitute a novation of the Existing Loan Agreement. This Agreement and the other Loan Documents shall continue in full force and effect for so long as the Borrowers shall be indebted hereunder or under the Notes, and thereafter until the Lenders shall have actually received written notice of the termination hereof from the Borrowers and all Obligations incurred or contracted before receipt of such notice shall have been fully paid.

**12.5 Relationship of the Parties.** This Agreement provides for the extension of financial accommodations by each Lender, in its capacity as lender, to the Borrowers, in their capacity as borrowers, and for the payment of interest and repayment of the Obligations by the Borrowers. Certain provisions herein, such as those relating to compliance with the financial covenants, delivery to the Agent and Lenders of financial statements, and compliance with other affirmative and negative covenants are for the benefit of the Agent and Lenders to protect the Agent's and the Lenders' interests in assuring repayment of the Obligations. Nothing contained in this Agreement shall be construed as permitting or obligating the Lenders or Agent to act as a financial or business advisor or consultant to any Borrower, as permitting or obligating the Lenders or Agent to control any Borrower or to conduct any Borrower's operations, as creating any fiduciary obligation on the part of any Lender or the Agent to any Borrower, or as creating any joint venture, agency or other relationship between the parties other than as explicitly and specifically stated in this Agreement. Each Borrower acknowledges that it has had the opportunity to obtain the advice of experienced counsel of its own choosing in connection with the negotiation and execution of this Agreement and to obtain the advice of such counsel with respect to all matters contained herein, including, without limitation, the provision in this Agreement for waiver of trial by jury. Each Borrower further acknowledges that it is experienced with respect to financial and credit matters and has made its own independent decision to request the Obligations and execute and deliver this Agreement.

12.6 **Waiver of Jury Trial.** Each Borrower hereby (a) covenants and agrees not to elect a trial by jury of any issue triable by a jury, and (b) waives any right to trial by jury fully to the extent that any such right shall now or hereafter exist. This waiver of right to trial by jury is separately given by each Borrower, knowingly and voluntarily, and this waiver is intended to encompass individually each instance and each issue as to which the right to a jury trial would otherwise accrue. The Agent and the Lenders are hereby authorized and requested to submit this Agreement to any court having jurisdiction over the subject matter and the parties hereto, so as to serve as conclusive evidence of each Borrower's herein contained waiver of the right to jury trial. Further, each Borrower hereby certifies that no representative or agent of the Agent or any Lender (including the Agent's counsel) has represented, expressly or otherwise, to the undersigned that the Agent or Lenders will not seek to enforce this provision waiving the right to a trial by jury.

12.7 **Submission to Jurisdiction; Service of Process; Venue.** Any judicial proceeding brought against any Borrower with respect to this Agreement or any other Loan Document may be brought in any court of competent jurisdiction in the Commonwealth of Virginia, and by execution and delivery of this Agreement, each Borrower accepts for itself and in connection with its properties, generally and unconditionally, the non-exclusive jurisdiction of the aforesaid court, and irrevocably agrees to be bound by any judgment rendered by such court in connection with this Agreement. Each Borrower irrevocably designates and appoints the General Counsel of the Primary Operating Company, whose address is c/o ICF Consulting Group, Inc., 9300 Lee Highway, Fairfax, Virginia 22031, as its agent to receive on its behalf service of all process in any such proceeding in any court in the Commonwealth of Virginia, such service being hereby acknowledged by each Borrower to be effective and binding on it in every respect. A copy of any such process so served shall be mailed by registered or certified mail to the Borrowers at the address to which notices are to be addressed in accordance with this Agreement, except that any failure to mail such copy shall not affect the validity of service of process. The Borrowers shall at all times maintain an agent for service of process pursuant to this provision. If any Borrower fails to appoint such an agent, or if such agent refuses to accept service, such Borrower hereby agrees that service upon it by mail shall constitute sufficient notice. Nothing herein shall affect the right to serve process in any other manner permitted by law or shall limit the right of the Agent or the Lenders to bring proceedings against any Borrower in the courts of any other jurisdiction.

12.8 **Changes in Capital Requirements.** If after the date of this Agreement the Agent shall determine that the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof, or compliance by the Lenders with any request or directive regarding capital adequacy of any authority, central bank or comparable agency, which adoption, change or compliance is applicable to all banks generally or to banks similar in size, has or would have the effect of reducing the rate of return on the Lenders' capital as a consequence of the Lenders' obligations hereunder to a level below that which the Lenders could have achieved but for such adoption, change or compliance (taking into consideration the Agent's policies with respect to capital adequacy), then, after sixty (60) days prior notice given by the Agent to the Borrowers, the interest rate on the Notes shall be increased to a rate which shall retain the Lenders' original rate of return on the Lenders' capital.

12.9 **Intentionally Omitted.**

12.10 **Modification and Waiver.** Subject to Section 10.3 hereof, neither this Agreement nor any term, condition, covenant or agreement hereof may be changed, waived, discharged or terminated orally, but that may be accomplished only by an instrument in writing signed by the party against whom enforcement of the change, waiver, discharge or termination is sought.

12.11 **Transferability.**

(a) No Borrower shall assign any of its rights, interests or Obligations under this Agreement or any other Loan Document.

(b) No Lender shall assign its interests under this Agreement or any other Loan Document to any person or entity, without the prior written consent of both Citizens Bank and the Borrowers; provided that (i) the Borrowers' consent shall not be required for assignments from one Lender to another Lender or at any time during which an Event of Default shall have occurred and be continuing; and (ii) the Borrowers' consent shall not be unreasonably withheld or delayed. Subject to obtaining such consent (as required), any Lender may assign its interest, in the ordinary course of its commercial banking business, at any time, or sell participations in some but not all of its rights and obligations under this Agreement and the other Loan Documents, provided that (a) the purchaser of any such interest is a commercial bank (a "Participating Lender") or Eligible Assignee, in either case whose total assets exceed Five Hundred Million and No/100 Dollars (\$500,000,000.00); (b) at least thirty (30) days' prior written notice of such sale or assignment, which notice must identify the name, address and contact person of the Participating Lender and/or Eligible Assignee, shall have been issued by such transferring Lender to the Agent and the Borrowers; (c) the dollar equivalent of the Percentage of the transferring Lender being assigned equals or exceeds Five Million and No/100 Dollars (\$5,000,000.00); (d) the Agent shall have received a duly executed Assignment and Acceptance Agreement, in the form attached as **Exhibit 8** hereto; and (e) if the proposed assignee of the transferring Lender is not an Affiliate of the transferring Lender, an assignment fee in the amount of Three Thousand Five Hundred and No/100 Dollars (\$3,500.00) shall have been paid to the Agent to reimburse the Agent for costs and expenses incurred in connection with the assignment.

12.12 **Governing Law; Binding Effect.** This Agreement shall be governed by the laws of the Commonwealth of Virginia (without regard to conflict of laws principles) and be binding upon each Borrower and inure to the benefit of the parties hereto and their respective successors and assigns.

12.13 **Gender; Number.** As used herein, the singular number shall include the plural, the plural the singular and the use of the masculine, feminine or neuter gender shall include all genders, as the context may require.

12.14 **Joint and Several Liability.** Each Borrower shall be jointly and severally liable for the payment and performance of all obligations and liabilities hereunder.

12.15 **Materiality.** Unless the context clearly indicates to the contrary, determinations regarding the materiality of any act, event, condition or circumstance shall be in the reasonable judgment of the Agent.

12.16 **Reliance on the Agent.** Each Borrower shall be entitled to assume that any and all consents, approvals or notices issued or granted by the Agent pursuant to the terms and provisions of this Agreement were, to the extent necessary, authorized by the Required Lenders or all of the Lenders, as applicable.

12.17 **The Patriot Act.** The Agent and Lenders hereby notify the Borrowers that pursuant to the requirements of the Patriot Act, they are required to obtain, verify and record information that identifies the Borrowers, which information includes the name and address of the Borrowers and other information that will allow the Agent and the Lenders to identify the Borrowers in accordance with the Patriot Act.

12.18 **Counterparts.** This Agreement may be executed in any number of counterparts, all of which together shall constitute one and the same document.

*[Remainder of Page Intentionally Left Blank]*



ATTEST:  
[Corporate Seal]

By: /s/ TERRANCE MCGOVERN  
Name: Terrance McGovern

ATTEST:  
[Corporate Seal]

By: /s/ TERRANCE MCGOVERN  
Name: Terrance McGovern

WITNESS:

By: /s/ TERRANCE MCGOVERN  
Name: Terrance McGovern

ATTEST:

By: /s/ TERRANCE MCGOVERN  
Name: Terrance McGovern

ATTEST:

By: /s/ TERRANCE MCGOVERN  
Name: Terrance McGovern

ATTEST:

By: /s/ TERRANCE MCGOVERN  
Name: Terrance McGovern

BORROWERS:

ICF CONSULTING GROUP HOLDINGS, INC., a  
Delaware corporation

By: /s/ ALAN R. STEWART  
Name: Alan R. Stewart  
Title: CFO

ICF CONSULTING GROUP, INC., a  
Delaware corporation

By: /s/ ALAN R. STEWART  
Name: Alan R. Stewart  
Title: CFO

ICF CONSULTING LIMITED, a private limited company organized  
under the laws of England and Wales

By: /s/ KENNETH KOLSKY  
Name: Kenneth Kolsky  
Title: Director

COMMENTWORKS.COM COMPANY, L.L.C. a  
Delaware limited liability company

By: /s/ ALAN R. STEWART  
Name: Alan R. Stewart  
Title: CFO

THE K.S. CRUMP GROUP, L.L.C., a  
Delaware limited liability company

By: /s/ ALAN R. STEWART  
Name: Alan R. Stewart  
Title: CFO

ICF INCORPORATED, L.L.C., a Delaware  
limited liability company

By: /s/ ALAN R. STEWART  
Name: Alan R. Stewart  
Title: CFO

ATTEST:  
  
By: /s/ TERRANCE MCGOVERN  
Name: Terrance McGovern

ICF INFORMATION TECHNOLOGY, L.L.C.,  
a Delaware limited liability company  
  
By: /s/ ALAN R. STEWART  
Name: Alan R. Stewart  
Title: CFO

ATTEST:  
  
By: /s/ TERRANCE MCGOVERN  
Name: Terrance McGovern

ICF RESOURCES, L.L.C., a  
Delaware limited liability company  
  
By: /s/ ALAN R. STEWART  
Name: Alan R. Stewart  
Title: CFO

ATTEST:  
  
By: /s/ TERRANCE MCGOVERN  
Name: Terrance McGovern

SYSTEMS APPLICATIONS INTERNATIONAL,  
L.L.C., a Delaware limited liability company  
  
By: /s/ ALAN R. STEWART  
Name: Alan R. Stewart  
Title: CFO

ATTEST:  
  
By: /s/ TERRANCE MCGOVERN  
Name: Terrance McGovern

ICF ASSOCIATES, L.L.C., a Delaware limited  
liability company  
  
By: /s/ ALAN R. STEWART  
Name: Alan R. Stewart  
Title: CFO

ATTEST:  
  
By: /s/ TERRANCE MCGOVERN  
Name: Terrance McGovern

ICF SERVICES COMPANY, L.L.C., a Delaware  
limited liability company  
  
By: /s/ ALAN R. STEWART  
Name: Alan R. Stewart  
Title: CFO

ATTEST:  
  
By: /s/ TERRANCE MCGOVERN  
Name: Terrance McGovern

ICF CONSULTING SERVICES, L.L.C., a  
Delaware limited liability company  
  
By: /s/ ALAN R. STEWART  
Name: Alan R. Stewart  
Title: CFO

ATTEST:  
  
By: /s/ TERRANCE MCGOVERN  
Name: Terrance McGovern

ICF EMERGENCY MANAGEMENT SERVICES,  
LLC, a Delaware limited liability company  
  
By: /s/ ALAN R. STEWART  
Name: Alan R. Stewart  
Title: CFO

WITNESS:

By: /s/ TERRANCE MCGOVERN  
Name: Terrance McGovern

ATTEST:  
[Corporate Seal]

By: /s/ TERRANCE MCGOVERN  
Name: Terrance McGovern

WITNESS:

By: /s/ TERRANCE MCGOVERN  
Name: Terrance McGovern

WITNESS/ATTEST:

By: /s/ TERRANCE MCGOVERN  
Name: Terrance McGovern

By: /s/ TERRANCE MCGOVERN  
Name: Terrance McGovern

ATTEST:  
[Corporate Seal]

By: /s/ TERRANCE MCGOVERN  
Name: Terrance McGovern

ATTEST:  
[Corporate Seal]

By: /s/ TERRANCE MCGOVERN  
Name: Terrance McGovern

ICF CONSULTING PTY LTD, an Australian corporation

By: /s/ KENNETH KOLSKY  
Name: Kenneth Kolsky  
Title: Director

ICF CONSULTING CANADA, INC., a Canadian corporation

By: /s/ ALAN R. STEWART  
Name: Alan R. Stewart  
Title: CFO

ICF/EKO, a Russian corporation

By: /s/ ALAN R. STEWART  
Name: Alan R. Stewart  
Title: CFO

ICF CONSULTORIA DO BRAZIL LTDA., a Brazilian limited liability company

By: ICF CONSULTING GROUP, INC., a Delaware corporation

By: /s/ ALAN R. STEWART  
Name: Alan R. Stewart  
Title: CFO

By: ICF CONSULTING SERVICES, L.L.C., a Delaware limited liability company

By: /s/ ALAN R. STEWART  
Name: Alan R. Stewart  
Title: CFO

SYNERGY, INC., a District of Columbia corporation

By: /s/ ALAN R. STEWART  
Name: Alan R. Stewart  
Title: CFO

SIMULATION SUPPORT, INC., a Virginia corporation

By: /s/ ALAN R. STEWART  
Name: Alan R. Stewart  
Title: CFO

ATTEST:

By: /s/ TERRANCE MCGOVERN  
Name: Terrance McGovern

SYNERGY BIOMEDICAL, LLC, a Delaware  
limited liability company

By: /s/ ALAN R. STEWART  
Name: Alan R. Stewart  
Title: CFO

ATTEST:

By: /s/ TERRANCE MCGOVERN  
Name: Terrance McGovern

ICF PROGRAM SERVICES, LLC, a Delaware  
limited liability company

By: /s/ ALAN R. STEWART  
Name: Alan R. Stewart  
Title: CFO

ATTEST:

[Corporate Seal]

By: /s/ TERRANCE MCGOVERN  
Name: Terrance McGovern

CALIBER ASSOCIATES, INC., a Virginia  
corporation

By: /s/ ALAN R. STEWART  
Name: Alan R. Stewart  
Title: CFO

ATTEST:

[Corporate Seal]

By: /s/ TERRANCE MCGOVERN  
Name: Terrance McGovern

COLLINS MANAGEMENT CONSULTING, INC., a  
Virginia corporation

By: /s/ ALAN R. STEWART  
Name: Alan R. Stewart  
Title: CFO

ATTEST:

[Corporate Seal]

By: /s/ TERRANCE MCGOVERN  
Name: Terrance McGovern

FRIED & SHER, INC., a Virginia  
corporation

By: /s/ ALAN R. STEWART  
Name: Alan R. Stewart  
Title: CFO

**LENDER(S):**

CITIZENS BANK OF PENNSYLVANIA, a  
Pennsylvania state chartered bank

By: /s/ RICHARD A. KROGMANN  
Name: Richard A. Krogmann  
Title: V.P.

CHEVY CHASE BANK, F.S.B., a federal savings bank

By: /s/ DEBRA OWEN  
Name: Debra Owen  
Title: Vice President

PNC BANK, NATIONAL ASSOCIATION, as successor-in-interest to Riggs Bank, N.A., a national banking association

By: /s/ DOUGLAS T. BROWN

Name: Douglas T. Brown

Title: SVP

COMMERCE BANK, N.A., a national banking association

By: /s/ FRANK MERENDINO

Name: Frank Merendino

Title: Vice President

**AGENT:**

CITIZENS BANK OF PENNSYLVANIA, a Pennsylvania state chartered bank

By: /s/ RICHARD A. KROGMANN

Name: Richard A. Krogmann

Title: VP

**SCHEDULE 1**

Lenders	Total Commitment Amount		Facility A		Facility B		Facility C		Swing Line Facility	
	Percentage/Commitment \$		Percentage/Commitment \$		Percentage/Commitment \$		Percentage/Commitment		Percentage/Commitment \$	
Citizens Bank	50%	\$37,500,000.00	50%	\$22,500,000.00	50%	\$11,000,000.00	50%	\$4,000,000.00	100%	\$10,000,000
PNC Bank	25%	\$18,750,000.00	25%	\$11,250,000.00	25%	\$5,500,000.00	25%	\$2,000,000.00	0%	\$0
Chevy Chase Bank	12.5%	\$9,375,000.00	12.5%	\$5,625,000.00	12.5%	\$2,750,000.00	12.5%	\$1,000,000.00	0%	\$0
Commerce Bank	12.5%	\$9,375,000.00	12.5%	\$5,625,000.00	12.5%	\$2,750,000.00	12.5%	\$1,000,000.00	0%	\$0
<b>TOTALS:</b>	<b>100%</b>	<b>\$75,000,000</b>	<b>100%</b>	<b>\$45,000,000</b>	<b>100%</b>	<b>\$22,000,000</b>	<b>100%</b>	<b>\$8,000,000</b>	<b>100%</b>	<b>\$10,000,000</b>

**[Add Facility C]**

*Wiring Instructions:* Citizens Bank of Pennsylvania  
Philadelphia, PA  
ABA #036076150  
Attn: Loan Administration  
Account #6000005214  
Ref : ICF Consulting  
Loan/Note # \_\_\_\_\_  
PAYDOWN/ADVANCE/ETC.

*Wiring Instructions:* PNC Bank, National Association  
ABA# 054000030  
Attention: Commercial Loan Operations  
Account # 08-575-677  
Ref: ICF Consulting Group, Inc.

*Wiring Instructions:* Chevy Chase Bank, F.S.B.  
ABA# 255071981  
Account Name: Commercial Loan Servicing  
Account # 29050030 r/c 082  
Attention: Rick Butterbaugh, Manager  
Ref: ICF Consulting

*Wiring Instructions:* Commerce Bank, N.A.  
ABA 031201360  
Account Name. Participation Loan WIP \_\_\_\_\_  
Account number 12569999 \_\_\_\_\_  
Attn. E. Huber  
Ref. ICF Consulting Group Holdings Inc

**FIRST MODIFICATION TO AMENDED AND RESTATED BUSINESS LOAN AND SECURITY  
AGREEMENT AND OTHER LOAN DOCUMENTS**

**THIS FIRST MODIFICATION TO AMENDED AND RESTATED BUSINESS LOAN AND SECURITY AGREEMENT AND OTHER LOAN DOCUMENTS** (this "Modification"), dated as of March 14, 2006, is made by and among (i) CITIZENS BANK OF PENNSYLVANIA, a Pennsylvania state chartered bank ("Citizens Bank"), acting in its capacity as the agent for the Lenders (the "Agent"), having offices at 852 1 Leesburg Pike, Suite 405, Vienna, Virginia 22182; (ii) CITIZENS BANK, acting in its capacity as a Lender, and each other "Lender" party to the hereinafter defined Loan Agreement (each, a "Lender" and collectively, the "Lenders"); and (iii) ICF CONSULTING GROUP, INC., a Delaware corporation ("ICFG"), ICF CONSULTING GROUP HOLDINGS, INC., a Delaware corporation ("ICF Holdings"), and each other "Borrower" party to the Loan Agreement (together with ICFG and ICF Holdings, each, a "Borrower" and collectively, the "Borrowers"), each having offices at 9300 Lee Highway, Fairfax, Virginia 22031. Capitalized terms used but not defined herein shall have the meanings attributed to such terms in the Loan Agreement.

**WHEREAS**, pursuant to the terms of a certain Amended and Restated Business Loan and Security Agreement dated as of October 5, 2005 (as amended, modified or restated from time to time, the "Loan Agreement"), by and among the Borrowers, the Agent and the Lenders, the Borrowers obtained loans and certain other financial accommodations (collectively, the "Loan") from the Lenders in the aggregate maximum principal amount of Seventy-five Million and No/100 Dollars (\$75,000,000.00); and

**WHEREAS**, the Loan is evidenced by the Notes and secured by, among other things, the collateral described in the Loan Agreement; and

**WHEREAS**, the Borrowers anticipate a temporary need for additional capital and have requested that, for a limited period of time, the Agent and Lenders make overadvances available to the Borrower; and

**WHEREAS**, the Agent and Lenders have agreed to grant the Borrowers' request, subject to the terms and conditions set forth herein; and

**WHEREAS**, the Borrowers, the Agent and the Lenders have also agreed to (i) revise the Leverage Ratio covenant of the Borrowers set forth in Section 6.15(b) of the Loan Agreement, (ii) revise the Maximum Total Senior Debt Covenant of the Borrowers set forth in Section 6.15(e) of the Loan Agreement, and (iii) modify the pricing for (i.e., the interest rate charged on) amounts advanced under Facility A set forth on Exhibit 7 attached to the Loan Agreement; and

**WHEREAS**, the Borrowers, the Agent and the Lenders desire to enter into this Modification to memorialize the agreements and understanding of the parties with respect to the foregoing matters, as hereinafter provided.

**NOW THEREFORE**, for Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **Recitals.** The foregoing recitals are hereby incorporated herein by this reference and made a part hereof, with the same force and effect as if fully set forth herein.

2. **Temporary Allowance for Overadvances.** Notwithstanding anything to the contrary set forth in Section 1.3 of the Loan Agreement, so long as no Event of Default shall have occurred and be continuing, and no act, event or condition shall have occurred and be continuing which with notice or the lapse of time, or both shall constitute an Event of Default, and subject to satisfaction of all other

terms and conditions for advances set forth in the Loan Agreement, the Borrowers may obtain over-advances of the proceeds of Facility A as follows: (i) from the date hereof through and including June 30, 2006, up to the lesser of (a) the Facility A Commitment Amount and (b) the Maximum Borrowing Base plus Six Million and No/100 Dollars (\$6,000,000.00); and (ii) from July 1, 2006 through and including August 31, 2006, up to the lesser of (a) the Facility A Commitment Amount and (b) the Maximum Borrowing Base plus Four Million and No/100 Dollars (\$4,000,000.00). No over-advance shall be permitted after August 31, 2006, and any and all over-advances in excess of the limits set forth in this paragraph (including, without limitation, any over-advance existing or arising after August 31, 2006) shall constitute a Borrowing Base Deficiency, and the Borrowers shall immediately make a principal payment in the amount of such Borrowing Base Deficiency.

### 3. Financial Covenant Amendments.

(a) Maximum Leverage Ratio. Notwithstanding anything to the contrary set forth in Section 6.15(b) of the Loan Agreement, the Borrowers will maintain a Leverage Ratio of not more than 4.00 to 1.00 for the Fiscal Quarters ending March 31, 2006 and June 30, 2006 (in lieu of the requirement for a Leverage Ratio of not more than 3.50 to 1.00 for such periods, as set forth in Section 6.15(b) of the Loan Agreement). For all applicable measurement periods thereafter, the Borrowers will maintain the Leverage Ratio set forth in Section 6.15(b) of the Loan Agreement (i.e., not more than 3.50 to 1.00).

(b) Maximum Total Senior Debt Covenant. Notwithstanding anything to the contrary set forth in Section 6.15(e) of the Loan Agreement, the Borrowers will not suffer or permit Total Senior Debt to exceed an amount equal to one hundred fifteen percent (115%) of the aggregate amount of all of the Borrowers' Receivables (including all billed and unbilled Receivables) for the Fiscal Quarter ending March 31, 2006 (in lieu of the requirement for Total Senior Debt to be less than an amount equal to 100% of the aggregate amount of all of the Borrowers' Receivables (including all billed and unbilled Receivables)). For all measurement periods thereafter, the Borrowers will not suffer or permit Total Senior Debt to exceed an amount equal to 100% of the aggregate amount of all of the Borrowers' Receivables (including all billed and unbilled Receivables).

4. Modification to Covenant Compliance Certificate and Pricing Grid. Exhibit 5 and Exhibit 7 attached to the Loan Agreement are hereby deleted in their entirety, and Exhibit 5 and Exhibit 7 attached to this Modification substituted in lieu thereof.

5. Interest Rate. From and after the date of this Modification (and until the interest rate charged on amounts outstanding under the Notes would change pursuant to the Notes on or after June 1, 2006), the interest rates for amounts outstanding under the Notes will be fixed at Level IV set forth on the Pricing Grid (attached as Exhibit 7 hereto).

### 6. Miscellaneous.

(a) Simultaneously with the execution and delivery of this Modification (and as a condition precedent to its effectiveness), the Borrowers shall pay to the Agent, in immediately available funds: (i) a commitment/waiver fee, in the amount of One Hundred Thousand and No/100 Dollars (\$100,000.00), for the ratable benefit of the Lenders; and (ii) all of the Agent's reasonable costs and expenses associated with this Modification and the transactions referenced herein or contemplated hereby, including, without limitation, the Agent's reasonable legal fees and expenses.

(b) Each Borrower hereby represents, warrants, acknowledges and agrees that as of the date hereof (a) there are no set-offs or defenses against and no defaults under any of the Notes, the Loan Agreement or any other Loan Document; (b) no act, event or condition has occurred which, with notice or the passage of time, or both, would constitute a default under any of the Notes, the Loan



Agreement or any other Loan Document; (c) all of the representations and warranties of the Borrowers contained in the Loan Agreement are true and correct as of the date hereof (except to the extent that such representations and warranties expressly relate solely to an earlier date), unless the Borrowers are unable to remake and redate any such representation or warranty, in which case the Borrowers have previously disclosed the same to the Agent and the Lenders in writing, and such inability does not constitute or give rise to an Event of Default; and (d) all schedules attached to the Loan Agreement with respect to any particular representation and warranty of the Borrowers set forth in the Loan Agreement (as modified) remain true, accurate and complete, as updated in writing to the Agent as of the date of this Modification.

(c) The Borrowers, and their respective representatives, successors and assigns, hereby jointly and severally, knowingly and voluntarily RELEASE, DISCHARGE, and FOREVER WAIVE and RELINQUISH any and all claims, demands, obligations, liabilities, defenses, affirmative defenses, setoffs, counterclaims, actions, and causes of action of whatsoever kind or nature, whether known or unknown, which they have, may have, or might have or may assert now or in the future against the Agent and/or the Lenders directly or indirectly, arising out of, based upon, or in any manner connected with any transaction, event, circumstance, action, failure to act, or occurrence of any sort or type, in each case related to, arising from or in connection with the Loan, whether known or unknown, and which occurred, existed, was taken, permitted, or begun prior to the date hereof (including, without limitation, any claim, demand, obligation, liability, defense, counterclaim, action or cause of action relating to or arising from the grant by the Borrowers to the Agent and/or the Lenders of a security interest in or encumbrance on collateral that is, was or may be subject to, or an agreement by which the Borrowers are bound and which contains, a prohibition on further mortgaging or encumbering the same). The Borrowers hereby acknowledge and agree that the execution of this Modification by the Agent and the Lenders shall not constitute an acknowledgment of or an admission by the Agent and/or the Lenders of the existence of any such claims or of liability for any matter or precedent upon which any liability may be asserted.

(d) Except as expressly set forth herein, nothing contained in this Modification is intended to or shall otherwise act to nullify, discharge, or release any obligation incurred in connection with the Notes, the Loan Agreement and/or the other Loan Documents or to waive or release any collateral given by any Borrower to secure the Notes, nor shall this Modification be deemed or considered to operate as a novation of the Notes, the Loan Agreement or the other Loan Documents. Except to the extent of any express conflict with this Modification or except as otherwise expressly contemplated by this Modification, all of the terms and conditions of the Notes, the Loan Agreement and the other Loan Documents shall remain in full force and effect, and the same are hereby expressly approved, ratified and confirmed. In the event of any express conflict between the terms and conditions of the Notes, the Loan Agreement or the other Loan Documents and this Modification, this Modification shall be controlling and the terms and conditions of such other documents shall be deemed to be amended to conform with this Modification.

(e) If any term, condition, or any part thereof, of this Modification, the Loan Agreement or of the other Loan Documents shall for any reason be found or held to be invalid or unenforceable by any court or governmental agency of competent jurisdiction, such invalidity or unenforceability shall not affect the remainder of such term, provision or condition nor any other term, provision, or condition of this Modification, the Loan Agreement and the other Loan Documents, and this Modification, the Loan Agreement and the other Loan Documents shall survive and be construed as if such invalid or unenforceable term, provision or condition had not been contained therein.

(f) Each Borrower acknowledges that, at all times prior to and through the date hereof, the Agent and the Lenders have acted in good faith and have conducted themselves in a commercially reasonable manner in their relationship with such Borrower in connection with this Modification and in connection with the obligations of the Borrowers to the Agent and the Lenders under the Loan; the Borrowers hereby waiving and releasing any claims to the contrary.

(g) Each Borrower, Lender and the Agent hereby acknowledges and agrees that, from and after the date hereof, all references to the "Loan Agreement" set forth in any Loan Document shall mean the Loan Agreement, as modified pursuant to this Modification and any other modification of the Loan Agreement dated prior to the date hereof.

(h) Each Borrower hereby represents and warrants that, as of the date hereof, such Borrower is indebted to the Lenders in respect of the amounts due and owing under the Notes, all such amounts remain outstanding and unpaid and all such amounts are payable in full, without offset, defenses, deduction or counterclaim of any kind or character whatsoever.

(i) Each Borrower acknowledges (a) that it has participated in the negotiation of this Modification, and no provision of this Modification shall be construed against or interpreted to the disadvantage of any party hereto by any court or other governmental or judicial authority by reason of such party having or being deemed to have structured, dictated or drafted such provision; (b) that it has had access to an attorney of its choosing in the negotiation of the terms of and in the preparation and execution of this Modification, and it has had the opportunity to review, analyze, and discuss with its counsel this Modification, and the underlying factual matters relevant to this Modification, for a sufficient period of time prior to the execution and delivery hereof; (c) that all of the terms of this Modification were negotiated at arm's length; (d) that this Modification was prepared and executed without fraud, duress, undue influence, or coercion of any kind exerted by any of the parties upon the others; and (e) that the execution and delivery of this Modification is the free and voluntary act of such Borrower.

(j) This Modification shall be governed by the laws of the Commonwealth of Virginia and shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

(k) This Modification may be executed in any number of counterparts, each of which shall be deemed an original and all of which together shall be deemed one and the same instrument. Signature pages may be exchanged by facsimile and each party hereto agrees to be bound by its facsimile signature.

[The Remainder of This Page Intentionally Left Blank]

IN WITNESS WHEREOF, the undersigned have executed this Modification as of the date first above written.

ATTEST:  
[Corporate Seal]

By: /s/ TERRANCE MCGOVERN  
Name: Terrance McGovern

ATTEST:  
[Corporate Seal]

By: /s/ TERRANCE MCGOVERN  
Name: Terrance McGovern

WITNESS:

By: /s/ TERRANCE MCGOVERN  
Name: Terrance McGovern

ATTEST:

By: /s/ TERRANCE MCGOVERN  
Name: Terrance McGovern

ATTEST:

By: /s/ TERRANCE MCGOVERN  
Name: Terrance McGovern

ATTEST:

By: /s/ TERRANCE MCGOVERN  
Name: Terrance McGovern

**BORROWERS:**

ICF CONSULTING GROUP HOLDINGS, INC., a  
Delaware corporation

By: /s/ ALAN R. STEWART  
Name: Alan R. Stewart  
Title: CFO

ICF CONSULTING GROUP, INC., a  
Delaware corporation

By: /s/ ALAN R. STEWART  
Name: Alan R. Stewart  
Title: CFO

ICF CONSULTING LIMITED, a private limited  
company organized under the laws of England and  
Wales

By: /s/ KENNETH KOLSKY  
Name: Kenneth Kolsky  
Title: Director

COMMENTWORKS.COM COMPANY, L.L.C., a  
Delaware limited liability company

By: /s/ ALAN R. STEWART  
Name: Alan R. Stewart  
Title: CFO

THE. K.S. CRUMP GROUP, L.L.C., a Delaware  
limited liability company

By: /s/ ALAN R. STEWART  
Name: Alan R. Stewart  
Title: CFO

ICF INCORPORATED, L.L.C., a Delaware limited  
liability company

By: /s/ ALAN R. STEWART  
Name: Alan R. Stewart  
Title: CFO

ATTEST:  
  
By: /s/ TERRANCE MCGOVERN  
Name: Terrance McGovern

ICF INFORMATION TECHNOLOGY, L.L.C., a  
Delaware limited liability company  
  
By: /s/ ALAN R. STEWART  
Name: Alan R. Stewart  
Title: CFO

ATTEST:  
  
By: /s/ TERRANCE MCGOVERN  
Name: Terrance McGovern

ICF RESOURCES, L.L.C., a Delaware limited  
liability company  
  
By: /s/ ALAN R. STEWART  
Name: Alan R. Stewart  
Title: CFO

ATTEST:  
  
By: /s/ TERRANCE MCGOVERN  
Name: Terrance McGovern

SYSTEMS APPLICATIONS INTERNATIONAL,  
L.L.C., a Delaware limited liability company  
  
By: /s/ ALAN R. STEWART  
Name: Alan R. Stewart  
Title: CFO

ATTEST:  
  
By: /s/ TERRANCE MCGOVERN  
Name: Terrance McGovern

ICF ASSOCIATES, L.L.C., a Delaware limited  
liability company  
  
By: /s/ ALAN R. STEWART  
Name: Alan R. Stewart  
Title: CFO

ATTEST:  
  
By: /s/ TERRANCE MCGOVERN  
Name: Terrance McGovern

ICF SERVICES COMPANY, L.L.C., a Delaware  
limited liability company  
  
By: /s/ ALAN R. STEWART  
Name: Alan R. Stewart  
Title: CFO

ATTEST:  
  
By: /s/ TERRANCE MCGOVERN  
Name: Terrance McGovern

ICF CONSULTING SERVICES, L.L.C., a  
Delaware limited liability company  
  
By: /s/ ALAN R. STEWART  
Name: Alan R. Stewart  
Title: CFO

ATTEST:

By: /s/ TERRANCE MCGOVERN  
Name: Terrance McGovern  
Title: Treasurer

WITNESS:

By: /s/ TERRANCE MCGOVERN  
Name: Terrance McGovern

ATTEST:  
[Corporate Seal]

By: /s/ TERRANCE MCGOVERN  
Name: Terrance McGovern  
Title: Treasurer

WITNESS:

By: /s/ TERRANCE MCGOVERN  
Name: Terrance McGovern

WITNESS/ATTEST:

By: /s/ TERRANCE MCGOVERN  
Name: Terrance McGovern  
Title: Treasurer

By: /s/ TERRANCE MCGOVERN  
Name: Terrance McGovern  
Title: Treasurer

ICF EMERGENCY MANAGEMENT SERVICES,  
LLC, a Delaware limited liability company

By: /s/ ALAN R. STEWART  
Name: Alan R. Stewart  
Title: CFO

ICF CONSULTING PTY LTD, an Australian  
corporation

By: /s/ KENNETH KOLSKY  
Name: Kenneth Kolsky  
Title: Director

ICF CONSULTING CANADA, INC., a Canadian  
corporation

By: /s/ ALAN R. STEWART  
Name: Alan R. Stewart  
Title: CFO

ICF/EKO, a Russian corporation

By: /s/ ALAN R. STEWART  
Name: Alan R. Stewart  
Title: CFO

ICF CONSULTORIA DO BRAZIL LTDA., a  
Brazilian limited liability company

By: ICF CONSULTING GROUP, INC., a  
Delaware corporation

By: /s/ ALAN R. STEWART  
Name: Alan R. Stewart  
Title: CFO

By: ICF CONSULTING SERVICES, L.L.C., a  
Delaware limited liability company

By: /s/ ALAN R. STEWART  
Name: Alan R. Stewart  
Title: CFO

ATTEST:  
[Corporate Seal]

By: /s/ TERRANCE MCGOVERN  
Name: Terrance McGovern

ATTEST:  
[Corporate Seal]

By: /s/ TERRANCE MCGOVERN  
Name: Terrance McGovern

ATTEST:

By: /s/ TERRANCE MCGOVERN  
Name: Terrance McGovern

ATTEST:

By: /s/ TERRANCE MCGOVERN  
Name: Terrance McGovern

ATTEST:  
[Corporate Seal]

By: /s/ TERRANCE MCGOVERN  
Name: Terrance McGovern

ATTEST:  
[Corporate Seal]

By: /s/ TERRANCE MCGOVERN  
Name: Terrance McGovern

SYNERGY, INC., a District of Columbia corporation

By: /s/ ALAN R. STEWART  
Name: Alan R. Stewart  
Title: CFO

SIMULATION SUPPORT, INC., a Virginia corporation

By: /s/ ALAN R. STEWART  
Name: Alan R. Stewart  
Title: CFO

ICF BIOMEDICAL CONSULTING, LLC, a Delaware limited liability company

By: /s/ ALAN R. STEWART  
Name: Alan R. Stewart  
Title: CFO

ICF PROGRAM SERVICES, LLC, a Delaware limited liability company

By: /s/ ALAN R. STEWART  
Name: Alan R. Stewart  
Title: CFO

CALIBER ASSOCIATES, INC., a Virginia corporation

By: /s/ ALAN R. STEWART  
Name: Alan R. Stewart  
Title: CFO

COLLINS MANAGEMENT CONSULTING, INC., a Virginia corporation

By: /s/ ALAN R. STEWART  
Name: Alan R. Stewart  
Title: CFO

ATTEST:  
[Corporate Seal]

By: /s/ TERRANCE MCGOVERN  
Name: Terrance McGovern

FRIED & SHER, INC., a Virginia corporation

By: /s/ ALAN R. STEWART  
Name: Alan R. Stewart  
Title: CFO

**LENDER(S):**  
CITIZENS BANK OF PENNSYLVANIA, a  
Pennsylvania state chartered bank

By: /s/ RICHARD A. KROGMANN  
Name: Richard A. Krogmann  
Title: Vice President

CHEVY CHASE BANK, F.S.B., a federal savings  
bank

By: /s/ DEBRA OWEN  
Name: Debra Owen  
Title: Vice President

PNC BANK, NATIONAL ASSOCIATION, as  
successors-in-interest to Riggs Bank, N.A., a  
national banking association

By: /s/ DOUGLAS T. BROWN  
Name: Douglas T. Brown  
Title: Senior Vice President

COMMERCE BANK, N.A., a national banking  
association

By: /s/ FRANK J. MERENDINO  
Name: Frank J. Merendino  
Title: Vice President

**AGENT:**  
CITIZENS BANK OF PENNSYLVANIA, a  
Pennsylvania state chartered bank

By: /s/ RICHARD A. KROGMANN  
Name: Richard A. Krogmann  
Title: Vice President

**EXHIBIT 7**

**ICF CONSULTING GROUP**

***PRICING GRID***

<b><u>PRICING LEVEL</u></b>	<b><u>I</u></b>	<b><u>II</u></b>	<b><u>III</u></b>	<b><u>IV</u></b>
<b><u>If the Leverage Ratio is:</u></b>		<b><u>greater than or equal to 2.75 to 1.0</u></b>	<b><u>greater than or equal to 3.25 to 1.0 but less than 3.50 to 1.0</u></b>	<b><u>greater than or equal to 3.50 to 1.0</u></b>
then the Additional LIBOR Interest Margin for Facility A shall be:	2.25%	2.50%	2.75%	3.00%
then the Additional Base Rate Interest Margin for Facility A shall be:	0.00%	0.00%	0.00%	0.25%
then the Additional LIBOR Interest Margin for Facility B shall be:	2.50%	2.75%	3.00%	3.00%
then the Additional Base Rate Interest Margin for Facility B shall be:	0.25%	0.25%	0.25%	0.25%
then the Additional LIBOR Interest Margin for Facility C shall be:	3.00%	3.25%	3.50%	3.50%
then the Additional Base Rate Interest Margin for Facility C shall be:	0.75%	0.75%	0.75%	0.75%



**SECOND MODIFICATION TO AMENDED AND RESTATED BUSINESS LOAN AND SECURITY  
AGREEMENT AND OTHER LOAN DOCUMENTS**

**THIS SECOND MODIFICATION TO AMENDED AND RESTATED BUSINESS LOAN AND SECURITY AGREEMENT AND OTHER LOAN DOCUMENTS** (this "Modification"), dated as of August 25, 2006, is made by and among (i) CITIZENS BANK OF PENNSYLVANIA, a Pennsylvania state chartered bank ("**Citizens Bank**"), acting in its capacity as the agent for the Lenders (the "**Agent**"), having offices at 8521 Leesburg Pike, Suite 405, Vienna, Virginia 22182; (ii) CITIZENS BANK, acting in its capacity as a Lender, and each other "Lender" party to the hereinafter defined Loan Agreement (each, a "**Lender**" and collectively, the "**Lenders**"); and (iii) ICF CONSULTING GROUP, INC., a Delaware corporation ("**ICFG**"), ICF INTERNATIONAL, INC., a Delaware corporation ("**ICF International**"), and each other "Borrower" party to the Loan Agreement (together with ICFG and ICF International, each, a "**Borrower**" and collectively, the "**Borrowers**"), each having offices at 9300 Lee Highway, Fairfax, Virginia 22031. Capitalized terms used but not defined herein shall have the meanings attributed to such terms in the Loan Agreement.

**WITNESSETH THAT:**

**WHEREAS**, pursuant to the terms of a certain Amended and Restated Business Loan and Security Agreement dated as of October 5, 2005 (as amended, modified or restated from time to time, the "**Loan Agreement**"), by and among the Borrowers, the Agent and the Lenders, the Borrowers obtained loans and certain other financial accommodations (collectively, the "**Loan**") from the Lenders in the aggregate maximum principal amount of Seventy-five Million and No/100 Dollars (\$75,000,000.00); and

**WHEREAS**, pursuant to the terms of a First Modification to Amended and Restated Business Loan and Security Agreement and Other Loan Documents dated as of March 14, 2006, the Lenders agreed to a temporary allowance of up to Six Million and No/100 Dollars (\$6,000,000.00) for over-advances for the benefit of the Borrowers (the "**Over-Advance Allowance**"); and

**WHEREAS**, the Loan is evidenced by the Notes and secured by, among other things, the collateral described in the Loan Agreement; and

**WHEREAS**, ICF International, Inc. intends to file an initial public offering (the "**IPO**") of its common stock, a portion of the proceeds of which will be used by the Borrowers to reduce, respectively, the outstanding principal balance of Facility B, Facility C and Swing Line Outstandings, and ultimately, if proceeds still remain available, Facility A, and in connection therewith, the Borrowers have requested that the Agent and the Lenders approve the transactions contemplated by the IPO and modify several provisions of the Loan Agreement in connection therewith; and

**WHEREAS**, the Agent and Lenders have agreed to grant the Borrowers' request, subject to the terms and conditions set forth herein; and

**WHEREAS**, the Borrowers, the Agent and the Lenders have also agreed to, among other things: (i) increase the commitment amount for the Revolving Facility; (ii) revise the Fixed Charge Coverage Ratio and Leverage Ratio covenants of the Borrowers set forth in Sections 6.15(a) and 6.15(b) of the Loan Agreement; (iii) increase the Over-Advance Allowance to Ten Million and No/100 Dollars (\$10,000,000.00); (iv) waive the requirement that the Borrowers maintain and keep in full force and effect a key man life insurance policy on the life of Don Zimmerman; and (v) modify the pricing for (i.e., the

interest rate charged on) amounts advanced under Facility A, Facility B and Facility C set forth on Exhibit 7 attached to the Loan Agreement; and

**WHEREAS**, the Borrowers, the Agent and the Lenders desire to enter into this Modification to memorialize the agreements and understanding of the parties with respect to the foregoing matters, as hereinafter provided.

**NOW THEREFORE**, for Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **Recitals**. The foregoing recitals are hereby incorporated herein by this reference and made a part hereof, with the same force and effect as if fully set forth herein.

2. **Approval of the IPO**. Subject to the terms and conditions of this Modification and the other Loan Documents, the Agent and the Lenders hereby consent, for all purposes for which such consent may be necessary or required, to the Borrowers consummation of the transactions contemplated by the IPO. It is understood, agreed and acknowledged that immediately upon consummation of the transactions contemplated by the IPO, the Borrowers shall pay to the Agent, for the ratable benefit of the Lenders a portion of the proceeds of the IPO to which the Borrowers are entitled, net of: (i) the underwriting commission incurred by the Borrowers in connection with the IPO; (ii) normal and customary underwriting and offering costs and expenses incurred by the Borrowers in connection with the IPO; and (iii) payments to fund the exit pool bonus, in an amount not to exceed \$3,000,000.00, such proceeds to be used to reduce, respectively, the outstanding principal balance of Facility B, Facility C and Swing Line Outstandings, and ultimately, if proceeds still remain, Facility A; it being understood and agreed that any such reduction to the amounts outstanding under Facility A from IPO proceeds will not cause a permanent reduction of the Facility A Commitment Amount (notwithstanding anything to the contrary set forth in the Loan Agreement).

3. **Certain Waivers**. With respect to the transactions contemplated by the IPO, the Agent and the Lenders hereby waive the prohibitions set forth in the following sections of the Loan Agreement:

(i) Section 7.1(a), relating to a change in the majority ownership of the Borrowers; provided that subsequent to the IPO, CM Equity Partners, L.P., CMEP Co-Investment ICF, L.P., CM Equity Partners II, L.P., CM Equity II Co-Investors, L.P. and Affiliates thereof shall, in the aggregate, at all times own at least thirty-five percent (35%) of the common stock of ICF International;

(ii) Section 7.1(b), relating solely to the issuance of additional capital stock, and only to the extent necessary to consummate the transactions contemplated by the IPO;

(iii) Section 7.8(a), relating to the alteration and amendment of Borrowers' capital structure; it being understood and agreed that the requirements of each such Section are being waived hereby on a one-time basis only, and solely to the extent related to and necessary for Borrowers to consummate the transactions contemplated by the IPO; and

(iv) Section 7.13 relating to the First Amendment to Consulting Agreement amending the Consulting Agreement dated June 25, 1999 by and between ICF Consulting Group, Inc. and CMLS Management, L.P.

4. Conditions Precedent. As a condition precedent to the effectiveness of this Modification, the Agent and its counsel shall have received the following, each in form and substance satisfactory to the Agent and its counsel in all respects: (a) a fully executed copy of this Modification and the Allonges to the four (4) Facility A Notes; (b) UCC, judgment, tax lien and bankruptcy searches for each Borrower in its jurisdiction of incorporation/formation; (c) certified resolutions and consents of each Borrower, authorizing, as applicable, the execution and performance of this Modification; (d) an opinion of counsel of Squire Sanders & Dempsey L.L.P.; ; (e) pro forma projections, evidencing adequate financial covenant cushions as of the effective date of this Modification; and (f) such other documents, instruments, certificates of good standing, corporate resolutions, limited liability company consents, UCC financing statements, opinions, certifications, schedules to be attached to the Loan Agreement and agreements as the Agent may reasonably request, each in such form and content and from such parties as the Agent shall require.

5. Definitional Amendments. The definitions of “EBITDA,” “Facility A”, “Facility A Commitment Amount” and “Key Man Life Insurance Policies” set forth in the section of the Loan Agreement titled “Certain Definitions” are hereby deleted in their entirety and replaced with the following:

“**EBITDA**” shall mean, with respect to the Borrowers for any period of determination, net income, plus interest expense, plus federal, state and local income taxes, plus depreciation expense, plus amortization expense, plus all Agent-approved non-cash, non-recurring charges against income, plus any non-cash charges related to stock and stock-option compensation, plus funds paid from the IPO proceeds for the exit bonus pool (up to \$3,000,000) and minus any non-cash gain (to the extent included in determining net income); and with respect to the determinations of EBITDA for the quarters ending September 30, 2006, December 31, 2006 and March 31, 2007, the consolidated results will be calculated and tested on an annualized basis, all as determined on a consolidated basis in accordance with GAAP.

“**Facility A**” shall mean the revolving credit facility being extended pursuant to this Agreement on the basis of Eligible Billed Government Accounts Receivable, Eligible Billed Commercial Accounts Receivable and Eligible Foreign Accounts Receivable, in the maximum principal amount of Sixty-five Million and No/100 Dollars (\$65,000,000.00), with a sub-limit of Five Million and No/100 Dollars (\$5,000,000.00) for Letters of Credit.

“**Facility A Commitment Amount**” shall mean Sixty-five Million and No/100 Dollars (\$65,000,000.00), or if such amount shall be reduced pursuant to this Agreement, such lesser amount.

“**Key Man Life Insurance Policies**” shall mean each and all of those certain key man life insurance policies covering the life of Sudakhar Kesavan for the benefit of the Borrowers, in an aggregate minimum amount of Three Million and No/100 Dollars (\$3,000,000.00).”

6. Temporary Allowance for Over-Advances. Notwithstanding anything to the contrary set forth in Section 1.3 of the Loan Agreement, so long as no Event of Default shall have occurred and be

continuing, and no act, event or condition shall have occurred and be continuing which with notice or the lapse of time, or both shall constitute an Event of Default, and subject to satisfaction of all other terms and conditions for advances set forth in the Loan Agreement, the Borrowers may obtain over-advances of the proceeds of Facility A as follows: (i) from the date hereof through and including the earlier of (the "Over-Advance Termination Date"): (A) the consummation of the transactions contemplated by the IPO; and (B) December 15, 2006, up to the lesser of (1) the Facility A Commitment Amount; and (2) the Maximum Borrowing Base plus Ten Million and No/100 Dollars (\$10,000,000.00). No over-advance shall be permitted after the Over-Advance Termination Date, and any and all over-advances in excess of the limits set forth in this paragraph (including, without limitation, any over-advance existing or arising after the Over-Advance Termination Date) shall constitute a Borrowing Base Deficiency, and the Borrowers shall immediately make a principal payment in the amount of such Borrowing Base Deficiency.

7. **Financial Covenant Amendments.** Subject to the terms and provisions of this Modification, the financial covenants set forth in Section 6.15 of the Loan Agreement (and certain definitions relating to the financial covenants contained therein) are hereby amended and restated in their entirety as follows:

"6.15 **Financial Covenants of the Borrowers.** So long as any Obligation remains outstanding or this Agreement remains in effect, the Borrowers will comply with each of the financial covenants set forth below.

(a) **Fixed Charge Coverage Ratio.** The Borrowers will maintain on a consolidated basis for each quarter, a Fixed Charge Coverage Ratio of not less than 1.10 to 1.00. For purposes of the foregoing, "Fixed Charge Coverage Ratio" shall mean, for each measurement period, the sum of the Borrowers' EBITDA, plus real property rent expense and operating lease expense, minus cash rent paid with respect to the Abandoned Sites net of any rent received from a subtenant with respect to such Abandoned Sites, divided by the sum of the Borrowers' real property rent expense and operating lease expense, plus interest expense, plus cash taxes paid, and plus required principal payments on debt and capital lease payments. For purposes hereof, the "Abandoned Sites" shall mean those leases for space at (i) 33 Hayden Avenue, 3<sup>rd</sup> Floor, Lexington, MA 02421; and (ii) 60 Broadway, San Francisco, CA 94111.

(b) **Leverage Ratio.** The Borrowers will maintain at all times on a consolidated basis a Leverage Ratio of: (i) not more than 4.00 to 1.00 for the Fiscal Quarters ending September 30, 2006 and December 31, 2006; and (ii) not more than 3.50 to 1.00 for each Fiscal Quarter ending thereafter. For purposes of the foregoing, "Leverage Ratio" shall mean, for each measurement period, the ratio of the Borrower's Total Debt to EBITDA. The Leverage Ratio shall be measured on the last day of each fiscal quarter throughout the term of the Loan.

(c) **Capital Expenditures.** The Borrowers shall not, on an aggregate and consolidated basis, make or incur any capital expenditures, during any Fiscal Year, in excess of an amount equal to one and one-half

percent (1.50%) of the Borrowers' gross annual revenues for the immediately preceding twelve (12) month period.

(d) Continued Profitability. The Borrowers shall not, on a consolidated basis, sustain or incur negative Consolidated Net Operating Income for any fiscal quarter throughout the term of the Loan.

(e) Maximum Total Senior Debt Covenant. The Borrowers shall not, at any time, suffer or permit Total Senior Debt to exceed the aggregate amount of all of the Borrowers' Receivables (including all billed and unbilled Receivables). For purposes hereof, "Total Senior Debt" shall mean Total Debt, less the sum of (i) the aggregate unpaid amount of principal, accrued interest and other amounts payable in respect of Facility C, plus (ii) any and all other indebtedness expressly subordinated to the Loan in payment, priority, collection and all other respects pursuant to one or more written subordination agreements acceptable to the Agent in all respects.

Except as otherwise expressly provided above, the financial covenants referenced above shall be calculated and tested on a rolling four (4) quarter basis, and shall include the results of any entity acquired pursuant to a Permitted Acquisition and consolidated into the Borrowers' financial statements within the twelve (12) month period immediately preceding the applicable covenant calculation date; provided, however, that for the quarters ending September 30, 2006, December 31, 2006 and March 31, 2007, the financial covenants referenced above shall be calculated and tested on an annualized basis in accordance with past practice, beginning with the results for the quarter ending September 30, 2006. Unless otherwise defined, all financial terms used in this Section 6.15 shall have the meanings attributed to such terms in accordance with GAAP."

8. Modification to Lenders' Commitments, Borrowing Base Certificate, Covenant Compliance Certificate and Pricing Grid. Schedule 1, Exhibit 5 and Exhibit 7 attached to the Loan Agreement are hereby deleted in their entirety, and Schedule 1, Exhibit 5 and Exhibit 7 attached to this Modification substituted in lieu thereof. A new Exhibit 4A shall be added to the Loan Agreement in the form attached hereto, to be used in lieu of Exhibit 4 from the date of this Modification until the Over-Advance Termination Date.

9. Agent's Exercise of Powers. Clause (b) of the third sentence of Section 10.3(b) is hereby deleted in its entirety and replaced with the following: "increase the Percentage of the Commitment Amount of any Lender".

10. Agency Provisions. The following is hereby added as Section 10.15 of the Loan Agreement:

10.15 Field Audits and Examination Reports; Confidentiality; Disclaimers by Lenders; Other Reports and Information. By becoming a party to this Agreement, each Lender:

(a) is deemed to have requested that the Agent furnish such Lender, promptly after it becomes available, a copy of each field audit or examination report (each a "Report" and collectively, "Reports") prepared by or at the request of the Agent, and the Agent shall so furnish each Lender with such Reports;

(b) expressly agrees and acknowledges that the Agent does not (i) make any representation or warranty as to the accuracy of any Report, and (ii) shall not be liable for any information contained in any Report;

(c) expressly agrees and acknowledges that the Reports are not comprehensive audits or examinations, that the Agent or other party performing any audit or examination will inspect only specific information regarding the Borrowers and will rely significantly upon the Borrowers' books and records, as well as on representations of the Borrowers' personnel;

(d) agrees to keep all Reports and other material, non-public information regarding the Borrowers and their operations, assets, and existing and contemplated business plans in a confidential manner; and

(e) without limiting the generality of any other indemnification provision contained in this Agreement, agrees: (i) to hold the Agent and any such other Lender preparing a Report harmless from any action the indemnifying Lender may take or fail to take or any conclusion the indemnifying Lender may reach or draw from any Report in connection with any loans or other credit accommodations that the indemnifying Lender has made or may make to the Borrowers, or the indemnifying Lender's participation in, or the indemnifying Lender's purchase of, a loan or loans of the Borrowers; and (ii) to pay and protect, and indemnify, defend and hold the Agent, and any such other Lender preparing a Report harmless from and against, the claims, actions, proceedings, damages, costs, expenses, and other amounts (including, attorneys fees and costs) incurred by the Agent and any such other Lender preparing a Report as the direct or indirect result of any third parties who might obtain all or part of any Report through the indemnifying Lender.

In addition to the foregoing: (x) any Lender may from time to time request of the Agent in writing that the Agent provide to such Lender a copy of any report or document provided by the Borrowers to the Agent that has not been contemporaneously provided by the Borrowers to such Lender, and, upon receipt of such request, the Agent promptly shall provide a copy of same to such Lender, (y) to the extent that the Agent is entitled, under any provision of the Loan Documents, to request additional reports or information from the Borrowers, any Lender may, from time to time, reasonably request the Agent to exercise such right as specified in such Lender's notice to the Agent, whereupon the Agent promptly shall request of the Borrowers the additional reports or information reasonably specified by such Lender, and, upon receipt

thereof from the Borrowers, the Agent promptly shall provide a copy of same to such Lender, and (z) any time that the Agent renders to the Borrowers a statement regarding the Collateral Account, the Agent shall send a copy of such statement to each Lender.”

11. Notices. The address for Dickstein Shapiro LLP as set forth in Section 12.3 of the Loan Agreement is hereby amended to read as follows:

“Dickstein Shapiro LLP  
1825 Eye Street, N.W.  
Washington, DC 20006-5403  
Attention: Matthew S. Bergman, Esq.  
Fax: (202) 420-2201”

12. Interest Rate. Subject to the provisos below, upon consummation of the transactions contemplated by the IPO, and prepayment of the Facilities as specified herein with the proceeds thereof, the interest rates for amounts outstanding under the Notes will be fixed at Level IV set forth on the Pricing Grid (attached as Exhibit 7 hereto) and shall remain at that level until the Leverage Ratio, as calculated quarterly, is determined to have increased to the extent that the interest rate should reset under the terms of the Pricing Grid (in which event the interest rate shall be increased to the rate specified in the Pricing Grid); provided, however, that so long as there is an Over-Advance Allowance pursuant to the terms of the Loan Agreement, the interest rates for amounts outstanding under the Notes shall be set at Level I; provided further that upon the earlier of (i) the termination in writing by Borrowers of the Over-Advance Allowance (if such termination occurs after December 1, 2006); or (ii) the Over-Advance Termination Date, the interest rates for amounts outstanding under the Notes will be immediately set to the level commensurate with the then most recently provided covenant compliance certificate.

13. Miscellaneous.

(a) Without limiting the Borrowers’ obligation under Section 1.7(e) of the Loan Agreement to pay the Agent’s costs and expenses incurred in connection with the Loan (including, without limitation, reasonable attorneys’ fees), simultaneously with the execution and delivery of this Modification (and as a condition precedent to its effectiveness), the Borrowers shall pay to the Agent, in immediately available funds: (i) a commitment/waiver fee, in the amount of One Hundred Thousand and No/100 Dollars (\$100,000.00), paid to the Lenders as follows: (A) Citizens Bank of Pennsylvania-Fifty Thousand and No/100 Dollars (\$50,000.00); (B) PNC Bank, National Association-Twenty Thousand Six Hundred and No/100 Dollars (\$20,600.00); (C) Commerce Bank, N.A.-Sixteen Thousand Nine Hundred and No/100 Dollars (\$16,900.00); and (D) Chevy Chase Bank, F.S.B.-Twelve Thousand Five Hundred and No/100 Dollars (\$12,500.00); and (ii) all of the Agent’s reasonable costs and expenses associated with this Modification and the transactions referenced herein or contemplated hereby, including, without limitation, the Agent’s reasonable legal fees and expenses.

(b) Each Borrower hereby represents, warrants, acknowledges and agrees that as of the date hereof (i) there are no set-offs, defenses, deductions or counterclaims against and no defaults under any of the Notes, the Loan Agreement or any other Loan Document; (ii) no act, event or condition has occurred which, with notice or the passage of time, or both, would constitute a default under any of the Notes, the Loan Agreement or any other Loan Document; (iii) all of the representations and warranties of the Borrowers contained in the Loan Agreement are true and correct as of the date hereof (except to the extent that such representations and warranties expressly relate solely to an earlier date),

unless the Borrowers are unable to remake and redate any such representation or warranty, in which case the Borrowers have previously disclosed the same to the Agent and the Lenders in writing, and such inability does not constitute or give rise to an Event of Default; (iv) all schedules attached to the Loan Agreement with respect to any particular representation and warranty of the Borrowers set forth in the Loan Agreement (as modified) remain true, accurate and complete, as updated in writing to the Agent as of the date of this Modification; (v) all accrued and unpaid interest and fees payable with respect to the Loan have been paid and (vi) there has been no material adverse change in the business, property or condition (financial or otherwise) of the Borrowers since the date of the most recent financial statements listed on Schedule 5.3 (as updated).

(c) The Borrowers, and their respective representatives, successors and assigns, hereby jointly and severally, knowingly and voluntarily RELEASE, DISCHARGE, and FOREVER WAIVE and RELINQUISH any and all claims, demands, obligations, liabilities, defenses, affirmative defenses, setoffs, counterclaims, actions, and causes of action of whatsoever kind or nature, whether known or unknown, which they have, may have, or might have or may assert now or in the future against the Agent and/or the Lenders directly or indirectly, arising out of, based upon, or in any manner connected with any transaction, event, circumstance, action, failure to act, or occurrence of any sort or type, in each case related to, arising from or in connection with the Loan, whether known or unknown, and which occurred, existed, was taken, permitted, or begun prior to the date hereof (including, without limitation, any claim, demand, obligation, liability, defense, counterclaim, action or cause of action relating to or arising from the grant by the Borrowers to the Agent and/or the Lenders of a security interest in or encumbrance on collateral that is, was or may be subject to, or an agreement by which the Borrowers are bound and which contains, a prohibition on further mortgaging or encumbering the same). The Borrowers hereby acknowledge and agree that the execution of this Modification by the Agent and the Lenders shall not constitute an acknowledgment of or an admission by the Agent and/or the Lenders of the existence of any such claims or of liability for any matter or precedent upon which any liability may be asserted.

(d) Except as expressly set forth herein, nothing contained in this Modification is intended to or shall otherwise act to nullify, discharge, or release any obligation incurred in connection with the Notes, the Loan Agreement and/or the other Loan Documents or to waive or release any collateral given by any Borrower to secure the Notes, nor shall this Modification be deemed or considered to operate as a novation of the Notes, the Loan Agreement or the other Loan Documents. Except to the extent of any express conflict with this Modification or except as otherwise expressly contemplated by this Modification, all of the terms and conditions of the Notes, the Loan Agreement and the other Loan Documents shall remain in full force and effect, and the same are hereby expressly approved, ratified and confirmed. In the event of any express conflict between the terms and conditions of the Notes, the Loan Agreement or the other Loan Documents and this Modification, this Modification shall be controlling and the terms and conditions of such other documents shall be deemed to be amended to conform with this Modification.

(e) If any term, condition, or any part thereof, of this Modification, the Loan Agreement or of the other Loan Documents shall for any reason be found or held to be invalid or unenforceable by any court or governmental agency of competent jurisdiction, such invalidity or unenforceability shall not affect the remainder of such term, provision or condition nor any other term, provision, or condition of this Modification, the Loan Agreement and the other Loan Documents, and this Modification, the Loan Agreement and the other Loan Documents shall survive and be construed as if such invalid or unenforceable term, provision or condition had not been contained therein.



(f) Each Borrower acknowledges that, at all times prior to and through the date hereof, the Agent and the Lenders have acted in good faith and have conducted themselves in a commercially reasonable manner in their relationship with such Borrower in connection with this Modification and in connection with the obligations of the Borrowers to the Agent and the Lenders under the Loan; the Borrowers hereby waiving and releasing any claims to the contrary.

(g) Each Borrower, Lender and the Agent hereby acknowledges and agrees that, from and after the date hereof, all references to the "Loan Agreement" set forth in any Loan Document shall mean the Loan Agreement, as modified pursuant to this Modification and any other modification of the Loan Agreement dated prior to the date hereof.

(h) Each Borrower hereby represents and warrants that, as of the date hereof, such Borrower is indebted to the Lenders in respect of the amounts due and owing under the Notes, all such amounts remain outstanding and unpaid and all such amounts are payable in full, without offset, defenses, deduction or counterclaim of any kind or character whatsoever.

(i) Each Borrower acknowledges (a) that it has participated in the negotiation of this Modification, and no provision of this Modification shall be construed against or interpreted to the disadvantage of any party hereto by any court or other governmental or judicial authority by reason of such party having or being deemed to have structured, dictated or drafted such provision; (b) that it has had access to an attorney of its choosing in the negotiation of the terms of and in the preparation and execution of this Modification, and it has had the opportunity to review, analyze, and discuss with its counsel this Modification, and the underlying factual matters relevant to this Modification, for a sufficient period of time prior to the execution and delivery hereof; (c) that all of the terms of this Modification were negotiated at arm's length; (d) that this Modification was prepared and executed without fraud, duress, undue influence, or coercion of any kind exerted by any of the parties upon the others; and (e) that the execution and delivery of this Modification is the free and voluntary act of such Borrower.

(j) This Modification shall be governed by the laws of the Commonwealth of Virginia (without regard to conflict of laws provisions) and shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

(k) This Modification may be executed in any number of counterparts, each of which shall be deemed an original and all of which together shall be deemed one and the same instrument. Signature pages may be exchanged by facsimile and each party hereto agrees to be bound by its facsimile signature.

[The Remainder of This Page Intentionally Left Blank]

**IN WITNESS WHEREOF**, the undersigned have executed this Modification as of the date first above written.

ATTEST:  
[Corporate Seal]

By: /s/ Terrance McGovern  
Name: Terrance McGovern

ATTEST:  
[Corporate Seal]

By: /s/ Terrance McGovern  
Name: Terrance McGovern

WITNESS:

By: /s/ Terrance McGovern  
Name: Terrance McGovern

ATTEST:

By: /s/ Terrance McGovern  
Name: Terrance McGovern

ATTEST:

By: /s/ Terrance McGovern  
Name: Terrance McGovern

ATTEST:

By: /s/ Terrance McGovern  
Name: Terrance McGovern

**BORROWERS:**

ICF INTERNATIONAL, INC.,  
a Delaware corporation

By: /s/ Alan Stewart  
Name: Alan Stewart  
Title: CFO

ICF CONSULTING GROUP, INC.,  
a Delaware corporation

By: /s/ Alan Stewart  
Name: Alan Stewart  
Title: CFO

ICF CONSULTING LIMITED, a private limited company organized under  
the laws of England and Wales

By: /s/ Alan Stewart  
Name: Alan Stewart  
Title: CFO

COMMENTWORKS.COM COMPANY, L.L.C.  
a Delaware limited liability company

By: /s/ Alan Stewart  
Name: Alan Stewart  
Title: CFO

THE K.S. CRUMP GROUP, L.L.C.,  
a Delaware limited liability company

By: /s/ Alan Stewart  
Name: Alan Stewart  
Title: CFO

ICF INCORPORATED, L.L.C.,  
a Delaware limited liability company

By: /s/ Alan Stewart  
Name: Alan Stewart  
Title: CFO

ATTEST:  
  
By:  /s/ Terrance McGovern  
Name: Terrance McGovern

ICF INFORMATION TECHNOLOGY, L.L.C.,  
a Delaware limited liability company  
  
By:  /s/ Alan Stewart  
Name: Alan Stewart  
Title: CFO

ATTEST:  
  
By:  /s/ Terrance McGovern  
Name: Terrance McGovern

ICF RESOURCES, L.L.C.,  
a Delaware limited liability company  
  
By:  /s/ Alan Stewart  
Name: Alan Stewart  
Title: CFO

ATTEST:  
  
By:  /s/ Terrance McGovern  
Name: Terrance McGovern

SYSTEMS APPLICATIONS INTERNATIONAL, L.L.C.,  
a Delaware limited liability company  
  
By:  /s/ Alan Stewart  
Name: Alan Stewart  
Title: CFO

ATTEST:  
  
By:  /s/ Terrance McGovern  
Name: Terrance McGovern

ICF ASSOCIATES, L.L.C.,  
a Delaware limited liability company  
  
By:  /s/ Alan Stewart  
Name: Alan Stewart  
Title: CFO

ATTEST:  
  
By:  /s/ Terrance McGovern  
Name: Terrance McGovern

ICF SERVICES COMPANY, L.L.C.,  
a Delaware limited liability company  
  
By:  /s/ Alan Stewart  
Name: Alan Stewart  
Title: CFO

ATTEST:  
  
By:  /s/ Terrance McGovern  
Name: Terrance McGovern

ICF CONSULTING SERVICES, L.L.C.,  
a Delaware limited liability company  
  
By:  /s/ Alan Stewart  
Name: Alan Stewart  
Title: CFO

ATTEST:

By: /s/ Terrance McGovern  
Name: Terrance McGovern

WITNESS:

By: /s/ Terrance McGovern  
Name: Terrance McGovern

ATTEST:  
[Corporate Seal]

By: /s/ Terrance McGovern  
Name: Terrance McGovern  
Title: Treasurer

WITNESS:

By: /s/ Penney Hoar  
Name: Penney Hoar

WITNESS/ATTEST:

By: /s/ Terrance McGovern  
Name: Terrance McGovern  
Title: Treasurer

By: /s/ Terrance McGovern  
Name: Terrance McGovern  
Title: Treasurer

ICF EMERGENCY MANAGEMENT SERVICES, LLC,  
a Delaware limited liability company

By: /s/ Alan Stewart  
Name: Alan Stewart  
Title: CFO

ICF CONSULTING PTY LTD, an Australian corporation

By: /s/ Alan Stewart  
Name: Alan Stewart  
Title: CFO

ICF CONSULTING CANADA, INC., a Canadian corporation

By: /s/ Alan Stewart  
Name: Alan Stewart  
Title: CFO

ICF/EKO, a Russian corporation

By: /s/ Kenneth B. Kolsky  
Name: Kenneth B. Kolsky  
Title: Director

ICF CONSULTORIA DO BRAZIL LTDA.,  
a Brazilian limited liability company

By: ICF CONSULTING GROUP, INC.,  
a Delaware corporation

By: /s/ Alan Stewart  
Name: Alan Stewart  
Title: CFO

By: ICF CONSULTING SERVICES, L.L.C.,  
a Delaware limited liability company

By: /s/ Alan Stewart  
Name: Alan Stewart  
Title: CFO

ATTEST:  
[Corporate Seal]

By: /s/ Terrance McGovern  
Name: Terrance McGovern

ATTEST:  
[Corporate Seal]

By: /s/ Terrance McGovern  
Name: Terrance McGovern

ATTEST:

By: /s/ Terrance McGovern  
Name: Terrance McGovern

ATTEST:

By: /s/ Terrance McGovern  
Name: Terrance McGovern

ATTEST:  
[Corporate Seal]

By: /s/ Terrance McGovern  
Name: Terrance McGovern

ATTEST:  
[Corporate Seal]

By: /s/ Terrance McGovern  
Name: Terrance McGovern

SYNERGY, INC., a District of Columbia corporation

By: /s/ Alan Stewart  
Name: Alan Stewart  
Title: CFO

SIMULATION SUPPORT, INC., a Virginia corporation

By: /s/ Alan Stewart  
Name: Alan Stewart  
Title: CFO

ICF BIOMEDICAL CONSULTING, LLC, a Delaware limited liability company

By: /s/ Alan Stewart  
Name: Alan Stewart  
Title: CFO

ICF PROGRAM SERVICES, LLC, a Delaware limited liability company

By: /s/ Alan Stewart  
Name: Alan Stewart  
Title: CFO

CALIBER ASSOCIATES, INC., a Virginia corporation

By: /s/ Alan Stewart  
Name: Alan Stewart  
Title: CFO

COLLINS MANAGEMENT CONSULTING, INC., a Virginia corporation

By: /s/ Alan Stewart  
Name: Alan Stewart  
Title: CFO

ATTEST:  
[Corporate Seal]

By: /s/ Terrance McGovern  
Name: Terrance McGovern

FRIED & SHER, INC., a Virginia corporation

By: /s/ Alan Stewart  
Name: Alan Stewart  
Title: CFO

**LENDER(S):**

CITIZENS BANK OF PENNSYLVANIA, a Pennsylvania state chartered bank

By: /s/ Richard A. Krogmann  
Name: Richard A. Krogmann  
Title: Senior Vice President

CHEVY CHASE BANK, F.S.B., a federal savings bank

By: /s/ Owen Burman  
Name: Owen Burman  
Title: Vice President

PNC BANK, NATIONAL ASSOCIATION, as successor-in-interest to Riggs Bank, N.A., a national banking association

By: /s/ Douglas T. Brown  
Name: Douglas T. Brown  
Title: Senior Vice President

COMMERCE BANK, N.A., a national banking association

By: /s/ Frank J. Merendino, Vice President  
Name: Frank J. Merendino  
Title: Vice President

**AGENT:**

CITIZENS BANK OF PENNSYLVANIA, a Pennsylvania state chartered bank

By: /s/ Richard A. Krogmann

Name: Richard A. Krogmann

Title: Senior Vice President

**SCHEDULE 1**

Lenders	Total Commitment Amount		Facility A		Facility B		Facility C		Swing Line Facility	
	Percentage / Commitment \$		Percentage / Commitment \$		Percentage / Commitment \$		Percentage / Commitment		Percentage / Commitment \$	
Citizens Bank	50%	\$47,500,000.00	50%	\$32,500,000.00	50%	\$11,000,000.00	50%	\$4,000,000.00	100%	\$10,000,000
PNC Bank	20.79%	\$19,750,000.00	18.85%	\$12,250,000.00	25%	\$5,500,000.00	25%	\$2,000,000.00	0%	\$0
Chevy Chase Bank	12.5%	\$11,875,000.00	12.5%	\$8,125,000.00	12.5%	\$2,750,000.00	12.5%	\$1,000,000.00	0%	\$0
Commerce Bank	16.71%	\$15,875,000.00	18.65%	\$12,125,000.00	12.5%	\$2,750,000.00	12.5%	\$1,000,000.00	0%	\$0
<b>TOTALS:</b>	<b>100%</b>	<b>\$95,000,000</b>	<b>100%</b>	<b>\$65,000,000</b>	<b>100%</b>	<b>\$22,000,000</b>	<b>100%</b>	<b>\$8,000,000</b>	<b>100%</b>	<b>\$10,000,000</b>

*Wiring Instructions:* Citizens Bank of Pennsylvania  
Philadelphia, PA  
ABA #036076150  
Attn: Loan Administration  
Account #6000005214  
Ref : ICF Consulting  
Loan/Note # \_\_\_\_\_  
PAYDOWN/ADVANCE/ETC.

*Wiring Instructions:* PNC Bank, National Association  
ABA# 054000030  
Attention: Commercial Loan Operations  
Account # 08-575-677  
Ref: ICF Consulting Group, Inc.

*Wiring Instructions:* Chevy Chase Bank, F.S.B.  
ABA# 255071981  
Account Name: Commercial Loan Servicing  
Account # 29050030 r/c 082  
Attention: Rick Butterbaugh, Manager  
Ref: ICF Consulting

*Wiring Instructions:* Commerce Bank, N.A.  
ABA 031201360  
Account Name Participation Loan WIP \_\_\_\_\_  
Account number 12569999 \_\_\_\_\_  
Attn. E. Huber  
Ref. ICF Consulting Group Holdings Inc



EXHIBIT 4A

[FOR USE PRIOR TO THE EARLIER OF AN IPO OR DECEMBER 15, 2006]

ICF CONSULTING GROUP

**BORROWING BASE/NON-DEFAULT CERTIFICATE**

To: Citizens Bank of Pennsylvania, as Agent  
From: ICF International, Inc.

Certificate Number: \_\_\_\_\_  
Certificate for Period Ending \_\_\_\_\_

The undersigned, ICF CONSULTING GROUP, INC., a Delaware corporation (the "Primary Operating Company"), for itself and as attorney-in-fact for and on behalf of each Borrower (hereinafter defined) under that certain Amended and Restated Business Loan and Security Agreement dated as of October 5, 2005 (as the same may be amended or modified from time to time, the "Loan Agreement") by and among (i) Citizens Bank of Pennsylvania, a Pennsylvania state chartered bank ("Citizens Bank"), acting in its individual capacity as the Swing Line Lender and as the agent for the Lenders (the "Agent"), (ii) Citizens Bank, acting in its individual capacity as a Lender, and other Lender parties thereto from time to time (collectively, the "Lenders"), and (iii) the Primary Operating Company, certain subsidiaries and affiliates of the Primary Operating Company and any person or entity who has become a Borrower party thereto pursuant to the Loan Agreement (each, a "Borrower" and collectively, the "Borrowers"), hereby delivers this Borrowing Base/Non-Default Certificate to the Agent and the Lenders pursuant to Section 6.3(c) of the Loan Agreement to induce the Lenders to make Loan advances to the Borrowers pursuant to the Loan Agreement. Capitalized terms used but not defined herein shall have the meanings attributed to such terms in the Loan Agreement.

**Eligible Billed Government Accounts Receivable:**

- 1. Total Billed Government Receivables \_\_\_\_\_
- 2. Less: Ineligibles
  - A/R over 120 days  
(from date of original invoice) \_\_\_\_\_
  - 50% Rule \_\_\_\_\_
  - Other Ineligible Receivables (attach explanation) \_\_\_\_\_
- 3. Total Deductions \_\_\_\_\_
- 4. Total Eligible Billed Government Accounts Receivable \_\_\_\_\_
- 5. Loan Availability from Eligible Billed Government Accounts Receivable @ 90% \_\_\_\_\_

**Eligible Billed Commercial Accounts Receivable:**

- 6. Total Billed Commercial Receivables \_\_\_\_\_
- 7. Less: Ineligibles
  - A/R over 90 days  
(from date of original invoice) \_\_\_\_\_
  - 50% Rule \_\_\_\_\_

Other Ineligible Receivables (attach explanation)	_____	_____
8. Total Deductions		_____
9. Total Eligible Billed Commercial Accounts Receivable		_____
10. Loan Availability from Eligible Billed Commercial Accounts Receivables @ 80%		_____
<b><u>Eligible Foreign Accounts Receivable:</u></b>		
11. Total Foreign Accounts Receivable		_____
12. Less: Ineligibles		
A/R over 90 days (from date of original invoice)	_____	
50% Rule	_____	
Other Ineligible Receivables (attach explanation)	_____	
13. Total Deductions		_____
14. Total Eligible Foreign Accounts Receivable		_____
15. Loan Availability from Eligible Foreign Accounts Receivable @ 60% (not to exceed \$2,000,000)		_____
<b><u>Availability Calculations:</u></b>		
16. Total Borrowing Base		
(lesser of (i) #5+#10+#15+\$10,000,000 or (ii) \$65,000,000)		_____
17. Aggregate Face Amount of Outstanding Letter(s) of Credit		_____
18. Aggregate Outstanding, Facility A & Swing Line Loans		_____
19. Additional Borrowing Availability		
(#16- (#17 + #18))		_____
20. Aggregate accounts receivable (billed and unbilled) on balance sheet dated	_____	_____

The undersigned certifies to the Agent, on behalf of each of the Borrowers and for the benefit of the Lenders, that (a) this report is true and correct in all respects, is in accordance with the books and records of the Borrowers and has been prepared in accordance with the terms of the Loan Agreement; (b) each Eligible Billed Government Account Receivable, Eligible Billed Commercial Account Receivable and Eligible Foreign Account Receivable reflected herein satisfies the applicable requirements of the Loan Agreement; (c) the billed accounts receivable aging report(s) accompanying this Borrowing Base/Non-Default Certificate are true and correct as of the dates thereof; (d) all of the representations and warranties of the Borrowers contained in the Loan Agreement (other than those representations and warranties expressly limited to facts and circumstances existing as of the Closing Date) are true and correct as of the date hereof, unless the Borrowers are unable to remake and redate any such representation or warranty, in which case the Borrowers have previously disclosed same to the Agent and the Lenders in writing, and such inability does not constitute or give rise to an Event of Default; and (e) except as previously disclosed to the Agent and the Lenders in writing, no default or Event of Default exists under

the Loan Agreement, and no act, event or condition has occurred or exists which, with the giving of notice or the passage of time or both, would constitute a default or Event of Default under the Loan Agreement.

IN WITNESS WHEREOF, the undersigned has executed and delivered this Borrowing Base/Non-Default Certificate on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

ICF CONSULTING GROUP, INC., a Delaware corporation,  
acting on its own behalf and as attorney-in-fact for and on behalf  
of each Borrower

By \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT 5**

**ICF CONSULTING GROUP**

**QUARTERLY COVENANT COMPLIANCE/NON-DEFAULT CERTIFICATE**

Citizens Bank of Pennsylvania, 8521 Leesburg Pike, Suite 405, Vienna, VA 22182

The undersigned, ICF CONSULTING GROUP, INC., a Delaware corporation (the "Primary Operating Company"), for itself and as attorney-in-fact for and on behalf of each Borrower (hereinafter defined) under that certain Amended and Restated Business Loan and Security Agreement dated as of October 5, 2005 (as the same may be amended or modified from time to time, the "Loan Agreement") by and among (i) Citizens Bank of Pennsylvania, a Pennsylvania state chartered bank ("Citizens Bank"), acting in its individual capacity as the Swing Line Lender and as the agent for the Lenders (the "Agent"), (ii) Citizens Bank, acting in its individual capacity as a Lender, and other Lender parties thereto from time to time (collectively, the "Lenders"), and (iii) the Primary Operating Company, certain subsidiaries and affiliates of the Primary Operating Company and any person or entity who has become a Borrower party thereto pursuant to the Loan Agreement (each, a "Borrower" and collectively, the "Borrowers"), hereby delivers this Quarterly Covenant Compliance/Non-Default Certificate to the Agent and the Lenders pursuant to Section 6.3(b) of the Loan Agreement. Unless otherwise defined, capitalized terms used herein shall have the meanings attributed to such terms in the Loan Agreement.

The undersigned, on behalf of the Primary Operating Company, acting in its individual capacity and as attorney-in-fact for each Borrower, hereby certifies and warrants that:

- (a) He or she is the \_\_\_\_\_ of the Primary Operating Company and that, as such, he or she is authorized to execute this Quarterly Covenant Compliance/Non-Default Certificate for and on behalf of each Borrower.
- (b) Except as otherwise disclosed to the Agent and the Lenders in writing pursuant to the Loan Agreement, at no time during the period from \_\_\_\_\_ through \_\_\_\_\_ (the "**Certificate Period**") did any Event of Default occur or exist, nor did any act, event or condition occur or exist which with notice or the lapse of time, or both, would constitute an Event of Default. (If unable to provide the foregoing required certification, fully describe the reasons therefor and circumstances thereof on **Schedule A** attached hereto.)
- (c) The following represent true and accurate calculations, as of the last day of the Certificate Period, and should be used to determine whether the Borrowers are in compliance with the financial covenants set forth in Section 6.15 of the Loan Agreement:

	<u>Actual</u>	<u>Required</u>
(i) Fixed Charge Coverage Ratio:	_____ to 1.0	≥ 1.10 to 1.0
(ii) Leverage Ratio:	_____ to 1.0	≤ 4.00 to 1.0 (through 12/31/06) ≤ 3.50 to 1.0 (after 1/1/07)
(iii) The Borrowers' Consolidated Net Operating Income for the most recent fiscal quarter ending _____ was \$_____.		
Requirement is an amount which is no less than \$0.		

- (iv) The Borrowers' Capital Expenditures during the Fiscal Year ended \_\_\_\_\_ were \$\_\_\_\_\_. Requirement is an amount which is not more than 1.50% of the Borrowers' gross revenues for the immediately preceding twelve (12) month period.
- (v) The Borrowers' Total Senior Debt, as of the last day of the Certificate Period, was \$\_\_\_\_\_ ; Requirement is an amount which is less than 100% of accounts receivable which were \$\_\_\_\_\_ as of the last day of the Certificate Period.

A calculation sheet reflecting the above-computations is attached hereto as **SCHEDULE 1**.

- (d) The following represent true and accurate calculations, as of the last day of the Certificate Period, and should be used to determine whether the Borrowers are in compliance with the basket limitations set forth in the Loan Agreement:
  - (i) Total amount of cash consideration for all mergers and acquisitions that have occurred during the term of the Loan (Section 7.1(d)(ii)(H)) in the amount of \$\_\_\_\_\_. Requirement is an amount not to exceed \$5,000,000.
  - (ii) Total amount of unsecured indebtedness remaining unpaid and outstanding (Section 7.7(a)(x)) in the amount of \$\_\_\_\_\_. Requirement is an amount not to exceed \$1,500,000 as of any date of determination.
  - (iii) When netted against any new issuance of capital stock to employees of any Borrower, purchases or redemptions of Borrower's capital stock made pursuant to an Approved ESOP or an Approved ESPP (Section 7.8(a)) in the amount of \$\_\_\_\_\_. Requirement is purchases or redemptions pursuant to an Approved ESOP or an Approved ESPP which: (A) do not occur at any time after an Event of Default has occurred or is continuing; (B) do not cause or result in an Event of Default; and (C) when netted against any new issuance of capital stock to employees of any Borrower, do not exceed \$1,000,000 in the aggregate for so long as the Facilities remain unpaid and outstanding or the Lenders have any continuing obligations under the Loan Agreement.
  - (iv) Total amount of loans or advances to employees (Section 7.8(b)(i)) in the amount of \$\_\_\_\_\_. Requirement is an amount not to exceed \$200,000.
  - (v) Total amount of bid bonds and/or performance bonds issued and outstanding (Section 7.7(a)(v)) in the amount of \$\_\_\_\_\_. Requirement is an amount not to exceed \$500,000 at any time.

IN WITNESS WHEREOF, the undersigned has executed and delivered this Quarterly Covenant Compliance/Non-Default Certificate on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

ICF CONSULTING GROUP, INC. a Delaware corporation,  
 acting on its own behalf and as attorney-in-fact for and on behalf  
 of each Borrower

By \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Title: \_\_\_\_\_



**CALCULATION SHEET**

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**EXHIBIT 7**

**ICF CONSULTING GROUP**

***PRICING GRID***



<u>PRICING LEVEL</u>	<u>IV</u>	<u>III</u>	<u>II</u>	<u>I</u>
<u>If the Leverage Ratio is:</u>	<u>less than 2.75 to 1.0</u>	<u>greater than or equal to 2.75 to 1.0, but less than 3.25 to 1.0</u>	<u>greater than or equal to 3.25 to 1.0 but less than 3.50 to 1.0</u>	<u>greater than or equal to 3.50 to 1.0</u>
then the Additional LIBOR Interest Margin for Facility A shall be:	2.25%	2.50%	2.75%	3.00%
then the Additional Base Rate Interest Margin for Facility A shall be:	0.00%	0.00%	0.00%	0.25%
then the Additional LIBOR Interest Margin for Facility B shall be:	2.50%	2.75%	3.00%	3.00%
then the Additional Base Rate Interest Margin for Facility B shall be:	0.25%	0.25%	0.25%	0.25%
then the Additional LIBOR Interest Margin for Facility C shall be:	3.00%	3.25%	3.50%	3.50%
then the Additional Base Rate Interest Margin for Facility C shall be:	0.50%	0.50%	0.50%	0.50%

**FORM OF  
AMENDED AND RESTATED  
EMPLOYMENT AGREEMENT**

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (this "Agreement"), dated \_\_\_\_\_, 2006, is by and between ICF International, Inc., a Delaware corporation headquartered at 9300 Lee Highway, Fairfax, Virginia (the "Company"), and Sudhakar Kesavan (the "Executive").

WHEREAS, the Executive has served as Chief Executive Officer of the Company since 1999 under the terms of an Employment Agreement dated as of June 25, 1999 (the "Original Agreement");

WHEREAS, the Company has registered shares of its common stock for sale to the public (the "Offering");

WHEREAS, the Company desires to retain the services of the Executive following the effectiveness of the Offering, when this Agreement and the Severance Protection Agreement dated \_\_\_\_\_, 2006 (the "Severance Protection Agreement") will amend and restate, and replace, the Executive's current employment agreement with the Company;

WHEREAS, the Executive desires to remain with the Company following the effectiveness of the Offering; and

WHEREAS, the parties wish to set forth the terms and conditions of that continued employment;

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Term of Employment.

The Company hereby employs the Executive, and the Executive hereby accepts employment with the Company, upon the terms and conditions set forth in this Agreement. Subject to the provisions of Section 5, this Agreement may be terminated by either party upon forty-five (45) days notice.

2. Title; Duties.

- (a) President and Chief Executive Officer and Chairman of the Board of Directors. The Executive shall be employed as President and Chief Executive Officer and shall serve as Chairman of the Board of Directors of the Company. The Executive shall perform such services consistent with his position as may be assigned to him from time to time by the Board of Directors of the Company and

are consistent with the applicable law and the Certificate of Incorporation and Bylaws of the Company, including, but not limited to, managing the business and affairs of the Company.

- (b) Committees. At all times during the Executive's employment, the Executive shall be a member of the Company's Executive Committee if there shall be such a Committee and may serve, at the discretion of the Board, as a member of such other committees as may be established by the Board.
- (c) Employment of Company Officers. No offers of employment by the Company to senior executive officers shall be made without the prior approval of the Executive.

3. Extent of Services.

- (a) General. The Executive agrees not to engage in any business activities during the Executive's employment except those which are for the sole benefit of the Company, and to devote his entire business time, attention, skill and effort to the performance of his duties under this Agreement. Notwithstanding the foregoing, the Executive may (i) engage in personal investments, provided that the Executive shall not acquire more than 5% of the equity of another business without the prior approval of the Compensation Committee of the Board of Directors, (ii) engage in charitable, professional and civic activities (including serving on the board of directors of non-profit, charitable and civic organizations) which do not impair the performance of his duties to the Company, and (iii) with the prior approval of the Compensation Committee, serve on the boards of directors or trustees of for-profit corporations other than the Company. The Executive shall, to the best of his ability, execute the strategic plan of the Company as approved by the Board, perform his duties, adhere to the Company's published policies and procedures, promote the Company's interests, reputation, business and welfare, and work actively with the Board of Directors and other senior managers to help augment the existing business base, increase the corporate contract backlog and identify and develop new business opportunities.
- (b) Corporate Opportunities. The Executive agrees that, unless approved by the Board of Directors, he will not take personal advantage of any business opportunities which arise during his employment with the Company and which may be of benefit to the Company. All material facts regarding such opportunities must be promptly reported to the Board of Directors for consideration by the Company.

4. Compensation and Benefits

- (a) Salary. The Company shall pay the Executive a gross base annual salary ("Base Salary") of not less than \$375,000. Effective January 1, 2007, the annual rate of Base Salary shall be increased by no less than \$25,000 over the annual rate of Base Salary in effect for the preceding year. Effective January 1, 2008, and on each subsequent January 1 during the Executive's employment, the annual rate of Base Salary shall be increased by no less than the increase in the CPI National Index for the year over the annual rate of Base Salary in effect for the preceding year. In addition to the aforementioned increases in Base Salary, the

Compensation Committee may, from time to time, increase the Executive's Base Salary based on the performance of the Company and other factors deemed relevant by the Compensation Committee. Effective as of the date of any such increase, the Base Salary as so increased shall be considered the new Base Salary for all purposes of this Agreement and thereafter may not be reduced. The salary shall be payable in arrears in approximately equal bi-weekly installments on the Company's regularly scheduled payroll dates, minus such deductions as may be required by law or reasonably requested by the Executive.

- (b) Incentive Compensation. In the discretion of the Compensation Committee of the Board of Directors, the Executive shall be eligible for annual incentive compensation ("IC") awards for the immediately preceding fiscal year in an amount up to 100% of the Executive's Base Salary for the prior fiscal year.
- (c) Equity Awards. In the discretion of the Compensation Committee of the Board of Directors, the Executive shall be eligible to receive stock options, restricted shares and other equity awards on such terms as may be determined by the Compensation Committee.
- (d) Deductions from Compensation. The Company shall withhold from the Executive's compensation any and all applicable local, state, federal, or foreign taxes, including, but not limited to, income tax, withholding tax, social security tax, and pension contributions, if any.
- (e) Employee Benefits. The Executive shall be entitled to participate in any and all employee benefit programs for which the Executive may be eligible, as may exist at any particular time and from time to time during the Executive's employment.
- (f) Executive Benefits. The Executive shall be entitled to all executive benefits that the Company makes available to other executives, as may exist at any particular time and from time to time during the Executive's employment. In addition, the Company shall maintain and pay all premiums for a life insurance policy on the Executive in an amount of at least \$1,000,000, the beneficiaries of which policy shall be the Executive's immediate family, provided that the Executive is eligible for such a life insurance policy at reasonable rates. The Company also shall pay expenses up to \$3,000 per year relating to the Executive's tax and estate planning. Further, the Executive may attend, at the Company's expense, subject to prior approval of expenses by the Compensation Committee, two weeks of management education during each year of the Executive's employment.
- (g) Reimbursement of Business Expenses. The Company shall reimburse the Executive for all reasonable travel, entertainment and other expenses incurred or paid by the Executive in connection with, or related to, the performance of his duties, responsibilities or services under this Agreement, upon presentation by the Executive of documentation, expense statements, vouchers, and/or such other supporting information as the Company may reasonably request.

5. Termination

- (a) Termination by the Company for Cause. The Company may terminate the Executive's employment at any time for Cause upon written notice by the

Company to the Executive. “Cause” for termination shall mean any of the following: (i) any act that would constitute a material violation of the Company’s material written policies; (ii) willfully engaging in conduct materially and demonstrably injurious to the Company, provided, however, that no act or failure to act, on the Executive’s part, shall be considered “willful” unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that his action or omission was in the best interest of the Company; (iii) being indicted for, or if charged with but not indicted for, being tried for (a) a crime of embezzlement or a crime involving moral turpitude or (b) a crime with respect to the Company involving a breach of trust or dishonesty or (c) in either case, a plea of guilty or no contest to such a crime; or (iv) abuse of alcohol in the workplace, use of any illegal drug in the workplace or a presence under the influence of alcohol or illegal drugs in the workplace.

- (b) Termination by the Executive. The Executive may voluntarily terminate his employment upon forty-five (45) days prior written notice to the Company. As provided in the Original Agreement, because the Executive has served continuously since 1999, the Executive may, in his discretion, declare that such termination is for “Good Reason” and be entitled to the benefits of Section 6(c) hereof.
- (c) Termination by the Company Without Cause. Termination of the Executive’s employment without Cause shall mean termination by the Company (i) for any reason other than for Cause, (ii) upon the death of the Executive, or (iii) in the Company’s sole discretion, upon thirty (30) days prior written notice in the event the Executive becomes “Disabled,” as defined in any group long-term disability insurance contract maintained by the Company under which the Executive is covered, or, if the Company shall not maintain such insurance, “Disabled” shall mean that the Executive is incapacitated by reason of a physical or mental illness which is long-term in nature and which prevents the Executive from performing the substantial and material duties of his employment with the Company, provided that such incapacity can reasonably be expected to prevent the Executive from working at least six consecutive months in any twelve month period. The Company may require the Executive to have an examination at any time for the purpose of determining whether the Executive has a long-term disability described in the preceding sentence, and the Executive agrees to submit to such examination upon request of the Board of Directors; provided that the Company shall pay all costs and expenses associated with such examination.

6. Effect of Termination

- (a) General. Regardless of the reason for termination of the Executive’s employment, the Executive shall be entitled to the following (provided that the Severance Protection Agreement shall govern, in accordance with its terms, the benefits, if any, to which the Executive is entitled following any termination of the Executive’s employment following a Change in Control as defined in the Severance Protection Agreement):
  - (i) payment of any unpaid portion of his Base Salary through the effective date of termination;
  - (ii) reimbursement for any outstanding reasonable business expense he has incurred in performing his duties hereunder;

- (iii) continued insurance benefits to the extent required by law;
  - (iv) payment of any accrued but unpaid amounts as required independently of this Agreement by the terms of any bonus or other incentive pay, or any other employee benefit plan or program of the Company, including but not limited to the Company's incentive compensation arrangements; and
  - (v) vesting of options and other equity awards pursuant to any option, restricted stock or similar equity award agreements through the date of termination.
- (b) Termination by the Company for Cause or by the Executive Without Good Reason. If the Company terminates the Executive's employment for Cause pursuant to Section 5(a) or the Executive terminates his employment without Good Reason pursuant to Section 5(b), the Executive shall have no rights or claims against the Company except to receive the payments and benefits described in Section 6(a).
- (c) Termination by the Company Without Cause or by the Executive for Good Reason. If the Company terminates the Executive's employment without Cause pursuant to Section 5(c), or the Executive terminates his employment for Good Reason pursuant to Section 5(b), the Executive shall be entitled to receive, in addition to the items referenced in Section 6(a):
- (i) an amount equal to his monthly Base Salary at the rate in effect on his last day of employment for a period of twenty-four months from the date of termination (such aggregate amount referred to herein as the "Severance Payment"). Fifty percent (50%) of the Severance Payment shall be paid in a lump-sum amount on the date that is six (6) months after the date of the Executive's termination, and the remaining fifty percent (50%) of the Severance Payment shall be paid in approximately equal installments over the following eighteen (18) calendar months, on the Company's regularly scheduled payroll dates, subject to all legally required payroll deductions and withholdings for sums owed by the Executive to the Company; and
  - (ii) accelerated vesting as of the last day of his employment of all unvested portions of stock options and shares of restricted stock previously issued to the Executive, which options shall remain exercisable for the remainder of the option term; and
  - (iii) a pro-rata share of any IC to which the Executive otherwise would have actually been entitled for the fiscal year in which his employment terminates; such IC (pro-rated on a daily basis) to be paid to the Executive on the later of (i) the date that is ninety (90) days following the end of the fiscal year in which such termination occurs, or (ii) the date that is six (6) months after the date of such termination; and
  - (iv) at the expense of the Company, and subject to contractual eligibility requirements, continuation of the Executive's family health and dental insurance policy in effect as of the date of termination for twenty-four (24) months following termination, or, in the event the Company cannot continue coverage of such policy, the Company shall pay for equivalent coverage for twenty-four (24) months following the Executive's termination of employment.

- (d) Compliance with Code Section 409A. In the event the Executive's employment is terminated and, at the time of such termination, (i) the Executive is not a specified employee within the meaning of Section 409A(a)(2)(B)(i) of the Code, (ii) the amount of the Executive's Severance Payment does not exceed the amount specified in Proposed Treasury Regulation Section 1.409A-1(b)(9)(iii)(A) or any successor regulation thereto, or (iii) Section 409A of the Code is otherwise not applicable to the Severance Payment, then, and only in such event:
- (i) The Severance Payment otherwise payable to the Executive pursuant to Section 6(c)(i) of this Agreement shall be paid in the following manner: Fifty percent (50%) of the Severance Payment shall be paid in a lump-sum amount on the date that is thirty (30) days after the date of the Executive's termination, and the remaining fifty percent (50%) of the Severance Payment shall be paid in approximately equal installments over the following twenty-three (23) calendar months, on the Company's regularly scheduled payroll dates, subject to all legally required payroll deductions and withholdings for sums owed by the Executive to the Company; and
  - (ii) The payment of IC due the Executive pursuant to Section 6(c)(iii) shall be made on the date that is ninety (90) days following the end of the fiscal year in which the Executive's termination occurs.

7. Confidentiality and Inventions.

The Executive acknowledges that he shall continue to be bound by the ICF Incorporated Employee Agreement on Ideas, Inventions, and Confidential Information executed by the Executive on September 16, 1987, and the ICF Incorporated Employee Confidentiality Agreement executed by the Executive on July 31, 1986.

8. Non-Solicitation.

- (a) Non-Solicitation of Clients. The Executive agrees that, for a period of (i) twenty-four (24) months from the date of termination of the Executive's employment for Cause pursuant to Section 5(a) or by the Executive without Good Reason pursuant to Section 5(b), or (ii) twelve (12) months from the date of termination of the Executive's employment without Cause pursuant to Section 5(c), by the Executive for Good Reason pursuant to Section 5(b) or pursuant to the Severance Protection Agreement (the "Client Non-Solicitation Term"), the Executive shall not, directly or indirectly, solicit any Client of the Company (as defined below) for the purpose of providing services which are competitive with the Company's major practice areas, as described in the final prospectus relating to the Offering. The Executive further agrees that, during the Client Non-Solicitation Term, the Executive shall not, directly or indirectly, whether as employee, agent, partner, member, consultant or in any other capacity, participate, assist or be involved, in any respect, in any proposal or project which the Company is or was involved in during the one (1) year period prior to the date of termination of the Executive's employment with the Company.
- (b) "Client of the Company," shall mean any person or entity which is or was a client of the Company at any time during the one (1) year period prior to the termination of the Executive's employment with the Company or any person or entity which the Company is or was soliciting during the one (1) year period prior to the termination of the Executive's employment with the Company. If any such person or entity described above is an agency or department of any federal, state or local government, the "Client of the Company" shall be deemed to be only the specific agency or department with which the Company had or has a client relationship or to which the Company has made a solicitation and not any other agency or department of such federal, state or local government.
- (c) Non-Solicitation of Employees. The Executive agrees that, for a period of (i) twenty-four (24) months from the date of termination of the Executive's employment for Cause pursuant to Section 5(a) or by the Executive without Good Reason pursuant to Section 5(b), or (ii) eighteen (18) months from the date of termination of the Executive's employment without Cause pursuant to Section 5(c) or by the Executive for Good Reason pursuant to Section 5(b), the Executive shall not hire, solicit or encourage, or cause others to hire, solicit or encourage, any employee of the Company to terminate their employment with the Company.

Notwithstanding anything to the contrary above, this Section shall not prohibit the Executive from hiring or attempting to hire, directly or indirectly, any former employee of the Company whose employment with the Company shall have terminated at least six (6) months prior to such efforts by the Executive.

- (d) Acknowledgement. The Executive acknowledges that he will acquire much confidential information concerning the past, present and future business of the Company as the result of his employment, as well as access to the relationships between the Company and its clients and employees. The Executive further acknowledges that the business of the Company is very competitive and that competition by him in that business during his employment, or after his employment terminates, would severely injure the Company. The Executive understands and agrees that the restrictions contained in this Section 8 are reasonable and are required for the Company's legitimate protection, and do not unduly limit his ability to earn a livelihood.

9. Employee Representations and Warranties. The Executive represents and warrants to the Company as follows:

- (a) The Executive is not now under any obligation of a contractual or other nature to any person, business or other entity which is inconsistent or in conflict with this Agreement or which would prevent him from performing his obligations under this Agreement.
- (b) The Executive has never been affiliated with, in any capacity, a government contractor that has been suspended or debarred from its contract with the government during the Executive's affiliation with such contractor.
- (c) There are no pending or threatened claims against the Executive in any court or agency of any jurisdiction.

10. Arbitration

- (a) Any disputes between the Company and the Executive in any way concerning the Executive's employment, the termination of his employment, this Agreement or its enforcement shall be submitted at the initiative of either party to mandatory arbitration in Fairfax County, Virginia before a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association, or its successor, then in effect. The decision of the arbitrator shall be rendered in writing, shall be final, and may be entered as a judgment in any court in the Commonwealth of Virginia. The parties irrevocably consent to the jurisdiction of the federal and state courts located in the Commonwealth of Virginia for this purpose. Each party shall be responsible for its or his own costs incurred in such arbitration and in enforcing any arbitration award, including attorney's fees.
- (b) Notwithstanding the foregoing, the Company, in its sole discretion, may bring an action in any court of competent jurisdiction located in the Commonwealth of Virginia to seek injunctive relief and such other relief as the Company shall elect to enforce the Executive's covenants in Section 8 of this Agreement.

11. Miscellaneous.



- (a) Notices. Any notices, requests, demands, waivers, comments, or other communications contemplated hereunder shall be deemed to have been duly given if personally delivered or if sent by a nationally recognized overnight courier, by facsimile, or by registered or certified mail, return receipt requested and postage prepaid, addressed as follows:

If to the Company:

ICF International, Inc.  
9300 Lee Highway  
Fairfax, Virginia 22301

Attention: Chairman

If to the Executive:

ICF International, Inc.  
9300 Lee Highway  
Fairfax, Virginia 22301

Attention: Sudhakar Kesavan

or

to such other address specified by the Executive

and shall be deemed to have been received (a) in the case of personal delivery, on the date of such delivery, (b) in the case of a nationally recognized overnight courier, on the next business day after the date when sent, (c) in the case of facsimile transmission, when received, and (d) in the case of mailing, on the third business day following posting.

- (b) Pronouns. Whenever the context may require, any pronouns used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular forms of nouns and pronouns shall include the plural, and vice versa.
- (c) Entire Agreement. This Agreement, together with the Severance Protection Agreement, constitutes the entire agreement between the parties and supersedes all prior agreements and understandings, whether written or oral, relating to the subject matter of this Agreement. In the event of a conflict between any terms of this Agreement and any terms of the Severance Protection Agreement or any of the other agreements mentioned herein, the terms of this Agreement shall govern, provided that the Severance Protection Agreement shall govern, in accordance with its terms, the benefits, if any, to which the Executive is entitled following any termination of the Executive's employment following a Change in Control as defined in the Severance Protection Agreement.
- (d) Amendment. This Agreement may be amended or modified only by a written instrument executed by both the Company and the Executive.
- (e) Governing Law. This Agreement shall be construed, interpreted and enforced in accordance with the laws of the Commonwealth of Virginia, without regard to its conflicts of laws principles.

- (f) Assignment. This Agreement is a personal contract and, except as specifically set forth herein, the rights and interests of the Executive herein may not be sold, transferred, assigned, pledged or hypothecated.
- (g) Waiver. No delays or omission by the Company or the Executive in exercising any right under this Agreement shall operate as a waiver of that or any other right. A waiver or consent given by the Company or the Executive on any one occasion shall be effective only in that instance and shall not be construed as a bar or waiver of any right on any other occasion.
- (h) Captions. The captions appearing in this Agreement are for convenience of reference only and in no way define, limit or affect the scope or substance of any Section of this Agreement.
- (i) Time. All references in this Agreement to periods of days are to calendar days, unless expressly provided otherwise. Where the time period specified in this Agreement would end on a weekend or holiday, the time period shall be deemed to end on the next business day.
- (j) Severability. In case any provision of this Agreement shall be held by a court or arbitrator with jurisdiction over the parties to this Agreement to be invalid, illegal or otherwise unenforceable, such provision shall be restated to reflect, as nearly as possible, the original intentions of the parties in accordance with applicable law, and the validity, legality and enforceability of the remaining provisions shall in no way be affected or impaired thereby.
- (k) Binding Effect. This Agreement shall inure to the benefit of and be binding upon the parties and their respective executors, administrators, personal representatives, heirs, assigns and successors in interest.
- (l) Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.
- (m) Survival of the Executive's Rights. All of the Executive's rights hereunder, including his rights to compensation and benefits pursuant to Section 4, rights upon termination pursuant to Section 6, and his obligations pursuant Section 8, shall survive the termination of the Executive's employment and/or the termination of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

SUDHAKAR KESAVAN

ICF INTERNATIONAL, INC.

By: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**FORM OF  
SEVERANCE PROTECTION AGREEMENT**

SEVERANCE PROTECTION AGREEMENT dated \_\_\_\_\_, 2006, by and between ICF International, Inc., a Delaware corporation (the "Company"), and \_\_\_\_\_ (the "Executive").

**PURPOSE**

The Board of Directors of the Company (the "Board") recognizes that the possibility of a Change in Control (as hereinafter defined) of the Company exists and that the threat or occurrence of a Change in Control may result in the distraction of its key management personnel because of the uncertainties inherent in such a situation.

The Board has determined that it is essential and in the best interests of the Company and its stockholders to retain the services of the Executive in the event of the threat or occurrence of a Change in Control and to ensure the Executive's continued dedication and efforts in such event without undue concern for the Executive's personal financial and employment security.

In order to induce the Executive to remain in the employ of the Company, particularly in the event of the threat or occurrence of a Change in Control, the Company desires to enter into this Agreement to provide the Executive with certain benefits in the event the Executive's employment is terminated as a result of, or in connection with, a Change in Control.

NOW, THEREFORE, in consideration of the respective agreements of the parties contained herein, it is agreed as follows:

**SECTION 1. Definitions.**

For purposes of this Agreement, the following terms have the meanings set forth below:

"Accrued Compensation" means an amount which includes all amounts earned or accrued by the Executive through and including the Termination Date but not paid to the Executive on or prior to such date, including (a) all base salary, (b) reimbursement for all reasonable expenses incurred by the Executive on behalf of the Company during the period ending on the Termination Date, (c) all vacation pay and (d) all bonuses and incentive compensation (other than the Pro Rata Bonus).

"Base Amount" means the Executive's average annual taxable W-2 compensation during the three years (or such lesser period as the Executive has been employed by the Company) prior to the year in which the Termination Date occurs and includes all amounts of the Executive's base salary that are deferred under any qualified or non-qualified employee benefit plan of the Company or any other agreement or arrangement.

“Beneficial Owner” has the meaning as used in Rule 13d-3 promulgated under the Securities Exchange Act. The terms “Beneficially Owned” and “Beneficial Ownership” each have a correlative meaning.

“Board” means the Board of Directors of the Company.

“Bonus Amount” means the annual bonus, if any, paid or payable to the Executive pursuant to any annual bonus or incentive plan maintained by the Company in respect of the fiscal year ending immediately prior to the fiscal year in which the Termination Date occurs. Bonus Amount includes only the short-term incentive portion of the annual bonus and does not include restricted stock awards, options or other long-term incentive compensation awarded to Executive.

“Cause” for the termination of the Executive’s employment with the Company shall mean any of the following: (a) any act that would constitute a material violation of the Company’s material written policies; (b) willfully engaging in conduct materially and demonstrably injurious to the Company, provided, however, that no act or failure to act, on the Executive’s part, shall be considered “willful” unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that [his/her] action or omission was in the best interest of the Company; (c) being indicted for, or if charged with but not indicted for, being tried for (i) a crime of embezzlement or a crime involving moral turpitude or (ii) a crime with respect to the Company involving a breach of trust or dishonesty or (iii) in either case, a plea of guilty or no contest to such a crime; or (d) abuse of alcohol in the workplace, use of any illegal drug in the workplace or a presence under the influence of alcohol or illegal drugs in the workplace.

“Change of Control” of the Company means, and shall be deemed to have occurred upon, any of the following events:

(a) The acquisition by any person (as defined in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including a group as defined in Section 13(d) thereof) (other than persons acting in concert as of August 31, 2006 who, as of such date, beneficially owned more than twenty percent (20%) or more of the securities entitled to vote generally in the election of directors of the Company), of beneficial ownership (as defined in Rule 13d-3 of the General Rules and Regulations under the Exchange Act) of securities representing thirty-five percent (35%) or more of the securities entitled to vote generally in the election of directors of the Company, provided, however, that the following acquisitions shall not constitute a Change in Control for purposes of this subparagraph (a): (i) any acquisition directly from the Company; (ii) any acquisition by the Company or any of its Subsidiaries; (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any of its Subsidiaries; or (iv) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subparagraph (c) below; or

(b) Individuals who, as of August 31, 2006, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual who becomes a director of the Company subsequent to August 31, 2006 and whose election, or whose nomination for election by the Company’s stockholders, to the Board was either (i) approved by a vote of at least a majority of the directors then comprising the Incumbent Board or (ii) recommended by a nominating committee comprised entirely of directors who are then Incumbent Board members shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual

whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act), other actual or threatened solicitation of proxies or consents or an actual or threatened tender offer; or

(c) Consummation of a reorganization, merger, or consolidation or sale or other disposition of all or substantially all of the assets of the Company (a "Business Combination"), in each case unless following such Business Combination, (i) all or substantially all of the persons who were the Beneficial Owners, respectively, of the outstanding shares and outstanding securities entitled to voted generally in the election of directors immediately prior to such Business Combination own, directly or indirectly, more than fifty percent (50%) of the combined voting power of the then outstanding securities entitled to vote generally in the election of directors of the Company, as the case may be, of the entity resulting from the Business Combination (including, without limitation, an entity which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the outstanding securities entitled to vote generally in the election of directors (provided, however, that for purposes of this clause (i) any shares of common stock or such voting securities of such resulting entity received by such Beneficial Owners in such Business Combination other than as the result of such Beneficial Owners' ownership of outstanding shares or such outstanding voting securities immediately prior to such Business Combination shall not be considered to be owned by such Beneficial Owners for the purposes of calculating their percentage of ownership of the outstanding common stock and voting power of the resulting entity); (ii) no person (excluding any entity resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such entity resulting from the Business Combination) beneficially owns, directly or indirectly, thirty-five percent (35%) or more of the combined voting power of the then outstanding securities entitled to vote generally in the election of directors of such entity resulting from the Business Combination unless such person owned thirty-five percent (35%) or more of the outstanding shares or outstanding securities entitled to vote generally in the election of directors immediately prior to the Business Combination; and (iii) at least a majority of the members of the Board of the entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or the action of the Board, providing for such Business Combination; or

(d) Approval by the Company's stockholders of a complete liquidation or dissolution of the Company.

For purposes of clause (c), any person who acquires outstanding securities entitled to vote generally in the election of directors of the entity resulting from the Business Combination by virtue of ownership, prior to such Business Combination, of such voting securities of both the Company and the entity or entities with which the Company is combined shall be treated as two persons after the Business Combination, who shall be treated as owning such outstanding voting securities of the entity resulting from the Business Combination by virtue of ownership, prior to such Business Combination of, respectively, such outstanding voting securities of the Company, and of the entity or entities with which the Company is combined.

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

“Company” means ICF International, Inc., a Delaware corporation, and includes its Successors.

“Continuation Period” has the meaning set forth in Section 3.1(b)(iii).

“Disability” as used herein shall take its meaning from the definition set forth in any group long-term disability insurance contract maintained by the Company under which the Executive is covered, or, if the Company shall not maintain such insurance, “Disability” shall mean that the Executive is incapacitated by reason of a physical or mental illness which is long-term in nature and which prevents the Executive from performing the substantial and material duties of [his/her] employment with the Company, provided that such incapacity can reasonably be expected to prevent the Executive from working at least six consecutive months in any twelve month period. The Company may require the Executive to have an examination at any time for the purpose of determining whether the Executive has a long-term disability as described in the preceding sentence, and the Executive agrees to submit to such examination upon request of the Board of Directors, provided that the Company shall pay all costs and expenses associated with such examination.

“Full Release” means a written release, timely executed so that it is fully effective as of the date of payment pursuant to Section 3(b)(ii), in a form satisfactory to the Company (and similar to the Agreement set forth in Exhibit A), pursuant to which the Executive fully and completely releases the Company from all claims that the Executive may have against the Company (other than any claims that may arise or have arisen under this Agreement).

“Good Reason” means the occurrence after a Change in Control of any of the events or conditions described in clauses (a) through (f) hereof, without the Executive’s prior written consent:

(a) any (i) material adverse change in the Executive’s status, title, position or responsibilities (including reporting responsibilities) from the Executive’s status, title, position or responsibilities as in effect at any time within 180 days preceding the date of the Change in Control or at any time thereafter, (ii) assignment to the Executive of duties or responsibilities which are inconsistent with the Executive’s status, title, position or responsibilities as in effect at any time within 180 days preceding the date of the Change in Control or at any time thereafter, or (iii) in the case of an Executive who is an executive officer of the Company a significant portion of whose responsibilities relate to the Company’s status as a public company, the failure of such Executive to continue to serve as an executive officer of a public company, in each case except in connection with the termination of the Executive’s employment due to Disability, Cause, as a result of the Executive’s death or by the Executive other than for Good Reason;

(b) a reduction in Executive’s base salary or any failure to pay the Executive any cash compensation to which the Executive is entitled within fifteen (15) days after the date when due;

(c) the imposition of a requirement that the Executive be based (i) at any place outside a 50-mile radius from the Executive’s principal place of employment immediately prior to the Change in Control or (ii) at any location other than the Company’s corporate headquarters

or, if applicable, the headquarters of the business unit by which [he/she] was employed immediately prior to the Change in Control, except, in each case, for reasonably required travel on Company business which is not materially greater in frequency or duration than prior to the Change in Control;

(d) the insolvency or the filing (by any party, including the Company) of a petition for bankruptcy with respect to the Company, which petition is not dismissed within 60 days;

(e) any material breach by the Company of any provision of this Agreement; or

(f) the failure of the Company to obtain, as contemplated in Section 7, an agreement, reasonably satisfactory to the Executive, from any Successor to assume and agree to perform this Agreement.

Notwithstanding anything to the contrary in this Agreement, no termination will be deemed to be for Good Reason hereunder if it results from an isolated, insubstantial and inadvertent action not taken by the Company in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive.

“Notice of Termination” means a written notice from the Company or the Executive of the termination of the Executive’s employment which indicates the specific termination provision in this Agreement relied upon and which sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive’s employment under the provision so indicated.

“Person” has the meaning as used in Section 13(d) or 14(d) of the Securities Exchange Act, and will include any “group” as such term is used in such sections.

“Pro Rata Bonus” means an amount equal to the Bonus Amount multiplied by a fraction, the numerator of which is the number of days elapsed in the then fiscal year through and including the Termination Date and the denominator of which is 365; provided that the provisions of this Agreement providing for the payment of a Pro Rata Bonus amount shall not be interpreted to call for the payment of amounts duplicative of amounts paid as part of the Base Amount.

“Securities Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Subsidiary” means any corporation or entity with respect to which another specified corporation or entity has the power under ordinary circumstances to vote or direct the voting of sufficient securities to elect a majority of the directors or other managers.

“Successor” means a corporation or other entity acquiring all or substantially all the assets and business of the Company, whether by operation of law, by assignment or otherwise.

“Termination Date” means (a) in the case of the Executive’s death, the Executive’s date of death, (b) in the case of the termination of the Executive’s employment with the Company by the Executive for Good Reason, five days after the date the Notice of Termination is received by



the Company, and (c) in all other cases, the date specified in the Notice of Termination; provided that if the Executive's employment is terminated by the Company for Cause or due to Disability, the date specified in the Notice of Termination will be at least 30 days after the date the Notice of Termination is given to the Executive.

## **SECTION 2. Term of Agreement.**

The term of this Agreement (the "Term") will commence on the date hereof and will continue in effect until December 31, 2008; provided that on December 31, 2008 and each anniversary of such date thereafter, the Term shall automatically be extended for one additional year unless, not later than October 1 of such year, the Company or the Executive shall have given notice not to extend the Term; and further provided that, in the event a Change in Control occurs during the Term, the Term will be extended to the date 24 months after the date of the occurrence of such Change in Control.

## **SECTION 3. Termination of Employment.**

3.1 If, during the Term, the Executive's employment with the Company is terminated within 24 months following a Change in Control, the Executive will be entitled to the following compensation and benefits:

(a) If the Executive's employment with the Company is terminated (i) by the Company for Cause or due to Disability, (ii) by reason of the Executive's death or (iii) by the Executive other than for Good Reason, the Company will pay to the Executive or [his/her] designated beneficiary, as the case may be, [his/her] Accrued Compensation and, if such termination is other than by the Company for Cause, a Pro Rata Bonus.

(b) If the Executive's employment with the Company is terminated for any reason other than as specified in Section 3.1(a), the Executive will be entitled to the following:

(i) the Company will pay the Executive all Accrued Compensation and a Pro Rata Bonus;

(ii) subject to the Executive providing the Company with a Full Release, the Company will pay the Executive as severance pay, and in lieu of any further compensation for periods subsequent to the Termination Date, in a single payment an amount in cash equal to three (3) times the Base Amount; provided, however, that if at the time of the Executive's termination of employment, (i) the Executive is a specified employee within the meaning of Section 409A(a)(2)(B)(i) of the Code, (ii) the amount of the Executive's severance pay exceeds the amount specified in Proposed Treasury Regulation Section 1.409A-1(b)(9)(iii)(A) or any successor regulation thereto, or (iii) Section 409A is otherwise applicable to the Executive's severance pay, then, and only in such event, such severance pay shall be paid in a single payment on the date that is six (6) months after the date of such termination.

(iii) subject to the Executive providing the Company with a Full Release and complying with [his/her] obligations under Section 6, the Company will, for a period of 36 months (the "Continuation Period"), at its expense provide to the Executive, the Executive's dependents (as defined in the Company's insurance contracts then in effect under which similarly situated executives are covered) and beneficiaries the same or equivalent life insurance, medical, dental, hospitalization, financial counseling and tax consulting benefits (the "Continuation Period Benefits") provided to other similarly situated executives who continue in the employ of the Company during the Continuation Period ("similarly situated executives") and their dependents and beneficiaries. The obligations of the Company to provide the Executive and the Executive's dependents and beneficiaries with the Continuation Period Benefits shall not restrict or limit the Company's right to terminate, amend or modify the benefits made available by the Company to its similarly situated executives or other employees, and following any such termination, amendment or modification, the Continuation

Period Benefits that the Executive (and the Executive's dependents and beneficiaries) shall be entitled to receive shall be so terminated, amended or modified. The Company's obligations hereunder with respect to the foregoing benefits will be limited to the extent that the Executive obtains any such benefits pursuant to a subsequent employer's benefit plans, in which case the Company may reduce the coverage of any benefits it is required to provide the Executive hereunder as long as the coverages and benefits of the combined benefit plans are no less favorable to the Executive than the coverages and benefits required to be provided hereunder. This Section 3.1(b) will not be interpreted so as to negate any benefits to which the Executive or the Executive's dependents or beneficiaries may be entitled under any of the Company's employee benefit plans, programs or practices following the Executive's termination of employment;

(iv) the Company shall provide the Executive with outplacement services suitable to the Executive's position for a period of 12 months or, if earlier, until the first acceptance by the Executive of an offer of employment; and

(v) such other acceleration of vesting and other benefits provided in other Company plans or agreements regarding options to purchase Company stock, restricted stock, deferral of stock or other equity compensation awards granted to or otherwise applicable to Executive.

(c) The amounts provided for in Section 3.1(a) and Sections 3.1(b)(i) will be paid in a single lump sum cash payment by the Company to the Executive within five business days after the Termination Date provided, however, that no payment shall be made prior to the time permitted by Section 409A of the Code.

(d) The Executive will not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, and no such payment will be offset or reduced by the amount of any compensation or benefits provided to the Executive in any subsequent employment, except as specifically provided in Section 3.1(b)(iii) and 3.1(b)(iv).

3.2 Except as otherwise provided herein, the compensation to be paid to the Executive pursuant to Sections 3.1(a), 3.1(b)(i) and 3.1(b)(ii) of this Agreement will be in lieu of any similar severance or termination compensation (i.e., compensation based directly on the Executive's annual salary or annual salary and bonus) to which the Executive may be entitled under any other Company severance or termination agreement, plan, program, policy, practice or arrangement. With respect to any other compensation and benefit to be paid or provided to the Executive pursuant to this Section 3, the Executive will have the right to receive such compensation or benefit as herein provided or, if determined by the Executive to be more advantageous to the Executive, similar compensation or benefits to which the Executive may be entitled under any other Company severance or termination agreement, plan, program, policy, practice or arrangement. The Executive's entitlement to any compensation or benefits of a type

not provided in this Agreement will be determined in accordance with the Company's employee benefit plans and other applicable programs, policies and practices as in effect from time to time.

#### **SECTION 4. Notice of Termination.**

Following a Change in Control, any purported termination of the Executive's employment by the Company will be communicated by a Notice of Termination to the Executive. For purposes of this Agreement, no such purported termination will be effective without such Notice of Termination.

#### **SECTION 5. Excise Tax Adjustments.**

5.1 In the event Executive becomes entitled to Severance Benefits under Section 3(b) herein, and the Company determines that the benefits provided in Section 3(b) (with the Severance Benefits, the "Total Payments") will be subject to the tax (the "Excise Tax") imposed by Section 4999 of the Code, or any similar tax that may hereafter be imposed, the Company shall compute the "Net After-Tax Amount," and the "Reduced Amount," and shall adjust the Total Payments as described below. The Net After-Tax Amount shall mean the present value of all amounts payable to the Executive hereunder, net of all federal income, excise and employment taxes imposed on the Executive by reason of such payments. The Reduced Amount shall mean the largest aggregate amount of the Total Payments that, if paid to the Executive, would result in the Executive receiving a Net After-Tax Amount that is equal to or greater than the Net After-Tax Amount that the Executive would have received if the Total Payments had been made. If the Company determines that there is a Reduced Amount, the Total Payments will be reduced to the Reduced Amount. Such reduction shall be made by the Company with respect to benefits in the order and in the amounts suggested by the Executive, except to the extent that the Company determines that a different reduction or set of reductions would significantly reduce the costs or administrative burdens of the Company.

5.2 For purposes of determining whether the Total Payments will be subject to the Excise Tax and the amounts of such Excise Tax and for purposes of determining the Reduced Amount and the Net After-Tax Amount:

(a) Any other payments or benefits received or to be received by the Executive in connection with a Change in Control of the Company or the Executive's termination of employment (whether pursuant to the terms of this Agreement or any other plan, arrangement, or agreement with the Company, or with any individual, entity, or group of individuals or entities (individually and collectively referred to in this subsection (b) as "Persons") whose actions result in a Change in Control of the Company or any Person affiliated with the Company or such Persons) shall be treated as "parachute payments" within the meaning of Section 280G(b)(2) of the Code, and all "excess parachute payments" within the meaning of Section 280G(b)(1) of the Code shall be treated as subject to the Excise Tax, unless, in the opinion of a tax advisor selected by the Company and reasonably acceptable to the Executive ("Tax Counsel"), such other payments or benefits (in whole or in part) should be treated by the courts as representing reasonable compensation for services actually rendered (within the meaning of Section 280G(b)(4)(B) of the Code), or otherwise not subject to the Excise Tax;

(b) The amount of the Total Payments that shall be treated as subject to the Excise Tax shall be equal to the lesser of (i) the total amount of the Total Payments or (ii) the amount of excess parachute payments within the meaning of Section 280G(b)(1) of the Code (after applying clause (a) above);

(c) In the event that the Executive disputes any calculation or determination made by the Company, the matter shall be determined by Tax Counsel. All fees and expenses of Tax Counsel shall be borne solely by the Company.

(d) The Executive shall be deemed to pay federal income taxes at the highest marginal rate of federal income taxation in the calendar year in which the Gross-Up Payment is to be made, and state and local income taxes at the highest marginal rate of taxation in the state and locality of the Executive's residence on the effective date of employment, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes, taking into account the reduction in itemized deduction under Section 68 of the Code.

#### **SECTION 6. Covenants of the Executive.**

During the Continuation Period following any Change in Control pursuant to which the Executive receives the severance payment pursuant to Section 3.1(b)(ii), the Executive Covenants and agrees as follows:

(a) the Executive agrees to comply with [his/her] obligations under the previously signed [Invention and Confidentiality Agreement, Code of Ethics and Nonsolicitation Agreements] that [he/she] entered into with the Company; and

(b) the Executive acknowledges that the Executive has knowledge of confidential and proprietary information concerning the current salary, benefits, skills, and capabilities of Company employees and that it would be improper for the Executive to use such Company proprietary information in any manner adverse to the Company's interests. The Executive agrees that [he/she] will not recruit or solicit for employment, directly or indirectly, any employee of the Company during the Continuation Period.

#### **SECTION 7. Successors; Binding Agreement.**

This Agreement will be binding upon and will inure to the benefit of the Company and its Successors, and the Company will require any Successors to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession or assignment had taken place. Neither this Agreement nor any right or interest hereunder will be assignable or transferable by the Executive or by the Executive's beneficiaries or legal representatives, except by will or by the laws of descent and distribution. This Agreement will inure to the benefit of and be enforceable by the Executive's legal representatives.

#### **SECTION 8. Fees and Expenses.**

The Company will pay as they become due all legal fees and related expenses (including the costs of experts) incurred by the Executive, in good faith, in (a) contesting or disputing, any termination of employment and (b) seeking to obtain or enforce any right or benefit provided by this Agreement or by any other plan or arrangement maintained by the Company under which the Executive is or may be entitled to receive benefits. If the dispute is resolved by a final decision of an arbitrator pursuant to Section 15 in the favor of the Company, the Executive shall reimburse the Company for all such legal fees and related expenses (including costs of experts) paid by the Company on behalf of the Executive.

#### **SECTION 9. Notice.**

For the purposes of this Agreement, notices and all other communications provided for in this Agreement (including the Notice of Termination) will be in writing and will be deemed to have been duly given when personally delivered or sent by certified mail, return receipt requested, postage prepaid, addressed to the respective addresses last given by each party to the other, provided that all notices to the Company will be directed to the attention of the Board with a copy to the Secretary of the Company. All notices and communications will be deemed to have been received on the date of delivery thereof or on the third business day after the mailing thereof, except that notice of change of address will be effective only upon receipt.

#### **SECTION 10. Dispute Concerning Termination.**

If prior to the Date of Termination (as determined without regard to this Section 10) the party receiving the Notice of Termination notifies the other party that a dispute exists concerning the termination, the Date of Termination shall be extended until the earlier of (a) the date on which the Term ends or (b) the date on which the dispute is finally resolved, either by mutual written agreement of the parties or by a final judgment, order or decree of an arbitrator or a court of competent jurisdiction (which is not appealable or with respect to which the time for appeal therefrom has expired and no appeal has been perfected); provided, however, that the Date of Termination shall be extended by a notice of dispute given by the Executive only if such notice is given in good faith and the Executive pursues the resolution of such dispute with reasonable diligence.

#### **SECTION 11. Compensation During Dispute.**

If a purported termination occurs following a Change in Control and during the Term and the Date of Termination is extended in accordance with Section 10 hereof, the Company shall continue to pay the Executive the full compensation in effect when the notice giving rise to the dispute was given (including, but not limited to, salary) and continue the Executive as a participant in all compensation, benefit and insurance plans in which the Executive was participating when the Notice of Termination was given, until the Date of Termination, as determined in accordance with Section 10 hereof. Amounts paid under this Section 11 are in addition to all other amounts due under this Agreement and shall not be offset against or reduce any other amounts due under this Agreement or otherwise.

**SECTION 12. Nonexclusivity of Rights.**

Nothing in this Agreement will prevent or limit the Executive's continuing or future participation in any benefit, bonus, incentive or other plan or program provided by the Company for which the Executive may qualify, nor will anything herein limit or reduce such rights as the Executive may have under any other agreements with the Company (except for any severance or termination agreement). Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan or program of the Company will be payable in accordance with such plan or program, except as specifically modified by this Agreement.

**SECTION 13. No Set-Off.**

The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder will not be affected by any circumstances, including any right of set-off, counterclaim, recoupment, defense or other right which the Company may have against the Executive or others.

**SECTION 14. Miscellaneous.**

No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by the Executive and the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party will be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreement or representation, oral or otherwise, express or implied, with respect to the subject matter hereof has been made by either party which is not expressly set forth in this Agreement.

**SECTION 15. Governing Law and Binding Arbitration.**

This Agreement will be governed by and construed and enforced in accordance with the laws of the State of Delaware without giving effect to the conflict of laws principles thereof. Any controversy, claim or other dispute arising out of or relating to this Agreement, or the breach thereof, shall be resolved exclusively by binding arbitration administered by the American Arbitration Association under its Commercial Arbitration rules. To the maximum extent possible all aspects of the arbitration shall be confidential, except the judgment, if and when it is filed with a court. The place of arbitration shall be Fairfax County, Virginia, and judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. If there is any arbitration or litigation between the parties arising out of or related to this Agreement, the prevailing party will be entitled to recover, in addition to the relief awarded, all reasonable costs and expenses (including, without limitation, reasonable attorneys', accountants' and other professionals' fees and expenses) whether, in arbitration, at trial, on appeal or in bankruptcy. In determining the costs and expenses to be awarded the prevailing party, the arbitrator or the court is not bound by the Virginia rules and case law regarding reimbursable costs, but should instead venture to make the prevailing party whole by awarding all reasonable costs incurred in connection with the litigation.

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**SECTION 16. Severability.**

The provisions of this Agreement will be deemed severable and the invalidity or unenforceability of any provision will not affect the validity or enforceability of the other provisions hereof.

**SECTION 17. Entire Agreement.**

This Agreement constitutes the entire agreement between the parties hereto and supersedes all prior agreements, if any, understandings and arrangements, oral or written, between the parties hereto with respect to severance protection following a Change in Control.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the date first above written.

ICF INTERNATIONAL, INC.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_  
Executive



**Exhibit A**  
**to**  
**Severance Protection Agreement**

**RELEASE OF ALL CLAIMS AND POTENTIAL CLAIMS**

1. This Release of All Claims and Potential Claims ("Release") is entered into by and between \_\_\_\_\_ ("Executive") and ICF International, Inc. (hereinafter "ICF"). Executive and ICF have previously entered into a Severance Protection Agreement dated \_\_\_\_\_ ("Severance Agreement"). In consideration of the promises made herein and the consideration due Executive under the Severance Agreement, this Release is entered into between the parties.

2. The purposes of this Release are to settle completely and release ICF, its individual and/or collective officers, directors, stockholders, agents, parent companies, subsidiaries, affiliates, predecessors, successors, assigns, employees (including all former employees, officers, directors, stockholders and/or agents), attorneys, representatives and employee benefit programs (including the trustees, administrators, fiduciaries and insurers of such programs) (referred to collectively as "Releasees") in a final and binding manner from every claim and potential claim for relief, cause of action and liability of any and every kind, nature and character whatsoever, known or unknown, that Executive has or may have against Releasees arising out of, relating to or resulting from any events occurring prior to the execution of this Release, including but not limited to any claims and potential claims for relief, causes of action and liabilities arising out of, relating to or resulting from the employment relationship between Executive and ICF and/or the termination of that relationship including any and all claims and rights under the Age Discrimination in Employment Act, and any personal gain with respect to any claim arising under the qui tam provisions of the False Claims Act, 31 U.S.C. 3730, but excluding any rights or benefits to which Executive is entitled under the Severance Agreement.

3. This Release is:

(a) A compromise settlement of all such claims and potential claims, known or unknown, and therefore this Release does not constitute either an admission of liability on the part of Executive and ICF or an admission, directly or by implication, that Executive and/or ICF have violated any law, rule, regulation, contractual right or any other duty or obligation. The parties hereto specifically deny that they have violated any law, rule, regulation, contractual right or any other duty or obligation.

(b) Entered into freely and voluntarily by Executive and ICF solely to avoid further costs, risks and hazards of litigation and to settle all claims and potential claims and disputes, known or unknown, in a final and binding manner.

4. For and in consideration of the promises and covenants made by Executive to ICF and ICF to Executive contained herein, Executive and ICF have agreed and do agree as follows:

(a) Executive waives, releases and forever discharges Releasees from any claims and potential claims for relief, causes of action and liabilities, known or unknown, that [he/she] has or may have against Releasees arising out of, relating to or resulting from any events occurring prior to the execution of this Release, including but not limited to any claims and potential claims for relief, causes of action and liabilities of any and every kind, nature and character whatsoever, known or unknown, arising out of, relating to or resulting from the employment relationship between Executive and ICF and the termination of that relationship, including any and all claims and rights under the Age Discrimination in Employment Act, and any personal gain with respect to any claim arising under the qui tam provisions of the False Claims Act, 31 U.S.C. 3730, but excluding any rights or benefits to which Executive is entitled under the Severance Agreement.

(b) Executive agrees that [he/she] will not directly or indirectly institute any legal proceedings against Releasees before any court, administrative agency, arbitrator or any other tribunal or forum whatsoever by reason of any claims and potential claims for relief, causes of action and liabilities of any and every kind, nature and character whatsoever, known or unknown, arising out of, relating to or resulting from any events occurring prior to the execution of this Release, including but not limited to any claims and potential claims for relief, causes of action and liabilities arising out of, relating to or resulting from the employment relationship between Executive and ICF and/or the termination of that relationship including any and all claims and rights under the Age Discrimination in Employment Act.

(c) Executive is presently unaware of any injuries that [he/she] may have suffered as a result of working at ICF and has no present intention of filing a workers' compensation claim. Should any such claim arise in the future, Executive waives and releases any right to proceed against ICF for such a claim. Executive also waives any right to bring any disability claim against ICF or its carrier.

5. As a material part of the consideration for this Release, Executive and [his/her] agents and attorneys agree to keep completely confidential and not disclose to any person or entity, except immediate family, attorney, accountant, or tax preparers, or in response to a court order or subpoena, the terms and/or conditions of this Release and/or any understandings, agreements, provisions and/or information contained herein or with regard to the employment relationship between Executive and ICF. Executive understands and agrees that ICF may be required by law to report all or a portion of the amounts paid to Executive and/or [his/her] attorney in connection with this Release to the taxing authorities.

6. Any dispute, claim or controversy of any kind or nature, including but not limited to the issue of arbitrability, arising out of or relating to this Release, or the breach thereof, or any disputes which may arise in the future, shall be resolved exclusively by binding arbitration administered by the American Arbitration Association under its Commercial Arbitration rules. To the maximum extent possible all aspects of the arbitration shall be confidential, except the judgment if and when it is filed with a court. The place of arbitration shall be Fairfax County, Virginia, and judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. If there is any arbitration or litigation between the parties arising out of or related to this Release, the prevailing party will be entitled to recover, in addition to the

relief awarded, all reasonable costs and expenses (including, without limitation, reasonable attorneys', accountants' and other professionals' fees and expenses) whether in arbitration, at trial, on appeal or in bankruptcy. In determining the costs and expenses to be awarded the prevailing party, the arbitrator or the court is not bound by the Virginia rules and case law regarding reimbursable costs, but should instead venture to make the prevailing party whole by awarding all reasonable costs incurred in connection with the litigation

7. It is further understood and agreed that Executive has not relied upon any advice whatsoever from ICF and/or its attorneys individually and/or collectively as to the taxability, whether pursuant to Federal, State or local income tax statutes or regulations, or otherwise, of the consideration transferred hereunder and that [he/she] will be solely liable for all of [his/her] tax obligations. Executive understands and agrees that ICF may be required by law to report all or a portion of the amounts paid to [him/her] and/or [his/her] attorney in connection with this Release to federal and state taxing authorities. Executive waives, releases, forever discharges and agrees to indemnify, defend and hold ICF harmless with respect to any actual or potential tax obligations imposed by law.

8. It is further understood and agreed that Releasees and/or their attorneys shall not be further liable either jointly and/or severally to Executive and/or [his/her] attorneys individually or collectively for costs and/or attorneys fees, including any provided for by statute, nor shall Executive and/or [his/her] attorneys be liable either jointly and/or severally to ICF and/or its attorneys individually and/or collectively for costs and/or attorneys' fees, including any provided for by statute.

9. Executive understands and agrees that if the facts with respect to which this Release are based are found hereafter to be other than or different from the facts now believed by [him/her] to be true, [he/she] expressly accepts and assumes the risk of such possible difference in facts and agrees that this Release shall be and remain effective notwithstanding such difference in facts.

10. Executive understands and agrees that there is a risk that the damage and/or injury suffered by Executive may become more serious than [he/she] now expects or anticipates. Executive expressly accepts and assumes this risk, and agrees that this Release shall be and remains effective notwithstanding any such misunderstanding as to the seriousness of said injuries or damage.

11. Notwithstanding paragraph 6 of this Release, Executive understands and agrees that if [he/she] hereafter commences any suit arising out of, based upon or relating to any of the claims and potential claims for relief, causes of action and liability of any and every kind, nature and character whatsoever, known or unknown, [he/she] has released herein, Executive agrees to pay Releasees, and each of them, in addition to any other damages caused to Releasees thereby, all attorneys' fees incurred by Releasees in defending or otherwise responding to said suit.

12. It is further understood and agreed that this Release shall be binding upon and will inure to the benefit of Executive's spouse, heirs, successors, assigns, agents, employees, representatives, executors and administrators and shall be binding upon and will inure to the

benefit of the individual and/or collective successors and assigns of Releasees and their successors, assigns, agents and/or representatives.

13. This Release shall be construed in accordance with and governed for all purposes by the laws of the State of Delaware.

14. Executive agrees that [he/she] will not seek future employment with, nor need to be considered for any future openings with ICF, any division thereof, or any subsidiary or related corporation or entity.

15. If any part of this Release is found to be either invalid or unenforceable, the remaining portions of this Release will still be valid.

16. This Release is intended to release and discharge any claims of Executive under the Age Discrimination and Employment Act. To satisfy the requirements of the Older Workers' Benefit Protection Act, 29 U.S.C. Section 626(f), the parties agree as follows:

A. Executive acknowledges that [he/she] has read and understands the terms of this Release.

B. Executive acknowledges that [he/she] has been advised in writing to consult with an attorney, if desired, concerning this Release and has received all advice [he/she] deems necessary concerning this Release.

C. Executive acknowledges that [he/she] has been given twenty-one (21) days to consider whether or not to enter into this Release, has taken as much of this time as necessary to consider whether to enter into this Release, and has chosen to enter into this Release freely, knowingly and voluntarily.

D. For a seven day period following the execution of this Release, Executive may revoke this Release by delivering a written revocation to the President and Secretary of ICF. This Release shall not become effective and enforceable until the revocation period has expired (the "Effective Date").

17. Executive does not hereby waive rights to indemnification for actions occurring through [his/her] affiliation with ICF, whether those rights arise from statute, corporate charter documents or any other source.

18. Executive acknowledges that [he/she] has been encouraged to seek the advice of an attorney of [his/her] choice with regard to this Release. Having read the foregoing, having understood and agreed to the terms of this Release, and having had the opportunity to and having been advised by independent legal counsel, the parties hereby voluntarily affix their signatures.

19. This Release is to be interpreted without regard to the draftsman. The terms and intent of the Release shall be interpreted and construed on the express assumption that all parties participated equally in its drafting.

20. This Release constitutes a single integrated contract expressing the entire agreement of the parties hereto. Except for the Severance Agreement, which defines certain obligations on the part of both parties, and this Release, there are no agreements, written or oral, express or implied, between the parties hereto, concerning the subject matter herein.

Dated: \_\_\_\_\_, 20\_\_

\_\_\_\_\_  
Executive

ICF INTERNATIONAL, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ICF Consulting Group, Inc.  
2005 Restricted Stock Plan**

**1. Purpose**

The purpose of the Plan is to advance the long-term interests of ICF Consulting Group, Inc. (the "Corporation") by (i) motivating personnel by means of long-term incentive compensation, (ii) furthering the identity of interests of Participants with those of the shareholders of the Corporation through the ownership and performance of the Common Stock of the Corporation and (iii) permitting the Corporation to attract and retain personnel upon whose judgment the successful conduct of the business of the Corporation largely depends. Toward this objective, the Committee may grant restricted stock awards to directors and employees of the Corporation and its Subsidiaries, on the terms and subject to the conditions set forth in the Plan.

**2. Definitions**

2.1 "Administrative Policies" means the administrative policies and procedures adopted and amended from time to time by the Committee to administer the Plan.

2.2 "Award" means any form of restricted stock award granted under the Plan to a Participant by the Committee pursuant to such terms, conditions, restrictions and limitations, if any, as the Committee may establish by the Restricted Stock Agreement or otherwise.

2.3 "Board" means the Board of Directors of the Corporation.

2.4 "Change in Control" means the earlier of:

(i) a sale of all or substantially all of Holdings' or the Corporation's consolidated assets in a transaction or series of transactions, which in the case of Holdings includes (without limitation) its shares in the Corporation;

(ii) a transaction or series of transactions which results in a change in beneficial ownership of 50.1% or more of the shares of Common Stock unless, after completion of such transaction or transactions, the CM Group, directly or indirectly, retains control of the Corporation;

(iii) the merger or consolidation of Holdings or the Corporation with another person where, upon completion of such transaction, the CM Group would not, directly or indirectly, control such combined entity;

(iv) the date of completion of the first Qualified Public Offering.

For purposes of this definition of Change in Control, the CM Group will “control” an entity if CMEP and/or CM II have the right to appoint at least a majority of the Board of Directors.

2.5 “CM Group”, “CMEP”, and “CM II” shall have the same definition as in the Management Shareholders Agreement dated November 26, 2004 relating to Common Stock of the Corporation.

2.6 “Code” means the Internal Revenue Code of 1986, as amended from time to time.

2.7 “Committee” means the Compensation Committee of the Board, or such other committee designated by the Board, authorized to administer the Plan under Section 3 hereof.

2.8 “Common Stock” means Common Stock of Holdings.

2.9 “Corporation” means ICF Consulting Group, Inc.

2.10 “Disability” means permanent and total disability as defined in Section 22(e)(3) of the Code.

2.11 “Exchange Act” means the Securities Exchange Act of 1934, as amended.

2.12 “Holdings” shall mean ICF Consulting Group Holdings, Inc., a Delaware corporation and the sole shareholder of the Corporation.

2.13 “Participant” means any individual to whom an Award has been granted by the Committee under this Plan.

2.14 “Plan” means the ICF Consulting Group, Inc. 2005 Restricted Stock Plan.

2.15 “Qualified Public Offering” shall have the same definition as in the Management Shareholders Agreement dated November 26, 2004 relating to Common Stock of Holdings or the Corporation.

2.16 “Restricted Stock Agreement” means a written agreement with respect to an Award between the Corporation and a Participant establishing the terms, conditions, restrictions and limitations applicable to an Award. To the extent a Restricted Stock Agreement is inconsistent with the terms of the Plan, the Plan shall govern the rights of the Participant thereunder.

2.17 “Stock Exchange” means the stock exchange or other market price reporting system (if any) on which the Common Stock is traded or quoted designated by the Committee.

2.18 “Subsidiary” means a corporation or other business entity in which the Corporation directly or indirectly has an ownership interest of fifty percent or more.

**3. Administration**

The Plan shall be administered under the supervision of the Committee.

Members of the Committee shall serve at the pleasure of the Board of Directors, and may resign by written notice filed with the Chief Executive Officer or the Secretary of the Corporation.

A vacancy in the membership of the Committee shall be filled by the appointment of a successor member by the Board of Directors. Until such vacancy is filled, the remaining members shall constitute a quorum and the action at any meeting of a majority of the entire Committee, or an action unanimously approved in writing, shall constitute action of the Committee. Subject to the express provisions of this Plan, the Committee shall have conclusive authority to construe and interpret the Plan, any Restricted Stock Agreement entered into hereunder and to establish, amend and rescind Administrative Policies for the administration of this Plan and shall have such additional authority as the Board of Directors may from time to time determine to be necessary or desirable.

**4. Eligibility**

Any director or employee of the Corporation or any Subsidiary is eligible to become a Participant in the Plan.

**5. Shares Available**

The aggregate number of shares of Holdings as to which restricted stock awards may be made shall be 50,000 shares provided, however, that whatever number of shares shall remain reserved for issuance pursuant to the Plan at the time of any stock split, stock dividend or other change in Holdings' capitalization shall be appropriately and proportionately adjusted to reflect such stock dividend, stock split or other change in capitalization. Such shares shall be made available solely from Treasury shares of Holdings. Any shares for which a Restricted Stock Award is granted hereunder that are released from such Restricted Stock Award for any reason shall become available for other awards to be granted under this Plan.

**6. Term**

The Plan shall become effective as of September 1, 2005 and Restricted Stock Awards may be made at any time subsequent to such date.

**7. Participation**

The Committee shall select, from time to time, Participants from those employees who, in the opinion of the Committee, can further the Plan's purposes and the Committee shall determine the terms of the Restricted Stock Awards to be made to the Participant. In addition, each director of the Corporation and each Subsidiary shall receive such Restricted Stock Award (if any) as



shall be determined by the Board of the Corporation. The terms, conditions and restrictions of each Award shall be set forth in a Restricted Stock Agreement.

## **8. Restricted Stock Awards**

(a) *Grants.* Awards may be granted in the form of Restricted Stock Awards. Restricted Stock Awards shall be awarded in such numbers and at such times as the Committee shall determine.

(b) *Award Restrictions.* Restricted Stock Awards shall be subject to such terms, conditions, restrictions, or limitations as the Committee deems appropriate including, by way of illustration but not by way of limitation, restrictions on transferability, requirements of continued employment or individual performance, or the financial performance of the Corporation. The Committee may modify, or accelerate the termination of, the restrictions applicable to a Restricted Stock Award under such circumstances as it deems appropriate.

(c) *Rights as Shareholders.* During the period in which any restricted shares of Common Stock are subject to the restrictions imposed under the preceding paragraph, the Committee may, in its discretion, grant to the Participant to whom such restricted shares have been awarded all or any of the rights of a shareholder with respect to such shares, including, by way of illustration but not by way of limitation, the right to vote such shares and to receive dividends.

(d) *Evidence of Award.* Any Restricted Stock Award granted under the Plan may be evidenced in such manner as the Committee deems appropriate, including, without limitation, book-entry registration or issuance of a stock certificate or certificates.

(e) *Establishment of Targets in Connection with Contingent Awards.* The Committee is authorized (i) to grant Restricted Stock Awards to any Participant (or class of Participants) calculated as a percentage of such Participant's base pay and (ii) to determine the amount of such Award based on achievement of a target (which may be a target based on the performance of the Corporation, a Subsidiary, or an individual Participant, or any combination thereof, with the size of the Award varying depending upon the extent to which the target was achieved or exceeded).

## **9. Dividends and Dividend Equivalents**

The Committee may choose, at the time of the grant of a Restricted Stock Award, to include as part of such Award an entitlement to receive dividends or dividend equivalents, subject to such terms, conditions, restrictions or limitations, if any, as the Committee may establish. Dividends and dividend equivalents shall be paid in such form and manner, and at such time, as the Committee shall determine. All dividends or dividend equivalents that are not paid currently may, at the Committee's discretion, accrue interest or be reinvested into additional shares of Common Stock.

**10. Termination of Employment Or Status as Director**

The Committee shall set forth in a Participant's Restricted Stock Agreement the entitlement of Participants who cease to be employed by (or who cease to be a director of) either the Corporation or Subsidiary whether because of death, Disability, resignation, termination, or retirement pursuant to an established retirement plan or policy of the Corporation or of its applicable Subsidiary, and shall adopt such Administrative Policies as are necessary to implement such provisions.

**11. Shares Subject to Management Shareholders Agreement**

All shares of Common Stock issued under this Plan shall be subject to the Management Shareholders Agreement dated November 26, 2004 (as amended from time to time) and all Participants shall be required to execute an agreement to such effect upon the receipt of any Award hereunder.

**12. Assignment and Transfer**

The rights and interests of a Participant under the Plan may not be assigned, encumbered or transferred except, in the event of the death of a Participant, by will or the laws of descent and distribution, except as may be explicitly set forth in an Award Agreement.

**13. Adjustments Upon Changes in Capitalization**

In the event of any change in the outstanding shares of Common Stock by reason of any reorganization, recapitalization, stock split, stock dividend, combination or exchange of shares merger, consolidation or any change in the corporate structure or shares of the Corporation, the maximum aggregate number and class of shares as to which Awards may be granted under the Plan and the shares issuable pursuant to then outstanding Awards shall be appropriately adjusted by the Committee whose determination shall be final.

**14. Withholding Taxes**

The Corporation or the applicable Subsidiary shall be entitled to deduct from any payment under the Plan, regardless of the form of such payment, the amount of all applicable income and employment tax required by law to be withheld with respect to such payment or may require the Participant to pay to it such tax prior to and as a condition of the making of such payment. In accordance with any applicable Administrative Policies it establishes, the Committee may allow a Participant to pay the amount of taxes required by law to be withheld from an Award by withholding from any payment of Common Stock due as a result of such Award, or by permitting the Participant to deliver to the Corporation shares of Common Stock having a fair market value, as determined by the Committee, equal to the amount of such required withholding taxes.

## **15. Regulatory Approvals and Listings**

Notwithstanding anything contained in this Plan to the contrary, the Corporation shall have no obligation to issue or deliver certificates of Common Stock evidencing Restricted Stock Awards prior to (a) the obtaining of any approval from any governmental agency which the Corporation shall, in its sole discretion, determine to be necessary or advisable, and (b) the completion of any registration or other qualification of said shares under any state or federal law, or ruling of any governmental body, that the Corporation shall, in its sole discretion, determine to be necessary or advisable.

## **16. No Right to Continued Employment or Grants**

Participation in the Plan shall not give any Participant any right to remain in the employ (or a director) of the Corporation or any Subsidiary. The Corporation or, in the case of employment with a Subsidiary, the Subsidiary, reserves the right to terminate the employment of any Participant at any time, and the shareholders of the Corporation and each Subsidiary retain the right to terminate the directorship of any Participant. The adoption of this Plan shall not be deemed to give any employee, director, or any other individual any right to be selected as a Participant, to be granted any Awards hereunder or, if granted an Award in any year, to receive Awards in any subsequent year.

## **17. Amendment**

The Corporation, by action of its Board of Directors, reserves the right to amend, modify or terminate at any time this Plan, or, by action of the Board with the consent of the Participant, to amend, modify or terminate any outstanding Restricted Stock Award.

## **18. Governing Law**

The Plan shall be governed by and construed in accordance with the laws of the State of Delaware, except its law with respect to choice of law and except as preempted by applicable Federal law.

## **19. No Right, Title, or Interest In Corporation Assets**

No Participant shall have any rights as a shareholder as a result of participation in the Plan until the date of issuance of a stock certificate in his name except to the extent such rights are granted to the Participant under Section 8(c) hereof.

## **20. Payment by Subsidiaries**

Settlement of Awards to employees or directors of Subsidiaries shall be made by and at the expense of such Subsidiary. Except as prohibited by law, the Corporation shall sell or otherwise transfer to the Subsidiary, and the Subsidiary shall purchase (if necessary), the number of shares necessary to settle any Restricted Stock Award.

**RESTRICTED STOCK AGREEMENT****ICF CONSULTING GROUP, INC.**

This RESTRICTED STOCK AGREEMENT (the "Agreement") is entered into as of the 6<sup>th</sup> day of September, 2005 by and between ICF Consulting Group, Inc., a Delaware corporation (the "Company"), and Ellen Glover, the Executive Vice President of the Company (the "Executive").

## WITNESSETH

WHEREAS, pursuant to the provisions of the ICF Consulting Group, Inc. 2005 Restricted Stock Plan (the "Plan"), the Company desires to award to the Executive restricted shares of the Company's parent, ICF Consulting Group Holdings, Inc., ("Holdings") common stock, par value \$0.1 per share ("Common Stock") in accordance with the provisions of the Plan, all on the terms and conditions hereinafter set forth; and

WHEREAS, the parties hereto understand and agree that any terms used and not defined in this Agreement have the meanings ascribed to them in the Plan;

NOW THEREFORE, in consideration of the mutual covenants hereinafter set forth and for other good and valuable consideration, the parties hereto agree as follows:

1. Terms of Award. The Company awards to the Executive sixteen thousand and five hundred (16,500) shares of Holdings Common Stock (the "Shares") in accordance with the terms of this Agreement.

2. Provisions of Plan Controlling. The Executive specifically understands and agrees that the Shares are being awarded to the Executive pursuant to the Plan. The Executive acknowledges she has read, understands, and agrees to be bound by the Plan. The provisions of the Plan are incorporated herein by reference. In the event of a conflict between the terms and conditions of the Plan and this Agreement, the provisions of the Plan will control.

3. Shares Subject to Management Shareholders Agreement.

All of the Shares awarded hereunder are subject to the Management Shareholders Agreement dated November 26, 2004 (the "MSA"), a copy of which is attached hereto. The Executive agrees to be bound by the MSA and to execute a signature page to the MSA upon the request of the Company.

4. Restrictions on Transfer of Shares. Unvested Shares cannot be transferred by the Executive for any reason until they become vested, and vested Shares cannot be transferred by the Executive except in accordance with the terms of the MSA.

5. Vesting of Restricted Stock. The Shares shall vest according to the following schedule. In the event of a Change in Control (as defined in the Plan), all unvested Shares will vest automatically on the date of such Change in Control.

<u>Vesting Date</u>	<u>Number of Shares that Vest</u>
January 1, 2006	4,125
January 1, 2007	4,125
January 1, 2008	4,125
January 1, 2009	4,125

6. Voting and Other Rights of Shares. Except for the restrictions set forth in Sections 3, 4 and 5 above, the Executive will have any and all rights of a stockholder of Common Stock of Holdings, including voting rights, upon issuance of the Shares.

7. Additional Shares.

(a) If Holdings pays a stock dividend or declares a stock split on or with respect to any of its Common Stock, or otherwise distributes securities of Holdings to the holders of its Common Stock, the number of shares of stock or other securities of Holdings issued with respect to the Shares then subject to the restrictions contained in this Agreement will be added to the Shares subject to this Agreement. If Holdings distributes to its stockholders shares of stock of another corporation, the shares of stock of such other corporation, distributed with respect to the Shares then subject to the restrictions contained in this Agreement, will be added to the Shares subject to the restrictions contained in this Agreement.

(b) If the outstanding shares of Holding's Common Stock are subdivided into a greater number of shares or combined into a smaller number of shares, or in the event of a reclassification of the outstanding shares of Common Stock of Holdings, or if Holdings is a party to a merger, consolidation or capital reorganization, the Shares then subject to the restrictions contained in this Agreement immediately prior to such action will be replaced by such amount and kind of securities as are issued in such subdivision, combination, reclassification, merger, consolidation or capital reorganization.

(c) Any shares issued, distributed or otherwise transferred to the Executive pursuant to this Section 7 will be subject to the vesting provisions of Section 5, but only to the same extent that the underlying shares attributable to the issuance, distribution or transfer under this Section 7 are subject to the provisions of Section 5.

8. Legends. All certificates representing the Shares to be issued to the Executive pursuant to this Agreement must contain a legend substantially as follows:

"The sale or other transfer of the Stock represented by this certificate, whether voluntary, involuntary, or by operation of law, is subject to certain restrictions on transfer set forth in the ICF

Consulting Group, Inc. Restricted Stock Plan. The rules of such Plan may be obtained from the Secretary of ICF Consulting Group, Inc.

“The shares represented by this certificate have been purchased for investment and they may not be sold or otherwise transferred by any person, including a pledgee, unless (1) either (a) a Registration Statement with respect to such shares shall be effective under the Securities Act of 1933, as amended, or (b) the Company shall have received an opinion of counsel satisfactory to it that an exemption from registration under such Act is then available, and (2) the transfer complies with all applicable state securities laws.”

9. No Obligation to Employ. This Agreement is not an employment agreement. The Company is not obligated by the Plan or this Agreement to continue the employment of the Executive.

10. Purchase for Investment. The Executive represents and warrants to the Company that she is acquiring the Shares for her own account, for investment, and not with a view to, or for sale in connection with, the distribution of any such Shares.

11. Notices. Any notices required or permitted by the terms of this Agreement or the Plan must be given by recognized courier service, facsimile, registered or certified mail, return receipt requested, addressed as follows:

To the Company:

ICF Consulting Group, Inc.  
9300 Lee Highway  
Fairfax, Va. 22031-1207  
Attn: Corporate Secretary

To the Executive:

Ellen Glover  
14016 Old Stage Road  
Bowie, Maryland 20720

or to such other address or addresses of which notice in the same manner has previously been given. Any such notice is deemed to have been given upon the earlier of receipt, one business day following delivery to a recognized courier service or three business days following mailing by registered or certified mail.

12. Governing Law. This Agreement is to be construed and enforced in accordance with the laws of the State of Delaware.

13. Benefit of Agreement. Subject to the provisions of the Plan and the other provisions hereof, this Agreement will be for the benefit of and will be binding upon the heirs, executors, administrators, successors and assigns of the parties hereto.

14. Entire Agreement. This Agreement, together with the Plan, embodies the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersedes all prior oral or written agreements and understandings relating to the subject matter hereof. No statement, representation, warranty, covenant or agreement not expressly set forth in this Agreement may affect or be used to interpret, change or restrict, the express terms and provisions of this Agreement, provided, however, in any event, this Agreement will be subject to and governed by the Plan.

15. Modifications and Amendments. The terms and provisions of this Agreement may be modified or amended as provided in the Plan.

16. Waivers and Consents. The terms and provisions of this Agreement may be waived, or consent for the departure therefrom granted, only by written document executed by both parties. No such waiver or consent will be deemed to be, or will constitute, a waiver or consent with respect to any other terms or provisions of this Agreement, whether or not similar. Each such waiver or consent will be effective only in the specific instance and for the purpose for which it was given, and will not constitute a continuing waiver or consent.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by a duly authorized officer, and the Executive has hereunto set her hand, all as of the day and year first above written.

ICF CONSULTING GROUP

/s/ Sudhakar Kesavan  
By: Sudhakar Kesavan

EXECUTIVE: Ellen Glover

/s/ Ellen Glover



CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our report dated April 4, 2006, except for Note R, as to which the date is April 14, 2006, accompanying the consolidated financial statements of ICF International, Inc., and Subsidiaries contained in the Registration Statement (Form S-1 No. 333-134018) and Prospectus. We consent to the use of the aforementioned report in Amendment No. 4 to the Registration Statement and Prospectus, and to the use of our name as it appears under the caption "Experts."

/s/ Grant Thornton LLP

McLean, Virginia  
September 8, 2006

CONSENT OF INDEPENDENT ACCOUNTING FIRM

We have issued our report dated March 6, 2005, accompanying the consolidated financial statements of Caliber Associates, Inc., contained in the Registration Statement on Form S-1 and related Prospectus of ICF International, Inc. We consent to the use of the aforementioned report in the Registration Statement on Form S-1 and related Prospectus of ICF International, Inc. and to the reference to our firm under the headings "Selected consolidated financial data" and "Experts" in the Prospectus.

/s/ ARGY, WILSTE & ROBINSON, P.C.

Argy, Wilste & Robinson, P.C.  
Tysons Corner, Virginia  
September 7, 2006

**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS, that Dr. Srikant M. Datar hereby constitutes and appoints Sudhakar Kesavan and Alan Stewart, and each of them, as his true and lawful attorneys-in-fact and agents, each with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities to sign any or all amendments (including post-effective amendments) to the Registration Statement of ICF International, Inc. on Form S-1 (SEC File No. 333-134018) and any subsequent registration statement filed pursuant to Rule 462(b) under the Securities Act of 1933, as amended, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have hereunto set my hand this 24<sup>th</sup> day of July, 2006.

/s/ Dr. Srikant M. Datar

Dr. Srikant M. Datar