FINAL TRANSCRIPT

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PRESENTATION

Operator

Welcome to the ICF International Third Quarter 2008 Conference Call. During the presentation all participants will be in a listen-only mode. After wards you will be invited to participate in a question and answer session.

(Operator Instructions)

As a reminder this conference is being record on Wednesday, November 5th, 2008, and cannot be reproduced or rebroadcast without permission from the company.

And now I would like to turn the program over to Douglas Beck, Senior Vice President Corporate Development. Please go ahead.

Doug Beck - *ICF International, Inc. - SVP - Corporate Development*

Thank you. Good evening everyone, and thank you for joining us to review ICF's third quarter 2008 performance. With us this today from ICF International are Sudhakar Kesavan, Chairman and CEO, John Wasson, COO and Alan Stewart, CFO.

During this conference call, we will make forward-looking statements to assist you in understanding ICF management's expectations about our future performance. These statements are subject to a number of risks that could cause actual events and results could differ materially, and I refer you to our November 5, 2008, press release and our SEC filings for discussions of those risks.

In addition, our statements during this call are based on our views as of today. We anticipate the future developments will cause our views to change. Please consider the information presented in that light.

We may at some point elect to update the forward-looking statements made today, but we specifically disclaim any obligation to do so. During this call we will refer you to non-GAAP financial measures such as Backlog and EBITDA. Our reconciliation of these measures to the most directly comparable GAAP measures is available in the Investor Relations section of our website.

I will now turn the call over to our CEO Sudhakar Kesavan to discuss third quarter 2008 highlights. Sudhakar?

Sudhakar Kesavan - *ICF International, Inc - Chairman & CEO*

Thank you, Doug, and good evening, everyone.

This was another quarter of strong core business revenue growth, solid profitability and our highest level of sales in any quarter this year. Core business revenues were up 57%, which brings our annualized third quarter run rate, excluding the Road Home contract to $465 million. The organic growth rate for the quarter was 20.5%.

On a core business basis, the revenue breakdown was (inaudible) recent quarters, with energy and environment and climate change accounting for 57%; health and human services and social programs representing 29%; and homeland security and defense representing 14% of our revenue.

In our core business, work for government clients accounted for 72% of our third quarter revenues, domestic commercial clients represented about 21% and international business was the remaining 7%.

We achieved double-digit growth across all of our markets. In addition the market trends are positive. There is greater likelihood of government regulation, and the role of government is likely to expand, creating strong demand for ICF services among both our government and commercial clients.

Importantly, we are maintaining our profitability levels as the Road Home contract winds down by focusing our efforts in four areas -- one, getting cost efficiency; two, achieving significant organic growth and winning large contracts; three, effectively managing our contract mix; and four, increasing the percentage of higher margin work in our portfolio.

Let me describe each of these. On cost efficiencies, we are increasing the productivity of our professional staff and we are carefully monitoring costs and taking advantage of synergy with recent acquisitions. On growth, in addition to expanding our advisory work based, in part, on our domain expertise, we are getting traction in leveraging our advisory work to win larger implementation contracts.

On contract mix, we have been steadily shifting towards higher margin, time and materials and fixed price contracts which accounted for 81% of our core business revenues in this year's third quarter. This represents significant progress from 76% for all of 2007 and 69% for 2006. On higher margin work, our commercial (inaudible) business, which has higher margins, is increasing as a percentage of revenues.

Turning to our outlook, we are pleased with trends in our new business pipeline which is at $1.5 billion today, even after subtracting significant contract wins this past quarter. Core business backlog, which excludes the Road Home contract, was at a record $735 million at the end of the third quarter, up 42% from last year's third quarter and an 18% sequential increase over this year's second quarter.

With that, I would like to turn the call over to John Wasson who will give you more details on contracts and business trends. John?

John Wasson - *ICF International, Inc - COO*

Thank you, Sudhakar, and good evening, everyone. As Sudhakar noted, we are experiencing strong growth in our core business. Along with that growth we have experienced an excellent quarter of new sales across all of our markets that bode well for our future prospects.

This past quarter we had our strongest sales since winning the Road Home contract. We won $208 million in new contract awards with important wins in all of our major markets. Not only did these wins strengthen our total non-Road Home backlog by over $110 million in the third quarter, they also expanded our leadership positions in energy and climate change and health and human services.

Our earnings released today summarized a number of the key wins that we have announced throughout the quarter that I would like to highlight. As you know, we won two new contracts with Baltimore Gas and Electric to design and implement residential, commercial and industrial conservation programs, whose value we expect to be in excess of $50 million. These wins reinforced ICF's market leadership and large-scale programs to reduce energy use and mitigate carbon emissions.

Our leadership in climate change was also underscored by two new contracts from the European Commission, a combined value of $12 million to facilitate the implementation of energy efficiency programs and technologies in Russia and surrounding countries.

We also had a particularly strong quarter in winning new contracts with the Department of Health and Human Services. ICF has provided technical assistance to the federal government's premier program in early childhood education, the Head Start Program, for many years. We have expanded this effort by winning over $40 million in new work for training and technical assistance to Head Start Programs at the state level.

We also announced in the third quarter two other new contracts with the Department of Health and Human Services valued at over $10 million to provide training and technical assistance to prevent the spread of HIV/AIDS and to develop a national use and transition database.

We also announced a new 5-year $23 million contract to support the Maryland Procurement Office for education and training services. This is an important step in expanding ICF's role in support of a national security market.

Finally, we won over 200 commercial engagements in the third quarter, (inaudible) a competitive advantage in addressing critical issues in energy, climate change, environment and infrastructure.

Even after this strong quarter of over $200 million in new sales, our pipeline of leads under active pursuit stands at $1.5 billion versus $1.6 billion last quarter and $1.2 billion at the end of the first quarter.

I should also note that our work on the Road Home program continues as we enter the final nine months of our contract. To date, we have completed over 119,000 closings providing more than $7.3 billion in funds to homeowners and we are focused on closing the remaining applicants as well as providing disbursements for additional parts of the program and preparing final documentation on all of the grant packages.

Finally, our personnel retention rate continues to be good. Year-to-date annualized rate of turnover was 13.3% without the Road Home and 18.2% with the Road Home. And now, I would like to turn the call over to our CFO, Alan Stewart, to review the third quarter financial highlights. Alan?

Alan Stewart - *ICF International, Inc - CFO*

Thank you, John, and good evening to all.

Our gross revenue for the third quarter of 2008 was $176.3 million, compared to $198.8 million for the comparable quarter in 2007. Revenue from our core business increased significantly this quarter to $115.9 million; $42.4 million or 57% increase from the $73.5 million core business revenue that was reported in the third quarter of 2007. Revenue from the Road Home program was $60.4 million for this recent quarter, less than one-half of $125.2 million of last year's third quarter as we wind down our activities our the 3-year contract which ends in June of 2009.

Importantly we have been able to maintain EBITDA margin within the 9 to 10% range despite the fall off in revenue of approximately $65 million attributable to the winding down of the Road Home program. We expect to maintain this level of profitability for the foreseeable future.

This quarter gross profit increase 18.7% to $61 million year-over-year, primarily due to decreased levels of subcontractor costs associated with the Road Home contract. Gross profit margin increased to 34.5% up from the 25.8% reported in last year's third quarter. We expect the gross profit margin will continue to trend up to our historical levels of approximately 40% as the Road Home contract winds down.

Indirect and selling expenses, excluding non-cash equity related compensation, were $42.8 million, down from $45.2 million in this year's second quarter, which reflects the cost efficiency programs we are implementing. Specifically, this $2.4 million quarter-over-quarter savings which is $9.6 million on an annual basis, is attributable to management of our cost structure.

Non-cash stock compensation expenses of $1.5 million in the third quarter of this year compared to $0.8 million in the third quarter of 2007. Interest expense was $0.8 million down about 24% sequentially from this year's second quarter, and we paid down a little over $3 million of long-term debt which stood about $90 million at the end of the quarter.

The effective tax rate for the third quarter of 2008 was 42.5%. We expect the tax rate for the fourth quarter of 2008 to be 41.6%, which is similar to the historical rate for the nine months ending September 30, 2008.

Third quarter 2008 net income was $6.9 million or $0.45 for a fully diluted share which was in line with the guidance we provided at the time of our Q2 results and (inaudible).

In reviewing our balance sheet as of September 30, 2008, there were several points to note. Our net accounts receivable balance was $156.2 million similar to Q2 levels and down from $192.2 million balance of December 31. This represents 80 days sales outstanding on September 30, compared to 75 on June 30 and 92 on December 31, 2007, respectively.

If you deduct the amount of deferred revenue for these periods, the adjusted days of sales outstanding would be 73, 69 and 84 days, respectively, for the periods ending September 30, June 30 and December 31, 2007. The decrease in DSOs from our December 31 ratio is primarily attributable to active management of our accounts. We continue to anticipate DSOs in the long term to continue to be in the 75 to 85 day historical average.

Turning to our cash-flow statement for the nine months ending September 30, cash-flow from operations provided $16.1 million. We have cash capital expenditures of $9.3 million for the first 9 months of this year as we invested in corporate infrastructure to deal with our rapid growth over the last year and our anticipated future growth. Payments for business acquisitions totaled $51.3 million attributable to the Jones and Stokes acquisition of February 2008.

As a result of the DSOs and capital expenditures mentioned above, we anticipate that our revolver balance at year-end will be approximately $80 million. And with that, I would like to turn the call back to Sudhakar.

Sudhakar Kesavan - *ICF International, Inc - Chairman & CEO*

Thank you, Alan.

As you have heard, our core business continues to show strength. Based on these trends we are reaffirming full year 2008 guidance for core business revenues of $430 million to $435 million, and narrowing our guidance range for our total revenues to $685 million to $695 million. This equates for fourth quarter revenue guidance of $150 million to $160 million of which core business revenues should be 70% to 72%, up from 66% in 2008 third quarter.

EBITDA margins for the fourth quarter is anticipated to be around 9.5% and diluted earnings per share to be in the range of $0.37 to $0.40.

We continue to be cautiously optimistic about our business prospects while we carefully monitor the impact of the economic downturn. The incoming Obama administration has policy positions on energy and environment, health and climate change that relate directly to our core business. Based upon the visibility that we have from our backlog and current business trends, we believe we can grow our 2009 core business revenues at a 15% rate for 2009.

Core business revenues will be at least $500 million. Left over revenue, including the Road Home contract, will be in the range of $530 to $560 million depending on the level of activity in the last 6 months of the contract. EBITDA margins is projected to remain in the 9% to 10% range. Operator, I would like now to open the call to questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Your first question comes from the line of Jason Kupferberg with UBS. Please proceed.

Jason Kupferberg - *UBS - Analyst*

Thanks and good afternoon, guys. Just a couple of questions. Sudhakar, just to pick up on the last comment you made as far as the '09 guidance. You have a $30 million range there. Is most of that range related to Louisiana? That is kind of what it sounded like, but I just wanted a clarification. If we should think about Road Home as being effectively $30 to $60 million range for '09 depending how the rest of the closings go and so forth?

Sudhakar Kesavan - *ICF International, Inc - Chairman & CEO*

Yes, I would say $30 million to $50 million. Yes.

Jason Kupferberg - *UBS - Analyst*

Okay. And, if we think about the margin side of the equation here, it looks like if you go back to the P&L over the past year or so, as the Road Home revenues have gradually diminished the EBIT and EBITDA margins have gradually been trending lower. I know you are still expecting to stay in your 9% to 10% EBITDA margin range for '09, but given that there won't be very much Road Home revenue in '09, is the low end of the range more likely or are there other off-setting factors here that will help you compensate from the relative lack of Road Home revenue?

Sudhakar Kesavan - *ICF International, Inc - Chairman & CEO*

I would still say that our expectation is in the middle of the range, so 9.5 %, but to be on the safe side we say 9% to 10%, but I think we exactly aim at 9.5%.

Jason Kupferberg - *UBS - Analyst*

Okay, so you are comfortable with that even though for this quarter, I think you did 9.4% while still having about a third of your revenue coming from Road Home?

Sudhakar Kesavan - *ICF International, Inc - Chairman & CEO*

Yes, I think so.

Jason Kupferberg - *UBS - Analyst*

Okay. Cash flow -- down quite a bit year-over-year on a year-to-date basis. I know that subcontractors on Road Home can throw things off in a given quarter, but what do you expect in Q4 and '09 for cash flow. How should we think about that?

Alan Stewart - *ICF International, Inc - CFO*

I'd say we will roughly approximately EBITDA at this point in time for the fourth quarter.

Jason Kupferberg - *UBS - Analyst*

And what about for '09?

Alan Stewart - *ICF International, Inc - CFO*

'09 is still too early to tell, I think. A lot depends on the trends of customers and economic base and timing of new contracts. We have seen some shift in some new customers like GE that are actually trying to extend their payment terms to vendors, so that could cause a little bit of an impact. But I would look at EBITDA as a rough approximation for '09 for cash flow.

Jason Kupferberg - *UBS - Analyst*

Okay. Thank you, guys.

Operator

Your next question comes from the line of Joseph Vafi with Jefferies & Company. Please proceed.

Joseph Vafi - *Jefferies & Co. - Analyst*

Hi, guys, good afternoon. I was wondering if we could just focus again on the margins a little bit in the Q3 numbers. I kind of looked at the Q3 and the Q2 sequentials, relative to Q2 sequentially, we saw a little bit of weakness in gross margin which on a relative basis sequentially -- and I was wondering if there was anything else going on in that number, because, you know, as Road Home trails off, I was kind of expecting a little bit more strength on the gross margin line.

Alan Stewart - *ICF International, Inc - CFO*

Yes, I would say in the June quarter, we had a little bit of fixed price deliverables probably helped the legacy core business gross margin. And there might have been a little bit of pick up in the rate, but other than that, it was fairly similar in the gross margin.

Joseph Vafi - *Jefferies & Co. - Analyst*

Okay. So then nothing particularly weak in Q3 on the gross margin line or - you were talking about some efficiencies, if there were some maybe small restructuring payments or something like that that might have gone into the cost of sales or anything like that?

Alan Stewart - *ICF International, Inc - CFO*

No, nothing like that.

Joseph Vafi - *Jefferies & Co. - Analyst*

And, did I hear, Alan, that you did say it was $2.4 million worth of efficiencies that you are looking to achieve? Is that the right number?

Alan Stewart - *ICF International, Inc - CFO*

Yes, that was the shift from second quarter to third quarter. I will expect that to continue.

Joseph Vafi - *Jefferies & Co. - Analyst*

Okay, and that was - was that shared on the gross line and the indirect line or --?

Alan Stewart - *ICF International, Inc - CFO*

Indirect line.

Joseph Vafi - *Jefferies & Co. - Analyst*

That was on the indirect line. Okay. If we kind of just look at the business at the higher level and we look at the amount of business that you are winning now versus say, a year, year and a half ago, I would probably say there are a couple of things going on. One is all the energy and climate change practices -- maybe, in better demand than it did then; but, how much bigger is the bid-and-proposal engine of the company versus what it was?

Just trying to break down where more of the contract activity is coming from; if it is end-market demand, if it is company-specific in a larger bid and proposal engine or maybe something else?

Sudhakar Kesavan - *ICF International, Inc - Chairman & CEO*

Let me start and I'll get John to add commentary. I think that basically there is a certain learning which happens as we grow, as companies grow. And, we have learned how to do some of the larger bids and how to make sure that we identify them. And, we are also larger so we have more resources to invest in business development activities.

So, I think overall our business development setup is larger in the sense that we have a lot more folks who are (inaudible) senior-level people who basically identify the (inaudible) well in advance. And, all this stuff takes 18 months to 2 years to put in place, which we have done over the last 2 years, which is what you are seeing now -- the results of.

So, I think the organic growth to some extent is attributable to making sure that we identify these opportunities well in advance and then bid on them and while - and then when you win them, it is the end of an 18 month - 12 to 18 month cycle. So, I think that we have learned how to do this. We have put in place things which we learned which are leading to more wins.

And, I think as John attributed, we are winning work across all our sectors. You have seen energy, you have seen work in the health and human services arena, and you will see work in defense and homeland security arena. So, I think that - we have won work and we are continuing to build a pipeline in all four of our areas. And, I do think that we will be successful going forward. So, we do not see, as the pipeline demonstrates, we don't see any lack of opportunity. We just need to make sure we use the business development dollar efficiently.

I think it is a question of learning and putting our act together and now you are looking at the results of what we've done over the last 12 to 18 months.

John Wasson - *ICF International, Inc - COO*

Yes, I would just add that we have also been successful across all the sectors in leveraging our advisory work into implementation contracts and so, we have done that in each - we have several wins in the last several months in each of the key markets where we have won significant implementation contracts. And, so I think we are showing we can do that in each of our key markets.

Joseph Vafi - *Jefferies & Co. - Analyst*

Okay. That is helpful. And then, just on some of the private sector of the commercial business you have. What is your view to the economics sensitivity of that business in the current economic environment? And, was that incorporated, thoughts incorporated, into the '09 outlook on the top line?

Sudhakar Kesavan - *ICF International, Inc - Chairman & CEO*

Yes, I think the largest contract we won in the private sector is (inaudible) efficiency job, the BG&E job, with a regulated utility. We basically -- the costs of the program are a part of the rate base of what consumers pay for electricity. So once the Public Service Commission says, yes, then you get going. And, so the funding source there is a pretty good one.

So, I think that the margins in that business also will be higher in terms of possibility. That, I think, will help us maintain our profitability going forward. So, the commercial business aspect was incorporated in our guidance. We, as you know, have been growing at about 20% plus points over the last 5 quarters. We have given you guidance of 15% so if everything falls our way, there is potentially some upside, but we just wanted to make sure that we don't get too optimistic and tell you some big number which we can't hit. So, we will be looking at the economic situation and looking at the kinds of clients we have, we believe that 15% is achievable.

Joseph Vafi - *Jefferies & Co. - Analyst*

That is helpful. Thanks, Sudhakar.

Operator

Your next question comes from the line of Tim McHugh with William Blair. Please proceed.

Tim McHugh - *William Blair & Co. - Analyst*

Yes. I was wondering if you can give an update both on that BGE contract, where that stands, as well as the last time you had called, you had mentioned there is a few of those types of contracts that you are chasing. I was wondering if you could give us a little added color on the pipeline that you see out there in terms of those types of opportunities, as well as any others that you might want to highlight.

Sudhakar Kesavan - *ICF International, Inc - Chairman & CEO*

Yes. The BG&E contract, we have a contract we are working with BG&E. We believe that the applications to the Public Service Commission, as we told you, one of them is gone and the other will go in the next few weeks. We believe that it will start -- the contract will crank up sometime in the second quarter towards more to the end of the second quarter, and that is when we will get the benefit from the revenues of that contract in a significant way.

We are already getting some revenues but that is more advisory services work, which the implementation will truly start sometime in the second quarter, as I said. We are looking at a number of contracts of that kind across the country. None of them are as large as the BG&E one, but they are all in the $5 million to $50 million range.

Some are actually even smaller than $5 million; some are $2 million to $3 million. So there are multiple contracts, maybe over 1,000, which we are following up on with various utilities and they have different timeframes. We will certainly keep you apprised as we will.

Tim McHugh - *William Blair & Co. - Analyst*

Okay. And then, on the acquisition front, if you could update your thoughts there? Are you out there looking at this point or more comfortable looking into the (inaudible) opportunities that you have?

Sudhakar Kesavan - *ICF International, Inc - Chairman & CEO*

Yes, certainly I could be looking. You know we have an active pipeline. We want to make sure that we do the right thing, and do the acquisitions which fit in well. And, as you know, all the acquisitions we have done have a slight difference from the traditional competitor we have. So, we are certainly looking and we are quite active. It is just a question of, as you know, the right fit and then the right valuation.

Tim McHugh - *William Blair & Co. - Analyst*

Speaking of the right valuation, what have you been seeing lately? Has it become more favorable in the current economic environment?

Sudhakar Kesavan - *ICF International, Inc - Chairman & CEO*

Not really. What do you expect? That message hasn't gone down to the private companies. So, it is all a question of making sure we try and educate them, and reasonableness of the seller is an important aspect in potentially doing an acquisition. But, if you are asking me, generally, no, everyone is -- the depression and valuation of public companies hasn't seemed to affect the valuation of private companies.

Tim McHugh - *William Blair & Co. - Analyst*

Okay, and then lastly if I could, you mentioned intuitively we have been thinking about impact that the recent presidential election could have on demand for your work. What would be the first pieces of opportunity or signs of work flowing your way from that change that you might anticipate we could see over the next 3 to 6 months?

Sudhakar Kesavan - *ICF International, Inc - Chairman & CEO*

Tim, it is hard to say. You know we have all read the position papers and followed the election reasonably carefully. As I said, generally I believe that it will certainly be helpful going forward if there is action taken on different policies priorities outlined by the incoming administration. But we are very carefully wait and watch because campaigning is one thing and governance is another. And, so we just need to make sure that the governance would be consistent with the campaign statements.

So, I think on all issues -- on climate change issues, if you look at the stated position, it could be construed as a major job creation -- method of creating lots of jobs if they invest $15 billion a year on renewables as the president-elect has stated, for 10 years $150 billion in renewables. If the federal government does that, then I'm sure there will be some work for us associated with that.

There is also a lot of conversation about infrastructure spending and the stimulus package. So the infrastructure spending by the government and the stimulus package which the lame duck session of Congress is going to consider -- every time there is infrastructure spending there is lots of impact analysis and all kinds of stuff to be done, because there are laws to be followed if infrastructure is financed.

And, plus the president-elect constantly talks about early childhood education. And, if that is going to be the priority of his administration, we are front and center as we just announced $40 million of Head Start contract which is a premier federal program in early education. And if more emphasis is put on early education, then that is another aspect of the business which is going to be extremely beneficial to us because we are - we have a contract where we are doing the work currently.

So, those three elements I think are things which we are carefully monitoring and we hope that we will see some action soon.

Tim McHugh - *William Blair & Co. - Analyst*

Okay, thank you.

Operator

Your next question comes from the line of Steve Ferazani with Sidoti & Company. Please proceed.

Steve Ferazani - *Sidoti & Co. - Analyst*

Good evening. You talked about the client mix being 72 to 28. Do you have any idea how that is going to shift next year? And, what that potentially does on the gross margin side?

Sudhakar Kesavan - *ICF International, Inc - Chairman & CEO*

I think that our traditional mix over the years has always been sort of 75 to 25 range. So, the mix we currently have is not very different from the mix going forward. I think the gross margins will only rise next year, primarily because the Road Home contract will wind down. The Road Home contract gross margins are much lower than our traditional core business contracts. So to answer your question, I think that the mix will remain sort of in the 75, 80% range for government work and 20% for the balance part of the portfolio. And, I think the gross margins will continue to go up.

Steve Ferazani - *Sidoti & Co. - Analyst*

In terms of some of the energy work you are doing, obviously we have seen oil and natural gas prices come down significantly over the last quarter. Do you think that impacts any ability to win the energy efficiency type work you are involved in?

Sudhakar Kesavan - *ICF International, Inc - Chairman & CEO*

I don't think so. I think the general tenor appears to be that they're here to stay. Most of the work of the efficiency of the large scale comes from regulated utilities. And, they all have state mandates. One of the reasons why BG&E is doing a lot of energy efficiency in addition to wanting to make sure that they are efficient, is also because there is Maryland state legislation which is an act signed by the governor a few months ago which said that Maryland had to reduce its emissions by various percentage by 2020.

So, once the state basically mandates the reductions of emissions, the utilities have to follow through and there are a number of states which are in the process of reducing - of coming up with mandates for emissions reductions.

And, in fact, we are working with -- on the advisory side with (inaudible) governors climate initiative, working with the mid-western governors climate initiative, and all these states basically are coming up with their regulatory framework which the New England states have, which we also worked on, which Maryland was part of, where they're all going to come up with programs to do cap-and-trade emissions and reduce their emissions of greenhouse gases.

So, I think that is a lot of momentum and I think that any efficiency is here to stay. I think that $60 or $70 oil doesn't change that going forward, because it is also become more of an energy independence, national security, a number of things are going on where basically the whole effort appears to be to reduce the use of energy to the extent that we can given that we have an opportunity now to do so.

Steve Ferazani - *Sidoti & Co. - Analyst*

Okay. And then, on the international front, you did announce the European Commission, Russian climate change contracts. What are you seeing in the pipeline for further international work?

Sudhakar Kesavan - *ICF International, Inc - Chairman & CEO*

I think that the pipeline is healthy and we basically won this work as follow-on to our existing work with the European Commission. And so, we continue to look at ways the Europeans are looking at energy efficiency and they are a little further ahead than us.

We also are looking at a lot of proposals that - a lot of work which we are doing for clients in Latin America. And, we are also winning a lot of work in China on energy efficiency and climate. So, this appears to be a big issue. If you notice, we announced a bunch of contracts in Brazil. We also have lots of work in China on energy efficiency. And, that is all in the millions of dollars so it is not small projects.

Steve Ferazani - *Sidoti & Co. - Analyst*

Okay. That is it for me. I appreciate it.

Operator

Your next question comes from the line of Tim Quillin with Stephens, Inc. Please proceed.

Tim Quillin - *Stephens Inc. - Analyst*

Good evening. At Jones and Stokes, I guess my recollection is that they do some environmental studies, pre-construction. Is that being impacted at all by the economy?

John Wasson - *ICF International, Inc - COO*

No, we haven't seen any slowdown in Jones and Stokes yet in any parts of their business. So, no, they continue to see robust demand and they have been growing in double digits, 12% to 15%.

Tim Quillin - *Stephens Inc. - Analyst*

And, how about SH&E? Is there any impact to the economy there?

John Wasson - *ICF International, Inc - COO*

Well, I think, as we discuss in the last earnings call, I think the SH&E revenues have flattened out. I think that, obviously, the airline industry has kind of had a double whammy both with the credit crisis and with the price of oil going up rapidly, although it has started to come down. So, we have seen some flattening there.

I think they are holding their own, they are flat. We are managing the profitability very carefully. Their profitability levels are what we would expect on a percentage basis. So, we are managing the profitability end. And seeing the percent profitability we expect there is just - the demand in that market has flattened out.

Now, I would say that if and when we see some bankruptcies in the airline industry, that will be good for SH&E. They do a fair amount of bankruptcy work. And there is also - we also see some opportunities internationally in the Middle East and in Asia for SH&E. So, we have a focus on selling both bankruptcy when that time comes and selling work internationally.

Tim Quillin - *Stephens Inc. - Analyst*

Okay. And, I think when we visited in September you had talked about the environment as infrastructure business growing at the roughly 10% to 12% clip, but perhaps accelerating. Do you still think that that business overall can accelerate into '09?

Sudhakar Kesavan - *ICF International, Inc - Chairman & CEO*

I think the pro forma we had with Jones and Stokes, when we acquired them, they had anticipated a much lower growth rate that they actually have delivered. So, they have grown, as John said, by nearly 15% this year. I do think that if there is a lot of infrastructure spending and there is a lot of - and the feds decide to do a lot of that, then I think it would at least stay at that level going forward, and perhaps increase. So, I wouldn't want to beat my chest and say it is going to continue to accelerate but I think we are optimistic that it will stay at the level that it is at the moment.

John Wasson - *ICF International, Inc - COO*

Yes, I will also add that several of the international projects that we have won also have -- our environmental impact analysis in front of large infrastructure projects in Brazil, and so I think we are seeing opportunities to leverage those capabilities internationally, too.

Tim Quillin - *Stephens Inc. - Analyst*

Okay. And, in terms of gross margins, you talked about margins returning to 40% historic norms, but I think that 20% or so of your core revenue now is commercial. Is that an inherently higher gross margin business or does it have similar gross margins?

Sudhakar Kesavan - *ICF International, Inc - Chairman & CEO*

No, it's an inherently higher gross margin business, so I think that there is potential for us to go higher that 40%, but first we need to get to 40% and we will tell you whether we will go higher.

Tim Quillin - *Stephens Inc. - Analyst*

Fair enough. And, I missed a little bit on how the BG&E contract will ramp up. Can you give us a sense of revenue expectations in '09 for those contracts?

Sudhakar Kesavan - *ICF International, Inc - Chairman & CEO*

What we are trying to do here is just give you guys some sense of '09. As you know, this is a little early for us to be giving you '09 guidance. But we thought we would at least give you some sense that we are cautiously optimistic about '09. I think we will certainly -- as we get to know more about the BG&E contract -- we will let you know. We think that, as I told Tim, we think it is towards the end of the second quarter when it will start ramping up, so that is our present expectation.

Tim Quillin - *Stephens Inc. - Analyst*

Okay. And, we will figure out how much as we get in to it.

Sudhakar Kesavan - *ICF International, Inc - Chairman & CEO*

Right.

Tim Quillin - *Stephens Inc. - Analyst*

In terms of - are you seeing any opportunities right now with the neighborhood stabilization program or any other housing bailout related opportunities?

Sudhakar Kesavan - *ICF International, Inc - Chairman & CEO*

There is some work which we are doing some follow-up on certain - some of the programs which are being talked about. We prefer not to talk about specifically what we are doing. But certainly we are following up on all the opportunities potentially which we could use our qualifications in.

Tim Quillin - *Stephens Inc. - Analyst*

In terms of the neighborhood stabilization programs, are the opportunities both at HUD and at the grantees?

Sudhakar Kesavan - *ICF International, Inc - Chairman & CEO*

Yes.

Tim Quillin - *Stephens Inc. - Analyst*

Okay. In Head Start, you eluded to -- in the Head Start wins that you have had that there are other awards that are pending. What are the timing and magnitude that are pending awards?

Sudhakar Kesavan - *ICF International, Inc - Chairman & CEO*

I think we -- this is very complicated procurement where basically it was a federal program but it was a state-by-state program which is administered by the federal government. So, we have won 14 states. We have not won 16 states, and we are in the process of figuring out what is going to happen to the other 20 states. We bid on all 50 states, other than Louisiana.

Tim Quillin - *Stephens Inc. - Analyst*

Okay. And, do you expect the 20 to be adjudicated over the next 3 to 6 months, or what is the timeframe?

Sudhakar Kesavan - *ICF International, Inc - Chairman & CEO*

Yes, over the next 3 to 6 months is a reasonable timeframe.

Tim Quillin - *Stephens Inc. - Analyst*

And then, just four detailed questions for Alan. One is in intangibles amortization. It popped up in quarter-to-quarter again this quarter even though you kind of grandfathered in Jones and Stokes. Did you adjust the intangibles amortization, or is it depreciation going up or why did that DNA line go up quarter-to-quarter?

Alan Stewart - *ICF International, Inc - CFO*

It is really the amortization. I think in the (inaudible) 10Q we are now breaking out the amortization purchase intangibles separate from capital depreciation amortization. So, you will be able to see that. But we did have some true ups -- after every acquisition, it takes us a couple of quarters of fighting with our auditors, our valuation guys, to make sure we all agree on the metrics and the view and the valuation criteria that we and our outside advisors use.

Tim Quillin - *Stephens Inc. - Analyst*

Okay. And, interest rates, I know you had a very low interest rate. Is that LIBOR based? Is that going up a little bit on you now?

Alan Stewart - *ICF International, Inc - CFO*

We were locked in at LIBOR through December of this year. And we have a pretty favorable grid right now, so I think that at least through this year we are in very good shape on all the interest rates. With this credit facility, we should be in good shape going into '09.

Tim Quillin - *Stephens Inc. - Analyst*

Okay. Tax rate in '09 still at the same rate?

Alan Stewart - *ICF International, Inc - CFO*

Too early to tell. I think we need to get our arms around all the foreign credits and some other issues. We just got a new tax person onboard to pull that in-house and help us sort through and try to achieve some benefits and efficiencies on our tax provision that we hope to see going in '09. Some more on that later.

Tim Quillin - *Stephens Inc. - Analyst*

Okay. That sounds good. And, I may have missed this, but funded backlog?

Sudhakar Kesavan - *ICF International, Inc - Chairman & CEO*

It's in the press release.

Tim Quillin - *Stephens Inc. - Analyst*

That's fine. Thank you.

Operator

(Operator Instructions). Your next question comes from the line of James Harlow with Stifel Nicholas. Please proceed.

James Harlow - *Stifel Nicolaus & Co. - Analyst*

Hi. Thanks for taking my call. A question on - if you look at the guidance and coming back into the four-year guidance, it looks like EPS range is coming down about $0.04 for the year. Is there any particular reason for that?

Sudhakar Kesavan - *ICF International, Inc - Chairman & CEO*

We had given guidance of $1.85 to $1.92. We have guidance of $1.85, $1.88, so it is kind of unfair to ask why are you within guidance. It is what it is. So, we are trying to give you that number. I think the problem with the numbers is that traditionally it is kind of hard to predict how much Road Home would be and the mix of business.

John Wasson - *ICF International, Inc - COO*

We had to adjust down for the Road Home estimate for the last, really, two quarters of what the year would be, because it is clearly closing, winding down at a faster rate with a smaller number of closings than previously anticipated.

James Harlow - *Stifel Nicolaus & Co. - Analyst*

Okay. And, you said last quarter that for the full year that the non-Road Home organic growth you thought would be around 15% to 17.5%. And, now in the first 3 quarters it has been over 20%. Do you have a revised estimate for that for the full year '08?

Sudhakar Kesavan - *ICF International, Inc - Chairman & CEO*

You know, it is going to be, as I said, in the 15% to 17.5% range. Hopefully it will be higher, but if it is higher that will be great, but I will stick to my 15% to 17.5%.

James Harlow - *Stifel Nicolaus & Co. - Analyst*

Okay. And, are there any transaction costs that we should be aware of when Road Home winds down that could impact merchants? Or, I'm sorry, transition costs?

Sudhakar Kesavan - *ICF International, Inc - Chairman & CEO*

No, I think at the moment the way we think about it -- we are supposed to wind up the contract by June '09. And, we are hoping that we will start the transition process much earlier. We are working with the state to make sure the transition process starts much earlier and we are - you know, all the costs associated with, fixed costs associated with the contract are all paid for by the contract. So, we anticipate no transition costs other than those actually billed to the contract.

James Harlow - *Stifel Nicolaus & Co. - Analyst*

Okay. And, lastly, obviously there weren't any penalty charges for the metrics that were missed on Road Home. Is there anything remaining for the life of the contract that we should be aware of, metrics-wise?

John Wasson - *ICF International, Inc - COO*

No. At the present time, we don't foresee any future risk of performance penalties on the Road Home contract, and so I think we are in good shape there.

James Harlow - *Stifel Nicolaus & Co. - Analyst*

Okay. That's all I had. Thank you.

Operator

I will now turn the call back over to management for closing remarks.

Sudhakar Kesavan - *ICF International, Inc - Chairman & CEO*

Thank you very much for joining us. We look forward to seeing you in the new year. Have a great holiday. Thank you.