TETRA TECH INC
Form 10-K
November 19, 2008

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

ý **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Fiscal Year Ended September 28, 2008.

or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Transition Period from to .

Commission File Number 0-19655

TETRA TECH, INC.

(Exact name of registrant as specified in its charter)

Delaware	**95-4148514**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3475 East Foothill Boulevard, Pasadena, California 91107
(Address of principal executive offices) (Zip Code)

(626) 351-4664
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, $.01 par value	**The NASDAQ Stock Market LLC**
(Title of class)	(Name of exchange)

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes o No ý

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ý	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No ý

The aggregate market value of the registrant's common stock held by non-affiliates on March 28, 2008 was $1.14 billion (based upon the closing price of a share of registrant's common stock as reported by the Nasdaq National Market on that date).

On November 10, 2008, 59,875,662 shares of the registrant's common stock were outstanding.

DOCUMENT INCORPORATED BY REFERENCE

Portions of registrant's Proxy Statement for its 2009 Annual Meeting of Stockholders are incorporated by reference in Part III of this report where indicated.

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This Annual Report on Form 10-K ("Report"), including the "Management's Discussion and Analysis of Financial Condition and Results of Operations," contains forward-looking statements regarding future events and our future results that are subject to the safe harbors created under the Securities Act of 1933 (the "Securities Act") and the Securities Exchange Act of 1934 (the "Exchange Act"). All statements other than statements of historical facts are statements that could be deemed forward-looking statements. These statements are based on current expectations, estimates, forecasts and projections about the industries in which we operate and the beliefs and assumptions of our management. Words such as "expects," "anticipates," "targets," "goals," "projects," "intends," "plans," "believes," "estimates," "seeks," "continues," "may," variations of such words, and similar expressions are intended to identify such forward- looking statements. In addition, statements that refer to projections of our future financial performance, our anticipated growth and trends in our businesses, and other characterizations of future events or circumstances, are forward-looking statements. Readers are cautioned that these forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions that are difficult to predict, including those identified below under "Risk Factors," and elsewhere herein. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. We undertake no obligation to revise or update publicly any forward-looking statements for any reason.

PART I

Item 1. Business

General

We are a leading provider of consulting, engineering, program management, construction and technical services focusing on resource management and infrastructure. We serve our clients by providing cost-effective and innovative solutions to fundamental needs for water, environmental and alternative energy services. We typically begin at the earliest stage of a project by applying science to problems and developing solutions tailored to our clients' needs and resources. Our solutions may span the entire life cycle of the project and include applied science, research and technology, engineering, design, construction management, construction, operations and maintenance, and information technology.

Since our initial public offering in December 1991, we have increased the size and scope of our business, expanded our service offerings, and diversified our client base and the markets we serve through internal growth and strategic acquisitions. Today we are a full-service company with a global reach in the areas of water programs, environmental management and remediation, alternative energy and supporting infrastructure. *Engineering News-Record* ("ENR"), the leading trade journal for our industry, ranked us the nation's number one water services firm in its April 21, 2008, "Top 500 Design Firms" issue. Over the past year, ENR has also ranked us number one in water treatment/desalination and in environmental science. We are also ranked among the top 10 firms in several other service lines, including environmental management, dams and reservoirs, auto plants, site assessment/compliance, manufacturing, sanitary/storm sewers, education, hazardous waste, marine and port facilities, nuclear waste cleanup and green design. We continue to focus on organic and acquisitive growth to expand our geographic reach and increase the breadth and depth of our service offerings to address existing and emerging markets. As of fiscal 2008 year-end, we had more than 8,600 full-time equivalents worldwide, located primarily in North America in approximately 245 office locations.

We were incorporated in Delaware in February 1988 and are headquartered in Pasadena, California. Our predecessor company (the Water Management Group of Tetra Tech, Inc.) was a subsidiary of Honeywell, Inc. and was incorporated in 1966. The mailing address of our headquarters is 3475 East Foothill Boulevard, Pasadena, California 91107, and the telephone number at that location is (626) 351-4664. Our corporate website is located at *www.tetratech.com*. Through a link in the Investor

Relations section of our website, we make available our filings with the Securities and Exchange Commission ("SEC") free of charge.

Mission

Our mission is to be the premier worldwide consulting and engineering firm focusing on natural resources and infrastructure. Our core principles form the underpinning of how we work together to serve our clients.

Service. We put our clients first. We listen closely to better understand our clients' needs and deliver smart, cost-effective solutions that meet those needs.

Value. We take on our clients' problems as if they were our own. We develop and implement real-world solutions that are cost-effective, efficient and practical.

Excellence. We bring superior technical capability, disciplined project management, and excellence in safety and quality to all of our services.

Opportunity. Our people are our number one asset. Our workforce is diverse and includes leading experts in our fields. Our entrepreneurial nature and commitment to success provide challenges and opportunities for all of our associates.

Industry Overview

Many government and commercial organizations today face new and complex challenges due to competition for water resources, water quality and environmental concerns, changing threats to human health, aging water infrastructure, and demand for alternative and renewable energy sources. Each of our clients presents its own unique set of issues and often seeks technical service firms with industry-specific expertise to analyze its problems and develop appropriate solutions. We provide effective solutions to our clients' unique set of challenges in the areas of resource management and infrastructure.

Developing sustainable solutions for managing the world's natural resources (water, air and soil) requires recognition of the interdependence and complexity of our natural systems. Activities such as agricultural and residential development, commercial construction and industrialization can impact the world's resources and environment. Public concern over environmental issues, especially water quality, has been a driving force behind numerous laws and regulations that are designed to prevent degradation and restore our valuable resources. Government and commercial organizations are focusing on compliance with environmental laws and regulations, while responding to public pressure to attain operating efficiencies. Fluctuations in weather patterns and extreme events (e.g., droughts or flooding) are increasing the focus on water supply, wastewater management and coastal protection services. Energy policies, resource limitations, and climate change have encouraged rapid implementation of energy conservation measures related to alternative and conventional energy sources. The cost, quality and availability of water and the aging infrastructure used to capture, safeguard and distribute water are critical social and economic concerns. Since the 1970s, more stringent controls on municipal and industrial waste have been adopted by governments around the world to protect the environment. Organizations seek waste management technical services to comply with complex and evolving environmental regulations, minimize the economic and social impact of waste generation and disposal, and realize significant cost savings through increased operating efficiencies. Many governments of developed countries around the world, including the U.S. government, play an important role in providing foreign assistance by fostering economic growth, protecting human health, providing access to water supplies, providing emergency humanitarian assistance, and enhancing government systems.

An overburdened and aging infrastructure also requires new development and retrofits to meet current needs. This development includes water and wastewater treatment plants, transportation systems, pipelines, and communication and power networks, as well as educational, recreational and government facilities. In addition, as existing facilities age, they require upgrading or replacement. Further, the trend toward outsourcing services is causing public and private organizations that develop and maintain these facilities to evaluate their cost structures and establish more efficient alternatives. Protection of civil infrastructure and the need for additional security infrastructure continue to be priorities. The U.S. federal government has increasingly turned to technical service firms for advice and assistance, particularly at seaports and airports. These factors have increased the need for planning, security, engineering, design, program management, construction management, construction, and operations and maintenance services.

The Tetra Tech Strategy

To continue our successful growth and competitive position in the industry, we have implemented the following strategy that has led to our success and is integral to our future growth:

Serve the Entire Project Life Cycle. We typically start with science at the onset of a project, building on our staff's strong technical foundation in natural and physical sciences. This strength allows us to effectively evaluate and recommend potential solutions to our clients' problems. We can support our clients through the entire project life cycle by providing consulting, engineering, construction, operations and maintenance, and information technology services. We offer these services individually or as part of our full-service approach to problem solving.

Capitalize on our Extensive Technical and Multi-Disciplinary Experience. Since the inception of our predecessor in 1966, we have provided innovative consulting and engineering services, focusing on cost-effective solutions to water resource management and environmental problems. We have been successful in leveraging this foundation of scientific and engineering capabilities into other market areas, including transportation and educational facilities. Our services are provided by a wide range of professionals, including archaeologists, biologists, chemical engineers, chemists, civil engineers, computer scientists, economists, electrical engineers, environmental engineers, environmental scientists, geologists, hydrogeologists, mechanical engineers, oceanographers, project managers and toxicologists. Because of the experience that we have gained from thousands of completed projects, we have a broad perspective and are often able to apply proven solutions to our clients' problems effectively and efficiently.

Provide Broad Geographic Coverage and Local Expertise. We believe that proximity to our clients is instrumental to understanding their needs and delivering comprehensive services. We have significantly broadened our geographic presence in recent years through strategic acquisitions and internal growth. We currently have operations in 49 states. We have also increased our international presence and currently have operations in more than 40 countries including Afghanistan, Albania, Australia, Canada, Colombia, Germany, India, Iraq, Italy, Japan, Jordan, Kenya, Mozambique, Nepal, the Netherlands, Panama, Peru, the Philippines, Poland, Thailand, South Africa, Sri Lanka and the United Kingdom.

Leverage Existing Client Base. We believe that we can effectively expand our service offerings to existing customers, resulting in more comprehensive services and revenue increases. Often, we have been able to secure construction management contracts after having dealt with clients on the scientific evaluation and engineering design phases of a project. By expanding our role with existing clients, we can address larger problems and provide integrated solutions. For our global customers, we also focus on expanding from localized, geographic services to broader national and international support in multiple locations.

Identify and Expand into New Business Areas. We use our consulting services and specialized technical services as entry points to evaluate adjacent business areas. After our consulting practice is established in a new business area, we can expand our operations by offering additional technical services. For example, based on our work in watershed management consulting services, we have identified and expanded into water infrastructure engineering services.

Focus on Large, Complex and Interdisciplinary Projects. We continue to focus on expanding our public and private sector services and bidding for complex projects that are at the leading edge of policy and technology development. Our interdisciplinary capabilities in water, environmental, alternative energy and infrastructure services provide the opportunity to develop integrated and sustainable solutions. This experience helps us to identify market drivers while providing challenging and rewarding opportunities for our employees, thus enhancing our ability to serve other public and commercial clients.

Focus on Cash Generation. We take a disciplined approach to monitoring, managing and improving our return on investment in each of our business areas through our attempts to negotiate appropriate contract terms, manage our contract performance to minimize schedule delays and cost overruns, and promptly bill and collect accounts receivable.

Actively Attract and Recruit Strategic Hires. We focus on attracting and retaining top-quality individuals who provide technical skills, innovative solutions and long-term client relationships. Our full-service capabilities, internal coordination and networking opportunities, entrepreneurial environment and global project portfolio help to attract highly qualified individuals who support our long-term growth.

Invest in Strategic Acquisitions. We believe that strategic acquisitions will allow us to continue our growth in selected business areas, broaden our service offerings and extend our geographic presence. We intend to make acquisitions that will enable us to strengthen our position in certain emerging business areas or to further strengthen our position in our more established service offerings. We believe that our reputation makes us an attractive partner. Our effective integration of acquisitions with a larger enterprise can continue to enhance our ability to compete technically and geographically.

Reportable Segments

Prior to fiscal 2009, we managed our business in three reportable segments: resource management, infrastructure and communications. Management established these segments based upon the services provided, the different marketing strategies associated with these services and the specialized needs of their respective clients. Our resource management segment provides engineering, consulting and construction services primarily addressing water quality and availability, environmental restoration, productive reuse of defense facilities, strategic environmental resource planning, international development and alternative energy. Our infrastructure segment provides engineering, systems integration, program management and construction management services for the development, upgrading, replacement and maintenance of infrastructure. Our communications segment provides engineering, permitting, site acquisition and installation services.

The following table presents the approximate percentage of our revenue, net of subcontractor costs, by reportable segment:

	Fiscal Year		
Reportable Segment	**2008**	**2007**	**2006**
Resource management	68.2%	63.1%	62.7%
Infrastructure	27.3	32.6	32.7
Communications	4.5	4.3	4.6
	100.0%	100.0%	100.0%

Beginning in fiscal 2009, we have re-aligned our business into four reportable segments. We believe the revised reportable segments to be disclosed will provide enhanced data and analysis for our shareholders. For more information, see Note 15 (Reportable Segments) of the "Notes to Consolidated Financial Statements" included in Item 8.

Resource Management

In our resource management segment, we have a leading position due to the strength of our capabilities and our understanding of the relationships between the environment, water and human activities. We support priority government programs for water quality investigations and restoration, environmental protection and remediation, productive reuse of defense facilities, international development, and sustainable environmental resource planning. We provide comprehensive services, including research and development, applied science and technology, engineering, design, construction management, program management, construction, and operations and maintenance. We provide global services to support resource management and environmental programs, international aid programs and governance. In the alternative energy area, we provide comprehensive services in the siting, evaluation and development of energy sources. Our service offerings in the resource management segment are focused on the following project areas:

Surface Water. Public concern with the quality of rivers, lakes, streams, and coastal and marine waters, and the ensuing legislative and regulatory response, is driving demand for our services. More recently, competition for water resources, and climate variations such as those that cause droughts and flooding have raised the visibility of surface water management. Over the past 40 years, we have developed a specialized set of technical skills that position us to compete effectively for surface water and watershed management projects. We provide water resource services to U.S. federal government clients such as the U.S. Environmental Protection Agency ("EPA"), the U.S. Department of Defense ("DoD") and the U.S. Department of Energy ("DOE"). We also provide these services to a broad base of commercial clients, including those in the aerospace, chemical, alternative energy, mining, petroleum, pharmaceutical, retail and utility industries. Further, we provide surface water services to state and local government agencies, particularly in the areas of watershed management, stormwater management and combined sewer overflows ("CSOs").

Groundwater. Groundwater is a critical source of drinking water and a substantial portion of the water used for residential, industrial and agricultural purposes. Our activities in the groundwater field include projects such as evaluating the adequacy of water supplies, investigating and identifying the sources of chemical contamination, examining the extent of contamination, analyzing the speed and direction of contamination migration, and designing and evaluating remedial alternatives. In addition, we conduct monitoring studies to assess the effectiveness of groundwater treatment and extraction wells.

Waste Management. We provide a wide range of engineering and consulting services for hazardous waste contamination and remediation projects, from initial site assessment through design and implementation phases of remedial solutions. In addition, we perform risk assessments to determine the probability of adverse health effects that may result from exposure to toxic substances. We also provide waste minimization and pollution prevention services and evaluate the effectiveness of innovative technologies and novel solutions to environmental problems.

Environmental Remediation and Management. We provide environmental remediation and reconstruction services to evaluate and restore lands and sediments to beneficial use. Environmental remediation includes activities to identify, evaluate and destroy unexploded ordnance ("UXO"), both domestically and internationally. Under the Base Realignment and Closure ("BRAC") Act, we perform reconstruction services at U.S. military locations. We also provide environmental management and planning support to evaluate and mitigate impacts from human activities on the natural environment. We develop watershed and regional plans, and recommend management approaches to help conserve and restore our natural resources.

Alternative Energy. To meet the escalating demand for alternative energy and energy independence, we provide energy management, conservation assessments and the full range of services for alternative energy development. For wind power development and upgrade projects, we provide environmental, engineering, construction services, and operations and maintenance for all phases of the project. Our capabilities include site evaluation, planning, biological assessments, permitting, engineering, transmission lines and installation of wind facilities. We also provide services for other emerging alternative energy technologies including geothermal, solar, biogeneration and hydropower.

Regulatory Compliance. Our regulatory compliance services include advising our clients on the full spectrum of regulatory requirements under the Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation, and Liability Act, the Clean Water Act, the Clean Air Act, the National Environmental Policy Act ("NEPA"), and other environmental laws and regulations. Although we provide services to both government and commercial clients, our current emphasis is on providing regulatory compliance services to the U.S. Army, Navy and Air Force.

Mining and Geotechnical Services. Our mining and geotechnical staff provide environmental and construction services including feasibility analyses, design, permitting, operations, and closure of mining facilities. Our geotechnical practice includes geotechnical engineers, soils technicians and drillers who investigate, analyze and develop geotechnical engineering recommendations and designs for simple to complex problems relating to groundwater, soil or rock.

International Development. We provide services to many donor agencies such as the U.S. Agency for International Development ("USAID"), the World Bank, Asian Development Bank, Inter-American Development Bank, and New Zealand's International Aid and Development Agency to support the eradication of poverty, improve livelihoods, promote democracy and increase economic growth. We plan, design, implement, research and monitor projects in the broad areas of agriculture and rural development, governance and institutional development, natural resources and the environment, infrastructure, rule of law and justice systems development, and public-private partnerships training and consulting.

Infrastructure

In our infrastructure segment, we focus on the development of water infrastructure projects; institutional facilities; commercial, recreational and leisure facilities; transportation projects; and systems and security projects. These facilities and projects are an essential part of everyday life and also sustain economic activity, the security of our infrastructure and the quality of life. Our engineers, architects and planners work in partnership with our clients to provide adequate infrastructure development within their financial constraints. We assist clients with infrastructure projects by providing management consulting, engineering, design, program management, construction management, and operations and maintenance. Our service offerings in the infrastructure segment are focused on the following project areas:

Water Infrastructure. Our technical services are applied to all aspects of water quality and quantity management, including stormwater management, drainage and flood control, combined sewer storage and separation, and major water and wastewater treatment plants. Our experience includes planning, design and construction services for drinking water projects, the design of water treatment facilities, the development of desalination facilities, and the design of distribution systems including pipelines and pump stations.

Institutional Facilities. We provide planning, architectural, engineering and construction management services, including land development and interior building design, for educational, healthcare and research facilities. We have completed engineering and construction management projects for a wide range of clients with specialized needs such as security systems, training and audiovisual facilities, clean rooms, laboratories, medical facilities and emergency preparedness facilities. We specialize in designing and constructing sustainable facilities that minimize environmental impact, typically by minimizing water and power usage.

Commercial, Recreational and Leisure Facilities. We specialize in the planning, design and construction of water-related redevelopment, parks and river corridor restoration, and entertainment and leisure facilities. Our projects also include high-rise office buildings, museums, hotels, parks, visitor centers and marinas. We have designed complex aquatic life support systems and provided structural, civil and mechanical engineering and design of interpretive exhibits for a series of large aquarium projects. We provide engineering services for high-end environmentally sensitive or "green" buildings including integrated interior systems for heat, light, security and communications to improve building energy efficiency and cost effectiveness.

Transportation. We provide architectural, engineering, construction and construction management services for transportation projects to improve public safety and mobility. Our projects include roadway improvements, commuter railway stations, airport expansions, bridges, major highways, and the repair, replacement and upgrading of older transportation facilities.

Systems Support and Security. We provide technology systems integration to improve national security, principally for U.S. federal infrastructure. Our projects range from infrastructure vulnerability assessments to security engineering, design and project management services. We provide systems analysis and information management to optimize the U.S. commercial aviation system, and outsourced technical services to improve national security.

Communications

In our communications segment, we focus on the delivery of technical solutions necessary to design and build communications infrastructure projects. Our communications business serves state and local governments, telecommunications companies and cable operators, and our services include engineering, permitting, site acquisition and installation services.

Project Examples

The following table presents brief examples of current projects in our three segments:

Segment	**Representative Projects**
Resource Management	Supporting environmental activities at U.S. Air Force installations worldwide to assist the U.S. Air Force in its environmental mission in the areas of environmental conservation and planning, environmental quality, environmental restoration, and design and construction.
	Assisting the EPA Office of Wastewater Management in conducting the Clean Water Needs Survey to assess financial needs for constructing wastewater treatment plants and other water-related infrastructure.
	Providing engineering, project management and construction management to help reconstruct facilities in Iraq for the U.S. Air Force and the U.S. Army Corps of Engineers ("USACE").
	Supporting environmental activities at U.S. Navy installations primarily throughout the United States to assist the U.S. Navy in protecting the coastal and marine environment.
	Providing environmental operations and maintenance services at Vandenberg Air Force Base in California. Also providing operations and maintenance services for a wastewater treatment plant and a hazardous waste collection plant, air monitoring and other services.
	Providing program management services for environmental restoration of the Rocky Mountain Arsenal, a former chemical weapons manufacturing plant.
	Providing design-build and environmental restoration services at BRAC sites for various agencies within the DoD.
	Serving as prime contractor for NEPA studies at DOE facilities to ensure that the DOE's proposed defense and energy-related actions comply with applicable environmental regulations.
	Providing watershed planning and modeling services for the Milwaukee Metropolitan Sewerage District to address regional water quality and CSO impacts on Lake Michigan.
	Providing support to developing countries in establishing effective institutions essential to achieving economic growth and social development for the USAID.
	Providing turn-key solutions for utilities and developers, including environmental studies, permitting, engineering, design, construction, and operations and maintenance services for wind farms throughout the United States.

Segment	Representative Projects
Infrastructure	Upgrading information management systems and implementing ISO 14000-compliant environmental management systems for several Fortune 500 industrial clients.
	Providing planning, engineering and systems integration services to support the change from ground-based navigation to satellite navigation for all civil aviation in the United States.
	Providing engineering and technical support services to support a national missile defense system.
	Providing engineering design services for building systems for several major office buildings, including air, power and data distribution systems.
	Developing water treatment facilities for the City of North Miami Beach, Florida.
	Designing and engineering wastewater management facilities in Huntsville, Alabama.
	Designing site plans and stormwater retrofits using green practices for the City of Los Angeles.
	Providing planning and engineering design services for new educational facilities throughout New York.
Communications	Assisting a leading provider of broadband services with deployment and maintenance of a high-capacity broadband fiber optic network in the western and midwestern United States.
	Providing engineering, design and installation services for fiber-to-the-premise networks.

Clients

We provide services to a diverse base of federal, state and local government agencies, as well as commercial and international clients. The following table presents the approximate percentage of our revenue, net of subcontractor costs, by client sector:

	Fiscal Year		
Client Sector	**2008**	**2007**	**2006**
Federal government	43.3%	43.9%	46.7%
State and local government	17.8	20.2	17.5
Commercial	37.9	35.0	35.1
International(1)	1.0	0.9	0.7
	100.0%	100.0%	100.0%

(1) Includes revenue generated from our international clients. Revenue related to projects performed in foreign countries for U.S. federal government and commercial clients was reported as part of our federal government and commercial client sectors, respectively.

U.S. federal government agencies are our most significant clients. The DoD accounted for 25.4%, 29.4% and 26.6% of our revenue, net of subcontractor costs, in fiscal 2008, 2007 and 2006, respectively. We typically support multiple programs within a single federal agency, both domestically and internationally. We assist state and local government clients in a variety of jurisdictions across the country. Our commercial clients include companies in the chemical, energy, mining, pharmaceutical, retail, aerospace, automotive, petroleum, communications and utility industries. No single commercial client accounted for more than 10% of our revenue, net of subcontractor costs, in fiscal 2008.

The following table presents a list of representative clients in our three segments. We have not included an international client category because those clients represent a significantly smaller percentage of our client base.

		Representative Clients	
Reportable Segment	**Federal Government**	**State and Local Governments**	**Commercial**
Resource Management	Federal Energy Regulatory Commission; USAID; U.S. Air Force; USACE; U.S. Bureau of Reclamation; U.S. Coast Guard; DOE; EPA; U.S. Forest Service; U.S. Navy; U.S. Postal Service ("USPS")	California Department of Public Health; City of San Jose, California; Fairfax County, Virginia; Los Angeles County, California; Prince George's County, Maryland; Salton Sea Authority; Washington State Department of Ecology	Alcoa, Inc.; ConocoPhillips, Inc.; General Electric Company; Hewlett-Packard Development Company, L.P.; Lockheed Martin Corporation; PacifiCorp
Infrastructure	Federal Emergency Management Agency; USACE; Bureau of Reclamation; U.S. Department of Homeland Security; U.S. Department of the Interior ("DOI"); Federal Aviation Administration ("FAA"); U.S. Navy	Boston, Massachusetts Water and Sewer Commission; City of Detroit, Michigan; City of Lansing, Michigan; City of Los Angeles, California; City of Portland, Oregon; King County, Washington; Michigan Department of Transportation; Oklahoma Department of Transportation	EnCana Corporation; Ford Motor Company; General Motors Corporation; Lockheed Martin Corporation; Lowe's Company
Communications	N/A	Colorado Department of Transportation	AT&T Inc.; Comcast Corporation; Verizon Communications

Contracts

Our services are performed under three principal types of contracts with our clients: fixed-price, time-and-materials, and cost-plus. The following table presents the approximate percentage of our revenue, net of subcontractor costs, by contract type:

	Fiscal Year		
Contract Type	**2008**	**2007**	**2006**
Fixed-price	37.1%	33.2%	33.5%
Time-and-materials	42.3	45.6	43.0
Cost-plus	20.6	21.2	23.5
	100.0%	100.0%	100.0%

Our clients select the type of contract we enter into for a particular engagement. Under a fixed-price contract, the client agrees to pay a specified price for our performance of the entire contract or a specified portion of the contract. Fixed-price contracts carry certain inherent risks, including risks of losses from underestimating costs, delays in project completion, problems with new technologies, price increases for materials, and economic and other changes that may occur over the contract period. Consequently, the profitability, if any, of fixed-price contracts may vary substantially. Under our time-and-materials contracts, we are paid for labor at negotiated hourly billing rates and for other expenses. Profitability on these contracts is driven by billable headcount and cost control. Many of our time-and-materials contracts are subject to maximum contract values and, accordingly, revenue related to these contracts is recognized as if these contracts were fixed-price contracts. Under our cost-plus contracts, we are reimbursed for allowable costs and fees, which may be fixed or performance-based. If our costs exceed the contract ceiling or are not allowable, we may not be able to obtain full reimbursement. Further, the amount of the fee received for a cost-plus award fee contract partially depends upon the client's discretionary periodic assessment of our performance on that contract.

Some contracts with the U.S. federal government are subject to annual funding approval. U.S. federal government agencies may impose spending restrictions that limit the continued funding of our existing contracts and may limit our ability to obtain additional contracts. These limitations, if significant, could have a material adverse effect on us. All contracts with the U.S. federal government may be terminated by the government at any time, with or without cause.

Federal government agencies have formal policies against continuing or awarding contracts that would create actual or potential conflicts of interest with other activities of a contractor. These policies may prevent us in certain cases from bidding for or performing government contracts resulting from or related to certain work we have performed. In addition, services performed for a commercial or government sector client may create conflicts of interest that preclude or limit our ability to obtain work for a private organization. We attempt to identify actual or potential conflicts of interest and to minimize the possibility that such conflicts could affect our work under current contracts or our ability to compete for future contracts. We have, on occasion, declined to bid on a project because of an existing or potential conflict of interest.

Our contracts with the U.S. federal government are subject to audit by the government, primarily by the Defense Contract Audit Agency ("DCAA"). The DCAA generally seeks to (i) identify and evaluate all activities that contribute to, or have an impact on, proposed or incurred costs of government contracts; (ii) evaluate the contractor's policies, procedures, controls and performance; and (iii) prevent or avoid wasteful, careless and inefficient production or service. To accomplish this, the DCAA examines our internal control systems, management policies and financial capability; evaluates the accuracy, reliability and reasonableness of our cost representations and records; and assesses our compliance with Cost Accounting Standards ("CAS") and defective-pricing clauses found within the Federal Acquisition Regulations ("FAR"). The DCAA also performs the annual review of our overhead rates and assists in the establishment of our final rates. This review focuses on the allowability of cost items and the applicability of CAS. The DCAA also audits cost-based contracts, including the close-out of those contracts.

The DCAA also reviews all types of U.S. federal government proposals, including those of award, administration, modification and re-pricing. The DCAA considers our cost accounting system, estimating methods and procedures, and specific proposal requirements. Operational audits are also performed by the DCAA. A review of our operations at every major organizational level is conducted during the proposal review period. During the course of its audit, the DCAA may disallow costs if it determines that we accounted for such costs in a manner inconsistent with CAS. Under a government contract, only those costs that are reasonable, allocable and allowable are recoverable. A disallowance of costs by the DCAA could have a material adverse effect on us.

In accordance with our corporate policies, we maintain controls to minimize any occurrence of fraud or other unlawful activities that could result in severe legal remedies, including the payment of damages and/or penalties, criminal and civil sanctions, and debarment. In addition, we maintain preventative audit programs and mitigation measures to ensure that appropriate control systems are in place.

We provide our services under contracts, purchase orders or retainer letters. Our policy provides that all contracts must be in writing. We bill our clients in accordance with the contract terms and periodically based on costs incurred, on either an hourly-fee basis or on a percentage-of-completion basis, as the project progresses. Most of our agreements permit our clients to terminate the agreements without cause upon payment of fees and expenses through the date of the termination. Generally, our contracts do not require that we provide performance bonds. If required, a performance bond, issued by a surety company, guarantees the contractor's performance under the contract. If the contractor defaults under the contract, the surety will, in its discretion, complete the job or pay the client the amount of the bond. If the contractor does not have a performance bond and defaults in the performance of a contract, the contractor is responsible for all damages resulting from the breach of contract. These damages include the cost of completion, together with possible consequential damages such as lost profits.

Marketing and Business Development

Our corporate management team establishes the scope and range of services we provide and our overall business strategy. The centralized business development support group develops corporate marketing materials, market research, and promotional and professional activities, including appearances at trade shows, direct mailings, advertising and public relations. Business development activities are implemented by our technical and professional management staff. We believe that these personnel have the best understanding of a client's needs and the effect of local or client-specific issues, laws and regulations. The professional staff holds frequent meetings with existing and potential clients, and federal, state or local agencies, gives presentations to civic and professional organizations and presents seminars on current technical topics. Essential to the effective development of business is each staff member's access to all of our service offerings through the technical and geographic network we provide. We facilitate a strong internal network, along with our client and service offerings to provide professional staff with opportunities to provide new services to existing clients and broaden our client base in core services. We market throughout the organizations and service sectors we target, focusing on delivering solutions to emerging programs and providing full-service support.

For our major focus areas, we have established company-wide initiatives that reinforce internal coordination across the enterprise, track development of new programs, identify and coordinate collective resources for major bids, and build interdisciplinary teams. These initiatives provide a forum for cross-sector collaboration and the development of interdisciplinary solutions. We continuously identify new markets that are consistent with our service offerings and leverage our full-service capabilities and internal coordination structure to develop and implement strategies to research, anticipate and position for future procurements.

Acquisitions

We have historically acquired a significant number of companies and we expect to make future acquisitions. Acquisitions are inherently risky, and no assurance can be given that our previous or future acquisitions will be successful or will not have a material adverse effect on our financial position, results of operations or cash flow. All acquisitions require the approval of our Board of Directors, and those in excess of a certain size require the approval of our lenders.

In the first quarter of fiscal 2008, we acquired the outstanding shares of ARD, Inc. ("ARD") which provides applied research, planning, design and implementation services focused on a range of water, energy, environmental and institutional challenges. ARD manages large, complex international development projects for its clients, such as USAID, the United Nations and other donor agencies. This acquisition continues our international expansion as it increases our professional workforce in new geographic areas and technical specialties around the world. We also made other acquisitions in fiscal 2008 to strategically expand our service offerings and our geographic reach.

Competition

The market for our services is generally highly competitive. We often compete with many other firms ranging from small regional firms to large international firms.

We perform a broad spectrum of consulting, engineering and technical services across the resource management, infrastructure and communications segments. Services within these segments are provided to a client base that includes U.S. federal agencies, including the DoD, USAID, DOE, EPA, the National Aeronautics and Space Administration ("NASA"), FAA, DOI, USPS, state and local agencies, and the commercial sector. Our competition varies and is a function of the business areas in which, and client sectors for which, we perform our services. The number of competitors for any procurement can vary widely, depending upon technical qualifications, the relative value of the project, geographic location, the financial terms and risks associated with the work, and any restrictions placed upon competition by the client. Historically, clients have chosen among competing firms by weighing the quality, innovation and timeliness of the firm's service versus its cost to determine which firm offers the best value. When less work becomes available in a given market, price becomes an increasingly important factor.

We believe that our principal competitors include the following firms, in alphabetical order: AECOM Technology Corporation; AMEC PLC; Arcadis NV; Black & Veatch Corporation; Brown & Caldwell; CH2M Hill Companies Ltd.; Camp Dresser & McKee, Inc.; Chemonics; ICF International, Inc.; Jacobs Engineering Group Inc.; MWH Global, Inc.; Science Applications International Corporation; The Shaw Group Inc.; Stantec Inc.; TRC Companies, Inc.; URS Corporation; and Weston Solutions, Inc.

Backlog

As of fiscal 2008 year-end, our backlog was $1.6 billion, an increase of 30.8% from $1.3 billion as of fiscal 2007 year-end. We experienced strong backlog growth in our U.S. federal government business, particularly with USAID work associated with our ARD acquisition and DoD work resulting from increased funding on our BRAC and other domestic contracts. This growth was largely offset by our forecasted decline in backlog for Iraq-related projects. We also experienced strong demand for our services related to wind and other alternative energy projects from our commercial clients. The overall increase was slightly offset by the softness in our state and local government business due to the wind-down of a large construction management project, the conclusion of a large fiber-to-the-premises project, and reduced activity on school design and land redevelopment projects associated with the downturn in the housing market.

We include in our backlog only those contracts for which funding has been provided and work authorization has been received. We estimate that approximately 75% of our backlog as of fiscal 2008 year-end will be recognized as revenue in fiscal 2009, as work is performed. However, no assurance can be given that all amounts included in our backlog will ultimately be realized. For example, certain of our contracts with the U.S. federal government and other clients can be terminated at will. If any of these clients terminate their contracts prior to completion, we may not be able to recognize the contract revenue.

Regulations

We engage in various service activities that are subject to government oversight, including environmental laws and regulations, general government procurement laws and regulations, and other regulations and requirements imposed by specific government agencies with which we conduct business.

Environmental. A substantial portion of our business involves planning, design, program management and construction management of pollution control facilities, as well as assessment and management of remediation activities at hazardous waste or Superfund sites and military bases. In addition, we contract with U.S. federal government entities to destroy hazardous materials, including weapons stockpiles. These activities require us to manage, handle, remove, treat, transport, and dispose of toxic or hazardous substances.

Some environmental laws, such as the Superfund law and similar state statutes, can impose liability for the entire cost of clean-up for contaminated facilities or sites upon present and former owners and operators, as well as generators, transporters and persons arranging for the treatment or disposal of such substances. In addition, while we strive to handle hazardous and toxic substances with care and in accordance with safe methods, the possibility of accidents, leaks, spills and the events of force majeure always exist. Humans exposed to these materials, including workers or subcontractors engaged in the transportation and disposal of hazardous materials and persons in affected areas, may be injured or become ill, resulting in lawsuits that expose us to liability that may result in substantial damage awards. Liabilities for contamination or human exposure to hazardous or toxic materials, or a failure to comply with applicable regulations, could result in substantial costs, including clean-up costs, fines, civil or criminal sanctions, third party claims for property damage or personal injury, or cessation of remediation activities.

Certain of our business operations are covered by Public Law 85-804, which provides for government indemnification against claims and damages arising out of unusually hazardous activities performed at the request of the government. Due to changes in public policies and law, however, government indemnification may not be available in the case of any future claims or liabilities relating to other hazardous activities that we perform.

Government Procurement. The services we provide to the U.S. federal government are subject to FAR and other rules and regulations applicable to government contracts. These rules and regulations, among other things:

- Require certification and disclosure of all cost and pricing data in connection with the contract negotiations under certain contract types;
- Impose accounting rules that define allowable and unallowable costs and otherwise govern our right to reimbursement under certain cost-based government contracts; and
- Restrict the use and dissemination of information classified for national security purposes and the exportation of certain products and technical data.

In addition, services provided to the DoD are monitored by the Defense Contract Management Agency and audited by the DCAA. Our government clients can also terminate any of their contracts, and many of our government contracts are subject to renewal or extension annually.

Seasonality

We experience seasonal trends in our business. Our revenue is typically lower in the first half of our fiscal year, due primarily to Thanksgiving, Christmas and, in certain years, New Year's holidays. Many of our clients' employees, as well as our own employees, take vacations during these holidays. Further, seasonal inclement weather conditions occasionally may cause some of our offices to close temporarily or may hamper our project field work. These occurrences result in fewer billable hours worked on projects and, correspondingly, less revenue recognized. Our revenue is typically higher in the second half of the fiscal year, due to favorable weather conditions during the spring and summer months that result in higher billable hours. In addition, our revenue is typically higher in the fourth fiscal quarter due to the U.S. federal government's fiscal year-end spending.

Potential Liability and Insurance

Our business activities could expose us to potential liability under various environmental laws and under workplace health and safety regulations. In addition, we occasionally assume liability by contract under indemnification agreements. We cannot predict the magnitude of such potential liabilities.

We maintain a comprehensive general liability policy with an umbrella policy that covers losses beyond the general liability limits. We also maintain professional errors and omissions liability and contractor's pollution liability insurance policies. Both policies provide adequate coverage for our business. When we perform higher-risk work, such as fixed-price remediation with insurance or UXO services, we obtain the necessary types of insurance coverages for such activities, as is typically required by our clients.

We obtain insurance coverage through a broker that is experienced in the professional liability field. The broker and our risk manager regularly review the adequacy of our insurance coverage. Because there are various exclusions and retentions under our policies, or an insurance carrier may become insolvent, there can be no assurance that all potential liabilities will be covered by our insurance policies or paid by our carrier.

We evaluate the risk associated with claims. If we determine that a loss is probable and reasonably estimable, we establish an appropriate reserve. A reserve is not established if we determine that a claim has no merit or is not probable or reasonably estimable. Our historic levels of insurance coverage and reserves have been adequate. However, partially or completely uninsured claims, if successful and of significant magnitude, could have a material adverse effect on our business.

Employees

As of September 28, 2008, we had more than 9,200 total employees, including more than 8,600 full-time equivalents. Our professional staff includes archaeologists, biologists, chemical engineers, chemists, civil engineers, computer scientists, economists, electrical engineers, environmental engineers, environmental scientists, geologists, hydrogeologists, mechanical engineers, oceanographers, project managers and toxicologists. As of September 28, 2008, we had 304 employees represented by 44 labor organizations. We consider the relationships with our employees to be favorable. We believe that our ability to retain and expand our staff of qualified professionals will be an important factor in determining our future growth and success. To date, we believe that we have been successful in recruiting qualified employees, but there is no assurance that we will continue to be successful in the future. On certain engagements, we supplement our consultants with independent contractors. We believe that the practice of retaining independent contractors on an engagement basis provides us with significant flexibility in adjusting professional personnel levels in response to changes in demand for our services.

Executive Officers of the Registrant

The following table shows the name, age and position as of November 10, 2008 of each of our executive officers:

Name	Age	Position
Dan L. Batrack	50	Chairman, Chief Executive Officer and President Mr. Batrack joined our predecessor in 1980 and was named Chairman in January 2008. He was named Chief Executive Officer and a director in November 2005. He also serves as our President. Mr. Batrack has served in numerous capacities over the last 28 years, including project scientist, project manager, operations manager, senior vice president and president of an operating unit. He has managed complex programs for many small and Fortune 500 customers, both in the United States and internationally. Mr. Batrack holds a B.A. degree in Business Administration from the University of Washington.
David W. King	52	Executive Vice President, Chief Financial Officer and Treasurer Mr. King joined us in November 2002 as Executive Vice President of Finance. He was named Chief Financial Officer and Treasurer in January 2003. Previously, Mr. King served as the Vice President of Finance and Operations at Walt Disney Imagineering in Los Angeles. From 1996 to 1999, he was the Vice President and Chief Financial Officer of the Asia Pacific region for Bechtel Group, Inc., based in Hong Kong. Prior to his position at Bechtel, Mr. King had a decade of professional experience with Price Waterhouse in Seattle, Los Angeles and Hong Kong, specializing in international transactions. Mr. King holds a B.A. degree in Business Administration from the University of Washington and is a Certified Public Accountant.

Name	Age	Position
William R. Brownlie	55	Senior Vice President and President of Environmental Consulting Services Dr. Brownlie was named Senior Vice President and President of Environmental Consulting Services (formerly Environmental Engineering and Consulting) in December 2005. He joined our predecessor in 1981 and was named a Senior Vice President in December 1993. He has been a vice president since 1988. This past year, Dr. Brownlie also managed one of our water consulting business units. Previously, Dr. Brownlie managed various business units and programs focusing on water resources and environmental services, including work with USACE, the U.S. Air Force, Bureau of Reclamation and DOE. Dr. Brownlie is a registered Professional Engineer and has a strong technical background in water resources. He holds B.S. and M.S. degrees in Civil Engineering from the State University of New York at Buffalo and a Ph.D. in Civil Engineering from the California Institute of Technology.
Donald I. Rogers, Jr.	64	Senior Vice President and President of Remediation and Construction Management Mr. Rogers was named Senior Vice President and President of Remediation and Construction Management (formerly Remediation and Construction) in December 2005. He joined us in March 2003 in connection with our acquisition of Foster Wheeler Environmental Corporation, which is currently known as Tetra Tech EC, Inc. ("ECI"). Mr. Rogers joined ECI in December 1992 and currently serves as its President. He has nearly 35 years of experience in engineering and construction, including management responsibility for divisions performing environmental restoration and hazardous waste site remediation programs in 40 states and international locations. Mr. Rogers was previously Vice President of Enserch Development Corporation and Vice President of Ebasco Constructors. He earned a B.A. in Economics from the University of Bridgeport, an M.A. in Economics from the New School for Social Research, and an Advanced Executive M.B.A. from the Wharton School of Business at the University of Pennsylvania.

Name	Age	Position
Douglas G. Smith	59	Senior Vice President and President of Engineering and Architecture Services Mr. Smith was named Senior Vice President and President of Engineering and Architecture Services (formerly Civil Infrastructure) in November 2005. He has nearly 35 years of infrastructure industry experience focused on water infrastructure engineering. Mr. Smith joined us from MWH Global, Inc., where he was Senior Vice President of Strategic Planning. He spent the previous 24 years, from 1980 to 2004, at Black & Veatch, where he was promoted to President of the Europe Water Division. While at Black & Veatch, Mr. Smith focused on large program business development and acquisition integration. From 1976 to 1979, Mr. Smith was an adjunct professor of Civil Engineering at the University of Colorado, Boulder, and a director of Public Utilities for the City of Boulder. Mr. Smith holds a B.S. in Engineering from Kansas State University, an M.S. in Civil Engineering from the University of Colorado, and a J.D. from the University of Denver.
Ronald J. Chu	51	Senior Vice President and President of Technical Support Services Mr. Chu was named Senior Vice President and President of Technical Support Services (formerly Technical Environmental Services) in June 2007. He has more than 13 years of experience with us and has served in various technical and management capacities, including project and program manager, office manager, regional manager, and most recently, chief operating officer for the Technical Environmental Services Group. Mr. Chu was named a Vice President in 2001. He began his career as a civil/sanitary engineer in 1981 and entered the environmental consulting field in 1984. His career has included management of major assessment, engineering and remediation programs for the DoD, the EPA, state and local agencies, and commercial clients. Mr. Chu is a registered professional engineer in several states and has authored numerous technical articles. He holds a B.S. in Civil Engineering from Northeastern University and an M.S. in Environmental Engineering from the University of Southern California.

Name	Age	Position
Richard A. Lemmon	49	Senior Vice President, Corporate Administration Mr. Lemmon joined our predecessor in 1981 in a technical capacity and became a member of its corporate staff in a management position in 1985. In 1988, at the time of our predecessor's divestiture from Honeywell, Inc., Mr. Lemmon structured and managed many of our corporate functions. In 1990, he was promoted to Director of Administration. Mr. Lemmon was elected as vice president in November 1995. He is responsible for insurance, human resources and facilities.
Steven M. Burdick	44	Senior Vice President, Corporate Controller Mr. Burdick was named Senior Vice President and Corporate Controller in March 2007. He joined us in April 2003 as Vice President, Management Audit, and was named Vice President, Controller in January 2004. Previously, Mr. Burdick served as the Executive Vice President and Chief Financial Officer for Aura Systems, Inc. From 2000 through 2002 he was the Chief Financial Officer for TRW Ventures. Prior to this, Mr. Burdick held the position of Senior Manager with Ernst & Young LLP in Los Angeles. Mr. Burdick holds a B.S. degree in Business Administration from Santa Clara University and is a Certified Public Accountant.
Janis B. Salin	55	Vice President, General Counsel and Secretary Ms. Salin joined us in February 2002 and was named Vice President and General Counsel in November 2002. She was elected Secretary in November 2003. For the prior 17 years, Ms. Salin was a Principal with the law firm of Riordan & McKinzie (which merged into Bingham McCutchen LLP in July 2003) and served as Managing Principal of that firm from 1990 to 1992. She served as our outside counsel from the time of our formation in 1988. Ms. Salin holds B.A. and J.D. degrees from the University of California at Los Angeles.

Name	Age	Position
Craig L. Christensen	55	Vice President, Chief Information Officer Mr. Christensen joined us in 1998 through the acquisition of our Tetra Tech NUS, Inc. ("NUS") subsidiary, and was named Vice President in November 2002. Mr. Christensen is responsible for our information services and technologies, including the implementation of our enterprise resource planning ("ERP") system and management of our shared service organization. Previously, Mr. Christensen held positions at NUS, Brown and Root Services, and Landmark Graphics subsidiaries of Halliburton Company where his responsibilities included contracts administration, finance and system development. Prior to his service at Halliburton, Mr. Christensen held positions at Burroughs Corporation and Apple Computer. Mr. Christensen holds B.A. and M.B.A. degrees from Brigham Young University.
Michael A. Bieber	40	Vice President, Corporate Development Mr. Bieber joined us in 1996 and was named Vice President, Corporate Development in November 2005. He is responsible for driving strategic growth through the leadership of our mergers and acquisitions program. He has overseen our investor relations function since 2000. From 1996 to 2000, he was a proposal manager in our corporate marketing group. From 1994 to 1996, Mr. Bieber served as a strategic business development consultant to large defense, infrastructure, and environmental firms at CRC, Inc. and its successor. Prior to that, Mr. Bieber worked for IT Corporation (now The Shaw Group, Inc.), where he served as project manager and engineer on government nuclear and petrochemical projects. Mr. Bieber holds a B.S. degree in Civil Engineering from the Tennessee Technological University.

Name	Age	Position
Leslie L. Shoemaker	51	Vice President, Strategic Initiatives Dr. Shoemaker joined us in 1991 and was named Vice President, Strategic Initiatives in August 2007. She is responsible for our strategic planning, business development, and corporate communications functions. Dr. Shoemaker coordinates our corporate Initiatives Program, which supports companywide collaboration on key services in our major growth markets. She also leads the water resources modeling and systems development team and consults on the development of policy and programs for watershed management and sustainable communities. Dr. Shoemaker has more than 25 years of industry experience and has previously served in various technical and management capacities including project engineer, project manager, vice president, and technical practice leader. Dr. Shoemaker holds a B.A. degree in Mathematics from Hamilton College, a Master of Engineering from Cornell University and a Ph.D. in Agricultural Engineering from the University of Maryland.

Item 1A. Risk Factors

Set forth below and elsewhere in this report and in other documents we file with the SEC are descriptions of the risks and uncertainties that could cause our actual results to differ materially from the results contemplated by the forward-looking statements contained in this report.

Our operating results may be adversely impacted by worldwide political and economic uncertainties and specific conditions in the markets we address

General worldwide economic conditions have recently experienced a downturn due to the lack of available credit, slower economic activity, concerns about inflation and deflation, increased energy costs, decreased consumer confidence, reduced corporate profits and capital spending, and adverse business conditions. These conditions make it extremely difficult for our customers, our vendors and us to accurately forecast and plan future business activities and could cause businesses to slow spending on services. We cannot predict the timing, strength or duration of any economic slowdown or subsequent economic recovery worldwide or in our industry. If the economy or markets in which we operate do not continue at the level experienced in fiscal 2008, our business, financial condition and results of operations may be materially and adversely affected.

Our annual revenue, expenses and operating results may fluctuate significantly

Our annual revenue, expenses and operating results may fluctuate significantly because of numerous factors, including:

- General economic or political conditions;
- Unanticipated changes in contract performance that may affect profitability, particularly with contracts that are fixed-price or have funding limits;
- Seasonality of the spending cycle of our public sector clients, notably the U.S. government, the spending patterns of our commercial sector clients, and weather conditions;
- Budget constraints experienced by our federal, state and local government clients;

- Acquisitions or the integration of acquired companies;
- Divestiture or discontinuance of operating units;
- Employee hiring, utilization and turnover rates;
- The number and significance of client contracts commenced and completed during the period;
- Creditworthiness and solvency of clients;
- The ability of our clients to terminate contracts without penalties;
- Delays incurred in connection with a contract;
- The size, scope and payment terms of contracts;
- Contract negotiations on change orders and collections of related accounts receivable;
- The timing of expenses incurred for corporate initiatives;
- Reductions in the prices of services offered by our competitors;
- Threatened or pending litigation;
- The impairment of goodwill or identifiable intangible assets; and
- Changes in accounting rules.

Variations in any of these factors could cause significant fluctuations in our operating results from period to period, result in a net loss, and could have a negative effect on our stock price.

Demand for our state and local government services is cyclical and vulnerable to economic downturns; if the economy weakens, then our revenues, profits and our financial condition may deteriorate

Demand for our state and local government services is cyclical and vulnerable to economic downturns, which may result in clients delaying, curtailing or canceling proposed and existing projects. Our business traditionally lags the overall recovery in the economy; therefore, our business may not recover immediately when the economy improves. If the economy weakens, then our revenues, profits and overall financial condition may deteriorate. Our state and local government clients may face budget deficits that prohibit them from funding new or existing projects. In addition, our existing and potential clients may either postpone entering into new contracts or request price concessions. Difficult financing and economic conditions may cause some of our clients to demand better pricing terms or delay payments for services we perform, thereby increasing the average number of days our receivables are outstanding. Further, these conditions may result in the inability of some of our clients to pay us for services that we have already performed. If we are not able to reduce our costs quickly enough to respond to the revenue decline from these clients, our operating results may be adversely affected. Accordingly, these factors affect our ability to forecast our future revenues and earnings from business areas that may be adversely impacted by market conditions.

We derive a majority of our revenue from government agencies, and any disruption in government funding or in our relationship with those agencies could adversely affect our business

In fiscal 2008, we generated 61.1% of our revenue, net of subcontractor costs, from contracts with federal, state and local government agencies. U.S. federal government agencies are among our most significant clients. We generated 43.3% of our revenue, net of subcontractor costs, in fiscal 2008 from the following agencies: 25.4% from the DoD, 8.0% from USAID and 9.9% from other U.S. federal agencies. A significant amount of this revenue is derived under multi-year contracts, many of which are appropriated on an annual basis. As a result, at the beginning of a project, the related contract may be only partially funded, and additional funding is normally committed only as appropriations are made in each subsequent year. These appropriations, and the timing of payment of appropriated amounts, may be influenced by numerous factors as noted below. Our backlog includes only the projects that have funding appropriated.

The demand for our government-related services is generally driven by the level of government program funding. Accordingly, the success and further development of our business depends, in large part, upon the continued funding of these government programs, and upon our ability to obtain contracts and perform well under these programs. There are several factors that could materially affect our government contracting business, including the following:

- Changes in and delays or cancellations of government programs, requirements or appropriations;
- Budget constraints or policy changes resulting in delay or curtailment of expenditures related to the services we provide;
- Re-competes of government contracts;
- The timing and amount of tax revenue received by federal, state and local governments, and the overall level of government expenditures;
- Curtailment of the use of government contracting firms;
- Delays associated with a lack of a sufficient number of government staff to oversee contracts;
- The increasing preference by government agencies for contracting with small and disadvantaged businesses;
- Competing political priorities and changes in the political climate with regard to the funding or operation of the services we provide;
- The adoption of new laws or regulations affecting our contracting relationships with the federal, state or local governments;
- Unsatisfactory performance on government contracts by us or one of our subcontractors, negative government audits, or other events that may impair our relationship with the federal, state or local governments;
- A dispute with or improper activity by any of our subcontractors; and
- General economic or political conditions.

These and other factors could cause government agencies to delay or cancel programs, to reduce their orders under existing contracts, to exercise their rights to terminate contracts or not to exercise contract options for renewals or extensions. Any of these actions could have a material adverse effect on our revenue or timing of contract payments from these agencies.

A significant shift in U.S. defense spending could harm our operations and significantly reduce our future revenues

Revenue under contracts with the DoD represented 25.4% of our revenue, net of subcontractor costs, in fiscal 2008, as noted above. In fiscal 2008, we experienced an increase in revenue for project management reconstruction and UXO services in Iraq compared to fiscal 2007. While spending authorization for defense-related programs has increased significantly in recent years due to greater homeland security and foreign military commitments, as well as the trend to outsource U.S. federal government jobs to the private sector, these spending levels may not be sustainable, particularly with the Iraq-related work. For example, the DoD budget declined in the late 1980s and the early 1990s, resulting in DoD program delays and cancellations. Future levels of expenditures and authorizations for these programs may decrease, remain constant or shift to other programs in areas in which we do not currently provide service. As a result, a general decline in U.S. defense spending or a change in budgetary priorities could harm our operations and significantly reduce our future revenues.

A delay in the completion of the budget process of the U.S. government could delay procurement of our services and have an adverse effect on our future revenues

When the U.S. government does not complete its budget process before its fiscal year-end on September 30, government operations are typically funded by means of a continuing resolution that authorizes agencies of the U.S. government to continue to operate, but does not authorize new spending initiatives. When the U.S. government operates under a continuing resolution, government agencies may delay the procurement of services, which could reduce our future revenues.

As a government contractor, we are subject to a number of procurement laws, regulations and government audits; a violation of any such laws and regulations could result in sanctions, contract termination, forfeiture of profit, harm to our reputation or loss of our status as an eligible government contractor

We must comply with and are affected by federal, state, local and foreign laws and regulations relating to the formation, administration and performance of government contracts. For example, we must comply with FAR, the Truth in Negotiations Act, CAS and DoD security regulations, as well as many other rules and regulations. These laws and regulations affect how we do business with our clients and, in some instances, impose additional costs on our business operations. Although we take precautions to prevent and deter fraud, misconduct and non-compliance, we face the risk that our employees or outside partners may engage in misconduct, fraud or other improper activities. Government agencies, such as the DCAA, routinely audit and investigate government contractors. These government agencies review and audit a government contractor's performance under its contracts and cost structure, and compliance with applicable laws, regulations and standards. In addition, during the course of its audits, the DCAA may question our incurred project costs. If the DCAA believes we have accounted for such costs in a manner inconsistent with the requirements for FAR or CAS, the DCAA auditor may recommend our U.S. government corporate administrative contracting officer to disallow such costs. Historically, we have not experienced significant disallowed costs as a result of government audits. However, we can provide no assurance that the DCAA or other government audits will not result in material disallowance for incurred costs in the future. Government contract violations could result in the imposition of civil and criminal penalties or sanctions, contract termination, forfeiture of profit and/or suspension of payment, any of which could make us lose our status as an eligible government contractor. We could also suffer serious harm to our reputation.

Because we depend on federal, state and local governments for a significant portion of our revenue, our inability to win or renew government contracts during regulated procurement processes could harm our operations and significantly reduce or eliminate our profits

Government contracts are awarded through a regulated procurement process. The U.S. federal government has increasingly relied upon multi-year contracts with pre-established terms and conditions, such as indefinite delivery/indefinite quantity ("IDIQ") contracts, which generally require those contractors who have previously been awarded the IDIQ to engage in an additional competitive bidding process before a task order is issued. The increased competition, in turn, may require us to make sustained efforts to reduce costs in order to realize revenues and profits under government contracts. If we are not successful in reducing the amount of costs we incur, our profitability on government contracts will be negatively impacted. Moreover, even if we are qualified to work on a government contract, we may not be awarded the contract because of existing government policies designed to protect small businesses and underrepresented minority contractors. Our inability to win or renew government contracts during regulated procurement processes could harm our operations and significantly reduce or eliminate our profits.

Our government contracts may give the government the right to modify, delay, curtail or terminate our contracts at its convenience at any time prior to their completion and, if we do not replace these contracts, we may suffer a decline in revenues

Government projects in which we participate as a contractor or subcontractor may extend for several years. Generally, government contracts include the right to modify, delay, curtail or terminate contracts and subcontracts at the government's convenience any time prior to their completion. Any decision by a government client to modify, delay, curtail or terminate our contracts at their convenience may result in a decline in revenues.

Our failure to properly manage projects may result in additional costs or claims

Our engagements often involve large-scale, complex projects. The quality of our performance on such projects depends in large part upon our ability to manage the relationship with our clients and our ability to effectively manage the project and deploy appropriate resources, including third-party contractors and our own personnel, in a timely manner. If we miscalculate the resources or time we need to complete a project with capped or fixed fees, or the resources or time we need to meet contractual milestones, our operating results could be adversely affected. Further, any defects or errors, or failures to meet our clients' expectations, could result in claims for damages against us. Our contracts generally limit our liability for damages that arise from negligent acts, errors, mistakes or omissions in rendering services to our clients. However, we cannot be sure that these contractual provisions will protect us from liability for damages in the event we are sued. Prior to fiscal 2006, we experienced significant project cost overruns on the performance of fixed-price construction work, other than that associated with our U.S. federal government projects. Although we have implemented procedures intended to address these issues, no assurance can be given that we will not experience project management issues in the future.

The loss of key personnel or our inability to attract and retain qualified personnel could significantly disrupt our business

As a professional and technical services company, we are labor-intensive and therefore our ability to attract, retain and expand our senior management and our professional and technical staff is an important factor in determining our future success. With limited exceptions, we do not have employment agreements with any of these individuals. The loss of the services of any of these key personnel could adversely affect our business. Although we have obtained non-compete agreements from certain principals and stockholders of companies we have acquired, we generally do not have non-compete or employment agreements with key employees who were once equity holders of these companies. Further, many of our non-compete agreements have expired. We do not maintain key-man life insurance policies on any of our executive officers or senior managers.

The market for the qualified scientists and engineers is competitive and we may not be able to attract and retain such professionals. In addition, it may be difficult to attract and retain qualified individuals with the expertise and in the timeframe demanded by our clients. For example, some of our government contracts may require us to employ only individuals who have particular government security clearance levels. In an effort to attract key employees, we often grant them stock options, and a reduction in our stock price could impact our ability to retain these professionals.

Our actual results could differ from the estimates and assumptions that we use to prepare our financial statements, which may significantly reduce or eliminate our profits

To prepare financial statements in conformity with generally accepted accounting principles ("GAAP") in the United States, management is required to make estimates and assumptions as of the date of the financial statements. These estimates and assumptions affect the reported values of assets, liabilities, revenues and expenses, as well as disclosures of contingent assets and liabilities. Areas requiring significant estimates by our management include:

- The application of the percentage-of-completion method of accounting and revenue recognition on contracts, changes orders and contract claims;
- Provisions for uncollectible receivables and customer claims and recoveries of costs from subcontractors, vendors and others;
- Provisions for income taxes and related valuation allowances;
- Value of goodwill and recoverability of other intangible assets;
- Valuations of assets acquired and liabilities assumed in connection with business combinations;
- Valuation of employee benefit plans;
- Valuation of stock-based compensation expense; and
- Accruals for estimated liabilities, including litigation and insurance reserves.

Our actual results could differ from those estimates, which may significantly reduce or eliminate our profits.

Our use of the percentage-of-completion method of accounting could result in reduction or reversal of previously recorded revenue and profits

We account for most of our contracts on the percentage-of-completion method of accounting. Generally, our use of this method results in recognition of revenue and profit ratably over the life of the contract, based on the proportion of costs incurred to date to total costs expected to be incurred for the entire project. The effect of revisions to revenue and estimated costs, including the achievement of award and other fees, is recorded when the amounts are known and can be reasonably estimated. Such revisions could occur in any period and their effects could be material. The uncertainties inherent in the estimating process make it possible for actual costs to vary materially from estimates, including reductions or reversals of previously recorded revenue and profit.

Our business and operating results could be adversely affected by our inability to accurately estimate the overall risks, revenue or costs on a contract

We generally enter into three principal types of contracts with our clients: fixed-price, time-and-materials and cost-plus. Under our fixed-price contracts, we receive a fixed price irrespective of the actual costs we incur and, consequently, we are exposed to a number of risks. These risks include underestimation of costs, problems with new technologies, unforeseen costs or difficulties, delays beyond our control, price increases for materials, and economic and other changes that may occur during the contract period. Under our time-and-materials contracts, we are paid for labor at negotiated hourly billing rates and for other expenses. Profitability on these contracts is driven by billable headcount and cost control. Many of our time-and-materials contracts are subject to maximum contract values and, accordingly, revenue relating to these contracts is recognized as if these contracts were fixed-price contracts. Under our cost-plus contracts, some of which are subject to contract ceiling amounts, we are reimbursed for allowable costs and fees, which may be fixed or performance-based. If

our costs exceed the contract ceiling or are not allowable under the provisions of the contract or any applicable regulations, we may not be able to obtain reimbursement for all such costs.

Accounting for a contract requires judgments relative to assessing the contract's estimated risks, revenue, costs and other technical issues. Due to the size and nature of many of our contracts, the estimation of overall risk, revenue and cost at completion is complicated and subject to many variables. Changes in underlying assumptions, circumstances or estimates may also adversely affect future period financial performance. If we are unable to accurately estimate the overall revenue or costs on a contract, then we may experience a lower profit or incur a loss on the contract.

Our failure to win new contracts and renew existing contracts with private and public sector clients could adversely affect our profitability

Our business depends on our ability to win new contracts and renew existing contracts with private and public sector clients. Contract proposals and negotiations are complex and frequently involve a lengthy bidding and selection process that is affected by a number of factors. These factors include market conditions, financing arrangements and required governmental approvals. For example, a client may require us to provide a bond or letter of credit to protect the client should we fail to perform under the terms of the contract. If negative market conditions arise, or if we fail to secure adequate financial arrangements or the required governmental approval, we may not be able to pursue particular projects, which could adversely affect our profitability.

There are risks associated with our acquisition strategy that could adversely impact our business and operating results

A key part of our growth strategy is to acquire other companies that complement our lines of business or that broaden our technical capabilities and geographic presence. We expect to continue to acquire companies as an element of our growth strategy; however, our ability to make acquisitions is restricted under our credit agreement. Acquisitions involve certain known and unknown risks that could cause our actual growth or operating results to differ from our expectations or the expectations of securities analysts. For example:

- We may not be able to identify suitable acquisition candidates or to acquire additional companies on acceptable terms;
- We are pursuing international acquisitions, which inherently pose more risk that domestic acquisitions;
- We compete with others to acquire companies which may result in decreased availability of, or increased price for, suitable acquisition candidates;
- We may not be able to obtain the necessary financing, on favorable terms or at all, to finance any of our potential acquisitions;
- We may ultimately fail to consummate an acquisition even if we announce that we plan to acquire a company;
- We may not be able to retain key employees of an acquired company which could negatively impact that company's future performance;
- We may fail to successfully integrate or manage these acquired companies due to differences in business backgrounds or corporate cultures;
- If we fail to successfully integrate any acquired company, our reputation could be damaged. This could make it more difficult to market our services or to acquire additional companies in the future; and

Acquired companies may not perform as we expect and we may fail to realize anticipated revenue and profits.

In addition, our acquisition strategy may divert management's attention away from our existing businesses, result in the loss of key clients or key employees, and expose us to unanticipated problems or legal liabilities, including responsibility as a successor-in-interest for undisclosed or contingent liabilities of acquired businesses or assets.

Further, acquisitions may also cause us to:

Issue common stock that would dilute our current stockholders' ownership percentage;

Assume liabilities, including environmental liabilities, for which we do not have indemnification from the former owners. Further, indemnification obligations may be subject to dispute or concerns regarding the creditworthiness of the former owners;

Record goodwill that will be subject to impairment testing and potential impairment charges;

Incur amortization expenses related to certain intangible assets;

Lose existing or potential contracts as a result of conflict of interest issues;

Incur large and immediate write-offs; or

Become subject to litigation.

Finally, acquired companies that derive a significant portion of their revenue from the U.S. federal government and that do not follow the same cost accounting policies and billing practices that we follow may be subject to larger cost disallowances for greater periods than we typically encounter. If we fail to determine the existence of unallowable costs and do not establish appropriate reserves in advance of an acquisition, we may be exposed to material unanticipated liabilities, which could have a material adverse effect on our business.

If our goodwill or other intangible assets become impaired, then our profits may be significantly reduced

Because we have historically acquired a significant number of companies, goodwill and other intangible assets have represented a substantial portion of our assets. As of September 28, 2008, our goodwill was $221.5 million and other intangible assets were $14.6 million. We are required to perform a goodwill and intangible asset impairment test for potential impairment at least on an annual basis. This process requires us to make significant judgments and estimates, including assumptions about our strategic plans with regard to our operations, as well as the interpretation of current economic indicators and market valuations. To the extent economic conditions that would impact the future operations of our reporting units change, our goodwill may be deemed to be impaired and an impairment charge could result in a material adverse effect on our financial position or results of operations.

If we are not able to successfully manage our growth strategy, our business and results of operations may be adversely affected

Our expected future growth presents numerous managerial, administrative, operational and other challenges. Our ability to manage the growth of our operations will require us to continue to improve our management information systems and our other internal systems and controls. In addition, our growth will increase our need to attract, develop, motivate and retain both our management and professional employees. The inability of our management to effectively manage our growth or the inability of our employees to achieve anticipated performance could have a material adverse effect on our business.

Adverse resolution of an Internal Revenue Service ("IRS") or other tax authority examination process may harm our financial results

We are currently in the IRS appeals process for fiscal years 1997 through 2004, related to research and experimentation credits ("R&E Credits") and the accounting method for revenue recognition. We are also currently under examination by the California Franchise Tax Board ("FTB") for fiscal years 2001 through 2003. During the third quarter of fiscal 2008, we received a Notice of Proposed Assessment ("NOPA") from the FTB related to R&E Credits for fiscal 2001 through 2003. We have protested the position in the NOPA. One significant matter raised by the IRS and FTB relates to the R&E Credit that we claimed during the years under examination. The amount of credits recognized for financial statement purposes represents the amount that we estimate will be ultimately realizable. Should the IRS and/or the FTB determine that the amount of R&E Credits to which we are entitled is more or less than the amount recognized, we will recognize an adjustment to the income tax accounts on the consolidated financial statements in the period in which the determination is made. This may have a material adverse effect on our financial results but no material impact on our cash flow. Another matter raised by the IRS relates to our tax accounting method for revenue recognition. While resolution of this matter may shift the timing of tax payments, as this is a temporary difference, there should be no material adverse impact on our financial results upon resolution of this issue.

Our backlog is subject to cancellation and unexpected adjustments, and is an uncertain indicator of future operating results

Our backlog as of September 28, 2008 was $1.6 billion. We include in backlog only those contracts for which funding has been provided and work authorizations have been received. We cannot guarantee that the revenue projected in our backlog will be realized or, if realized, will result in profits. In addition, project cancellations or scope adjustments may occur, from time to time, with respect to contracts reflected in our backlog. For example, certain of our contracts with the U.S. federal government and other clients are terminable at the discretion of the client with or without cause. These types of backlog reductions could adversely affect our revenue and margins. Accordingly, our backlog as of any particular date is an uncertain indicator of our future earnings.

Our international operations expose us to risks such as different business cultures, laws and regulations

During fiscal 2008, we generated 1.0% of our revenue, net of subcontractor costs, from international clients. The different business cultures associated with international operations may not be fully appreciated before we sign an agreement, and thereby expose us to risk. Likewise, prior to signing a contract, we need to understand international laws and regulations, such as foreign tax and labor laws, and U.S. laws and regulations applicable to companies engaging in business outside of the United States, such as the Foreign Corrupt Practices Act. For these reasons, pricing and executing international contracts is more difficult and carries more risk than pricing and executing domestic contracts. Our experience has also shown that it is typically more difficult to collect on international work that has been performed and billed.

If our business partners fail to perform their contractual obligations on a project, we could be exposed to legal liability, loss of reputation and profit reduction or loss on the project

We routinely enter into subcontracts and, occasionally, teaming arrangements and other contractual arrangements so that we can jointly bid and perform on a particular project. Success under these arrangements depends in large part on whether our business partners fulfill their contractual obligations satisfactorily. If any of our business partners fail to satisfactorily perform their contractual obligations as a result of financial or other difficulties, we may be required to incur additional costs and provide additional services in order to make up for our business partners' shortfall. If we are unable to adequately address our business partners' performance issues, then our client could terminate the joint project, exposing us to legal liability, loss of reputation and reduced profit or loss on the project.

In conducting our business, we depend on other contractors and subcontractors. If these parties fail to satisfy their obligations to us or other parties, or if we are unable to maintain these relationships, our revenue, profitability and growth prospects could be adversely affected

We depend on contractors and subcontractors in conducting our business. There is a risk that we may have disputes with our subcontractors arising from, among other things, the quality and timeliness of work performed by the subcontractor, customer concerns about the subcontractor, or our failure to extend existing task orders or issue new task orders under a subcontract. In addition, if any of our subcontractors fail to deliver on a timely basis the agreed-upon supplies and/or perform the agreed-upon services, our ability to fulfill our obligations as a prime contractor may be jeopardized.

We also rely on relationships with other contractors when we act as their subcontractor or joint venture partner. The absence of qualified subcontractors with whom we have a satisfactory relationship could adversely affect the quality of our service and our ability to perform under some of our contracts. Our future revenue and growth prospects could be adversely affected if other contractors eliminate or reduce their subcontracts or teaming arrangement relationships with us, or if a government agency terminates or reduces these other contractors' programs, does not award them new contracts or refuses to pay under a contract.

Changes in existing environmental laws, regulations and programs could reduce demand for our environmental services, which could cause our revenue to decline

A significant amount of our resource management business is generated either directly or indirectly as a result of existing U.S. federal and state laws, regulations and programs related to pollution and environmental protection. Accordingly, a relaxation or repeal of these laws and regulations, or changes in governmental policies regarding the funding, implementation or enforcement of these programs, could result in a decline in demand for environmental services that may have a material adverse effect on our revenue.

Our revenue from commercial clients is significant, and the credit risks associated with certain of these clients could adversely affect our operating results

In fiscal 2008, we generated 37.9% of our revenue, net of subcontractor costs, from commercial clients. We rely upon the financial stability and creditworthiness of these clients. To the extent the credit quality of these clients deteriorates or these clients seek bankruptcy protection, our ability to collect our receivables, and ultimately our operating results, may be adversely affected. Periodically, we have experienced bad debt losses.

Changes in capital markets could adversely affect our access to capital and negatively impact our business

Our results could be adversely affected by a reduction in the volume of debt securities issued in domestic and/or global capital markets or an inability to access our $300 million revolving credit facility. Unfavorable financial or economic conditions that either reduce investor demand for debt securities or reduce issuers' willingness or ability to issue such securities could reduce the number and dollar volume of debt issuance as well as impact certain issuers' willingness or ability to fund our revolving credit facility. In addition, increases in interest rates or credit spreads, volatility in financial markets or the interest rate environment, significant political or economic events, defaults of significant issuers and other market and economic factors may negatively impact the general level of debt issuance, the debt issuance plans of certain categories of borrowers, the types of credit-sensitive products being offered, and/or a sustained period of market decline or weakness could have a material adverse effect on us. Our results could also be adversely affected because of public statements or actions by market participants, government officials and others who may be advocates of increased regulation, regulatory scrutiny or litigation.

Restrictive covenants in our credit agreement may restrict our ability to pursue certain business strategies

Our credit agreement restricts our ability to, among other things:

- Incur additional indebtedness;
- Create liens securing debt or other encumbrances on our assets;
- Make loans or advances;
- Pay dividends or make distributions to our stockholders;
- Purchase or redeem our stock;
- Repay indebtedness that is junior to indebtedness under our credit agreement;
- Acquire the assets of, or merge or consolidate with, other companies; and
- Sell, lease or otherwise dispose of assets.

Our credit agreement also requires that we maintain certain financial ratios, which we may not be able to achieve.

Our industry is highly competitive and we may be unable to compete effectively

Our industry is highly fragmented and intensely competitive. Our competitors are numerous, ranging from small private firms to multi-billion-dollar public companies. In addition, the technical and professional aspects of our services generally do not require large upfront capital expenditures and provide limited barriers against new competitors. Some of our competitors have achieved greater market penetration in some of the markets in which we compete, and some have substantially more financial resources and/or financial flexibility than we do. As a result of the number of competitors in our industry, our clients may select one of our competitors on a project due to competitive pricing or a specific skill set. These competitive forces could force us to make price concessions or otherwise reduce prices for our services, thereby causing a material adverse effect on our business, financial condition and results of operations.

The value of our common stock could be volatile

Our common stock has previously experienced substantial price volatility. In addition, the stock market has experienced extreme price and volume fluctuations that have affected the market price of many companies and that have often been unrelated to the operating performance of these companies. The overall market and the price of our common stock may fluctuate greatly. The trading price of our common stock may be significantly affected by various factors, including:

- Quarter-to-quarter variations in our financial results, including revenue, profits, days sales outstanding, backlog, and other measures of financial performance or financial condition;

Our announcements or our competitors' announcements of significant events, including acquisitions;

Resolution of threatened or pending litigation;

- Changes in investors' and analysts' perceptions of our business or any of our competitors' businesses;
- Investors' and analysts' assessments of reports prepared or conclusions reached by third parties;
- Changes in environmental legislation;
- Investors' perceptions of our performance of services in countries in which the U.S. military is engaged, including Iraq and Afghanistan;
- Broader market fluctuations; and
- General economic or political conditions.

Additionally, volatility or a lack of positive performance in our stock price may adversely affect our ability to retain key employees, many of whom are granted stock options and shares of restricted stock, the value of which is dependent on the performance of our stock price.

Our services expose us to significant risks of liability and it may be difficult to obtain or maintain adequate insurance coverage

Our services involve significant risks of professional and other liabilities that may substantially exceed the fees we derive from our services. Our business activities could expose us to potential liability under various environmental laws and under workplace health and safety regulations. In addition, we sometimes assume liability by contract under indemnification agreements. We cannot predict the magnitude of such potential liabilities.

We obtain insurance from third parties to cover our potential risks and liabilities. It is possible that we may not be able to obtain adequate insurance to meet our needs, may have to pay an excessive amount for the insurance coverage we want, or may not be able to acquire any insurance for certain types of business risks.

Our liability for damages due to legal proceedings may harm our operating results or financial condition

We are a party to lawsuits in the normal course of business. Various legal proceedings are currently pending against us and certain of our subsidiaries alleging, among other things, breach of contract or tort in connection with the performance of professional services. We cannot predict the outcome of these proceedings with certainty. In some actions, parties are seeking damages that exceed our insurance coverage or for which we are not insured. If we sustain damages that exceed our insurance coverage or that are not covered by insurance, there could be a material adverse effect on our business, operating results or financial condition.

Our inability to obtain adequate bonding could have a material adverse effect on our future revenues and business prospects

Many of our clients require bid bonds and performance and payment bonds. These bonds indemnify the client should we fail to perform our obligations under a contract. If a bond is required for a particular project and we are unable to obtain an appropriate bond, we cannot pursue that project. In some instances, we are required to co-venture with a small or disadvantaged business to pursue certain U.S. federal or state contracts. In connection with these ventures, we are sometimes required to utilize our bonding capacity to cover all of the payment and performance obligations under the contract with the client. We have a bonding facility but, as is typically the case, the issuance of bonds under that facility is at the surety's sole discretion. Moreover, due to events that can negatively affect the insurance and bonding markets, bonding may be more difficult to obtain or may only be available at significant additional cost. There can be no assurance that bonds will continue to be available to us on reasonable terms. Our inability to obtain adequate bonding and, as a result, to bid on new work could have a material adverse effect on our future revenues and business prospects.

Our business activities may require our employees to travel to and work in countries where there are high security risks, which may result in employee death or injury, repatriation costs or other unforeseen costs

Certain of our contracts may require our employees travel to and work in high-risk countries that are undergoing political, social and economic upheavals resulting in war, civil unrest, criminal activity or acts of terrorism. For example, we currently have employees working in Afghanistan and Iraq. As a result, we may be subject to costs related to employee death or injury, repatriation or other unforeseen circumstances.

Our failure to implement and comply with our safety program could adversely affect our operating results or financial condition

Our safety program is a fundamental element of our overall approach to risk management, and the implementation of the safety program is a significant issue in our dealings with our clients. We maintain an enterprise-wide group of health and safety professionals to help ensure that the services we provide are delivered safely and in accordance with standard work processes. Unsafe job sites and office environments have the potential to increase employee turnover, increase the cost of a project to our clients, expose us to types and levels of risk that are fundamentally unacceptable, and raise our operating costs. The implementation of our safety processes and procedures are monitored by various agencies and rating bureaus, and may be evaluated by certain clients in cases in which safety requirements have been established in our contracts. If we fail to meet these requirements or do not properly implement and comply with our safety program, there could be a material adverse effect on our business, operating results or financial condition.

We may be precluded from providing certain services due to conflict of interest issues

Many of our clients are concerned about potential or actual conflicts of interest in retaining management consultants. U.S. federal government agencies have formal policies against continuing or awarding contracts that would create actual or potential conflicts of interest with other activities of a contractor. These policies, among other things, may prevent us from bidding for or performing government contracts resulting from or relating to certain work we have performed. In addition, services performed for a commercial or government client may create a conflict of interest that precludes or limits our ability to obtain work from other public or private organizations. We have, on occasion, declined to bid on projects due to the conflict of interest issues.

Force majeure events, including natural disasters and terrorists' actions could negatively impact the economies in which we operate or disrupt our operations, which may affect our financial condition, results of operations or cash flows

Force majeure events, including natural disasters, such as Hurricane Katrina that affected the Gulf Coast in August 2005, and terrorist attacks, such as those that occurred in New York and Washington D.C. on September 11, 2001, could negatively impact the economies in which we operate by causing the closure of offices, interrupting active client projects and forcing the relocation of employees. Further, despite our implementation of network security measures, our servers are vulnerable to computer viruses, break-ins and similar disruptions from unauthorized tampering with our computer systems. We typically remain obligated to perform our services after a terrorist action or natural disaster unless the contract contains a force majeure clause that relieves us of our contractual obligations in such an extraordinary event. If we are not able to react quickly to force majeure, our operations may be affected significantly, which would have a negative impact on our financial condition, results of operations or cash flows.

We have only a limited ability to protect our intellectual property rights, and our failure to protect our intellectual property rights could adversely affect our competitive position

Our success depends, in part, upon our ability to protect our proprietary information and other intellectual property. We rely principally on trade secrets to protect much of our intellectual property where we do not believe that patent or copyright protection is appropriate or obtainable. However, trade secrets are difficult to protect. Although our employees are subject to confidentiality obligations, this protection may be inadequate to deter or prevent misappropriation of our confidential information. In addition, we may be unable to detect unauthorized use of our intellectual property or otherwise take appropriate steps to enforce our rights. Failure to obtain or maintain trade secret protection would adversely affect our competitive business position. In addition, if we are unable to prevent third parties from infringing or misappropriating our trademarks or other proprietary information, our competitive position could be adversely affected.

If we do not successfully complete the implementation of our ERP system, our cash flows may be impaired and we may incur further costs to integrate or upgrade our systems; any sudden loss, disruption or unexpected costs to maintain our ERP system or other third-party software could significantly increase our operational expense and disrupt the management of our business operations

In fiscal 2004, we began implementation of a new company-wide ERP system, principally for accounting and project management. During fiscal 2008, we converted several of our large operating units to our ERP system, and we plan to complete the conversion process in fiscal 2010. In the event we do not complete the project successfully, we may experience difficulty in reporting certain revenue and costs data in an accurate and timely manner. During the ERP implementation process, we have experienced reduced cash flows due to temporary delays in issuing invoices to our clients, which have adversely affected the timely collection of cash. Further, it is possible that the cost of completing this project could exceed our current projections and negatively impact future operating results.

In addition, we rely on third-party software vendors to provide long-term software maintenance support for our information systems. Software vendors may decide to discontinue further development, integration or long-term software maintenance support for our information systems, which may increase our operational expense as well as disrupt the management of our business operation.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our corporate headquarters is located in Pasadena, California. This leased facility contains approximately 68,000 square feet of office space. Substantially all of our properties are leased in approximately 245 office locations in the United States. We own facilities located in Gloversville, New York; Casper, Wyoming; and Shreveport, Louisiana that are all used for operations. In total, our facilities contain approximately 2.3 million square feet of office space. Our significant lease agreements expire at various dates through 2015. We also lease a number of warehouse and laboratory spaces and rent additional office space on a month-to-month basis.

We believe that our current facilities are adequate for the operation of our business and that suitable additional space in various local markets is available to accommodate any needs that may arise. None of our facilities are individually material to our operations.

Item 3. Legal Proceedings

We are subject to certain claims and lawsuits typically filed against the engineering, consulting and construction profession, alleging primarily professional errors or omissions. We carry professional liability insurance, subject to certain deductibles and policy limits, against such claims. However, in some actions, parties are seeking damages that exceed our insurance coverage or for which we are not insured. While management does not believe that the resolution of these claims will have a material adverse effect on our financial position, results of operations or cash flows, management acknowledges the uncertainty surrounding the ultimate resolution of these matters.

In May 2003, Innovative Technologies Corporation ("ITC") filed a lawsuit in Montgomery County, Ohio against Advanced Management Technology, Inc. ("AMT") and other defendants for misappropriation of trade secrets, among other claims. In June 2004, we purchased all the outstanding shares of AMT. As part of the purchase agreement, the former owners of AMT agreed to indemnify us for all costs and damages related to this lawsuit. In December 2007, the case went to trial and the jury awarded $5.8 million in compensatory damages against AMT. In addition, the jury awarded $17 million in punitive damages against AMT plus reasonable attorneys fees. The court entered the judgment in January 2008. It also required AMT to post a $1 million bond which has been done. In July 2008, the Common Pleas Court of Montgomery County issued a decision in response to AMT's post-trial motions. AMT's motion for judgment notwithstanding the verdict was denied and AMT's motion for a new trial was conditionally denied. AMT's motion for remittitur was conditionally granted. The court remitted the verdict to $2.0 million in compensatory damages and $5.8 million in punitive damages. If ITC chose not to accept the remittitur, the court would grant AMT's motion for new trial on damages. ITC filed a notice that it accepted the remittitur, and AMT timely filed a notice of appeal. The trial court has not ruled on ITC's motion for prejudgment interest or attorneys fees. Because the trial court made its post-trial decision a final appealable order, yet did not dispose of ITC's motion for attorneys fees or prejudgment interest, it does not appear that the court of appeals has jurisdiction. The parties filed motions with the court of appeals for clarification. In the meantime, and assuming the court of appeals dismisses the appeal for lack of jurisdiction, the Common Pleas Court will hold a hearing in early December 2008 on ITC's motion for attorneys' fees and prejudgment interest. We believe that a reasonably possible range of exposure is from $0 to approximately $13 million. As of September 28, 2008, we have recorded a liability representing our best estimate of a probable loss. Further, for the same amount, we have recorded a receivable from the former owners of AMT as we believe it is probable they will fully honor their indemnification to us for any and all costs and damages related to this lawsuit pursuant to the terms of the purchase agreement.

In July 2008, we, one of our subsidiaries, and a limited number of current and former employees and officers were served with a complaint that was filed by Sullivan International Group, Inc. ("SIG") in the Superior Court of the State of California in San Diego County. The complaint alleged, in part, that we breached the Small Business Administration ("SBA") mentor-protégé agreement we had entered into with SIG. The complaint contained additional allegations that were based, in part, upon SIG's interpretation of the SBA's mentor-protégé program regulations. As of August 27, 2008, we settled this matter with a deminimus payment to SIG, and SIG's complaint was dismissed with prejudice.

On July 25, 2008, a domestic real estate investment trust (the "REIT") that owns and rents apartments filed suit against us and a former employee in the United States District Court for the Eastern District of Virginia. Subsequently, an amended complaint was filed. The suit alleges that employees at one of our operating divisions in Colorado participated in a scheme to defraud the REIT in connection with contracts for environmental clean-up work between us and the REIT. The suit seeks as much as $21 million in damages (comprised of $7 million in damages, as well as Racketeer Influenced and Corrupt Organizations Act ("RICO") damages) plus interest and legal fees. Based on the information gathered to date and on the advice of legal counsel, we believe we have defenses and potential counter-claims to the allegations raised by the REIT, and we intend to defend ourselves vigorously. On October 23, 2008, we filed cross and counter-claims against the REIT and our former employee and third-party claims against another entity and that entity's principal. Our claims allege that we were defrauded in connection with work we performed for the REIT and seek as much as $7.2 million in damages. We have been advised by counsel that based on their review to date, there are significant legal and factual defenses to the claim that we are liable for treble damages under the RICO statute. We have accrued as of September 28, 2008, our best estimate of a liability related to this matter. We do not expect the ultimate outcome to have a material adverse effect on our financial position, results of operations or cash flows.

Item 4. Submission of Matters to a Vote of Security Holders

None.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock is traded on the NASDAQ Global Select Market under the symbol TTEK. There were 2,252 stockholders of record as of November 10, 2008. The high and low sales prices per share for the common stock for the last two fiscal years, as reported by the NASDAQ Global Select Market, are set forth in the following tables.

	Prices	
	High	**Low**
Fiscal Year 2008		
First quarter	$24.24	$20.03
Second quarter	22.07	13.89
Third quarter	27.38	18.94
Fourth quarter	30.15	20.38
Fiscal Year 2007		
First quarter	$18.99	$16.70
Second quarter	19.44	16.50
Third quarter	23.40	18.51
Fourth quarter	23.64	18.44

We have not paid any cash dividends since our inception and do not intend to pay any cash dividends on our common stock in the foreseeable future. Our credit agreement restricts the extent to which cash dividends may be declared or paid.

Stock-Based Compensation Plans

Information regarding our stock-based compensation awards outstanding and available for future grants as of September 28, 2008 is presented in the "Notes to Consolidated Financial Statements" in Item 8.

Stock Purchases

None.

Performance Graph

The following graph shows a comparison of our cumulative total returns with those of the NASDAQ Composite Index and our self-constructed Peer Group Index (as defined below). The graph assumes that the value of an investment in our common stock and in each such index was $100 on September 29, 2003, and that all dividends have been reinvested. No cash dividends have been declared on shares of our common stock. Our new self-constructed Peer Group Index includes the following companies: AECOM Technology Corporation; ICF International, Inc.; The Shaw Group, Inc.; and Stantec, Inc. We believe that the companies included in the Peer Group Index are among our primary competitors.

The comparison in the graph below is based on historical data and is not intended to forecast the possible future performance of our common stock.

COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN
AMONG TETRA TECH, INC.
NASDAQ COMPOSITE INDEX AND PEER GROUP INDEX

ASSUMES $100 INVESTED ON SEPTEMBER 29, 2003
ASSUMES DIVIDEND REINVESTED
FISCAL YEAR ENDED SEPTEMBER 28, 2008

	2003	2004	2005	2006	2007	2008
Tetra Tech, Inc.	100.00	63.41	84.18	87.19	105.71	120.42
NASDAQ Composite Index	100.00	106.02	120.61	127.77	152.68	118.28
Old Peer Group	100.00	103.89	152.60	154.67	257.42	187.24
New Peer Group	100.00	114.18	234.64	245.05	532.59	346.66

The performance graph above and related text are being furnished solely to accompany this annual report on Form 10-K pursuant to Item 201(e) of Regulation S-K, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and are not to be incorporated by reference into any of our filings with the SEC, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Item 6. Selected Financial Data

SELECTED FIVE-YEAR CONSOLIDATED FINANCIAL DATA
(in thousands, except per share data)

	Fiscal Year Ended				
	September 28, 2008(1)(2)	**September 30, 2007(2)(3)**	**October 1, 2006(2)**	**October 2, 2005**	**October 3, 2004(4)**
Statements of Operations Data					
Revenue	$ 2,145,254	$ 1,553,888	$ 1,414,704	$ 1,279,531	$ 1,288,998
Subcontractor costs	(899,709)	(540,973)	(456,063)	(368,629)	(341,517)
Revenue, net of subcontractor costs	1,245,545	1,012,915	958,641	910,902	947,481
Other contract costs	(991,358)	(812,270)	(776,768)	(758,554)	(791,560)
Gross profit	254,187	200,645	181,873	152,348	155,921
Selling, general and administrative expenses	(147,787)	(114,348)	(112,378)	(120,635)	(98,618)
Impairment of goodwill and other intangible assets(5)				(105,612)	
Income (loss) from operations	106,400	86,297	69,495	(73,899)	57,303
Interest expense net	(2,987)	(2,290)	(5,098)	(11,165)	(9,664)
Loss on retirement of debt		(4,226)			
Income (loss) from continuing operations before income tax (expense) benefit	103,413	79,781	64,397	(85,064)	47,639
Income tax (expense) benefit	(42,507)	(33,437)	(27,933)	11,026	(19,532)
Income (loss) from continuing operations	60,906	46,344	36,464	(74,038)	28,107
Income (loss) from discontinued operations, net of tax(6)		9	140	(25,431)	(4,365)
Net income (loss)	$ 60,906	$ 46,353	$ 36,604	$ (99,469)	$ 23,742
Basic earnings (loss) per share:					
Income (loss) from continuing operations	$ 1.04	$ 0.80	$ 0.64	$ (1.30)	$ 0.50
Loss from discontinued operations, net of tax				(0.45)	(0.08)
Net income (loss)	$ 1.04	$ 0.80	$ 0.64	$ (1.75)	$ 0.42
Diluted earnings (loss) per share:					
Income (loss) from continuing operations	$ 1.02	$ 0.79	$ 0.63	$ (1.30)	$ 0.49
Loss from discontinued operations, net of tax				(0.45)	(0.08)
Net income (loss)	$ 1.02	$ 0.79	$ 0.63	$ (1.75)	$ 0.41
Weighted-average common shares outstanding:					
Basic	58,813	57,948	57,376	56,736	55,969

Diluted	59,632	58,553	57,892	56,736	57,288
Balance Sheet Data(7)					
Working capital	$ 232,154	$ 194,375	$ 150,313	$ 121,614	$ 144,829
Total assets	1,056,545	847,487	701,679	648,135	808,507
Long-term obligations, excluding current portion	53,292	81,080	57,608	74,185	92,346
Stockholders' equity	511,514	415,703	354,803	304,616	397,500

(1) Includes the results of operations and financial positions of ARD, Inc. (acquired October 1, 2007) and other acquisitions (acquired throughout fiscal 2008) from their respective acquisition dates.

(2) Includes stock-based compensation expense of $8.3 million ($5.0 million, net of tax), $5.8 million ($3.5 million, net of tax) and $4.8 million ($4.3 million, net of tax) in fiscal 2008, 2007 and 2006, respectively, in accordance with Statement of Financial Accounting Standards No. 123 (Revised 2004), *Share-Based Payment*.

(3) Includes the results of operations and financial positions of Delaney Group (acquired April 16, 2007) and other acquisitions (acquired throughout fiscal 2007) from their respective acquisition dates.

(4) Includes the results of operations and financial positions of Advanced Management Technology, Inc. (acquired March 5, 2004) from its acquisition date.

(5) Represents a non-cash goodwill impairment charge related to the infrastructure segment in accordance with Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets.*

(6) Reflects tax expense of $0.1 million and tax benefit of $1.0 million, $16.1 million and $2.8 million, in fiscal 2007, 2006, 2005 and 2004, respectively.

(7) Includes both continuing and discontinued operations as of the end of each reporting period.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

We are a leading provider of consulting, engineering, program management, construction and technical services focusing on resource management and infrastructure. We serve our clients by providing cost-effective and innovative solutions to fundamental needs for water, environmental and alternative energy services. We typically begin at the earliest stage of a project by applying science to problems and developing solutions tailored to our clients' needs and resources. Our solutions may span the entire life cycle of the project and include applied science, research and technology, engineering, design, construction management, construction, operations and maintenance, and information technology.

We derive our revenue from fees for professional, technical, project management and construction services. As primarily a service-based company, we are labor-intensive rather than capital-intensive. Our revenue is driven by our ability to attract and retain qualified and productive employees, identify business opportunities, secure new and renew existing client contracts, provide outstanding services to our clients and execute projects successfully. We provide our services to a diverse base of federal and state and local government agencies, as well as commercial and international clients. The following table presents the percentage of our revenue, net of subcontractor costs, by client sector:

	Fiscal Year		
Client Sector	**2008**	**2007**	**2006**
Federal government	43.3%	43.9%	46.7%
State and local government	17.8	20.2	17.5
Commercial	37.9	35.0	35.1
International(1)	1.0	0.9	0.7
	100.0%	100.0%	100.0%

(1) Includes revenue generated from our international clients. Revenue related to projects performed in foreign countries for U.S. government and commercial clients is reported as part of our U.S. federal government and commercial client sectors, respectively.

Prior to fiscal 2009, we managed our business in three reportable segments: resource management, infrastructure and communications. Management established these segments based upon the services provided, the different marketing strategies associated with these services and the specialized needs of their respective clients. Our resource management segment provides engineering, consulting and construction services primarily addressing water quality and availability, environmental restoration, productive reuse of defense facilities, strategic environmental resource planning, international development and alternative energy. Our infrastructure segment provides engineering, systems integration, program management and construction management services for the development, upgrading, replacement and maintenance of infrastructure. Our communications segment provides engineering, permitting, site acquisition and construction management services. The following table presents the approximate percentage of our revenue, net of subcontractor costs, by reportable segment:

	Fiscal Year		
Reportable Segment	**2008**	**2007**	**2006**
Resource management	68.2%	63.1%	62.7%
Infrastructure	27.3	32.6	32.7
Communications	4.5	4.3	4.6
	100.0%	100.0%	100.0%

Beginning in fiscal 2009, we have re-aligned our business into four reportable segments. We believe the revised reportable segments to be disclosed will provide enhanced data and analysis for our shareholders. For more information, see Note 15 (Reportable Segments) of the "Notes to Consolidated Financial Statements" included in Item 8.

Our services are provided under three principal types of contracts: fixed-price, time-and-materials and cost-plus. The following table presents the percentage of our revenue, net of subcontractor costs, by contract type:

	Fiscal Year		
Contract Type	**2008**	**2007**	**2006**
Fixed-price	37.1%	33.2%	33.5%
Time-and-materials	42.3	45.6	43.0
Cost-plus	20.6	21.2	23.5
	100.0%	100.0%	100.0%

BUSINESS TREND ANALYSIS

Management review of fiscal 2008 and outlook for the future. Overall, we delivered strong financial results in fiscal 2008, which reflected a significant improvement compared to prior years. We continued to focus on long-term value creation through the execution of our growth strategy. We did so by investing in business development activities to grow our business organically and by making strategic acquisitions that have enhanced our service offerings and further expanded our geographical presence. In addition, we continued to implement and enforce project management policies and programs that focus on contract execution and risk management controls. Further, we focused on cost control and the strategic management of our portfolio of businesses. As a result, we achieved record highs on several key performance indicators in fiscal 2008:

We recorded the highest revenue in our history of $2.1 billion, up $591.4 million, or 38.1%, compared to the prior year. This growth was primarily driven by increased activity on our core water and environmental projects, international development projects associated with our ARD acquisition and Iraq-related and domestic work from the DoD, and alternative energy projects, predominantly wind energy.

We recorded the highest income from operations in our history of $106.4 million, up $20.1 million, or 23.3%, compared to the prior year. Our results for fiscal 2008 reflect higher profit margins and improved performance on large fixed-priced contracts.

We recorded the highest diluted earnings per share in our history of $1.02, up $0.23, or 29.1%, compared to the prior year, which primarily resulted from business growth, project management practices and overhead cost controls.

We recorded the highest funded backlog in our history of $1.6 billion, up $388.7 million, or 30.8%, compared to the prior year. We experienced strong backlog growth in our resource management segment, particularly related to wind, international development and environmental projects.

Our debt balance at the end of fiscal 2008 was the lowest amount in the last nine fiscal year-ends. The lower debt balance resulted from our generation of $68.4 million of cash flow from operations in fiscal 2008, one of the highest amounts in our history and up $21.7 million, or 46.5%, compared to the prior year.

We anticipate that our business will grow at a modest rate as we continue to focus on organic growth and pursue complementary acquisitions that expand our geographic reach and increase the breadth of our service offerings to address existing and emerging markets. Our forecast assumes the varied government stimulus packages aimed at jump-starting the economy and unfreezing the credit markets will be successful. Still, a period of considerable weakness in the economy should be expected even if government intervention succeeds. As such, we recognize that the current economic forces that have severely impacted both the domestic and international economies could affect our future work for the U.S. federal government, state and local governments, and commercial businesses, which constituted approximately 50%, 15% and 35% of our revenue in fiscal 2008, respectively.

Federal Government. In fiscal 2008, our U.S. federal government business experienced strong revenue growth of 34.6% compared to fiscal 2007. A majority of this growth was driven by acquisitive revenue, primarily from USAID projects associated with our ARD acquisition. The balance resulted primarily from the continuation of increased activity on our Iraq-related and domestic projects for the DoD. We anticipate that our U.S. federal government business will experience modest growth in fiscal 2009 compared to fiscal 2008 due primarily to our increased work with USAID, increased BRAC spending and water development projects related to Water Resources Development Act of 2007 and the USACE. However, due to the DoD's funding practices on projects in Iraq as well as the changing geopolitical landscape in Iraq and the United States, we believe our revenue from Iraq-related projects will decrease. While it has not occurred, some of our anticipated projects could be delayed or cancelled due to the diversion of U.S. federal government resources to the U.S. financial markets.

State and Local Government. In fiscal 2008, our state and local government business grew 10.0% compared to fiscal 2007, due primarily to CSO, geotechnical consulting and water infrastructure projects. This growth was primarily driven by acquisitions and was partially offset by the conclusion of a large fiber-to-the-premises project.

Many state and local government agencies are facing increasingly challenging economic conditions, including budget deficits, declining tax revenues and difficult cost-cutting decisions. Simultaneously, states are facing major long-term infrastructure needs, including the maintenance, repair and upgrading of existing critical infrastructure and the need to build new facilities. Since 2006, voters in several states have approved infrastructure bond measures, and many of those bonds have been sold or are in the process of being sold to provide the funding needed to advance critical projects. Additionally, new infrastructure bond measures and related tax proposals are being planned for ballots through 2010. The funding risks associated with our state and local government programs are partially mitigated by the regulatory requirements driving these programs, such as regulatory-mandated consent decrees, as well as demographic shifts and increasing demand for water and wastewater services. As a result, some programs will generally occur despite budget pressures, and we anticipate that infrastructure projects, especially those focused on the need for demand-driven water resource requirements, will be initiated and funded in fiscal 2009. However, we expect that our state and local government business will decline slightly in fiscal 2009. We will remain vigilant in monitoring and evaluating state and local government budgets and will continue to assess any potential impact on our state and local government business, including the potential uncertainty of our clients' ability to sell their infrastructure bonds and/or fund their ongoing operating requirements due to the erratic nature of the current credit markets.

Commercial. In fiscal 2008, our commercial business experienced strong growth of 61.3% across all three segments compared to fiscal 2007. This growth was driven by increased demand for our wind and other alternative energy services and, to a lesser extent, increased activity on landfill development, environmental engineering, geotechnical consulting and telecommunications infrastructure projects. We anticipate that our commercial business will experience moderate growth in fiscal 2009 due to the continuing demand and strong backlog for wind and other alternative energy services that result, in part, from U.S. federal tax credits for alternative energy. We also anticipate some growth in the transmission requirements for renewable energy sources. However, we may experience project delays in the land development, mining and industrial sectors due to the uncertain economic environment.

ACQUISITIONS AND DIVESTITURES

Acquisitions. We continuously evaluate the marketplace for strategic acquisition opportunities. Due to our reputation, size, financial resources, geographic presence and range of services, we have numerous opportunities to acquire both privately held companies and subsidiaries of publicly held companies. Once an opportunity is identified, we examine the effect an acquisition may have on our long-range business strategy and our results of operations. Generally, we proceed with an acquisition if we believe that it would have a positive effect on future operations and could strategically expand our service offerings. As successful integration and implementation are essential to achieving favorable results, no assurance can be given that all acquisitions will provide accretive results. Our strategy is to position ourselves to address existing and emerging markets. We view acquisitions as a key component of our growth strategy, and we intend to use both cash and securities, as we deem appropriate, to fund acquisitions. We may acquire other businesses that we believe are synergistic and will ultimately increase our revenue and net income, strengthen our ability to achieve our strategic goals, provide critical mass with existing clients and further expand our lines of service. As a result, we typically consummate a deal to acquire another business with a purchase price that results in the recognition of goodwill and other identifiable intangible assets.

In the third quarter of fiscal 2007, we acquired (i) all of the outstanding shares of Delaney Construction Corporation, Delaney Crushed Stone Products, Inc. and Delaney Leasing Company, Inc., and (ii) all of the limited liability company interests of Delaney Properties, LLC (collectively, "DGI"), which provides planning, development and construction services for wind energy programs, BRAC projects, and water and wastewater treatment and conveyance facilities to its broad-based clients. This acquisition enables us to provide a wider range of service to our current and prospective wind energy clients, as DGI offers complementary capabilities and customer relationships. DGI is part of our resource management segment. In fiscal 2007, we also made other smaller acquisitions which were integrated into our infrastructure and resource management segments.

In the first quarter of fiscal 2008, we acquired ARD, which provides applied research, planning, design and implementation services focused on a range of water, energy, environmental and governance challenges. ARD manages large, complex international development projects for its clients, predominantly USAID. This acquisition continues our international expansion as it increases our professional workforce by approximately 730 employees in new geographic areas and technical specialties around the world. ARD is part of our resource management segment. In fiscal 2008, we also made other smaller acquisitions that were integrated into our infrastructure and resource management segments. These acquisitions enhance our service offerings and expand our geographic reach.

For analytical purposes only, we categorize our revenue into two types: acquisitive and organic. Acquisitive revenue consists of revenue derived from newly acquired companies that are reported individually as separate operating units during the first 12 months following their respective acquisition dates. Organic revenue consists of our total revenue less any acquisitive revenue.

Divestitures. To complement our acquisition strategy and our focus on internal growth, we regularly review and evaluate our existing operations to determine whether our business model should change through the divestiture of certain businesses. Accordingly, from time to time, we may continue to divest certain non-core businesses and reallocate our resources to businesses that better align with our long-term strategic direction.

In fiscal 2006, we sold one operating unit in our resource management segment and one in our communications segment. Further, we ceased all revenue producing activities for an operating unit in our communications segment. Accordingly, these three operating units have been reported as discontinued operations for all reporting periods. In fiscal 2006, the discontinued operations generated $9.7 million of revenue. In fiscal 2007 and 2008, we did not have any discontinued operations. The following discussions generally reflect summary results from our continuing operations unless otherwise noted. However, the net income and net income per share discussions include the impact of discontinued operations.

RESULTS OF OPERATIONS

Overall, our results for fiscal 2008 reflect a significant improvement as compared to fiscal 2007 due to our focus on organic growth and the strategic pursuit of acquisitions that enhance our service offerings and expand our geographic presence. We continued to experience business growth from all client sectors and all reportable segments, particularly from international development projects associated with our ARD acquisition and Iraq-related and domestic work from the DoD, as well as wind and other alternative energy, wastewater treatment, landfill development, environmental engineering, geotechnical consulting and telecommunications infrastructure projects. Approximately half of our revenue growth was driven by acquisitive revenue from our ARD acquisition and, to a lesser extent, small strategic acquisitions.

Fiscal 2008 Compared to Fiscal 2007

Consolidated Results

	Fiscal Year Ended			
	September 28, 2008	September 30, 2007	Change $	Change %
	($ in thousands)			
Revenue	$ 2,145,254	$ 1,553,888	$ 591,366	38.1%
Subcontractor costs	(899,709)	(540,973)	(358,736)	(66.3)
Revenue, net of subcontractor costs	1,245,545	1,012,915	232,630	23.0
Other contract costs	(991,358)	(812,270)	(179,088)	(22.0)
Gross profit	254,187	200,645	53,542	26.7
Selling, general and administrative expenses	(147,787)	(114,348)	(33,439)	(29.2)
Income from operations	106,400	86,297	20,103	23.3
Interest expense net	(2,987)	(2,290)	(697)	(30.4)
Loss on retirement of debt		(4,226)	4,226	100.0
Income from continuing operations before income tax expense	103,413	79,781	23,632	29.6
Income tax expense	(42,507)	(33,437)	(9,070)	(27.1)
Income from continuing operations	60,906	46,344	14,562	31.4
Income from discontinued operation, net of tax		9	(9)	(100.0)
Net income	$ 60,906	$ 46,353	$ 14,553	31.4%

The following table presents the percentage relationship of certain items to our revenue, net of subcontractor costs:

	Fiscal Year Ended	
	September 28, 2008	**September 30, 2007**
Revenue, net of subcontractor costs	100.0%	100.0%
Other contract costs	(79.6)	(80.2)
Gross profit	20.4	19.8
Selling, general and administrative expenses	(11.9)	(11.3)
Income from operations	8.5	8.5
Interest expense net	(0.2)	(0.2)
Loss on retirement of debt		(0.4)
Income from continuing operations before income tax expense	8.3	7.9
Income tax expense	(3.4)	(3.3)
Income from continuing operations	4.9	4.6
Income from discontinued operation, net of tax		
Net income	4.9%	4.6%

Revenue increased $591.4 million, or 38.1%, compared to fiscal 2007. We experienced broad-based growth in all client sectors and all reportable segments from organic and acquisitive revenue. Our U.S. federal government business continued to grow primarily as a result of the international development projects for USAID associated with our ARD acquisition, and increased workload on our Iraq-related and domestic projects for the DoD. This growth was partially offset by the completion of several large contracts in late fiscal 2007 with the DOE and NASA. Our state and local government business grew due to increased workload on our CSO projects and additional revenue from our strategic acquisitions. This growth was slightly offset by the conclusion of a large fiber-to-the-premises project. Our commercial business experienced strong growth due to increased demand for our wind and other alternative energy services, and to a lesser extent, wastewater treatment, landfill development, environmental engineering and telecommunications infrastructure projects.

Revenue, net of subcontractor costs, increased $232.6 million, or 23.0%, compared to fiscal 2007 for the reasons described above. The growth rate for revenue, net of subcontractor costs, was lower than that for revenue due to our increased use of subcontractors, and in some cases, higher subcontracting requirements for certain U.S. federal government work, particularly our reconstruction and UXO projects in Iraq and our USAID projects. Further, our program management activities on U.S. federal government contracts typically result in higher levels of subcontracting activities that are partially driven by government-mandated small business set-aside requirements.

Other contract costs increased $179.1 million, or 22.0%, compared to fiscal 2007. On a percentage change basis, the increase substantially corresponded to the increase in revenue, net of subcontractor costs. Additionally, our direct non-labor costs, as a percentage of revenue, net of subcontractor costs, increased primarily due to construction and international development projects. The increase was partially mitigated by favorable contract adjustments due to effective contract execution and risk management as well as claim settlements.

Gross profit increased $53.5 million, or 26.7%, compared to fiscal year 2007 for the reasons described above. As a percentage of revenue, net of subcontractor costs, gross profit was 20.4% and

19.8% in fiscal 2008 and 2007, respectively. The percentage increase resulted from higher-margin wind projects and improved performance on large fixed-priced contracts. This was partially offset by lower profit margins on the procurement of materials and supplies for construction and international development projects.

Selling, general and administrative ("SG&A") expenses increased $33.4 million, or 29.2%, compared to fiscal 2007. The increase resulted from supporting the growth of our business, our investment in marketing and business development efforts and an increase in employee profit-sharing compensation. To a lesser extent, we recognized additional SG&A expenses related to our new acquisitions and resolution of certain litigation claims. For fiscal 2007, our SG&A expenses were reduced by $5.7 million as a result of a favorable reversal on an outstanding litigation liability.

Net interest expense increased $0.7 million, or 30.4%, compared to fiscal 2007. The increase resulted from lower interest income from short-term cash investments, partially offset by lower interest expense on our debt due to lower interest rates.

In the first quarter of fiscal 2007, we elected to retire our senior secured notes and paid off the remaining principal balance of $72.9 million. In connection with this debt retirement, we incurred pre-payment premiums of $3.1 million and expensed the remaining unamortized deferred financing costs of $1.1 million. We reported an aggregate charge of $4.2 million related to early retirement of debt as part of our income from continuing operations.

Income tax expense increased $9.1 million, or 27.1%, compared to fiscal 2007, primarily due to an increase in pre-tax income. Our effective tax rate was 41.1% and 41.9% for fiscal 2008 and 2007, respectively.

Results of Operations by Reportable Segment

Resource Management

	Fiscal Year Ended			
	September 28, 2008	September 30, 2007	Change $	Change %
	($ in thousands)			
Revenue, net of subcontractor costs	$ 849,039	$ 638,890	$ 210,149	32.9%
Other contract costs	(673,399)	(510,941)	(162,458)	(31.8)
Gross profit	$ 175,640	$ 127,949	$ 47,691	37.3%

The following table presents the percentage relationship of certain items to our revenue, net of subcontractor costs:

	Fiscal Year Ended	
	September 28, 2008	September 30, 2007
Revenue, net of subcontractor costs	100.0%	100.0%
Other contract costs	(79.3)	(80.0)
Gross profit	20.7%	20.0%

Revenue, net of subcontractor costs, increased $210.1 million, or 32.9%, compared to fiscal 2007. Our resource management segment experienced strong growth across all of its client sectors from organic and acquisitive revenue. In our U.S. federal government business, the growth was driven by international development projects for USAID associated with our ARD acquisition and, to a lesser extent, increased activity on Iraq-related and domestic projects for the DoD. Our state and local government business grew as a result of our strategic acquisitions. Our commercial business experienced strong growth due to increased demand for our alternative energy services, including wind farm projects, as well as wastewater treatment, landfill development, environmental engineering and geotechnical services.

Other contract costs increased $162.5 million, or 31.8%, compared to fiscal 2007. On a percentage change basis, the cost increase substantially corresponded to the increase in revenue, net of subcontractor costs. Further, our direct non-labor costs, as a percentage of revenue, net of subcontractor costs, increased primarily as a result of construction and international development projects. The increase was partially mitigated by favorable contract adjustments due to effective contract execution and risk management, as well as claim settlements. We also recognized a gain related to project equipment disposals following the close-out of certain contracts.

Gross profit increased $47.7 million, or 37.3%, compared to fiscal 2007 for the reasons described above. As a percentage of revenue, net of subcontractor costs, gross profit was 20.7% and 20.0% in fiscal 2008 and 2007, respectively. The percentage increase reflected our higher-margin wind projects and improved performance on large fixed-priced contracts. However, this was largely offset by lower profit margins on the procurement of materials and supplies for some construction and international development projects.

Infrastructure

	Fiscal Year Ended		Change	
	September 28, 2008	September 30, 2007	$	%
	($ in thousands)			
Revenue, net of subcontractor costs	$ 340,683	$ 330,061	$ 10,622	3.2%
Other contract costs	(277,711)	(266,562)	(11,149)	(4.2)
Gross profit	$ 62,972	$ 63,499	$ (527)	(0.8)%

The following table presents the percentage relationship of certain items to our revenue, net of subcontractor costs:

	Fiscal Year Ended	
	September 28, 2008	September 30, 2007
Revenue, net of subcontractor costs	100.0%	100.0%
Other contract costs	(81.5)	(80.8)
Gross profit	18.5%	19.2%

Revenue, net of subcontractor costs, increased $10.6 million, or 3.2%, compared to fiscal 2007. This growth was driven by increased workload on our civil infrastructure projects from commercial clients. However, the growth was partially offset by reduced activity on school design and land redevelopment projects caused by the slowdown in the housing market, as well as the completion of a large NASA project at the end of fiscal 2007.

Other contract costs increased $11.1 million, or 4.2%, compared to fiscal 2007. For the most part, the cost increase supported the growth in revenue, net of subcontractor costs. However, as a percentage of revenue, net of subcontractor costs, other contract costs were 81.5% and 80.8% in fiscal 2008 and 2007, respectively. Our costs increased at a higher rate than our revenue due to the fixed costs that remained in certain business areas such as school design and land redevelopment, which experienced revenue decline due to the slowdown in the housing market.

Gross profit decreased $0.5 million, or 0.8%, compared to fiscal 2007 for the reasons described above. As a percentage of revenue, net of subcontractor costs, gross profit was 18.5% and 19.2% in fiscal 2008 and 2007, respectively. This decrease, as noted above, was mitigated by the completion of the low-margin NASA project.

Communications

	Fiscal Year Ended			
	September 28, 2008	September 30, 2007	Change $	Change %
	($ in thousands)			
Revenue, net of subcontractor costs	$ 55,823	$ 43,964	$11,859	27.0%
Other contract costs	(40,248)	(34,767)	(5,481)	(15.8)
Gross profit	$ 15,575	$ 9,197	$ 6,378	69.3%

The following table presents the percentage relationship of certain items to our revenue, net of subcontractor costs:

	Fiscal Year Ended	
	September 28, 2008	September 30, 2007
Revenue, net of subcontractor costs	100.0%	100.0%
Other contract costs	(72.1)	(79.1)
Gross profit	27.9%	20.9%

Revenue, net of subcontractor costs, increased $11.9 million, or 27.0%, compared fiscal 2007 due to increased demand for our telecommunications services from commercial clients. This increase was partially offset by the conclusion of a large fiber-to-the-premises project in the second quarter of this fiscal year.

Other contract costs increased $5.5 million, or 15.8%, compared fiscal 2007. The increase resulted from the incurrence of additional costs to support our revenue growth. As a percentage of revenue, net of subcontractor costs, other contract costs were 72.1% and 79.1% in fiscal 2008 and 2007, respectively. Due to improvements in our contract execution and our containment of overhead costs, other contract costs declined as a percentage of revenue, net of subcontractor costs.

Gross profit increased $6.4 million, or 69.3%, compared to fiscal 2007. This increase was due primarily to business growth. As a percentage of revenue, net of subcontractor costs, gross profit was 27.9% and 20.9% in fiscal 2008 and 2007, respectively. The percentage increase resulted from improvements in our contract execution and the containment of business support services costs, together with increased self-performance under a large telecommunications infrastructure project.

Fiscal 2007 Compared to Fiscal 2006

Consolidated Results

	Fiscal Year Ended			
	September 30, 2007	October 1, 2006	Change $	Change %
	($ in thousands)			
Revenue	$ 1,553,888	$ 1,414,704	$ 139,184	9.8%
Subcontractor costs	(540,973)	(456,063)	(84,910)	(18.6)
Revenue, net of subcontractor costs	1,012,915	958,641	54,274	5.7
Other contract costs	(812,270)	(776,768)	(35,502)	(4.6)
Gross profit	200,645	181,873	18,772	10.3
Selling, general and administrative expenses	(114,348)	(112,378)	(1,970)	(1.8)
Income from operations	86,297	69,495	16,802	24.2
Interest expense net	(2,290)	(5,098)	2,808	55.1
Loss on retirement of debt	(4,226)		(4,226)	(100.0)
Income from continuing operations before income tax expense	79,781	64,397	15,384	23.9
Income tax expense	(33,437)	(27,933)	(5,504)	(19.7)
Income from continuing operations	46,344	36,464	9,880	27.1
Income from discontinued operations, net of tax	9	140	(131)	(93.6)
Net income	$ 46,353	$ 36,604	$ 9,749	26.6%