



2011 ANNUAL REPORT

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**KLEINFELDER** is an employee-owned science, architecture, and engineering consulting firm providing solutions to meet our world's complex infrastructure and natural resource challenges. Working as a team, our bright people deliver the right solutions.

Kleinfelder employee-owners are committed to bettering this world and making a direct and lasting impact on every project, every day. Amidst market and economic challenges, we continue to deliver on client needs, exemplifying the responsiveness, innovation, and excellence that make Kleinfelder an industry leader.

With a new organizational structure in fiscal year 2012, we are positioned for even greater long-term success. Our growth and accomplishments, achieved through personal accountability, resource sharing, and companywide collaboration, demonstrate that **TEAMS WORK.**



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### President's Message



In the 50 years since Jim Kleinfelder saw a need for geotechnical engineering services in Central California and started our company with a handful of employees and a small group of local clients, Kleinfelder has evolved into a valuable provider of multi-faceted services with an international presence. Through the years, we have continued to enhance the quality and delivery of our services to meet our clients' business

requirements by staying at the leading edge of technical practices, acquiring additional talent through strategic acquisitions, and reorganizing our service delivery and marketing systems. We have a long-term vision for the firm and each year establish priorities that, when achieved, keep us moving forward in our Strategic Direction. Every day, on every project, our people work as teams to ensure the success of each other, our clients, our communities, and all other stakeholders.

This past year, we continued to feel the effects of a challenging business environment, yet achieved business goals that moved the firm forward in the long run. We proved that we can set a goal to improve a part of our business, implement change, and see measurable results. Our significant achievements this year include:

- Adjusting our client mix and, at the beginning of the year, setting a goal to increase our \$1 million annual revenue clients by 20%. We finished the year with 36% growth in this measurement, greatly exceeding our goal.
- We improved our internal review processes and set a goal to have every client document fully peer reviewed before release. By the third quarter, 100% of all documents were peer reviewed, and we continue to achieve that standard of quality into the new fiscal year.
- Our previous fiscal year saw the best safety record in a decade, yet we remain committed to the prevention of losses. I am pleased to report that we continue to mold behavior and improve our safety record while posting record statistics demonstrating that improvement.
- We extended the global reach of our firm. This year brought new and successful office openings in Guam and Melbourne, Australia.
- We continued growing our capabilities and client portfolio through acquisitions and welcomed Buys & Associates and LPG Environmental & Permitting Services to the Kleinfelder family. Both firms add key personnel, service capabilities, and client contacts and are great additions to the firm.

For our clients, we had another year of outstanding performance. Our dedicated staff completed thousands of projects helping our clients achieve their goals. Our technical performance and innovation were recognized throughout our industry, as demonstrated by the many local and national awards we received.

For all the success we achieved in targeted strategic areas and for our clients, our financial results were mixed. On the positive side, we continue to run a profitable business at a level well within industry ranges for our size of business. Further, as detailed in the financial section of this report, we have a solid balance sheet with good cash flow and reasonable debt. Finally, we have maintained solid relationships with our key financial partners.

As part of our aggressive growth strategy, we set challenging financial goals for the company, but fell short of our desired profitability. Even in a very difficult economic environment, we believe that we can deliver at higher levels than the competition. We also know that to achieve our long-term vision we must improve our performance.

Two years ago, we made a significant organizational decision to start restructuring the company from a geographic management and profit measurement structure to one that is focused on markets—specifically on our clients and their projects. Our financial performance this past year made it clear we needed to complete this transition to reap the benefits of the change and to position the firm in what has become a very competitive marketplace.

This year we put significant effort into completing that transition from locally based management, marketing, and delivery teams, to a structure that fully aligns our teams with markets and clients. We identified specific client account managers, business development personnel, and key project managers who are responsible for the development of our work. We also organized delivery teams for the execution of the work at levels exceeding client expectations.

The decision to restructure our business was not taken lightly. We were committed to positioning Kleinfelder for growth and executed a thoughtful and comprehensive strategy to refine our business development and delivery functions. I am confident we will see both immediate results and long-term success through our willingness to make the changes necessary to better serve our clients, to maintain our position as a healthy and growing organization, and to safeguard the future of our firm.

Moving forward into the new fiscal year, we will maintain our tradition of continuous improvement and remain focused on our specific priorities. First, we will continue to grow the firm through organic and acquisitive means, thereby improving the

opportunities for our people, our profit potential, and our ability to service our clients. Second, we will remain focused on flawless delivery of our services, which is where we can differentiate ourselves within our industry, better manage our risk, and improve our overall client satisfaction.

Kleinfelder continues to be a leader in our industry with our revenue levels, maintaining our ranking in the *Engineering News Record* magazine's top 50 A/E/C firms and top 25 pure design firms. Beyond simple size, our employee-owners have leadership roles in multiple professional, industry, and charitable organizations.

We are also leaders in creating a work environment that our employees are proud of. We enable them to reach their professional potential. You'll see that in the many individual and team achievements noted in this annual report. We also support a commitment to corporate social responsibility through diversity, sustainability, disaster relief, and volunteerism initiatives.

In closing, I had an opportunity to address many of our employee-owners at our annual Professional Development and Technical Training Seminar earlier this year. I acknowledged that times were difficult from many aspects, but we have faced other significant challenges in the past and always continued to move the firm forward. This was achieved through our entrepreneurial spirit, our drive to continuously improve, and our determination to succeed. These are the qualities that have seen us through difficult times in the past and will carry us to even greater heights in years to come.

William C. (Bill) Siegel, P.E.  
President and CEO



Kleinfelder performed specialty geologic mapping in difficult access conditions that required the use of mountaineering techniques, including climbing and rappelling.



**Pine Tree Wind Power Project**—The City of Los Angeles had 20% of its power supplied via renewable energy resources last year, thanks in part to Kleinfelder's work on the Pine Tree Wind Power Project in the Tehachapi Mountains, which provided half that amount. The design-build project was delivered in conjunction with partners Kiewit Pacific and David Evans. Kleinfelder's team of experts provided geotechnical engineering and engineering geology services to support new wind turbine generators, meteorological towers, a maintenance and operations building, and 34 miles of access roadways for the project, resulting in the largest municipally-owned wind power project in the U.S.



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Kleinfelder utilized a multi-disciplinary team of engineers from across the country to perform work on the Pine Tree Wind Power Project, which was located more than 150 miles away from any Kleinfelder office.



*"The work performed on the Pine Tree Wind Power Project is a major reason we have quadrupled our renewable energy portfolio in a few short years."*

—Antonio Villaraigosa, Mayor, City of Los Angeles, Los Angeles Business Journal

**THE ENERGY MARKET**—As the demand for global energy continues to increase, Kleinfelder remains a leader in providing high-quality, professional engineering services to this market. Our expertise in traditional oil and natural gas, nuclear power, and renewable resources, such as wind, solar, geothermal, and bioenergy, enables us to successfully complete

diverse and often complex projects for numerous energy clients. Our multi-faceted services support every phase of a project—from site selection and permitting through resource evaluation, technical assessment, design, and construction—thereby helping the industry deliver superior, sustainable solutions that meet the world's growing needs.

## ENERGY

### Chesapeake Energy Natural Gas Lines and Compressor Stations

Kleinfelder has significantly expanded its business with Chesapeake Energy Corporation, the nation's second-largest producer of clean, domestic natural gas and the largest leaseholder in the Marcellus Shale. Through approximately 90 client projects, Kleinfelder has developed a unique understanding of the timely, cost-effective, and sustainable solutions required to support Chesapeake's growth. Kleinfelder has provided siting and routing, environmental planning and permitting, civil, geotechnical, and structural engineering, as well as construction management services for more than 200 miles of natural gas-gathering pipeline, along with numerous gas compressor stations within the Marcellus Shale.

### SunEdison Solar Generation Facilities

This past year Kleinfelder has evolved into owner's engineer for SunEdison, a leader in the growing solar sector. Our teams have worked on nearly 40 client projects, performing comprehensive geotechnical, environmental, and civil engineering services on solar generation facilities throughout the U.S. Recently, Kleinfelder helped SunEdison meet cost, schedule, and regulatory requirements for the 350-acre, 15-megawatt Golden Crescent Solar Farm in North Carolina, one of the largest utility scale photovoltaic (PV) solar projects in the U.S. Kleinfelder is recognized as a valuable, full-service engineering solutions provider to the PV solar industry.

### Trans-Allegheny Interstate Line (TrAIL)

Kleinfelder has supported construction of the \$820 million, 500kV TrAIL Project with multi-faceted services, including geotechnical engineering, engineering geology, rock mechanics, civil engineering, structural engineering, and construction engineering for tower construction. The project, which moves wholesale electricity across 180 miles of rugged terrain through the mid-Atlantic region, required ingenuity, sustainability, and safety in locating the tower structures. Kleinfelder's innovative foundation design concepts and collaboration with other stakeholders resulted in value-engineering and provided efficient installation, while preventing potential construction delays and costly changes.

### Mobil Port Stanvac Refinery in Australia

Based on its long-standing success and partnership with ExxonMobil in the U.S., Kleinfelder was chosen to provide design, construction management, commissioning, and operation and maintenance services for a wastewater treatment system at the Mobil Port Stanvac Refinery in Adelaide, South Australia. The system will treat surface water and water generated during the refinery's demolition and discharge treated water through an on-site irrigation process. The project demonstrates how Kleinfelder has leveraged a domestic relationship in support of our vision to expand our multi-faceted services globally.

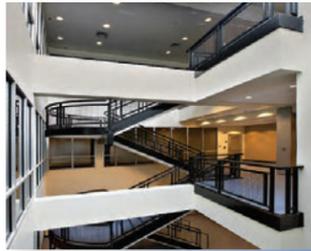


#### PHOTOS TOP TO BOTTOM

**Trans-Allegheny Interstate Line (TrAIL)**—Kleinfelder's responsiveness, understanding of the project needs, safe execution, and exceptional services led to a significant increase in scope and work on the TrAIL Project.

**Uranium Mill License Support**—Kleinfelder helped Energy Fuels Resources Corporation obtain a radioactive source materials license for the new Pinon Ridge Uranium Mill in southwestern Colorado. Staff from eight different regions teamed on this pioneering project, which sets the industry standard for other new uranium mills in the future.

Kleinfelder renovated and updated the atrium stairwell, an original feature of the existing building, to maintain the daylight features and open feeling of the building.



**Massachusetts State Police Facility at Logan Airport**—Massachusetts Port Authority selected Kleinfelder to perform architectural and engineering services for a new \$12 million operational facility. Kleinfelder worked closely with the client to deliver a long-term, sustainable solution for present and future state police operations at the international airport, which serves more than 15 million passengers and 12,000 staff annually. Kleinfelder’s multi-disciplinary team was involved from initial planning and site selection through design and construction management.

teams deliver.

*“Working as a team, we successfully addressed numerous structural, operational, and security challenges associated with this complex, multi-phase project.”*  
—Charles Sacre, Principal Engineer



A state-of-the-art dispatch center that incorporates ergonomics, safety, and technology serves as a central operations hub.

**THE FACILITIES MARKET**—Kleinfelder tailors its proven solutions to suit the needs of various commercial, education, healthcare, industrial, retail, and state and local government facilities. Working against shrinking budgets, yet increased demand for expansion and

modernization, operational efficiency, energy conservation, environmental compliance, increased security, and other facility issues, Kleinfelder has the range of services and expertise to deliver long-term, sustainable, and cost-effective solutions for our clients, their customers, and the public.

FACILITIES

Soil Vapor Extraction Pilot Test

Kleinfelder was selected by a leading industrial research and development client for a soil vapor extraction (SVE) pilot test to support evaluation of remedial alternatives for a subsurface chlorinated solvent source area. Our services included environmental and process engineering, facilities engineering, air permitting, and other regulatory coordination with the Department of Toxic Substance Control, and preparation of an interim pilot test. Kleinfelder’s schedule-driven approach and advanced technical solutions reduced the time, complexity, and cost of the pilot project. Our team was also contracted for the full-scale cleanup of the site using SVE.

North America AlSCO Facilities

Kleinfelder has served the environmental engineering needs of textile services company AlSCO for more than 13 years, completing nearly 100 diverse client projects. Our multi-faceted services—delivered by cross-functional, geographically-dispersed project teams—include site assessment, remediation, stormwater compliance, and civil engineering for AlSCO facilities throughout the U.S. and Canada. Our “One Company” approach and innovative solutions have saved AlSCO approximately 50% in field deployment costs and \$350,000 in project costs. Most recently, our advanced remedial technologies on the AlSCO West Allis Facility in Wisconsin saved the client an estimated \$12.5 million in cleanup costs.

UC Davis Medical Center Surgery and Emergency Services Pavilion

Kleinfelder played an important role in the construction of a new \$400 million, 472,000 square-foot UCDCM Surgery Center and Emergency Services Pavilion in Northern California—the largest, most complex construction project ever undertaken by the University of California, Davis. Working with this client since 2004, our multi-disciplinary team delivered engineering, special testing, and inspection services to meet a dual need—compliance with state seismic safety standards while expanding capacity. Kleinfelder carefully balanced client demands without interrupting operations and patient care at the existing hospital.

Granite Construction Liberty Quarry

Granite Construction retained Kleinfelder to prepare the air quality impact analysis, groundwater impact assessment, blasting assessment, and geotechnical feasibility assessment for a planned five million-ton-per-year aggregate quarry and associated construction materials plants in southern Riverside County. Kleinfelder’s analyses supported the California Environmental Quality Act (CEQA) and air quality permitting process and demonstrated that the proposed facility will not create unacceptable air quality, health, groundwater, or geotechnical risks. Collaboration with the client, regulatory agencies, and the public, along with our team’s expertise in aggregate mining, resulted in one of the most comprehensive analyses of this type in the nation.



**PHOTOS TOP TO BOTTOM**  
*UC Davis Medical Center Surgery and Emergency Services Pavilion*—Kleinfelder has developed a long-standing relationship with UCDCM and will continue to provide new services as the medical center and corresponding university campus further expands.

*Duke Medicine Pavilion and Cancer Center*—Kleinfelder provided comprehensive construction materials engineering and testing services, along with special inspections, for a major expansion at Duke University Hospital in North Carolina. Kleinfelder’s testing and quality assurance services across multiple phases of the project ensured the project remained on schedule and is built to the required high standards.

Kleinfelder has performed work in several Areas of Critical Environmental Concern (ACEC), helping to maintain the public water supply while preserving the environmental, historical, and cultural resources.



**NRCS Watershed Protection**—As part of its nationwide Indefinite Delivery/Indefinite Quantity (IDIQ) contract with the Natural Resources Conservation Service (NRCS), Kleinfelder’s team of nationally recognized experts responded to the client’s need for planning and installing multiple watershed projects under the Watershed Protection and Flood Prevention Act and the Emergency Watershed Protection Program. Kleinfelder successfully executed 12 concurrent task orders, meeting aggressive budget and schedule constraints, while exceeding the small business utilization goal for all subcontracted work.

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Responding to NRCS’s diverse project requirements, Kleinfelder’s multi-disciplinary team included structural, hydrology, geotechnical, civil, and environmental experts in dams, levees, fish passages (shown here), and sedimentation.



*“The overall quality of the review report was excellent. Thanks to the entire team for the exceptional work you’ve delivered.”*  
—David Pacheco, P.E., NRCS National Design Center



**THE FEDERAL MARKET**—Kleinfelder’s major presence and success in the federal market is a direct reflection of our teams’ commitment to superior delivery on every project. Combined with our more than 65 offices across the U.S. and an expanding international presence, our vast resources and capabilities enable us to offer comprehensive solutions to key federal

customers, including the U.S. Army Corps of Engineers, U.S. Navy, U.S. Air Force, National Guard Bureau, and Department of Energy. In fiscal year 2011, we applied our wide-ranging expertise—from architectural and civil design to site assessment and development to environmental cleanup and regulatory compliance—on several key projects.

## FEDERAL

### Lake Isabella Dam

Lake Isabella Dam and Reservoir is located in the Sierra Nevada foothills, east of Bakersfield, California. In the past decade, severe seepage, seismic, and hydrology deficiencies have been identified as high risks. Coupled with a downstream population of more than 500,000, these deficiencies have led to a ranking in the top 10 highest-risk dams within the U.S. Army Corps of Engineers’ (USACE) national portfolio of more than 600 dams. Kleinfelder was retained by USACE under IDIQ contracts to perform site investigations and characterization, structural performance monitoring, hydrology/hydraulic analysis, and seismic, seepage, and post-earthquake stability (liquefaction) analyses.



### National Guard Joint Force Headquarters

The Massachusetts Air and Army Reserve National Guard Bureau needed to upgrade its 27-year-old headquarters into a sustainable, functional, and architecturally attractive facility to meet current and future operational requirements. Kleinfelder responded with proven design and construction management services, leveraging innovative Building Information Modeling (BIM) to achieve the client’s vision. By selecting an existing site with appropriate security and access, Kleinfelder helped save significant costs while also expediting the project schedule by 25%. Furthermore, the flexible LEED-certified design reduces energy and water usage requirements.



### Armed Forces Reserve Center

Kleinfelder delivered the full architectural, building, and site engineering for this 200,000 square-foot, four-story Armed Forces Reserve Center, with an operations and maintenance shop, in Middletown, Connecticut. The project, complicated by a challenging hillside adjacent to an interstate and sensitive wetlands, had to be LEED-certified and completed in 18 months. In addition to reduced construction costs—almost 15%—and expedited schedule, the Army Reserve will receive a sustainable, functional, and attractive new training center designed to meet the needs of today’s citizen soldiers.

### U.S. Navy CLEAN IV Contract

Through its Comprehensive Long-Term Environmental Act Navy (CLEAN) IV contract, Kleinfelder, along with joint venture partner CH2M HILL, has delivered environmental engineering, geotechnical, and materials testing services in support of site closures for active and Base Realignment and Closure (BRAC) bases in California and Arizona. On its first task order, Kleinfelder’s analysis of site data and recommendations saved the Navy an estimated \$1.5 million through avoidance of unnecessary remediation. Kleinfelder has also delivered cost avoidance, cost savings, and innovative technical approaches on other CLEAN IV projects.

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**Lake Isabella Dam**—The project team’s work has aided the USACE in making risk-informed decisions by providing all information in a Probability Failure Mode format and participating in Expert Elicitation meetings to rank risk and consequence with the USACE. Unacceptable risk conditions will serve as the basis for rehabilitation design and construction that will restore the reservoir capacity to its initial operational requirements.

**U.S. Navy CLEAN IV Contract**—A Kleinfelder engineering geologist taking samples to assess liquefaction potential of a former waste disposal area at Alameda Point, IR Site 2.

**Armed Forces Reserve Center**—Kleinfelder designed accelerated civil, structural, and architectural engineering, along with mechanical, electrical, and plumbing packages, in half the normal time and reduced the standard one-year design schedule to six months.

The Bridge-in-a-Backpack superstructure is composed of lightweight carbon-fiber tube arches that theoretically can be transported onsite in a backpack and filled with concrete after installation.



**Auburn Bridge-in-a-Backpack™**—Kleinfelder is the world's first engineering firm to incorporate a pioneering yet transferable technology in its design of the Auburn Bridge over the Royal River in Auburn, Maine. Kleinfelder applied this innovative technology to save time, money, and energy without sacrificing the integrity or lifespan of the bridge. The Bridge-in-a-Backpack system could redefine the bridge design development process for many bridge replacement projects around the world.



This technology was first conceived of by the University of Maine and developed by Advanced Infrastructure Technologies, one of Kleinfelder's teaming partners.

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*"The Bridge-in-a-Backpack concept has the potential to significantly change how we approach bridge building. To be a part of bringing this concept to reality is truly an honor, and one that has opened my eyes to the value it will bring to our industry."*

—Keith Wood, P.E., Senior Project Engineer

**THE TRANSPORTATION MARKET**—Kleinfelder plays a vital role helping to design, build, expand, and modernize our country's infrastructure. Every day, our staff applies its technical expertise and innovation to help clients address the issues facing an aging transportation network. Working hard to manage costs, resources, and associated risks,

we deliver the right solutions for the most complex and challenging projects—from highways and bridges, to ports and harbors, to railways and airports. In fiscal year 2011, our teams worked to complete several major transportation projects for our clients.

## TRANSPORTATION

### I-15 Corridor Reconstruction

Kleinfelder mobilized a team of more than 130 engineers and support staff from 12 offices across the U.S. to deliver a range of design-related geotechnical services for the expansion of the I-15 Corridor Reconstruction Project, Utah's largest highway project ever. Facing an accelerated construction schedule and challenging location, Kleinfelder delivered. Staff was transferred to Salt Lake City so testing and analyses could be performed seven days a week, providing engineers with more timely data. Further, our innovative technical solutions for prefabricated vertical drains, surcharge, stone columns, and foundation design helped save our client construction costs—in excess of our geotechnical design fees—and construction time.

### Denver Regional Transit District Light Rail

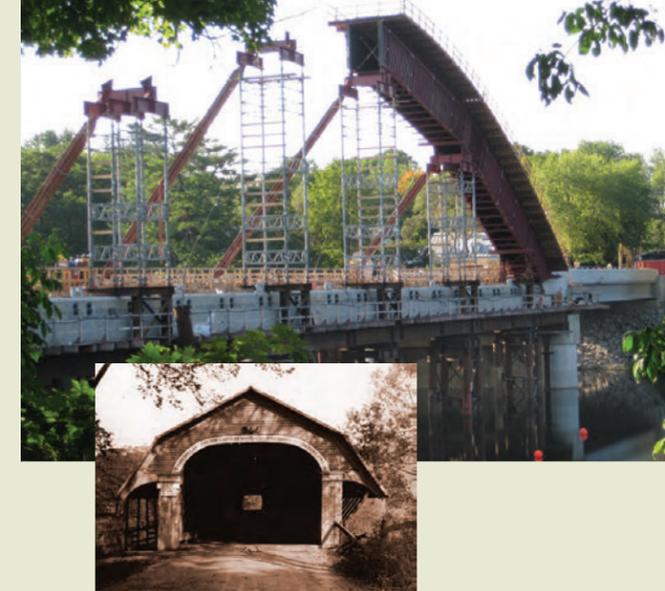
Under a unique public-private partnership, Kleinfelder will deliver nearly \$21 million in environmental compliance, quality assurance, and construction support services for this prolific design-build project, which encompasses 36 miles of light rail with 15 stations. To help the client manage data, react to field changes, and mitigate environmental and wildlife issues, Kleinfelder created an innovative electronic data collection and management system. The system leverages handheld tablets and GPS/GIS tracking to deliver all inspection and testing, as well as environmental compliance information, within 24 hours.

### San Diego County Regional Airport Authority Expansion

Kleinfelder is the on-call engineer providing multi-faceted engineering services for the San Diego County Regional Airport Authority's \$1.2 billion expansion program, which includes capital improvements and new terminal development. A cross-functional, cross-geographic team has worked closely with the client to expand beyond initial geotechnical, materials testing, and environmental services and deliver innovative civil design engineering services on several major projects. Kleinfelder's commitment and pursuit of client satisfaction has led to total fees approaching the \$3.5 million contract award amount, while positioning the company for ongoing work through program completion in 2015.

### Sound Transit Link Light Rail

The Link Light Rail Project is an approximately \$18 billion program that will bring light rail to Puget Sound in Washington State. The Central Link, from Sea-Tac International Airport to downtown, comprises a system of elevated, at grade, and tunnel construction in an urban environment. University Link (U-Link) is a 3.15-mile underground light rail extension in twin-bored tunnels from downtown Seattle to the University of Washington. By using many of the same team members across multiple phases of both projects, Kleinfelder has saved the client time and money, while gaining consistency with a multi-faceted service provider.



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**Norridgewock Covered Bridge Replacement**—The Maine Department of Transportation enlisted Kleinfelder to provide the preliminary and final design for the Norridgewock Covered Bridge, named for a previous wooden structure at the site. The final design resulted in a three-span 570-foot bridge with a 300-foot concrete-tied arch center span—one of only two modern concrete-tied arch bridges in the U.S.—with an elegant parabolic shape.

**North Coast Railroad Authority Freight Rail**—Addressing both historical and current environmental concerns, the Kleinfelder team—more than 60 staff members from 19 offices nationwide—demonstrated an innovative, multi-disciplinary approach to ensure regulatory compliance and timely startup of freight rail operations.

This large levee evaluation, remedial design, and construction project required the coordination of company-wide resources—including 235 professionals from more than 20 Kleinfelder offices—as well as 35 subcontractors.



**Natomas Levee Improvement Program**—The \$780 million Natomas Levee Improvement Program (NLIP) is an urgent assessment of 42 miles of recently decertified levees surrounding this historically agricultural but rapidly urbanizing basin. Serving as a prime consultant to the Sacramento Area Flood Control Agency (SAFCA), Kleinfelder assessed levee performance and made levee remediation recommendations to achieve a 200-year level of flood protection for the entire basin, the level now required by the State of California to protect urban areas. As the project progressed into construction, Kleinfelder's oversight helped SAFCA limit its risk exposure, make practical management decisions, and meet an accelerated project schedule.



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Kleinfelder's fast pace and concurrent quality control process enabled the client to begin construction as soon as possible on the highest risk levee reaches. In addition to potentially saving lives and property, this will lead toward recertification of the levees to lift the burden of high insurance rates on the residents and businesses.



*"We successfully mobilized seven design teams from around the country to perform a wide range of services across multiple phases of this project."*  
—Lynn O'Leary, Project Manager

**THE WATER MARKET**—Kleinfelder plays an integral role in helping to manage and protect water, one of our planet's most precious resources. In fiscal year 2011, our team of nationally recognized water experts successfully completed a range of major projects with complex issues, from levee and dam improvements to bridge replacements

and water infrastructure plans. Our achievements demonstrate collaborative teamwork, client focus, diverse capabilities, and project delivery excellence, resulting in solutions that meet and often exceed our water clients' unique requirements.

## WATER

### Narragansett Bay Commission, Field's Point Wastewater Treatment Facility Upgrade

Kleinfelder designed and is providing construction-phase services to upgrade the Field's Point Wastewater Treatment Facility, which will provide tertiary treatment to reduce nitrogen effluent concentration to 5 mg/l or less in order to reduce eutrophication of Narragansett Bay. The facility will be the largest in the world to employ the Integrated Fixed Film Activated Sludge (IFAS) wastewater treatment process for biological nitrogen removal. The 10 aeration basins each will be segmented into seven zones to facilitate the IFAS process. Additional facilities necessary to accommodate the IFAS process include four new screw pumps, nine new turbo aeration blowers, an intermediate screening building, and a chemical feed building.



### Truckee Meadows Flood Control

Kleinfelder's work on the initial stage of the USACE's \$1.5 billion Truckee Meadows Flood Control Project supported design and construction of flood control measures along the Truckee River to protect the lives, livelihoods, and property of Nevada citizens. Sharing resources and multi-disciplinary expertise from multiple offices nationwide, Kleinfelder performed under a compressed schedule, due to high risk of flooding, and applied its comprehensive knowledge of local geotechnical, geological, and groundwater conditions to deliver the right solution. The project will not only provide flood control, but also restore riverbank habitats and recreational usage while returning significant tax dollars to the local economy.

### Town of Framingham Comprehensive Wastewater Management Plan

When Kleinfelder was initially retained to resolve sulfide problems in its sewer system, the Town of Framingham (Massachusetts) was facing significant pressure from developers and regulators, along with other challenges of an aging system. Kleinfelder developed an Asset Management System that put all plans and maps into an easily accessible electronic GIS database and used a risk-based approach to prioritize capital improvements. The end result was a \$100 million Capital Improvement Plan that has provided the town with a roadway to renewing its aging infrastructure.



### Merrimack River Crossing

The Merrimack River Crossing in Manchester, New Hampshire, includes construction of nearly 5,000 feet of 20-inch water main for the city's water utility company. The project involved crossing the Merrimack River and an adjacent active railroad line in an environmentally sensitive area. Kleinfelder incorporated innovative techniques, such as pipe ramming and horizontal directional drilling, to construct the 900-foot crossing. The project enabled the city to connect two major sections of the distribution system, previously separated by the river, to provide more stable water pressures, enhance water quality, and improve the overall level of service to water customers.

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**Truckee Meadows Flood Control**—Kleinfelder successfully completed this project with its "One Company" approach using resource sharing capabilities to identify individuals and centers of expertise to best meet the client's needs.

**Field's Point Wastewater Treatment Facility Upgrade**—The \$75 million project will upgrade or replace aging treatment equipment and buildings throughout the facility, including a new LEED-certified operations building, improvements to grit handling and scum concentrator facilities, and replacement of mechanical equipment in 13 clarifiers.

Kleinfelder's employee-owners are known as innovators and thought leaders. Respected and sought after by industry peers, their individual and collective accomplishments transform our industry and better this world. Whether serving and guiding boards and committees, earning international recognition and awards, or pioneering breakthroughs, our talented problem solvers are regularly distinguished for their outstanding contributions and accomplishments. Here are some of the highlights from our past fiscal year.

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Paul Guptill describing point-load testing to Congressman Calvert, client Cathy Bechtel, and others.



#### Kleinfelder Wins ACEC Award of Excellence for ICE Project

Kleinfelder received the American Council of Engineering Companies (ACEC) Orange County Chapter 2010 Award of Excellence for its Irvine-Corona Expressway (ICE) Tunnels Feasibility Study under the project management of Paul Guptill.



#### Daniel Harpstead Elected President-Elect for Engineers Without Borders-USA

Daniel was named president-elect for Engineers Without Borders-USA for 2011 and will assume the role of president for the organization in January 2012. He has been a member of the Board of Directors and has been treasurer of EWB-USA for the past two years.

#### Kleinfelder Ranks 43rd On ENR's "Top 500 Design Firms" List

Kleinfelder ranked 43rd on *Engineering News Record* magazine's "Top 500 Design Firms" list for 2011, maintaining its similar position from 2010.

#### Kleinfelder Ranks 51st On ENR's "Top 200 Environmental Firms" List

Kleinfelder ranked 51st on *Engineering News Record* magazine's "Top 200 Environmental Firms" list. This is the highest the firm has ever sat on the list and marks a jump of 51 spaces over the past six years.



#### Dick Wells Selected to ACEC Executive Committee

Dick was among four new members elected to the American Council of Engineering Companies Executive Committee. He will serve a two-year term as vice chairman which began April 2011 at the ACEC's 2011 Annual Convention.

#### Kleinfelder's John Stewart Elected to AIPG Advisory Board

John was elected as an Advisory Board representative for the American Institute of Professional Geologists (AIPG). He will help provide input from local sections and assist the organization in ongoing planning.



#### Kleinfelder Earns Award for Innovative Bridge-in-a-Backpack

Kleinfelder received the American Council of Engineering Companies Grand Award for its use of Bridge-in-a-Backpack on the Auburn Bridge over the Royal River in Auburn, Maine. The pioneering technology has the potential to significantly change bridge building and replacement.

- **Alan Kuhn**—Received Diplomate in Geotechnical Engineering Certification from the Academy of Geo-Professionals
- **Jeffry Cannon**—Installed as President for the California Council of Testing and Inspection Agencies
- **Tony Martin**—Received Member of the Year Award from the American Public Works Association, Sacramento Chapter
- **Nazmul Haque**—Elected to the Board of Directors for the Society for Environmental Toxicology and Chemistry-Chesapeake and Potomac Regional Chapter
- **Kristina Braun**—Selected as Chairperson for the U.S. Green Business Council Maryland Programs Committee
- **Joe Zilles and Carol Hall**—Chosen as Planning Members for California Water Plan Update 2013, Forums and Caucuses
- **Ray Costa**—Won Francis N. Hveem Award for Outstanding Achievement in Geotechnical Engineering from the Geo-Institute of the American Society of Civil Engineers, Sacramento Section
- **Carol Hall**—Received Alliance of Hazardous Materials Professionals Champion of Excellence Award
- **John Moossazadeh**—Selected to the Academy of Fellows of the Society of American Military Engineers
- **Joel Carson**—Selected as Chairman of the ASFE External Relations Committee

- **Steve Geribo**—Named Life Member of the Boston Society of Civil Engineers Section
- **Fred Aufiero**—Named Life Member of the American Society of Civil Engineers
- **Forrest Erickson**—Appointed to the Kansas State Board of Technical Professions
- **Bill Naughton**—Elected Vice President of Programs for the Society of American Military Engineers, Boston Post
- **Stacey LeBlanc**—Elected to the State Bar of Arizona Law, Environmental and Natural Resources Law Section
- **Michelle Craig**—Received Sam Burks Award from the Northern California/Western Nevada Chapter of the American Concrete Institute
- **Joni L. Powell**—Elected to the Board of Directors for the Partnership for the Delaware Estuary
- **Siokey Gastelum-Galvez**—Elected President of the Society of American Military Engineers, Phoenix Post
- **Michael McGowan**—Elected Membership Chair on the Executive Board of the American Society of Safety Engineers, Penn-Jersey Chapter
- **Jeffrey Hale**—Selected to the Environmental Studies Advisory Board for Point Park University in Pittsburgh
- **Louis Bridges**—Appointed to the National Forest Resource Advisory Council

## 25th Professional Development and Technical Training Seminar

Our 2011 seminar was held March 4-5, 2011, in Denver, Colorado. This year's theme, "Proven Excellence: 25 Seminars, 50 Years," underscored Kleinfelder's commitment to professional development, technical excellence, and perpetuating the company's legacy throughout our 50-year history.

teams.excel.

Paper and poster presentations exemplify Kleinfelder's excellence in delivering the right solutions for our clients while advancing the technical and business skills of our fellow professionals.

The event also offered professional networking opportunities, receptions, and our much-anticipated Excellence Awards program where employee-owners and teams were honored for their contributions to our firm, our clients' projects, and our communities.

This year's winners are among our industry's best. Their personal accountability, teamwork, and desire to help Kleinfelder and its clients succeed underscores our proven excellence. Congratulations to all our award winners!

### PRESIDENT'S AWARD

#### I-15 Corridor Reconstruction (CORE) Design-Build, Utah

Jim Schmidt, Bret Lingwall, Spencer Davis, Jeff Hoffman, Jim Gingery, John Diamond

### WATER MARKET

#### Gold

##### Natomas Levee Improvement Program

Lynn O'Leary, Chris Nardi, Carol Hall, Mark Stanley

#### Silver

##### Truckee Meadows Flood Control

Scott S. Smith, Don Adams, Danny McCook, Bruce Hilton

#### Bronze

##### Narragansett Bay Commission's Wastewater Treatment Facility Upgrade

Mark Thompson, Ed DiSalvio, Jr., David Peterson, David Michelsen

### KLEINFELDER LEGACY SERVICE TROPHY

Denver, Colorado Office

### ENERGY MARKET

#### Gold

##### Pine Tree Wind Power Project

Larry Perko, Bill Gates, Chad Lukkarila, Kami Deputy

#### Silver

##### Trans-Allegheny Interstate Line (TrAIL)

Ashraf (AJ) Jahangir, Russell Perkins, Keith Yamatani, Bill Rinker

#### Bronze

##### Uranium Mill License Support

Alan Kuhn, Louis Bridges, Charlie Larson, Kris Allen, Courtney Vallejo, Meghan Vallejo

### TRANSPORTATION MARKET

#### Gold

##### Bridge-in-a-Backpack, Auburn, Maine

Matt Steele, Pam Hetherly, Thomas Marshall, Keith Wood, Jonathon Sipe, Dana Drouin

#### Silver

##### I-405 Sepulveda Pass HOV Widening Design-Build

Larry Perko, Eric Pond, Richard Luark, Bill Gates, Bob Lemmer, Jr., Endi Zhai

#### Bronze

##### Massachusetts State Police Facility at Logan International Airport

Mary Loden, Kathleen Ledoux, Ed DiSalvio Jr., Charles Sacre

### MAJOR COMMERCIAL, INDUSTRIAL, GOVERNMENT, AND INSTITUTIONAL MARKET

#### Gold

##### Framingham Comprehensive Wastewater Management Plan

Paul Brinkman, Steve Geribo, Mary Loden, Dave Peterson

#### Silver

##### Detailed Geologic and NOA Investigation in the Wilcox Aggregate Quarry, California

Richard Fink, Bradley Erskine, Byron Anderson, Sarah Kalika, Maya Rohr

#### Bronze

##### I-405 BTJV Renton Stage One Widening

Dan Berta, Jeremy Mason, Steve Chase, Naomi Nguyen, Alan Denger, Erik Hansen

### PRESENTATION AWARDS

#### POSTER SESSION

##### "Vapor Intrusion Investigation"

Mark Pate, Russell Keenan

##### "WTF – Where's the File?"

Melissa McKindley, Kim Harlow, Crystal Duran

#### PRESENTATIONS

##### "Methods for Characterization of Site Infiltration"

Eric Philips, Jeff Walker

##### "Going Off the Grid – Pittsfield, Massachusetts Wastewater Treatment Plant Renewable Energy and Efficiency Program"

Al Wells, Neil Kulikauskas

##### "Fast-Track Environmental Permitting of a Mineral Sands Surface Mine in Florida"

Steve Adams, Ed Murawski

##### "Major Utility Conflict for I-405 Design-Build Project and Kleinfelder's Solution"

Endi Zhai

##### "Turning Naturally-Occurring Asbestos into an Asset: An Example from the Wilcox Aggregate Mine, California"

Bradley Erskine

##### "A Mat Foundation Solution for Transmission Towers on Nearly 200 Feet of Recent Mine Spoils"

Keith Yamatani

##### "Compaction: It Looks Hard Enough to Me. Controlling Soil-Cement Spoils Backfill. The San Pablo Dam Experience."

Glen Gorski

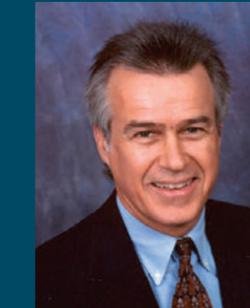
##### "Being Proactive Pays Off Big Time"

Mark Stillman

### SAFETY RECOGNITION

Our employee-owners' dedication to practicing safe behavior, demonstrated through continuous reduction in incidents and injuries, marks the collaborative effort of every individual across Kleinfelder. Working as a team, we remain focused on the health and safety of each other, as well as our clients, partners, and communities, to ensure we all return home safely, every day. Each location company-wide was recognized for its progress and improvements in keeping us safe.

## Don Douglas Award



### "Transmission Line and Linear Structure Foundations, A Study of Three Design Methods Looking for the 'Best'"

Jeff Dunn

The Don Douglas Award is given to the author of an outstanding paper presented at Kleinfelder's Tech Seminar. This year's winner, Jeff Dunn, will have the opportunity to travel to Australia to present his paper at the upcoming Douglas Partners Technical Seminar. The

exchange is part of a reciprocal relationship the two firms have enjoyed for more than a decade to share and honor employee talent.

Jeff, currently Senior Technical Discipline Leader, Surface Water Engineering, pointed out in his presentation that electric transmission lines, like other linear structures, can require literally thousands of deep foundation elements, most commonly drilled piers. Shortening each pier by just a few feet can result in significant cost savings. The paper highlighted several methods and computer models available to achieve a more cost-effective design.

Kleinfelder employee-owners are committed to advancing our industry and transforming communities around the world, making their expertise highly sought after for both industry publications and conference proceedings. Whether teaming with colleagues or delivering individually, our staff members make a difference through their valuable thought leadership.

**John Liao, Ph.D., P.E.** and Professor Shad Sargand, Ohio University  
 “Viscoelastic FE Modeling and Verification of a U.S. 30 Perpetual Pavement Test Section”  
*International Journal on Road Materials and Pavement Design*,  
 Article Volume 11/4 – 2010

**Indrani Ghosh, Ph.D.**  
 “Leaching of Metals from Fresh and Sintered Red Mud”  
*Journal of Hazardous Materials*, September 2010

**William C.B. Gates, Ph.D., P.E., P.G., P.Eng.**  
 “Relative Age Dating of Rock Avalanches by Comparing Rock Weathering Rind Thicknesses”  
*AEG News*, June 2010, Vol. 53, No. 2 Edition

**William C.B. Gates, Ph.D., P.E., P.G., P.Eng.**  
 “Geotechnical Considerations for Design of Soil Nail Walls and Rock Slopes, I-405 Freeway, Sepulveda Pass, Los Angeles, California”  
 American Rock Mechanics Association Symposium, June 2010

**Bruce Hilton, R.G., C.E.G. and Bill McCormick, C.E.G., P.E.**  
 “Use of Hi-Resolution LiDAR in Discovering the Polaris Fault, Martis Creek Dam, Truckee, California”  
 United States Society on Dams 2010 Annual Meeting and Conference, April 2010—Outstanding Paper Award

**Endi Zhai, Ph.D., P.E., G.E.**  
 “Geotechnical and Seismic Hazard Study for a Type F Site Development”  
*International Journal of Geomechanics and Geoengineering*,  
 Volume 5 Issue 1, 2010

**Adam S. Williams**  
 “Estimating the Squeeze Potential for Long, Deep Tunnels Beneath the Santa Ana Mountains of Southern California”  
 American Rock Mechanics Association Symposium, June 2010

**Keith Yamatani, M.ASCE, P.E. and Ashraf Jahangir, P.E.**  
 “Mitigating Risk and Managing Project Cost & Schedule on ‘Mega’ Transmission Line Projects: Beginning with the End in Mind”  
*GeoRisk 2011: Geotechnical Risk Assessment & Management*, June 2011

**Laura LaRiviere, P.E. and Rebecca Allen, P.E.**  
 “Integrating Dam Inspection Skills into Safety Evaluations for Levees and Canals”  
 United States Society on Dams 2011 Annual Meeting and Conference, April 2011

**John Liao, Ph.D., P.E., Craig A. Hall, G.E., and Sadek M. Derrega, C.E.G.**  
 “Mechanism of a Preexisting Landslide Triggered by Rainfalls in Concord, California”  
 ICTPA 24th Annual Transportation Conference and 2011 NACGEA International Symposium on Geo-Trans, May 2011

Our corporate teams work hard, collaborating across functional and geographic boundaries to deliver the strategies, infrastructure, programs, and support that enable all of our employee-owners to work together seamlessly as “One Company.” Whether it’s managing data and systems, promoting our brand, reducing risk, or crafting policies, our teams’ collective efforts cultivate an environment where every staff member can develop professionally, communicate efficiently, work safely, and achieve success for themselves, the company, and our clients.

teams.collaborate.

#### Corporate Accounting and Finance

*In fiscal year 2011, our Corporate Accounting and Finance teams drove several internal and external accomplishments, including:*

- Successfully completed the acquisitions of Buys & Associates and LPG Environmental & Permitting Services in December 2010, and integrated their accounting and finance systems within 30 days.
- Continued to expand employee ownership opportunities through the Kleinfelder Stock Ownership Plan while using funds to increase liquidity to our employee stock ownership plan trust.
- Configured, tested, and implemented multi-currency functionality into our financial systems to support the company’s expansion into Australia and Guam.

- Expanded corporate payroll services to serve our expatriates in Australia, Australian nationals, and transferred employees in Guam.
- Adjusted and streamlined our corporate financial systems in alignment with, and to support management of, Kleinfelder’s new organizational structure for fiscal year 2012.



*Our employee-owners collaborate with each other to ensure Kleinfelder is operating efficiently and effectively as “One Company.”*



Kleinfelder developed standardized exhibit properties to reinforce our brand at various industry events around the country.

### Corporate Marketing and Communications

The Corporate Marketing and Communications (CMC) team continued to define strategies and provide resources for external and internal communications that position Kleinfelder as a true industry leader. CMC managed a variety of programs to solidify our company brand perception, strengthen client relationships, and promote our success, while upholding an internal culture of honesty, fairness, and accountability.

#### As part of CMC's achievements in fiscal year 2011, we:

- Successfully distributed information on key company initiatives—including our new organizational structure, corporate acquisitions, Kleinfelder's 2015 Strategic Direction, and 50th anniversary celebration—through integrated internal communications, including the corporate intranet, quarterly business updates, manager communication toolkits, and other media.
- Increased Kleinfelder's positive brand awareness more than 100% over the past two years by leveraging various marketing and communications vehicles, including advertising, media relations, social networking, events, collateral, online marketing, client reference, and internal education.
- Achieved an 800% return on investment from our media relations efforts, up from 650% in 2009, through additional media placements that generated increased company exposure and brand awareness.
- Further enhanced event marketing, through disciplined strategy, planning, execution, and measurement in alignment with Kleinfelder's corporate and market-specific goals, and also developed new standardized exhibit properties to reinforce our brand.

- Continued to focus on producing greener communications by converting more print collateral to electronic format and leveraging online distribution systems, aligned with what our clients have asked for: brevity and electronic vehicles.
- Expanded our portfolio of innovative, sustainable, and fun eStore items enabling our employee-owners, clients, and business partners to promote Kleinfelder anywhere, any time.

Through strategic marketing planning, a comprehensive suite of marketing and communication tools, and programs to promote our core values, capabilities, experiences, and success together, CMC continues to position Kleinfelder for further growth.



Across the company, Kleinfelder employee-owners are committed to working safely. Proactively identifying and measuring factors that reduce risk remains a high priority.

### Health and Safety

Our Health and Safety programs, including our Loss Prevention System (LPS), provide our employee-owners with the support and tools to proactively identify and measure performance and behavior factors that reduce risk and result in success.

Since its initial implementation in 2007, LPS continues to make headway within the company, as evidenced by our completion of 4,400 Loss Prevention Observations and 760 Near Loss Investigations in calendar year 2010. As a result of these efforts, Kleinfelder experienced the fewest total number of injuries, which also resulted in the lowest OSHA total recordable and days away, restricted, and transferred (DART) rates since 1996.

#### Our reactive metrics have indicated significant progress over the past 14 years, as shown below:

- OSHA total recordable injury rate was 1.01, the lowest in 14 years, and down 38% compared to 2009, and is a 76% reduction compared to the high of 4.26 in 1998.
- OSHA restricted duty injury rate was 0.05, the lowest in 14 years, and down 50% compared to 2009.
- OSHA DART rate was 0.35, the lowest in 14 years, and down 15% compared to 2009.
- Interstate Workers Compensation Insurance Experience modification rate for 2011 will again be 0.95, the lowest since 2004.

### Human Resources

The Human Resources (HR) team provides beneficial programs and services that support the success and well-being of Kleinfelder's employee-owners and their families. HR's diligent attention to industry best practices and their dedication to advancing these within the firm have directly resulted in initiatives that have made a significant difference in Kleinfelder's work environment.

#### Through the year, our HR team:

- Further engaged a global workforce by developing and providing a full spectrum of HR services—including compensation, benefits, employee relations, compliance, immigration, recruiting, and relocation for employees transferred to Australia and Guam.
- Continued to provide resource sharing support for a large number of internal assignments, both temporary and long-term, supporting our direction to perform as "One Company" for our clients.
- Successfully integrated employees from acquired companies, Buys & Associates and LPG Environmental & Permitting Services.
- Implemented and integrated a new recruiting system with other company systems resulting in more efficient and successful recruiting processes.
- Enhanced our benefits offering with the addition of a High Deductible Health Plan with Healthcare Savings Account.

- Continued to provide numerous online training and development courses, covering New Employee Orientation, safety programs, monthly featured courses, new market overviews, information technology applications, and leadership skills.
- Helped redesign the Kleinfelder Marketing System (KMS) to refine the market pursuit process and link between markets, clients, relationships, and projects.
- Through Kleinfelder's Diversity Steering Committee, identified companywide key initiatives that address diversity awareness, inclusion, and mentorship programs.
- Won the American Council of Engineering Companies California Professional Development Gold Award in recognition of our superior continuing education programs.

### Information Technology Services

Kleinfelder's Information Technology Services (ITS) team saw many changes during fiscal year 2011, resulting in more efficient, results-oriented delivery to internal and external customers. This was the start of a multi-year plan to upgrade the systems and services for employee-owners, as well as our clients, and continue providing innovative, industry-transforming solutions.

#### Among our many accomplishments this past year, we:

- Consolidated multiple separate groups, including acquired resources, into one cohesive ITS team to enable more rapid decision-making and improve service delivery across the entire company.
- Made significant investments in our network, infrastructure, software, processes, and services to increase standardization, performance, usability, collaboration, and overall company productivity.
- Successfully integrated recently acquired companies into Kleinfelder's network, providing access to standard financial, HR, IT, safety, and other business systems.
- Prototyped and put into production lab and field data collection systems for projects to improve productivity and data quality and free resources to focus on higher value tasks.
- Established an international IT infrastructure—including network connections, servers, computers, and software—to support startup and ongoing operations in Australia and Guam.

The Kleinfelder Corporate Social Responsibility (CSR) Program encourages every employee-owner to proactively promote what's best for our communities. Kleinfelder teams support our corporate efforts, as well as individual office activities, allowing us to exponentially impact our communities for the better. Our focus on four essential pillars—disaster relief, diversity, sustainability, and volunteerism—enables us to contribute resources where they're needed most and make a real and lasting difference.

teams.contribute.

#### Disaster Relief

Kleinfelder helps mitigate the devastating effects of both national and international disasters and supports those who are affected through monetary, supply, and volunteer contributions. We understand that no matter where a disaster strikes, our families, clients, associates, and neighbors will be affected. That's why this year our employee-owners generously donated to Japan's earthquake relief efforts through the American Red Cross, with Kleinfelder providing a matching donation to honor their spirit of giving. In addition, Kleinfelder staff donated 400 hours of paid time off to our Catastrophic and Natural Disaster Fund and provided more than \$8,000 to aid those needing additional time away from work to recover from devastating life events.

#### Diversity

Kleinfelder promotes a culture where diversity is respected and valued. We recognize that all people can enrich our surroundings through their unique qualities, skills, ideas, and experiences, and that such diversity brings vibrancy and strength, not just to our company, but to society as a whole. In fiscal year 2011, Kleinfelder's Diversity Steering Committee focused its efforts on creating mentor programs, diverse employee resource groups, leadership diversity training, and outreach organizations specifically for diversity in our industry. Kleinfelder continues to grow more culturally rich and diverse, working with other such companies, and contributing to community groups that aid people from a myriad of backgrounds.

#### Sustainability

Kleinfelder understands that the success of our business is inextricably linked with our sustainability practices, and that sustainability is now a pre-qualifier for many clients and projects. In fiscal year 2011, Kleinfelder made significant progress in becoming an even more sustainable company, including the development of a companywide tracking system to monitor our energy, carbon, and water footprints. Moreover, Kleinfelder became one of the few firms in the U.S. to gain American National Standards Institute (ANSI) accreditation for international greenhouse gas inventory and verification practices. We also continued to implement policies around more resource-efficient offices, alternative forms of transportation, and increased recycling. In addition, we formed two new sustainability-focused practice groups and established a senior leadership position to spearhead the company's internal and external sustainability efforts.

#### James H. Kleinfelder Fellowship at UC Berkeley

In honor of our founder, Kleinfelder established the James H. Kleinfelder Fellowship in Geotechnical Engineering at the University of California, Berkeley, Jim's alma mater. The \$10,000 annual donation is awarded to a graduate student in the geotechnical engineering field and serves to aid in easing the burden of increasing costs associated with higher education. The second fellowship was awarded to Nicholas Devlin in the spring of 2010.



#### Volunteerism

Kleinfelder employees contribute to their communities and give of themselves in ways that make the world a better place to live. Our company encourages and recognizes individual volunteer efforts, while investing in coordinated programs that enhance community impact and inspire teamwork. This year, we have expanded our companywide volunteer efforts through a three-year commitment to support Ronald McDonald House Charities, providing employees nationwide an opportunity to help others. Internationally, Kleinfelder continues to support Engineers Without Borders, with our own Daniel Harpstead named president-elect of the organization. Also, several employees support the industry's ACE Mentor Program. Throughout the country, teams of employees contribute to many homeless, food, and animal shelters,

as well as blood drives, Habitat for Humanity®, the Susan G. Komen Foundation, Action Against Hunger, Toys for Tots, Make-a-Wish® Foundation, Goodwill, Adopt-a-Family, Adopt-a-Platoon®, and others. Their selfless volunteerism and donations have helped improve peoples' lives and communities throughout the world.



#### Legacy Service Trophy

Our third annual Kleinfelder Legacy Service Trophy was awarded to the Denver, Colorado, office. Their outstanding efforts in supporting the four pillars of the Kleinfelder Corporate Social Responsibility Program—disaster relief, diversity, sustainability, and volunteerism—remind all Kleinfelder's employee-owners that, by working as a team, they have the power to make a difference in everything they do.

#### The following are a few examples of Denver's achievements in CSR:

- Conducted a "Materials Engineering" presentation and lab tour for 30 Denver area high school students, as part of the Society of American Military Engineers' Engineering Explorers Program.
- Sponsored and served as mentors for "Future City," a community program that promotes engineering and technological interest to middle school students.
- Volunteered nearly 250 hours of "handyman" service at the Hope House of Colorado, supporting teen mothers in the community.
- Collected and donated clothing, toys, school supplies, household goods, and food to the Jefferson County Action Center, which helps families with basic living needs.
- Participated in a worldwide moustache-growing event, "Movember," that creates awareness around men's health issues and raises funds for the Prostate Cancer Foundation.
- Hosted multiple blood drives to support their local Children's Hospital, where this blood supply is transfused into sick and injured infants, children, and teens.
- Instituted an office sustainability initiative resulting in paper reduction/reuse, elimination of disposable kitchenware, decreased energy usage, and an increased amount of recycling.
- Supported Engineers Without Borders-Denver with various activities, including:
  - Raised more than \$250 through EWB-Denver's 2010 Sand Sculpture Contest for ongoing sustainable projects in Africa and South America.
  - Raised more than \$700 through a local adventure race, with proceeds going to an EWB project in Madagascar.
- Participated in the Friends of Red Rocks monthly cleanup activities, including planning of the native garden, recycling, graffiti removal, and noxious weed removal.
- Contributed \$400 to their local United Services Organization chapter for telephone calling cards sent to deployed troops during the holiday season.
- Donated funds to the Boulder County Humane Society to help house more than 50 displaced pets during one of the largest forest fires in Colorado history.

## August 2011 | Dear Shareholders,

Kleinfelder's fiscal year 2011 (FY11) marked the end of a major ownership transition that began in FY07. The company had planned for, and executed a strategic financial plan in 2006, to buy back almost 40% of its outstanding shares from several retiring shareholders, over the course of the next five years. This included executing two new bank credit facilities and several other strategies to increase liquidity and equity, including: the establishment of the Kleinfelder Stock Ownership Plan (KSOP); the use of stock for a portion of the purchase of all of our acquisitions; and the establishment of minimum requirements related to the retention of company earnings. Following are statistics related to this transition:

- Shares retired over the five years: 1,478,262 (37.4%)
- Dollar value of retirements: \$40.8 million
- Book equity at start of transition (FY07): \$29.3 million
- Book equity at end (FY11) of transition: \$49.7 million, representing a 70% increase
- Shares outstanding at start of transition: 3,954,665
- Shares outstanding at end of transition: 2,944,465, a decrease of 25.5%
- Share price increase over the five-year period: 16.0%

During this period, we retained \$38.7 million in earnings and paid out \$15.1 million in Employee Stock Ownership Plan (ESOP) contributions and \$9.5 million in bonuses. This represents the priorities established in the strategic financial plan to ensure the financial strength of the company, provide for retiring shareholders, including ESOP participants, and reward employee-owners through bonus and ESOP contributions. In FY07, we had a book equity of \$29.3 million, and over the next five years we retired \$40.1 million in equity. We ended FY11 with \$49.7 million in book equity; hence, we actually created \$60.1 million in new equity during that five-year period. This is evidence that the plan we developed in 2006 was executed successfully.

Despite being impacted by recent economic challenges, our focus on a strong balance sheet has enabled us to control our destiny and continue to grow our business through acquisition. Since November 2009, Kleinfelder has completed four acquisitions, more than any other similar time period in the company's history.

Our FY11 results were mixed. Financially, we performed similarly to the previous year. In many non-financial areas and some key financial areas, we performed very well. Adjusting for one-time events related to our acquisition activity, we finished the year slightly ahead of FY10 results. Revenues were again down on an organic basis, compared to FY10, compelling us to adjust staffing levels. Our focus on acquisitions brought Buys & Associates, Inc. (Buys) and LPG Environmental & Permitting Services, Inc. (LPG) into the Kleinfelder family in FY11, further strengthening our performance and capabilities. Net revenues from these two acquisitions in FY12 are expected to be \$8 million.

Gross revenue in FY11 was \$297.4 million, or \$2.6 million higher than FY10, a 0.9% increase. Net revenues increased by \$1.1 million, or 0.5% over FY10. Excluding the first-year effects of our SEA Consulting, Inc. acquisition in late 2009, as well as the year-to-date net revenue of Buys and LPG, organic net revenue would have been down \$24.3 million, or 11%, over FY10. The decline was attributable to the continuing economic situation, primarily impacting the company's materials engineering and lab testing services, as well as our other geotechnical-related services. FY11 gross margin, a measure of revenue minus direct costs, was \$126.9 million or 57.0% of net revenue, compared to FY10, where gross margin was \$129.1 million, or 58.3% of net revenue.

Our backlog of work remains strong. At the close of FY11, it was \$240.7 million, an increase of more than 12%, compared to FY10. This increase in backlog was partially due to the Buys and LPG acquisitions, but primarily from legacy operations, potentially signaling a change in the overall economy and a shift in our services.

Our FY11 operating income, excluding net interest expense and acquisition-related costs, was \$17.6 million, compared to \$17.2 million in FY10, an increase of \$0.4 million, or 2.3%. Stated as a percentage of net revenue, operating income was 7.9%, compared to 7.8% in FY10. We had a net reduction in headcount in FY11 of nearly 200 employees, reflecting the continuing slowdown in the overall economy. Severance costs related to these staff reductions were \$1.2 million, compared to severance costs in FY10 of \$0.7 million, an increase of \$0.5 million or 80.5%.

Kakona Insurance Company, Inc. had operating income, before interest income and net investment income, of \$3.8 million in FY11, compared to \$2.4 million in FY10. The \$1.4 million increase in operating profit was due primarily from a reduction in the loss reserves for Kakona in FY11, versus FY10.

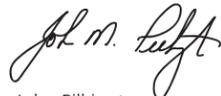
Our discretionary distributions to the ESOP and bonus pool were lower in FY11 at \$1.3 million, compared to FY10 of \$3.6 million, a decrease of 63.9%. Funding of discretionary pools is based largely on previously established board-approved parameters regarding company performance. We fell short of our FY11 plan, so discretionary distributions were significantly lower.

Cash and investments were \$21.5 million in FY11, compared to \$21.3 million in FY10, so nearly unchanged from our prior year. Days sales outstanding was at an all-time low of 70.5 days in FY11, compared to 78.1 days in FY10. The positive performance in billing and collecting for our services kept our bank debt at very low levels, even after funding our acquisition activity.

Total short and long-term debt in FY11 was \$45.8 million, an increase of \$4.0 million, compared to FY10. The increase in debt was primarily due to the acquisitions completed at year-end and the timing of the final payroll of the year. Even with the increase in debt, our debt-to-equity ratio remained virtually unchanged, as the increase in equity offset the increase in debt.

Total stockholder equity in FY11 increased by \$5.2 million to \$49.7 million, or 11.8%. The increase was primarily due to an increase in retained earnings in FY11, plus the issuance of new stock related to the acquisitions of Buys and LPG, offset by the repurchase of shares from retiring or terminated shareholders.

Kleinfelder's FY12 plan includes improved performance over the prior two years' results. Operating results for the first two months of this new fiscal year show significant improvement over the fourth quarter of FY11, but still behind our FY12 plan. Achieving our plan in FY12 will be dependent on meeting our utilization and multiplier goals and producing the volume of billable hours to cover our cost of operations. I believe that we can achieve our plan, though it will take dedicated effort from all our employee-owners to deliver and maintain the financial health of our firm.

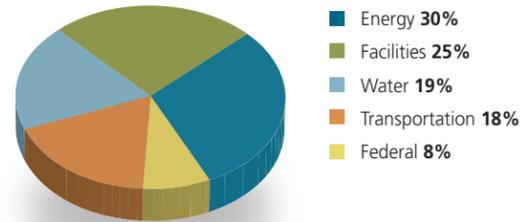


John Pilkington  
Chief Financial Officer

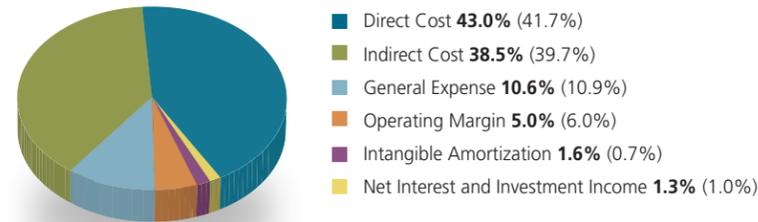
(dollars in thousands)	2011	%	2010	%	2009	%
<b>OPERATING RESULTS</b>						
GROSS REVENUE	\$297,363	133.6%	\$294,810	133.1%	\$305,282	132.5%
Less Outside Service Cost	74,854	33.6%	73,380	33.1%	74,895	32.5%
NET REVENUE	222,509	100.0%	221,430	100.0%	230,387	100.0%
Less Direct Cost	95,617	43.0%	92,314	41.7%	96,528	41.9%
GROSS MARGIN	126,892	57.0%	129,116	58.3%	133,859	58.1%
Less Office and Division Indirect Costs	85,779	38.6%	87,757	39.6%	94,196	40.9%
Less Intangible Amortization	3,642	1.6%	1,642	0.7%	819	0.4%
DIVISION OPERATING PROFIT	37,471	16.8%	39,717	17.9%	38,844	16.9%
Less General Expense	23,500	10.6%	24,118	10.9%	17,751	7.7%
Less Interest and Investment Income	2,889	1.3%	2,250	1.0%	3,300	1.4%
OPERATING MARGIN	11,082	5.0%	13,349	6.0%	17,793	7.7%
Less Bonus and ESOP	1,272	0.6%	3,606	1.6%	5,000	2.2%
PROFIT BEFORE TAX	9,810	4.4%	9,743	4.4%	12,793	5.6%
Less Income Tax	1,661	0.7%	2,580	1.2%	3,498	1.5%
NET INCOME	8,149	3.7%	7,163	3.2%	9,295	4.0%
OTHER COMPREHENSIVE INCOME (LOSS)	—	0.0%	691	0.3%	(589)	-0.3%
COMPREHENSIVE INCOME (LOSS)	8,149	3.7%	7,854	3.5%	8,706	3.8%
<b>OTHER FINANCIAL DATA</b>						
Cash and Investments	\$21,489		\$21,295		\$24,904	
Current Assets—excluding cash and investments	77,287		79,805		73,499	
Fixed Assets—net	9,142		7,970		6,623	
Other Assets	35,721		33,906		21,136	
Assets of Discontinued Operations	—		—		—	
Total Assets	143,639		142,976		126,162	
Current Liabilities	50,856		54,460		51,064	
Long-term Liabilities	43,088		44,063		35,382	
Liabilities of Discontinued Operations	—		—		—	
Stockholders' Equity	49,695		44,453		39,716	
Current Ratio	1.9		1.9		1.9	
Debt to Equity (includes sub-debt) Ratio	1.0		1.1		1.1	
<b>Change From Prior Year</b>						
Net Revenue	0.5%		-3.9%		12.9%	
Operating Margin	-17.0%		-25.0%		24.5%	
Interest Bearing Debt	50,103		50,425		42,485	

### The Kleinfelder Group Financial Highlights Years Ended March 31, 2011, 2010, and 2009

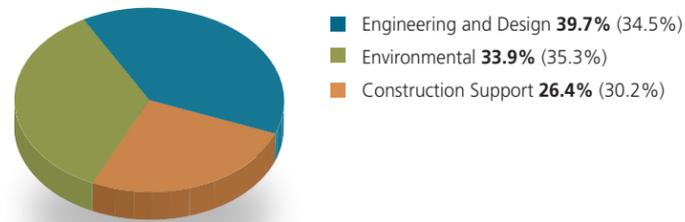
**GROSS REVENUE BY MARKET**



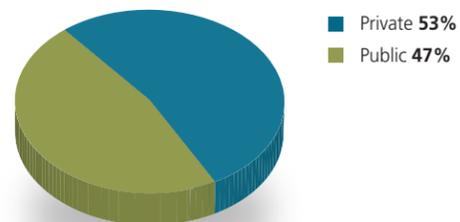
**NET REVENUE BREAKDOWN**



**NET REVENUE BY CATEGORY**

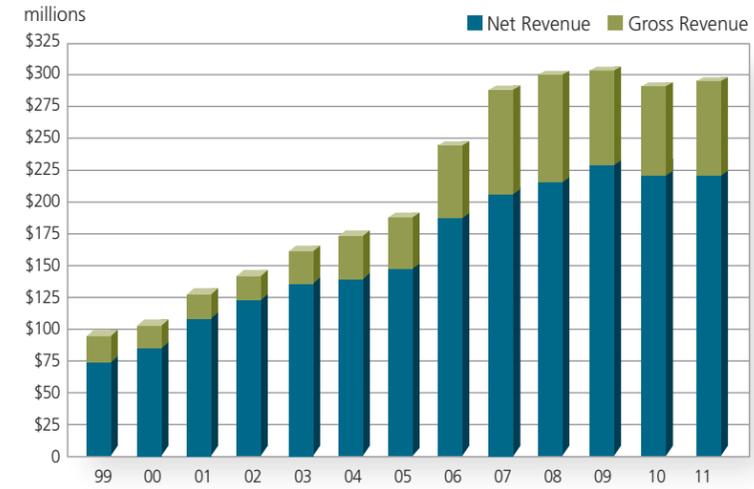


**GROSS REVENUE BY SECTOR**

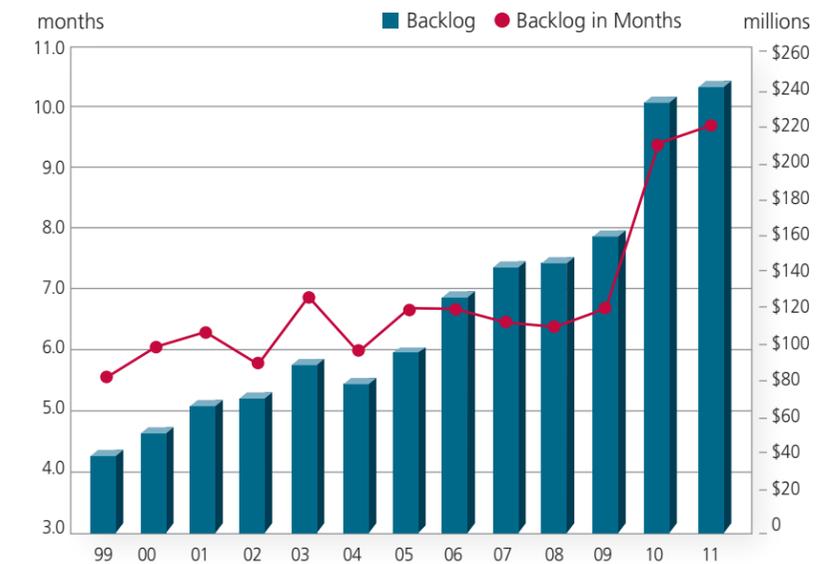


(FY10 percentages in parentheses)

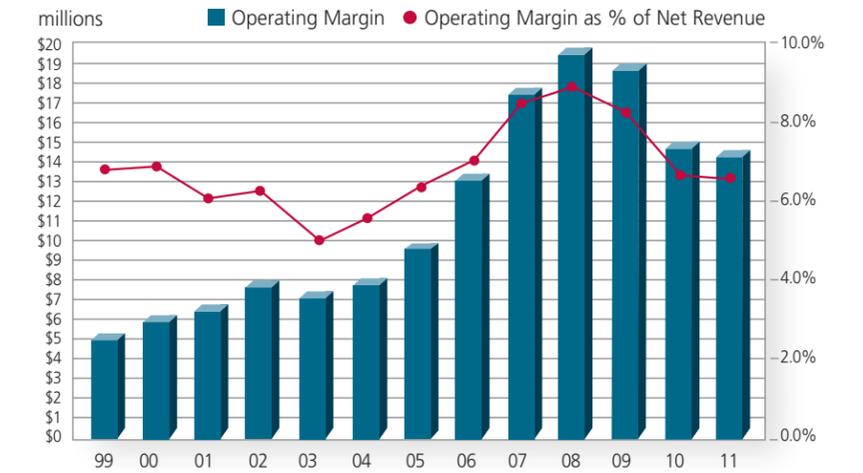
**REVENUE**



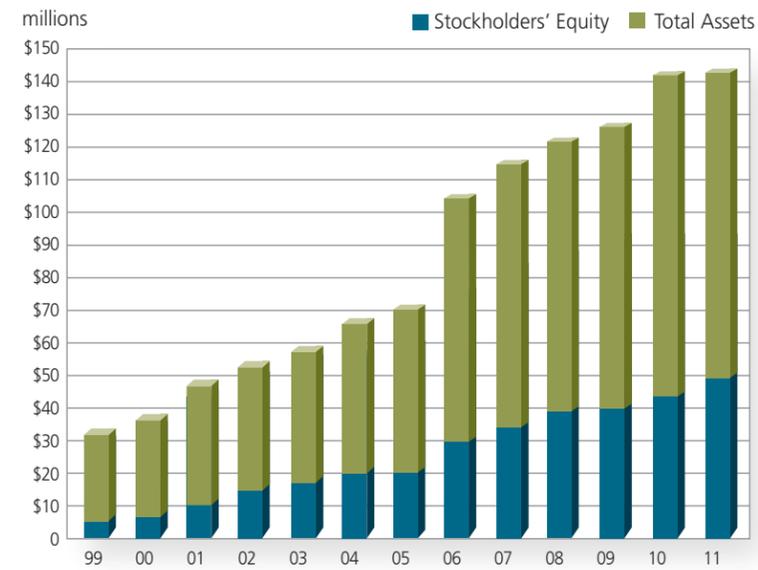
**YEAR-END BACKLOG**



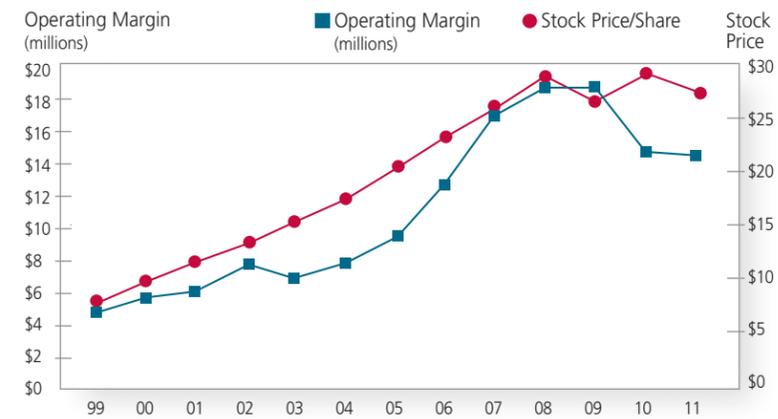
**OPERATING MARGIN**



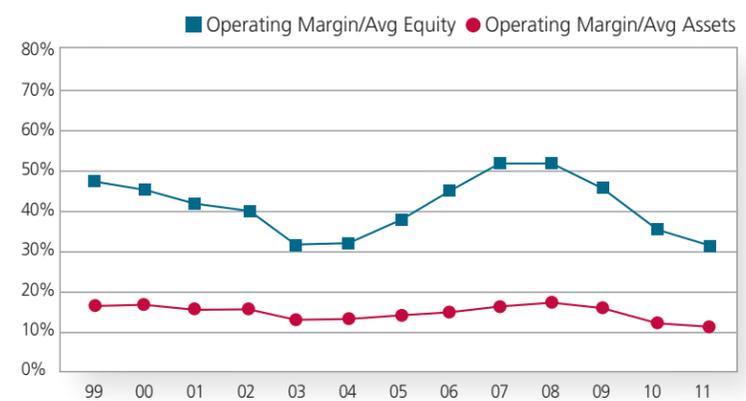
**TOTAL ASSETS AND STOCKHOLDERS' EQUITY**



**OPERATING MARGIN AND STOCK PRICE**



**RETURN ON EQUITY\* AND ASSETS**



\* Equity includes convertible sub-debt

**BOARDS OF DIRECTORS**

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- Michael P. Kesler
- John Moossazadeh
- Bartlett W. Patton
- Donald L. Pomeroy
- Kevin E. Pottmeyer
- Nancy L. Shanik
- Thomas R. Warne

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- Charles S. Alpert
- John A. Baker
- Catherine Gee
- John S. Lohman
- Nancy L. Shanik
- David E. Thompson



Our thanks to the many Kleinfelder employees who are pictured throughout this annual report.



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trees	water	energy	solid waste	greenhouse gases
5 fully grown	2,281 gallons	1.5 Million BTUs	139 pounds	474 pounds

Calculations based on research by Environmental Defense Fund and other members of the Paper Task Force.  
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