



RESOURCES WITHOUT BOUNDARIES

2012 ANNUAL REPORT

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Resources without Boundaries

We are architects, engineers, and scientists **working together** to meet the world's most complex infrastructure challenges.

Leveraging our **global network** of nearly 2,000 professionals and multi-faceted services, we have the resources to lead projects of any size, anywhere on the planet, from strategy through completion.

We hold nothing back, quickly **mobilizing the best teams** for each unique client, challenge, and project, to deliver precisely targeted solutions with lasting impact.

Kleinfelder's growth and success in fiscal year 2012, amidst continued market and economic challenges, is attributed to our **resources without boundaries**—for the good of our clients, our communities, and the world.

Resources without Boundaries

PRESIDENT'S MESSAGE

I AM PLEASED to report another solid year where we achieved a great number of short-term goals and also significantly added to our ability to deliver any project, of any size, anywhere on the planet—demonstrating the power of resources without boundaries.

This annual report showcases our employee-owners and their continued excellence, our clients and their many interesting and challenging projects, and the measurements we use to demonstrate our continued financial health and strength.

The ability to deliver for our clients is the result of a determined course of action. It requires a clear vision for the company, the willingness to adapt to better serve our clients, and confidence in and commitment to our many employee-owners. Below is a selection of highlights from our past fiscal year that illustrates this determined course of action.



Bright People

We continued to invest in hiring, developing, and promoting the best people in the business. As exemplified by our annual Professional Development and Technical Training Seminar and the establishment of Kleinfelder's Global Technical Network, we continue to invest in programs to improve skills and abilities while fostering individual career development. I believe we have a talented group of individuals who are capable of adding greater value than ever to our clients.

Commitment to Safety

This past year, Kleinfelder again posted records with respect to the safety of our employee-owners. We continue our use of the Loss Prevention System™ (LPS) and have started to use this behavior-based system not just for safety, but for all company activities.

Client-Focused Structure

This last year, we took the final and biggest step in our transformation to a market- and client-based organization. We are now fully focused on understanding our clients better and using all the company's resources, wherever they are located, to deliver the right solutions for their needs. We are clearly benefiting from this focus, as demonstrated by our record backlog, client satisfaction, and improved profitability.

Expanded Service Offerings

We continue to expand the breadth and depth of our service offerings for our clients. We added new service lines, such as electrical/power engineering, and expanded our capabilities in rapidly growing services, such as environmental planning and permitting and civil/site design. We also took steps to organize and innovate around long-time core service offerings, such as geotechnical and materials engineering, maintaining our leadership position within the industry.

Global Reach

Kleinfelder significantly grew our Australian footprint and established permanent operations in Canada. We executed projects in locations from Europe through the Americas to Asia. Domestically, we added a new geographic location and environmental offerings through the acquisition of Corrigan Consulting in Houston, Texas, and added expanded environmental planning and permitting services through the acquisition of InSite Environmental in Stockton, California.

Financial Performance

In economic conditions that continue to weigh on our industry, Kleinfelder had its best year since the start of the "Global Financial Crisis" and the most recent recession. Although our net revenue was slightly below our targets, we achieved our profit goals, as measured by earnings before interest, taxes, depreciation, and amortization (EBITDA). Our EBITDA percentage increased year-over-year, reflecting improved operating efficiency, and we are arguably in the strongest financial position in company history.

Our financial results are a measure of the company's continued performance, and we remain in an enviable position among industry counterparts. More importantly, our financial performance enables us to maintain the fiscal health of the company, to fund the growth and development needed to maintain and improve our market position, and to secure the investments of our employee-owners. Simply put, our financial performance goes hand-in-hand with our steps to invest in, position, and ultimately grow the company to achieve our vision.

For fiscal year 2013, we have set goals for growth and improved financial performance. We will continue to add to Kleinfelder's capabilities and capacity through both organic and acquisitive growth. In fact, we fully expect to actively add new employee-owners, as well as a number of domestic and international firms, to further expand our global reach and capabilities. With our existing backlog, our activity in the merger and acquisition arena, and the continued development and increased efficiency of our employee-owners, we have the potential for another year of success.

Amidst all the challenges and accomplishments of this past year, I want to point out that we continued to maintain one of the most important aspects of our culture and our legacy—our status as an employee-owned company. In a time of significant industry consolidation, market pressures, economic uncertainty, and generational change, Kleinfelder continues to adhere to our vision and do what is necessary to maintain our position as one of the leading employee-owned companies of our type in the world.

By executing a determined course of action, through the efforts of our dedicated employee-owners delivering resources without boundaries, I am pleased to report a successful year and a very bright future for Kleinfelder.

Bill

William C. Siegel, PE

President and CEO

Increased Application of Technology

This past year was the second of a three-year program of additional investment in information technology (IT) and other operational and support systems. These investments are important for both the increased capabilities and efficiencies of our employee-owners and so we can add greater value to our clients. This last year saw innovation and dramatic improvements in many areas, including our IT infrastructure, application software, and corporate messaging and communications.



Bill Siegel addresses employee-owners at the 26th Professional Development and Technical Training Seminar.

2012 ENERGY MARKET

" OUR VISION is to profitably grow Kleinfelder's business by efficiently delivering multi-faceted services to select power and oil and gas clients globally. We are focused on understanding and responding to each client's unique requirements by applying the right talent, services, and technology on every project. As a client-facing organization, we continue to exceed expectations with insightful, innovative solutions that solve problems and create new opportunities for success. The Energy Market's positive results in fiscal year 2012 are a testament to Kleinfelder's talent, commitment, and ability to deliver unsurpassed technical expertise when and where our clients need it."



Ashraf (AJ) Jahangir,
Energy Market
Manager



Southern Hills Pipeline Environmental Surveys

To help our client create new natural gas liquids transportation capacity from the mid-continent U.S. to premium Gulf Coast markets in Texas, Kleinfelder provided comprehensive environmental planning and permitting services for the 250-mile Southern Hills Pipeline expansion. Kleinfelder quickly mobilized staff from multiple offices nationwide to efficiently conduct environmental surveys leveraging the company's advanced geographic information system (GIS) capabilities. As a result, Kleinfelder has helped our client avoid potential impacts to waterways, threatened and endangered species, and cultural resources, while enabling construction to proceed ahead of schedule.



ExxonMobil Australia Cost-to-Closure Portfolio

Kleinfelder has received a cost-to-closure contract from ExxonMobil Australia Pty Ltd to provide environmental assessment and remediation services for 136 former retail, depot, and terminal facilities in Australia. Leveraging valuable client insight, in-country expertise, and a strong teaming network, Kleinfelder will ensure timely and compliant closure of the portfolio with cost certainty. This five-year, multi-million dollar contract strengthens Kleinfelder's relationship with ExxonMobil, grows our presence in Australia, and creates opportunities for global expansion in the Asia-Pacific market.



Lone Star CREZ Transmission Line Construction

As part of a Competitive Renewable Energy Zone (CREZ) project, Lone Star Transmission is building more than 315 miles of transmission lines to deliver wind-generated electricity throughout Texas. As owner's

engineer, Kleinfelder is providing geotechnical engineering, design support, and construction oversight, pooling experts companywide to address challenges associated with diverse geologic conditions. Concrete monopoles were used for the majority of the line, resulting in less visual impact and required right-of-way. Kleinfelder's proactive communication and collaboration through each phase has helped mitigate potential issues, while keeping the project on budget and schedule.

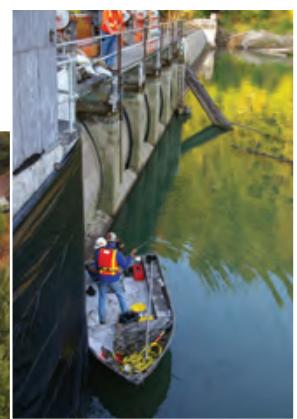


Lakeland Electric Airport Photovoltaic Solar Project

Kleinfelder is owner's engineer for this major photovoltaic (PV) solar project in Florida, which involves construction of two PV plants on 45 acres that will export power directly to the utility grid. Upon completion, it will be the largest airport solar project in the U.S. Kleinfelder is addressing entitlements, protected species habitats, and building code conformance, in addition to interconnection management and engineering design for geotechnical, structural, civil, and electrical requirements. Drawing on companywide expertise, Kleinfelder has helped creatively and efficiently solve project design issues, saving our client SunEdison time and money.

HYDROELECTRIC PROJECT DECOMMISSIONING

Located in Washington, this is the second largest dam to be decommissioned in the U.S. As owner's engineer, Kleinfelder is coordinating a multi-disciplinary effort to complete the project in the most timely, environmentally responsible, and cost-effective manner, while satisfying stringent regulatory requirements. By understanding and successfully addressing our client's unique challenges, Kleinfelder remains a trusted advisor for keeping this high-profile dam removal project on track.



THOUGHT LEADERSHIP PAPER "Energy Versatility and Interdependence"

www.kleinfelder.com/energy-insight
[READ MORE](#)

KEY WIN

Chesapeake Energy and M3 Midstream— Utica Shale Projects: siting, routing, design and construction for pipeline and compressor stations; air, water, waste, and land development permitting for gas processing facilities (cryogenic and fractionation)

AWARD HIGHLIGHT

Reactive Capping System for Remediation of Manufactured Gas Plant Impacted Sediments (Poughkeepsie, NY)—Electric Power Research Institute, Environment Sector Technology Transfer Award

PUBLICATION

"The Future of Solar Power: Adding 'Environmental Sustainability' to the Clean, Green Energy Mix"
North American Clean Energy, March 2012
Blair Loftis

OTHER DEVELOPMENTS

Kleinfelder is partnering with Solaria Corporation to provide design and code-compliance services for deployment of Solaria's STS-1 Solar Tracking System—designed for large commercial and utility customers—in the U.S.

Kleinfelder has added power delivery services, supplying transmission and distribution system study and design deliverables, to our portfolio of services for energy clients.

ENERGY BY THE NUMBERS

- 13%** Above plan net revenue
- 10** Clients with \$1 million+ in revenue
- 25** Clients with \$250,000+ in revenue
- 91%** Net revenue from 35 clients

2012

FACILITIES

M A R K E T

"**FACILITIES** is one of Kleinfelder's most diverse markets, with boundless opportunities spanning the commercial, education, healthcare, and industrial segments, along with various state and local government agencies. In fiscal year 2012, we refined our organizational structure and market focus to expand services with key clients and grow our portfolio with new ones. Our key to winning in this market is to understand each client's unique business and challenges and then leverage companywide resources to deliver the right solutions. Kleinfelder employee-owners put their hearts and souls into exceeding client expectations, thus driving our continued success."



John Moossazadeh,
Facilities Market
Manager



Luminant Mining Structural Engineering Feasibility Study

Kleinfelder helped Luminant Mining Company in Elgin, Texas, assess the structural integrity of its bridges and haul roads

to determine if they could withstand the stress of new, heavier material haulers. Kleinfelder engaged structural engineers from Cambridge, Massachusetts, with our Texas-based delivery team to successfully execute the project. Following field observations and review and analysis of designs, Kleinfelder delivered quality findings and recommendations in less than 12 weeks, enabling our client to choose the most efficient, cost-effective option to address the increased hauler loads.

Duke Medicine Pavilion and Cancer Center

Kleinfelder is providing comprehensive construction materials engineering and testing, as well as special inspections services, for this major expansion at Duke Medicine. When completed in 2013, the eight-story, 580,000-square-foot Medicine Pavilion and seven-story, 267,000-square-foot Cancer Center will enable the hospital to meet existing and future demand for high-quality healthcare services in North Carolina. The simultaneous construction of two large facilities requires smart staffing and scheduling to meet the technical, management, and compliance demands of this high-profile, complex project. Working onsite and providing timely and thorough services, Kleinfelder is helping to maintain the project schedule and quality standards.

Harvard University Campus

Kleinfelder has been providing architectural and engineering consulting services to Harvard University for the past 13 years. We are currently designing a tunnel linking various new and existing buildings to the Harvard Business School in Allston, Massachusetts, located across the Charles River. The design includes two phases of construction that will be completed in 2012 and 2013, respectively. Based on our long-standing relationship with the University and ability to coordinate multiple project phases, Kleinfelder is helping Harvard meet its unique facility needs by delivering quality designs on budget and on schedule.



City of Long Beach Civil Design Services



Building on our 10-year relationship providing inspection services for the City of Long Beach, Kleinfelder recently was awarded an on-call civil design services contract. We are currently working on numerous projects for the City, including Long Beach Boulevard improvements, Broadway Corridor rehabilitation, and Fire Station No. 12 construction. Often on short notice, Kleinfelder has successfully staffed each project with the right resources, leveraging technical support from several offices throughout the western U.S. The City continues to rely on Kleinfelder for diverse expertise and responsiveness, providing ongoing opportunities to expand services with our client.

Simon Property Group, Inc. Nationwide Properties

Simon Property Group, Inc. (SPG) is the largest real estate company in the world, with hundreds of retail properties in North America, Europe, and Asia. As our client's trusted advisor, Kleinfelder is providing geotechnical engineering, construction materials engineering and testing, structural engineering, and environmental engineering services for nearly 20 projects located throughout the U.S., in states including Florida, Georgia, Illinois, Texas, and California. Project sites include new and redeveloped shopping malls, outlet centers, town centers, and other commercial sites and facilities. By assembling top-notch delivery staff from offices around the country, understanding SPG's preferences and specifications, and closely partnering with SPG during each project, Kleinfelder helps support accurate budget and scheduling, consistent delivery, and quality solutions—resulting in a safe, convenient shopping experience for SPG's customers.

THOUGHT LEADERSHIP PAPER
"Seismic Compliance: A Catalyst for Opportunity"

OTHER DEVELOPMENTS

Kleinfelder continues to grow our business with Kroger, one of the largest grocery retailers in the U.S., providing cross-disciplinary services to six brands.

Building on our 20-year history with the University of California, Davis, Kleinfelder is proposing on several new multi-faceted service opportunities, while also supporting our client's risk mitigation program.

Crop Production Services (CPS) has requested that Kleinfelder attend the client's monthly board of directors meetings to provide strategic planning support, saying, "Kleinfelder has a positive outlook with CPS."

Kleinfelder has expanded our mining portfolio in the Southeast with multiple client projects involving design, permitting, construction oversight, compliance monitoring, and reclamation program management.

KEY WINS

Costco—Global expansion with existing client, for projects in Korea, Japan, and the Canadian provinces of Alberta and British Columbia

Grossmont Union High School District—Facility renovation and expansion throughout eastern San Diego County

Cedars-Sinai Medical Center—Sixteen projects supporting renovation and upgrade at the renowned hospital in Los Angeles

Molycorp, Project Phoenix—Additional services on major expansion and modernization project at Mountain Pass rare earth production facility

New Jersey Department of Environmental Protection—Four-year task order contract for environmental site investigation services at state-funded contaminated sites

www.kleinfelder.com/facilities-insight
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Resources without Boundaries

2012 FEDERAL MARKET

KLEINFELDER is a long-term trusted advisor for many federal government departments and agencies, including the U.S. Navy, U.S. Army Corps of Engineers, National Guard Bureaus, U.S. Department of Energy, Natural Resource Conservation Service, Bureau of Indian Affairs, and others. We take pride in delivering the most efficient, cost-effective, and sustainable solutions to support each client's ever-evolving mission. With our staff's diverse talent, expertise, and capabilities, Kleinfelder provides a full range of services on many multi-year, nationwide contracts. Through the evolution of our clients' missions and the realities of variable funding cycles, Kleinfelder remains an enduring and dependable partner to our federal clients in service of our nation's important work."



Kathleen Niesen,
Federal Market
Manager

KEY WINS

U.S. Army Corps of Engineers, New England District—Indefinite delivery/indefinite quantity (IDIQ) contract for architecture and engineering general design services; contract for facility and water resources engineering and design

Bureau of Indian Affairs, Navajo Division—Five-year contract for materials testing services

"Kleinfelder tapped our best resources in Guam and throughout the U.S. to solve the project's various challenges. As a result, we delivered our full scope of services at a higher technical capability than previously available on the island."

—Catherine Ellis, Project Manager

Chemistry and Metallurgy Research Replacement Project

Since 2001, Kleinfelder has participated in the design of the Chemical and Metallurgy Research Replacement (CMRR) project, which includes a Radiological Laboratory Utility Office Building and a Nuclear Facility to be constructed at the Los Alamos National Laboratory. Kleinfelder has performed a number of contracts involving geologic

investigations, construction materials testing, foundation and subgrade analyses, slope stability analyses, and concrete mix design—addressing challenges of potential geological faulting and the adjacent canyon construction site. To perform the multi-faceted work, Kleinfelder used staff from several offices throughout the western U.S., while maintaining a high level of consistency and quality service for our client.

Andersen AFB North Ramp Parking, Guam

As part of our growing international presence, Kleinfelder has established strong operations in Guam, largely to support federal clients. Among our many projects there, we are providing comprehensive design services for construction of the North Ramp aircraft parking at Andersen Air Force Base (AFB), which requires heavy-duty pavement structures to support large loads. Working on a remote island, Kleinfelder has efficiently brought together the required engineering expertise and technology to deliver a high-quality yet economical design for the U.S. Air Force.



NAS Moffett Field Building

Demonstrating successful industry partnership, the CE2-Kleinfelder joint venture has been awarded a contract with the Naval Facilities Engineering Command (NAVFAC) Southwest to perform soil and groundwater sampling at the former Naval Air Station (NAS) Moffett Field, Building 503, in Northern California. The assessment phase of work will delineate the extent of contamination associated with the building's previously used hydraulic lift systems and waste oil drainage lines, and what corrective action may be required. This is the first environmental project whereby Kleinfelder had to secure bonding.

"The CE2-Kleinfelder joint venture has developed into a true long-term relationship. From our past project successes to new opportunities, we continue to grow as a trusted partner for the NAVFAC Southwest mission."
—Clyde Wong, Owner, CE2

DOE Hanford Waste Treatment Plant

Kleinfelder is helping the U.S. Department of Energy (DOE) construct the Hanford Tank Waste Treatment and Immobilization Plant, as part of the largest, most expensive environmental remediation project in the world. Ongoing cleanup is required for the 65-acre complex with three major nuclear facilities, an analytical laboratory, office space, and support facilities and utilities. Working onsite, Kleinfelder's project team is efficiently providing a full range of construction materials testing services to support completed construction by 2016, which is critical to our client's mission.



FEDERAL BY THE NUMBERS

25+ Years working for U.S. Army Corps of Engineers (USACE) districts throughout the country

5 USACE Materials Testing Center-validated materials testing laboratories

14 Current "Exceptional" and "Very Good" ACASS ratings for federal agencies

265 Renewable energy projects completed, including wind, solar, and geothermal power

900 Dam, levee, and canal designs, assessments, construction services, and safety inspections

280 Water-conserving Site Waste Management Plans (SWMPs) completed

\$23.5 million Life-cycle operational and energy savings on 180 sustainable military construction and renovation studies and designs



Army National Guard Housing Renovation, Camp Edwards

Kleinfelder provided sustainable design and construction administration for the renovation of seven existing three-story barrack buildings at Camp Edwards in Massachusetts. The work was fast-tracked to meet the required training needs prior to overseas deployment. Kleinfelder's designs reduced life-cycle energy costs by more than \$200,000 and enabled the Army National Guard to expeditiously move forward with the American Recovery and Reinvestment Act-funded project. A focused design effort and close coordination with our client resulted in on-time completion of these facilities, providing quality, comfortable, and sustainable living quarters for our citizen soldiers. The project has led to Kleinfelder developing an expanded sustainable master plan for the base.

THOUGHT LEADERSHIP PAPER
"U.S. Federal Departments and Agencies: Open for Business—Funded, Functioning, and Focused"



www.kleinfelder.com/federal-insight
READ MORE

JOINT VENTURE SUCCESS

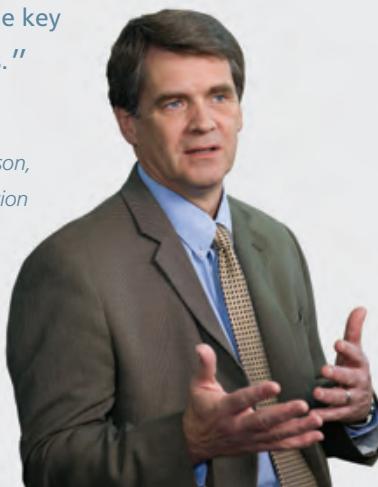
Kleinfelder has partnered with the Tetra-Tech and Mead & Hunt Joint Venture to provide various services to the National Guard Bureau. Kleinfelder's scope of work includes architecture, structural, and civil/site design, as well as geotechnical engineering.

Kleinfelder is managing more than 30 concurrent task orders on our single Comprehensive Long-Term Environmental Action Navy (CLEAN) IV contract, through the company's 50/50 joint venture with CH2M HILL. Work is being performed across the western U.S. and Hawaii.

2012 TRANSPORTATION MARKET

“THE TRANSPORTATION MARKET represents significant challenge and opportunity for Kleinfelder, as demand for modernization, safety, and efficiency meets with aging infrastructure and shrinking budgets. Leveraging our global resources, expertise, and innovation, Kleinfelder continues to help clients execute some of the most complex transportation projects—including bridges and highways, rail and mass transit systems, ports and harbors, and airports. Moving forward, we will focus on large design/build projects in target geographies to achieve growth beyond what's projected for the overall transportation market. Sustaining strong client relationships and cross-selling our multi-faceted services to deliver the right solutions is the key to our success.”

Larry Peterson,
Transportation
Market
Manager

**KEY WIN**

Colorado Department of Transportation
—Lead geotechnical engineer, US 36 Express Lanes Design/Build Project

AWARD HIGHLIGHT

Cypress Avenue Bridge Replacement
(Sacramento, CA)—American Public Works Association of Sacramento, 2011 Project of the Year Award

PRESENTATION

“Transition of an Engineer to a Project Manager”
American Society of Civil Engineers of North Carolina, Annual Conference, August 2011
Dick Wells



Kleinfelder has maintained the same ITS Terminal project team since the inception of work in 1995, underscoring its stability, commitment, and client focus.

Regional Transit District EAGLE Project

Kleinfelder continues to work on the Denver Regional Transit District's \$2.1 billion East and Gold Line Enterprise (EAGLE) project—one of the largest design/build and Public Private Partnership (P3) projects in the U.S., with completion expected in 2016. We are providing inspection and testing, environmental compliance and monitoring, and construction support services for the project, which encompasses 36 miles of light rail with 15 stations. Working with more than 12 federal and state agencies, four cities, and three counties, Kleinfelder is helping our client gain required approvals through ongoing communication and collaboration between the project team and all stakeholders.

**Chisholm Trail Parkway**

The Chisholm Trail Parkway is a 27.6-mile toll road that will extend from downtown Fort Worth south to Cleburne, Texas. The project was divided into six sections, each with different design and construction firms, crossing over both urban and rural areas. Working for the North Texas Tollway Authority (NTTA), Kleinfelder has provided review and oversight of the various sections, resulting in a consistent quality design at 15 percent less than the estimated cost. As the NTTA continues to address the transportation needs of its communities, Kleinfelder has become a valuable, trusted partner for our client.

ITS Terminal, Pier G Development



The ITS Terminal on Pier G is one of the Port of Long Beach's “mega-terminals,” occupying nearly 250 acres. Facilities include buildings, wharfs, container storage, rail yards, a high-voltage power distribution station, on-dock rail, utilities, and automated gates. The terminal requires reconstruction, estimated for completion in 2020, to handle new-generation container ships. Kleinfelder, whose services have been renewed at regular intervals throughout the project, has worked closely with our client to develop cost-effective geotechnical designs that minimize construction time, help meet sustainability goals, and mitigate seismic hazards.

McCarran International Airport Terminal 3 Building

One of the top 10 busiest airports in the world, McCarran International Airport is continually growing and expanding to accommodate increased passenger demand. As part of the Clark County Department of Aviation's development plan, the new \$1.6 billion International and Domestic Terminal 3 includes three structures, pedestrian and vehicle bridges, a buried utility corridor, and an automated transit system station. Kleinfelder assembled resources from multiple offices to complete a wide array of testing and inspection services against a stringent schedule, with minimal disruption to ongoing airport operations. Kleinfelder continues to leverage our 20-year history with our client to provide insightful, on-target solutions to a variety of project challenges.



MBTA Green Line Extension

Proposed by the Massachusetts Bay Transportation Authority (MBTA), the Green Line Extension adds approximately four miles of light rail service, with seven stations, through densely populated urban communities. In addition to providing architectural and structural design, Kleinfelder is the lead consultant for environmental, geotechnical, sustainability, drainage, regulatory, and permitting services, while participating in critical agency and community outreach programs. Kleinfelder is successfully delivering this complex, multi-disciplinary project with more than 50 project team members from seven offices across the country.



I-405 Sepulveda Pass HOV Widening Design/Build

Kleinfelder is the lead retaining wall and roadway geotechnical engineer for this major roadway widening project, including the addition of a high-occupancy vehicle (HOV) lane, located along the busiest and most congested freeway in the U.S.

THOUGHT LEADERSHIP PAPER

“Creative Alternatives to Raising Taxes to Pay for Transportation Projects”

www.kleinfelder.com/transportation-insight
READ MORE

TRANSPORTATION BY THE NUMBERS

30 Transportation design/build projects

\$75 million Revenue generated from design/build projects

2,599 Bridge clients

687 Aviation-related projects

308 Rail-related projects

12 Port and harbor clients

Resources without Boundaries

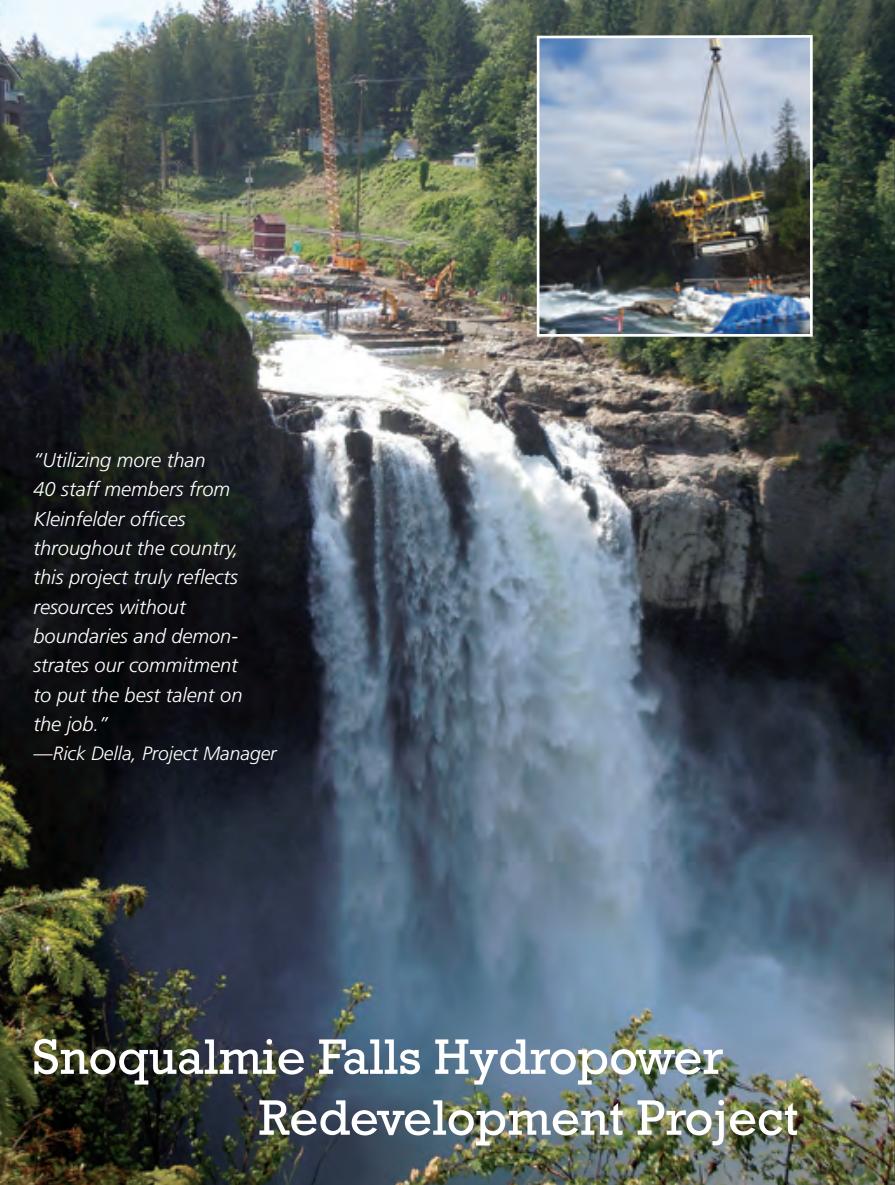
2012

WATER MARKET

"IN FISCAL YEAR 2012, the Water Market made significant strides in becoming a prime consultant offering multi-faceted services on large, long-term projects throughout the U.S. In addition to increasing our profitability through targeted pursuits and delivery excellence, we continue to grow our backlog and expand our portfolio of \$1 million-plus clients. In a very competitive market, our client-intimate strategy—really getting to know clients and delivering on their needs—is what continues to set Kleinfelder apart. What's more, we are successfully leveraging our companywide resources, regardless of location, to provide clients with the best technical expertise on every project."



Anthony Zuena,
Water Market
Manager



Snoqualmie Falls Hydropower Redevelopment Project

Kleinfelder is assisting with the major three-year redevelopment of this facility in the state of Washington. Specifically, Kleinfelder is providing quality assurance and quality control services for the redevelopment of two adjacent hydropower generating plants. As a key provider for Puget Sound Energy, Kleinfelder is engaged in ensuring all construction is completed per the design plans and specifications. To expedite work and achieve project schedules, Kleinfelder staffed the project with a highly skilled and versatile team. Once completed, the enhanced facilities will ensure that utility customers continue receiving clean, renewable electricity for years to come.

KEY WIN

California Department of Water Resources
—Non-urban levee evaluations, San Joaquin River Restoration Project

AWARD HIGHLIGHT

Wastewater Treatment Plant Renewable Energy and Efficiency Program (Pittsfield, MA)—American Council of Engineering Companies of Massachusetts, 2012 Engineering Excellence Award

PUBLICATION

"City Reshapes Open Market Approach in Search of Feasible Biosolids Management Strategy"
Water World Magazine, March 2012
Dave Peterson and Stephen Geribo

Field's Point Wastewater Treatment Facility

The world's largest integrated fixed-film activated sludge process is currently under construction at the Field's Point Wastewater Treatment Facility (WWTF) in Rhode Island, to reduce the amount of nitrogen flowing into Narragansett Bay. Kleinfelder partnered with the Narragansett Bay Commission, regulators, and contractors to develop and implement a design that would meet regulatory requirements, provide an efficient and modern WWTF, and ultimately improve the area's water quality. Kleinfelder performed our work with the stipulation that the WWTF continue operating at peak efficiency throughout the four-year effort. As a result of Kleinfelder's responsiveness, expertise, and innovation, the facility upgrade is scheduled for completion in early 2013—one year ahead of schedule.



Waikoloa Reservoir No. 1 Earthquake Rehabilitation

Following a major earthquake in 2006, the County of Hawaii's Department of Water Supply engaged Kleinfelder to evaluate and remediate damage to reservoirs that were classified as high-hazard facilities. Having designed repairs for Waikoloa Reservoir No. 2, now back in operation, and being familiar with our client's challenges, Kleinfelder is working on Waikoloa Reservoir No. 1. We are delivering rehabilitation designs, including new drainage systems, stability berms, and a new spillway, to improve dam safety in compliance with the state's new regulations. As prime consultant, Kleinfelder also will provide bid-phase support and oversight of construction, expected to begin in the fall of 2013.

For quality reviews of the collection system hydraulic model, Kleinfelder prepared 3D models of the Combined Sewer Overflow regulators based on existing record information, as well as manned entry/site investigations.



Springfield Water and Sewer Commission

Kleinfelder is performing multiple projects as part of the Springfield Water and Sewer Commission's Combined Sewer Overflow (CSO) Long-Term Control Plan and Collection System Program. The work encompasses plan development, asset condition assessment, capital infrastructure improvements prioritization, system design and construction, clean water distribution, and other infrastructure improvements. Using a risk-based model, Kleinfelder developed a plan that met local, state, and federal water quality requirements, while maintaining affordable utility services in one of the most economically challenged communities in Massachusetts. Kleinfelder has become a strategic advisor for our client, leading to seven years of work and nearly 20 assignments ranging from \$500,000 to \$5 million each.

Alameda County Levee Recertification

Kleinfelder's client, the Alameda County Flood Control and Water Conservation District, is responsible for maintaining waterway facilities that include more than 250 miles of open channels, rivers, and creeks. The District is currently conducting a review of all its levees, floodwalls, and reservoirs. Kleinfelder assisted the District in providing certification of approximately 22 miles of levees for its various Flood Control Zones, including the Alameda Creek area. The project required development of geotechnical, civil, and hydraulic engineering analyses to document compliance with current Federal Emergency Management Agency (FEMA) levee certification standards. Kleinfelder helped our client save \$85 million in potential mitigation costs and also has been actively involved in developing grant applications enabling the District to recoup project costs more than \$1 million.



THOUGHT LEADERSHIP PAPER

"The Challenge of Change: Climate Change and Water Infrastructure"



www.kleinfelder.com/water-insight

[READ MORE](#)

PRESENTATIONS

PRESENTATIONS

"Seismic Analyses of Levees for Urban and Urbanizing Areas in Central California"
Association of State Dam Safety Officials, Annual Conference, September 2011
Zia Zafir and Mark Stanley

"Levee Cutoff Wall Design and Construction through Loose Sacramento River Silts"
United States Society of Dams, Annual Conference, April 2012
Jonathan Pease and Chris Nardi

WATER BY THE NUMBERS

- 225** Clients served in FY12
- 100,000** Miles of levees estimated in the U.S.
- 280** Water-conserving Site Waste Management Plans (SWMPs) completed
- 75,000** Dams estimated in the U.S.

\$50 billion Estimated levees investment needs (ASCE)

Resources without Boundaries

“

"If I could give Kleinfelder all the work, I would. The company is doing great and is extremely responsive."
—Don Searest, Senior Inspector, Pacific Gas & Electric



"When I founded the firm, never in my wildest dreams would I have imagined Kleinfelder becoming the company it is today. Our 50 years of success and growth is a testament to the company's simple focus on integrity, quality, and service."

—Jim Kleinfelder, Founder and Former Chief Executive Officer



"Joining Kleinfelder as part of a recent acquisition, I am pleased to be a part of such a unique employee-owned company. The opportunities to develop and grow as a professional are limitless, and the diversity in our professional and technical service lines enable employees to participate in projects around the country and beyond. I look forward to being a part of Kleinfelder's growth and success for many years." —Chryl DeCenza, Senior Program Manager, Mount Dora, FL

"Kleinfelder has been a trusted and valued partner in the property acquisition, development, and construction of our warehouses. The company understands our sense of urgency and provides tremendous value by helping us manage risk associated with geotechnical and environmental matters." —Jack S. Frank, Vice President, Costco Wholesale



"The key to our longevity? Good people. Discover what they do well, put them in a position to do that, and they will excel. Kleinfelder has been good at putting people in the right place to serve our clients well." —Bud McRae, Former Chief Executive Officer

1960s

30 Employee-Owners
\$300,000 Annual Revenue

1970s

80 Employee-Owners
\$1 Million Annual Revenue

1980s

600 Employee-Owners
\$37 Million Annual Revenue

1990s

1,200 Employee-Owners
\$92 Million Annual Revenue

2000s

1,950 Employee-Owners
\$325 Million Annual Revenue

2010s

One Company, 70+ Offices,
Four Countries, Thousands
of Projects Completed,
Moving Forward Together



IN 1961, JIM KLEINFELDER started a small construction testing laboratory in Stockton, California. His focus was on integrity, quality, and service. Fifty years later, nearly 2,000 employee-owners in more than 70 offices worldwide celebrate the Kleinfelder legacy with their ongoing commitment to collaboration and innovation. We are architects, engineers, and scientists, supported by an extraordinary team of professionals who work together to serve our clients, our company, and the world. Our family of professionals, clients, and partners will continue to write the Kleinfelder story as we embrace the next 50 years with the same focus and passion that has built our company.

"Kleinfelder clearly understood how important the project schedule was to the City. The drive to meet critical milestones is an example of your staff's professionalism and commitment to their work." —Natalie Meeks, Director of Public Works, City of Anaheim, CA



"There aren't a lot of businesses in this country that have survived 50 years. My hat's off to Kleinfelder. It's the leadership throughout the years and all the people who have worked for this company that have made it happen." —Gerry Salontai, Former Chief Executive Officer



"I joined Kleinfelder for the opportunity to interact with highly skilled colleagues around the company. We all work together—across offices, project locations, and disciplines—in order to quickly and efficiently meet our clients' needs. It will be exciting to see what new technologies, methodologies, and services Kleinfelder implements throughout the next 50 years as we continually adapt to our clients' challenges." —Dion Bennett, Staff Professional, Raleigh, NC



"Having worked here more than 25 years, I take great pride in helping to build Kleinfelder's legacy. I've seen the company overcome many challenges during various business cycles, yet we've always been able to capitalize on opportunities by putting our clients first. The evolution of our company is a result of delivering the right resources, in the right place, at the right time, for every client and project." —Mark Klaver, Senior Client Account Manager, Sacramento, CA

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"Kleinfelder has consistently treated us as a respected teammate and has included us in all discussions and activities necessary for us to successfully perform. Your employees are a credit to your company, and we are grateful for their professionalism and performance on the RTD Eagle P3 project team." —Lauren Evans, President, Pinyon Environmental Engineering Resources

"I've worked with Kleinfelder since construction of the SMUD Customer Service Center in the early 1990s. Kleinfelder personnel have always displayed a superior level of expertise and professionalism." —Glenn Shuder, Chief Architect/Project Director, Sacramento Municipal Utility District (SMUD)

Corporate Teams

Resources without Boundaries

Our corporate teams collaborate across functional and geographic boundaries to deliver cutting-edge strategies, infrastructure, programs, and support. We manage data and systems, promote and expand our brand, reduce risk, and design policies to help make our work more efficient and effective. Our teams' collective efforts cultivate an environment where every staff member can achieve success for themselves, the company, and our clients.

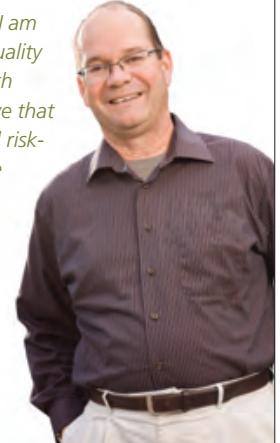
Corporate Accounting and Finance

In fiscal year 2012, our Corporate Accounting and Finance teams drove several internal and external accomplishments, including:

- Successfully completed the acquisitions and integration of Corrigan Consulting and InSite Environmental
- Established Kleinfelder Canada in Alberta, Canada, and the associated systems to operate throughout Canada
- Negotiated a significant change to Kleinfelder's Bank Credit Facility, expanding it to \$60 million and an increased term of five years
- Aggressively renegotiated several office leases, expecting to realize in excess of \$1 million in annual savings
- Revised Kleinfelder's employee expense reporting and reimbursement process, resulting in quicker employee reimbursement

"Working at Kleinfelder, I am motivated daily by the quality of people that I work with across the company. I love that we encourage calculated risk-taking, at all levels of the company, in order to constantly push the envelope in terms of innovation and right solutions."

John Pilkington,
Chief Financial Officer



Corporate Marketing and Communications

Throughout fiscal year 2012, our Corporate Marketing and Communications (CMC) team exhibited new levels of collaboration across the company. CMC partnered closely with its internal clients, who serve as subject-matter experts on various topics, to enhance the impact and value of our communications. CMC's expertise in planning and execution resulted in on-target delivery of key marketing and internal communication programs. Furthermore, a tight partnership with our markets enabled CMC to successfully implement our collateral strategy and launch a new corporate website. Internally, CMC continues to establish our own Social Operating System to help streamline communications throughout the company.



Kleinfelder's new corporate website highlights the company's target markets, multi-faceted services and expertise, and growing global presence.

Human Resources

The Human Resources (HR) team partners with all of Kleinfelder to provide beneficial programs and services that help move the company closer toward our 2015 Strategic Direction goals. Throughout fiscal year 2012, HR played an integral role in several efforts that demonstrate this partnership, including: expanding HR services to a global workforce, specifically supporting employees in Australia, Canada, and Guam; providing resource-sharing support for a large number of internal assignments; integrating employees from our acquired companies, including Corrigan Consulting and InSite Environmental; enhancing our benefits, learning and development, and other HR information systems; supporting career progression and leadership development; and managing ongoing acquisition of talent—312 new hires—in alignment with Kleinfelder's strategic objectives.

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 will reduce risk in all areas of our work. Since its initial implementation in 2007, LPS continues to make headway within the company, as evidenced by our completion of 3,180 Loss Prevention Observations and 708 Near Loss Investigations in calendar year 2011. Moreover, as a result of these efforts, Kleinfelder experienced the fewest total number of injuries, which also resulted in the lowest Occupational Health and Safety Administration (OSHA) TRIR and DART rates since 1996.

Our reactive metrics have indicated significant progress over the past 15 years:

- OSHA Total Recordable Injury Rate was 1.00, the lowest in 15 years and a 76% reduction compared to the high of 4.26 in 1998.
- OSHA Lost Time Injury Rate was 0.16, the lowest in 15 years and a 92% reduction compared to the high of 2.11 in 1997.
- OSHA Days Away/Restricted and Transferred rate was 0.27, the lowest in 15 years and a reduction of 23% compared to 2010.
- Interstate Workers Compensation Insurance Experience Modification Rate of 0.94 for 2011 was the lowest rate since 2004.

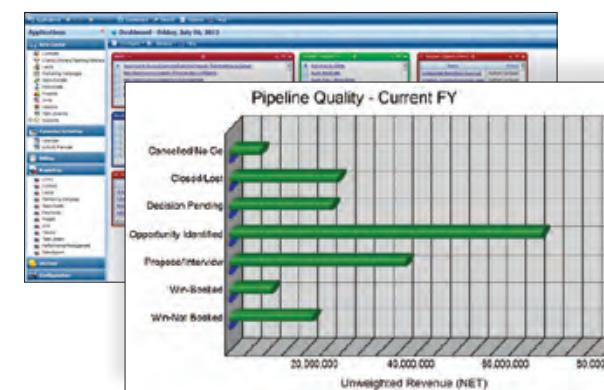


Achieving such positive results requires significant teamwork, resource sharing, multitasking, and collaboration. Each level of the organization takes ownership and responsibility for stewardship of activities that drive safety performance and continuous improvement. In addition, our safety professionals actively support our clients by engaging in safety assessments and audits, noise surveys, industrial hygiene surveys, and other safety program developments, to ensure our employee-owners' and clients' continued well-being.

Information Technology Services

In fiscal year 2012, Information Technology Services (ITS) continued its second full year of upgrades across several enterprise networks and systems. Our ITS team initiated and completed a number of major projects—from implementation of a new Customer Relationship Management (CRM) system to replacement of our wide area network for better interoffice collaboration—so that Kleinfelder can continue working as one company delivering the right solutions, regardless of client or employee location.

Our new CRM system helps Kleinfelder identify the right opportunities across markets and project types, to better target our investments and improve our efficacy on those pursuits. Also, our Practice Tools and Technologies team has enabled employee-owners to collaborate on computer-aided design and drafting



The company's new Customer Relationship Management (CRM) system provides enhanced capabilities and reporting for marketing and business development.

(CADD) and geographic information system (GIS) projects across the company. By consolidating and centralizing servers and using standards to ensure that we have the same versions across the company, we reduce errors while increasing our ability to share resources. We are also using rugged tablet devices on more than 30 projects across the firm, enabling staff to collect data directly in the field for a variety of services.

Furthermore, we are leveraging Microsoft® SharePoint® to facilitate collaboration across the company, share information, and help minimize document risk. Ninety-two percent of employee-owners access SharePoint at least once per month, and we have more than 300 clients that access files and project information jointly with our teams. We are also actively reducing the number of places where information is entered, eliminating "data silos," as we work to implement intuitive, easy-to-use systems where information is entered only once.

Industry Accomplishments

Resources without Boundaries

Kleinfelder continuously shares our knowledge and experience to advance the industry. As innovators and thought leaders, our employee-owners are frequently sought by associations, committees, conferences, and publications for their expertise and insight. Individually and collectively, Kleinfelder resources are helping to shape issues that matter to the industry, our clients, and the world.

LATEST CORPORATE RANKINGS

Kleinfelder ranked as follows on these respective industry lists:



45—Top 500 Design Firms (2012), *Engineering News-Record**

64—Top 200 Environmental Firms (2011), *Engineering News-Record*



230—Top 250 Architectural Firms (2012), *Architectural Record*

* Among privately held firms, Kleinfelder ranked 18 in ENR's Top 500.

Notable Appointments

- **Robert Boswell**—Joined Coatings Council for NACE International, The Corrosion Society
- **Joel Carson**—Elected to the board of directors for ASFE/The Geoprofessional Business Association
- **Julie Griffin**—Selected chair of New Leaders' Committee for ASFE/The Geoprofessional Business Association
- **Nazmul Haque**—Appointed to the board of directors for the Society of Environmental Toxicology and Chemistry Chesapeake and Potomac Regional Chapter (SETAC-CPRC)



- **Mike Kesler**—Appointed to second two-year term as chairman of the board of directors for the Western States Petroleum Association (WSPA) Associates Southern California Chapter



Other Contributions

- **Dick Wells**—Appointed vice chairman for the American Council of Engineering Companies (ACEC) National Board
- **Joe Zilles**—Elected treasurer of the American Society of Civil Engineers (ASCE) Central Valley Branch
- **Adam Killinger**—Elected secretary of the American Society of Civil Engineers (ASCE) Central Valley Branch
- **Jorge Meneses**—Approved as fellow by the American Society of Civil Engineers (ASCE); also elected as member of the Academy of Geo-Professionals
- **John Moossazadeh**—Elected president of the American Council of Engineering Companies (ACEC), beginning July 1, 2012
- **Bill Naughton**—Appointed president of the Society of American Military Engineers (SAME) Boston Post
- **Larry Peterson**—Appointed chairman of the Planning & Design Committee Association for American Road & Transportation Builders Association (ARTBA)
- **Joni Powell**—Appointed to the advisory board for Women in Transportation (WTS) International
- **Scott Sammons**—Appointed chairman of the Transportation Committee for American Council of Engineering Companies (ACEC) of Colorado
- **Pete Stroud**—Appointed to Oregon State Board of Geologist Examiners

• **Mark Hudson**—Published article in *Oil & Gas Monitoring* titled "Essential Health and Safety Considerations for Oil and Natural Gas Hydrofracking Operators"

• **Jen Matusick**—Published research on the Floridan aquifer system in the *Journal of Applied Geography*

• **Alan Robinson**—Contributed to article titled "Experts Discuss Drilling's Impact on PA," published by *Daily Local News* (West Chester, PA)



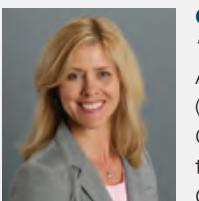
• **Mark Stanley**—Published article in *Geo-Strata* magazine titled "Retrofitting the Foundations of a National Icon" (featuring Golden Gate Bridge)

KLEINFELDER EMPLOYEE-OWNERS PRESENTED PAPERS AT SIGNIFICANT CONFERENCES AND MEETINGS.

Throughout the year, their devotion to project success and passion for sharing knowledge is evident in these resourceful contributions.

Robert Boswell

"Writing Successful Coating and Lining Specifications for Steel Water Reservoirs" North American Industrial Coatings Conference



Christine Brenk
"National Ambient Air Quality Standards (NAAQS) Compliance Challenges for Permitting" 42nd Annual CAPCA Spring Technical Conference and Exposition

Mike Cline

"Revisiting a Case History for Surface Fault Rupture Micro-Zonation" Association of Environmental & Engineering Geologists (AEG) National Meeting

Keith Dahlen

"Use of Stone Columns for Ground Improvement and Support of Mechanically Stabilized Earth (MSE) Wall" Association of Environmental & Engineering Geologists (AEG) National Meeting

Ryan Eberle

"Exceptional Events Demonstration for Gila River Indian Community" Annual Air & Waste Management Conference

Chad Lukkarila and Bill Gates
"Boundary Transformer Banks Rockfall Mitigation Project, Metaline Falls, WA" Association of Environmental & Engineering Geologists (AEG) National Meeting

Scott Mackiewicz and Jonathan Lehman-Svoboda
"Measured Versus Predicted Side Resistance of Drilled Shafts in a Heterogeneous Soil Profile" American Society of Civil Engineers (ASCE) Geo-Congress 2012

Indrani Ghosh and Professor Ferdi Hellweger, Northeastern University
"Effects of Spatial Resolution in Urban Hydrologic Simulations" *Journal of Hydrologic Engineering*, Vol 17, No.1, January 2012

Jeffrey Hale

"Fractured Rock Characterization Using Technology-Based Multi-Scale Data Integration" National Ground Water Association (NGWA) Fractured Rock and Eastern Groundwater Regional Issues Conference

Craig Hall and Moses Tsang, Alameda County Flood Control District

"Sheetpiles Versus Soil Bentonite Walls: Which One Is Best to Mitigate Levee Seepage Deficiencies?" Floodplain Management Association Annual Conference

Ron Heinzen

"Geotechnical Levee Hazard Assessments" Floodplain Management Association Annual Conference

John Liao and Jorge Meneses

"Comparison of Ground Motions from the 2010 Mw 7.2 El Mayor-Cucapah Earthquake with the Next-Generation Attenuation Ground Motion Prediction Equations" 15th World Conference on Earthquake Engineering; *Bulletin of Earthquake Engineering*

Bill Siegel

"Consolidation in the U.S. Consulting Community, and its Eventual Impact on China" 24th ICTPA Annual Transportation Conference

Zia Zafir
"2010 California Building Code Update for Geologists and Engineers" Sacramento Section Geo-Institute (SSGI) and Association of Environmental & Engineering Geologists (AEG) Sacramento, CA

- **Steve Wendland**—Published article in *CE News* titled "When Retaining Walls Fail"
- **Endi Zhai**—Organized 24th International Chinese Transportation Professionals Association (ICTPA) Annual Conference and 1st North American Chinese Geotechnical Engineers Association (NACGEA) International Symposium on Geo-Trans

Tech Seminar

Resources without Boundaries

26th Professional Development and Technical Training Seminar

Approximately 880 employee-owners, partners, clients, and guests gathered at Kleinfelder's 26th Professional Development and Technical Training Seminar, held February 24-25, 2012, in Denver, Colorado.

This year's event, titled "Our Next 50 Years: A Global Professional Network," melded Kleinfelder's past, present, and future into 36 hours of jam-packed learning, networking, and celebration—all centered around the company's ongoing commitment to professional development and technical excellence.

Paper and poster presentations, along with our annual Excellence Awards program, exemplify how Kleinfelder's vast resources contribute to our company, our clients' projects, and our communities. Congratulations to all of this year's award winners!



This year's seminar brought together several Kleinfelder alumni executives, including all four CEOs in company history. Pictured from left to right: Mike Mahoney, Former Chairman of the Board; Bud McRae, Former CEO; Jim Kleinfelder, Founder and Former CEO; Dick Wary, Former Board Member; Gerry Salontai, Former CEO; and Bill Siegel, Current CEO.

ENERGY MARKET

GOLD | Lower Colorado River Authority 268 Transmission Line
Ray Hoare, Trent McKiernan, Cary Rast, Ashraf (AJ) Jahangir

SILVER | Sacramento Municipal Utility District (SMUD) East Campus Operations Center
Larry McKee, Ted Oien, Ken Sorensen, Richard Wibberley, Marjorie Nishizaki, Kalen Bjurstrom

BRONZE | Mona-Oquirrh Transmission Line
John Diamond, Corey Park, Spencer Davis, Bret Lingwall, Steve Wendland

FACILITIES MARKET

GOLD | Newton Building Condition Assessment and Capital Improvement Plan
Andre Martecchini, Cris Perez, Chris Sweet, Brian Tufts, Adam Levesque

SILVER | Gila River Indian Community: Exceptional Events Demonstration
Kris Allen, Ted Tyler, Liz Hovanec, Ryan Eberle

BRONZE | Molycorp, Project Phoenix
Ann Backstrom, Eric Noel, Michael Cook, Don Gray, Marc Moncilioch, Jonathan Lehman

TRANSPORTATION MARKET

GOLD | RTD Eagle P3 Project
Scott Sammons, Danny Bennett, Dale Weaver, Matt Zoss, Lou Bridges, Laura Bennett

SILVER | Norridgewock Covered Bridge
Matt Steele, Pam Hetherly, Craig Weaver, Keith Wood, Kris Constanzer

BRONZE | Mid County Parkway
Richard Escandon, Scott Lawson, Jim Gingery

WATER MARKET

GOLD | Los Angeles Department of Water and Power Stormwater Capture Master Plan
Bart Patton, Bruce Curtis, Matt Gardella, Jeff Walker, Karin Sarwold, Chiara Goitein

SILVER | County of Alameda Levee Recertification
Craig Hall, Mark Fuhriman, Ron Heinzen, Renie Yuen, John Liao, Morley John

BRONZE | MDC Franklin Avenue Combined Sewer Separation
George Pendleton, Shaina Peterson, Bryan Walsh, Seth Lentz, Bill Copithorne, Kendall McCord

PRESENTATION AWARDS

Poster Sessions

"When Every Liter Counts: Designing a Water Supply System in Rural India"
Seth Lentz and Jonathan Mead, Rocky Hill, CT

"Nitrate Speciation through Nitrogen & Oxygen Isotope Data"
Lisa Messinger, Kansas City, KS

PRESENTATIONS

"An Alternative to Mitigate the Riskiest Failure Mode at the USACE's Isabella Dam in California"
Rod Eisenbraun, Denver, CO

"Comparing Apples & Oranges: A Risk-Based Approach to Capital Planning"
Andre Martecchini and Cris Perez, Cambridge, MA

"Are We Done Yet? Are We Done Yet? Are We Done..."
Bret Lingwall, Salt Lake City, UT

"Designing and Managing Wetland Reclamation/Mitigation Areas for Success at Mineral Sands Mines in North Florida"

Connie Henderson, Mount Dora, FL; Heather Krepsik, Cranberry Township, PA

DON DOUGLAS AWARD

"How High Will the Tide Rise?—Potential Sea-Level Rise Impacts at Camp Edwards National Guard Base, MA"

Indrani Ghosh, Cambridge, MA



The Don Douglas Award is given to the author of an outstanding paper presented at Kleinfelder's Professional Development and Technical Training Seminar. This year's winner, Indrani Ghosh, will have the opportunity to travel to Australia to present her 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.

Indrani, currently staff professional in Cambridge, Massachusetts, discussed in her presentation the potential impacts of inundation from sea-level rise and storm surge at the Army National Guard Base in Camp Edwards, Massachusetts. The paper highlighted several methods that were used to develop inundation models under different scenarios. The results of this study were used to assess the Guard's vulnerability of infrastructure and operations at the base to climate change and helped develop adaptation strategies for different planning horizons.



New practicums and "Edu-Track" sessions helped improve information sharing and technical education at this year's seminar.

"Tailings, Tailings Everywhere! Unique Challenges of Geotechnical Projects on Mine Sites"

Ann Backstrom, Las Vegas, NV; Eric Noel, Riverside, CA

"Holding the Hand of a General Contractor for Fun and Profit"

Steve Wendland, Kansas City, KS

"Alice & the Mad Hatter in Document Wonderland"

Chuck Alpert and Rhea Prenatt, San Diego, CA

Corporate Social Responsibility

VOLUNTEERISM

Ronald McDonald House Charities

Kleinfelder has established a three-year partnership with Ronald McDonald House Charities (RMHC) to promote company-wide community service and help families in need.

This past year, in celebration of our 50th Anniversary, we reached our goal of raising \$50,000 for RMHC and served more than 50 meals at Ronald McDonald Houses around the country. Kleinfelder and our employee-owners gave generously of their time and money to achieve these two major corporate goals, while participating in many other local volunteer and fundraising activities to support RMHC.

"We came together as one company on something truly special and fulfilling. We gave from our hearts with our time and money and helped a great organization that serves so many families in need in our communities."

—Marjorie Nishizaki, RMHC Program Manager, Kleinfelder

In this second year, Kleinfelder will continue to build on our employee-owners' commitment to RMHC through additional fundraising, preparing and

Resources without Boundaries

The Kleinfelder Corporate Social Responsibility (CSR) Program encourages all employee-owners to proactively support their communities. By combining our corporate efforts with individual office activities, we exponentially impact the world 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 to make a real and lasting difference.

At the 26th Professional Development and Technical Training Seminar, Kleinfelder presented Ronald McDonald House Charities with a \$50,000 check, representing the generous donations from employee-owners company-wide. Pictured from left to right: Greg Borkowski, Development Manager, RMHC; Bill Siegel, President & CEO, Kleinfelder; and Marjorie Nishizaki, RMHC Program Manager, Kleinfelder.



serving meals, and acting as volunteers in the communities where we live and work.

This three-year partnership with RMHC expands on the "Volunteerism" pillar under Kleinfelder's CSR Program and encourages all of our offices to rally together on a single initiative. Kleinfelder now has volunteer opportunities at the corporate and international levels (RMHC and Engineers Without Borders) and the industry level (ACE Mentor Program), along with hundreds of local community service activities across the company.

RMHC is an international organization whose mission is to create, find, and support programs that directly improve the health and well-being of children. RMHC makes an immediate, positive impact on children's lives through its more than 300 Ronald McDonald Houses, which provide a "home-away-from-home" for families so they can stay close by their hospitalized child at little or no cost.



"On behalf of all the leaders, staff members, and volunteers of Ronald McDonald House Charities, I want to thank Kleinfelder. When you talk about strength in numbers—all the funds you raised and donations that you provided—it adds up to a lot. RMHC is about family, including our family of partners like Kleinfelder. We appreciate you making our mission your own mission, and we appreciate the service that you've provided for so many people in so many communities."

—Greg Borkowski, Development Manager, Ronald McDonald House Charities

Sustainability

Sustainability has been a core design principle for Kleinfelder since the founding of our company. Over time, we have expanded and integrated effective sustainable design and operating principles into a variety of environmental, architectural, and engineering disciplines, as well as into our operational and internal initiatives. Kleinfelder understands that sustainability is a key economic driver that will continue to change how we do business. It is a philosophy that shapes our approach to problem solving, internally and with clients.

We are currently involved in several cutting-edge projects for public and private clients, including NetZero and Sustainability master plans, green remediation, climate change vulnerability assessments, sea-level rise and inundation modeling, strategic carbon planning, water disclosure reporting, and natural security.

Internally, Kleinfelder is completing a companywide energy, water, and carbon footprint, along with a greenhouse gas and water inventory, to establish our baseline and commit to yearly reduction goals.

Kleinfelder also has a corporate policy with respect to sustainable office space, which includes siting of offices near mass transit options when possible, optimizing the use of natural light, using less material-intensive designs, and implementing energy efficiency measures into our current and new leases.

Our commitment to sustainable practices, innovative thinking, and fulfilling a purpose is something we value highly.

"Our internal sustainability efforts provide opportunities for people to actively engage in making a difference."

—Lisa Dickson, Technical Discipline Leader, Sustainability



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 graduate students in the geotechnical engineering field and serves to aid in easing the burden of increasing costs associated with higher education. In 2011, fellowships were awarded to Randy Hildebrandt and Chris Markham.

Kleinfelder Academic Scholarship Program

Program—In 2011, Kleinfelder awarded \$56,000 to a total of 27 interns and employee-owners' children in pursuing their higher education.

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.

Kleinfelder's efforts to embrace and actively support diversity and the cultural richness and advantages it provides were recognized this past fiscal year in *Engineering News-Record's* special issue, "The Diversity Report," (July 18, 2012).

Kleinfelder continues to grow more culturally rich and diverse, working with various organizations and contributing to community groups that aid people of myriad backgrounds.

Disaster Relief

Since 2005, Kleinfelder employee-owners have provided more than \$72,000 in assistance to fellow employees, while assisting other worldwide disaster relief efforts.

Legacy Service Trophy

Kleinfelder's fourth annual Legacy Service Trophy was awarded to employees in San Diego, California. Their collective commitment to supporting the four pillars of Kleinfelder's Corporate Social Responsibility Program—disaster relief, diversity, sustainability, and volunteerism—remind all employee-owners that, by sharing their resources of time, talent, and treasure, they have the power to make a difference in our communities.



August 2012 | Dear Shareholders,

Kleinfelder's fiscal year 2012 (FY12) was financially successful on many levels. We achieved increased operating efficiency (profitability) and made notable moves to strengthen our cash/debt position, as well as maintain liquidity in the Employee Stock Ownership Plan (ESOP).

As a result, the company was able to significantly increase discretionary expenditures, while maintaining a strong balance sheet and positioning for future growth.

Kleinfelder's FY12 operating income excluding amortization expense was \$15.2 million, compared to \$14.7 million in FY11, an increase of \$0.5 million (3.4%). Stated as a percentage of net revenue, operating income was 7.0% in FY12, compared to 6.6% in FY11.

Beginning in FY13, Kleinfelder will use earnings before interest, taxes, depreciation, and amortization (EBITDA) as our primary measure for earnings. EBITDA is widely used for earnings comparisons across firms in our industry and will give us a better way to compare ourselves against others in the industry. Additionally, we will report EBITDA with and without discretionary expenses (bonus and ESOP). Kleinfelder's FY12 EBITDA excluding discretionary expenses was \$22.1 million, compared to \$21.2 million, an increase of \$0.9 million (4.2%). Stated as a percentage of net revenue, EBITDA before discretionary expenses was 10.2% and 9.5%, respectively.

The increase in earnings, whether measured by operating income or EBITDA, was driven by the same factors. The factors included a 3.2% gain in the utilization rate, as well as cost reductions in several expense categories, partially offset by increased investment in areas such as information technology. Benchmarking completed this past year demonstrated that Kleinfelder's level of profitability measured as a percentage of net revenue is slightly to significantly above industry averages for companies of our size.

In a difficult economic environment, gross revenue in FY12 held relatively steady at \$295.7 million, or only \$1.7 million lower than FY11, a 0.6% decrease. Net revenue decreased by \$5.6 million, or 2.5% compared with FY11. As noted, the decline was attributed primarily to the continuing economic situation, most visibly impacting our Federal Market and, to a lesser extent, our Transportation Market. FY12 gross margin, a measure of revenue minus direct costs, was \$118.9 million, or 54.8% of net revenue, compared to FY11, where gross margin was \$126.9 million, or 57.0% of net revenue. The decline in gross margin reflects the increase in Kleinfelder's utilization rate to 63.2%, compared to 60.0% in FY11. This is a dramatic increase, representing a real reduction in indirect labor and greater emphasis on direct billable hours.

Our backlog of work remains strong. At the close of FY12, our backlog was \$271.9 million, an increase of 12.9% compared to FY11. This increase was partially due to the acquisitions of Corrigan Consulting and InSite Environmental, but primarily from significant contracts in our Australian operations. The increased backlog also reflects Kleinfelder's efforts to identify and win larger, longer-term contracts. Although the increased backlog will take some time to impact operations, it is a good sign for the long-term prospects of the company.

Kakona Insurance Company, Inc. had operating income, before interest income and net investment income, of \$1.8 million in FY12, compared to \$3.8 million in FY11. The \$2.0 million decrease in operating profit was due to a reduction in premiums and an increase in actual losses in FY12.

The \$1.0 million decrease in premium revenue was offset by a corresponding decrease in the company's insurance expense. The \$1.0 million increase in losses was primarily related to defense costs on one major claim. Overall, Kakona remains fully reserved for anticipated claims and within insurance industry guidelines for capitalization.

Our discretionary distributions to the ESOP and bonus pool were higher in FY12 at \$4.8 million, compared to \$1.3 million in FY11, an increase of \$3.5 million. Funding of the discretionary pools is based wholly on the company's performance. Kleinfelder was able to meet and exceed our FY12 financial targets, which resulted in a significant increase in our discretionary expense pools.

Cash and investments were \$18.0 million in FY12, compared to \$21.5 million in FY11. Days sales outstanding (DSO), which is a measure of how quickly the company can convert our revenue to cash, was 75.0 days in FY12, compared to 70.5 days in FY11. Although still below industry average, the 4.5 day increase in DSO was mainly due to the discontinuance of an early pay discount offered to one of Kleinfelder's larger clients and, to a lesser extent, the slow payment on one major contract. The company was able to decrease the negative cash impact of the increased DSO by extending our accounts payable payment cycle to more closely reflect industry averages.

Total short- and long-term debt in FY12 was \$42.0 million, a decrease of \$3.8 million compared to FY11. The decrease in debt was primarily due to a \$3.0 million dividend paid by Kakona to the parent and used to pay down bank borrowings. Kleinfelder's debt-to-equity ratio remained virtually unchanged, as the decrease in equity matched the decrease in debt.

Total stockholder equity in FY12 decreased by \$3.7 million to \$46.0 million, or 7.4%. The equity would have increased, if not for the repurchase and retirement of shares from the ESOP, an event that occurs very infrequently and typically happens when the ESOP requires more liquidity than the normal contribution provides. The company plans on doing the same in FY13, and then anticipates contributions will be in line with the cash requirements of the ESOP in FY14 and beyond. The decrease in Kleinfelder's share price over the last few years has provided us the opportunity to invest in our company much like what we are seeing in the public markets today.

Kleinfelder's FY13 plan includes a continued improvement in operating performance, which will lead to financial results again increasing year-over-year. Achieving our plan in FY13 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 company.

In summary, Kleinfelder continues to generate profits above the industry average for companies of our size, and we have a solid balance sheet and financial position. In a challenging economic environment that still persists, we continue to see gains in backlog, performance statistics, and a return to significant discretionary spending. While there are many challenges ahead, Kleinfelder is well positioned financially to meet them.


John Pilkington
Chief Financial Officer

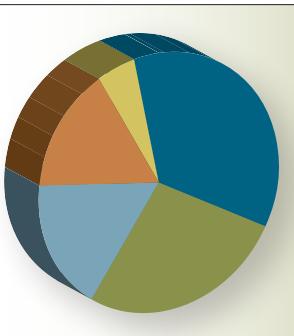
The Kleinfelder Group

Financial Highlights

Years Ended March 31, 2012, 2011, and 2010

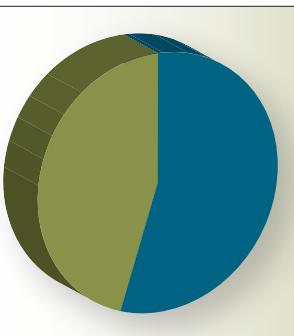
(dollars in thousands)	2012	%	2011	%	2010	%
OPERATING RESULTS						
GROSS REVENUE	\$295,690	136.3%	\$297,363	133.6%	\$294,810	133.1%
Less Outside Service Cost	78,813	36.3%	74,854	33.6%	73,380	33.1%
NET REVENUE	216,877	100.0%	222,509	100.0%	221,430	100.0%
Less Direct Cost	97,931	45.2%	95,617	43.0%	92,314	41.7%
GROSS MARGIN	118,946	54.8%	126,892	57.0%	129,116	58.3%
Less Office and Division Indirect Costs	82,370	38.0%	85,779	38.6%	87,757	39.6%
Less Intangible Amortization	3,203	1.5%	3,642	1.6%	1,642	0.7%
DIVISION OPERATING PROFIT	33,373	15.4%	37,471	16.8%	39,717	17.9%
Less General Expense	18,669	8.6%	23,500	10.6%	24,118	10.9%
Less Interest and Investment Income	2,673	1.2%	2,889	1.3%	2,250	1.0%
OPERATING MARGIN	12,031	5.5%	11,082	5.0%	13,349	6.0%
Less Bonus and ESOP	4,794	2.2%	1,272	0.6%	3,606	1.6%
PROFIT BEFORE TAX	7,237	3.3%	9,810	4.4%	9,743	4.4%
Less Income Tax	1,889	0.9%	1,661	0.7%	2,580	1.2%
NET INCOME	5,348	2.5%	8,149	3.7%	7,163	3.2%
OTHER COMPREHENSIVE INCOME (LOSS)	56	0.0%	—	0.0%	691	0.3%
COMPREHENSIVE INCOME (LOSS)	5,404	2.5%	8,149	3.7%	7,854	3.5%
OTHER FINANCIAL DATA						
Cash and Investments	\$18,034		\$21,489		\$21,295	
Current Assets—excluding cash and investments	79,624		77,287		79,805	
Fixed Assets—net	10,518		9,142		7,970	
Other Assets	34,170		35,721		33,906	
Total Assets	142,346		143,639		142,976	
Current Liabilities	58,914		50,856		54,460	
Long-term Liabilities	37,427		43,088		44,063	
Stockholders' Equity	46,005		49,695		44,453	
Current Ratio	1.7		1.9		1.9	
Debt-to-Equity (includes sub-debt) Ratio	0.9		0.9		0.9	
Change From Prior Year						
Net Revenue	-2.5%		0.5%		-3.9%	
Operating Margin	8.6%		-17.0%		-25.0%	
Interest Bearing Debt	41,970		45,817		41,825	

GROSS REVENUE BY MARKET



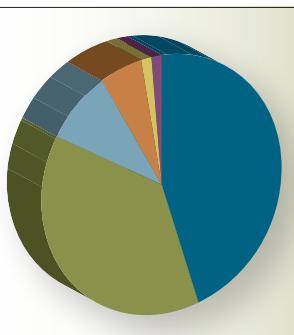
Energy 36%
Facilities 27%
Water 17%
Transportation 15%
Federal 5%

GROSS REVENUE BY SECTOR



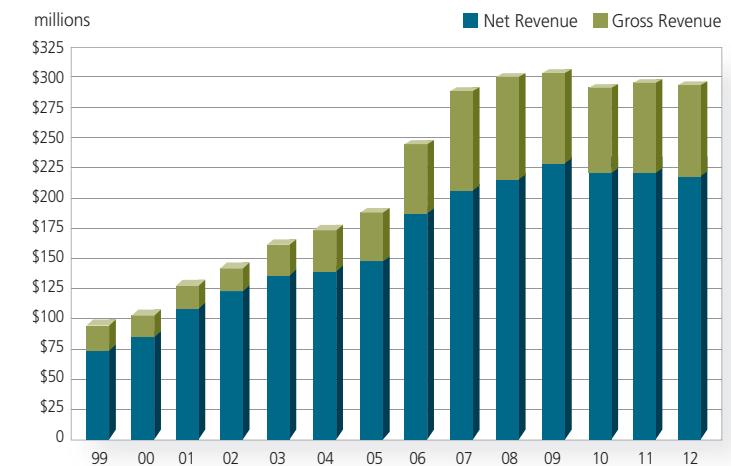
Private 55%
Public 45%

NET REVENUE BREAKDOWN



Direct Cost 45.2% (43.0%)
Indirect Cost 38% (38.5%)
General Expense 8.6% (10.6%)
Operating Margin 5.5% (5.0%)
Intangible Amortization 1.5% (1.6%)
Net Interest and Investment Income 1.2% (1.3%)
(FY11 percentages in parentheses)

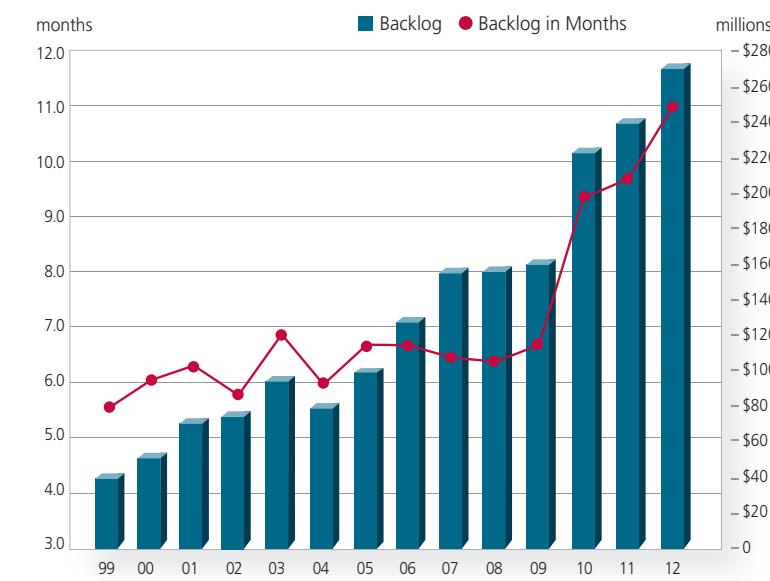
REVENUE



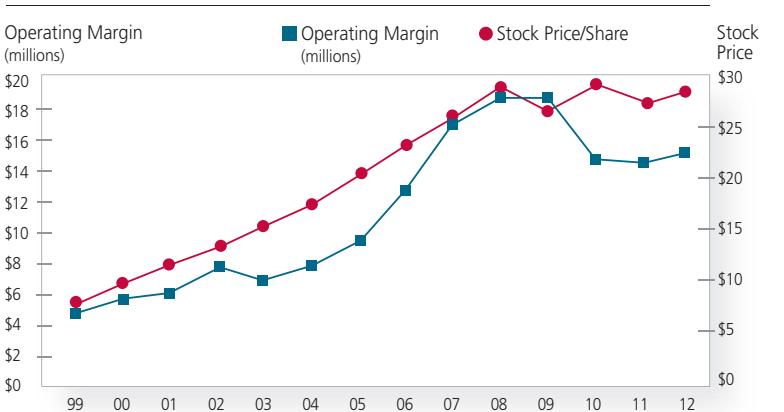
OPERATING MARGIN



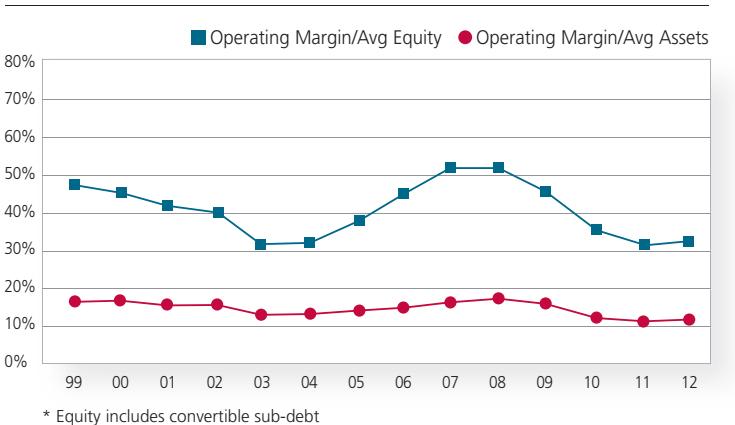
YEAR-END BACKLOG



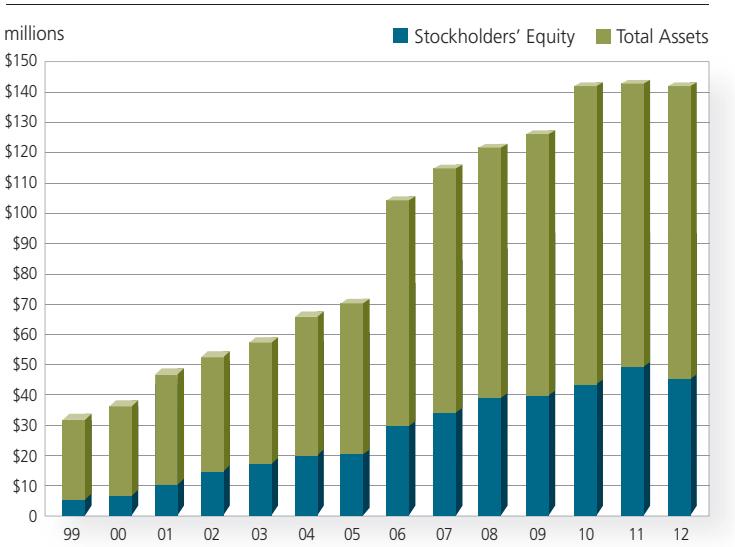
OPERATING MARGIN AND STOCK PRICE



RETURN ON EQUITY* AND ASSETS



TOTAL ASSETS AND STOCKHOLDERS' EQUITY



BOARDS OF DIRECTORS

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Rodger L. Johnson
Michael P. Kesler
John Moossazadeh
Donald L. Pomeroy
Kevin E. Pottmeyer
Nancy L. Shanik
Thomas R. Warne

Kakona Insurance Company, Inc. Board of Directors*

Russell E. Erbes, Chairman
Charles S. Alpert
Catherine Gee
John S. Lohman
Michael T. Johnson
Nancy L. Shanik
David E. Thompson

*John A. Baker rotated off the Board in 2011.
We thank him for his service.

Thanks to the many Kleinfelder employee-owners who are featured throughout this annual report.



KLEINFELDER
Bright People. Right Solutions.

Corporate Headquarters

5015 Shoreham Place
San Diego, CA 92122
+1 (858) 320-2000
www.kleinfelder.com



Scan the QR code with
your smartphone to visit
the mobile version of
our website.

NEW LEAF PAPER®
ENVIRONMENTAL BENEFITS STATEMENT
of using post-consumer waste fiber vs. virgin fiber

Kleinfelder saved the following resources by using 1847 pounds of Reincarnation Matte, made with 60% post-consumer waste and manufactured with electricity that is offset with Green-e® certified renewable energy certificates.

trees	water	energy	solid waste	greenhouse gases
12 fully grown	5470 gallons	5 Million BTUs	347 pounds	1213 pounds

Calculated by Kleinfelder by Environmental Defense Fund and other methods of their choice. Visit www.newleafpaper.com.

NEW LEAF PAPER
REINCARNATION MATTE