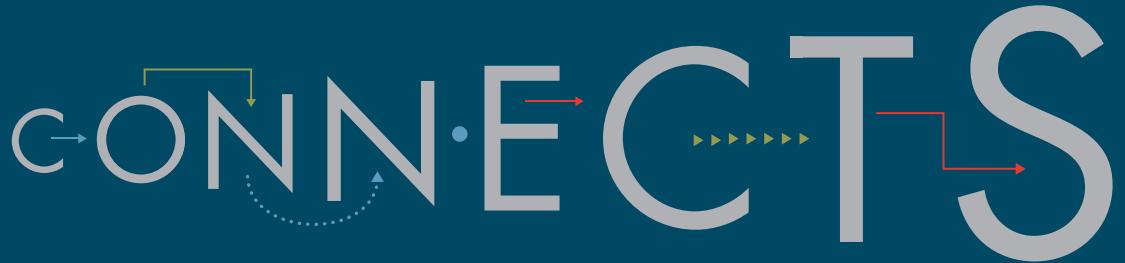


**KLEINFELDER**



CONNECTS

**2013 ANNUAL REPORT**

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# EVERY connection matters

We are architects, engineers, and scientists working together to meet the world's most complex challenges. Our global network of nearly 2,000 professionals connects daily with each other, our clients, our partners, and our communities to deliver the right solutions on projects around the world. Whether made behind the scenes or on the front lines, every connection drives greater employee engagement, client focus, and business growth. In this report, we are proud to share the resulting success from our past fiscal year.

# KLEINFELDER connects

## PRESIDENT'S MESSAGE:

TOGETHER AS A TEAM WE ARE RESPONSIBLE FOR THE SUCCESS OF OUR COMPANY, FOR MEETING AND EXCEEDING OUR CLIENTS' EXPECTATIONS, AND FOR HELPING EACH OTHER UNLEASH OUR POTENTIAL AND ACHIEVE OUR GOALS. IN THIS ANNUAL REPORT, OUR THEME IS "KLEINFELDER CONNECTS." INDIVIDUALLY AND TOGETHER, EACH PERSON IS A CRITICAL LINK BETWEEN OUR COMPANY, OUR CLIENTS, OUR WORK, AND OUR COMMUNITIES.



Yet, "Kleinfelder Connects" is much more than an annual report theme. At Kleinfelder, every person matters, every client matters, and every project matters. Each employee-owner is connected to a team, which powers a project, which impacts the future of our company through achievement of our 2015 Strategic Direction. This report chronicles a small sampling of the amazing connections made each and every day.

This past fiscal year (FY13) included many successes, but it also presented several challenges that required action and adaptation by our company. Overall, Kleinfelder continued to lead the industry on many fronts, while dealing with a persistently sluggish economy in most of our markets. Our successes are found in many areas:

**Bright People.** Kleinfelder continues to offer and expand our career and personal development programs for all employee-owners. We established new specialized programs, such as RightStart and FastForward, and we executed a plan to provide more meaningful performance reviews and career planning for all levels of the company. Through organizational elements, such as Kleinfelder's Global Technical Network, and a wide variety of communication channels, our people are connecting to mentors, peers, and other resources daily.

**Project Delivery.** As highlighted throughout this document, Kleinfelder continues to win and execute a wide variety of interesting and challenging technical projects. While maintaining the excellence of our legacy service lines, we now offer more services, via more varied contracting mechanisms, than ever before.

Kleinfelder is widely recognized as a full-service A/E firm with the ability to work on projects around the globe.

**Client Focus.** Our enviable record of repeat work has been supplemented by new clients seeking to connect with teams capable of delivering the right solutions for their projects. Public and private entities around the world have been drawn to Kleinfelder in large part due to our reputation for client focus, our technical capabilities, and the quality of people we assign to their projects. Our people take great pride in helping our clients achieve their goals.

**Community Involvement.** Kleinfelder employee-owners have been asked to take key roles in a variety of professional and industry organizations, providing leadership and bringing our professional communities together. Similarly, through individual efforts and our Corporate Social Responsibility activities, we continue to make positive impacts in the cities and towns where we live. Our efforts and track record of success supporting Ronald McDonald House Charities is a simple but valuable demonstration of our ability to connect with and impact our local communities.

**Growth and Performance.** This year also saw a major expansion and diversification effort by the company. Five firms joined Kleinfelder during this past fiscal year, including two in Australia, and we opened a new office in Canada. As noted in this report, each acquired firm brought talented individuals, market presence, and expanded service offerings to

Kleinfelder. In addition to acquisitions, we also targeted moves into specific markets and service lines, such as pipeline integrity management and climate change vulnerability assessment. As a whole, these efforts result in a company that is significantly broader and more capable than at the start of the year.

Of course, adding companies, service offerings, and employee programs takes time, effort, and financial resources. Furthermore, this was done against a backdrop of economic conditions that continue to negatively impact almost all of our market segments to varying degrees. While Kleinfelder continued to have significant backlog on our books, project slowdowns, delays, and cancellations led to less-than-projected revenues.

Similarly, the additional costs related to expansion were combined with lower profits from the less-than-projected revenues to hamper our bottom line. Though Kleinfelder continued to perform within typical industry norms, for FY13 we fell below our plans and expectations, and below recent performance levels. We made difficult decisions on staffing, spending, and other company activities to bring the company in line with market conditions and to position us for a stronger FY14.

**Looking Ahead.** For FY14, we do forecast significant improvements in operating performance levels, and initial results are very promising. From a financial perspective, we plan to focus the year on executing our base operations and integrating and growing our acquired firms. The past two years have seen an increase in our days sales outstanding, as



clients have reacted to their own market and financial conditions by delaying payments, but we also expect to see improvement in this area over the course of the year. Overall, Kleinfelder remains financially healthy and is positioned for much success in the future.

Finally, over this past year, we continued the generational transition in our company. Senior leaders, including John Baker and Russ Erbes, retired and will be missed. At the same time, a new generation of leaders is stepping up and is committed to taking Kleinfelder to even greater heights.

In conclusion, this past year was one of many successes, changes, and challenges. In an ever-evolving and uncertain world, the employee-owners of Kleinfelder stand ready to tackle the toughest challenges. Our people are a vital and dynamic connection between our clients, our projects, and our communities—and the reason our future as a company remains bright.

William C. (Bill) Siegel, PE  
President and CEO



# Fueling sustainable solutions

## 2013 ENERGY MARKET

KLEINFELDER FUELS THE ENERGY INDUSTRY WITH LOW-RISK, EFFICIENT, AND SUSTAINABLE SOLUTIONS FOR UPSTREAM, MIDSTREAM, AND DOWNSTREAM OIL AND GAS, AS WELL AS POWER GENERATION, TRANSMISSION, AND DISTRIBUTION PROJECTS.



### Western Farmers Electric Cooperative Projects

Kleinfelder is providing the engineering design and construction support for five major substations awarded to us by Western Farmers Electric Cooperative, a generation and transmission cooperative serving Oklahoma and New Mexico. The projects require multi-disciplinary services—including electrical, civil, structural, and geotechnical engineering—with expertise in sub-station and transmission line design. Kleinfelder is leveraging staff from multiple offices companywide to meet our client's needs in the most efficient, cost-effective, and timely manner.

### Antero Resources Pipelines and Wellsites

Leveraging our vast resources and client responsiveness, Kleinfelder has exponentially grown the type and volume of our services with Antero Resources this past fiscal year. Specifically, we have helped Antero allocate its large capital investment budget, managing diverse pipeline and wellsite projects from multiple offices nationwide. Our strong client relationship and deep technical expertise—including environmental planning and permitting, pipeline integrity management, and civil, geotechnical, structural, and process engineering—have resulted in solutions to help move Antero's business forward.



## UTICA EAST OHIO MIDSTREAM FACILITIES

In collaboration with M3 Midstream LLC and various energy partners, Kleinfelder is helping to build the largest integrated midstream service complex in Eastern Ohio for processing natural gas and natural gas liquids in the Utica Shale. Development of the multi-facility complex requires diverse engineering design and environmental permitting services. Drawing on Kleinfelder's experience, expertise, and success working in the Marcellus Shale, our client has engaged us as a sole-source provider for many large-scope projects to keep this major capital investment program progressing.



## Oncor Transmission Lines

In response to a legislative mandate requiring Texas to increase renewable energy capabilities, Kleinfelder is working with Oncor, among several other utility companies, to add hundreds of miles of new transmission lines. With experience developed through decades of collaboration on thousands of projects, Kleinfelder understands Oncor's procedures, standards, and requirements. Through innovative design solutions that address challenging site conditions, work has been completed on time and on budget, exceeding our client's expectations and leading to significant construction cost savings. This past year, Kleinfelder also completed its first ever design-build project as prime consultant with Oncor.



## ExxonMobil Australia Expansion

As part of our international growth strategy and building on our long-term client relationship in the U.S., Kleinfelder has partnered closely with ExxonMobil to deliver value-added solutions on various projects throughout Australia, including facility upgrades, cold eye reviews, pipeline evaluations, site assessment and remediation, and closures. Leveraging our deep knowledge and understanding of ExxonMobil's processes and procedures, we apply our resources and expertise globally—with the highest levels of quality, consistency, and safety—to meet our client's diverse project requirements.

**"In the past year, we have successfully integrated Kleinfelder's Global Technical Network to mobilize the resources required on multiple projects. Our client's satisfaction demonstrates our ability to thoughtfully and strategically respond to diverse project needs in the most timely, cost-effective manner. Furthermore, our delivery teams have performed diligently and effectively, successfully marketing through their superior work."** —Derek Bowman



**KLEINFELDER**  
**Connects**

# Building long-term partnerships

## 2013 FACILITIES MARKET

BUILDING ON SOLID LONG-TERM RELATIONSHIPS, KLEINFELDER HELPS VARIOUS COMMERCIAL, EDUCATION, HEALTHCARE, AND INDUSTRIAL CLIENTS WITH THEIR NEW AND EXISTING FACILITIES THROUGHOUT THE ENTIRE PROJECT LIFE CYCLE.



### Costco Wholesale Corporation Expansion

Over the past 25 years, Kleinfelder has successfully completed more than 1,300 large warehouse projects for Costco Wholesale. In addition to working at locations throughout the U.S., we are assisting our client with expansion into Canada, Korea, Mexico, and Japan. Kleinfelder proactively helps Costco Wholesale manage risks associated with geotechnical and environmental conditions that could adversely affect warehouse operations, enabling the retailer to continuously provide members a positive shopping experience in a safe environment with unmatched value.

### MIT nMass Laboratory and Office Building

Kleinfelder was selected to provide multi-disciplinary services for the design and construction of the Massachusetts Institute of Technology (MIT) nano-Materials, Structures, and Systems (nMass) Laboratory and Office Building. Described as the school's "highest academic priority," the facility brings together research activities and equipment that are currently in different locations around campus. Citing our previous laboratory building experience, client focus, and "one-stop shopping" capabilities, MIT chose the Wilson Architect team—which included Kleinfelder—to deliver materials management planning and design, site design, stormwater management, deconstruction, and utility-enabling services, among others, to keep this important project moving forward.



# SAN BERNARDINO COURTHOUSE

Kleinfelder continues to expand its materials testing and inspection services for the sustainable design of the State of California's new San Bernardino Courthouse. The facility, which occupies more than 360,000 square feet on a 7-acre site, consolidates services from seven facilities and includes two sections: a 4-story administrative building and an 11-story courtroom tower. Kleinfelder's deep understanding of the client's needs, exceptional planning, and flawless delivery have given project stakeholders strong confidence in the designed foundation and building system, while keeping the fast-track project on schedule.



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*"By unifying our market, delivery, and technical resources on every project, we better understand our client needs, our ability to execute, and the value we provide. We leverage our companywide expertise to facilitate proactive decision-making that best serves our clients and our company."* —Sophia Dragan

## DuPont Mining Projects

As one of the world's largest and most diverse companies, DuPont is expanding its mining operations to meet increasing worldwide demand for primary resources. Expanding on its existing relationship and track record of successful project delivery, Kleinfelder is providing a variety of environmental planning and permitting services, including compliance support, to secure timely approvals for various mining sites. Kleinfelder's implementation of process efficiencies and proactive management of state and local regulatory initiatives have helped DuPont operations continue without disruption—thus avoiding loss of time and money.



## New Broughton Hospital

Following our successful completion of its Cherry Hospital project, the North Carolina Department of Health and Human Services awarded Kleinfelder the construction materials testing and special inspections services for the new 470,000-square-foot Broughton Hospital, which replaces a campus of existing outdated buildings. Serving as the client's trusted advisor, Kleinfelder provides ongoing communication with various project stakeholders through the use of innovative technology and real-time reporting, to mitigate any potential structural deviations, ensure building compliance, and preserve the facility's architectural character.



# Serving as trusted advisors

## 2013 GOVERNMENT MARKET

AS A TRUSTED ADVISOR TO STATE, LOCAL, AND FEDERAL GOVERNMENT AGENCIES, KLEINFELDER DELIVERS INSIGHTFUL, SCALABLE SOLUTIONS ON HUNDREDS OF DAM AND LEVEE, WATER INFRASTRUCTURE, AND MILITARY FACILITY PROJECTS.



### San Vicente Dam Raise

The San Vicente Dam Raise project is the final phase of construction for the San Diego County Water Authority's \$1 billion Emergency Storage Plan. Once complete, the project will increase the total storage capacity of the existing San Vicente reservoir from 152,000 acre feet to 242,000 acre feet. Kleinfelder's around-the-clock, onsite construction quality management personnel provided timely and accurate testing reports to ensure contract compliance as construction progressed. Furthermore, as one of the largest roller-compacted concrete (RCC) dam construction projects in the U.S. and the tallest of its type in the world, the project demonstrates Kleinfelder's world-class engineering expertise and our legacy as one of the industry leaders in RCC construction.

### Climate Change Vulnerability Master Planning

Kleinfelder led the development of a Climate Change Vulnerability Assessment for the Massachusetts Army National Guard at Camp Edwards. The project is the first of its type for a U.S. military installation. It went beyond traditional climate change assessments by focusing on impacts to the operational and training needs of the forces, in addition to infrastructure impacts. Kleinfelder successfully delivered inundation mapping based on various climate scenarios, a risk assessment, and a prioritized adaptation plan to help the Guard maintain military readiness.





### Truckee Meadows Flood Control

As part of our ongoing work for the Truckee Meadows Flood Control project, Kleinfelder assisted the U.S. Army Corps of Engineers (USACE) with its preliminary design of flood control elements along the Truckee River, to help protect the property and livelihoods of more than 350,000 Northern Nevada citizens. Kleinfelder performed the work under a compressed schedule to meet the USACE's schedule for submittal to Congress. Our ability to manage several concurrent tasks with the required technical expertise enabled the USACE to make key decisions in a timely manner.



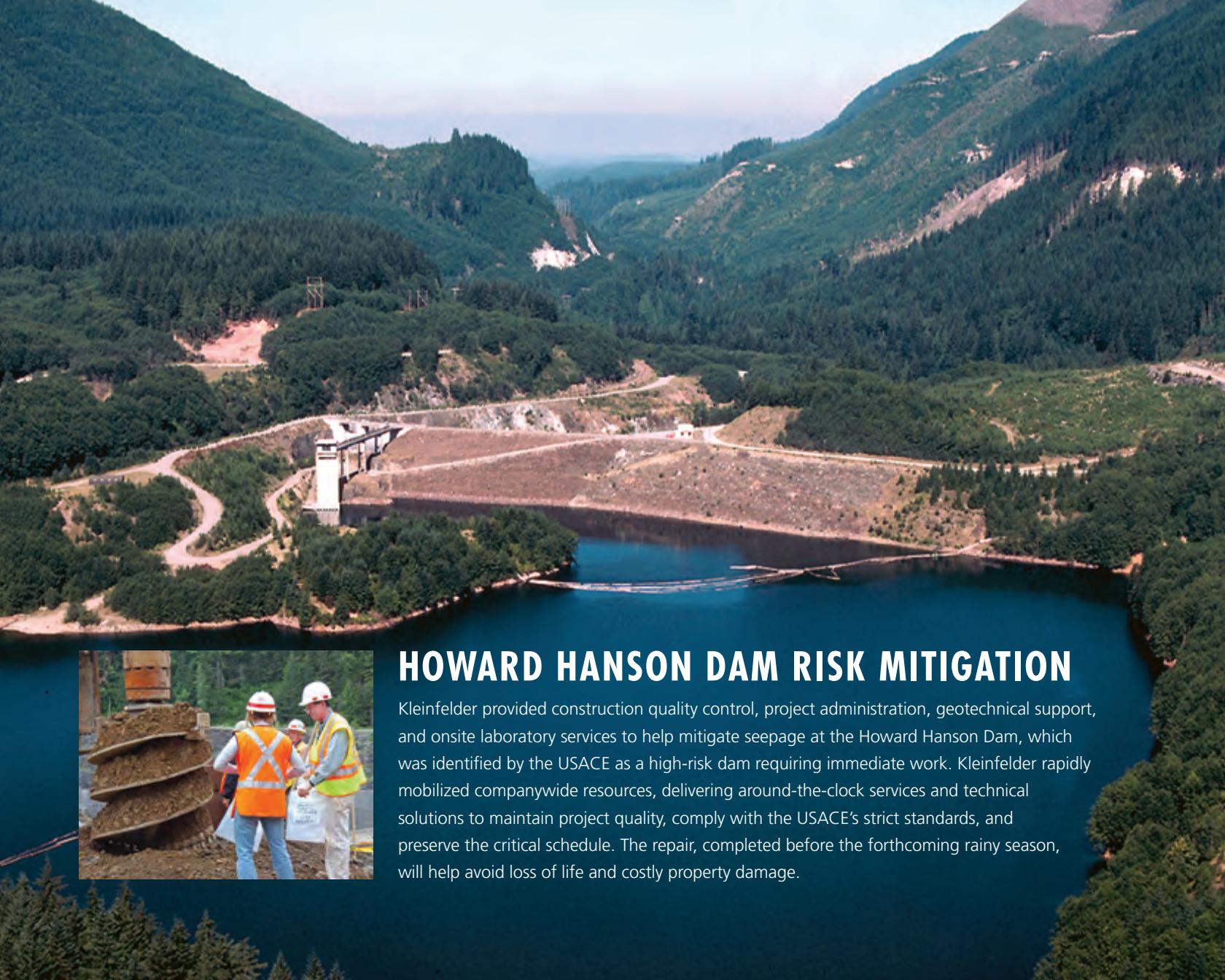
Kleinfelder is currently on a design team working for the Truckee River Flood Management Authority providing preliminary design of flood elements for a local interest plan.



## LEED Gold Design, Army National Guard



Kleinfelder worked for several years with the Massachusetts Army National Guard on the design of its new 200,000-square-foot Joint Force Headquarters at Hanscom Air Force Base. The two-phase project achieved LEED Gold certification, and construction was completed in 2013. It required Kleinfelder's multi-disciplinary expertise and keen oversight to successfully manage multiple contracts, consultants, funding sources, and other complex requirements. Kleinfelder's understanding of our client's needs resulted in accurate cost estimating and time savings throughout the project.



## HOWARD HANSON DAM RISK MITIGATION

Kleinfelder provided construction quality control, project administration, geotechnical support, and onsite laboratory services to help mitigate seepage at the Howard Hanson Dam, which was identified by the USACE as a high-risk dam requiring immediate work. Kleinfelder rapidly mobilized companywide resources, delivering around-the-clock services and technical solutions to maintain project quality, comply with the USACE's strict standards, and preserve the critical schedule. The repair, completed before the forthcoming rainy season, will help avoid loss of life and costly property damage.

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"Our clients face enormous uncertainty due to the accelerating pace of change in their physical and regulatory environment. They rely on Kleinfelder's multi-disciplinary team to help meet the evolving demand on their infrastructure. The solution is different for each project, but we're proud to deliver the right solution every time." —Elizabeth Frederick

## Ewing-Lawrence Sewerage Authority WWTP

Kleinfelder/Omni completed a comprehensive Facilities Plan for the Ewing-Lawrence Sewerage Authority's 16 MGD Main Wastewater Treatment Plant (WWTP). The project addresses various challenges, including new effluent limitations for nitrate, aging infrastructure, high wet-weather flows, capacity for future growth, site constraints, and the need to minimize rate increases. The multi-faceted plan and recommended improvements were structured into a phased implementation program. Because of its local connection and national resources, Kleinfelder also was selected for the fast-track design of Phase I, along with permitting, funding, and construction administration services.



## D Street Reservoir Seismic Retrofit

Kleinfelder/Simon Wong Engineering has completed a seismic retrofit for a 1930s vintage 1 MG timber-roofed concrete circular reservoir for the City of Hayward, close to many major faults in Northern California. The project encompasses a technical memorandum for seismic improvements, as well as special seismic analyses and retrofit design. Leveraging our expertise in innovative structural design, we strengthened the cylindrical structure by installing an interior concrete wall and reduced the inertial weight with a new low-rise aluminum dome roof—helping our client meet new seismic code requirements, as well as budget goal.





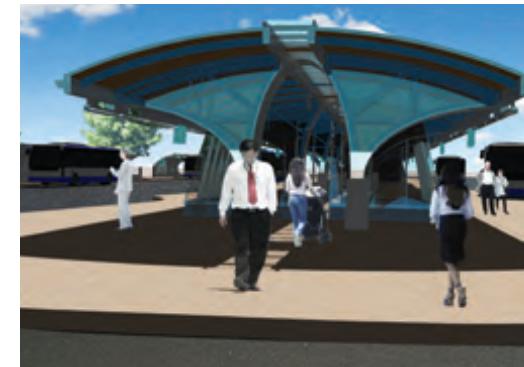
# Driving momentum and innovation

## 2013 TRANSPORTATION MARKET

LEVERAGING OUR INDUSTRY EXPERTISE, KLEINFELDER DRIVES THE DESIGN, CONSTRUCTION, EXPANSION, AND MODERNIZATION OF TRANSPORTATION INFRASTRUCTURE, INCLUDING HIGHWAYS AND BRIDGES, PORTS AND HARBORS, RAILWAYS, AND AIRPORTS.

### ConnDOT Bus Rapid Transit (CTfastrak) Design

Kleinfelder designed 11 stations with community amenities along the 9.4-mile CTfastrak busway for a new Bus Rapid Transit line between New Britain and Hartford—the first of its kind in Connecticut. Working with all project stakeholders, Kleinfelder's multi-disciplinary team ensured station designs gained community approval and met an accelerated schedule. Construction bids were under budget, and the project is progressing towards a revenue start in January 2015. When completed, the project will provide a public transportation alternative, reduce roadway congestion, and improve the region's air quality.



### San Diego County Regional Airport Authority Fault Study

Kleinfelder recently completed one of the largest consultant-led fault hazard studies ever performed in Southern California, located at the San Diego International Airport. Specifically, we performed several task authorizations to study the presence of active faulting that might affect proposed critical structures, such as new terminals, a rental car center, parking structures, hangars, distribution centers, and other facilities. Kleinfelder's successful delivery of materials testing, special inspections, geotechnical services, and other task orders under the on-call contract resulted in a second term on the contract that encompasses even more of our multi-faceted services.

“The Kleinfelder/Simon Wong Engineering acquisition has joined two great firms with a shared vision of exceptional client service and flawless project delivery. Our ability to draw on Kleinfelder’s vast expertise and resources, including Kleinfelder’s Global Technical Network and Loss Prevention System™, enables us to build on our proven track record of success and serve our global client base even better.”—Mark Creveling



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### BNSF Bridge 3.8 Over Missouri River

To meet shipping demands of oil and coal clients in the Midwest, Burlington Northern Santa Fe (BNSF) Railway required capacity improvements that included a new 11-span, 1,680-foot-long bridge over the Missouri River and more than 2.3 miles of new adjacent main line track. Kleinfelder assembled resources from multiple offices to evaluate the complex geology with respect to project requirements and planned construction. Working against schedule and budget constraints, our talented design team overcame several hurdles to deliver cost-saving, constructible solutions for our client.

### I-25 Expansion Project

The Interstate 25 (I-25) expansion is an 11-mile design-build project in Northern El Paso County (Colorado) that adds one lane in each direction to alleviate congestion and improve safety along this busy highway corridor. Working as part of a large design-build team for the Colorado Department of Transportation, Kleinfelder is providing construction management, inspection, and testing services for the project. Kleinfelder was awarded the work for our ability to address the client’s critical concerns and mobilize a team with the specific expertise required.



The Port of Long Beach in Southern California, one of the world’s largest seaports, is constructing a new 70,000-square-foot maintenance facility as part of a 17-acre land development project. To mitigate the impact of soil liquefaction in this seismically active environment and address other geotechnical uncertainties, Kleinfelder recommended a deep dynamic compaction solution as an affordable ground densification method. Following a pilot study and continued monitoring of the project site, Kleinfelder confirmed induced vibrations were safe, enabling our client to proceed with construction.

## Harbor Plaza Facilities Redevelopment



### North Torrey Pines Road Bridge

*Simon Wong Engineering, one of Kleinfelder’s five acquisitions this past fiscal year, was the prime consultant for the retrofit and rehabilitation of the historic, 550-foot North Torrey Pines Road Bridge. All of our acquisitions have brought in many high-profile, high-value clients and projects to Kleinfelder.*



Delivering  
the right solutions

# CORPORATE TEAMS

OUR CORPORATE TEAMS PROVIDE THE INFRASTRUCTURE, SUPPORT, AND PROGRAMS REQUIRED TO EXECUTE OUR BUSINESS STRATEGIES, EFFECTIVELY POSITION OUR COMPANY, AND KEEP OUR OPERATIONS RUNNING SMOOTHLY.

## Corporate Accounting and Finance

We drove several initiatives to ensure standardized operations and processes companywide, focusing on efficiency and cost-effectiveness. We made significant progress integrating five acquisitions, while continuing to establish global procedures and streamline our financial systems—with conversion to our new Deltek Enterprise Resource Planning system—to support Kleinfelder’s short- and long-range plans.

## Corporate Marketing and Communications

Kleinfelder continues to execute integrated marketing and communication strategies that build our brand, reinforce our client focus, and generate new business opportunities. Our comprehensive digital marketing efforts, print and online collateral strategies, and streamlined proposal development process continued to yield a strong marketing return on investment.

## Health and Safety

We continue to invest in Health and Safety programs, including our Loss Prevention System™, that empower all of our employee-owners, clients, and partners to make smart and safe decisions. While we fell short of our ultimate goal of “zero injuries,” we continued to improve our safety performance last year with new record levels in several categories, including:

- 3,579 Loss Prevention Observations in 2012
- 782 Near Loss Investigations in 2012
- 1.22 OSHA Total Recordable Injury Rate, a 52% reduction since 2006
- 0.0 OSHA Restricted Duty Injury Rate, the lowest in company history
- 0.11 OSHA Lost Time/Days Away Rate, the lowest in company history
- 2 Lost Time Injuries in 2012, the company’s lowest in the past 20 years

## Human Resources

With a new vice president on board, our Human Resources department works more intimately across the company as business partners to develop programs that serve the needs of our nearly 2,000 employee-owners. We continue to support a growing global staff, while successfully integrating talent from our acquired companies, focusing on enhanced benefits and reward programs, talent development, and career progression.

## Information Technology Services

Our third full year of technology upgrades was highlighted by the rollout of Deltek Vision, our integrated enterprise resource planning system that brings together several business-critical applications onto a single platform. We also implemented “Kleinfelder Facts,” our business information reporting system, and ProjectWise, industry software that enables teams to collaborate on the same projects. Ongoing implementation of advanced information technology and responsive support keeps Kleinfelder employee-owners connected to each other, our clients, and key operational resources.

# 27TH PROFESSIONAL DEVELOPMENT AND TECHNICAL TRAINING SEMINAR

APPROXIMATELY 700 EMPLOYEES, PARTNERS, CLIENTS, AND GUESTS MET AT KLEINFELDER'S 27TH PROFESSIONAL DEVELOPMENT AND TECHNICAL TRAINING SEMINAR, HELD FEBRUARY 15-16, 2013, IN DENVER, COLORADO. THIS YEAR'S EVENT, TITLED "RESOURCES WITHOUT BOUNDARIES," OFFERED 36 HOURS OF INTENSE LEARNING, NETWORKING, AND RECOGNITION CENTERED ON THE COMPANY'S ONGOING COMMITMENT TO PROFESSIONAL DEVELOPMENT AND TECHNICAL EXCELLENCE.

## EXCELLENCE AWARDS

*Paper and poster presentations, along with our annual Excellence Awards program, exemplify how Kleinfelder's vast resources link to our company, our clients' projects, and our communities.*

*Congratulations to all of this year's award winners!*

**PRESIDENT'S AWARD**  
**MBTA Green Line Extension Project**  
 Carol Dennison, Howard Haywood, Arthur Spruch, Michael Epp, Richard Quateman, Joseph Maliawco

**ENERGY MARKET**  
**GOLD | Oncor-Baylor Transmission Line Relocation**  
 Clint Clements, Hari Vasudevan, Ron Gibson, Noel Janacek, Ray Hoare, Josue Tello

**SILVER | Lone Star CREZ 345 kV Transmission Line**  
 Ray Hoare, Phil Hutton, Steve Wendland, Matthew Grylicki, Joshua Fregosi

**BRONZE | Hydroelectric Project Decommissioning**  
 Peter Stroud, Phil Hutton, Rod Eisenbraun, Stephen Caruana, Garth Wilson, Mark Swank

**FACILITIES MARKET**  
**GOLD | NE Interceptor Sewer Phase II**  
 Richard Escandon, Dany Hanna, John Lohman, Paul Guptill, Adam Williams, Darrin Hasham

**SILVER | Mountain View Restoration**  
 Ted Tyler, Mark Miller, Leslie Schultheis, Eric Nuttall

**BRONZE | Terrace Avenue Landslide**  
 Bill McCormick, Mark Miller, Don Gray, Jeff Richmond, Martin Pucci, Terry Craven

**FEDERAL MARKET**  
**GOLD | LEED Gold Building for the MA National Guard Headquarters**  
 Charles Sacre, Robert Brandon, KyAnn Anderson, Dan Tenney, William Wight, Ryan Caisse, Peter Nelson

**SILVER | Howard Hanson Dam Risk Mitigation**  
 Daniel Berta, Rick Della, Kami Deputy, Jason Washburn, Naomi Nguyen, Brad Kochanski

**BRONZE | Climate Change Vulnerability Assessment, Camp Edwards, MA**  
 William Wight, Robert Brandon, Lisa Dickson, Mark Hooyer, Indrani Ghosh

**TRANSPORTATION MARKET**  
**GOLD | Connecticut Department of Transportation CTfastrak**  
 Al Bisacky, Andrea d'Amato, Elizabeth Bissonnette, Kurt Violette, Chris Sweet

**SILVER | BNSF Bridge 3.8 Over Missouri River**  
 Scott Mackiewicz, Ron Gibson, Steve Wendland, Justin Tegels, Kami Deputy

**BRONZE | SDCRAA On-Call Materials Testing, Inspection, Geotechnical, and Fault Study**  
 Robert Torres, Kash Hadipour, Scott Rugg, Paul Guptill, Meghan Hearne, Trampus Grindstaff



**WATER MARKET**  
**GOLD | East Framingham Sewer Improvements**  
 Robert McCoy, William Hardy, David Michelsen, Laura Robinson, Valerie Doerrer

**SILVER | Springfield, MA CSO Long-Term Control Plan**  
 Thomas Ritchie, William Hardy, Stephen Geribo, Jason Lavoie, Laura Robinson, Bryan Walsh

## PRESENTATION AWARDS

**POSTER SESSIONS**  
**"How to Leverage Your Professional Profile at Kleinfelder"**  
 Bill Corley, Austin; Bill Conley, San Diego

**"How High's the Water (Fixing a Failing Dam)?"**  
 Daniel Berta, Seattle; Jason Washburn, Seattle

**PRESENTATIONS**  
**"The Decommissioning of Condit Dam: A Very Rewarding Project"**  
 Pete Stroud, Portland

**"Managing the Clearance of Archaeological Sites during Land Development Design and Construction"**  
 Tom Woodrow, Cranberry

**"The North Torrey Pines Road Bridge—A Unique Retrofit and Rehabilitation Challenge in San Diego County"**  
 Nathan Johnson, San Diego (Kleinfelder/Simon Wong Engineering)

**"Hydrocarbon Plume Natural Attenuation via Sulfate Reduction"**  
 Bert Vogler, Long Beach

**"Thinking Outside of the Big Box: How Kleinfelder Helped Target Decide to Spend \$30 Million on a New Store"**  
 Tim Crandall, Sacramento

**"Ready...Set...RightStart!"**  
 Kim Raetz, San Diego; Hailey Broussard, Austin

## SOIL CLASSIFICATION CONTEST WINNERS

**1ST PLACE** | Chris Pollack, Sacramento  
**2ND PLACE** | Jonathan Pease, Reno  
**3RD PLACE** | Eric Philips, Los Angeles

**KLEINFELDER LEGACY SERVICE TROPHY Littleton (CO)**

**KLEINFELDER COMMUNITY SERVICE AWARD Riverside (CA)**

# INDUSTRY ACCOMPLISHMENTS AND PUBLICATIONS

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 TO HELP SHAPE ISSUES THAT MATTER TO THE INDUSTRY, OUR CLIENTS, AND THE WORLD.

## Latest Corporate Rankings

Kleinfelder ranked as follows on these respective industry lists:

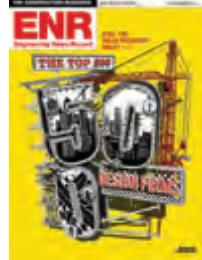
**42**—Top 500 Design Firms (2013), *Engineering News-Record*\*  
—Up from 45 in 2012

**64**—Top 200 Environmental Firms (2012), *Engineering News-Record*—Same as 2011

**248**—Top 300 Architectural Firms (2012), *Architectural Record*—Down from 230 in 2012

**53**—Top 100 Construction Management-for-Fee/PM Firms (2013), *Engineering News-Record*—Up from 56 in 2012

\* Among privately held firms, Kleinfelder ranked 20 in ENR's Top 500.



## Notable Contributions

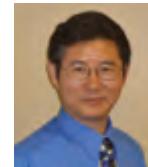
Our employee-owners' commitment to the industry and passion for sharing knowledge is evident in their many resourceful contributions, including those below:

- **Joel Carson**—Member of ASFE/The Geoprosessional Business Association Board of Directors
- **Carol Dennison**—Published article in *Storm Water Solutions*, titled "Schooled in Sustainability"
- **Ed DiSalvio**—Published article in *Parking Today*, titled "MBTA Red Line Gets Green Light for Sustainable Garage Rehabilitation"
- **Scott Dwyer**—Appointed to International Organization for Standardization 31004 Technical Advisory Group
- **Daniel Judy**—Selected as author for research book, titled "Bats of West Virginia"



- **Jeffrey Hale**—Published article in *AEG News*, titled "Shale Gas Exploration and Development: Geology and Economics at the Nexus of Water and Energy"

- **Carol Hall**—Member of the Alliance of Hazardous Materials Professionals Board of Directors
- **Mark Hudson**—Published article in *Oil & Gas Monitor*, titled "Five Tips for a Smooth OSHA Random Inspection"
- **Pete Stroud**—Published article in *HydroWorld Magazine*, titled "Choosing a Sediment Management Option for Dam Removal"
- **Ted Tyler**—Led Kleinfelder's engagement efforts for Interstate Technology Regulatory Council



- **Endi Zhai**—Moderated seminar for International Chinese Transportation Professionals Association

## Award Highlights

Kleinfelder is known for its award-winning projects and people, including those highlighted below:

- **Alton Parkway Extension Project**—APWA-Southern California, Project of the Year, Transportation



- **KyAnn Anderson**—ENR, Top Young Professional in New England
- **Athens Tank Farm Project**—ExxonMobil Team Excellence Award

- **ExxonMobil Jacksonville, MD Retail Project**—ExxonMobil Vice President's Award for Safety
- **"G" Avenue Industrial Lead Track Project**—APWA-Southern California, Project of the Year, Facilities
- **Kleinfelder**—SAME Seymour S. Greenfield Sustaining Member Award
- **Lakeland Electric Solar Project**—American Planning Association-Florida, Award of Merit
- **Troutdale Sewer Treatment Plant Demolition Action Plan**—ACEC-Oregon, 2013 Excellence Award



- **James H. Kleinfelder, Founder**—Civil and Environmental Engineering Department at UC Berkeley, Academy of Distinguished Alumni

- **Mike McGowan**—ExxonMobil, 2012 Quality Recognition Award
- **Nicole Joy**—New Jersey Water Environment Association, Outstanding Young Water Environmental Professional of the Year, 2013
- **Larry Peterson**—American Road & Transportation Builders Association, 2012 Guy Kelcey Award
- **Scott Sammons**—ACEC of Colorado, Committee Chair of the Year Award, Transportation

## Event Participation

This past year, Kleinfelder participated in more than 100 industry conferences and meetings. Below is a sampling of the more than 80 papers and presentations that were delivered by our employee-owners:

- **Amy Coppers-Costantino**—Young Professionals, Moderator—New England Water Works Association Spring 2013
- **Chryl DeCrenza**—"Wetland Regulatory Jurisdiction Over Farmlands"—Environmental Permitting Summer School, Florida Chamber, 2012

- **Bradley Erskine**—"NOA at the Calaveras Dam Replacement Project"—AEG Naturally Occurring Asbestos Symposium

- **Luke Foster**—"Increasing the Detection Rate of Microchiropteran Bat Species Utilising Nest Boxes With The Help of Infrared Cameras"—Australian Mammalogy Society Conference 2013

- **Mark Hooyer**—"Oil and Gas Industrial Case Study"—Industrial Environmental Association Summit 2012

- **Laura LaRiviere**—"Warning System at Creekside Dams: Putting It to the Test"—U.S. Society on Dams 2013

- **John Liao**—"Characterization and Stabilization of Ygnacio Valley Road Landslide in Concord, CA"—ASCE Geo-Congress 2013

- **Mary Loden**—"Top 10 Predictions for the Future of Project Management"—PSMJ A/E/C Industry Summit

- **Gil Long**—"Five Perspectives of Remediation"—AEP Environmental Challenges and Innovations Conference, Gulf Coast, 2012

- **Andre Martecchini**—"Municipal Emergency Preparedness"—Massachusetts Municipal Association 2013

- **David Michelsen**—Session Moderator—New England Water Works Association Water Quality Symposium

- **Ed Murawski**—Reclamation Panel Discussion—Phosphate Conference

- **Trent Parkhill**—Geotechnical Presentation—UDOT Engineering Conference 2012

- **George Pendleton**—"Money Saved! How to Effectively Inspect Sewer Laterals"—Water Environment Federation's WEFTEC Conference 2012

- **Rajesh Singh**—"Writing Enforceable and Constructible Specifications"—Construction Institute Summit of ASCE

- **Mark Stillman**—"The Value of Cost and Schedule Risk Management"—Society for Risk Analysis 2012

- **Hari Vasudevan**—"Transmission Line Foundation Construction Quality Control and Training Programs"—Edison Electrical Institute Transmission, Distribution, and Metering Conference 2012

- **Joe Zilles**—"Water Supply Assessments in Arid Environments"—AEG Annual Meeting 2012

# CORPORATE SOCIAL RESPONSIBILITY

## MAKING A REAL AND LASTING DIFFERENCE

THE KLEINFELDER CORPORATE SOCIAL RESPONSIBILITY (CSR) PROGRAM ENCOURAGES ALL EMPLOYEE-OWNERS TO PROACTIVELY SUPPORT THEIR COMMUNITIES. COMBINING OUR CORPORATE EFFORTS WITH INDIVIDUAL OFFICE ACTIVITIES, WE FOCUS ON VOLUNTEERISM, SUSTAINABILITY, DIVERSITY, AND DISASTER RELIEF TO CONTRIBUTE OUR RESOURCES WHERE THEY'RE NEEDED MOST.

### Volunteerism

#### Ronald McDonald House Charities

During the second year of our ongoing partnership with Ronald McDonald House Charities, Kleinfelder continued to promote companywide community service and help families in need.

Together, we have accomplished the following since the beginning of our partnership:

- **\$105,000** in funds contributed
- **24,282** pounds of food and goods donated
- **More than 100** meals prepared and served at various Ronald McDonald homes

Learn more at [www.rmhc.org](http://www.rmhc.org).

Kleinfelder employee-owners continue to support many other worthwhile causes within their local communities and for others in need, giving of themselves in ways that make the world a better place.



Los Angeles  
Kleinfelder team

### Sustainability

At Kleinfelder, sustainability shapes our approach to problem-solving and innovation, and we are engaged in sustainability initiatives with both our clients and our employee-owners. We continue to integrate sustainable design and practices across all of our technical disciplines, specifically driving growth in our climate change services using state-of-the-art science to evaluate risk

and develop response plans for clients nationwide. Internally, our newly formed sustainability committee, bridging resources from across the organization, remains committed to reducing our companywide energy, water, carbon, and paper footprints, while seeking more sustainable office space with our property leases.

### Diversity

We recognize that all people can enrich our surroundings through their unique qualities, skills, ideas, and experiences. Our efforts to embrace and actively support workplace diversity are demonstrated through the following programs:

- **Let's Do Lunch**—Employee-owners are reimbursed up to \$25 for taking a senior-level staff member to lunch to discuss career- and company-related topics.
- **RightStart**—This leadership program promotes the growth of our high-potential junior staff.
- **Diversity Education**—We offer various courses to help educate our employee-owners on this important topic.

We continue to strive for a more diverse workplace by strengthening the connection between diversity and our strategic direction.

### Disaster Relief

Since 2005, Kleinfelder and its employee-owners have provided \$76,251 in assistance to fellow employees and \$47,692 to other worldwide disaster relief efforts.

### Kleinfelder Academic Scholarship Program

In 2012, Kleinfelder awarded \$47,000 to assist 21 interns and employee-owners' children in pursuing their higher education.

### 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 \$15,000 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. The recipient of the 2012-2013 fellowship is Elizabeth Binning.



### Legacy Service Trophy

Kleinfelder's fifth annual Legacy Service Trophy was awarded to employee-owners in Littleton, Colorado. Their commitment to the four pillars of our CSR Program exemplifies the many ways our people connect with their communities and those in need.



# LETTER FROM THE CHIEF STRATEGY OFFICER



AUGUST 2013

## Dear Shareholders,

Kleinfelder's fiscal year 2013 (FY13) was financially challenging on many levels as the company realized significant growth through acquisition, began the process of converting to a new financial management platform, initiated operations in

Canada, and managed marketplace changes in a difficult economic environment. The company's efforts enabled us to achieve overall revenue growth. However, earnings declined and liabilities increased as management of indirect costs and cash flow became more difficult.

Kleinfelder's FY13 operating margin was \$2.3 million, compared to \$12.0 million in FY12, a decrease of \$9.7 million. Stated as a percentage of net revenue, operating margin was 1.0% in FY13, compared to 5.5% in FY12.

Kleinfelder's FY13 earnings before interest, taxes, depreciation and amortization (EBITDA), was \$11.4 million, compared to \$17.7 million in FY12, a decrease of \$6.3 million. Stated as a percentage of net revenue, EBITDA was 5.1% in FY13, compared to 8.2% in FY12.

The decrease in earnings, whether measured by operating margin or EBITDA, was driven by the same factors. These included a 1.9 percentage point drop in labor dollar utilization, a 0.04 point drop in the net revenue multiplier and a near 24% increase in healthcare costs. In addition, the company incurred more than \$3.8 million in one-time or "unusual" costs for items such as acquisitions, lease restructuring, and the Deltek enterprise resource planning system implementation.

In a difficult economic environment, gross revenue in FY13 grew to \$311.1 million, compared to \$295.7 million in FY12, an increase of \$15.4 million (5.2%). Net revenue increased to \$224.2 million, compared to \$216.9 million in FY12, an increase of \$7.3 million (3.4%). These increases were attributed primarily to our acquisitions, as well as growth in the Energy Market. FY13's gross margin, a

measure of revenue minus direct costs, was \$121.5 million, or 54.2% of net revenue, compared to FY12, where gross margin was \$118.9 million, or 54.8% of net revenue. The decline in gross margin as a percentage of net revenue reflects an overall increase in direct costs and downward pricing pressure.

Our backlog of work for FY 2014 remains strong. At the close of FY13, our backlog was \$288.2 million, above FY12 levels. In addition, efforts to validate the accuracy of our backlog have increased our confidence in our backlog turning into revenue as predicted.

Kakona Insurance Company, Inc. had operating income, before interest income and net investment income, of \$0.6 million in FY13, compared to \$1.8 million in FY12. The \$1.2 million decrease in operating profit was primarily due to a reduction in premiums. In FY13, the company adopted a resolution authorizing the dissolution of the Kakona and the transfer of all insurance policies and obligations to Kleinfelder. Kakona received approval from the Insurance Division to dissolve and liquidate. The dissolution occurred subsequent to March 31, 2013,

and unrestricted assets totaling \$6.7 million were transferred to Kleinfelder and used to pay obligations.

Our discretionary distributions were challenged in FY13 due to the decline in earnings. Funding of the discretionary pools is based wholly on the company's performance. Given that Kleinfelder was unable to meet and exceed our FY13 financial targets, discretionary distributions were limited to a \$1.2 million contribution to the Employee Stock Ownership Plan in company shares.

Cash and investments were \$14.5 million in FY13, compared to \$18.0 million in FY12. Days sales outstanding (DSO), which is a measure of how quickly the company can convert our revenue to cash, reached as high as 89 days during FY13, compared to 75 days in FY12. Although still in line with industry averages, the 14-day range represents nearly \$14 million of company borrowing. A portion of the negative cash impact of the increased DSO was corrected by extending our accounts payable payment cycle to more closely reflect industry averages.

Total interest bearing debt in FY13 was \$76.9 million, an increase of \$34.1 million compared to FY12. The increase in debt was due to investments in acquisitions and the increase in DSO. Kleinfelder's debt-to-equity ratio increased to 1.3 in FY13 from 0.9 in FY12, while total stockholders' equity in FY13 increased by \$12.4 million to \$58.4 million.

Kleinfelder's FY14 plan includes a return to normal operating performance, which will lead to financial results increasing significantly year-over-year. Achieving our plan in FY14 will be dependent on close management of indirect costs, supporting the continued performance of our acquisitions as they integrate, and meeting our productivity goals, while delivering the revenue from our backlog and new business development. I believe that we can achieve our plan, though it will take a dedicated effort from all our employee-owners to deliver and maintain the financial health of our company.

In summary, Kleinfelder continues to navigate challenging economic times and invest in our future so that we may generate profits above the industry average for companies of our size. As we reduce our debt throughout the year, we will strengthen our financial position and continue our investments for the long-term growth and sustainability of our employee-owned company.

Kevin E. Pottmeyer  
Chief Strategy Officer

## Connecting through Acquisition

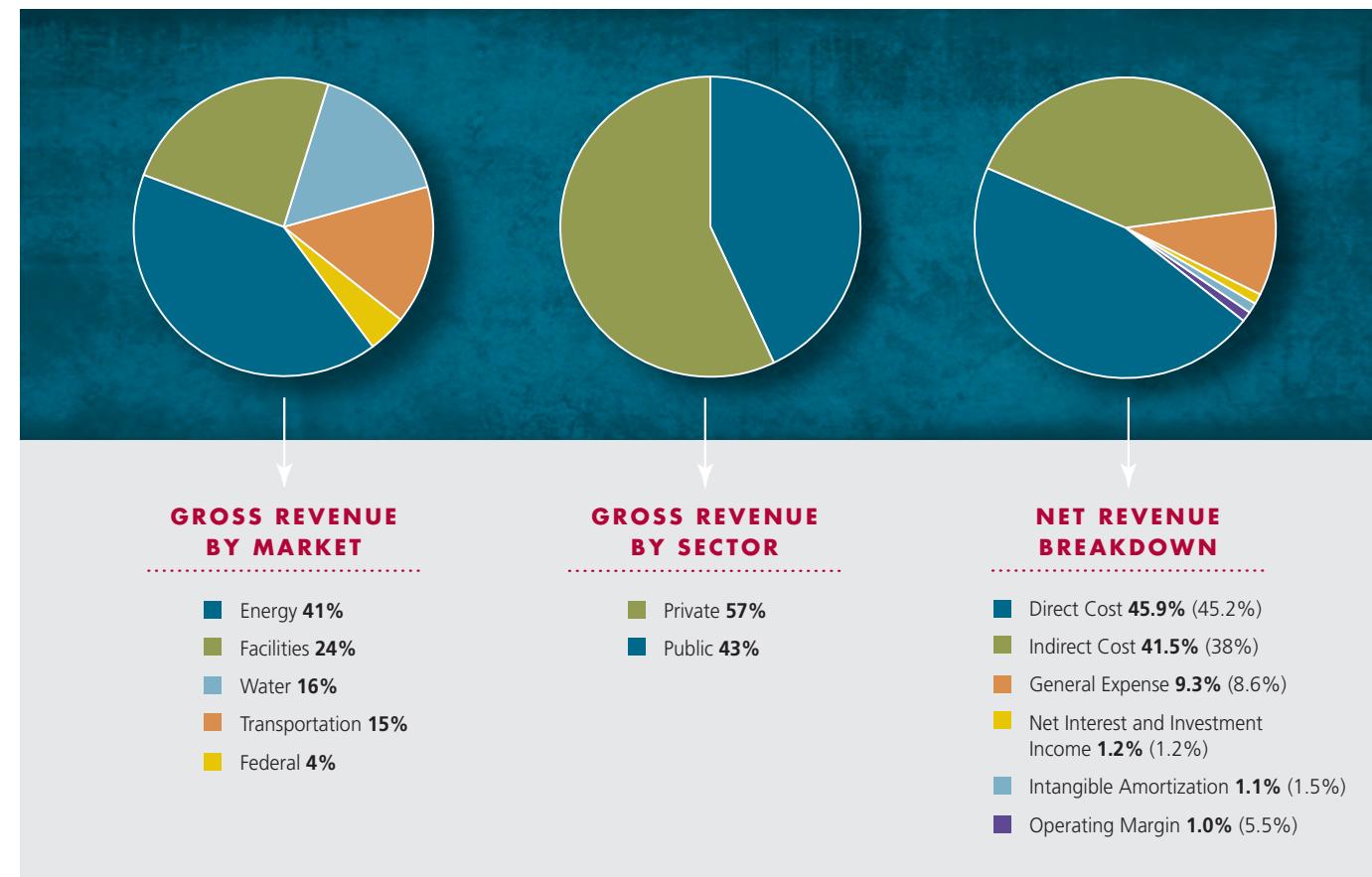


*This past fiscal year, Kleinfelder continued to grow its geographical footprint, technical expertise, and client portfolio with five strategic acquisitions—enabling us to further connect with clients and projects around the globe. We welcome the employees of our newly acquired companies to the Kleinfelder family.*

*Pictured above (L-R): Acquired leadership Adam Blundell (Ecobiological), Ray Ferrara (Omni Environmental), and Simon Wong (Simon Wong Engineering) speak during Kleinfelder's annual technical seminar.*

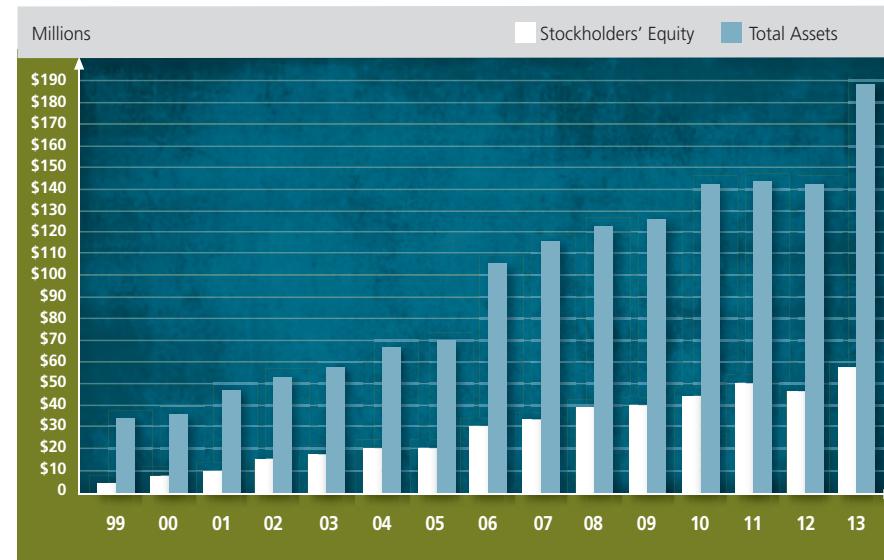
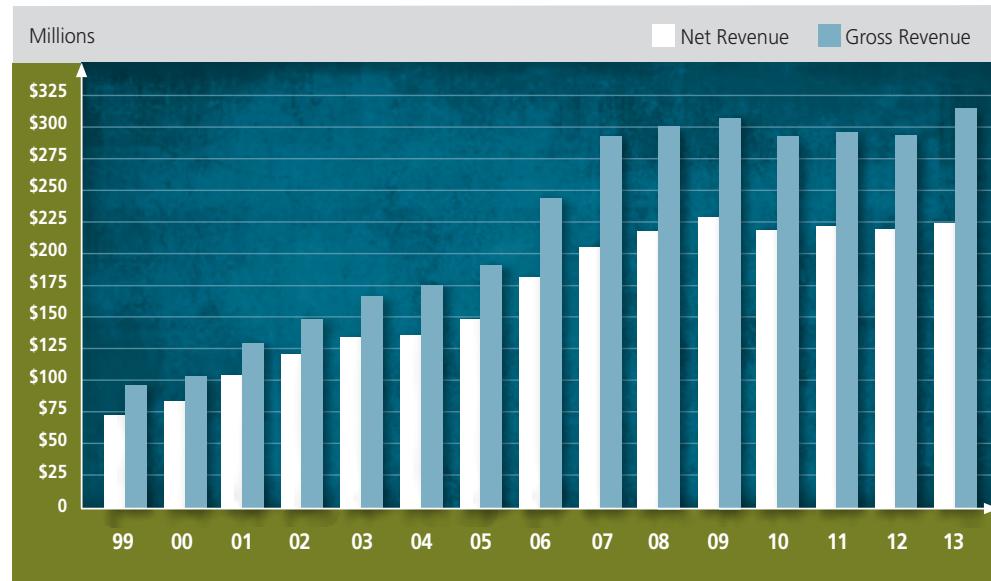
THE KLEINFELDER GROUP | Financial Highlights | Years Ended March 31, 2013, 2012, and 2011

(Dollars in Millions)	2013	% of NR	2012	% of NR	2011	% of NR
<b>INCOME STATEMENT</b>						
<b>GROSS REVENUE</b>	<b>\$ 311.1</b>	138.8%	<b>\$ 295.7</b>	136.3%	<b>\$ 297.4</b>	133.7%
Less Outside Service Cost	86.9	38.8%	78.8	36.3%	74.9	33.7%
<b>NET REVENUE</b>	<b>224.2</b>	100.0%	<b>216.9</b>	100.0%	<b>222.5</b>	100.0%
Direct Cost	102.7	45.8%	98.0	45.2%	95.6	43.0%
<b>GROSS MARGIN</b>	<b>121.5</b>	54.2%	<b>118.9</b>	54.8%	<b>126.9</b>	57.0%
Indirect Operating Costs	114.0	50.9%	101.0	46.6%	109.3	49.1%
<b>OPERATING INCOME</b>	<b>7.5</b>	3.3%	<b>17.9</b>	8.3%	<b>17.6</b>	7.9%
Intangible Amortization	2.5	1.1%	3.2	1.5%	3.6	1.6%
Net, Interest Expense and Investment Income	2.7	1.2%	2.7	1.2%	2.9	1.3%
<b>OPERATING MARGIN</b>	<b>2.3</b>	1.0%	<b>12.0</b>	5.5%	<b>11.1</b>	5.0%
Bonus and ESOP	1.1	0.5%	4.8	2.2%	1.3	0.6%
Office Restructuring Charges	0.3	0.1%	0.0	0.0%	0.0	0.0%
<b>PROFIT BEFORE TAX</b>	<b>0.9</b>	0.4%	<b>7.2</b>	3.3%	<b>9.8</b>	4.4%
Income Tax	(0.1)	0.0%	1.9	0.9%	1.7	0.8%
<b>NET INCOME</b>	<b>1.0</b>	0.4%	<b>5.3</b>	2.4%	<b>8.1</b>	3.6%
<b>KEY METRICS</b>						
Number of Employees (EOP)	1,817		1,701		1,681	
Utilization – \$ Labor	61.9%		63.8%		61.1%	
Net Revenue Multiplier	3.00		3.04		3.20	
Operating Margin % of Net Revenue	1.0%		5.5%		5.0%	
EBITDA	\$ 11.4		\$ 17.7		\$ 20.3	
EBITDA % of Net Revenue	5.1%		8.2%		9.1%	
<b>BALANCE SHEET</b>						
Cash and Investments	\$ 14.5		\$ 18.0		\$ 21.5	
Current Assets – Excluding Cash and Investments	90.3		79.6		77.3	
Fixed Assets – Net	11.3		10.5		9.1	
Other Assets	73.2		34.2		35.7	
<b>Total Assets</b>	<b>189.3</b>		<b>142.3</b>		<b>143.6</b>	
Current Liabilities	59.1		58.9		50.8	
Long-term Liabilities	71.8		37.4		43.1	
Stockholders' Equity	58.4		46.0		49.7	
<b>Total Liabilities and Stockholder's Equity</b>	<b>189.3</b>		<b>142.3</b>		<b>143.6</b>	
<b>BALANCE SHEET KEY METRICS</b>						
Current Ratio	1.8		1.7		1.9	
Interest Bearing Debt (includes sub debt)	\$ 76.9		\$ 42.8		\$ 50.1	
Debt to Equity (includes sub debt) Ratio	1.3		0.9		1.0	

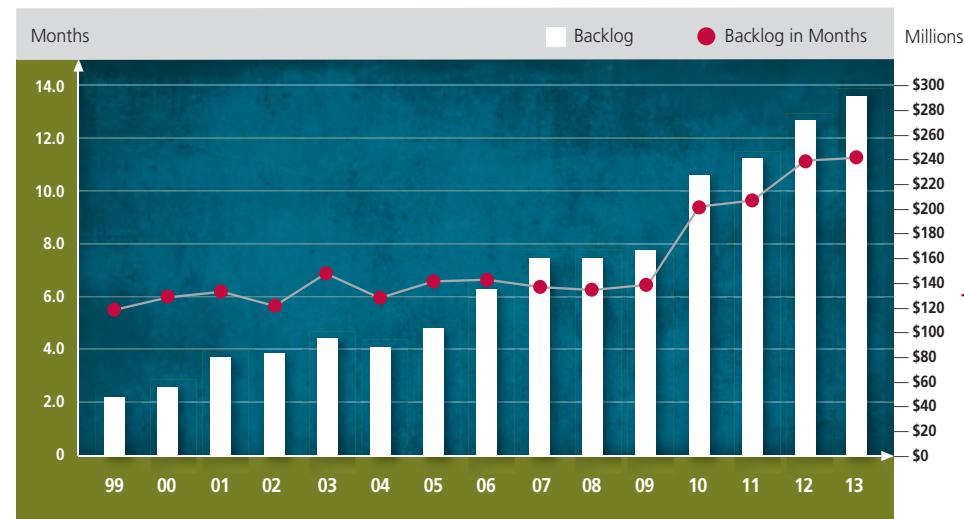


(FY12 percentages in parenthesis)

## REVENUE

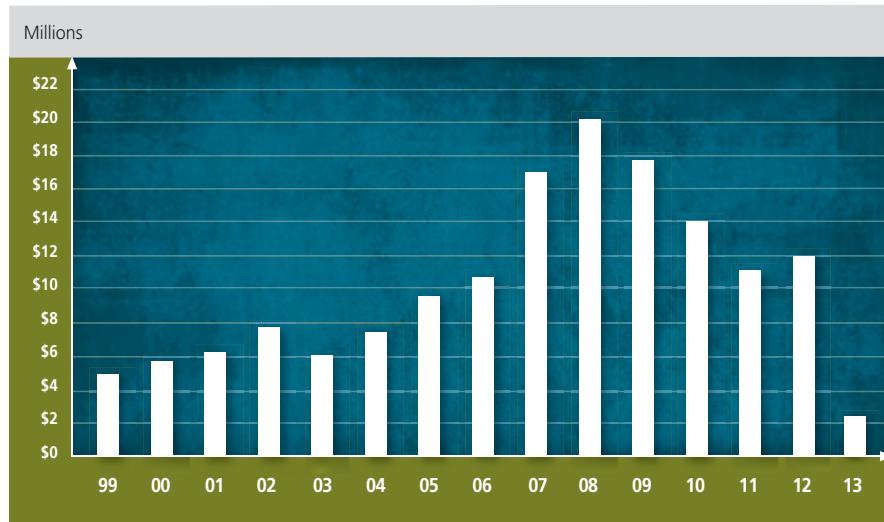


## TOTAL ASSETS AND STOCKHOLDERS' EQUITY

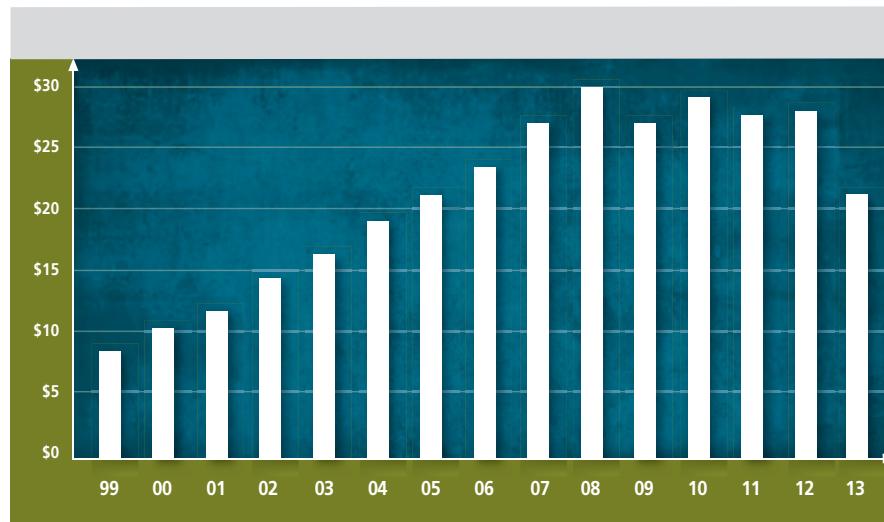


## YEAR-END BACKLOG

**OPERATING MARGIN**



**STOCK PRICE**



ready SET connect

[www.kleinfelder.com](http://www.kleinfelder.com)

## BOARDS OF DIRECTORS

### The Kleinfelder Group, Inc. Board of Directors

William C. Siegel, Chairman  
Rodger L. Johnson  
Michael P. Kesler  
John Moossazadeh  
Donald L. Pomeroy  
Kevin E. Pottmeyer  
Nancy L. Shanik  
Thomas R. Warne\*

*\*Thomas R. Warne is rotating off  
the Board in 2013. We thank him  
for his service.*

### 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

*\*\*The entity dissolved April 1, 2013.  
We thank the Board for its service.*

### ESOP Committee Members

Joseph L. Aldern, Chairman  
Derek P. Fisher, Vice Chairman  
Ashraf (AJ) Jahangir  
John Moossazadeh, Board Liaison  
Kerry L. Ruebelmann\*\*\*

*\*\*\*Kerry Ruebelmann is rotating off  
the Committee in 2013. We thank her  
for her service.*



### Corporate Headquarters

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

### ENVIRONMENTAL BENEFITS STATEMENT

Kleinfelder saved the following resources by using 1,398 pounds of Endeavor recycled paper made with 30% post-consumer waste, as compared to virgin paper.

**4** trees preserved for the future

**10** pounds water-borne waste not created

**1,497** gallons of wastewater flow saved

**166** pounds solid waste not generated

**326** pounds net greenhouse gases prevented

**2,495,430** BTUs energy not consumed



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