Professional Contract Services to Operate, Maintain, and Manage the City's Wastewater and Stormwater Systems

October 2013 RFP No. 09-13

OMI

OMI, Inc.
6410 5th Street, Suite 2-A
Key West, FL 33040
Tel 305.294.1645
Fax 305.294.4913

OMI

October 2, 2013

Ms. Cheri Smith, MMC, CPM, City Clerk
City of Key West
3126 Flagler Avenue
Key West, Florida 33040

Subject: RFP No. 09-13: Professional Contract Services to Operate, Maintain and Manage the City's Wastewater and Stormwater Systems

Dear Ms. Smith and Members of the Selection Committee:

The City of Key West (the City or Key West) ensures best value is delivered while maintaining a high level of customer service and responsiveness to its residents and business owners. The City demands its facilities are operated and maintained in a safe and professional manner, enhancing the lifespan of its assets and enhancing their lifespan. The City expects a proactive partner that understands the important nuances of living and working in "America's Southernmost City."

Since 1989, Operations Management International, Inc. (OMI) has met and exceeded these goals, and over the duration of our partnership we have gained an unmatched understanding of the City's values, the community's vision, and your expectations for continually improving the level of customer service you provide to the thriving community of Key West. The City has clearly made significant investment in its utility infrastructure, and our proposal for operating, maintaining, and managing your assets demonstrates our desire to continue working as your partner to protect those assets and deliver best value to the City.

Key West is unique in its location, its exposure to the extremes of nature, its commitment to being responsible stewards of the environment, and its desire to maintain the quality of life and diversity for its residents. OMI understands the critical need for providing a high level of service, especially in stormwater management, to support the City's status as a premier travel destination. Our proposal demonstrates our comprehensive project understanding and will be the roadmap for evolving our partnership to the next level, supporting the City's future growth and success. OMI continues to offer the city a number of key strengths, including:

- ***Unsurpassed Project Understanding*** – Our people work in the City's facilities every day, caring for them as though they were our own. A handful of our associates have been on the job since the inception of our partnership, giving us a knowledge and understanding that cannot be matched by a new contractor. Our longevity gives us a project understanding that provides the City with confidence of service continuity and sustained performance into the next contract term. We recognize and embrace the high standards required to work for the City, and we always strive to be known as an extension of the City staff as we interact with the businesses and residents on a daily basis.

- ***Commitment of Top-notch Management and Support Team*** – Project Manager John Bartelmo has intimate knowledge of what it takes to meet and exceed the City's goals. Much of the OMI team have worked with the City for many years and have in-depth knowledge of the facility and enduring commitment to the project's success that no other operator can duplicate. Our local engineering staff, including Andy Smyth and Mike Furdock, has worked closely with the City for more than 20 years. These resources offer experience and skills that complement our onsite team's hands-on experience and institutional knowledge.

- ***Technical Competency and Resources*** – The City's assets represent the largest wastewater treatment facility and the most complex stormwater system operated through a public-private partnership in Florida. OMI has unmatched local resources in O&M, engineering, and related disciplines available to assist our onsite team at a moment's notice, assuring both cost-effective service delivery and support for any technical challenge or emergency situation that could arise.

- ***Lowest Cost of Ownership and Innovative Delivery*** – As your partner, we have implemented improvements in maintenance and asset management systems to optimize your equipment's life and performance. OMI strives to continuously improve our service and add value wherever we work. Our staff has initiated many projects that have reduced cost for the City, including the lightning protection replacement, clarifier drive replacements, and belt filter press replacement at the wastewater plant.

- ***Environmental Stewardship*** – Key West has a reputation as an environmentally conscious community. As a recognized leader in sustainable practices, OMI has a proven history with the City in protecting the environment, the community, the infrastructure, and our own people. We also understand the direct relationship between the environmental performance of the wastewater and stormwater systems and the tourism-based economic engine that drives the community. Our dedication to protecting the environment will continue to enhance the City's reputation and its quality of life, and support its vision of sustainable growth.

- ***Cost for the Dollar*** – OMI's delivery over the past 25 years has helped you keep sewer and stormwater costs low for your users. We are confident that our cost structure – both direct and indirect – is competitive and represents efficient delivery that meets your expectations. While the RFP process only considers the management fee, direct costs are the overwhelming majority of the total budget. While others may offer lower markups, only OMI has the proven ability to deliver on budget as we have throughout our entire history.

If you have any questions regarding this proposal or need any additional information, please contact me at 305.292.5102 or John.Bartelmo@ch2m.com. We look forward to working with the City of Key West to develop and implement a framework to continue and build on our 25-year partnership, bringing the best operations, technical, and economic benefits to the City and the entire Key West community.

Sincerely,
Operations Management International, Inc.

John A. Bartelmo	Stephen O. Meininger
Project Manager	Senior Vice President, Dir. of Global Operations

Task 1.0
Company Overview

task **1.0**

COMPANY OVERVIEW

1.1 Management Philosophies and Practices

Operations Management International, Inc. (OMI) is a leading provider of municipal operations and maintenance (O&M) and part of the global CH2M HILL family. CH2M HILL is an employee-owned consulting, design, design-build, operations, and program management firm – one of the largest in the industry.

OMI began serving the people of Key West in 1989. This proposal highlights that history and our accomplishments with you, and it provides a path for our future to continue delivering the level of service you have come to expect from OMI. As a wholly owned subsidiary of CH2M HILL, OMI is the legal entity that will execute the contract with you.

Our Philosophy

- Be the most respected company in our industry
- Provide the best client experience
- Promote a safe, healthy, and environmentally aware culture
- Preserve the "Little Yellow Book" philosophy
- Commit to ethics and integrity
- Strengthen civility in the workplace
- Enhance careers through professional development and advancement opportunities
- Support an inclusive, stimulating, and creative work environment that values diversity
- Empower employees to live the vision and strategy by providing tools, information, and resources
- Commit to sustainable business practices

CH2M HILL co-founder Jim Howland created the "Little Yellow Book" in 1978 to capture many of the values upon which the firm was built. The values demonstrated are as valid today as they were back then, and perhaps even more so. According to Jim, *"The quality of our services is of paramount importance. We must do a much better job than our competition in solving clients' problems if we are to succeed."*

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How We Practice our Philosophy:

- Work with a "safety first" mindset
- Live our "E3" motto – Empower our People, Enhance the Environment, and Exceed our Customers' Expectations
- Implement consistent systems and processes, which have been validated through winning the Malcolm Baldrige National Quality Award
- Routinely audit our work practices to deliver consistently high levels of service and efficiency
- Innovate and exhibit thought leadership
- Develop and implement an annual project business plan to incentivize the project team to annually set and achieve specific goals (innovation, efficiency improvement, compliance, safety, community involvement, and others)
- Possess a strong moral compass
- Value diversity
- Volunteer in our communities

e3
exceed our customers' expectations
enhance the environment
empower our people

Our Practices

The people of OMI are forward-looking, innovative experts and leaders who perform at their best. Because the firm is employee owned, we chart our own course and make the business decisions that are best for our clients and employees. We help our clients succeed through collaboration and careful cost management, making certain that high levels of quality and value are maintained on every project, large or small, around the globe. We follow 10 standard business practices to help achieve compliance, consistency, and safety, featured in the following table.

Practice	Highlights
Safety and Security	Provides a framework for compliance with Occupational Safety and Health Administration (OSHA) and other safety regulations, vulnerability assessments, job safety analyses (JSAs), safety training, emergency response plans (ERPs), and other safety-related functions.
Compliance and Reporting	Analysis and review checklists for permits, report preparation for regulatory agencies, and environmental compliance training for employees.
Operations Management	Documents treatment strategies and process control functions through Standard Operating Procedures (SOPs), Unit Process Control Procedures (UPCPs), and treatment system optimization through OMI's benchmarking database of performance measurement.
Maintenance and Asset Management	Integrates maintenance scheduling, documentation, and tracking; inventory control; and equipment condition assessment into a computerized database. Information analyzed through our Asset Condition Evaluation System (ACES) to prioritize maintenance activities and for Capital Improvement Planning (CIP). This allows OMI to maximize equipment performance and minimize downtime.
Laboratory Management	Standard procedures for sample collection, analysis, and documentation with OMI's award-winning quality assurance/quality control (QA/QC) and our chemical hygiene plan.
Environmental Management	Our program for compliance for pollution prevention and waste minimization.
Human Resource Management	Plan for the success of our employees as individuals and as a team. This includes recruitment, orientation, and training; standard training needs assessments for employees; training programs for certification, ethics, compliance, safety, management and succession; and performance appraisals and professional development.
Financial Management	How OMI manages project cost through national purchasing power, synopsis of contractual requirements, and continuous monitoring of cost with our Project Assessment Tool (PAT).
Administrative Management	Plan for preparing monthly and annual client reports; our Project Family of Measures, which is our internal monthly measure of project performance, and our Annual Project Business Plan, which is prepared and monitored by project employees to improve project performance beyond the contract requirements.
Community Involvement	Plan to be a part of the community, to seek to enhance the image of our client in the community, and to give back to the community. This includes plant tours and other public water awareness events.

We help our clients achieve their goals by listening and understanding their needs, then delivering customized solutions in a flexible and responsive manner. We respect our people, our partners, and our planet. Our work is rooted in the values of trust, accountability, humility, and ethical personal and corporate behavior.

CH2M HILL Mission Statement

We are a global project delivery company, helping our clients build a better and more sustainable world.

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Our successful partnership is based on four basic values established by our founders that are adhered to today. These values include:

- Take care of clients
- Deliver great work
- Do right by employees
- Stay true to our integrity and honesty

Our Successes

The cornerstone of our success is the depth of resources and talent in our local and supporting offices. Combined with our industry-low average professional employee turnover rate, this confirms our capacity—and long-term staff commitment—to effectively execute projects for our clients and provide continuity throughout the project and on subsequent projects for the same clients.

This support is clearly demonstrated as the Key West project has evolved over the years. The continuity of the senior management team and the support of the many support functions have provided the following:

- Technical advice and design ideas for above-ground assets
- Commissioning, startup, and troubleshooting for these assets as they came online
- Maximizing asset life by understanding the community and its challenges

Employee Ownership

When you deal with an employee-owned firm, you get the best of both worlds: the entrepreneurial spirit and personal attention of a small company combined with the long-term stability, experts, and technologies of a large corporation. OMI associates "think and act as owners," and that culture provides the benefit of efficiency and business results.

We are personally and professionally motivated to outperform for you. Our employees own 100 percent of the firm, and many employees participate in the internal stock market. Our ownership program and entrepreneurial culture attract high-caliber people who take a personal stake in their work.

Our company has the financial independence to invest in long-term innovations and assume the financial risk involved with alternative project delivery approaches like integrated engineer/procure/construct and performance-based contracts.

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Successful, Long-term Full-service Contract Execution

A hallmark of OMI's contract history is the length of time we have been partnered with our clients. The list below, highlighted by our time in Key West, represents a sampling of some of our longest-tenured projects:

- Key West, Florida: 25 years
- The Villages, Florida: 20 years
- Quincy, Florida: 19 years
- Crestview, Florida: 19 years
- Live Oak, Florida: 16 years
- Mary Ester, Florida: 10 years
- Havana, Florida: 10 years
- Hinesville, Georgia: 29 years
- Washington, Georgia: 20 years
- Carol Stream, Illinois: 16 years
- Traverse City, Michigan: 23 years
- North Hudson Sewerage Authority, New Jersey: 25 years
- Lehigh County, Pennsylvania: 18 years

Ethics and Business Conduct

At OMI, ethics, integrity, and compliance with the law are core values fundamental to our success. One of our founders, Jim Howland, says in his famous Little Yellow Book: "Integrity is the all-important prerequisite to employment. The person must be honest with himself and others or we have no foundation on which to build."

"Doing our work ethically and treating our clients, colleagues, and communities we serve with civility and respect is core to the way we live and do work," says Lee McIntire, CH2M HILL chairman and CEO. "This recognition is an honor and testament to the dedication of our 30,000 global employees to conduct business in the most ethical manner."

- Lee McIntire,
Chairman and
Chief Executive Officer
CH2M HILL

The Ethisphere Institute named CH2M HILL to its list of the World's Most Ethical Companies in 2009, 2010, 2011, 2012, and 2013. The institute describes this award as recognizing honorees showing "real and sustained ethical leadership within their industries, putting into real business practice in the Institute's credo of "Good. Smart. Business. Profit." The Ethisphere Institute is dedicated to the advancement of best practices in business ethics, social responsibility, and sustainability.

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This approach clearly mirrors the City's and your core values of respect and integrity are highly valued and are the minimum requirement, not a value-added service.

Sustainability

At OMI, sustainability isn't just a buzz word – it's built into the way we do business. We take a comprehensive, integrated approach to sustainability that enables us to create and deliver customized solutions to meet our clients' specific goals. Helping protect the environment and public health by expertly operating municipal wastewater systems is at the heart of OMI's work. As the company has grown, so has our range of sustainable solutions that can help communities and companies meet their own sustainability goals.

Verdantix, an independent analyst firm focused on sustainable business issues, has named our company a U.S. leader in sustainability consulting (2013), environmental services (2012), sustainable engineering (2010), and climate change consulting (2009). These recognitions exemplify our commitment to sustainable practices in our internal operations, our project delivery, and the communities we serve.

OMI's Sustainability Program achieved measurable impacts for our clients and their communities in 2012

- Beneficially reused 9.9 billion gallons of effluent
- Diverted 111 tons of waste, including household hazardous chemicals, paper, scrap metal, and plastic, from landfills
- Reduced CO2 emissions at our projects by 3,206 metric tons
- Beneficially reused 3,463 tons of biosolids
- Implemented 10 ecosystem enhancements
- Volunteered 1,699 hours of time in the communities we serve, including recycling events and tree plantings
- Generated forecasted savings or cost avoidances of $3.4 million for our clients and our company during the next 4 years

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Motivated to achieve the "triple bottom line" benefits of environmental stewardship, social equity, and economic progress, OMI's professionals apply sustainability principles to practically every operations challenge our clients face. It is important to remember that sustainability isn't just about the natural environment – it is more encompassing, including making decisions that impact the long term. Our personnel look 3, 5, 10 years down the road, looking to the future to understand that a decision made today will impact the City later.

The Key West stormwater and wastewater system reaps the benefits of OMI's sustainability expertise, including long-term cost savings and greater efficiency, reduced environmental impacts, decreased risks and liabilities, as well as new business opportunities, increased asset values, and improved public image and stakeholder relations. We tailor our work to suit the City's needs and specific criteria for success.

In addition to serving as lead operator, Oliver Kofoid is OMI's Sustainability Champion in Key West. "It's a mindset – recycling, turning off lights. We've focused initially on four goals: recycling, durable goods, energy, and chemicals. Ultimately, we're striving toward Florida Keys GLEE (Green Living & Energy Education) certification." Ollie's been with OMI for 21 years, all of them in Key West.

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Diversity and Inclusion

Perhaps it is to be expected that an organization that has been recognized among FORTUNE Magazine's "100 Best Companies to Work For®" six times since 2003 would value diversity within our organization. This is certainly the case at our company. A few facts that demonstrate our commitment:

A Great Place for Everyone

Exemplifying our firm's commitment to employees is our being awarded the Catalyst Award, which recognizes the firm for our continued focus on the advancement of women in the workplace.

2009 Award Winner catalyst ®

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- We provide equality in benefits for all employees, offering dependent coverage for spouses and domestic partners. We believe in equality amongst all our employees, a value that is reflected by numerous awards for workplace equality and diversity. We have been recognized by several organizations for our approach to recruiting, developing, and retaining a diverse workforce.
- We support diversity through sponsoring Affinity Groups for women, African-Americans, Hispanics, Asians, Veterans, and gay, lesbian, bisexual, and transgender individuals.
- The number of women in senior management positions is five to six times higher than our competitors. In fact, just last month we proudly announced that as of January 2014, Jacque Hinman will be the firm's new Chief Executive Officer, solidifying our commitment to having women and minorities at the highest levels of our company.

We are also fully committed to including diversity in our teaming choices. It's good business for our company to partner with small businesses, including those owned and controlled by socially and economically disadvantaged individuals and by minorities, women, and veterans. Our Supplier Diversity and Small Business Program has received:

- Black Enterprise Magazine's Top 10 Corporations for Supplier Diversity
- Corporation of the Year – Minority Enterprise and Education Development, Inc.
- Defense Contract Management Agency and the U.S. Small Business Administration "Outstanding" rating since 1998, which is the highest awarded

1.2 South Florida Resources

Successful History in Key West

When OMI assumed the O&M contract at Key West, we started with a number of associates who are still with us today. Now, 25 years later, we are successfully providing the residents of and visitors to the island with cost-effective and reliable stormwater and wastewater management. We are proud of our service to the Conch Republic, being part of the community and environmental stewards to this unique area. Since assuming the contract, our partnership has faced – as a team – major emergency weather situations such as Hurricane Wilma, ever-increasing environmental legislation, and a fluctuating economy. We are proud that we weathered all of this and still provided superior performance regarding compliance, cost efficiency, and sustainability.

Project Partner Since

Crestview 1994	Quincy 1994
Defuniak Springs 2003	The Villages 1993
Havana 2003	Ave Maria 2006
Key West 1989	West Melbourne 2011
Live Oak 1997	Tampa Bay Water 2012
Mary Esther 2003	

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An important thing to note is that OMI already has a highly experienced, trained staff onsite at Key West and there is no transition risk or concerns of staffing ability or capability. Our onsite team is supported by a Technical Resource Team, many of whom are located in Florida, who have firsthand knowledge of your facilities in all the key areas of O&M, safety, compliance, laboratory, stormwater/wastewater collection, and asset management. These resources have audited the facilities and are available for continued support of the project in the future as we continue to enhance our level of service and implement efficiency improvements. Complete information for our entire team can be found in Task 3.0.

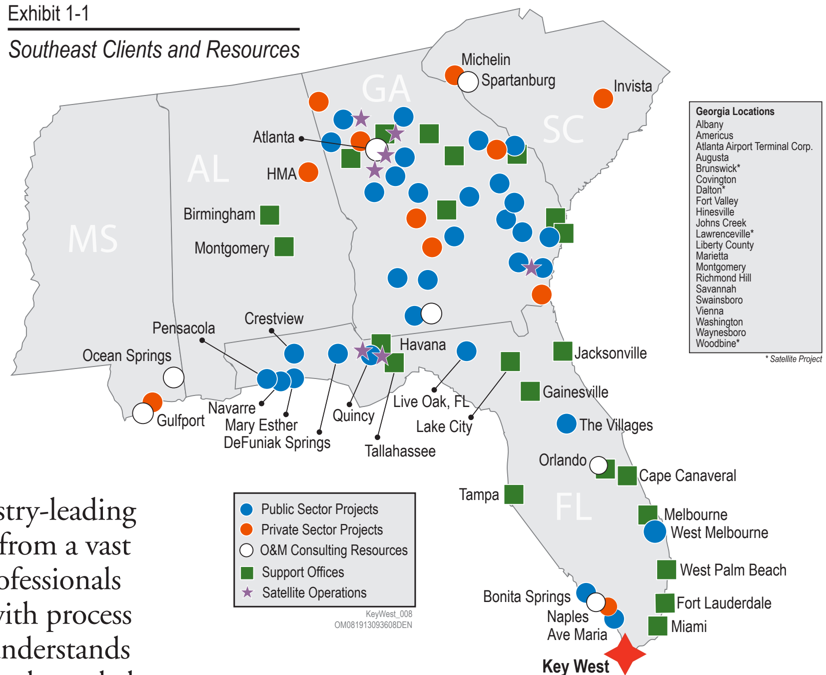
> *"It's the City's plant, but it's like our home, our family. Why not take care of them like we would ourselves?*
> *- Ricky Collins, maintenance supervisor*

Florida Resources

Key West was our first O&M contract in Florida, and since then our resource base in the state has grown to more than 850 professional engineers, technicians, technologists, and others available to support our local staff. Exhibit 1-1 shows the location of our 850 Florida resources, as well as resources from neighboring states. Our company offers the City a formidable combination of corporate strength, depth of resources, experience, and industry-leading expertise. Our employees draw from a vast network of 30,000 technical professionals around the world. Combined with process and design expertise, our staff understands the challenges Key West faces, and we pledge our full support as the City works to maintain service reliability, achieve compliance, and meet community needs.

Exhibit 1-1

Southeast Clients and Resources



Many companies state they have great depth and corporate support, though many are through tenuous links to subcontractors or other outside firms. They can also build up their resume with small package plants and short-term staff assignments. However, OMI can claim the largest variety of services and resources that could support the City. Our Key West office supports our water, wastewater, environmental, and hydrogeological engineers who have done work for the City, as well as many other local institutions, including Monroe County, the Florida Keys Aqueduct Authority (FKAA), and the U.S. Navy. We have used this cross-business support to enhance the services we already provide at other project sites in Florida.

Florida Emergency Response Resources

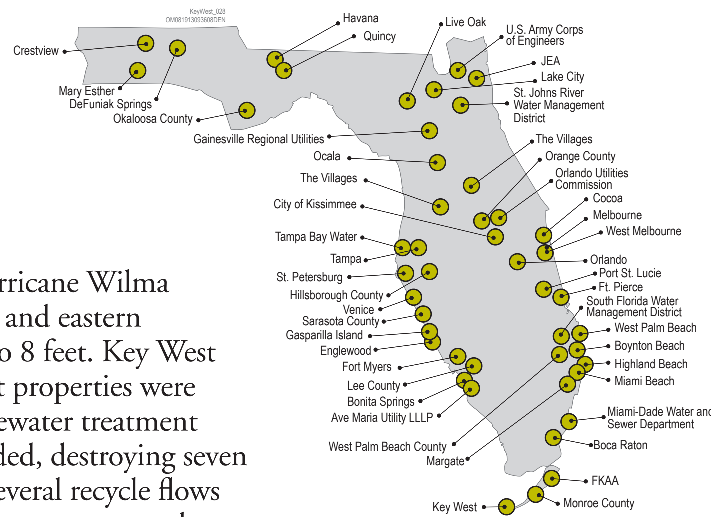
One of the benefits of choosing a firm with such a large resource base in Florida is that we can respond quickly to any potential emergency need. Also, our Emergency Response Team is headquartered in Florida. Dan Stark, who is closely involved in our Key West project as our technical support team lead, leads OMI's regional emergency response team as well as participating on our Catastrophic Events Response Team. This team brings to bear all of our resources for our clients if a catastrophic event should occur. Our history at the Key West project means we have strong relationships with local police and fire officials, and Lower Keys Medical Center staff.

Together we have faced at least four major events and countless smaller ones. Had these events not been managed properly, they could have had a tremendous impact on local residents and the business community. As many of us are locals ourselves, we are fully aware that any major disruption can cause harm to the area's economic lifeblood: tourism.

Exhibit 1-2 illustrates the municipalities in Florida with whom we have completed projects. As you can see, it spans the entire state. This experience means we know Florida weather and other potential hazards, how to prepare for them, and how to recover.

Exhibit 1-2

Florida Clients and Experience



City of Key West

- *Hurricane Wilma (2005):* When Hurricane Wilma hit, most of the Florida Keys' western and eastern coastline received a storm surge of 6 to 8 feet. Key West was 40 percent under water, and most properties were damaged in some way. The City wastewater treatment plant's (WWTP) lower level was flooded, destroying seven pump and blower motors critical to several recycle flows and aeration capacity. Additionally, there was some above-ground property damage that did not interrupt the plant process. Within 36 hours, a team of 7 OMI employees was assembled and mobilized to Key West. Within three days we had located, ordered, and received delivery of replacement electric motors. The OMI team brought rental vehicles, some of which replaced project vehicles destroyed by flood, as well as food, sleeping bags, and six generators purchased on the way to Key West. By Day 4, we had all the pump stations online and the WWTP was fully operational and producing clean water.

City of DeFuniak Springs

- *Hurricane Ivan (2004) and Hurricane Dennis (2005):* OMI assembled our relief team to provide assistance with equipment repair and replacement, assist with procurement of equipment and materials and parts, operate emergency equipment, and provide overall support.

Pensacola Naval Air Station, Hurlburt Airfield, Escambia County, Emerald Coast Utility

- *Hurricane Ivan (2004):* Our team assessed storm damage and reestablished vital systems. We also performed structural integrity assessments and initiated recovery and remediation activities.

City of Venice

- *Hurricane Charley (2004):* Our team established pre-hurricane planning guidelines and strategies, and then developed post-hurricane strategies regarding the lift stations, which included "grouping" stations to minimize the amount of emergency equipment and personnel. We developed maps to show flow from secondary to primary stations. All stations were prioritized by flow, critical facilities in the collection system, retention capacity, and other criteria. Existing City personnel were divided into teams to better accommodate system needs as well as provide guidance and direction to offsite relief personnel. We also developed processes to track all power outages, FEMA labor tracking, and equipment use.

City of Marco Island and Bonita Springs Utilities

- *Hurricane Rita (2005):* We provided support by locating emergency generators for a number of locations.

Elgin Air Force Base and Pensacola Naval Air Station

- *Hurricanes Dennis and Katrina (2005):* Assessed the damage and resolved major operations and maintenance problems.

City of Live Oak

- *Tropical Storm Debby (2012):* The city received 36 inches of rain over a 3-day period, causing extreme flooding. OMI staff repaired and made operational all lift stations and assisted with pumping flood water throughout the town and assisting the community.

Heroic Effort in the Face of Hurricane Sandy

"The Hoboken treatment plant was engulfed in 10 feet of storm surge which raced down 16th Street on Monday night in a torrent of waves and white caps. Much of its equipment flooded, the plant was inoperable on the first night of the storm. But emergency generators and quick work by the staff to dry out pumps and equipment had the plant at primary treatment within 24 hours. For the entire week, crews worked around the clock to make repairs, with additional personnel and resources such as pumps, generators, vehicles and other supplies being brought in from [OMI] locations across the country.

This tremendous recovery is a testament to our dedicated staff who worked tirelessly despite the fact that many of their own homes suffered damage and were without power, water and other essentials. The Authority and its commissioners are very proud of their effort."

Letter to the Editor of *The Hudson Reporter* (New Jersey) dated December 2, 2012

Dr. Richard J. Wolff
Chairman, North Hudson Sewerage Authority

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For more complete information about our emergency response capabilities, please see page 2-19 of Task 2.0.

1.3 Benefits Program

The quality of employee benefits and the Human Resources program reflects heavily on a company. We recognize that our success is due to our talented people, which is why we are focused on supporting our employees' well-being, regardless of salaried or hourly status. OMI's approach to taking care of its employees is to provide personal career growth, a strong and motivated morale, and long-term employment/retention. Our benefits program is what keeps our employees with OMI for the long term. It is also important to note that our benefits program is open to all employees, including those in domestic partnerships.

Committed To All Our Employees

All OMI employees receive essentially the same benefits package. However, our hourly employees pay an average of 18 percent less for their medical benefits package than our salaried employees.

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We employ a job-based and market-based total compensation program for all positions, enabling OMI to compare base and incentive pay for jobs in our organization to pay for similar jobs in the marketplace. Our salary structure is based on the following:

- Internal and external job and pay comparisons are based on position role and responsibilities.
- Broad use of market pay surveys and job analysis and evaluation processes helps deliver competitiveness with the external market.
- Salary structures (salary grades with minimum and maximum pay levels) promote internal and external equity in the base pay system.
- A common salary structure, based on geographic cost of labor differences, allow management to set appropriate base pay levels for geographic areas.

Employees with 12 months of continuous service with OMI are eligible for an annual merit increase to base pay. Newly hired employees receive a pro-rated merit increase, as determined by management, based on the number of months employed in the calendar year.

Because many of our employees at Key West have been with OMI for such a long time, they are participants in the company's pension plan, rather than today's 6 percent salary combined contribution to their 401(k) and Cash Balance plans. This is a highly valued retirement benefit that, should they have to move to another contractor, they will lose or see reduced benefits at retirement.

Our employee benefits package is very competitive within the industry, offering a variety of benefits that our employees often find better than our competitors. This allows us to retain our valuable workforce. Details of our package are included in the following table.

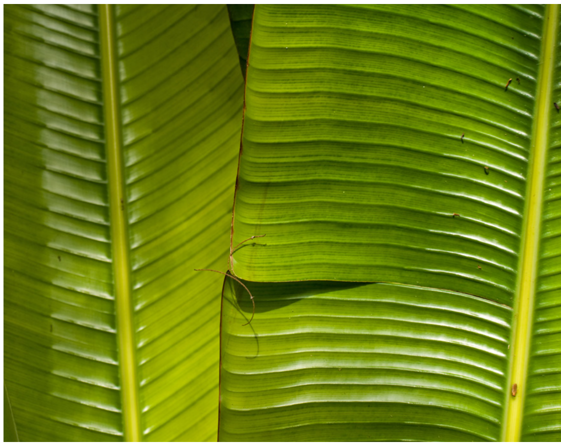
Benefit	Details
Medical Insurance	Employee can enroll for coverage as of the first day of employment or during annual Open Enrollment. Prescription Drug Program enrollment is automatic when enroll in medical coverage. Employees have several medical plan options to choose from.
Dental Insurance	Employee can enroll for coverage as of the first day of employment or during annual Open Enrollment. Choice of two plans with different coverage levels.
Vision Insurance	Employee can enroll for coverage as of the first day of employment or during annual Open Enrollment.
Basic Life Insurance	Employee is automatically enrolled as of the first day of employment (1x annual base salary is provided by company). Additionally, employee can enroll for supplemental life insurance coverage (1 to 5x annual base coverage for self; spouse and child coverage available.
Holidays	Holidays are project-assigned to deliver consistent project coverage.
Time Off With Pay	14 Days: 0-4 years 19 Days: 5-9 years 24 days: 10 years and over
Sick Leave	Employee begins accruing sick leave as of the first day of employment. 8 hours/month accrued. Limit of 360 hours accrual.
Retirement Plans	**401(k):** Employee can enroll and begin contributing as of the first day of employment. Contributions made as a result of automatic enrollment begin after 60 days of employment. 401(k) plan with multiple investment options. **Employer Contribution:** Employees hired after January 1, 2011 get 3% company contribution quarterly. Employee does not need to contribute to the plan to get the company contribution. Employees "grandfathered" under OMI pension get match of 50 cents on the dollar up to a maximum company contribution of $200 per year. Vesting is 20% per year to 100% vested at 5 years. **Cash Balance Plan:** Employees hired after January 1, 2011 get 3% company contribution annually in the first quarter each year. Combined with the 401(k), employees not grandfathered into the pension plan receive 6% of their salary per year contributed to their retirement accounts. **Employee Contribution:** Employee can save up to 50% of earnings on a pre-tax or Roth basis

Benefit	Details
Disability Insurance	Employee is automatically enrolled as of the first day of employment. Additionally, employee can enroll for supplemental disability coverage, if salary requirements are met, as of the first day of employment. **Short-Term Disability:** 66-2/3% of gross weekly earnings up to $1,500 per week after 30 day waiting period. Pays for 22 weeks. **Long-Term Disability:** 66-2/3% of monthly pay (up to a maximum salary of $5,000/month) after 180 days of disability. **Supplemental Long-Term Disability:** Option coverage for salary between $5,000 and $15,000 per month
Accidental Death & Dismemberment Insurance	Employee is automatically enrolled as of the first day of employment. (1x annual base salary is provided by company) Additionally, employee can enroll for supplemental AD&D coverage as of the first day of employment or during annual Open Enrollment. (1 to 5x annual base coverage for self; spouse and child coverage available). Employee pays costs.
Savings/Thrift Plans	**Flexible Spending Accounts:** For health care, dependent care, and commuter spending. Employee can enroll for coverage within the first 30 days of employment or during annual Open Enrollment or if you have a qualifying life event. **Health Savings Account:** If eligible, employee may begin contributing as of the date of election of the Choice Fund OAP Medical Plan and acceptance of the Terms and Conditions agreement.
Tuition Reimbursement	Non-degree programs reimbursed at 100%. Degree programs are reimbursed at 70% of course expenses up to $3,000 per calendar year.
Employee Morale	OMI strives to promote a work-life balance that promotes above-average performance, creativity and retention of employees by offering opportunities and events where employees, clients, and their families can strengthen the ties to the community.
Employee Ownership	If employee meets the minimum hours requirement is eligible to participate immediately. Employees may purchase stock directly through the internal market quarterly, or through payroll deduction. An employee can set aside up to 15% of gross salary to purchase stock, at a 10% discount. Stock can be sold at quarterly trades.
Worker's Compensation	Workers' Compensation for medical and lost time expenses is provided as required by state laws and covers job-related accidents and illnesses only. It is administered under the same rules and requirements as the respective state-operated programs and is purchased privately. All employees injured on the job (or those who develop work-related illnesses) are covered by Worker's Compensation. Various state commissions determine the amount of benefits by establishing payment schedules for both medical benefits and lost time. An employee may forfeit the benefits if he/she does not report an accident promptly. Reporting times vary for each state.

Classifications and Pay Ranges (2013/2014)

Classification	Monthly Salary Range	Monthly Benefit Range	OH and Profit
Administrative Assistant	$3,143 - $4,243	$1,587 - $2,143	Per Addendum 2, Item 8 this is included in the Management Fee
Operator	$2,473 - $5,073	$1,249 - $2,562	
Lab Technician	$2,745 - $4,117	$1,386 - $2,079	
Lab Director	$4,671 - $8,171	$2,359 - $4,126	
Lead Operator	$3,382 - $5,631	$1,708 - $2,843	
Lead Mechanic	$3,754 - $5,631	$1,896 - $2,843	
Mechanic	$3,047 - $5,073	$1,539 - $2,562	
Project Manager	$6,283 - $10,996	$3,173 - $5,553	
Supervisor	$4,671 - $8,171	$2,359 - $4,126	

Task 2.0
Qualifications and Experience



task 2.0 QUALIFICATIONS AND EXPERIENCE

The City of Key West/OMI partnership is significant for many reasons:

- It represents the operation of the largest wastewater treatment plant containing the only O&M contractor-operated NELAC-accredited laboratory in the state.
- It includes a complex stormwater system in a sensitive area due to topography and effects on locals and visitors alike.
- It is one of the longest-tenured public-private partnerships in Florida.
- Its operational costs are below Consumer Price Index (CPI) and national averages.
- A zero outfall discharge WWTP.
- All work is undertaken in one of the most environmentally fragile and challenging locations with regards to logistics and the unpredictable Florida climate.

What is most pleasing is that together, OMI and the City have delivered to your citizens, businesses, and visitors award-winning consistent service at a competitive rate with minimal problems during the last 25 years. We have continued to meet the fiscal requirements of the City and maintained rates that are very competitive with other Florida communities, which is no small feat considering your location.

2.1 Florida Wastewater Experience

Of the 110 wastewater facilities we operate around the world, our Key West operation is one the hallmarks of our organization. Well-operated with a strong atmosphere of partnership with the City of Key West, it sets the standard for OMI operations. As requested in your RFP and clarified in Addendum 2, we are providing information for our Florida project over 5 million gallons per day (mgd).

Project and Location	Reference, Tenure	Facility Details and Size	Saltwater Intrusion?
RA Heyman Environmental Pollution Control Facility Key West, Florida	Jay Gewin 305.809.3902 jgewin@ keywestcity.com 25 years	10-mgd, biological nutrient removal, including partial sectioning of one of two existing aeration basins to accommodate separate anoxic and re-aeration zones to enhance de-nitrification. Secondary clarification, tertiary filters, ultraviolet (UV) disinfection and deep well disposal.	Yes
O&M Summary: Full contract operations, maintenance and management responsibilities for the facility including regulatory compliance equipment maintenance to manufacturer requirements. Responsible for budget preparation including capital improvement recommendations. Expected to maintain consistent cost control measures and sustainability practices.			

2.2 Wastewater Experience

The chart on the following page highlights our full contract operations experience in Florida based on your requested qualifications. At each of these locations, our scope of work is similar to Key West's: we operate as an extension of city staff providing full contract operations, maintenance, and management responsibilities for the facilities, including regulatory compliance and equipment maintenance to manufacturer requirements. We are responsible for budget preparation, including capital improvement recommendations, and are expected to maintain consistent cost control measures and sustainable practices.

Project and Location	Contract Tenure (years)	Facility Details and Size	Saltwater Intrusion?
RA Heyman Environmental Pollution Control Facility Key West, Florida	25	10-mgd biological nutrient removal, secondary clarification, tertiary filters, ultraviolet (UV) disinfection and deep well disposal.	Yes
Reference: Jay Gewin, 305.809.3902, jgewin@keywestcity.com			
The Villages - 3 WWTPs Florida	20	3.0-mgd, 2.8-mgd, and 1.64-mgd biological nutrient removal with chlorine disinfection, tertiary filtration, and water reuse	No
Reference: Diane Tucker, 352.751.6700, diane.tucker@districtgov.org			
Crestview WWTP Florida	19	2.75-mgd activated sludge process with oxidation ditches and secondary clarifiers	No
Reference: Wayne Steele, 850.682.6132, waynesteele@cityofcrestview.org			
Ave Maria Utility Company WWTP Florida	7	1.25-mgd conventional activated sludge followed by tertiary filtration and high-level disinfection	No
Reference: David Genson, 239.262.2600, dgenson@barroncollier.com			
City of West Melbourne WWTP Florida	2	3.0-mgd aerobic digestion with activated sludge, belt filter press (BFP) dewatering, and filtration	Yes
Reference: Keith Mills, 321.837.7777, kmills@westmelbourne.org			
City of DeFuniak Springs WWTP Florida	12	1.5-mgd activated sludge plant with belt press and spray field	No
Reference: Bill Holloway, 850.892.8500, publicworks@defuniaksprings.net			
City of Mary Esther WWTP, Florida	10	1.1-mgd aerobic digester with oxidation ditches and drying beds	No
Reference: Lynne Oler, 850.243.3566, ext. 14, cmgr@cityofmaryesther.com			
Town of Havana WWTP Florida	10	0.4-mgd rotating biological contractor and spray field disposal technology	No
Reference: Howard McKinnon, 850.539.9762, hmgr@mchsi.com			
City of Quincy WWTP Florida	19	1.5-mgd fermentation, anoxic, nitrification, anoxic two, and re-aeration zones	No
Reference: Mike Wade, 850.627.7681, mwade@myquincy.net			
City of Live Oak WWTP Florida	17	1.8-mgd filtration and water reuse	No
Reference: Kerry Waldron, 386.362.2276, kwaldron@cityofliveoak.org			

2.3 Collection and Pumping Experience

At most of our Florida locations, we provide O&M for the collection and transmission system as well. The chart below provides the requested information for each of our contracts. For each, our O&M responsibilities include maintaining facilities in good operating order and aesthetically appealing condition; minimizing odors, and preventing overflows. We also clean and inspect the entire collection system on a continuous basis, respond to emergencies, and perform underground repairs as required. We also often locate sewer lines for contractors.

Project and Location	Contract Tenure (years)	System Mileage	Number of Pumps	Odor Control Techniques	Lift Stations Operating in Series?
City of Key West *Florida*	25	57	23	Iron Sponge scrubbers with activated carbon polishing are installed and maintained at five of the wastewater pump stations	Yes
The Villages *Florida*	20	360 (and 165 miles of effluent transmission)	95	Regular housekeeping and cleaning	Yes
Ave Maria *Florida*	7	26.7	15	US Filter ZABOCS at master stations	No
City of West Melbourne *Florida*	2	60	62	Regular housekeeping and cleaning	No
City of DeFuniak Springs *Florida*	10	n/a	40	Regular housekeeping and cleaning	Yes
City of Mary Esther *Florida*	10	24	15	Regular housekeeping and cleaning	No
City of Quincy *Florida*	19	n/a	10	Regular housekeeping and cleaning	No
Town of Havana *Florida*	10	n/a	9	Regular housekeeping and cleaning	No
City of Live Oak *Florida*	8	60	61	Bioxide injection	No
City of Crestview *Florida*	19	0	1	Regular housekeeping and cleaning	No

High Water Event Best Practices

All OMI projects have comprehensive emergency response plans that include preparations and response plans for flooding, and our Florida projects also include hurricane preparedness and response in their plans. Our projects also have detailed procedures for managing high water events that tend to occur several times per year as a result of seasonal weather events.

In Key West, our supervisory control and data acquisition (SCADA) system is set up to automatically disable upstream pump stations in the relatively rare event that downstream stations become surcharged. Salinity is monitored in the stations and lines are inspected (televised) and repaired when salinity levels increase to abnormal levels for a particular district. The SCADA system is also monitored and controlled from the wastewater facility by plant operators who stay in contact with collections personnel throughout the high flow event. Remote monitoring and control is also available to supervisors and leads through any internet-capable device. Collection system high water events are rare because major rehabilitation of the entire system was completed by the City within the past 12 years, and all of the wastewater manholes are equipped with water seals under the covers to minimize inflow. Cleanouts are also inspected and repaired on a regular basis to minimize leakage.

After a high water event, system performance is reviewed and any wastewater districts demonstrating an increase in flow above what are normally expected during a storm is investigated and any problems are quickly corrected.

Live Oak, Florida High Water Event Response

Submerged Lift Station

Interior of Lift Station After Flood Water Receded

On June 28, 2012, Tropical Storm Debby made landfall and became known as the worst storm in the City of Live Oak's 135-year history. Although the City had weathered storms before, this one stalled right above it, and over the course of three days would dump 36 inches of rainfall – 18 in the first 24 hours. In a matter of hours the City was not only inundated with flood waters but would quickly find all roadways in and out of the City were completely impassable.

In Live Oak, OMI operates the City's WWTP and acts as the Public Works department. Understanding the severity of the situation and realizing how much our City was depending on us, local and statewide OMI assets leaped into action to protect and save their community. Teams were quickly mobilized and the Emergency Response Plan was put into effect. Understanding that protection of life and property was the first priority, teams began assessing the roadways and barricading as necessary. Associates using personal water crafts (air boats) searched and assisted in the evacuation of citizens.

Once a full assessment was finalized, teams were immediately mobilized to begin full-scale lift station assessments. Knowing what needed to be done, predetermined teams were mobilized (pump and hose, fuel, natural gas, wastewater) to begin disconnection of flooded meters, repair a broken 20-inch force main, and begin assessing and clearing all drainage wells, catch basins, and culverts.

We initiated two 12-hour crews (morning and night shifts) and began the tedious efforts of removing millions of gallons of flood waters that had inundated 80 percent of the City. After several days of continuous pumping we were able to assess our sewer lift stations and that's when we were able to confirm that 20 of our 24 lift stations had completely become submerged and inundated with flood waters. Once the assessment was complete, a strategy was formed, and efforts were made to begin re-building our lift stations and SCADA systems. Through the unbelievable efforts of the entire Live Oak staff and the countless number of continuous hours worked, we had managed to successfully remove 489 million gallons of flood waters from Live Oak. Considering the unfavorable and unsafe conditions that existed, it'sincredible to note that through the 7,099 man-hours worked, all our staff came through this horrific event safe and sound.

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2.4 Stormwater Collection and Pumping

Similarly to Task 2.3, we perform stormwater collection O&M at a number of our project sites throughout the United States. Key West, however, is the only Florida project where pump-assisted wells are in use. The stormwater system we operate in Live Oak, Florida uses drainage ditches and gravity wells to control stormwater. The Villages uses a series of stormwater ponds, pump stations, and 31 equalization control valves to manage their system. On the following page, we have provided the requested information for Key West. For each of our O&M contracts, our responsibilities include maintaining facilities in good operating order and aesthetically appealing condition, and preventing overflows. We also clean and inspect the entire collection system on a continuous basis, respond to emergencies, and perform underground repairs as required.

Project and Location	System Mileage	Number of Pump Stations	Number of Pump-assisted Wells	Number of Wells
City of Key West *Florida*	9	4	7	126
City of Crestview *Florida*	8.2	0	0	44
The Villages *Florida*	n/a	7	0	0

High Water Event Best Practices

At Key West the responsibility is two-fold. We strive to minimize the severity and duration of flooding during high water events while minimizing stormwater runoff and debris discharge. Storm drains, catch basins baffle boxes, strainers, wells head screens and outfall structures are constantly monitored and cleaned. During and after storm events, crews are dispatched to known hot spots where continuous grate clearing and portable pump operation may be required. Plant operators monitor the stormwater pump stations on the SCADA system to assure continuous operation and communicate condition to collection system personnel in the field. Lead collections personnel are in contact with the City staff and members of the public to make certain that crews are quickly dispatched to any area requiring attention. An effective preventive maintenance program and being responsive to the community's needs during high water events is the key to successful best practices implementation.

When the island of Key West floods, the flooding can be isolated to a specific area or water might cover the entire island. The response plan's first step is to make an assessment of the overall situation using first responder feedback, answering service messages, and contacting or receiving contact from OMI personnel living on the island. Then we assimilate the data so that an accurate description of areas with the worst flooding can be developed. With this information we can more efficiently and effectively deploy staff and equipment. All OMI Key West Collections and Stormwater System Maintenance Division personnel have been trained on the City flooding emergency response plan. Continued training is provided to all employees as they join the OMI Key West Project Team and as they progress in their career advancement.

The prime functions of the OMI Key West Collections and Stormwater System Maintenance Division are routine maintenance and emergency repairs. Knowledge of all equipment associated with maintenance and emergency repairs is mandatory for both departments. Staff is fully aware of the priority dewatering list and responds accordingly when the flooded areas are identified and they are mobilized.

At our Live Oak project in Florida, depending on the size of the event we know which areas of the Town will be affected first, and dispatch equipment to those locations early. The Town is in a depression, so they are particularly susceptible to high water events. Our experience and in-depth knowledge helps us stay ahead of the storm and work early to minimize affects. The Villages' system is remotely monitored and controlled by SCADA from the District office in the event of high water.

2.5 Laboratory Experience

OMI currently operates two laboratories to NELAC standards: Key West for 10 years, and Dodge City, Kansas for 1 year. OMI also provides oversight for a NELAC-certified laboratory for one of our key Fortune 100 industrial customers in Richmond, Virginia. In addition to providing full contract operations, we oversee their onsite laboratory and make certain QA/QC requirements are met. At our other locations in the 15 states that follow NELAC standards, we choose to send our samples to third-party labs for convenience and location-specific cost benefits.

The Key West certified laboratory contractually has been operated and managed by OMI since 1989. From 1989 until 2003, certification for General Chemistry and Microbiology was maintained under Florida Department of Environmental Protection (FDEP) laboratory guidelines. In 2003, we obtained NELAC certification per the directive of Florida Administrative Code 64E-1.0015. The certification is based on the credentials of our laboratory manager, Rick Cleaver. We have achieved the right balance of test self-performance and outsourcing, and have price checked this to maintain that balance.

The laboratory is responsible for carrying out analytical activities that meet the requirements of the NELAC standard, as well as FDEP permit requirements, OMI internal standards, and any analytical needs of the City. The current OMI Key West laboratory staff have been at the project for at least 10 years and have a combined 33 years of environmental analytical experience. OMI's corporate laboratory program provides a wealth of resources and assistance to the Key West project.

The laboratory has been and continues to be successful in maintaining analytical performance according to Chapter 5 of the NELAC standards, referenced in Rule 64E-1.0015, F.A.C., for all General Chemistry and Microbiology parameters and test methods with which they have been certified. A NELAC-approved, site-specific quality manual was developed and is maintained by the OMI technical director/quality manager and laboratory staff. The manual contains guidance in the following key elements:

- Organizational Roles and Responsibilities
- Quality Systems
- Document Management
- Purchasing Services and Supplies
- Service to the Client
- Control of Non-conforming Work
- Corrective Action
- Preventive Action
- Control of Records
- Audits and Management Review
- Personnel, Training, and Data Integrity
- Accommodations and Environmental Conditions
- Test Methods and Method Validation
- Equipment
- Measurement Traceability
- Sample Management
- Test Result Quality
- Results Reporting

The laboratory has successfully participated in ongoing proficiency test programs to remain compliant with the procedures and criteria in Chapter 2 of the NELAC Standards, referenced in Rule 64E-1.0015, F.A.C.

The Key West Document Control System retains all original observations, calculations and derived data, and calibration records, including:

- Laboratory data logbooks, chain of custody, and bench analysis books
- Identity of personnel involved in sampling, sample receipt, preparation, or testing
- Information related to equipment, test methods, sample receipt, sample preparation, and data verification
- Record-keeping system that facilitates retrieval of information for verification or inspection
- Sample preservation, including appropriateness of sample container and compliance with holding time requirement
- Sample identification, receipt, acceptance or rejection and log-in
- Sample storage and tracking including shipping receipts, sample transmittal forms (chain of custody form)
- Documented procedures for the receipt and retention of samples, including all provisions necessary to protect the integrity of samples

- All original raw data, whether hard copy or electronic, for calibrations, samples and quality control measures, including analysts' worksheets and data output records
- Copies of final reports
- Archived SOPs
- All corrective action reports, audits and audit responses
- Blind sample proficiency test results and raw data
- Results of data review, verification, and cross-checking procedures
- Analytical records (such as strip charts, tabular printouts, computer data files, analytical notebooks, and run logs), including data and statistical calculations, review, confirmation, interpretation, assessment and reporting conventions
- Quality control protocols and assessment
- Electronic data security, software documentation and verification, software and hardware audits, backups, and records of any changes to automated data entries
- Method performance criteria including expected quality control requirements
- Personnel qualifications, experience and training records
- Records of demonstration of capability for each analyst
- A log of names, initials and signatures for all individuals who are responsible for signing or initialing any laboratory record
- Internal audit reports
- Management reviews
- Corrective and preventive actions

Data Reduction and Review

At the Key West laboratory, OMI uses the following data software programs: Operator10 (Op10) database, and Microsoft Excel and Access. Op10 is the primary database used for compiling permit and process laboratory data. The information is tracked, compared to historical averages and targets, and sent to our process supervisors to make any necessary changes at the facility. Process control data is also routinely reviewed by offsite senior operations specialists as part of our corporate QA/QC process to confirm implementation of best practices and sharing of innovations between facilities.

OMI uses a proprietary quality control program called QC Stats. This Excel-based program makes certain that laboratory data is accurate and precise. Data reduction and validation procedures are used to verify lab data along with QC Stats.

QC stats consists of the following:

- Individual precision and accuracy pages for each required parameter.
- A summary page that calculates percent recovery, percent deviation, standard deviation, and capability indices using data entered in the individual precision and accuracy pages. The summary page is also used to establish monthly control limits.
- Control charts to include upper and lower warning limits and out of control data.
- Corrective action pages to document actions taken when entered data falls outside of control limits.
- A guidelines tab to help guide you through data disqualification and justification.

In addition to the QC Stats program, OMI's Preliminary Excursion Guideline is a Corporate Corrective Action system to provide internal company resources and guidance for perfect compliance and perfect reporting of non-compliance data.

2.6 Emergency Preparedness and Response Resources

An important consideration for this contract is your chosen consultant's ability to respond quickly and efficiently in case of emergencies. Florida has experienced more than its fair share of natural disasters over the past decade, whether it be hurricanes, severe weather, or flooding.

Critical to this ability is whether your consultant has active O&M projects in Florida. In addition to Key West, OMI has 10 other municipal O&M projects in Florida whose personnel could respond within a matter of hours should the need arise. This is in addition to our Florida-based Emergency Response Team. The team is comprised of skilled mechanical and electrical technicians, and licensed operators who are not dedicated to specific projects and can be called upon in any emergency. This team is outfitted for emergency response with equipment and vehicles.

The team is led by Dan Stark, who is very familiar with the Key West project and knows City personnel and your facility. For example, the 2004 hurricane season that pummeled the Southern and Eastern coasts with wind and heavy rain from Hurricanes Charley, Frances, Jeanne, and Ivan seriously affected OMI's Florida and Georgia projects. However, each project had an Emergency Response Plan (ERP) in place and implemented it immediately to minimize effects of the storms, and personnel could be mobilized from our other regional projects in Texas, Alabama, and unaffected parts of Florida.

OMI Emergency Response Vehicles

Over the years at Key West we have had to implement our ERP a number of times to safeguard the facilities in preparation for oncoming situations. This is a well-rehearsed procedure that involves communications with all appropriate organizations and the mobilization of our extensive support teams. Located in the Florida Straits, together we have seen more than our fair share of tropical storms and hurricanes, and in our 25-year history with you we have helped you weather these storms and others:

- Hurricane Georges (1998)
- Hurricane Irene (1999)
- Hurricane Wilma (2005)

When Hurricane Wilma hit most of the Florida Keys, the western and eastern coastline received a storm surge of 6 to 8 feet above sea level. Key West was 40 percent under water. While OMI implemented our Disaster Preparedness Plan to prepare for the storm, the surge still flooded lower level of the WWTP. Project staff was able to quickly restore plant operations and focused on pumping as much water possible through the system. The Collection staff concentrated on cleaning storm drains to help relieve the flooding. Within 36 hours OMI assembled a relief team of 7 technicians onsite, who brought food, water, and other supplies as well as gas and diesel for emergency equipment. While onsite, they assisted in repair and replacement of the damage equipment, and helped man round-the-clock operations of the emergency equipment. The cost for the labor was absorbed within the budget.

National Incident Management System (NIMS)

OMI understands the importance of having staff trained in NIMS, as it provides a consistent nationwide template that enables government, private-sector, and nongovernmental organizations to work together during a disaster or emergency event. Key personnel have received the training.

Emergency Operations Center

OMI staff attends the Monroe County conference calls at the Key West Emergency Operations center (EOC) when a tropical storm or hurricane threatens the Florida Keys and Key West. OMI participates with City staff before, during, and after the storm to coordinate action plans with the City and Monroe County. The National Weather Service issues updated forecasts and emergency actions including evacuation recommendations are discussed based on this information. These meetings are held as many times per day as necessary when a storm approaches Key West. Debriefing reports from each City department and OMI are submitted to the City Manager after the event to document action taken and review for improvement in the future.

Emergency Preparedness Plan

An effective, well thought out, and achievable Emergency Preparedness Plan is critical to dealing with this and other potential weather-related and other types of hazards. The Key West Project has developed a number of emergency plans. The parent plan is the Crisis Management Plan.

This Site Level Crisis Management Plan documents the emergency crisis management plans for the Key West site. The plan's purpose is:

1. To act as a local guide in conjunction with the OMI Key West, Florida Crisis Management Plan during emergency situations.
2. To identify and minimize hazards to human health and the environment from various types of emergency situations, including fires, weather related emergencies, or potential releases of hazardous chemicals or waste stored on-site.
3. To familiarize local emergency response personnel (e.g. police, fire, and rescue departments, hospitals and government personnel) with the quantities and types of material handled and internal response procedures.

This plan includes site-specific information, emergency contact information, response diagrams, emergency procedures, and emergency supplies.

Emergency procedures have been developed for the following:

- Emergency Evacuation
- Medical Emergencies
- Explosion
- Fire
- Evacuation Drill
- Ignition Sources
- Chemical Spill Response
- Natural Disaster
- Severe Weather
- Flood
- Earthquake
- Utility Failure
- Site Evacuation Plan

Along with the Site Crisis plan the project has developed a standard Practice Instruction for Facility Evacuation Plan for the RA Heyman Environmental Protection Facility. This is in accordance OSHA – 29 CFR 1910.38 –NFPA 10. This plan is intended to address comprehensively the issue of providing for the orderly evacuation of the facility during emergency situations. The main goal of any evacuation is the rapid, systematic removal of all persons from potentially hazardous areas, to a safe evacuation relocation point, to account for all employees, and to assure an all-clear of the evacuated area.

This plan includes:

- Evacuation Notification
- Employee Responsibility
- Supervisor Responsibility
- Visitor Responsibility
- Contractor Responsibility
- Procedures for Fire & Explosions
- Power Outage Procedure
- Procedures Spills or Leaks
- Procedures for Severe Weather
- Procedures for an Earthquake
- Procedures for a Bomb Threat
- Procedures to Return to Work

Natural Disasters/Severe Weather

Lightning

Lightning storms are common in Key West. The most serious lightning damage would be from a direct strike on the telemetry system, emergency generator, plant equipment, or lift station. A direct strike would impair the level of treatment or possibly contaminate the environment. Remedial action would depend on which components were shut down, but would primarily involve immediate repairs of all electrical damage so that normal operations could resume as quickly as possible. OMI has developed and deployed a Commercial Power Outage ERP.

This plan addresses the loss of power at the lift stations and stormwater stations throughout the City. The plan includes the prioritized response protocol. The stations that have generators are listed and which station may require a portable generators. If the power outage is in conjunction with a major storm event, generators are placed at three pump assisted injection wells to increase drainage and reduce flooding. These stations are extremely high priority in a flooding situation and must be powered to avoid damage to homes and businesses within those areas.

Local Support in Key West

The Key West wastewater facility's lightning protection system was at the end of its design lifespan, and it was determined that replacement was necessary to continue protecting the plant's sensitive equipment. The system, consisting of lightning rods and more than 3,000 feet of cable, required installation by a UL-certified electrician, and cost estimates exceeded $200,000. In 2012, OMI purchased the materials in house and used a local UL-certified electrical contractor to complete the work, which resulted in a project cost of less than $50,000. These significant savings provided to the City for this project and others is an example of our partnership approach with the City of Key West.

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Flooding

Flooding can occur as a result of either long-term, sustained precipitation or short-term, intense weather events. OMI staff knows the impacts that flooding has on not only local residents but the business community as well. Tourism is the cornerstone of the local economy, and flooded streets and homes can lead to a reduction in short- and long-term revenue, present potential health hazards, and can cause even more problems if the stormwater system maintenance team is understaffed. Our extensive knowledge means that we are ever watchful, understand the level of resources required, and remain in constant communication with City and local organizations.

Street Flooding From Hurricane Wilma

As the potential for flooding becomes evident, we undertake a number of activities; OMI has developed a Flood Response Plan. This plan includes a section on Awareness that includes contact list for personnel, City staff, and the communications plan. There is a detailed response plan covering safety, assessment and deployment of specific emergency response equipment to key locations such as the end of Simonton St. and stormwater crews to keep key storm drain clear.


Street Flooding From Hurricane Wilma

Hurricane

Hurricanes are a force of nature that includes high winds, tremendous amounts of rain, water spouts, windblown debris and flooding. Any and all of these circumstances can do extreme damage that could cost thousands of dollars and hours of manpower in repairs.

OMI has the most extensive experience in pre-planning, managing and recovery from these events. Our Disaster Preparedness plan was developed specifically for Hurricane Preparedness and Recovery. Our plan incorporates key elements from FDEP, Federal Emergency Management Agency (FEMA), National Hurricane Center, and Florida Department of Community Affairs (FDCA)

Field Operations Guide: This is condensed version of the plan.

- Preparedness:
  - Purpose: Emphasizes emergency planning to reduce detrimental effects on health conditions and the environment. The primary goals of this manual are the protection and safety of plant personnel, Citizens, City property that includes vehicles, portable and fixed equipment, structures, and/or mitigation of any detrimental impact on the environment.
  - Plan training and review with emphasis on SAFETY in ever task or action.
- Objectives and Goals:
  - Provide easy access to preparation procedures in an effort to eliminate loss of life, damage to property, and negative impacts on the environment.
  - Eliminate or minimize adverse effects from emergency situations that affect the wastewater facilities.
  - Provide instruction for personnel to ensure that they understand their responsibilities during emergency situations.
  - Provide inventories, specific locations of, and operational information for useful emergency equipment.
- Critical Information/Communications Plan
  - Emergency call out sheet that includes all OMI staff, regional support, utility contacts, emergency services, and the EOC. We use FDEP's "Storm Tracker" website to update the FDEP as to the operational status and to assist them in determining recovery needs.
  - Vendor, Suppliers, and Contractors contact list. This includes local vendors and extensive list of national vendors OMI has access to support the City. OMI has a number of national agreements with equipment rental firms such as Hertz. OMI also has an agreement with one of the largest disaster recovery company, Interstate.
  - Critical business list that includes the EOC office, hospital, schools and assisted living residents.
  - System maps are available.
- Planning
  - Preplanning includes: Review of plan with staff. Confirm all emergency equipment is ready and fueled up. Ensure staff has adequate personal protective equipment. Take inventory of supplies and replenish as needed. Each task is assigned to a staff member for execution.

– Pre-Disaster Procedures for the wastewater facility, collection and stormwater system are developed for each of the following phases.
  - Approaching Storm, Awareness Phase (72-60 Hours)
  - Hurricane Watch, Stand By Phase (60-48 Hours)
  - Hurricane Warning, Preparation Phase (48-36 Hours)
  - Decision Phase (36-24 Hours)
  - Evacuation Phase (less than 24 Hours)
  - During Hurricane
  - Post Disaster, Assessment Phase

- Information
  - On-site Emergency Equipment Inventory
  - Critical Equipment Emergency Plan
  - Wastewater Facility Information Table
  - Lift Stations Specification and Flow/Maps with Grouping and Consolidation
  - FEMA Information, tracking spreadsheet for equipment and man-hours
  - Environmental Regulators Information Notifications for Storm Tracker

Hurricanes and tropical storms occur frequently in Florida. Each OMI site that could experience these storms has an ERP built on the template provided above. Over the last 10 years we have implemented, executed and refined these plans. The following table summarizes these Florida events.

Storm	Year	Project Location	Plan Status	Resources	Project Cost
Charley	2004	Venice	Implemented	Project Staff and OMI Emergency Team	In Budget
Ivan	2004	DeFuniak	Implemented	Project Staff and OMI Emergency Team	In Budget
Ivan	2004	Crestview	Implemented	Project Staff and OMI Emergency Team	In Budget
Arlene	2005	Key West	Implemented	Project Staff	In Budget
Dennis	2005	Key West	Implemented	Project Staff	In Budget
Katrina	2005	Key West	Implemented	Project Staff	In Budget
Rita	2005	Key West	Implemented	Project Staff	In Budget
Wilma	2005	Key West	Implemented	Project Staff and OMI Emergency Team	In Budget
Ernesto	2006	Key West	Implemented	Project Staff	In Budget
Fay	2008	Ave Maria	Implemented	Project Staff	In Budget
Fay	2008	Key West	Implemented	Project Staff	In Budget
Ida	2009	Crestview	Implemented	Project Staff	In Budget

Storm	Year	Project Location	Plan Status	Resources	Project Cost
Bonnie	2010	Ave Maria	Implemented	Project Staff	In Budget
Debby	2012	Live Oak	Implemented	Project Staff and OMI Emergency Team	In Budget
Isaac	2012	Key West	Implemented	Project Staff	In Budget
Chantal	2013	West Melbourne	Implemented	Project Staff	In Budget

Training

All of our emergency plans are reviewed with staff and updated no less than annually. We begin preparing for hurricane season in May of each year.

Lessons Learned

- Efficient employee accountability following a disaster is only accomplished when a pre-disaster plan, understood by all, is in place. You must have a plan.
- The disaster response environment is an unsafe environment. Safety requires planning, training and strong leadership.
- A disaster area is often best supported by assets coming from outside the disaster area.
- Commit early to organizing resources and emergency equipment. Know what you need and what skill sets are necessary. Critical information on equipment and systems must be available
- Conventional communication will fail – must have alternatives.
- Initial recovery efforts focus on priority services (food, water, shelter, medical care) followed by the restoration of utility services. Engineering and environmental efforts will come later.
- Disaster response requires shortened normal procurement periods. Emergency procurement processes must be established prior to storm event. Establish your business partners and relationships before a disaster.
- Post plan must include site access and coordination with law enforcement and EOC staff.
- Post plan must include support logistics for outside resources.

Crisis Communication Plan

Our personnel have a thorough understanding of the rules and regulations of federal, state, and local agencies. Using OMI's regulatory interface program, all agencies are kept closely informed about what is happening at our client's facilities during emergency conditions and during normal operations. In our experience, open communication with these agencies leads to more effective working relationships and an attitude of cooperation. We have former state regulatory personnel on our staff who understand the complexities of dealing with agencies.

Our Key West team also has access to Susan Mays and Bill Doughty, OMI's two public relations experts. Susan and Bill both have extensive experience working with local news outlets to communicate important information to the public quickly and in a way that the average citizen can understand. Both are available 24/7 to respond quickly since time is of the essence in an emergency.

2.7 Compliance, Contract, and Award History

Compliance History

Compliance failures are embarrassing and can lead to problems with the Florida DEP and the U.S. Environmental Protection Agency (EPA). OMI employees follow strict guidelines and processes to make certain we maintain our excellent compliance record. We understand that failure to collect samples or monitor and maintain parameters could have serious consequences in the fragile environment of Key West. OMI operates more than 110 permitted wastewater facilities in North America and around the world, and for many reasons most will experience excursions of effluent limitations from time to time. Over the past 10 years, excursions of effluent limitations have occurred. All excursions are corrected as quickly as possible and properly reported to the governing agencies as required by the operating permits. Overall, OMI's compliance record is enviable: through nearly 1,000 project years (number of projects multiplied by average contract length) OMI has achieved 99.98-percent compliance with all regulatory and permit parameters. The table below illustrates our compliance record over the past 3 years, which is representative of our 10-year record.

Our Key West colleagues are supported by OMI's Compliance and Reporting Team. It is comprised of 14 professionals with extensive operational and regulatory experience including, but not limited to, expertise with the Clean Water Act, the Safe Drinking Water Act, laboratory operations, biosolids management, and risk management plans. Our team provides regulatory support and oversight, and a comprehensive regulatory training program. A number of them serve on advisory boards to the EPA, State regulatory agencies, the American Water Works Association (AWWA) and the Water Environment Federation (WEF).

Project, Location	Incident Date	Compliance Issue
Donna, TX	Jan. 2013	NOV for deficiencies identified during sanitary survey.
Duncan, OK	July 2013	NOV for incorrect Discharge Monitoring Reports; failure to collect NPDES permit-required samples.
Government Camp, OR	July 2013	NOE for violation of NPDES permit limits.
Mercedes, TX	Jan. 2013	NOE for failure to collect Total Coliform Rule samples.
Twin Oaks, CA	Apr. 2013	NOV for operating a compressor without required air permits.
The Villages, FL	May 2013	NOV for failure to collect Volatile Organic Compound samples.
Leesburg, GA	July 2013	NOE for failure to monitor and report total recoverable mercury.
Farmington, NM	Apr. 2013	AO for NPDES permit violations.
Prescott Valley, AZ	Oct. 2012	CO for several large sanitary sewer overflows in 2011 and 2012.
Quincy, FL	Mar. 2012	CO for improper biosolids applications.
Rio Rancho, NM	June 2012	NOV for NPDES permit violations.
Weslaco, TX	Nov. 2012	NOE for NPDES permit violations.
Weslaco, TX	Jan. 2012	NOE for deficiencies identified during sanitary survey.
Carol Stream, IL	Feb. 2011	NOV for February 2011 sanitary sewer overflow.
Dallas, OR	Apr. 2011	Warning letter from ODEQ for October 2010 sanitary sewer overflow.
Donna, TX	Apr. 2011	NOV for Deficient Risk Management Plan.
Duncan, OK	Apr. 2011	NOV for failure to collect selenium samples in November 2010.
Lehigh, PA	Aug. 2011	NOV - 2010 Inspection - cited deficiencies in facilities.
Mercedes, TX	Sep. 2011	NOV - storage of residuals at unregistered site.

Project, Location	Incident Date	Compliance Issue
Mercedes, TX	Aug. 2011	NOV for Deficient Risk Management Plan.
Pampa, TX	Jan. 2011	NOV - NPDES permit violations.
Prescott Valley, AZ	Jan. 2011	NOV for January 2010 overflow at the wastewater treatment plant.
Rio Rancho, NM	June 2011	AO for several sanitary sewer overflows in 2010.
Coos Bay, OR	Feb. 2010	NOV for NPDES permit violations.
Confidential Industrial Client	Feb. 2010	NOV for violations of copper and selenium limits in NPDES permit.
West Haven, CT	Feb. 2010	NOV for BOD and TSS NPDES permit limit excursions.
Auburn, CA	Feb. 2010	NOV for chlorine and FOG NPDES permit limitations.
Taos, NM	Mar. 2010	AO for lack of a Stormwater Pollution Prevention Plan.
Confidential Industrial Client	Apr. 2010	NOV for substandard condition of facility.
The Dalles, OR	July 2010	NOV for NPDES permit violations.
Del Rio, TX	July 2010	NOV for accepting grease hauler waste at the wastewater treatment plant.
Donna, TX	Aug. 2010	NOV for operating wastewater treatment plant without a permit.
New Haven, CT	Sep. 2010	NOV for substandard condition of lift stations.
Sweet Home, OR	Nov. 2010	NOV for failure to report Total Coliform Rule results.
Crestview, FL	Dec. 2010	NOV for wastewater treatment plant being operated out of compliance with Florida regulations.

Contract History

Over our 33-year history, OMI has not failed to meet contractual or financial obligations, defaulted, or any other type of standard obligations on our O&M projects. We are proud of our long history of successful service to our clients.

Award History

OMI has a long history of award-winning service, both in Key West and nationwide. While the "thanks of a grateful client" are reward enough, it is nice to be recognized for the hard work our teams put in every day. Our awards demonstrate to our clients and the communities we serve that their trust in us is well-deserved. There are third-party, independent recognition from respected institutions and agencies in Florida and across the country.

Our Key West team has been recognized a number of times over the past decade for our level of service, and commitment to the City and the people who call Key West home:

- Three-time Winner (2012, 2009, 2004) Florida DEP O&M Excellence Award
- 2007 Florida Water Environment Association (FWEA) Collection System of the Year Award (10,000 - 50,000 Connections)
- 2007 and 2012 FWEA Utility Operational Performance Excellence Award

- 2007 and 2005 FWEA Earl B. Phelps Award for maintaining the highest removal of major pollution-causing constituents before discharging treated effluent to receiving waters
- 2007 FWEA Third Place Safety Award (Wastewater)
- 2006 FWEA Top Ten Facility Safety Award for its outstanding safety program and dedication and commitment to public and worker safety
- OMI Safety Award (zero incidents in a calendar year) 7 of the past 10 years, including 2012
- Recognition form the City of Key West (City Manager's Extra Mile Award) for Dedication to the City during and after Hurricane Wilma
- 2005 City Manager's Extra Mile Award for winning the 2005 FWEA Earl B. Phelps Award
- Key West Chamber of Commerce Recognition for "Outstanding Diligence and Hard Work in the Aftermath of the 2005 Hurricane Season"
- Achieved NELAC laboratory certification

The following table illustrates the number of awards we've received over the last few years at our other O&M sites. A selection of the specific awards in the Southeast is also included.

10 Local

479 State

99 Regional

22 EPA Regional

69 National

12 EPA National

Awards won since 1996

Arizona	26	Missouri	14
Arkansas	23	New Hampshire	1
California	56	New Jersey	2
Colorado	15	New Mexico	96
Florida	**82**	Oklahoma	2
Georgia	236	Oregon	29
Idaho	4	Pennsylvania	19
Iowa	5	Tennessee	8
Illinois	2	Texas	21
Kansas	23	Virginia	3
Maine	3	Washington	13
Michigan	5	West Virginia	1
Mississippi	1	Ontario, Canada	2

Awards won in 2010 - 2012

Americus, Georgia
Georgia Association of Water Professionals (GAWP) Safety Award (2)

Ave Maria, Florida
AWWA Florida Section Best Tasting Drinking Water

Fayetteville, Arkansas
NCPPP Public-Private Partnership Award
Northwest District of the Arkansas Water Works & Water Environment Association Wastewater Manager of the Year

Havana, Florida
Florida Water Pollution Control Operators (FWPCOA) Safety Award
FWEA Safety Award (2)

Lehigh County, Pennsylvania
Eastern Pennsylvania Water Pollution Control Operators Association (EPWPCOA) Plant Safety Award
EPWPCOA Clean Stream Award
NSC Safe Drivers Award of Honor
Pennsylvania Water Environment Association (PWEA) Industrial Waste Excellence Award

Live Oak, Florida
Florida Department of Environmental Protection Domestic Wastewater Plant Operations Excellence

Quincy, Florida
FWEA First Place Safety
Florida Rural Water Association Operator of the Year
FWPCOA Safety Award (2)

Richmond Hill, Georgia
NSC Perfect Record Award
NSC Occupational Excellence Achievement Award
NSC Significant Improvement Award

Waynesboro, Georgia
NSC Occupational Excellence Achievement

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Task 3.0
Technical Approach

task **3.0**

TECHNICAL APPROACH

3.1 The Right Team for Key West

Our long history at Key West provides OMI with a unique perspective on strategies to maintain an exceptional compliance record, respond to emergency situations in a timely manner, and apply lessons learned during the past 25 years to every day-to-day situation that arises. Combining our institutional knowledge of your system and community, our industry leadership in wastewater and stormwater management, and our quality and safety processes, we are in the best position to help the City achieve that mission.

Key Personnel Team

OMI's delivery starts at the top of our Key West team. John Bartelmo, our onsite project manager, has been leading the Key West team for the last 2 years. He worked for the City of Key West from 1986 to 1989 as a lift station supervisor before joining the OMI team for the RA Heyman Facility commissioning and operation through 1990. John has extensive wastewater and stormwater management experience, and has excelled throughout his career in providing the highest levels of customer service while protecting the environment and delivering on our commitments. Prior to coming back to Key West, John managed a team of 94 associates and was responsible for the operation of two large wastewater treatment facilities, 40 pump stations, and collection system for our O&M contract with the Hinesville, Georgia. In fact, of his nearly 40 years of total experience, 26 have been in a supervisory role.

Our associates are committed, and retain a deep understanding and knowledge of our contract terms and conditions, and the City of Key West's needs:

- Total number of onsite staff: 26
- Total years of experience working at the facility: 241
- Average years of experience per associate: 9.3

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John is supported by a highly effective onsite operations team. Many of these team members are Key West locals, and all understand your unique environment as well as our duty as its stewards.

Ralph Estevez Collections – System Supervisor

As the collections supervisor, Ralph is responsible for the management of the sanitary sewer collection system and stormwater drainage system. Ralph has been with OMI since 1989. He has extensive experience in evaluating and recommending new construction and repairs, specifying associated equipment and materials, and coordinating contractors and work crews. He is instrumental in new construction plan review, identification of errors, and modification of inadequate design. His 30 years of experience working with the repair and construction of Key West's infrastructure gives Ralph a dependable background knowledge that has been valuable to the City and OMI.

Ricky Collins – Maintenance Supervisor

As maintenance supervisor, Ricky is responsible for all preventive and corrective maintenance for the entire project. He has more than 30 years of experience in industrial maintenance, including 13 years with the Key West wastewater system. He possesses expertise in all areas of maintenance, including mechanical, electrical, and instrumentation/control. Ricky has completed numerous maintenance-related training programs and always strives to keep up to date with new technology and techniques.

Rick Cleaver – Laboratory Director

Rick supervises all laboratory and operations staff in their daily laboratory responsibilities. He is responsible for obtaining and maintaining Florida Laboratory Certification under the NELAC guidelines and monitors a comprehensive QA program in order to deliver perfect compliance and reporting. Rick is a 20-year resident of the Florida Keys and holds a Bachelor of Science in Environmental Science. He has been the lab director for Key West since 2003, and has more than 20 years of experience in the environmental and laboratory field.

Rick Cleaver may be best known around Key West for performing in the band Mile Marker 24. But kids who play baseball and football around Key West know him as "Coach Rick." "The kids' stories got me more intrigued about coaching and mentoring." He even took in a foster child he'd coached in baseball, bringing him into his family and creating a means for him to stay in area and play football until he was reunited with his own family. Among his most prized possessions is an award bestowed on him by his players and their parents.

Nick LeCoumpte – Operations Supervisor

As operations supervisor, Nick is responsible for process control and permit compliance at the wastewater treatment facility. He evaluates and directs the process of the treatment plant, analyzes operational process control procedures and performs project follow up reviews to determine client satisfaction with past service and to develop recommendations on the need for future service. He maintains operational records and prepares reports as required by the regulatory agencies, and remains informed of the latest developments in the field, including EPA regulations as they pertain to wastewater treatment. Nick has 25 years of experience at the Key West facility and has experienced practically every possible process scenario.

Michael Martinez – Lead Collections Operator

Michael diagnoses operating problems, directs corrective procedures, implements an effective odor prevention program, our erosion control program, and determines remedial action in emergencies. Michael, an 8-year veteran of the Key West project, also inspects the collection and storm water systems to determine efficiency of operations and provides direction and training to the collection system operators.

Oliver Kofoid – Lead WWTP Operator

Under the general direction of the plant operations supervisor, Oliver is responsible for the day-to-day operations and laboratory analysis for the Wastewater Treatment Facility, including compliance with the National Pollution Discharge Elimination Service (NPDES) reporting. Oliver collects wastewater, sludge, and miscellaneous samples for the laboratory, and coordinates sampling events according to NPDES permit requirements. Oliver has worked at the RA Heyman facility for more than 20 years and is a serious environmentalist committed to Key West's ecological future.

Danny Caraballo – Lead Mechanic

As lead mechanic, Danny supervises mechanics in the performance of maintenance activities related to the Key West wastewater treatment facility and pump stations. Danny leads and assists with preventive and corrective maintenance of project equipment and machinery and analyzes equipment failures to determine cause and to prevent recurrences. Danny has extensive experience and skill in mechanical, electrical, and instrumentation and control.

On page 3-38, Exhibit 3-2 illustrates our onsite Key West team. These are people you recognize, who are part of the Key West community, and are eager to continue working with OMI on this contract. As requested, one-page resumes for each member of our Key Personnel team are included at the end of this section.

Time Commitment

It is important to note that our key personnel are all 100-percent committed to the Key West program. In fact, every team member presented in Exhibit 3-1 are full-time Key West project employees. Our entire day-to-day, onsite team members do not split their time with other projects. Their dedication to the project is absolute.

Technical Support Team

OMI projects are supported through a variety of outlets, designed to focus onsite staff energy and talent on project quality, client service, regulatory compliance reporting, and contract compliance. Corporate and regional resources supporting the onsite team include health and safety, technical services, communications and community outreach, quality, sustainability, and more. Most of these resources are located in or aligned with our Florida projects, so their proximity to Key West helps assure the City of our responsiveness.

Exhibit 3-1 highlights the team members' qualifications and responsibilities. It is important to note that the costs associated with these resources are included in our management fee.

Exhibit 3-1

Access to Resources and Expertise Elevate O&M Performance for the City

Name, Role	Years of Experience	Qualifications
Dan Stark Technical Support Team Leader, Emergency Response Team Lead	28	• Member of the team that commissioned the RA Heyman facility, and he worked at the Key West project for 2 years after startup • Has supported the Key West project in various OMI regional roles (quality and regional support) since 1997 from our Naples office • FEMA ICS-100m Incident Command and IS-700 National Incident Management, Reliability Centered Maintenance (RCM) and HAZWOPER
Mike Dykes, PE Stormwater Support, Licensed Well Driller	28	• Managing a multi-year wellfield program for extensive wellfield permitting, expansion, testing, rehabilitation, upgrades, and maintenance and repair from our Jacksonville office • Extensive Floridan aquifer well field design and construction experience • Florida Professional Engineer and Water Well Contractor
Steve McNicol Regional Support Team: Operations	32	• Responsible for developing and managing companywide O&M standards and delivering regional technical support for more than 200 facilities throughout the U.S. and Canada • Possesses extensive knowledge gained while conducting technical, process optimization, and financial performance evaluations and recommending improvements • Florida Class A Wastewater Treatment certified
Dave Danko Regional Support Team: Maintenance	30	• Works with John and Maintenance Lead Ricky Collins to implement and optimize site-specific organizational processes, CMMS systems, energy management plans, asset management, and risk assessments from his Lake City office • Expertise with wastewater plant and pump station maintenance management, asset management, and maintenance programs • Florida Class C Wastewater Operator, FEMA ICS-100 Incident Command System, FEMA IS-700 National Incident Management Systems, and HAZWOPER

Name, Role	Years of Experience	Qualifications
Mike Rapien Regional Support Team: Safety	15	• Coordinates development and implementation of OMI's Safety Program, including procedures, training, and measurement systems • Skilled in evaluating site health and safety needs and making recommendations to maintain compliance with applicable regulations and company policy • OSHA 1910 30-hour and HAZWOPER certified
Andy Smyth, PE Capital Improvements, Construction, Local Engineering Support	17	• Experienced with construction-related activities and a local resource for assistance from our Key West office on Stock Island, which he manages • Extensive experience on a wide variety of Key West projects • Led the design of your ultraviolet disinfection system at the WWTP • Professional Engineer in Florida and Georgia
Gary Wood Vice President of Operations	33	• Responsibilities include customer relationship management, regional and project manager leadership, financial planning, personnel development, and contract negotiation • Areas of expertise include process control, laboratory analysis, personnel training and evaluation, inventory control, construction coordination, and plant startups • Certified Wastewater Operator at various levels in Georgia, Mississippi, New York, and Massachusetts
Steve Meininger, PE Executive Sponsor	20	• Continue to work with the Key West team to provide customer satisfaction and technical, safety, compliance, and administrative aspects to the project • Member of OMI's Global Leadership Team experienced with working in both the consulting and O&M sides of the business for private and public customers • Maryland Professional Engineer, licensed Virginia wastewater operator, and HAZWOPER
Todd Williams, PE, BCEE Biosolids, Composting	33	• Supports the team's efforts for innovative biosolids management and optimization, and will lead the proposed composting pilot project • Specializes in biosolids, residuals, and organics management, including solids management planning, process development evaluations and pilot studies, composting, and product utilization planning • Professional Engineer in Virginia and Iowa, and a Board Certified Environmental Engineer
Mary Anne Rouse Laboratory Compliance	15	• Provides regional lab and compliance support, making certain the team receives adequate training and assistance with compliance related items • Southeast regional laboratory coordinator supporting numerous laboratories in the Southeast-region by helping with training and troubleshooting • Georgia Class II Wastewater Operator and Wastewater Laboratory

3.2 We Understand the Key West Project

Each day, the residents of Key West go about their lives—work, recreation, worship, family—without giving much thought to where their wastewater goes and who takes care of it. That's the way things should be. If the 20,000 plus Key West residents who entertain more than 2,000,000 visitors each year receive uninterrupted service, aren't bothered by odors or system backups, and enjoy benefits such as cleaner near-shore waters and consistent public health, then the City and its O&M partner are doing their jobs well. OMI understands that the O&M partner is expected to function as a City department, placing the highest priority on protection of our sensitive environment while maintaining a fiduciary responsibility to the citizens of Key West.

The City's wastewater and stormwater systems have evolved over the past 25 years with the construction of a state-of-the-art treatment facility, elimination of all wastewater effluent discharge to the ocean, replacement of most of the sewer collection system, and a more than 40-percent reduction of stormwater discharge to our near-shore waters. OMI understands the City's commitment to continuous improvement of their wastewater and stormwater assets, and the contractor's responsibilities associated with participation in the capital improvement program. The constant factors during the successful improvement of the City's wastewater and stormwater systems have been the residents' expectation of high service level, the dedication and commitment of the City to maintain and improve these systems to serve the residents, and OMI providing the services for utilities as the City's partner.

OMI Understands the City and Acts as an Extension of Your Staff

We consider ourselves an extension of the City, working side by side to deliver the best possible service to your residents. We understand the importance of cooperating with all City departments, acting quickly and effectively in emergency situations and on special projects, and participation in community efforts, such as the ambassador program and the Old City Hall restoration project.

Project Scope of Work – We Know Your Systems

OMI provides complete O&M of the City's wastewater and stormwater systems. The City's utility system includes the RA Heyman WWTP, collection system, associated pump stations, and stormwater system. We understand the City's commitment to protecting the environment and service level expectations to protect the tremendous investment you have made in your systems. Our daily radio broadcast of public service announcements informs the public of the City's wastewater and stormwater achievements and provides information they can use to assist with environmental protection efforts. Our record of award winning performance in the treatment and collection systems year after year clearly demonstrates our understanding of the City's wastewater and storm water needs and expectations.

Key West, Florida Conch Community Team

The Conch Community team develops innovative public service announcements for daily airing on a popular Florida Keys radio station. The announcements aim to educate the public on protecting the near shore waters. The team has received a lot of positive public feedback, with various comments around the educational benefit of the team's efforts. The public service announcements were detailed in a Water Environment Federation award application submitted this year, which resulted in the City of Key West and the project team winning the Municipal Utility Performance Excellence Award.

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Wastewater Treatment Facility

The Richard A. Heyman Wastewater Treatment Facility is a 10-mgd advanced wastewater treatment facility with preliminary treatment, extended aeration activated sludge, anoxic zones for nitrate removal, secondary clarification, tertiary filtration, ultraviolet (UV) disinfection, and deep well injection for effluent disposal. Solids are dewatered by belt filter presses and the approximately 5,500 tons of sludge generated at the facility is reliably removed to the mainland each year. The deep well system has operated without interruption and resulted in the total elimination of wastewater effluent discharge to near-shore waters since it was placed in service in 2000. The treatment facility operates with great consistency and has earned many awards from the FDEP and WEF over the years. Local

FDEP officials routinely bring colleagues from around the country, including EPA officials, to tour the RA Heyman facility. OMI understands the investment the City has made in the facility which was originally commissioned by OMI in 1989 and their commitment to a capital improvement program that has kept pace with advancing technologies and provided all required replacement and rehabilitation projects.

Our staff takes great pride in the facility's condition and performance level. We understand the challenges associated with equipment maintenance in this highly corrosive environment, as well as the operational challenges associated with dramatic changes in flow and loading related to storms, tides, and community events. We understand the importance of maintaining compliance to regulatory requirements and the equally important responsibility of making certain that all non-compliance events are properly and accurately reported to the appropriate regulatory agencies. The facility operates under three separate permits: one for the treatment plant itself and one for each of the two deep wells. Extensive monitoring and monthly Discharge Monitoring Report (DMRs) are required for each permit, so attention to detail is important to make certain all meet all reporting requirements. The plant and well permit renewal cycles are on different time periods and administered through different agencies. OMI works with the City and its consultants to make certain that all of the requirements for maintaining and renewing these permits are met. In addition to the plant and well permits, our laboratory is required to maintain NELAC certification for parameters analyzed for regulatory reporting. OMI has maintained this certification since the program's inception in 2003, and each bi-annual audit inspection of our lab by program officials has shown improvement. Key West's is the only NELAC laboratory operated by an O&M contractor in Florida.

Key West WWTP Operation and Maintenance

OMI provides qualified operational staffing 24 hours per day, 7 days a week. The WWTP uses the extended aeration activated sludge process and is permitted to treat 10 mgd of wastewater flow to AWT standards. The facility, located on Fleming Key, was commissioned in 1989. Over the years, OMI has recommended capital improvements to the City that would allow the facility to evolve technologically and keep pace with process control innovations. The City recognizes the importance of continual improvement, evidenced through the funding and use of the latest tools and equipment, rather than risking failures that could jeopardize effluent quality. Projects designed to improve the collection and treatment systems are ongoing as part of short- and long-term plans implemented by experienced professionals who care about the community and its future. Recent examples include converting the activated sludge aeration system from mechanical to diffused air in 2010, and a complete rehabilitation and upgrade to the plant headworks completed in 2012. The facility's CMMS was converted to a web-based program that allows access from any device with internet capability, eliminating the need for multiple associates to share access time on a single computer. The pump station SCADA system was also converted to a web-based program, allowing remote access by supervisors and City personnel. This reduces overtime and provides faster response to situations that could become critical if not detected and addressed quickly.

In 2011, OMI staff in partnership with the City continued to move forward with their record of maintaining state-of-the-art process control techniques and computerized maintenance and record keeping systems. The facility was one of the first to use the new electronic DMR reporting process offered by FDEP and our staff has conducted tours for Federal, local, and military officials in 2012. We participate in the City's Ambassador Program, providing presentations and tours to citizens who use the process to learn about the functions of City government and departments. Our team creates an informative series of public service announcements that air daily on a popular local radio station. The project is a success because it provides public education and outreach concerning citizen awareness and participation aimed at protecting our near shore waters and educating the public about wastewater treatment and environmental protection.

Stormwater System

The stormwater system is an advanced and complex network of drains, sediment traps, catch basins, debris strainers designed to not only provide drainage, but to remove as much debris and as possible prior to final disposal through one of the 39 City outfalls or 126 disposal wells. The 122 gravity and 4 high volume pump-assisted well systems direct approximately 47 percent of stormwater runoff into the ground, which results in increased protection of our near-shore waters. OMI understands the significant investment the City has made in a comprehensive stormwater master plan designed to increase the percentage of runoff away from the ocean while providing improved drainage for residents. As the City's long-term service provider, we also understand the challenges associated with stormwater system O&M on an island subject to tropical storms and hurricanes, as well as frequent unexpected storm events that require prompt and correct action from an experienced team. Our O&M team has the experience required to provide the response necessary under all storm conditions while maintaining the system every day for maximum performance and protection of our near shore waters. OMI is currently working with the City to increase the frequency and reduce the cost of well redevelopment. We understand the challenges associated with contracting these services through providers on the mainland and have already tested procedures that could save the City millions of dollars throughout the cycle of the next proposed service agreement. Yours is the most sophisticated stormwater system operated by an O&M provider in Florida. As such, we have called on Mike Dykes, our Florida-licensed well contractor driller, and Gerrit Bulman, our Fort Lauderdale-based hydrogeologist, to provide advice and support. Using our in-house resources will save the City a significant amount of money in stormwater well rehabilitation.

Stormwater System Operations and Maintenance

Seven full-time workers are assigned to the stormwater maintenance program with an additional pool of workers in the sanitary sewer department that can be used in emergencies. Two sewer combination trucks are used to clean storm water gravity main lines, sedimentation structures, catch basins, gravity injection wells, and pump-assisted well Vortex™ units, and bar screens. OMI has the right staff and correct amount of equipment to efficiently meet your system's cleaning and maintenance requirements. Current strategy is to target two complete island wide system cleanings per year as well as more frequent maintenance of "hot-spots" or areas that routinely require additional attention due to yard waste, sand, or other debris.

Stormwater Cleaning and Maintenance List:

- 830 catch basins and connecting pipes (up to 36 inches) cleaned at least twice per year
- 54 shallow wells cleaned three times per year
- 119 gravity wells cleaned at 30 percent depth lose
- 80 sediment traps (including two Vortex Downstream Defenders at pump-assisted injection wells 1&5) cleaned at least twice yearly (some more often depending on location)

Stormwater Pump Assisted Well System Maintenance

Key West uses a system of gravity stormwater injection wells and pump-assisted injection wells to expedite drainage from City streets. The wells are preceded by structures designed to trap debris that would foul the porosity characteristics that allow drainage. Despite these structures, debris still enters the wells and must be cleaned on an as-needed basis. The gravity wells are manually measured for loss of depth.

The pump assisted wells are preceded by Vortex debris removal units, but again debris entering the wells is inevitable. Indicators used to trigger cleaning are:

- Pump running amperage that exceeds 85 amps
- Wellhead pressures that exceed 10 psi

These parameters are monitored and recorded monthly. The pump motors are tested with megohmmeter to check insulation resistance on the motors and cables four times per year or as needed.

State and County Areas of Responsibility

The State of Florida Department of Transportation (DOT) and Monroe County DOT are responsible for cleaning and maintaining sections of stormwater system within the City limits of the island of Key West. These areas are:

- Flagler Ave. (1st. to S. Roosevelt Blvd.)
- First St. (Flagler Ave. to N. Roosevelt Blvd.)
- Bertha St. (Flagler Ave. to S. Roosevelt Blvd.)
- Truman Ave. (Eisenhower Dr. to Whitehead St.)
- Whitehead St. (Truman Ave. to Fleming)
- Palm Ave. (North Roosevelt Blvd. to near White St.)
- North Roosevelt Blvd.
- South Roosevelt Blvd.

As mentioned previously, OMI teams have handled flood issues in these areas at the City's request when the county or state is not available. This further demonstrates our commitment to our community.

Repairs

As the acting City Sewer and Stormwater Department, OMI is contractually obligated to perform plant repairs as well as cleaning and maintenance activities. OMI staff is capable of performing excavations, new service installations, and repairs up to a certain extent. The situation must be evaluated to determine the most efficient and cost effective approach. Some projects require the use of the City's general utility contractor due to the complexity and overall scope.

Overflow Emergency Response Plan

The City's sanitary sewer overflow emergency response procedures provide a standardized course of action for Wastewater Collection and Stormwater Drainage staff to follow in the event of a sanitary sewer overflow (SSO). As stated previously, City Wastewater Collection staff is available to respond to a reported sewage spill 24 hours a day, 7 days a week. Overflows are stopped as soon as possible and steps are taken as necessary to mitigate the impacts of the spill. Spills from the collection system are investigated to determine the cause and corrective actions are taken or recommended to prevent additional spills at that location.

Wastewater Collection System

OMI operated the City's wastewater collection system before, during, and after the major rehabilitation projects that resulted in a 50-percent reduction of inflow and infiltration and salinity into the collection system. These upgrades along with pump station improvements and web-based SCADA allow skilled operators to manage the system. We understand that focusing on the stations that operate in series during storm events is critical. This, along with carefully managing the major pump stations to maximize available force capacity, virtually eliminates wastewater overflows even under the most extreme conditions. OMI understands the significance of the City's investment and the importance of maintaining this improved system through painstaking maintenance of sewer lines, pump stations, manholes, rain seals and cleanouts to keep a sealed condition throughout the system. Salinity is constantly monitored in all sewer districts and any increase in salinity at a pump station initiates a more detailed investigation until the underground leakage is located and repaired. Our team has a proven track record responding to emergencies 24 hours per day 7 days per week and are equipped and capable of performing repairs on any of the City's force mains, gravity lines, or pump stations. We understand that when a collection system emergency occurs, public safety and environmental impact are minimized by a prepared team that maintains the proper inventory of equipment and materials necessary to contain and correct the situation as quickly as possible. We also understand the importance of and procedures for communicating with City staff, affected citizens, and regulatory agencies when an emergency occurs. Our team understands that providing utility line locates, working with contractors on construction projects that could potentially impact the City's collection or stormwater system, and assisting the City staff in any way possible is part of our job as the City's O&M partner.

Wastewater Collection System Operation and Maintenance

The City's wastewater collection system underwent an accelerated rehabilitation program in 2002. Certain areas of the system still require a planned maintenance schedule based on our seasoned understanding of the local conditions. Preventive and area maintenance is scheduled and completed in each of the City's six flow basins to ensure uninterrupted wastewater flows and reduce or eliminate stoppages and, most importantly, sanitary sewer overflows. Review of the effectiveness of past maintenance practices have led to the area and preventive maintenance programs that are in place today. These maintenance programs are continually evaluated by wastewater collection staff to avoid sanitary sewer overflows.

The preventative and area maintenance activities for the sanitary sewer are performed by one Vactor sewer combination unit and three wastewater collection operators. As a target, the entire collection system is cleaned as part of the area maintenance program twice per year. The stormwater drainage system is maintained by two Vactor trucks and seven stormwater operators. The target is one full system cleaning per year that includes sediment structures. Those structures identified as heavily loaded receive maintenance monthly.

More than 7,000 feet of the City's collection system is on periodic preventive maintenance schedules with a frequency ranging from 2 months to 12 months. Approximately 86,000 feet, or 25 percent, of the City's collection system is cleaned annually on the Preventive Maintenance (PM) program.

Visual/CCTV Inspections

The City's collection system is inspected using closed circuit television (CCTV) by Wastewater Collection operators. Staff places the CCTV camera into a gravity sewer line, transmit video of the sewer line to a nearby service vehicle where the operators can inspect and evaluate the system.

Sewer Lift Station Maintenance

Wastewater collection staff maintain the City's lift stations on a routine schedule. Maintenance activities include checking pump level control operation and alarm system for proper operation. The wet well is inspected for unusual grease build-up and removal is scheduled as necessary. Emergency generators are exercised weekly and load tested monthly. The odor control systems are inspected for proper operation. Site grounds are policed and security fencing inspected. Weekly, monthly, quarterly, bi-annual, and annual PMs are performed on all pump stations. Run hours are monitored via SCADA on a continuous basis. Any variation from normal operating conditions is investigated and corrective maintenance (CM) work orders are completed, as required.

Standards for Installation, Rehabilitation and Repair

The City requires specific standards for new construction and for rehabilitation of existing sewer lines. OMI follows these standards and assists the City staff with construction projects to assure that the standards are followed by all contractors.

Standards for Inspection and Testing of New and Rehabilitated Facilities

Inspection and testing of new facilities is important to ensure that the City's established standards are implemented in the field. Completed construction is not accepted by the City until inspection and testing have been completed. This approach helps ensure proper operation and maximum life expectancy. Acceptance testing for gravity sewers can include:

- Low pressure air test or water test to identify leakage
- Mandrel test to identify deflection in flexible pipe
- Water of vacuum test of manholes to identify leakage
- Television inspection to identify grade variations or other construction defects

Inspection and testing of new wastewater collection facilities may be conducted by wastewater collection staff or by the contractor while an inspector representing the City makes sure the installation and testing meets the City's standards. Inspections are performed during and at the completion of construction.

OMI Key West Sewer and Stormwater System Management Plan

To minimize SSOs and mitigate the effects of SSOs that may occur, the City of Key West Sewer System Management Plan's goals are to:

1. Maintain uninterrupted sewage flow without health hazard, leakage, or water infiltration and inflow.
2. Operate a sanitary sewer system that meets all regulatory requirements.
3. Avoid sanitary sewer overflows and respond to sanitary sewer overflows quickly and mitigate any impact of the overflow.
4. Maintain standards and specifications for the installation of new wastewater systems.
5. Verify the wastewater collection system has adequate capacity to convey sewage during peak flows.
6. Provide training for Wastewater Collection staff.
7. Identify and prioritize structural deficiencies and implement short-term and long-term maintenance and rehabilitation actions to address each deficiency.
8. Meet all applicable regulatory notification and reporting requirements.
9. Provide excellent customer service through efficient system operation and effective communication strategies.

Wastewater collection staff respond to all sewage spills, blockages, and miscellaneous calls 24 hours per day, 7 days a week. As collections supervisor, Ralph Estevez is responsible for program development and oversight, and making certain the City is in compliance with FDEP requirements.

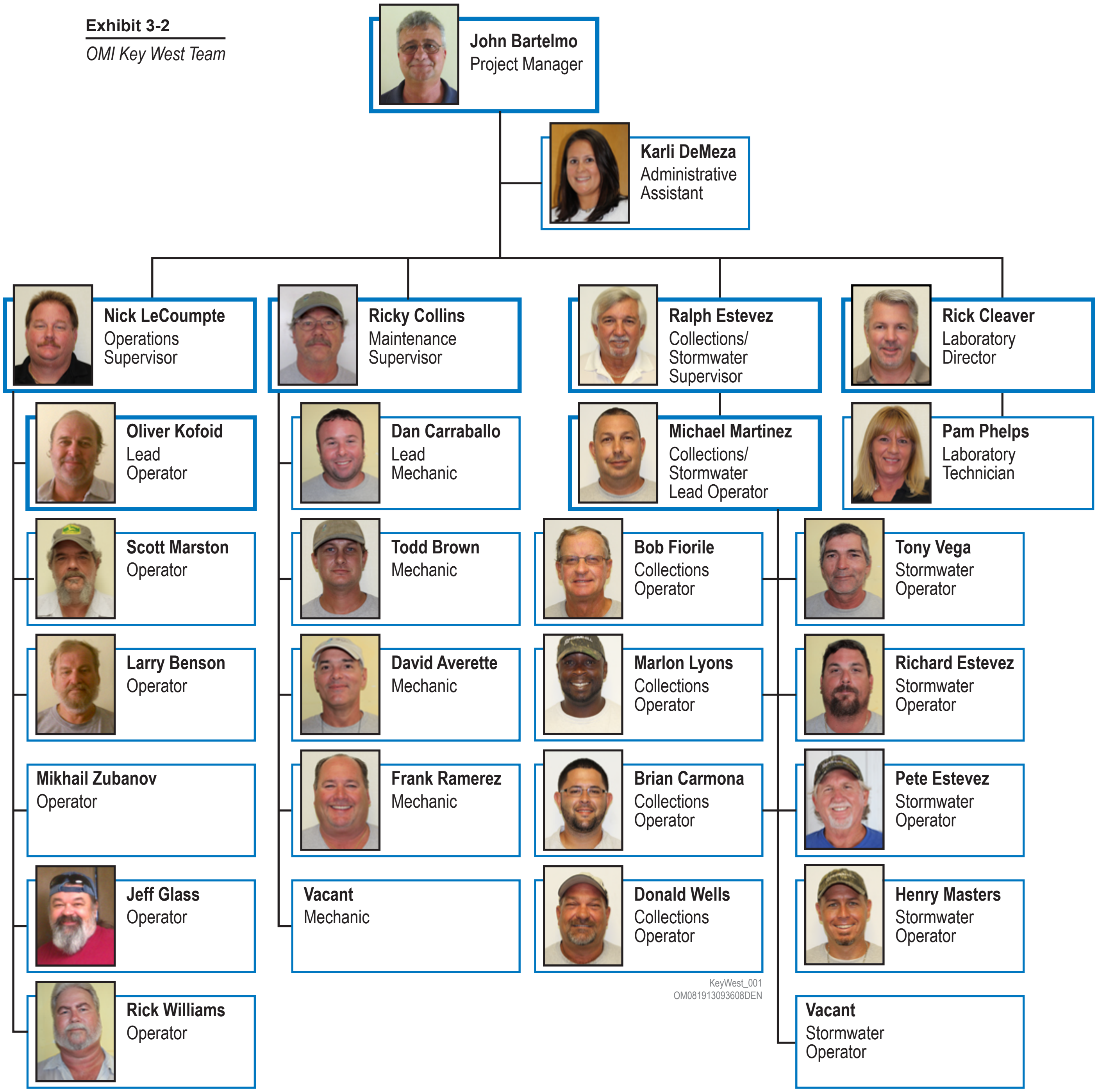
Staffing Plan

OMI understands the importance of having the right staff onsite to deliver services to residents of Key West. Our onsite team provided the City with:

- Strong, customer-focused leadership
- Honest, motivated onsite team
- Staff skill and experience and credentials appropriate for the required work
- Coverage to meet City requirements
- 100 percent staff commitment to the project, including Project Manager John Bartelmo
- Local engineering support

Over our nearly 25 years as your O&M provider, we have expanded and contracted our team as needed. The optimized staffing plan shown in Exhibit 3-2 on the following page represents our current team and, based on the scope of work, is the ideal staffing necessary based on our comprehensive understanding of what it takes to operate your facilities in a manner that is in line with your expectations.

Exhibit 3-2
OMI Key West Team



Budgetary Process

OMI is familiar with the City's financial process. In April of each year we provide a detailed budget using the City's format, which shows cost history, current expenditures, and end of the year cost projections for each budget line item. The proposed budget is prepared based on detailed information provided by team leaders from the Operations, Lab, Maintenance, and the

Collections/Stormwater departments. We also provide a cost history for each line item over the previous 5 years with explanations of any significant deviations from the historical norm. The agreed contractor fee is calculated and the budget totals are presented comparing the percent change from the previous year's approved budget and projected actual cost.

Capital improvement recommendations resulting from our asset management process and expected equipment purchases of greater than $5,000 are also submitted. Project Manager John Bartelmo reviews the proposed budget with the Utilities Manager Jay Gewin and attends City Commission budget meetings. Our team constantly strives to be more efficient and reduce cost wherever possible. By November 30th of each year a detailed settlement statement is presented to the City for review. The report shows all billable and non-billable expenses and the contractor fee applied to the expenses that are billable. If the project budget is exceeded, OMI is responsible for the overage. If the project expenses total less than the budgeted amount the difference is promptly rebated to the City less any cost sharing allowed by the contract. OMI understands the City's viewpoint concerning billable and non-billable expenses. We do not charge offsite project support, audits, entertainment, contributions, or other such expenses to the City's billable O&M budget. Only costs directly related to onsite project O&M defined in the City's line item format are billed. Our understanding of the project has resulted in consistent cost control maintained at a rate below the Consumer Price Index (CPI) for the entire term of our existing agreement. The City's wastewater costs have remained below CPI and significantly below the national average for wastewater utilities during the last 5 years.

3.3 Process Control/Maintenance Philosophy and Approach

WWTP Process Control Strategy

The following procedure outlines tasks that the operating staff follows to control the wastewater treatment process. Specifically, the operator monitors and controls certain aspects of the system to ensure a proper environment is maintained for efficient CBOD, ammonia, phosphorous, nitrate removal and the development of a biomass with desirable settling characteristics. The operator also controls RAS and WAS flows to prevent imbalance of solids and possible effluent violation. The tasks the operator performs to accomplish this includes the following.

- Monitors and controls the Dissolved Oxygen (DO) levels in the aeration basin.
- Monitors and balances the Mixed Liquor Suspended Solids (MLSS) concentration.
- Monitors Ammonia in the (MLSS and effluent)
- Monitors Nitrate and Phosphorous in the (effluent)
- Monitors and adjusts WAS flow rates (WAS Q) to maintain a target F/M ratio.
- Monitors and adjust RAS flow to maintain a target Depth of Blanket (DOB).
- Monitors mixed liquor quality and adjust process to improve settling characteristics.
- Monitors the clarity and color of the water in the clarifiers.

Exhibit 3-3

Operational Parameters

Parameters	Units	Range	Target	Frequency
DO	mg/L	0.5 - 2.0	1.0	twice per shift
WAS Q	Gal	20K - 200K	N/A	daily
RAS Q	MGD	1.5 - 3.5	N/A	continuous
MLSS	mg/L	1,500 - 2,500	N/A	daily
Influent CBOD	mg/L	40 - 250	N/A	5 days per week
Effluent CBOD	mg/L	1 - 60	<1.0	5 days per week
Influent TSS	mg/L	1 - 60	<1.0	5 days per week

Effluent TSS	mg/L	1 - 60	<1.0	5 days per week
RAS CONC	mg/L	4K - 10K	7K	daily
WAS CONC	mg/L	4K - 12K	10K	daily
DOB	FT.	0 - 8	3.0	twice per shift
SECCHI	FT.	0 - 12	12	daily
Phosphorous	mg/L	0 - 1.0	<0.5	twice per shift
Ammonia	mg/L	0 - 1.0	<0.5	twice per shift
Nitrate	mg/L	0 - 2.0	<1.0	twice per shift

Performance Parameters

The performance parameters for the aeration basins are listed in Exhibit 3-4. These parameters are used by the operations supervisor to assess the performance of the Secondary Treatment System. Included with each parameter are units, normal ranges, target values, and frequency of sampling.

Exhibit 3-4

Performance Parameters

Parameters	Units	Range	Target	Frequency
F/M	ratio	0.07 - 0.12	0.08	weekly
SVI	number	100 - 200	150	daily
Effluent TSS	mg/L	1 - 60	<1.0	5 days per week
Effluent CBOD	mg/L	1 - 60	1.0	5 days per week

% Removal CBOD

Percent removal of CBOD loading is used by the Operations Supervisor as an indication of the effectiveness of the Secondary Treatment Process. It is calculated as follows:

% Removal = [(Influent CBOD - Effluent CBOD) / Influent CBOD]* 100

% TSS Removal

Percent removal of TSS loading is used by the Operations Supervisor as an indication of the effectiveness of the Secondary Treatment Process. It is calculated as follows

% Removal = [(Influent TSS - Effluent TSS) / Influent TSS]*100

The percent removal should remain fairly constant throughout the year. A slight decrease in % removal may be notice during the summer as influent BOD loading drops off due to the decrease in population in Key West. If % removal decreases for any other reason, the effectiveness of the Secondary Treatment process should be investigated.

We have fairly constant ammonia levels in our influent nine months out of the year. During the winter months of January to March, our ammonia levels are elevated slightly higher, and we monitor more often to ensure proper removal.

Maintenance Philosophy and Approach

In support of our commitment to the City, OMI is enhancing our approach to maintenance through this proposal and transforming it into a true asset management approach. OMI brings a world-class perspective to enhanced maintenance and asset management. Our approach is built on 25 years of direct experience working with the City, our more than 30 years providing similar services to many other customers, as well as benchmarking with industry best practices, such as those described in the International Infrastructure Management Manual (IIMM).

The benefits derived from a well-organized and delivered asset management and maintenance program include improved performance and reliability, extended equipment service life, reduced maintenance costs, more efficient use of labor, and reduced environmental risk. Our approach is to keep the City's utilities 1,500 vertical assets we manage in a proper state of repair, addressing items in a proactive rather than reactive manner. To do this we employ proven PM, routine maintenance (RM), and predictive maintenance (PdM) programs combined with a CMMS. Vertical assets include all the assets at the wastewater treatment facility, along with the wastewater collection system lift station equipment and stormwater pump assisted stations. The stormwater system has approximately 3,488 assets, including the wells, outfalls, catch basins, manholes, and line segments that require periodic maintenance and repair. The wastewater collection system also includes a substantial number of assets.

Our maintenance approach is based on proven implementation at hundreds of OMI operations contracts for the past 30 years. Our objectives are to:

- Protect the City's assets and investment.
- Achieve full and extended service life for equipment and facilities.
- Ensure service reliability.
- Prevent catastrophic failure and pumping, plant, or process failure.
- Implement a comprehensive approach to planning and prioritizing maintenance work.
- Undertake all maintenance work in the most efficient and cost-effective manner.
- Optimize capital requirements for repair work and asset replacement over the long term.
- Integrate activities required to maintain manufacturers' warranties into maintenance programs.
- Perform routine condition assessments and risk analysis of assets to provide accurate data for future capital and asset planning.
- Establish and maintain safety, environmental, and aesthetic standards.

The asset management and maintenance program will consist of the following key components, discussed in more detail in this section:

- CMMS to schedule and track work orders and control inventory.
- Work order approach to efficiently and effectively respond to resident and City service requests.
- Inventory control to provide for immediate response to City and resident needs.
- PM Plan to protect City assets in a proactive manner.
- Critical Equipment Emergency Plan to ensure contingency planning for critical equipment continuity.
- Maintenance performance benchmarking to review maintenance KPIs with industry best practices.
- Condition Assessment (CA) program to provide comprehensive information for planned repair, renewal, and replacement activities and the City's capital improvement planning.
- Asset management approach to transform an already strong maintenance management system into a world-class asset management approach with full life-cycle cost perspective.
- Review and audit process to ensure follow through on the asset management and maintenance approach and identify opportunities for improvement.

Computerized Maintenance Management System

OMI faces the daily challenge of serving residents and businesses maintaining compliant and uninterrupted services for the City's WWTP, wastewater collection and lift/pumping stations, and stormwater collection and pumping stations. Our CMMS provides asset registry, maintenance scheduling, documentation, tracking, inventory control, and equipment condition history into a computerized database that allows OMI to maximize equipment performance and minimize downtime. Our plan for delivering maintenance services, described in this section, enables the City to maintain a high level of performance efficiency and cost effectiveness for many years to come. Recognizing the City has a very complex and diverse utility infrastructure, OMI upgraded the CMMS in 2012. The more robust, web-based software includes asset management to keep up with the growing demand of the infrastructure.

OMI upgraded the CMMS with Maintenance Connection® (MC), an Enterprise Asset Management (EAM) program, at nearly all of its O&M facilities worldwide. Using a centralized EAM/CMMS provides several quality tools that, when used effectively, facilitate better decision making, such as determining whether it is cost effective to replace an older asset based on maintenance costs versus replacement costs. MC has more than 1,300 installations worldwide with an excess of 500,000 users. OMI currently has more than 100 site installations across the enterprise with more than 2,000 users. OMI dedicated more than 800 hours in regional resources to assist the project staff in the development and implementation of the CMMS.

Work Order Approach

Since we implemented MC in 2012, OMI staff has handled approximately 3,580 work orders. Work orders are critical documents to initiate, track, and account for planned and unplanned work. MC software is a powerful tool to help OMI manage customer requests in a timely and efficient manner. We use MC to track responses, identify recurring issues, and manage work crew efficiency.

City of Key West Staff Remote Access

- Access rights will be provided to Utility Manager Jay Gewin. As we move forward, more access can be provided as the City requires.
- The "Service Requester" is the easiest method for City staff to enter a work order request without having to navigate through the different modules and screens. An example of using this module is to give City staff access to entering service requests, have an electronic record, and track the status of a request.

Work Order Process

Our project team, along with City staff, has implemented a streamlined and effective work order process. The process is established and proven, and is continually under review based on OMI's company ethos of continuous improvement.

Proposed Future Improvement of the Work Order Process for the Collections and Stormwater Systems

OMI staff has also been investigating available technology and automation improvements to better accommodate the City's needs. Incorporating the use of a GIS database and electronic handheld devices to the Maintenance Team is one of the recommended efficiency improvement steps that would expedite the work order assignment to the field technicians and improve work crew coordination.

The proposed transition from the manual work order system to one with more computer interface would offer the City many benefits, including:

- Significantly increasing accuracy of work order receipt and completion.
- Significantly decreasing response time.
- Enabling instantaneous review of all open work orders for backlog or past due.
- Providing for immediate search capabilities of any City work order and status.
- Could easily provide reports to the City on completed work orders, both open and closed. This can be automated to be e-mailed automatically to individuals.
- Can report back to the City on all work completed.

OMI will work with the City to update the current GIS database with the new pump station at Ashby and Catherine for the stormwater system. We would also like to work with the City to link the GIS database to CMMS. The wastewater collection system currently has updated as-built drawings, which could be converted to a GIS database system and linked to CMMS. This will allow for improved efficiency described in this section, benefiting both the City and OMI.

Preventive Maintenance Plan

OMI is the only firm with a complete and detailed list of all City assets. OMI's PM Plan has been implemented over our 25 years – longer than many O&M providers have been in existence – delivering quality, effective, and safe business practices for the City. The result of thousands of hours of data collection, O&M research, development and assignment of PM and PdM tasks with detailed instructions, and the entry of this data in a complete CMMS puts OMI in the unique position of continual refinement rather than implementation. The CMMS database is a prerequisite to launching a world class asset management program, putting OMI years ahead of our competitors. The City will have direct access to our CMMS database, so verification of our claims is at your fingertips.

Our plan includes a variety of maintenance activities on all of the levels described below. By concentrating on RM, PM, and PdM, we minimize costs by protecting warranties and reducing expensive unplanned corrective maintenance (i.e., emergency repairs). We perform full PM for structural, mechanical, electrical, and instrumentation equipment according to manufacturers' recommendations and industry best practices.

Preventive Maintenance

Routine maintenance is the first level of PM. This type of maintenance provides many benefits to the overall maintenance management plan. RM involves staff members who operate the processes and equipment daily. O&M staff takes the responsibility to monitor and inspect the system's operating equipment as they make rounds during their assigned shifts.

PM are repetitive activities required or recommended by the equipment manufacturer or industry best practices to optimize the service life of the equipment, vehicle, facility, or any other asset. Proper PM is a critical line of defense against equipment deterioration and failure. PM activities for major equipment are those specified by the manufacturers' maintenance recommendations as outlined in the vendors' O&M manuals unless superseded by client accepted practices established though the Asset Management process. PM work orders generated by the CMMS outline the required maintenance and, upon completion of a work order, the following information is logged in the CMMS:

- Work order issue date
- Completion date
- Staff performing the task
- Description of all tasks completed
- Labor hours and estimated labor cost
- Materials quantity and cost

We have an established PM plan that includes a listing of specific activities to be performed and frequency for the various components of infrastructure (i.e., assets) that comprise the City's facilities. City asset task descriptions include the manufacturers' recommended procedures and their corresponding appropriate interval for the maintenance activities to be performed. The recommended intervals for task performance are adjusted as necessary, based on our proven asset management program which analyzes the following criteria:

- Manufacturers' O&M manual recommendations for specialized equipment and equipment under warranty.
- Equipment age, condition, and function.
- Risk and consequence of failure.
- Severity of service and rate of wear and corrosion.

- Hours of operation per day, week, or month compared to equipment design requirements.
- Nature of the operation cycle, such as frequent and large changes in loads, pressures, and temperatures.
- Cost of maintenance as compared to replacement cost, if failure does not risk the safety of personnel, or create a process upset.
- Susceptibility to damage and loss of adjustment and calibration.
- Flexible task intervals based on performance also include:
  - Output pressure drop or rise (pumps)
  - Change in vibration level with time measured periodically under identical conditions
  - Change in operating temperature (motors, bearings, electrical connections)
  - Wear on parts that can be observed without extended downtime (such as conveyors and fan belts)
  - Changes in oil condition

We continuously review and perform all PM task descriptions in accordance with the schedule listed in the PM module of the CMMS to protect the City's assets and provide the proper amount and type of PMs to achieve optimal life cycle costs. We verify that these PM tasks are completed by reviewing the CMMS database and its reports.

Predictive Maintenance

As a key component of our PM plan and asset management approach, PdM tasks are assigned to all major electrical and mechanical equipment. They are routinely tested to confirm all components are in good working order and verify that no negative trends exist that reduce the equipment's overall life expectancy and integrity. All data collected during testing will be collected and entered into the CMMS so that trends can be easily identified.

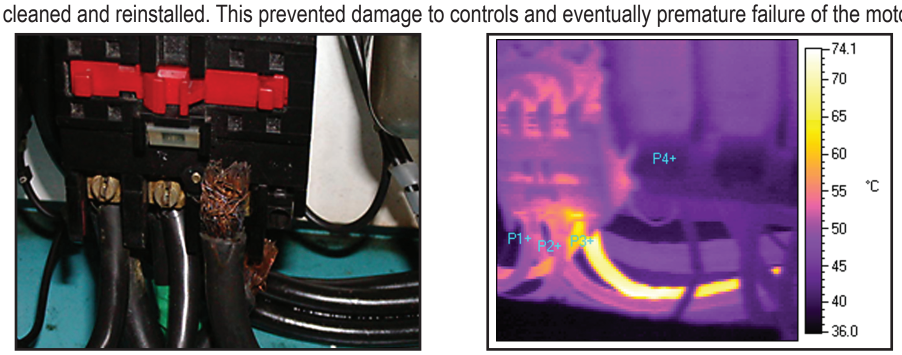
The OMI team has onsite staff trained in specific testing procedures. The local OMI staff is supported by our regional maintenance specialists who are trained in advanced PdM techniques. We also use local vendors and contractors for specific equipment types and respective testing methods.

On all major electrical and mechanical equipment there are several PdM testing procedures that we will use:

- Major Power Distribution Components and the Motor Control Centers (MCCs) – Infrared (IR) inspections are a very simple, non-destructive method of identifying anomalies that could lead to potential failures.

Predictive Maintenance Infrared Report to Identify Anomalies

Image shows an anomaly of the P-3 line at the bottom of the contact block. After the main MCC was de-energized and lock-out/tag-out procedures verified the lines were disassembled for inspection, the cable was found to be corroded. It was cleaned and reinstalled. This prevented damage to controls and eventually premature failure of the motor.



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- Main Pumping Equipment – We will be performing routine flow analysis to determine if the unit is operating as designed within its respective performance curve. In addition, we will be performing routine vibration analysis and trending this data to provide for early detection of worsening conditions. Vibration analysis will also be used and trended to provide additional performance information.
- Large Electrical Motors – Vibration testing, oil sampling analysis, and temperature monitoring are components of our PdM program for large motors. All data will be trended as well to identify trends that provide early detection of potential problems.
- Emergency Generators – In addition to our on-site staff maintenance, we will use outside contractors who are experts in generator O&M. The PdM program will include much of the testing, such as oil sampling and analysis, vibration monitoring, temperature monitoring, and IR inspections.
- Miscellaneous Major Equipment – To supplement our on-site PdM program we will use outside contractors with specialized skills to inspect and monitor major equipment condition. This will include HVAC systems, overhead cranes, and other specific equipment types.

Maintenance Performance Benchmarking

OMI implements an internal maintenance performance benchmarking process as an integral part of its project performance measurements. We evaluate the CMMS information to benchmark maintenance performance with industry best practices using our proprietary, internal Maintenance Matrix tool. This unique tool benchmarks monthly maintenance performance including several KPI benchmarks:

- Ratio of regular hours versus overtime hours
- Overall backlogged work order hours
- Backlogged Priority 1 work order hours
- Number of backlog work orders
- PM versus CM ratio
- Performed PM hours versus unplanned CM hours

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Spare Parts Inventory

Spare parts and inventory control is an important aspect of the maintenance management process. The spare parts inventory is tracked through the CMMS and audited by the City every year. The number of spares kept in stock affects cash flow and ties up cash reserves. Also, many spare parts have a shelf life that is shorter than the period between failures. Inadequate control of spares inventories also affects OMI's capability to respond to unscheduled breakdowns and scheduled inspections and overhauls.

Each year OMI conducts a complete inventory of all tools, parts, and equipment at the WWTP, laboratory, and collections/stormwater shop. The inventory is verified by City staff for completeness and accuracy. This process is part of our contract compliance requirements and has been successfully maintained for many years.

When making decisions regarding inventory size and control, OMI considers several factors. OMI works to minimize inventories while being careful not to jeopardize an operation for lack of a critical spare. Maintaining accurate equipment history files permits a periodic review to determine the numbers and types of spares to stock for a particular equipment item. To minimize inventory stock items, OMI coordinates with vendors to stock required inventory items unless there is an unreasonably high stocking fee or long delivery time for infrequently needed but critical parts.

OMI has implemented a Critical Equipment Spare Parts Plan to ensure an adequate level of inventory items. OMI's inventory control considers the following for critical spares, minimum stocking levels, and reorder points:

- How important to the operation is a piece of equipment?
- Is there a backup unit?
- How long can it remain out of service?
- Are repair parts readily available from local suppliers?
- Do suppliers have emergency phone numbers?
- What is the delivery time for items not stocked by the suppliers?
- Is the supplier willing to stock items that are routinely needed?
- What is the frequency of use of the part?
- How much does it cost?
- Is there a price break for volume buying?
- Can one product meet or exceed the manufacturer's recommendations and allow for purchase in bulk (e.g., lubricants)?

Critical Equipment Emergency Plan

The Critical Equipment Emergency Plan is an intricate element of the spare parts process. The plan makes certain that OMI has necessary spare parts onsite or an alternate plan to meet the permit or service requirements and to ensure employee safety. This plan makes certain that the project has one or a combination of the following items:

- Identified spare parts onsite.
- Spare parts are stocked at vendor's locations that can be acquired within the time needed.
- An alternative plan that would include the use of an alternative process or equipment when the critical equipment cannot be repaired quickly enough. This plan would address specialty parts or parts that are not available off the shelf.

- Alternate plans address parts that are cost prohibitive to keep on the shelf. It is critical that all stakeholders understand the risk associated with not having these parts available and has approved this alternate plan.
- All equipment is rated based on the criteria at right.

Equipment with a priority rating of 1 is assessed as to the best way to ensure there are adequate repair parts available or that an alternative operation plan is in place.

Priority	Description
1	Equipment is essential to permit requirements and/or safety for employee. There is no backup or redundant equipment
2	Equipment is essential to permit requirements and or safety for employee. There is only one backup/ redundant equipment
3	Non-critical equipment or more than one backup/ redundant equipment

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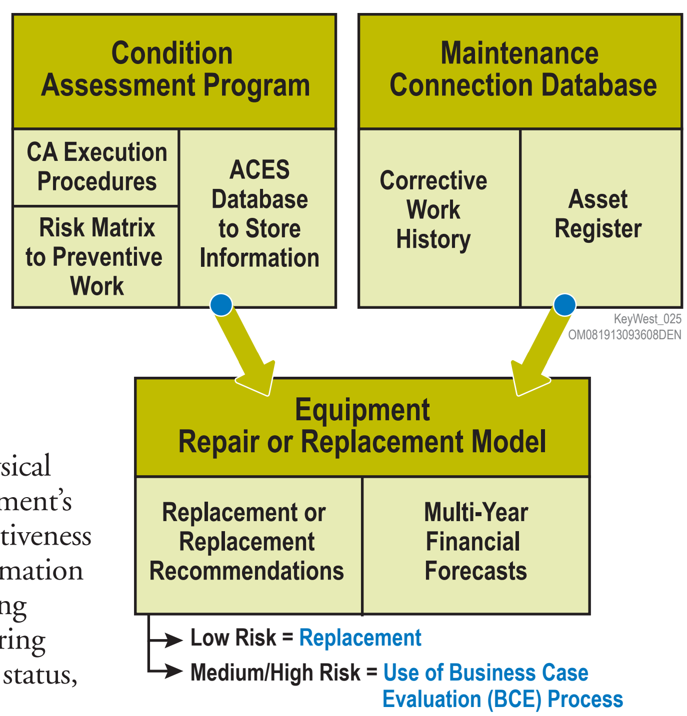
The project's CMMS system will be used to track inventory information. The CMMS is capable of tracking the inventory and will include: an inventory of parts by location with the current quantity in stock, the desired maximum and minimum quantities to be kept in stock, unit cost identified, replacement time and contact information.

Each spare in inventory or replacement part purchased is assigned an ID number and a location number designating its storage location. The equipment ID number for which spares and replacement parts are purchased (and maintained in inventory) are identified in the CMMS database.

Asset Management Approach

OMI staff at Key West will be moving forward with an enhanced asset management program to deliver asset protection, continued system reliability, and proactive repair, renewal, and replacement planning for financial forecasting. The primary goal is to integrate a set of processes to minimize the life cycle costs of owning, operating and maintaining assets, at an acceptable level of risk, while continuously delivering established levels of service. These proven and robust processes include a Condition Assessment (CA) program and the Asset Condition Evaluation System (ACES) database, a risk matrix to prioritize work, corrective maintenance work history from the Computerized Maintenance Management System, MC and an Equipment Replacement Maintenance Model (ERMM) that produces recommendations for repair or replacement decisions and multi-years financial forecasting (see Exhibit at right). A Business Case Evaluation (BCE) process is also used, as needed, to assist in the review and selection of the most cost effective and sustainable replacement alternatives.



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Condition Assessment Program

CA provides a snapshot of the utilities' physical state. The results help determine the equipment's remaining useful life and to gauge the effectiveness of the current maintenance program. Information from the CA will be used for action planning based on failure mode analysis needed to bring equipment back to satisfactory operational status, ensuring reliability and prolonged life.

Description of Facilities and Assets to be Assessed

The CA will include all above-ground or vertical assets from the asset hierarchy in MC. The assessment will be performed at the WWTP, lift stations, and pump-assisted stormwater well sites. Overall, there will be approximately 1,500 assets assessed under the current plan.

Condition Rating System

The rating system employed for the CA is an industry accepted rating system for asset condition rating. This system has been shown to be very effective in identifying and expressing entity condition, and assisting in improving overall asset management practices.

The rating system uses scores from 1 to 5. Scores of 1 to 5 reflect the physical state of the asset, from best to worst, respectively. A score of 5 may also be used to denote an entity which exists, but is not assessed for various reasons (e.g., it is inaccessible, cannot be removed from service, etc). Further review might be required in these cases.

OMI incorporates three systems for detailed asset management. The three systems (MC, ACES, and the Maintenance Model) all contain data that is needed to provide asset reliability and long life.

Maintenance Connection

MC is used as an asset registry, maintenance historian, and asset maintenance planning and scheduling tool. The key field in MC, as well as the other processes used in the OMI AM Process, is the asset ID. All information is linked to the asset ID. MC is the primary system that contains the asset hierarchy as well as the asset registry. Assets added and removed from service are done in MC and subsequent uploads will adjust the other two processes.

Asset Condition Evaluation System

ACES contains all assets in MC and is used for applying consequence and likelihood of individual assets failing. Some assets have significant consequences when they fail while others have less significant consequences. The sum of the consequence and likelihood scoring determines a total risk or also referred to as a criticality score of the asset. This total risk score generated through the ACES program is used for scheduling or "prioritizing" maintenance when conflicts or shortage of labor resources occurs.

Equipment Replacement Maintenance Model (ERMN)

The ERMM is used for determining an overall replacement schedule based on an assets typical lifespan and its condition. The model also contains the budgetary replacement value of each asset so that a preliminary budget can be developed for the initial replacement schedule. However, the ERMM only provides a snapshot in time and must be updated, adding new assets, updating condition scores, etc. to provide an ongoing moving picture of the replacement schedule. The ERMM contains three triggers that signal an action must be performed.

Successful Asset Management Programs

- Key West, Florida
- West Melbourne, Florida
- Rio Rancho, New Mexico
- West Chicago, Illinois
- North Hudson Sewer Authority, New Jersey
- Lehigh County, Pennsylvania
- Carol Stream, Illinois
- Woonsocket, Rhode Island
- Hinesville, Georgia
- Washington, Georgia

Asset Management Success Story

One of our key strategic consulting clients has been recognized by Uptime Magazine as the Best Emerging Maintenance Reliability Program for 2013. We partnered with the Cincinnati Metropolitan Sewer District (MSD) for six years to help them implement asset management and other best practices. Over the past 18 months, we have helped MSD's Treatment Plant maintenance group build a Maintenance and Reliability Program that includes Reliability Engineering, Predictive Maintenance, and Advanced Planning and Scheduling through our team-based approach.

MSD Maintenance Manager John Shinn highlights our shared success in a recommendation letter dated July 10, 2013:

"[The firm] has done an outstanding job in completing these [asset management and reliability services] projects in a timely and cost efficient manner. [The firm] has delivered best practice recommendations and implementation assistance that have helped Wastewater Treatment Process Maintenance improve reliability and reduce costs by saving over $500,000 annually in reactive maintenance, decreasing unexpected equipment failures by 55%, reducing equipment downtime by 40% and decreasing safety incidents by 36%. We recommend [the firm] for this type of work you are considering. Please feel free to contact me [513.244.5525] if you have any questions concerning this reference."

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Maintenance Activities: Performed In-house or Outsourced

Established best industry practices and our experience providing O&M services for utilities around the country demonstrate that optimal staffing practices consist of an onsite, full-time, qualified staff performing the majority of all project tasks. Our approach has been to staff the City's program with a balanced onsite staff mix, capable of completing the majority of tasks required to successfully operate and maintain the City's utility system. Our staff has significant experience with your systems and facilities, and has a wide range of tools and equipment designed specifically for the types of assets they maintain. When we do need specific outside resources we first look for a local vendor. This approach is very important to us to keep the local skill trades employed and our local business successful. This breeds more resources when needed by other businesses and benefits the City. Skilled OMI staff at the site and local business partnerships are the most cost-effective solution to providing the high level of service demanded by your residents.

The following is a listing of services we self-perform using onsite staff:

- Building inspection and cleaning
- Site inspections
- Facility appearance care
- Routine asset inspections
- Lubrication tasks
- Equipment adjustments
- Equipment testing
  - Vibration
  - Infrared
  - Amperage Draw
  - Meg Ohm
  - Other normal manufacturer's recommended testing

In-house vs. Outsourced: Adding Value to the Key West Program

A prime example of OMI's in-house repair ability can be found with the submersible pumps. There are more than 50 submersible pumps in the lift and stormwater stations alone, and an outsourced rebuild for one of the large submersibles averages approximately $18,000. By training our in-house staff to make these repairs, they can now be completed for only the cost of a $6,200 pump repair kit (bearings, seals etc.), saving the City almost $12,000 for each repair. Another advantage to having trained mechanics able to perform these tasks is that repair kits can be kept in the spare parts inventory. Outsourced repairs typically take a minimum of 8 to 12 weeks to complete, especially here in the Keys. Onsite repairs can be performed immediately, minimizing downtime and risk.

KeyWest_032
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- Pump flow testing
  - Draw down testing
  - Head pressure
- General pump repair, such as bearing and seal replacement
- Piping repair and replacement on chemical feed systems
- Small scale structural repairs
- Mechanical repairs
  - Valve repair
  - Bar screen repair
  - Belt press repairs
  - Blower replacement
  - Standard mechanical maintenance (not including HVAC)
- Electrical repairs (control panels and pumping systems)
- Welding repairs
- Painting
- Electrical component replacement
- Instrumentation calibration and trouble shooting

We Take Great Pride In Your Facility's Appearance

In addition to our onsite staff, OMI supports the City with regional and national associates who offer other specialty skills and equipment. Our support personnel have been used in the past to provide assistance for our staff with:

- Technical issues relating to specific equipment
- Maintenance management support
- CMMS support
- Operations process support
- Safety
- Compliance
- Fleet safety
- Management support

Typical Outsourced Repairs

- Electric motor rewind
- Annual flow meter and laboratory equipment calibration
- Network modifications and repair
- Heavy pipe and large valve repair
- Specialty fabrication and machine work
- Large valve repairs
- Oil analysis
- Overhead crane and hoist certification inspections

Regardless of your need, OMI has the resources necessary to support you with in-house personnel to make certain we can maintain the level of service you have come to expect from us.

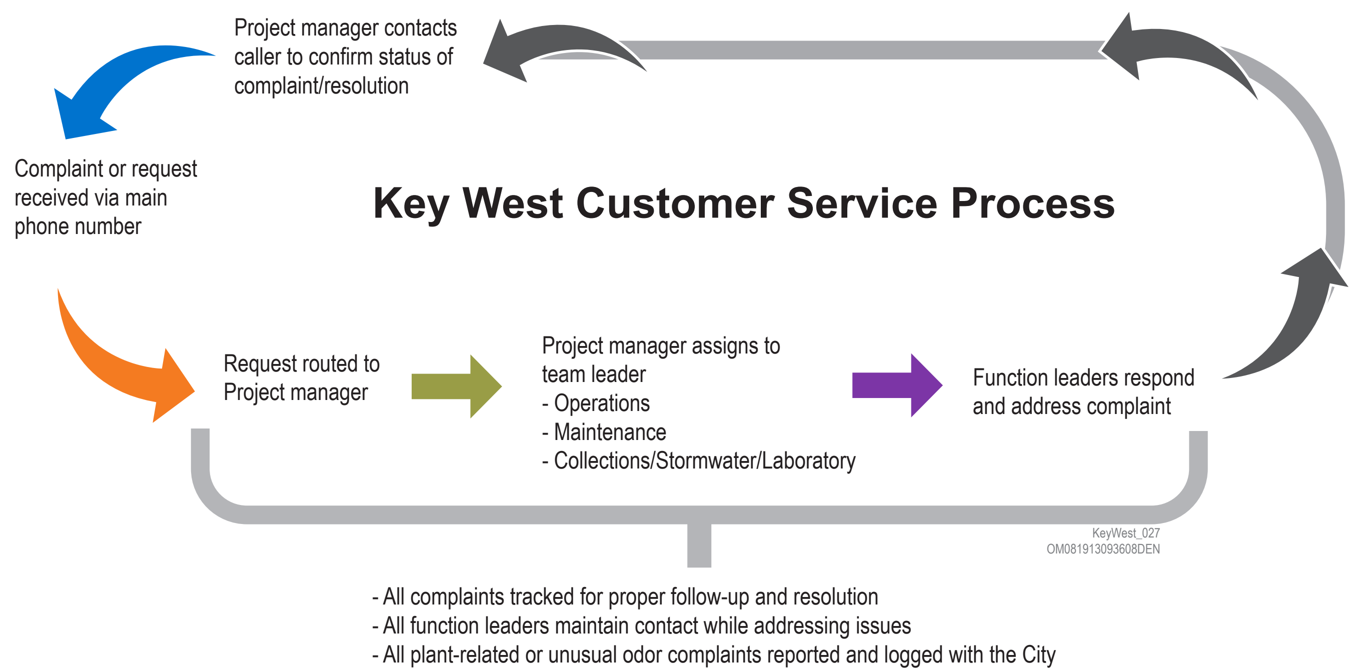
One of the benefits of partnering with a company as large and well respected in the industry as OMI is our comprehensive training programs and our willingness to invest in the appropriate equipment to increase safety and efficiency. Our experience has shown these investments in both people and equipment can maximize the capability of our onsite staff, reducing costs to our clients for contracted services.

Our teams are given the tools and training to enable them to adapt professionally and safely to most day-to-day tasks. OMI's culture is based on a can-do attitude to get things done safely and efficiently and to be fiscally responsible to our clients while at all times delivering the highest level of customer service.

These are not paper promises—our unmatched understanding of the City's facilities means we understand the scope of services required to meet the expectations of the City and its residents. The investment in predictive maintenance equipment for onsite analysis is one beneficial example. As a larger corporation the City also has access to other equipment such as cutting edge leak detection equipment, mobile dustless blast rig and valve exercising equipment. OMI has a major maintenance group that can be mobilized to support the City in the time of disaster recovery or major equipment repairs as we have done in the past.

3.4 Communication Plan

OMI shares the City's goals for a responsive communications program. A Communications plan makes the invaluable link between OMI, the City, and the public. It is the "human" side of operations that can supersede all the technical expertise of an organization. When OMI project staff display professionalism, courtesy, competency and concern, as well as technical expertise, customers simply feel better.



Responsiveness

The OMI team is dedicated to adequately responding to the City's needs according to your priorities, not ours. All requests from the client, City staff, and the citizens of Key West are undertaken with a sense of urgency.

Routine Communications: Communications are handled through the main phone line at the treatment plant, individual cell phones, and e-mail. This communication can be directly with the project manager, but we encourage direct communications with lead personnel who may be closer to the work and are able to respond quickly to requests.

Emergency Communications: Under emergency conditions, all communication technology is in use. Specific events may dictate face-to-face, phone, text, or written communication. The project manager and all department supervisors are available 24/7. There is an operator available at the WWTP 24/7 along with on-call personnel for the collections and stormwater system. There is also a live answering service available for after-hours communications on the WWTP administrative line.

Accessibility

It is understood that the ability of the City to reach the OMI project team is a cornerstone of our client service. The following sections highlight our plan for ensuring that we are as accessible as possible.

Subject	Expectation	Responsibility
Access to the project manager and supervisors on nights and weekends.	Accessible 24/7/365 and respond to all client or customer requests in an expeditious manner.	All key personnel have project provided cellular phones. On-call staff have both cellular phones and pagers. After hours a human answering service answers the main plant line at 5100.
Scheduling vacation/holiday time	We make every effort to schedule vacation time around the hurricane season. All key personnel are accessible on holidays.	Supervisors control scheduling.
Preferred communication method(s)	The City prefers cellular phone or landline.	OMI provides this equipment.
Communication during urgent emergency situations	During emergencies that interrupt cellular and landline service, OMI staff communicate via 800 MHz handheld radios and maintain a base station at the WWTP.	This equipment has been procured and the project manager provides a radio to all key personnel prior to a known emergency event.
Contact alternates	A contact list has been provided that begins with the project manager, supervisors, then on-call personnel.	The project safety coordinator and administrative assistant maintain a current list, and promptly provides any changes to the client.

Follow-through

The OMI team understands the importance of meeting our contractual commitments. We meet with the City as often as necessary to make sure we are on track with City goals as well as contract deliverables. This allows the City and OMI to prioritize projects and make certain that the correct action is taken to satisfy customer concerns. Examples of successes in this area are the odor scrubber upgrades at the Thompson and Seminary pump station, and accurate placement of drainage projects, such as the trench drains at the youth baseball field.

3.5 Experience with Deep Well Injection

OMI is experienced with deep well injection of wastewater effluent in Key West, other Florida sites, and in other locations around the country. The table below highlights the requested information for this experience.

Project and Location	Deep-well Injection (years)	WWTP Capacity	Effluent Quantities in Deep Well
Key West, *Florida*	12	10.0 mgd	4.5 mgd
West Melbourne, *Florida*	3	3.0 mgd	3.0 mgd
Rio Rancho, *New Mexico*	2	8.8 mgd (total)	1.0 mgd

In addition to the projects in the previous table, for 10 years our firm has provided O&M for a number of reinjection wells (and infiltration galleries) associated with the Massachusetts Military Reservation (MMR), now named Joint Base Cape Cod. There are approximately 30 reinjection wells currently operating, and are designed to re-introduce treated groundwater extracted as part of a large groundwater remediation project. The treated water is reinjected to an overburden aquifer and range from 100 to 200 feet deep. Individual flows range up to a maximum of 600 gpm to an individual reinjection well. Our current total treatment flow is 11 mgd, with some outflows going to the reinjection wells, some to infiltration galleries, and others discharge to surface water.

3.6 Collection and Stormwater Experience

As described in Task 2.0, OMI manages both wastewater collection and stormwater systems around Florida and throughout the United States. Our clients require varying levels of service, and the following table illustrates the services we may be required or requested to deliver through our contracts at these sites.

Project, Location	Tenure (years)	Wastewater Collections (WC) / Stormwater (SW)	Cleaning	Televising	Grouting/Sealing	Pipe Repairs	Manhole Rehab.	Odor Control Systems	Trench Drain Installations	Pipeline Extensions, Relocation	Service Line Connections
Prescott Valley, AZ	20	WC	✓	✓	✓	✓	✓	✓		✓	✓
Auburn, CA	20	WC	✓	✓		✓	✓				
Greater New Haven, CT	14	WC, SW	✓	✓	✓	✓	✓	✓			
Norwalk, CT	13	WC	✓	✓	✓						
Ave Maria, FL	7	WC	✓	✓		✓	✓	✓		✓	✓
Key West, FL	25	WC, SW	✓	✓		✓	✓	✓	✓	✓	✓
Live Oak, FL	8	WC, SW	✓	✓		✓	✓	✓		✓	✓
Mary Esther, FL	10	WC	✓			✓	✓	✓			
The Villages, FL	20	WC, SW	✓			✓	✓	✓		✓	✓
West Melbourne, FL	3	WC	✓			✓	✓	✓		✓	✓
Hinesville, GA	29	WC, SW	✓			✓	✓				
Richmond Hill, GA	13	WC, SW	✓			✓	✓			✓	✓

Project, Location	Tenure (years)	Wastewater Collections (WC) / Stormwater (SW)	Cleaning	Televising	Grouting/Sealing	Pipe Repairs	Manhole Rehab.	Odor Control Systems	Trench Drain Installations	Pipeline Extensions, Relocation	Service Line Connections
Swainsboro, GA	21	WC	✓			✓	✓			✓	✓
Waynesboro, GA	12	WC	✓								
North Hudson Sewage Authority, NJ	24	WC, SW	✓	✓		✓	✓	✓			
Farmington, NM	13	WC, SW	✓	✓		✓	✓	✓		✓	
Grants, NM	25	WC	✓			✓	✓				
Rio Rancho, NM	11	WC	✓	✓	✓	✓	✓	✓		✓	✓
Coos Bay, OR	17	WC, SW	✓	✓		✓	✓			✓	✓

3.7 Training Program

Employee training is a critical element to our successful delivery of services and to employee satisfaction. OMI recognizes this and invests time and resources into providing comprehensive technical and practical training for our employees. Our basic training covers workplace violence, sexual harassment, cultural sensitivity and diversity, ethics, safety, operations, regulatory compliance, quality processes, management systems, and project administration.

OMI conducts a training needs assessment for each employee. The assessment is a questionnaire designed to evaluate associates' current skills. These are compared to the identified skills required to perform a job, and training is prescribed in each associate's Individual Development Plan to fill any gaps in job-related skills and abilities and to prepare them for promotions and advancement. We customize training programs to fit specific needs.

As an example, our onsite team recently had a change when one of our long-term employees took the opportunity to transfer to another project. We immediately identified Karli DeMeza as a new hire and, after discussions with our safety personnel, increased her responsibilities by training her as a project safety team leader (PSTL). She was able to conduct the safety briefings that were conducted as part of this solicitation, and will manage more safety activities at the plant over time.

Effective training and certification is one of OMI's most important service offerings since it directly impacts the quality and skill mix of our people, their morale, and long-term potential and growth. When employees see that their company is making an investment in their future, it yields a more committed staff who will go the extra mile for our clients and our firm.

In fact, OMI Laboratory Technician Pam Phelps conducts CPR training for captains and first mates of Key West fishing vessels at no cost to them, enabling them to keep their qualifications current. Pam also provided CPR and first aid training to City employees in 2012.

Technical staff skills are assessed individually and a training curriculum is compiled based on each individual's assessed base skills and job description. Competency grows through a combination of a tailored learning curriculum and on-the-job training with senior technicians. We have partnered with TPC Training Systems to deliver text-based and online technical skills training programs around the following competencies:

- Wastewater treatment
- Electrical systems
- Programmable logic controllers
- Mechanical systems
- Energy conservation
- Buildings and grounds maintenance
- Health and Safety
- Environmental hazards
- Process control instrumentation

Additionally, through CH2M HILL University, every employee has access to:

- Educational cost reimbursement programs
- Online course library (225 courses on business skills, computer desktop training, and IT related topics available to all employees 24x7 via our Virtual Office)
- Internally coordinated and facilitated courses ranging from Leadership and Management to Project Management and Business Risk Mitigation.

CH2M HILL University
choose to learn every day

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Health and safety is of paramount importance at all OMI projects, and associates receive extensive safety training tailored to their particular roles and functions, as well as the opportunity to participate in the company's wellness program. Staff also attends numerous training sessions throughout the year.

Cross-training Program

Because of the project's complex nature, many cross-training opportunities are available to the Key West staff. All operators are trained on laboratory procedures and participate in maintenance activities. Several members of the maintenance staff are attending operations courses and working toward certification. Maintenance personnel also attend collection system training programs and several of the mechanics and operators worked in the collections/stormwater department for years prior to joining their current department. All of the collection system associates are cross trained in both sanitary sewer maintenance and stormwater system maintenance. Key West collection system personnel are also trained in pump station O&M. This is particularly important to stormwater associates because the Key West system includes large pump assisted stormwater wells.

Our staff in Key West, as well as associates at all of our contract operations projects, are afforded cross-training opportunities around the country to acquire new skills and share their knowledge and experience with others. This has been a long term successful process throughout OMI for many years and will expected to continue into the future.

OMI Succession Planning

Over our 25-year history at Key West, a number of our employees have moved up to new and more challenging positions. We encourage career growth and new opportunities because it provides job satisfaction and, most importantly, loyalty to our organization. We have found that employees prefer to stay with OMI due to our benefits program, career opportunities, and how we invest in our employees' success. Our Key West project features a number of examples of this, including:

- Nick LeCoumpte, who started on the Key West project on OMI's first day at the plant 25 years ago. Nick started as an operator in training, and is now our operations supervisor and one of our key personnel highlighted earlier in this section. He has also served as a site safety lead. His onsite knowledge of your plant and systems is unmatched in the industry, but it is his work ethic and commitment to OMI that sets Nick apart.
- Nick's second in command, Lead Operator Oliver Kofoid, has 20 years of experience at the RA Heyman facility. Oliver also started as an operator in training and demonstrated the initiative required to advance to a position with more responsibilities. Oliver is certainly qualified to fill the operations supervisor role if necessary.

- Ralph Estevez yet another of many local team members has done an excellent job of training his lead collection operator Michael Martinez to assume the collections/stormwater supervisor role when necessary. Ralph's knowledge of the City's collection and stormwater system is incalculable. His willingness and effort to pass his knowledge along to the next generation of leadership demonstrates his dedication to the Key West. Michael, a Key West local, started as a collections operator in training 9 years ago, and possesses the qualities needed to follow Ralph in this critical position.
- Ricky Collins has also provided the training and guidance to his lead mechanic and is carefully preparing Danny Caraballo for the maintenance supervisor position in the future. Danny is a local who like the others has demonstrated a work ethic and desire to constantly improve.

These are just a few examples of OMI's dedication to the local community and willingness to train and provide advancement to local associates who demonstrate initiative and ability. Our staffing and succession plan is based on local preference for initial employment and advancement with strong regional and corporate support available at all times. This philosophy results in a win-win for all parties involved, providing the best possible service to the City, employment and advancement opportunities for local members of the community, and a successful project for the O&M partner.

Staff Safety and Professional Development

The Collections and Stormwater Departments maintain a budget for annual training consistent with the requirements mandated by FDEP. This training ensures that the operators, wastewater collection section and Stormwater staff maintain their professional certifications and also to continually improve their knowledge and skill set, as well as providing the opportunity to achieve advanced competency in their profession. Each of our Key West associates is expected to earn certification from the State of Florida. Staff is required to participate in at least 12 hours of continuing education or training every year to maintain their certifications and fulfill OMI training goals.

Administrative Specialist Karli DeMeza is the newest addition to OMI's Key West team, and she's already serving as a site PSTL, making sure all associates get a minimum of 30 hours of OSHA and site-specific training. "Safety is making sure everyone goes home to their family at night. Gloves, hard hats, fall protection – it's all important," she says. Thanks to OMI's safety culture, Karli now places a bigger emphasis on safety with her two little boys at home.

In 2012 and 2013, OMI has continued to develop and roll-out new training offerings for our associates. We rolled out a Frontline Leadership training in 2012 and a Project Management Leadership training in 2013. We also developed a Safety Leadership training in 2013 that is being deployed to our projects. Routine LiveMeeting training is provided by our Compliance, Sustainability, Quality and other key support groups.

YEARS OF EXPERIENCE/ KEY WEST PROJECT

39 / 7

EDUCATION

Business Administration, Broward College, Ft. Lauderdale, Florida

Water and Wastewater Utility Management, Michigan State University, Lansing, Michigan

Water Treatment - Volumes I, II, and III, Ken Kerri Courses

Industrial Wastewater Treatment, Ken Kerri Course

Clemson University Water Treatment Course, South Carolina

CERTIFICATIONS

Florida Class A Wastewater Operator

Florida Class C Water Operator

ASSOCIATIONS

Water Environment Association

Florida Water and Pollution Control Operators Association

JOHN BARTELMO, Project Manager

John Bartelmo has nearly 40 years of experience in the water and wastewater industry, including 26 years in supervisory positions. He worked for the City of Key West from 1986 to 1989 before joining the OMI team for the RA Heyman Facility commissioning and operation through 1990. He returned to the Key West project in 2011. He is familiar with a variety of processes, such as extended air activated sludge, trickling filter/activated sludge, contact stabilization activated sludge, complete mix activated sludge, and liquid oxygen.

John's areas of expertise include process control, supervision and management, compliance monitoring, personnel training, budgeting and cost saving, solids processing, pumping station operation, and interfacing with regulatory agencies. He also has extensive construction and facility startup experience. He has taken a variety of water- and wastewater-related courses and seminars and is certified as a Georgia Class IV wastewater operator and class I water operator, a Florida Class A wastewater operator, and a Florida Class C water operator. John's recent accomplishments include:

- DEP and WEF O&M Excellence Awards for the Richard A Heyman Wastewater Treatment facility in and 2012.
- Assistance with the successful completion of several projects performed within the existing O&M budget providing significant savings to the City of Key West versus bidding the work out to other contractors
- Assisted the City with maintaining wastewater treatment cost increases at levels below CPI and significantly below the national average

Project Manager

Key West, Florida

John is responsible for administration, budgeting, and technical O&M services for the City of Key West 10 mgd advanced wastewater treatment facility, 24 pump stations, and wastewater collection system. He is also responsible for operation and maintenance of the city's stormwater system including storm water pump stations, gravity wells and collection lines. John is involved with design planning for system improvements and existing construction projects at the wastewater facility and throughout the collection system.

YEARS OF EXPERIENCE/ KEY WEST PROJECT

23 / 23

EDUCATION

Advanced Wastewater Treatment, California State University

Treatment of Metal Waste Streams, California State University

Operation of Wastewater Treatment Plants I & II, California State University

CH2M HILL Environmental Compliance and Reporting

Forklift Operation

OMI University, Management Training

CERTIFICATIONS

Florida Class A Wastewater Operator

American Red Cross CPR and First Aid

ASSOCIATIONS

Florida Water and Pollution Control Operator's Association

NICK LECOUMPTE, Operations Supervisor

Nick LeCoumpte is a Key West native who has 23 years of experience in the wastewater industry, all of which has been at the Richard A. Heyman wastewater facility. One of many local success stories at the project, Nick's areas of expertise include process control, supervision and management, compliance monitoring, personnel training, budgeting and costs savings, solids processing, pumping station operation, and interfacing with clients and regulatory agencies. He has completed a variety of wastewater-related courses and seminars and is certified as a Florida Class A Wastewater Treatment Plant Operator.

Nick has successfully managed facility operations through tropical storms and hurricanes, including Georges, Katrina, Wilma, and many others with no significant impact on the environment. His efforts have contributed to multiple regulatory agency and professional association awards for the City of Key West and a good working relationship with our local Department of Environmental Regulation officials. Some of Nick's accomplishments include:

- O&M Excellence Awards for the Richard A Heyman Wastewater Treatment facility in 2004, 2007, 2009, and 2012.
- Developed process control strategies and assisted with capital recommendations that resulted in significant annual cost savings for chemicals and power consumption at the Key West facility.

Operations Supervisor

Key West, Florida

Nick supervises site O&M services for the plant and deep injection wells. He diagnoses operating problems and directs effective correction procedures, prepares and maintains required information for regulatory reporting and project communication, and prepares work schedules and prioritizes operation and maintenance tasks required for compliant operation of the wastewater facility. Nick communicates effectively with coworkers, company representatives, clients and regulators. He determines remedial action in emergencies and assures that assures that adequate training is provided to maintain operator certification levels required by the plant and deep injection well NPDES permits.

RICKY COLLINS, Maintenance Supervisor

Ricky Collins more than 30 years of experience in industrial maintenance, including 13 years with the Key West wastewater system. He has completed numerous maintenance-related training programs and always strives to keep up to date with new technology and techniques. Ricky worked at the Montenay Waste-to-Energy Plant on Stock Island from 1983 to 1997, and was a maintenance supervisor for the City of Key West for 3 years before joining the OMI team. He has been a member of the local community for more than 50 years and brings superior customer and client relations skills to the Key West project. He offers:

- Assistance with design review, contractor coordination, and system control during many City of Key West construction projects.
- Managed the conversion of the Key West project's computerized maintenance management system (CMMS) to a state-of-the-art web-based program, which was completed in-house and on budget. He also converted the pump station SCADA to a web-based system available for monitoring by City staff from remote locations using any internet capable device.
- Managed an extensive lightning protection project at the wastewater facility that saved the City more than $100,000 in contractor and engineering cost.
- Key team member involved with the preparation and recovery from Hurricane Wilma in 2005.

Maintenance Manager

Key West, Florida

Ricky supervises project maintenance personnel. He ensures that maintenance technicians are adequately trained, equipped, and motivated so that the maintenance program can be accomplished in a safe, timely, and cost-effective manner. In addition to preparing reports and budgets, he establishes and maintains a CMMS for tracking work orders, spare parts and maintenance history of all equipment. Ricky also assists with planning and implementing capital improvement projects, and works with the city staff and the public to provide high-level cost effective service and minimize nuisances. Ricky constantly reviews plant equipment and system operations to minimize unplanned downtime, anticipate and solve problems in a timely manner, and to identify opportunities for improvement.

YEARS OF EXPERIENCE/ KEY WEST PROJECT

31 / 13

EDUCATION

Florida Keys Community College (FKCC) Electronics Technology Program, Business Law, Gas & Electric Welding, Advanced Welding, Marine Corrosion Principal

Foxboro Mechanical & Pneumatic Instrumentation & Advanced Instrument Maintenance

DFS Hyper SCADA Remote Terminal Advanced Maintenance

Rockwell Fundamentals of PLC's with RS Logic 500, Allen Bradley Maintenance and Troubleshooting and Allen Bradley PLC Programming, RS View 32 Programming and SLC 500 Advanced Programming

Snell Group Thermal/ Infrared Thermography

CERTIFICATIONS

Florida Stormwater Technician Class C

American Red Cross CPR and First Aid

ASSOCIATIONS

Florida Storm Water Association

RALPH ESTEVEZ, Collections/Stormwater Supervisor

Ralph Estevez joined OMI in 1989, joining us from the City of Key West. He currently has responsibility for the entire sanitary sewer collection system and stormwater drainage system, which encompasses 57 miles of underground pipeline and 18 pumping stations. Ralph has experience in evaluating and recommending new construction and repairs, specifying associated equipment and materials, and coordination of contractors and work crews. He has been instrumental in new construction planning modifications of inadequate design. His nearly 25 years of experience repairing and constructing Key West's infrastructure has given Ralph invaluable background knowledge for use by OMI, city engineers, and contractors.

YEARS OF EXPERIENCE/ KEY WEST PROJECT

24 / 24

EDUCATION

Florida Water and Pollution Control Operators Association (FWPCOA) Collection System Operations School

FWPCOA Stormwater Operations School

Work Zone Concepts III

Operation and Maintenance of Wastewater Collection Systems Volumes I and II, California State University

Chemical Spill Response

CERTIFICATIONS

Florida Class A Collection System Operator

Florida Class C Stormwater System Operator

Collection System Supervisor

Key West, Florida

Ralph's responsibilities include making operational decisions based on personal observations and experience. Other areas of responsibility include overseeing the installation of new connections, routine maintenance, and televising and documentation of 57 miles of pipeline. He also maintains logs, assures the performance of preventive maintenance tasks, and generates a monthly report of his department's activities. In this capacity, Ralph trains others on equipment operation, line installation, and construction technique. He manages 10 associates.

Collection System Lead Operator

Key West, Florida

Prior to receiving his Collection System certification, Ralph was the lead operator at the Key West project. He was responsible for crew assignments, and participated in line cleaning, new installations, minor construction and repair, and equipment operations. Other duties included lift station maintenance and weed control, and vehicle maintenance.

Collection System Technician

Key West, Florida

As a collection system technician, Ralph worked with crews in all aspects of sanitary sewer repair, routine maintenance, locations, installations, equipment operations, and vehicle maintenance.

Equipment Operator

Key West, Florida

While working for the City of Key West Sewer Department, Ralph gained proficiency in the operation and maintenance of dirt moving equipment, including tractor/back hoe, front-end loader, skid loader, track hoe, grader, and D6 through D10 bulldozers.

YEARS OF EXPERIENCE/ KEY WEST PROJECT

30 / 8

EDUCATION

B.S., Biological Science, Rowan University, Glassboro, New Jersey

ASSOCIATIONS

Florida Society of Environmental Analysts

The NELAC Institute

RICK CLEAVER, Laboratory Director

Rick Cleaver has supervised the Key West project laboratory for the last 8 years. He is experienced in conducting a variety of biochemical, chemical and bacteriological tests and successfully maintains National Environmental Lab Accreditation Conference (NELAC) certification for the Key West project. He supervises the taking of all samples for laboratory tests applying all state and federal requirements and special analyses and advises Project Managers of results of various tests performed, and makes recommendations regarding the improvement of laboratory procedures, special studies and future laboratory operations. He is experienced in the operation and maintenance of the most complex laboratory equipment.

Rick has experience in budget preparation and he has taught classes in mathematics and elementary chemistry to wastewater treatment plant personnel. He works with projects to develop a safety program based on OMI guidelines and the Right-to-Know regulations. Some of his accomplishments with the Key West project include

- O&M Excellence Awards for the Richard A Heyman Wastewater Treatment facility in 2004, 2007, 2009 and 2012.
- Establishment and successful maintenance of NELAC certification for the RA Heyman Wastewater Treatment Facility Laboratory.

He is a 20-year resident of the Key West Area and has strong ties to the local community. He coached youth baseball and football for many years and participates in various fund raiser events for local charities.

Laboratory Director

Key West, Florida

Rick supervises all laboratory and operations staff in daily laboratory responsibilities. He is responsible for obtaining and maintaining Florida Laboratory Certification under NELAC guidelines. He monitors a comprehensive quality assurance program in order to assure perfect compliance and reporting. Rick supervises the taking of all samples for laboratory tests applying all state and federal requirements and special analyses. He prepares reports and makes recommendations regarding laboratory record-keeping, reporting, operations, monitoring and control activities and prepares a proposed budget for the laboratory.

OLIVER KOFOID, Lead Operator

Oliver Kofoid has more than 20 years of experience at the Richard A Heyman wastewater facility. An active member of the community, Oliver has served in the Coast Guard Auxiliary for 20 years and the Green Party of Florida treasurer for 16 years. He is also a member of the local emergency hazardous materials response team and has refereed for the local girls soccer league for the last 20 years.

Oliver's areas of expertise include process control, supervision, compliance monitoring, personnel training, sustainability, costs savings and solids processing. He has completed a variety of wastewater-related courses and seminars and is certified as a Class A Wastewater Treatment Plant Operator in the State of Florida. Oliver has successfully managed the operation of the RA Heyman wastewater treatment facility through tropical storms and hurricanes including Georges, Katrina, Wilma, and many others with no significant impact on the environment. He's efforts have also contributed to multiple regulatory agency and professional association awards for the City of Key West. Some of Mr. Kofoid's accomplishments include:

- O&M Excellence Awards for the Richard A Heyman Wastewater Treatment facility in 2004, 2007, 2009, and 2012.
- Assistance with major treatment facility upgrades including the Belt filter press rehabilitation, AWT upgrade, diffused air, and headworks replacement projects.
- Key team member involved with the preparation and recovery from Hurricane Wilma in 2005.

Lead Operator

Key West, Florida

Oliver supervises the operations of the Key West wastewater treatment plant and deep injection wells, diagnoses operating problems, and directs effective correction procedures. He prepares and maintains required information for regulatory reporting and project communication, prepares work schedules, and prioritizes O&M tasks required for compliant operation of the wastewater facility. Oliver communicates effectively with coworkers, company representatives, clients, and regulators, and determines remedial actions in emergency situations.

YEARS OF EXPERIENCE/ KEY WEST PROJECT

21 / 21

EDUCATION

B.S., Environmental Science, Ferrum College, Ferrum, Virginia

Operation of Wastewater Treatment Plants I & II, Advanced Wastewater Treatment, California State University

CH2M HILL Environmental Compliance and Reporting

Forklift Operation

10-hour Haz-Mat Training

CERTIFICATIONS

Florida Class A

Wastewater Operator

American Red Cross CPR and First Aid

ASSOCIATIONS

Florida Water and Pollution Control Operators Association

MICHAEL MARTINEZ, Collections/Stormwater Lead Operator

Michael is an accomplished leader with nearly 10 years of experience. He has a unique blend of customer service experience along with strong leadership skills. He worked as an operator in training, then developed his skills working in all aspects of the Collections and Stormwater department. He has been the Key West project's safety team leader since 2007.

Michael has been instrumental in new construction plan review and evaluating inadequate design. He has developed a trusted knowledge of the Collection and Stormwater systems that is a valuable resource to OMI and city engineers. Some of his accomplishments include:

- Assisting with the installation of trench drains to improve drainage in isolated areas across the Island
- Assisted with numerous construction projects including major sewer and stormwater rehabilitation and instillation
- Demonstrated his commitment as a committed first responder for countless sewer and stormwater emergencies

Collections/Stormwater Lead Operator

Key West, Florida

Michael has had a variety of roles at the Key West project over the years. His current responsibilities include scheduling daily activities, televising, infrastructure repairs and maintenance, employee evaluations and coaching, monthly reports, purchasing, customer service, and leads the project safety team. He is in direct charge of nine associates.

YEARS OF EXPERIENCE/ KEY WEST PROJECT

9 / 9

CERTIFICATIONS

FWPCOA Stormwater A Certification

FWPCOA Collections A Certification

30 hour OSHA

Intermediate MOT Training

First Aid/CPR/AED

Operation and Maintenance of Wastewater Collection Systems Volume I & II

ASSOCIATIONS

Florida Water and Pollution Control Operators Association

Key West Junior Football League Board Member

task **4.0**

LICENSES AND CERTIFICATIONS

4.1 License Strategy

The State of Florida's certification program promotes public health and safety, protects the environment, and conserves Florida's water resources by ensuring all persons working in wastewater, drinking water, and water distribution meet the highest standards for certification. Florida does not offer reciprocity with any other state or foreign country. Certified operators are required to successfully complete a FDEP-approved training course, pass the state licensing examination, and document the appropriate amount of hands-on operational experience for the license type and level.

As your current wastewater provider, we completely understand the necessary requirements for operating your Category II, Class A facility. Florida state law dictates that individual firms do not hold licenses, but the staff servicing the facility must. As such, OMI staff serving at Key West hold all necessary FDEP-required certifications, and we have a pool of other Florida-certified resources in the state as well. We not only work with our associates to maintain their certifications, we encourage them to work toward higher level certification. Associates who pass certification exams are rewarded with cash bonuses and opportunities for career advancement. At this time Florida does not require certification for collection system operators, but in anticipation of this requirement in the future and in the interest of providing our clients with the highest level of service possible, many of our Key West and other Florida associates are certified collection system and stormwater operators. Lead Collection/Stormwater System Operator Michael Martinez holds Class A certifications in both wastewater and stormwater collection system operation.

4.2 Individual Licenses

Provided below is a list of individual Florida licenses, as requested. Copies of each license can be found on the following pages.

Name	License/Certificate (Number)	Issue Date
John Bartelmo	Class A Wastewater Operator (0002826)	3/26/13
	Class C Water Operator (0005250)	3/26/13
Nick LeCoumpte	Class A Wastewater Operator (0008337)	3/12/13
Oliver Kofoid	Class A Wastewater Operator (0008690)	4/3/13
Mikhail Zubanov	Class C Wastewater Operator (0017620)	4/8/13
Richard Williams	Class B Wastewater Operator (0014318)	3/12/13
Jeffrey Glass	Class A Wastewater (0008272)	3/12/13
	Class C Water Operator (0008268)	3/12/13
Larry Benson	Class B Wastewater Operator (0014911)	3/12/13
Scott Marston	Class C Wastewater Operator (0017124)	3/12/13
Todd Brown	Class C Wastewater Collections Certificate (5806)	3/12/13
Frank Ramirez	Class B Stormwater Technician Certificate (1193)	3/23/12
Ralph Estevez	Class C Stormwater Technician Certificate (878)	3/15/03
	Class A Wastewater Collection Certificate (630)	8/16/02

Name	License/Certificate (Number)	Issue Date
Michael Martinez	Class A Wastewater Collection Certificate (1219)	8/16/13
	Class A Stormwater Technician Certificate (991)	8/17/12
Robert Fiorile	Class C Stormwater Technician Certificate (1171)	3/20/09
Richard Estevez	Class C Stormwater Technician Certificate (989)	4/1/05
	Stormwater Operator Level 1 Certificate (2308)	7/25/12
Danny Caraballo	Class C Stormwater Technician Certificate (687)	8/11/00

In addition to our key onsite personnel, OMI and CH2M HILL employees possess a wide variety of licenses that will be applicable to some of the work upcoming at Key West. For instance, Mike Dykes, a member of our technical support team, is a Florida-licensed well contractor and Professional Engineer, and can assist with well cleanouts, as needed, at a lower cost than bringing in an outside contractor. Dan Stark, who leads our Technical Support Team from his office in Naples, is FEMA-certified as FEMA ICS-100m Incident Command and IS-700 National Incident Management, which reinforces his qualifications for being our Emergency Response Lead. As shown in Task 3.0, other members of our Technical Support Team are Florida- or nationally-licensed in applicable fields, such as engineers, electrical contracting, environmental engineering, geology, and safety-related fields, such as HAZWOPER.

As a whole, our company associates possess an incredible variety of licenses. Of our more than 2,700 Professional Engineers, 184 hold Florida licenses. This includes our three Professional Engineers in our Key West office who are full-time Lower Keys residents. We also have licensed geologists, architects, geotechnical engineers, environmental engineers, and nearly 300 LEED Accredited Professionals. Our technical certifications are more than sufficient to satisfy any technical need.

State of Florida
Department of Environmental Protection

ISSUED: **3/26/2013** **LICENSE NO.: 0002826**

THE CLASS A WASTEWATER TREATMENT PLANT OPERATOR NAMED BELOW IS LICENSED UNDER THE PROVISIONS OF CHAPTER 403, FLORIDA STATUTES.

VALID UNTIL: 4/30/2015

JOHN A. BARTELMO

RICK SCOTT HERSCHEL T. VINYARD, JR

GOVERNOR **DISPLAY IS REQUIRED BY LAW** SECRETARY

State of Florida
Department of Environmental Protection

ISSUED: **3/26/2013** **LICENSE NO.: 0005250**

THE CLASS C DRINKING WATER TREATMENT PLANT OPERATOR NAMED BELOW IS LICENSED UNDER THE PROVISIONS OF CHAPTER 403, FLORIDA STATUTES.

VALID UNTIL: 4/30/2015

JOHN A. BARTELMO

RICK SCOTT HERSCHEL T. VINYARD, JR

GOVERNOR **DISPLAY IS REQUIRED BY LAW** SECRETARY

State of Florida
Department of Environmental Protection

ISSUED: **4/8/2013** **LICENSE NO.: 0017620**

THE CLASS C WASTEWATER TREATMENT PLANT OPERATOR NAMED BELOW IS LICENSED UNDER THE PROVISIONS OF CHAPTER 403, FLORIDA STATUTES.

VALID UNTIL: 4/30/2015

MIKHAIL ZUBANOV

RICK SCOTT HERSCHEL T. VINYARD, JR

GOVERNOR **DISPLAY IS REQUIRED BY LAW** SECRETARY

State of Florida
Department of Environmental Protection

ISSUED: **3/12/2013** **LICENSE NO.: 0008272**

THE CLASS A WASTEWATER TREATMENT PLANT OPERATOR NAMED BELOW IS LICENSED UNDER THE PROVISIONS OF CHAPTER 403, FLORIDA STATUTES.

VALID UNTIL: 4/30/2015

JEFFREY ALLEN GLASS

RICK SCOTT HERSCHEL T. VINYARD, JR

GOVERNOR **DISPLAY IS REQUIRED BY LAW** SECRETARY

State of Florida
Department of Environmental Protection

ISSUED: **3/12/2013** **LICENSE NO.: 0008268**

THE CLASS C DRINKING WATER TREATMENT PLANT OPERATOR NAMED BELOW IS LICENSED UNDER THE PROVISIONS OF CHAPTER 403, FLORIDA STATUTES.

VALID UNTIL: 4/30/2015

JEFFREY ALLEN GLASS

RICK SCOTT HERSCHEL T. VINYARD, JR

GOVERNOR **DISPLAY IS REQUIRED BY LAW** SECRETARY

State of Florida
Department of Environmental Protection

ISSUED: **3/12/2013** **LICENSE NO.: 0014318**

THE CLASS B WASTEWATER TREATMENT PLANT OPERATOR NAMED BELOW IS LICENSED UNDER THE PROVISIONS OF CHAPTER 403, FLORIDA STATUTES.

VALID UNTIL: 4/30/2015

RICHARD HAMILTON WILLIAMS

RICK SCOTT HERSCHEL T. VINYARD, JR

GOVERNOR **DISPLAY IS REQUIRED BY LAW** SECRETARY

State of Florida
Department of Environmental Protection

ISSUED: **4/3/2013** **LICENSE NO.: 0008690**

THE CLASS A WASTEWATER TREATMENT PLANT OPERATOR NAMED BELOW IS LICENSED UNDER THE PROVISIONS OF CHAPTER 403, FLORIDA STATUTES.

VALID UNTIL: 4/30/2015

OLIVER W. KOFOID

RICK SCOTT HERSCHEL T. VINYARD, JR

GOVERNOR **DISPLAY IS REQUIRED BY LAW** **SECRETARY**

State of Florida
Department of Environmental Protection

ISSUED: **3/12/2013** **LICENSE NO.: 0014911**

THE CLASS B WASTEWATER TREATMENT PLANT OPERATOR NAMED BELOW IS LICENSED UNDER THE PROVISIONS OF CHAPTER 403, FLORIDA STATUTES.

VALID UNTIL: 4/30/2015

LARRY ALLEN BENSON

RICK SCOTT HERSCHEL T. VINYARD, JR

GOVERNOR **DISPLAY IS REQUIRED BY LAW** **SECRETARY**

State of Florida

Department of Environmental Protection

ISSUED: **3/12/2013** **LICENSE NO.: 0008337**

THE CLASS A WASTEWATER TREATMENT PLANT OPERATOR NAMED BELOW IS LICENSED UNDER THE PROVISIONS OF CHAPTER 403, FLORIDA STATUTES.

VALID UNTIL: 4/30/2015

NICOLAS A. LE COUMPTE

RICK SCOTT HERSCHEL T. VINYARD, JR

GOVERNOR **DISPLAY IS REQUIRED BY LAW** SECRETARY

State of Florida

Department of Environmental Protection

ISSUED: **3/12/2013** **LICENSE NO.: 0017124**

THE CLASS C WASTEWATER TREATMENT PLANT OPERATOR NAMED BELOW IS LICENSED UNDER THE PROVISIONS OF CHAPTER 403, FLORIDA STATUTES.

VALID UNTIL: 4/30/2015

SCOTT PAUL MARSTON

RICK SCOTT HERSCHEL T. VINYARD, JR

GOVERNOR **DISPLAY IS REQUIRED BY LAW** SECRETARY

Florida
HEALTH
State of Florida
Department of Health, Bureau of Public Health Laboratories

This is to certify that

E55389

CITY OF KEY WEST WWTP LABORATORY
TRUMBO POINT ANNEX, FLEMING KEY
KEY WEST, FL 33040

has complied with Florida Administrative Code 64E-1,
for the examination of environmental samples in the following categories

NON-POTABLE WATER - GENERAL CHEMISTRY, NON-POTABLE WATER - MICROBIOLOGY

Continued certification is contingent upon successful on-going compliance with the NELAC Standards and FAC Rule 64E-1 regulations. Specific methods and analytes certified are cited on the Laboratory Scope of Accreditation for this laboratory and are on file at the Bureau of Public Health Laboratories, P. O. Box 210, Jacksonville, Florida 32231. Clients and customers are urged to verify with this agency the laboratory's certification status in Florida for particular methods and analytes.

Date Issued: July 01, 2013 Expiration Date: June 30, 2014

Victor Johnson

Victor Johnson, Director
Division of Emergency Preparedness and Community Support
DH Form 1697, 7/04
NON-TRANSFERABLE E55389-10-07/01/2013
Supersedes all previously issued certificates

RENEWAL ATTESTATION OF COMPLIANCE

I, RICHARD C. CLEAVER of
(Technical Director or QA Officer)

City of Key West WWTP Laboratory

understand and acknowledge that the laboratory is required to be continually in compliance with all the provisions and standards set forth in Chapter 64E-1 Florida Administrative Code (FAC), Certification of Environmental Testing Laboratories, which have been determined to be equivalent to the National Environmental Laboratory Accreditation Conference (NELAC) standards, and shall be subject to suspension, revocation, and denial of accreditation as specified therein. I also understand and acknowledge that the laboratory is subject to the enforcement and penalty provisions in Sections 403.0625 and 403.863 Florida Statutes and of any secondary accrediting authorities from whom I have obtained accreditation.

I further attest that all certified environmental analyses performed are done in accordance with the provisions and standards in Chapter 64E-1 FAC, which have been determined to be equivalent to the NELAC standards.

I hereby certify that I am authorized to sign this attestation on behalf of the applicant/owner and that there are no misrepresentations in my request to renew this certification and my intent to comply with the necessary requirements. The information, statements, facts, and representations given and made are true and correct, and I am aware that any misrepresentations or falsifications constitute grounds for the imposition of penalties as provided by law.

(Signature, QA Officer or other designated responsible individual)	RICHARD C. CLEAVER (Printed Name, QA Officer or other designated responsible individual)
CITY OF KEY WEST WWTP (Printed Legal Name of Laboratory)	4-10-13 (Date)
(Signature, Technical Director(s))	RICHARD C. CLEAVER (Printed Name, Technical Director(s))

INVOICE NUMBER: 13 - E55389

FLORIDA WATER AND POLLUTION CONTROL OPERATORS ASSOCIATION

VOLUNTARY CERTIFICATION PROGRAM

hereby certifies that

Danny Caraballo Jr.

has met the requirements for certification as a

Stormwater Technician Level "C"

Certificate Number 687

Date Issued August 11, 2000

Voluntary Certification Board

Arthur P. Suey

FW&PCOA President

Florida Water & Pollution Control Operators Association

Voluntary Certification Program
hereby certifies that

Todd Brown

has met the requirements for certification
as
Class C
Wastewater Collection Technician

Certificate Number 5806

Date issued March 23, 2012

President, FW&PCOA

Chairman, Voluntary Certification Board

WILLING WATER
ABLE SEWAGE
FW&PCOA

Florida Water & Pollution Control Operators Association

Certifies that

Ralph Estevez

Stormwater "C"

has successfully completed the course

at

Spring State Short School – Plant City, FL

March 15, 2003

FW & PCOA Committee Chair

F.W. & P.C.O.A.

Jim Smith

President, FW & PCOA

Contact Hours
30

FLORIDA WATER AND POLLUTION CONTROL OPERATORS ASSOCIATION

VOLUNTARY CERTIFICATION PROGRAM

hereby certifies that

Ralph Estevez

has met the requirements for certification as a

Stormwater Technician Level "C"

Certificate Number 878

Date Issued March 14, 2003

F.W. & P.C.O.A.

Voluntary Certification Board

Jim Smith

FW&PCOA President

Gods 462

LITHO IN U.S.A.

Florida Water & Pollution Control Operators Association

Voluntary Certification Program
hereby certifies that

Ralph Estevez

has met the requirements for certification
as
Class A
Wastewater Collection Technician

WILLING WATER
ABLE SEWAGE
FW&PCOA

Certificate Number 630

President, FW&PCOA

Date issued August 16, 2002

Chairman, Voluntary Certification Board

FLORIDA STORMWATER ASSOCIATION

Has Conferred Upon

Richard Estevez

The Designation of

Stormwater Operator - Level 1

For successful completion of the FSA Stormwater Operator Certification Level 1 Course.

Course Date: July 24-25, 2012

Course Location: The Florida Keys Eco-Discovery Center

Kurt Spitzer

Executive Director

July 25, 2012

Date

Certificate # 2308 **Expires:** 2017

FLORIDA WATER AND POLLUTION CONTROL

OPERATORS ASSOCIATION

VOLUNTARY CERTIFICATION PROGRAM

hereby certifies that

Richard Estevez

has met the requirements for certification as a

Stormwater Technician Level "C"

Certificate Number **989**

Date Issued **April 1, 2005**

Karl McClary

Voluntary Certification Board

FW&PCOA President

Florida Water & Pollution Control Operators Association

Voluntary Certification Program
hereby certifies that

Michael Martinez

has met the requirements for certification
as
Class B
Wastewater Collection Technician

WILLING WATER
ABLE SEWAGE
FW&PCOA

Certificate Number 1855

President, FW&PCOA

Date issued June 13, 2008

Chairman, Voluntary Certification Board

FLORIDA WATER AND POLLUTION CONTROL

OPERATORS ASSOCIATION

VOLUNTARY CERTIFICATION PROGRAM

hereby certifies that

Michael Martinez

has met the requirements for certification as a

Stormwater Technician Level "A"

Certificate Number **991**

Karl McClary

Voluntary Certification Board

Date Issued **August 17, 2012**

FW&PCOA President

FLORIDA WATER AND POLLUTION CONTROL

OPERATORS ASSOCIATION

VOLUNTARY CERTIFICATION PROGRAM

hereby certifies that

Robert Fiorile

has met the requirements for certification as a

Stormwater Technician Level "C"

Certificate Number **1171**

Date Issued **March 20, 2009**

Karl McClary

Voluntary Certification Board

Tim McVeigh

FW&PCOA President

FLORIDA WATER AND POLLUTION CONTROL

OPERATORS ASSOCIATION

VOLUNTARY CERTIFICATION PROGRAM

hereby certifies that

Frank Ramirez Jr.

has met the requirements for certification as a

Stormwater Technician Level "B"

Certificate Number **1193**

Date Issued **March 23, 2012**

Voluntary Certification Board

FW&PCOA President

Florida Water & Pollution Control Operators Association

INCORPORATED

Confers the privileges of

Active Membership

upon **RALPH ESTEVEZ**

Objectives–

(1) Provide and elevate the professional status of Water and Pollution Control Operators.

(2) Provide educational aids for better preparing Water and Pollution Control Operators for the performance of their duties and for positions of increased responsibility.

(3) Provide certification plan to recognize abilities of those operators meeting definite standards of training and experience.

(4) Cooperate closely with other organizations in the promotion of the foregoing objectives and in the protection of health, comfort and property.

SEAL

Mary Katherine Kinloch

President

Dale R Lawson

Secretary-Treasurer

United Safety Council Inc.

This is to certify that

Michael Martinez

Has successfully completed 16 hours of training in

Maintenance of Traffic

(Intermediate)

Recognized by the Florida Department of Transportation
Presented by the United Safety Council – Provider #015 on

Class Date: July 12, 2011

Expiration Date: July 12, 2015

Roger Sanders
Roger Sanders
Instructor

Glenn Victor
Glenn Victor
Occupational Safety Manager

Task 5.0
Safety

task **5.0**

SAFETY

5.1 Safety in Everything We Do

Safety is a fundamental approach to how we do business and our number one goal is to make sure that all of our associates safely return home to their families every day. We are recognized leaders in the field of safety, and we apply this experience and knowledge for the benefit of the City, our employees, our subcontractors, and the community through a goal we call "Target Zero."

Proven Safety Success in Key West	
Days since last DART/Recordable case	**1,125**
Total Hours Worked since last DART/Recordable case	**216,612**

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Target Zero is a goal to work towards every day and is based on individual commitment to eliminating all incidents. A strong, viable Target Zero culture is achieved when employees value Health, Safety, Security, and Environment (HSSE) performance and take responsibility for their own behavior and for the behavior of every employee around them. When an incident does occur we seek continual improvement by evaluating the causes, implementing corrective actions, learning from our mistakes, and re-aiming on Target Zero. OMI has adopted a strong Target Zero culture, which means every employee must take responsibility and continually strive to achieve zero incidents, which includes:

- Zero injuries and illnesses (world-class safety)
- Zero adverse impacts (environmental stewardship)
- Zero security related incidents (world-class security/asset protection)

OMI's Corporate Health, Safety, and Environment Philosophy

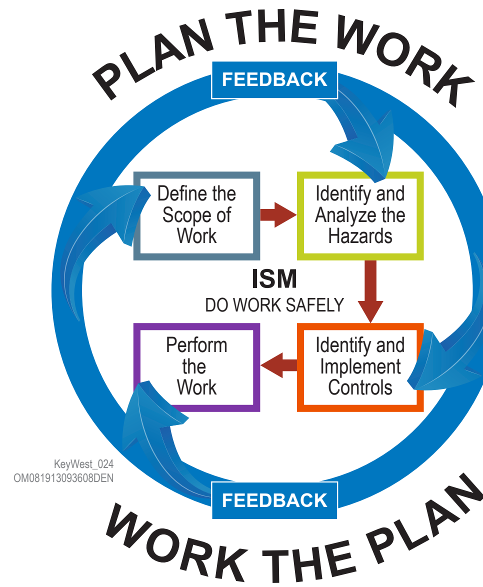
All OMI projects are subject to regular health and safety reviews onsite from regional and corporate health and safety officials. Reviews include Safety and Health in the Workplace risk assessments and job safety analyses. These activities examine routine and non-routine O&M activities and identify potential hazards.

OMI is committed to:

- Conducting business in a manner that seeks to control the intrinsic hazards of modern water and wastewater systems effectively.
- Setting targets and measuring progress to continually improve in health and safety performance.
- Providing appropriate training and information for employees and subcontractors.
- Encouraging employees to exercise personal responsibility for protecting their own safety and the safety of others.
- Verifying that effective procedures are in place to address potential emergency situations.

At Key West and our other O&M locations, we follow an Integrated Safety Management (ISM) protocol. With ISM, management is responsible for creating and maintaining the safest work conditions possible for all employees, the public, and the environment. We implement safety processes by engineering controls, eliminating hazards, and utilizing personal protective equipment (PPE), but it is still up to each individual employee to work safely.

ISM follows seven Guiding Principles:



1. **Line Management Responsibility for Safety:** Line management is responsible for the protection of the workers, the public, and the environment.
2. **Clear Roles and Responsibilities:** Unambiguous lines of authority for safety at all organizational levels: company, project, and activities in the field.
3. **Competence Commensurate with Responsibility:** The correct training and qualifications for the tasks assigned, consistent with their job description training plans, and skill of the craft.
4. **Balanced Priorities:** To implement ISM, we must balance priorities when setting the work scope, schedule, and cost of activities so that all work can be delivered safely.
5. **Identification of Safety Standards and Requirements:** The hazards employed with the work must be evaluated before work is performed. These safety standards and requirements define protection from work hazards.
6. **Hazard Controls Tailored to Work Being Performed:** Controls are developed at the company, project, and activity level and are developed with a preference for those least dependent on employee action.
7. **Operations Authorization:** Work authorization is, in general terms, a three-step process: Approval, Authorization, and Release.

All employees are trained to look for and to report unsafe conditions and acts. The project safety team completes a monthly inspection and documents any unsafe conditions or acts. The safety team also performs quarterly walkthroughs of all facilities. Any hazards identified as a result of these efforts—formal or informal—are mitigated immediately. The CMMS is used to issue and track work orders for hazards requiring repairs; in the interim, these areas are blocked using temporary means such as cones. Employees are made aware of hazards via weekly safety meetings and postings on the facility's safety bulletin board.

Personnel

The responsibilities for safety at OMI-managed facilities are shared broadly among onsite and support resources. All managers, supervisors, and employees working within the facilities have basic responsibilities outlined in our Safety Manual. Two onsite team members serve as the project safety team leaders (PSTL). At Key West, Michael Martinez and Karli DeMeza share the duties. Michael has been performing in this role since 2007 when took over for Nick LeCoumpte, who had served in this role for the previous 10 years. Karli is a new employee who has enthusiastically taken ownership of the second safety position, in addition to her administrative assistant and laboratory technician duties.

Michael and Karli work with the Project Manager John Bartelmo and the staff to implement, monitor, and enforce safe work practices, and promote safety awareness. Our regional health and safety manager, Mike Rapien, visits Key West at least once per year to conduct training, review safety procedures, and verify that procedures comply with applicable regulations.

Safety Training

Employee training is a critical element of OMI's safety program. Immediately upon joining OMI, employees participate in an orientation to our safety program during which they learn about the policies and procedures outlined in our Safety Manual.

Once on board, all employees complete a minimum of 40 hours of safety training each year. Most employees receive additional training based on their individual job duties and requirements. Weekly training sessions are delivered through a mixture of classroom and on-the-job training to cover OSHA-required topics and site specific safety plan reviews. In addition, tailgate sessions are also held weekly, and all employees are encouraged to lead these briefings on pertinent health and safety issues. Training logs are maintained for each session, and copies of training certificates are kept in each employee's safety file.

OMI maintains a standardized list of courses to be offered at each of the facilities we manage. This list includes all regulator-required training as well as training required by company policies. Topics covered in our training regime include:

- Back safety and lifting
- Blood borne pathogens
- Confined space entry
- CPR/first aid for OMI and City Staff
- Crane and rigging
- Defensive driving
- Electrical and fire extinguisher safety
- Hazard communication/right-to-know
- Chemicals management
- Hearing conservation
- Lockout/tagout
- Machine safety and equipment operation
- PPE care and use
- Respirator training and fit-testing
- Security
- Welding and cutting

OMI's Site-specific Safety Training Program for Key West

- The Future is Now safety training conference was held in September 2012 to update safety personnel on all current safety regulations and procedures.
- Worked directly with the City to assist with providing OMI and City associates with CPR and First Aid training.
- Conducted hands-on confined space certification training.
- All regular- and CDL-licensed drivers completed the Smith Driving courses in 2012. Had state-certified traffic training for collection system associates.

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Job Safety Analyses

OMI takes as many precautions as necessary to keep our employees safe. In addition to preparing SOPs for operating system equipment, we perform JSAs. The JSAs carefully study and record each step of a job that employees perform, identifying existing or potential equipment, environment, or action generated hazards. A complete and thorough JSA entails four essential steps:

1. Analyzing, assessing, and evaluating a job.
2. Breaking the job down into discrete steps.
3. Identifying hazards, unsafe conditions, and unsafe work practices associated with the job.
4. Identifying the correct way to perform the job.

Performing JSAs will not eliminate risk completely, but it will confirm that job tasks performed at Key West are less likely to result in injury or illness. Each OMI project must develop or revise a minimum of 20 JSAs per year using our standard template. JSAs on jobs that pose the greatest potential hazards will be completed first.

OMI tracks all OSHA-required metrics, including injuries and illnesses with days away from work, days restricted, other recordable cases, and near miss incidents. We compile these incidents to track industry-standard safety statistics: Total Recordable Rate (TRR); Days Away, Restricted, or Transferred (DART); and Experience Modification Rating (EMR) (see Exhibit 5-1). Our performance against national averages for our industry are particularly impressive – particularly our 0.63 EMR rating for 2013 – and this is thanks to the hard work of our associates in Key West and around the country.

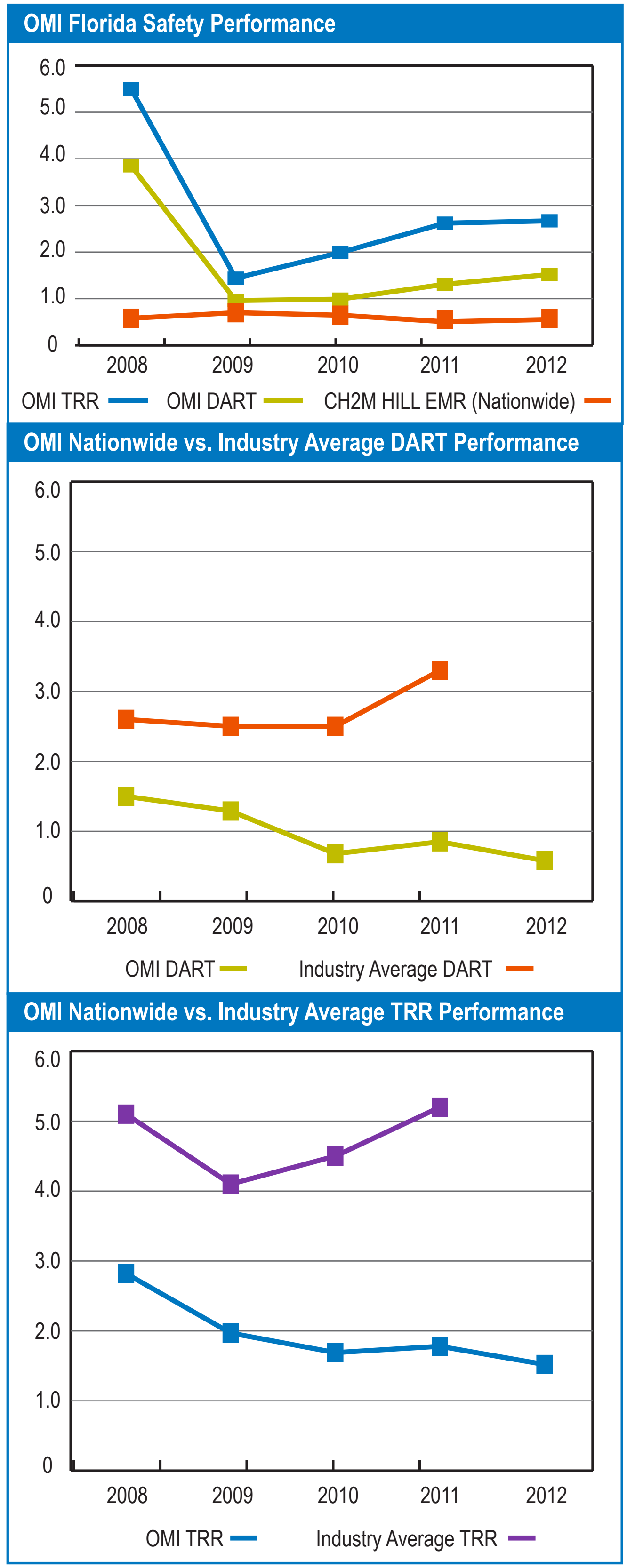
With a goal of zero, our corporate health and safety personnel monitor these metrics and tweak our program as they see specific trends emerging or in response to a specific incident, if warranted. One simple example of a safety improvement generated here in Key West is the use of a magnetic manhole lid remover to open the large heavy lids on the baffle boxes and other underground structures in the stormwater and collection system. These 30-inch diameter, 235-pound lids are difficult and potentially dangerous to remove with a standard manhole lid hook. The magnetic device provides leverage and easily removes the lid while maintaining it at a safe distance from the worker, eliminating the potential for back injury or injuries associated with potential contact with a lid that drops or moves in an unexpected direction.

5.2 Safety Citation History

As we strive to meet our Target Zero goal, we understand that accidents can and will occur. However, we are proud to report that we have not received any OSHA safety citations for the past 5 years at any of our Florida O&M projects. This is a testament to our employees and the commitment they have to our Target Zero culture and, most importantly, to each other.

Exhibit 5-1

Requested Safety Statistics



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task **6.0**

CORPORATE CAPABILITY

6.1 O&M is Our Business

Founded in 1980, OMI began operating our first wastewater plant for the City of Lebanon, Oregon in 1982 – a facility we still operate today. We started in Key West in 1989. Today, more than 5 million people rely on our wastewater and water services across North America.

OMI is a leader in the O&M industry, both in Florida and nationwide. Our more than 2,500 employees operate more than 200 wastewater and water facilities across the country. We are fully committed to this business and developing new partnerships with municipalities that are interested in working with the private sector to provide higher quality water, wastewater, and stormwater services at a more competitive cost.

We are also fully committed to Florida. We currently operate at nine municipal O&M sites in the state. Our 851 Florida employees operate from 14 company offices and 17 client office sites. Task 1.0 provides more specific information about our company.

Exhibit 6-1 provides an abbreviated version of the requested financial information for our company for the past 5 years. Due to the size of our Annual Reports and in accordance with Addendum 2, complete Annual Report information for the previous 5 years are included with the electronic portion of our submittal package (Annual Reports for 2012, 2011, and 2010, which encompasses 5 years of financial history). CH2M HILL has been in business since 1946 and has maintained exceptional financial stability since its inception.

Exhibit 6-1

5-year Financial Summary

	For The Years Ended December 31 (in millions)				
	2008	2009	2010	2011	2012
Gross Revenue (total)	$ 5,624	$ 5,564	$ 5,491	$ 5,619	$ 6,224
Operating Expenses (total):	$ 5,534	$ 5,390	$ 5,316	$ 5,434	$ 6,065
Operating Income	$ 90	$ 174	$ 175	$ 185	$ 159

6.2 Bankruptcy Information

Since OMI's beginning in 1980, the firm has never filed for bankruptcy. In fact, no CH2M HILL entity has had any bankruptcy proceedings since our founding in 1946.

6.3 Insurance Requirements

As we have since beginning this contract in 1989, OMI is committed to maintaining in full force and affect at all times the City's minimum insurance limits and indemnification agreements.

6.4 Specific Requests

1. Fully disclose all details regarding corporate ownership. Briefly discuss any changes in corporate ownership or company name, over the past 10 years, as well as any changes to corporate officers over the past 5 years.

CH2M HILL is a 100-percent employee-owned corporation, headquartered outside Denver, Colorado. There have been no ownership changes over the past 10 years. OMI, Inc. is a wholly-owned subsidiary of CH2M HILL, and was formed by the company, not acquired. The OMI legal entity has had the same name and overall corporate structure since its founding in 1980. Over the past 5 years, OMI's corporate officers have remained consistently and exclusively comprised of employees within our corporate family. These positions are generally filled by senior individuals within our firm, and rotated to provide leadership opportunities for our employees.

However, day-to-day leadership for OMI is provided by our Global Leadership Team (GLT), which has been very stable for the past 5 years. The team includes:

- Elisa Speranza, President: 5 years on GLT; 12 years with OMI
- Steve Meininger, Director of Operations: 5 years on GLT; 20 years with OMI
- Natalie Eldredge, Finance Director & Commercial Director: 6 years on GLT; 9 years with OMI
- Scott Haskins, Director of Strategic Consulting: 5 years on GLT; 6 years with OMI
- Bob Danks, Human Resources Director: 5 years on GLT; 19 years with OMI
- Darrell Collett, Senior Corporate Counsel: 1 year on GLT; 5 years with OMI (Catherine Lang and Dave Garrison served in this role for 3 years and 1 year respectively over the past 5 years, and Catherine is still with the firm)
- Jeff Mervin, International Director & Risk Manager: 4 years on GLT; 7 years with OMI (new GLT position created when Jeff moved into the role)
- Rich D'Amato, Business Development and Planning Director: 5 years on GLT; 20 years with OMI (recently left the firm, position is currently vacant)

2. Has the Respondent, its parent company, or its owner ever been terminated, replaced, or failed to complete work awarded under any operations and maintenance contract? Has another operator ever replaced the Respondent, its parent company, or its owner before the end of your contract terms? If so, name the client and describe the circumstances.

No.

3. Fully disclose all pending or completed investigations by Federal, State, or Local authorities regarding business practices of the Respondent. If so, identify the agency, dates of the investigation and status/outcome of the investigation.

OMI and its aligned entities strive to maintain a strong philosophy of resolving disputes and cooperating with investigations whenever possible. We have not had any compliance-related investigations in the previous 5 years, and there are no pending investigations. We have had a few safety-related investigations, detailed below:

Project	Date	Status/Outcome
Coos Bay, OR	4/2/2013	All corrective actions taken and no injuries were involved. Any citations received were "other than serious."
Roseburg, OR	3/21/2013	All corrective actions taken and no injuries were involved. Any citations received were "other than serious."
Norwalk, CT	1/10/2013	All corrective actions taken and no injuries were involved. Any citations received were "other than serious."
The Dalles, OR	5/2/2012	All completed confined space permits for the past 12 months were reviewed and the permit-required confined space program was reevaluated and revised as necessary. All affected employees have received training on the revised program.
New Haven, CT	6/14/2011	All corrective actions taken and no injuries were involved. Any citations received were "other than serious."

Project	Date	Status/Outcome
Carol Stream, IL	5/11/2010	No findings.
Swainsboro, GA	4/2/2010	Vehicle-mounted elevating and rotating work platforms, issues resolved.
Prescott Valley, AZ	10/7/2009	No findings.
West Haven, CT	7/01/09	Citations issued, issues resolved.

While the outcome of pending disputes is often difficult to predict, OMI's senior management and General Counsel believe that no pending dispute will result in a materially adverse impact on the company's consolidated financial statements or its ability to perform its obligations under any contract.

4. List all pending or completed litigation in which a customer (client) has named your firm a defendant. Identify the client organization, details of the litigation, and status/outcome of the litigation.

OMI discloses the following lawsuit that occurred within the last 5 years in which it was a named defendant.

Project Name	Court/Case No.	Date Filed/ Served	Plaintiff	Defendants	Description/ Causes of Action	Status
East Cleveland Water	Court of Common Pleas, Cuyahoga County, OH, No. CV-08-699055	12/15/2008	City of East Cleveland	Operations Management International, Inc., et al.	Alleged breach of contract, fraud, conversion and various other unfounded claims.	Dismissed with Prejudice

5. List all fines and/or civil penalties greater than $10,000 resulting from effluent or water quality permit non-compliance within the last 5 years. Describe the circumstances of each instance; list the amount of the fine and date of the violation.

The following are the fines incurred over the past 5 years:

- City of Coos Bay, OR – Civil penalty assessment in March 2009: $13,200 for NPDES permit effluent limitation violations
- City of Prescott Valley, AZ – Consent judgment in April 2013: $25,000 plus Special Environmental Project for sanitary sewer overflows and raw sewage spill at WWTP headworks

6. Does your firm have any pending environmental violations? Please describe. If so, could they cause an adverse impact in your ability to perform the ensuing contract services?

OMI is not aware of any pending environmental violations. Based on our extensive positive compliance record, if any were to occur, we see no reason why it would impact our ability to continue providing the level of service you have come to expect from OMI.

Perhaps more important than our goal of perfect compliance, which we almost always achieve, we also have a goal of perfect reporting of non-compliance. There are certain situations that are beyond our control and occasionally violations that were within our control, and we always take the high road of perfect reporting of any non-compliance. We take pride in fully achieving this goal. It is critical to keep clients and agencies aware of any problems and our solutions to them. OMI employees follow strict guidelines and processes to make certain we maintain our excellent compliance record. The evidence of our commitment to compliance is evident by our record: through nearly 1,000 project years (number of projects multiplied by average contract length) OMI has achieved 99.98-percent compliance with all regulatory and permit parameters. We make certain of the integrity and accuracy of the compliance and facility performance data we gather and report to regulators. As a result, we have formed positive and beneficial working relationships with the agencies to which we report on behalf of our customers, particularly the FDEP.

7. List all the instances in the past 3 years where your company, parent company, or owner experienced debt, bond, or stock rating instability or discrediting by outside rating agencies. Provide a debt rating report from sources such as Standard and Poors, or Moody's, or a bank reference. Describe any financial commitments or liabilities that could cause an adverse effect on the ensuing contract and your ability to perform the services provided for in the contract.

OMI and our parent company have not experienced any debt, bond, or stock rating instability over the past 3 years. With more than $3 billion in total assets, we foresee no commitments or liabilities that would prevent us from continuing as your O&M provider.

As of the end of 2012, our parent company's available resources for pursuing business opportunities include $310.6 million of cash and cash equivalents and a $900 million revolving credit facility. The firm has the option to increase the facility to $1.1 billion at any time during the term of the facility. The revolving credit facility is committed by a syndicate of nine major international banks. It will mature in April 2017. The company also has significant surety bond capacity.

Dun & Bradstreet Rating

5A3

Banking Reference:
Randall Schmidt, Wells Fargo Bank
1700 Lincoln Street
Denver, CO 80202
303-863-6033

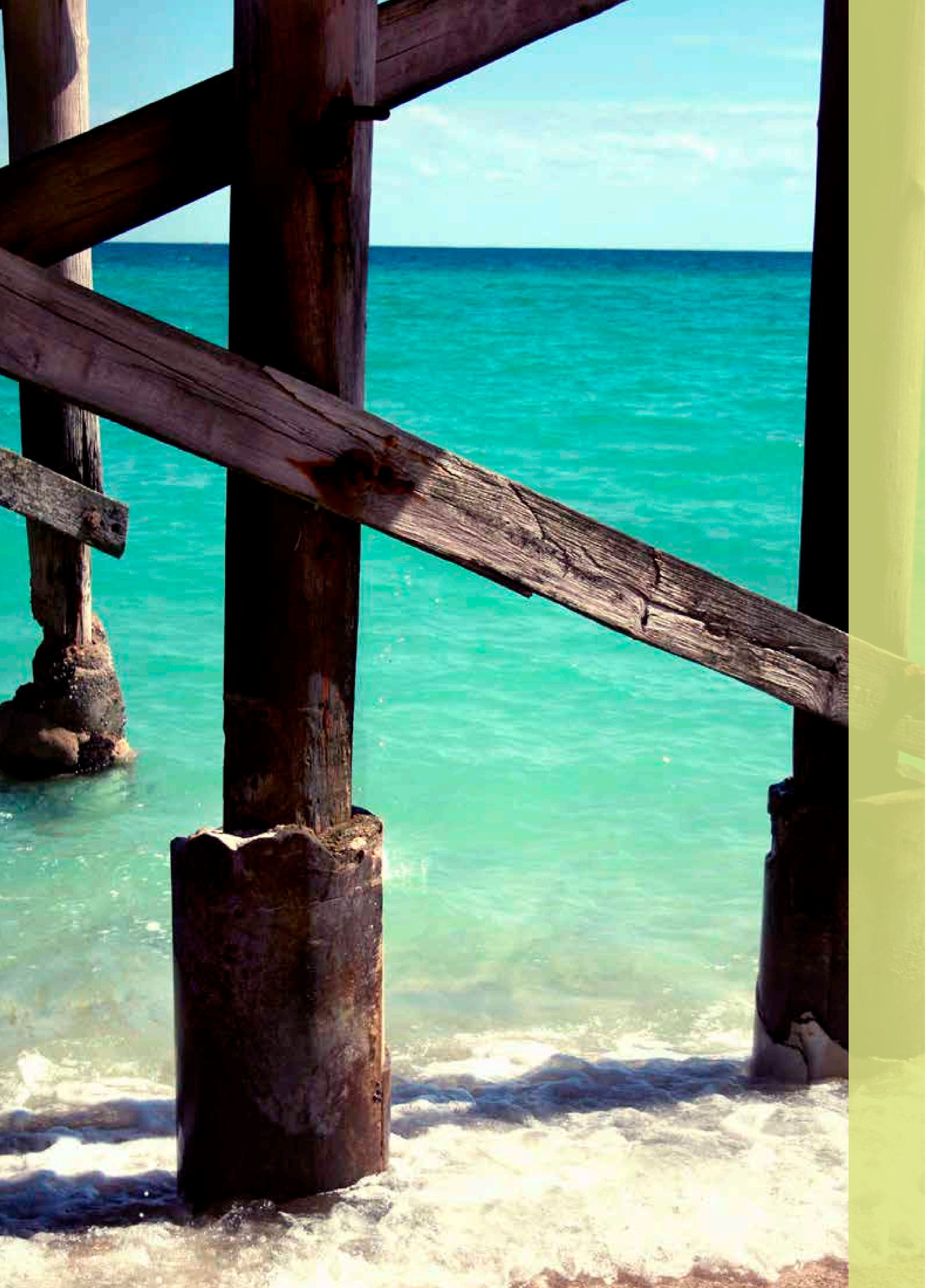
KeyWest_017
OM081913093608DEN

8. Provide an Affirmative Statement that your firm is willing to execute the attached contract as written, pending negotiation of Direct and Indirect Costs, and Profit Margin. Provide a detailed list of sections which your firm would like change and propose specific language you are requesting.

While we look forward to the opportunity to discuss optimization of the contract structure for our mutual benefit, OMI has worked under a contract virtually identical to the contract included in the RFP for the past 25 years and we are willing to work under this contract for the next 25 years.

9. Provide an Affirmative Statement that you are willing to give all existing plant and maintenance employees (below the position of Plant Manager) the right for first refusal commensurate with their ability to perform the job.

As all current employees working in your wastewater/stormwater system are long-time OMI employees, we have no transition period and all employees will continue in their current roles. This is important as it not only removes any transition risk to the project, but also to our employees. They can keep their same benefits, and retirement packages, adding stability and peace of mind during this time.



ANTI-KICKBACK AFFIDAVIT

STATE OF FLORIDA)
: SS
COUNTY OF Monroe)

I, the undersigned hereby duly sworn, depose and say that no portion of the sum herein bid will be paid to any employees of the City of Key West as a commission, kickback, reward or gift, directly or indirectly by me or any member of my firm or by an officer of the corporation.

By: Gary Wood
Gary Wood
Vice President
Operations Management International, Inc.

Sworn and subscribed before me this

6th day of September, 2013.

Lisa M Pierce
NOTARY PUBLIC, State of Florida at Large

My Commission Expires: June 3, 2017

LISA M. PIERCE
MY COMMISSION # FF 023516
EXPIRES: June 3, 2017
Bonded Thru Notary Public Underwriters

SWORN STATEMENT UNDER SECTION 287.133(3)(a)
FLORIDA STATUTES, ON PUBLIC ENTITY CRIMES

THIS FORM MUST BE SIGNED IN THE PRESENCE OF A NOTARY PUBLIC OR OTHER OFFICE AUTHORIZED TO ADMINISTER OATHS.

1. This sworn statement is submitted with Bid, Bid or Contract No. 09-13 for Professional Contract Services to Operate, Maintain, and Manage the City's Wastewater and Stormwater Systems

2. This sworn statement is submitted by Operations Management International, Inc.
(Name of entity submitting sworn statement)

whose business address is 9189 South Jamaica Street, Englewood, CO 80112

____________________ and (if applicable) its Federal Employer Identification Number (FEIN) is 93-0784940 (If the entity has no FEIN, include the Social Security Number of the individual signing this sworn statement.)

3. My name is Gary Wood and my relationship to
(Please print name of individual signing)

the entity named above is Vice President.

4. I understand that a "public entity crime" as defined in Paragraph 287.133(1)(g), Florida Statutes, means a violation of any state or federal law by a person with respect to and directly related to the transaction of business with any public entity or with an agency or political subdivision of any other state or with the United States, including but not limited to, any Bid or contract for goods or services to be provided to any public entity or an agency or political subdivision of any other state or of the United States and involving antitrust, fraud, theft, bribery, collusion, racketeering, conspiracy, material misrepresentation.

5. I understand that "convicted" or "conviction" as defined in Paragraph 287.133(l)(b), Florida Statutes, means a finding of guilt or a conviction of a public entity crime, with or without an adjudication guilt, in any federal or state trial court of record relating to charges brought by indictment information after July 1, 1989, as a result of a jury verdict, nonjury trial, or entry of a plea of guilty or nolo contendere.

6. I understand that an "affiliate" as defined in Paragraph 287.133(1)(a), Florida Statutes, means

    1. A predecessor or successor of a person convicted of a public entity crime: or

    2. An entity under the control of any natural person who is active in the management of the entity and who has been convicted of a public entity crime. The term "affiliate" includes those officers, directors, executives, partners, shareholders, employees, members, and agents who are active in the management of an affiliate. The ownership by one person of shares constituting controlling interest in another person, or a pooling of equipment or income among persons when not for fair market value under an arm's length agreement, shall be a prima facie case that one person controls another person. A person who knowingly enters into a joint venture with a person who has been convicted of a public entity crime in Florida during the preceding 36 months shall be considered an affiliate.

7. I understand that a "person" as defined in Paragraph 287.133(1)(8), Florida Statutes, means any natural person or entity organized under the laws of any state or of the United States with the legal

power to enter into a binding contract and which Bids or applies to Bid on contracts for the provision of goods or services let by a public entity, or which otherwise transacts or applies to transact business with a public entity. The term "person" includes those officers, directors, executives, partners, shareholders, employees, members, and agents who are active in management of an entity.

8. Based on information and belief, the statement, which I have marked below, is true in relation to the entity submitting this sworn statement. (Please indicate which statement applies.)

_X_ Neither the entity submitting this sworn statement, nor any officers, directors, executives, partners, shareholders, employees, members, or agents who are active in management of the entity, nor any affiliate of the entity have been charged with and convicted of a public entity crime subsequent to July 1, 1989.

___The entity submitting this sworn statement, or one or more of the officers, directors, executives, partners, shareholders, employees, members, or agents who are active in management of the entity, or an affiliate of the entity has been charged with and convicted of a public entity crime subsequent to July 1, 1989, AND (Please indicate which additional statement applies.)

___There has been a proceeding concerning the conviction before a hearing of the State of Florida, Division of Administrative Hearings. The final order entered by the hearing officer did not place the person or affiliate on the convicted vendor list. (Please attach a copy of the final order.)

___The person or affiliate was placed on the convicted vendor list. Them has been a subsequent proceeding before a hearing officer of the Sate of Florida, Division of Administrative Hearings. The final order entered by the hearing officer determined that it was in the public interest to remove the person or affiliate from the convicted vendor list. (Please attach a copy of the final order.)

___The person or affiliate has not been put on the convicted vendor list. (Please describe any action taken by or pending with the Department of General Services.)

Gary Wood
(Signature)

September 25, 2013
(Date)

STATE OF Florida

COUNTY OF Monroe

LISA M. PIERCE
MY COMMISSION # FF 023516
EXPIRES: June 3, 2017
Bonded Thru Notary Public Underwriters

PERSONALLY APPEARED BEFORE ME, the undersigned authority,

Gary Wood who, after first being sworn by me, affixed his/her signature in
(Name of individual signing)

the space provided above on this 6th day of September, 2013.

My commission expires: June 3, 2017
NOTARY PUBLIC

EQUAL BENEFITS FOR DOMESTIC PARTNERS AFFIDAVIT

STATE OF FLORIDA)
: SS
COUNTY OF Monroe)

I, the undersigned hereby duly sworn, depose and say that the firm of Operations Management International, Inc. provides benefits to domestic partners of its employees on the same basis as it provides benefits to employees' spouses per City of Key West Ordinance Sec. 2-799.

By: Gary Wood
Gary Wood
Vice President
Operations Management International, Inc.

Sworn and subscribed before me this

6th day of September, 2013.

Lisa M Pierce
NOTARY PUBLIC, State of Florida at Large

LISA M. PIERCE
MY COMMISSION # FF 023516
EXPIRES: June 3, 2017
Bonded Thru Notary Public Underwriters

My Commission Expires: June 3, 2017

CONE OF SILENCE AFFIDAVIT

STATE OF Florida)

: SS

COUNTY OF Monroe)

I the undersigned hereby duly sworn depose and say that all owner(s), partners, officers, directors, employees and agents representing the firm of Operations Management International, Inc. have read and understand the limitations and procedures regarding communications concerning City of Key West issued competitive solicitations pursuant to City of Key West Ordinance Section 2-773 Cone of Silence (attached).

Sworn and subscribed before me this

6th day of September, 2013.

NOTARY PUBLIC, State of Florida at Large

My Commission Expires: June 3, 2017

LISA M. PIERCE
MY COMMISSION # FF 023516
EXPIRES: June 3, 2017
Bonded Thru Notary Public Underwriters

THE CITY OF KEY WEST
3140 Flagler Avenue
Key West, Florida 33040

RFP No. 09-13:
Professional Contract Services to Operate, Maintain, and Manage the City's Wastewater Treatment Plant, Wastewater Collection and Lift/Pumping Stations, and Stormwater Collection and Pumping Stations

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ADDENDUM ACKNOWLEDGMENT FORM

Proposer acknowledges that the following addenda have been received and are included in his/her submittal:

Addendum No.	Date Issued
1	September 10, 2013
2	September 20, 2013

Firm name: Operations Management International, Inc.

Proposer's Representative (Print): Susan Mays Title: Vice President

Signature: ______________________

Notes:

1. Proposer must attach to this form copies of all Addenda received.
2. Proposer acknowledges receipt of Addenda and all attachments provided.
3. **Attachments to Addendum 2 do not need to be attached to Proposal.**

ADDENDUM 1

TABLE OF CONTENTS

THE CITY OF KEY WEST
3140 Flagler Avenue
Key West, Florida 33040

ADDENDUM 1

TO ALL PROSPECTIVE BIDDERS:

This addendum is issued as supplemental information to the RFP 09-13 package for clarification, correction, and additional information that will be of use to bidders.

MANDATORY PRE-PROPOSAL MEETING & SITE VISITS:

1. Attached is the meeting minutes from the pre-proposal meeting held on September 5, 2013.
2. Attached is a copy of the sign-in sheets from the pre-proposal meeting held on September 5, 2013.
3. Attached is a copy of the sign-in sheets from the pre-proposal site visits held on September 5, 2013.
4. Attached is a copy of the sign-in sheets from the pre-proposal site visit held on September 6, 2013.

DRAFT AGREEMENT:

Modify indicated sections of the "Draft Agreement" as follows:

5.4 Fee Parameters. Any annual compensation negotiated between the City and the CONTRACTOR pursuant to Section 5.2 of this Agreement shall be subject to the following parameters: (i) at least fifty percent (50%) of the annual compensation of the CONTRACTOR under this Agreement is based upon a periodic fixed amount and shall not be subject to any incentive based upon output of the Facilities; (ii) the annual compensation of the CONTRACTOR shall not be based (in whole or in part) on a share of the net profits of the Facilities; and (iii) in the event that the Fee is determined by arbitration pursuant to Section 5.2 and Section 9 hereof, the Fee so determined shall be subject to and comply with the provisions of ~~Rev. Proc 82-14, 1982-1 C.B. 459 as amended by Section 1301 (c) of the Internal Revenue Code of 1986~~Rev. Proc. 97-13, 1997-1 C.B. 632. ~~as amended (the "Code").~~

9.1.6 The parties hereby stipulate and agree for purposes of arbitration that any modification of the Fee shall be subject to the provisions of ~~Rev. Proc. 82-14, 1982-1 C.B. 459, as amended by Section 1301 (c) of the Code~~ Rev. Proc. 97-13, 1997-1 C.B. 632. The parties hereby further agree and stipulate for purposes of arbitration that the pricing and cost estimates contained in this Agreement or any subsequent modification hereto are fair and reasonable and are not to be a factual issue for determination by the Arbitration Board. The sole question of fact(s) for the Arbitration board shall be confined to changes (or anticipated future changes) in circumstances between the effective date of this Agreement or any modification(s) hereto (including, but not limited to, negotiated or arbitrated changes to fees and cost estimates pursuant to this Agreement) and the effect such changed circumstance(s) should have on the then effective fees and/or cost estimates.

PROPOSAL – STATEMENT OF QUALIFICATIONS

Modify second paragraph of the "Proposal – Statement of Qualifications Section" as follows:

The deadline for submitting responses to the CITY CLERK is October 2, 2013 and not later than 3:00 PM. Any responses received after said date and time will not be considered. The submittal package will include responses to the Statement of Qualification Tasks below and signed execution of the Anti-Kickback Affidavit, Sworn Statement Under Section 287.133(3)(a) Florida Statutes on Public Entity Crimes, ~~and~~ Equal Benefits for Domestic Partners Affidavit Forms, and Cone of Silence Affidavit which follow this section. Furthermore, an acknowledgement of the issued Addenda's shall also be included in the submittal package.

MEETING MINUTES

KEY WEST FLORIDA

1) Meeting started at 1:30 PM

2) Introductions
   a. Jay Gewin, City of Key West Utilities Management, presented introduction of current wastewater and stormwater systems operations and expectations for future operations.

3) Agenda Review
   a. RFP Review
   b. Day 1 Site visits description – Wastewater pump station, storm water pump station and gravity well to be visited immediately after meeting is adjourned.
   c. Day 2 site visit to wastewater treatment plant – Work orders passed out to meeting participants to obtain day pass at the Navy. Instructions provided to obtain day pass and meeting location.

4) Information to Proposers
   a. RFP shall be received by October 2, 2013 no later than 3:00 PM.
   b. City Clerk - 3126 Flagler Avenue, Key West, Florida, 33040

5) Call for Request for Proposals
   a. Review of instructions on how to submit as described on the RFP.
   b. Statement of Qualifications (separate envelopes)
      i. Original / Copy / CD-ROM or Flash Drive (Label)
   c. Management Fee Affidavit (separate envelopes)
      i. Original / Copy (Label)
   d. Remaining Forms
      i. Anti-Kickback Affidavit
      ii. Sworn Statement under Section iii. 287.133(3)(a) Florida Statutes, Public Entity Crimes
      iii. Equal Benefits Domestic Partner
      iv. Cone of Silence Affidavit
      v. Addenda’s

6) Request for Proposals
   a. Due Date
      i. October 2, 2013
      ii. No later than 3:00 PM

   b. City Reserves the Right to Reject Proposals
   c. Submit to City Clerk
   d. Five (5) year contract
   e. Two (2) Optional Five Year Renewable Periods
   f. Submittals must be Received before Deadline
   g. City Commission Final Approval
      i. Negotiate Contract within 30 days
      ii. City may Award to Next Qualified Firm

7) General Information
   a. Public/Private Partnership since 1989
   b. Modified Cost Plus Contract
      i. Budget Control and Audit Rights
      ii. City Owned Facilities and Equipment
      iii. Expense above $5,000 City Approval
      iv. City Purchasing and Travel Policy
   c. US Navy Clearance (11:00 AM WWTP Tour)
      i. 7:00 AM to 10:00 AM
      ii. Work Order Form

8) Background Information
   a. Wastewater System Overview
      i. Treatment Plant Schematic
      ii. Collection System
   b. Stormwater System Overview
      i. Stormwater System
   c. Laboratory Overview

9) Schedule and Award

DATE	MILESTONE
5-Sep-13	Mandatory Pre-Proposal Meeting (with site visits) - 1:30 PM
6-Sep-13	Mandatory (WWTP visit) - 11:00 AM
16-Sep-13	Deadline: Requests for Information (RFI)
20-Sep-13	Response: Requests for Information (RFI)
2-Oct-13	Proposal Due Date
16-Oct-13	Public Meeting: Review Committee Ranking and Review Meeting - Opening of pricing envelopes
17-Oct-13	Notification of Ranking Results
5-Nov-13	City Commission Presentation & Selection of firms
12-Nov-13	Start Contract Negotiation
12-Dec-13	End Contract Negotiation
7-Jan-13	City Commission - Contract Approval
1-Mar-14	Signed Contract - NTP

10) Selection and Scoring
   a. City ranking committee reviews each proposal and determines responsiveness
   b. Ranking committee will rank proposals at public meeting
   c. Management fee proposal – separate sealed envelope (labeled) – Points assigned based on equation

TASK NO.	SELECTION CRITERIA	POINTS ALLOWED
SOQ Document	SOQ Submittal Quality, Documentation, and Information	0 - 5
Task 1.0	Company Overview	0 – 12
Task 2.0	Qualifications and Experience	0 – 45
Task 3.0	Technical Approach	0 – 35
Task 4.0	Licenses and Certifications	0 – 8
Task 5.0	Safety	0 – 10
Task 6.0	Corporate Capability	0 – 25
	Regional Presence in Florida	0 – 25
	Management Fee	0 - 60
	TOTAL SCORE	**235**

   d. Ranking and selection presented to City Commission
   e. Proposers may be required to give presentation
   f. City Commission makes final selection
   g. City Commission authorizes City Manager to negotiate contract

11) Statement of Qualifications
   a. 75 pages, single sided
   b. 12 point font
   c. Proposers need to respond to each task
   d. Submittal package must include:
      i. Anti-Kickback Affidavit
      ii. Sworn Statement under Section 287.133(3)(a) Florida Statutes on Public Entity Crimes
      iii. Equal Benefits for Domestic Partners Affidavit
      iv. Cone of Silence Affidavit
      v. Addenda's

12) Requests for Information
   a. Written RFI Requests (September 16, 2013)
   b. RFI Response (September 20, 2013)

c. Contact Person – Isabel Botero: Email Address – Boteroi@bv.com

13) Other RFP Information
   a. City of Key West insurance requirements included in the RFP
   b. Draft Agreement
   c. Exhibits A-G
   d. RAPIDGate – Required for personnel that will be working on the wastewater treatment plant.

14) Draft Agreement
   a. SOQ Section 6.4.8 with New Suggested Language – Submit with RFP
   b. RFI for Clarification

15) Review of overview map/locations of tour locations and wastewater treatment plant.

16) Meeting adjourned at 2:12 PM.

Sign In Sheet RFP No. 09-13 Mandatory Pre-Proposal Meeting
September 5, 2013 1:30 PM

Attendees: **Please Sign-in**

	Name	Company	Email	Phone
1	Aaron Voss	US Water Services Corp	avoss@uswatercorp.com	(712)224-2171
2	Dewayne Dousay	US Water Services Corp	ddousay@uswatercorp.net	305-393-0700
3	Jon Meyer	US Water Services Corp	JMeyer@uswatercorp.Net	239-989-9791
4	Isabel Botero	Black & Veatch	BoteroI@bv.com	(954)319-9861
5	JAY GEWIN	City of Key West	jgewin@keywestcity.com	(305)809-3902
6	Ron Parker	Black & Veatch	parkerRE@bv.com	(352) 345-1494
7	Ricky Collins	CH2M Hill	ARNOLD.COLLINS@CH2M.COM	(305)747-5107
8	Sean McCoy	CH2M Hill	Sean.mccoy@CH2M.com	(305) 294-1645
9	MIKE FORDOCK	CH2M HILL	mfordock@CH2M.com	(305) 2941645
10	Bob Dick	Severn Trent	Rdick@STES.com	239-303-4255
11	Kelvin Peters	" "	kpeters@stes.com	601-874-7787
12	Michael A. Miller	" "	mmiller2@stes.com	407.908.2548
13	Richard Gardner	Severn Trent Environmental Services Inc	rgardner@stes.com	516-315-5952

Sign In Sheet RFP No. 09-13 Mandatory Pre-Proposal Meeting
September 5, 2013 1:30 PM

Attendees: **Please Sign-in**

	Name	Company	Email	Phone
14	JIM GALIPEAU	YWNA	JAMES.GALIPEAU@VEOLIAWATERNA.COM	774-281-3048
15	Steve Kruger	Veolia	STEVEN.KRUGER@VeoliaWATERNA.com	781-738-433
16	MIKE KUHN	VEOLIA	MIKE.KUHN@VEOLIAWATERNA.COM	
17	John Bortulomi	OMI	John.Bortulomi@CH2M.com	305-292-5102
18	Gary Wood	OMI	Gary.Wood@ch2m.com	336 998 5005
19	Dan Stark	OMI	dan.Stark@ch2m.com	478-361-5244
20	John Baeringer	HCR	jbaeringer@handexmail.com	561-613-9985
21				
22				
23				
24				
25				
26				

Sign In Sheet RFP No. 09-13 Mandatory Pre-Proposal Meeting
September 5, 2013 1:30 PM

Attendees: **Please Sign-in**

Name	Company	Email	Phone
27			
28			
29			
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Sign In Sheet RFP No. 09-13 Mandatory Pump Stations Tour
September 5, 2013 – After Pre-Proposal Meeting

Attendees: **Please Sign-in**

	Name	Company	Email	Phone
1	Kelvin Peters	Severn Trent Services	kpeters@stes.com	601-874-7787
2	Michael A. Miller	" " "	mmiller2@stes.com	407.908.2548
3	Bob Dick	Severn Trent	Rdick@stes.com	239-707-4225
4	Richard Gardner	Severn Trent Environmental Services Inc	rgardner@stes.com	516-315-5932
5	Jon Meyer	US Water Services Corp.	JMeyer@uswatercorp.NET	239-989-9791
6	Dewayne Dowson	US Water Services Corp.	ddowson@uswatercorp.net	305-393-0700
7	Aaron Voss	US Water Services Corp	avoss@uswatercorp.com	712-224-2171
8	John Baeringer	HCR	jbaeringer@handexmail.com	561-613-9985
9	Steven Kruger	Veolia	steven.kruger@VeoliaWaterNA.com	781-738-433
10	Jim Galipeau	VWNA	james.galipeau@veoliawaterna.com	774-281-3048
11	Mike Kuhn	Veolia	mike.kuhn@veoliawaterna.com	813-629-1870
12	John Bortelmo	OMI	John.Bortelmo@CH2M.com	305-292-5162
13	Daniel Stark	OMI	dan.stark@ch2m.com	478-361-5244

Sign In Sheet RFP No. 09-13 Mandatory Pump Stations Tour
September 5, 2013 – After Pre-Proposal Meeting

Attendees: **Please Sign-in**

	Name	Company	Email	Phone
14	Gary Wood	OMI	Gary.Wood@ch2m.com	336 998-5005
15	Sean McCoy	CH2M Hill	Sean.McCoy@CH2M.Com	305 294 1645
16	MIKE FURDOCK	CH2M HILL	MFurdock@CH2M.Com	305 294-1645
17	Ron Parker	Black & Veatch	parkerre@bv.com	(352) 345-1494
18	Isabel Botero	Black & Veatch	Boteroi@bv.com	(954) 319-9861
19	Jay Gewin	City of Key West	jgewin@keywestcity.com	(305) 809-3902
20	TERRY Duffy	OMI CH2M Hill	Terry.Duffy@CH2M.com	813 951 5725
21				
22				
23				
24				
25				
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Sign In Sheet RFP No. 09-13 Mandatory Pump Stations Tour
September 5, 2013 – After Pre-Proposal Meeting

Attendees: **Please Sign-in**

Name	Company	Email	Phone
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Sign In Sheet RFP No. 09-13 Mandatory WWTP Visit
September 6, 2013 11:00 AM

Attendees: **Please Sign-in**

	Name	Company	Email	Phone
1	Kelvin Peters	Severn Trent	kpeters@stes.com	601.874.7787
2	Jon Meyer	U.S. Water Services Corp.	JMeyer@uswatercorp.net	239-989-9791
3	Bob Dick	Severn Trent	Rdick@STES.com	239-707-4275
4	Richard Gardner	Severn Trent Environmental Services Inc.	rgardner@stes.com	516-315-5932
5	Aaron Voss	US Water Services Corp	avoss@uswatercorp.com	712-224-2171
6	Jay Gewin	City of Key West	jgewin@keywestcity.com	305-809-3902
7	Sean McCoy	CH2M HILL	Sean.mccoy@CH2M.com	3052941645
8	JAMES GALIPEAU	VWNA	JAMES.GALIPEAU@VEOLIAWATERNA.COM	774 281 3048
9	Steve KRUGER	VWNA	STEVEN.KRUGER @ "	1 781 738 4333
10	MIKE KUHN	VWNA	MIKE.KUHN@VEOLIAWATERNA.com	813-629-1870
11	Dewayne Dousay	US Water Services	ddousay@uswatercorp.net	305-393-0700
12	Michael A. Miller	Severn Trent Services	mmiller2@stes.com	407.908.2548
13	Ron Parker	Black & Veatch	parkerre@bv.com	(352) 345-1484

Sign In Sheet RFP No. 09-13 Mandatory WWTP Visit
September 6, 2013 11:00 AM

Attendees: **Please Sign-in**

Name	Company	Email	Phone
14 Isabel Botero	Black&Veatch	Boteroi@bv.com	954-319-9861
15 Terry Dutt	CH2M.Com	Terry.Dutt@CH2M.com	
16 Dan Stark	CH2M Hill	dan.stark@CH2M.com.	
17 Dewayne Dawson	U.S. Water Services	ddawson@uswatercorp.net	305-393-0700
18 Gary Wood	OMI	Gary.Wood@ch2m.com	336 998-5005
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Sign In Sheet RFP No. 09-13 Mandatory WWTP Visit
September 6, 2013 11:00 AM

Attendees: **Please Sign-in**

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THE CITY OF KEY WEST
3140 Flagler Avenue
Key West, Florida 33040

ADDENDUM 2

TO ALL PROSPECTIVE BIDDERS:

This addendum is issued as supplemental information to the RFP 09-13 package for clarification, correction, and additional information that will be of use to bidders.

RESPONSES TO QUESTIONS/CLARIFICATIONS:

ITEM NO.	**QUESTION**	**RESPONSE**
1	Can you please confirm the differences between the information requested in Task 2.0, Subtasks 2.1 and 2.2? Is Subtask 2.1 limited to only individual plants in Florida of 5 mgd or higher, and Subtask 2.2 includes all plants in Florida with only a preference to 5 mgd to 15 mgd?	Sub-Task 2.1 requires to submit a **reference list** including Client's contact information to verify at least 5 years of contract operations business experience (experience to include advance wastewater treatment facilities in Florida with an average flow rate of 5 mgd or greater). Sub-Task 2.2 requires to submit information about **full service contract operations** identifying the specific details listed under Sub-Task 2.2 (length of time in existing contract, type of treatment process, etc). It is preferred that the contracts included are for plants with advance wastewater treatment techniques, area designed between 5 to 15 MGD and possible influence by salt water intrusion.
2	Please confirm that Task 2.0, Subtask 2.1 is limited to full contract operations, which means at a minimum, providing all labor and management and paying operations and maintenance expenses, and that it does not include consulting contracts, management contracts, or staff augmentation contracts.	Confirmed.

ITEM NO.	**QUESTION**	**RESPONSE**
3	Task 6.0, Subtask 6.1 requests, among other items, “annual report for the past 5 years.” Our last annual report numbered 85 pages, and 5 years’ worth would be approximately 400 pages. Can this information be included on the requested flash drive, or at least be included in an appendix and fall outside the 75-page limit?	Any of the documentation listed, or additional documentation, can be included if it shows a “record of corporate financial stability and commitment to full service contract operation and maintenance of municipally owned wastewater and stormwater systems.” Annual reports can be included as a digital Appendix, but other documentation shorter in length must be included as part of the response.
4	Task 2.0, Subtask 2.7 – Given the significant number of plants a contractor operates, to list any failure, including all minor failures, is a very large undertaking. Would the City consider altering this to administrative failures or legal actions such as NOVs, AOs, and Consent Decrees?	Modify Task 2.0, Subtask 2.7, as follows: For all previous and current full service contract operations over the past 10 years, provide a summary of any reported failures with regulatory compliance permits; failures to meet contractual or financial obligations, or default.
5	As discussed at the pre-bid conference, please confirm that no alternate bids will be considered.	Confirmed.
6	RFP Page 11, Management Fee: Please confirm that the management fee percentage is mark-up on total direct costs as outlined in Exhibit F, and not the mark-up or margin on total revenues?	Confirmed.
7	Please confirm that each of the following Regional Operational Support-based efforts are part of the management fee: a) Procurement - labor associated with off-site purchasing activities for Direct Cost items for the City of Key West. These efforts would include required practices under the terms of the contract following all City purchasing ordinances. b) Contracts - labor to negotiate subcontracts and other contractual issues with vendors in support of Key West whether the person negotiating and/or writing the contract is onsite or off-site. c) Safety - labor directly supporting the Key West project for safety related tasks (training, site specific program development, incident investigations, etc.) whether the safety expertise is located onsite or off-site for the direct benefit to the City and staff.	Confirmed.

ITEM NO.	QUESTION	RESPONSE
	d) Compliance - labor directly supporting the Key West project for specialized compliance and reporting employee training, laboratory audits, incident investigations, permit reviews, etc. whether the compliance expertise is located onsite or off-site for the direct benefit to the City. e) Sustainability - developing project specific sustainability and environmental management systems for the Key West project and support on identification and implementation of sustainability/efficiency improvement activities whether the sustainability expertise is located onsite or off-site for the direct benefit to the City. f) Quality - budgeted quality training programs. g) Accounting - Would labor for accounting professionals working on invoicing and payables tasks related directly to the City of Key West be considered a direct cost? h) Offsite Operations Specialist - providing specific assistance to Key West i) Offsite Maintenance Specialist - providing specific assistance to Key West	
8	Per task 1.3, please confirm that "unbundled pay range classifications" should include only salary and benefits and that all recovery of overhead and profit is intended to be included management fee.	All recovery of overhead and profit is to be included in the Management Fee.
9	Please provide the following reports: a) Previous twelve (12) months of DMRs. b) Copies of all regulatory agencies correspondence for the previous two (2) years. c) Prevention Maintenance Records for the plant, collection system and rolling inventory d) Corrective Maintenance Records for the plant, collection system and rolling inventory	a) See Attachment 3. b) See Attachment 3. c) See Attachment 1, 2 and 3. d) See Attachment 1, 2 and 3.
10	What impact does inflow and infiltration have on the plant? Has either been quantified? Are there remediation plans in-place?	Collection system improvements have been undertaken that have significantly improved its performance. Plant influent flow rate was reduced from 7.5 MGD to 4.5 MGD after improvements were completed. I/I is monitored and not expected to be an issue at

ITEM NO.	**QUESTION**	**RESPONSE**
		the plant.
11	Provide a copy of the last Expanded Effluent Testing Data	See Attachment 3.
12	Can a copy of the latest version of the Operation and Maintenance Manual be provided? Is the Operation and Maintenance Manual up-to-date and accurate?	Operation and Maintenance Manuals are available for review at the City Hall from September 25 to September 27, hours 8:00 AM to 5:00 PM (not available from 12:00 Noon to 1:00 PM). Coordinate with Ms. Isabel Botero to schedule a visit. O&M Manuals are up-to-date and accurate.
13	Are any industry standard key Performance Indicator parameters tracked and if so can you provide these reports? a) Cost per gallon treated for power, chemicals and sludge removal b) Ratio of corrective vs. preventive maintenance work orders.	City is not aware of these parameters being currently tracked.
14	As the plant appears to be under loaded, has there been any effort to increase the customer base? Is the City interested in partnering with an organization with a track record of increasing the utility owner's revenue while improving plant efficiency and compliance in Florida?	The City may consider adding Key Haven (approximately 500 additional homes) to the service area. The final decision will be taken in coordination with the Florida Keys Aqueduct Authority (FKAA).
15	Is the current Process Control Management Plan available for review?	No.
16	Is any effort planned to reduce the corrosion at the new headworks of the facility?	The City encourages preventive/corrective maintenance of all existing equipment and facilities.
17	Does the City have a no odor tolerance policy or odor ordinance? If so, what is the current operator doing in support of the policy?	It is a priority for the City to manage odors. The City has an Ordinance for Nuisance (Sec. 26-32) that covers disagreeable odors. City expects the Contractor to be responsive to complains from residences and businesses. Any complaints receive from neighborhoods should be addressed in a very timely manner. Odor complaints have not been an issue at the wastewater treatment plant.
18	Does the City require all piping be labeled in accordance with industry standards?	The City expects pipe labeling to be in compliance with FDEP regulations and guidelines.
19	Is the Contractor responsible for paying all SCADA and/or telemetry licensing fees? If so, what are the licensing fees associated with the existing SCADA/telemetry system and are all licenses in the Owner's or Contractor's name? FCC? Software? Hardware?	Yes, Contractor is responsible for paying all SCADA and/or telemetry licensing fees. Budget provided in Exhibit F included a line item for licensing and fees. Licenses are in the Contractor's name. Software and hardware are the Owner's property.
20	CMMS a) In an effort to maintain the historical	a) Yes b) Software used is Maintenance

ITEM NO.	**QUESTION**	**RESPONSE**
	integrity of the system and to make informed decisions on lifecycle costing for each asset, we assume an electronic copy of the existing CMMS database will be made available to the selected Contractor, is this correct? b) If the current contractor is utilizing CMMS software to manage the facilities, what CMMS software is being utilized?	Connection
21	Please provide a copy of the current Capital Improvements Plan	See Attachment 3.
22	Please provide the currently approved Contractor's list for the operation and maintenance activities associated with this RFP.	List of Contractors with security clearance to do work at the wastewater plant (may not be comprehensive): Airmark (uniforms) Waste Management Nearshore Electric Walker Landscape Data Flow Systems Debonair Mechanical Walker Landscape Arnolds Towing PHSI Pure Water
23	What is all software that is in use, such as software currently utilized for Process Control monitoring, if any? Will the software be supplied to the Contractor?	Operator-10 and Maintenance Connection. Yes.
24	Please provide a list of all collection system backups and/or Sanitary Sewer Overflows (SSO's) over the past five (5) years as well as causes for such back-ups and SSO's.	See Attachment 1 and 2.
25	Please provide copies of the current Contractor's Monthly Operations and Maintenance Reports for the past 12 months.	See Attachment 3.
26	Task 2.0 Qualifications and Experience – As a company that performs services similar to those being requested in this RFP at smaller, similar and larger scales around the world, we would like to know if the Florida, and specifically "preference" for South Florida experience, will actually result in a higher score for respondents that have fewer overall facilities, but have more facilities in Florida and South Florida.	In general proximity to Key West is considered preferable due to the potential need of sharing resources during emergencies (i.e. hurricanes). Also, local Florida presence would indicate current knowledge of FDEP regulations and guidelines.
27	Will experience at similar treatment facilities in locations with similar climate conditions as South Florida score as high as facilities in Florida?	No.
28	Task 2.0 Qualifications and Experience – How	See answer 26.

ITEM NO.	**QUESTION**	**RESPONSE**
	will the differences between Florida experience and South Florida experience be reflected in points awarded to the various places in which they are called out?	
29	Exactly how will points be awarded for the scoring category of "Regional Presence in Florida"? There is no description of this scoring category.	Each reviewer can award up to 25 points with preference to a larger local presence in Florida.
30	Draft Agreement Section 5.1 – This indicates "At least Fifty percent (50%) of the Fee shall be fixed and not subject to the adjustment made pursuant to Section 5.3 hereof (the "fixed" portion of the Fee)." Since the "fixed" portion of the Fee is part of the Total Budgeted Direct Cost and the ultimate Total Actual Direct Cost, how does it not inherently become subject to the adjustment of Section 5.3? Does it have something to do with Section 5.3.3, which indicates a 50% share of cost savings when Total Actual Direct Cost is less than Total Budgeted Direct Cost? Please explain as this is very important to understanding the Fee structure.	The fixed portion of the Fee clause is related to City bonding/loan requirements. The fixed portion of the Fee does not affect the conditions of monthly payments to the Contractor. The payments are based on the Total Budgeted Direct Cost plus Management Fee percentage applied to the Total Budgeted Direct Cost divided by 12; to result in 12 equal monthly payments. At the end of the year, the adjustment to the Fee is made per Section 5.3, if applicable. A new Budget is established every year as indicated on Section 5.2.
31	Draft Agreement - Section 5.3 – This indicates that if the Total Actual Direct Cost exceeds the Total Budgeted Direct Cost, there is no adjustment to the Fee, meaning that the Fee is equal to the Total Budgeted Direct Cost plus the Management Fee applied to the Total Budgeted Direct Cost. Is that correct?	Correct.
32	Draft Agreement - Section 5.3 – It does not address who is responsible for the difference between the Total Actual Direct Cost and the Total Budgeted Direct Cost when Total Actual Direct Cost exceeds Total Budgeted Direct Cost. Who is responsible to cover the cost of that difference in the direct costs?	When the Total Actual Direct Cost exceeds Total Budgeted Direct Cost no adjustment is made to the Fee, therefore the Contractor is responsible for the difference in the direct costs.
33	Can normal treatment plant overtime be included in the "fixed" portion of the Fee?	All overtime shall be included as a line item in the Total Budgeted Direct Cost.
34	Can overtime for collection and storm system, hurricane and/or declared state of emergency events be included in the "variable" portion of the Fee?	All overtime shall be included as a line item in the Total Budgeted Direct Cost.
35	Draft Agreement - Sections 5.2 and 5.4.1 seem to clash since 5.2 indicates a negotiation takes place each year to determine the Total Budgeted Direct Cost and the Management Fee cannot remain fixed by virtue of the fact even though it	The Management Fee **Percentage** will be fixed. The actual monetary value will vary based on the annual adjustment to the Total Budgeted Direct Cost (if there is an adjustment).

ITEM NO.	QUESTION	RESPONSE
	is a fixed percentage, it is applied to a changing base value. Please clarify.	
36	Draft Agreement - Section 5.4.1 – Is the Fixed Fee the same thing as the Total Budgeted Direct Cost?	No. See answer to question No. 30.
37	Draft Agreement - Section 5.4.1 – is the Fixed Fee the same thing as the Total Budgeted Direct Cost plus the Management Fee applied to the Total Budgeted Direct Cost?	No. See answer to question No. 30.
38	Section 5.4.1 – Is the Fixed Fee the Management Fee applied to the Total Budgeted Direct Cost?	No. See answer to question No. 30.
39	Section 5.4.1 – Can the Fixed Fee be equated to any other defined item or combination of defined items?	No. See answer to question No. 30.
40	Section 5.4.1 – is the Variable Fee equal to the sum of the Management Fee and the incentives earned when Total Actual Direct Cost is less than Total Budgeted Direct Cost?	When the Total Actual Direct Cost is less than the Total Budgeted Direct Cost, the Fee is adjusted per Section 5.3.
41	Section 5.4.1 – Please explain how the Fixed Fee relates to the Fee on an annual basis.	See answer No. 30.
42	Section 3.2.3 – Please provide a copy of the latest inventory listing of tools and equipment.	See Attachment 3.
43	Please provide a list of the current staff positions provided by OMI that are included in the Total Budgeted Direct Cost, organized by wastewater treatment plant, wastewater collection system and stormwater system.	See Attachment 3.
44	Please provide design criteria data for the plant by unit process.	See Attachment 3.
45	Please provide design criteria data for the new aeration system (including blower horsepower and capacity).	Blowers are 5,000 SCFM, 300 HP each. See Attachment 3 for other design criteria.
46	Does the wastewater treatment plant receive septage?	Yes.
47	Please provide copies of the most recent 12 completed Discharge Monitoring Reports.	See Attachment 3.
48	Is there a GIS for the wastewater collection system?	No.
49	Is there a GIS for the wastewater collection system?	No.
50	Which CMMS product is being used at the wastewater treatment plant?	See answer 20.
51	Which CMMS product is being used for underground assets?	See answer 20.
52	Who is responsible for paying the licensing fees	Contractor.

ITEM NO.	QUESTION	RESPONSE
	for the CMMS products?	
53	Is it possible to receive a copy of the current O&M contract and budget?	Budget provided under Exhibit F of the RFP package has been approved by the City Commission and it is the adopted Budget. Copy of current contract is included as Attachment 3.
54	Does the 75 page limit include the attachments & addenda?	The 75 page limit includes items to be submitted as a response to Tasks 1.0 thru Task 6.0. Attachments (required forms) and Addenda are not part of the 75 page limit.
55	On item 14(a) of Addendum 1 the response is to "Submit with RFP". Could you please clarify? Does the City mean to submit the new suggested language in the draft agreement, addenda, or separate page within body of proposal?	Per Sub-Task 6.4, item 6.4.8 proposer shall: Provide an Affirmative Statement that your firm is willing to execute the attached contract as written, pending negotiation of Direct and Indirect Costs, and Profit Margin. -OR- Provide a detailed list of sections which your firm would like change and propose specific language you are requesting. Proposed changes to draft agreement must be submitted within the body of the proposal under the responses to Task 6.0.

FORMS:

Updated "ADDENDUM ACKNOWLEDGMENT FORM" included.

ATTACHMENTS:

Attachment 1: Monthly Operating Reports - From 2008 to 2010

Attachment 2: Monthly Operating Reports - From 2011 to 2013

Attachment 3: Additional Data Requested

1. Capital Improvements Plans – Wastewater & Stormwater
2. Discharge Monitoring Reports
3. Expanded Effluent Testing Data
4. Inventories
5. Current Organizational Chart
6. Current Contract
7. Wastewater Treatment Plant Design Criteria
8. FDEP Correspondence

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

Form 10-K

(MARK ONE)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

OR

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

FOR THE TRANSITION PERIOD FROM TO

Commission File Number 000-27261

CH2M HILL Companies, Ltd.

(Exact name of registrant as specified in its charter)

Delaware	**93-0549963**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
9191 South Jamaica Street, Englewood, CO	**80112-5946**
(Address of principal executive offices)	(Zip Code)

(303) 771-0900
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: **None**

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, par value $0.01 per share

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

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

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

Indicate by checkmark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

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

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

The aggregate value of common stock held by non-affiliates computed by reference to the price as of June 30, 2012 was approximately $1.6 billion.

As of February 8, 2013, there were 29,823,093 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Information required by Items 10, 11, 12, 13 and 14 of Part III of this Form 10-K are incorporated by reference from the CH2M HILL definitive proxy statement for its 2013 Annual Meeting of Stockholders to be held on May 13, 2013.

CH2M HILL COMPANIES, LTD. AND SUBSIDIARIES

ANNUAL REPORT ON FORM 10-K

TABLE OF CONTENTS

This Form 10-K contains various "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements represent the Company's expectations and beliefs concerning future events, based on information available to the Company on the date of the filing of this Form 10-K, and are subject to various risks and uncertainties. Such forward looking statements are and will be subject to many risks and uncertainties relating to our operations and business environment that may cause actual results to differ materially from any future results expressed or implied in such forward looking statements. Words such as "believes," "anticipates," "expects," "will," "plans" and similar expressions are intended to identify forward looking statements. Additionally, forward looking statements include statements that do not relate solely to historical facts, such as statements which identify uncertainties or trends, discuss the possible future effects of current known trends or uncertainties, or which indicate that the future effects of known trends or uncertainties cannot be predicted, guaranteed or assured. All forward looking statements in this report are based upon information available to us on the date of this report. We undertake no obligation to publicly update or revise any forward looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as required by applicable law. Factors that could cause actual results to differ materially from those referenced in the forward-looking statements are listed in Item 1A, Risk Factors. The Company disclaims any intent or obligation to update or revise any of the forward-looking statements, whether in response to new information, unforeseen events, changed circumstances or otherwise.

PART I

Item 1. *Business*

Summary

CH2M HILL Companies, Ltd. was founded in 1946 and incorporated under the laws of the State of Delaware. We are an employee-controlled professional engineering services firm providing engineering, construction, consulting, design, design-build, procurement, engineering-procurement-construction ("EPC"), operations and maintenance, program management and technical services to U.S. federal, state, municipal and local government agencies, national governments, as well as private industry and utilities, around the world. We have approximately 30,000 employees worldwide.

Our Operating Segments

Effective January 1, 2012, we reorganized our reporting structure under which our chief operating decision maker regularly reviews operating results and makes strategic and operating decisions with regards to assessing performance and allocating resources in order to streamline our business and reducing overhead costs. As a result, we formed the Energy, Water, and Facilities ("EWF") segment and the Government, Environment, and Infrastructure ("GEI") segment. The reporting units previously included in the Energy and Water segment in 2011 were moved to the EWF segment and the reporting units previously included in the Government, Environment and Nuclear segment in 2011 were moved to the GEI segment. Reporting units that were previously included in the Facilities and Infrastructure segment were divided into either the EWF or GEI segment, accordingly.

On November 10, 2011, we acquired all of the share capital of Halcrow Holdings Limited ("Halcrow"). For 2012, the results of operations for the lines of business acquired within Halcrow were assigned to the appropriate segment according to the nature of their operations. More information about the acquisition can be found in Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*.

Our Clients and Key Markets

Clients

We provide our services to a broad range of domestic and international clients, including federal governments, state, local and provincial governments, private sector businesses and utilities. We perform services as the prime contractor, as subcontractors, or through joint ventures or partnership agreements with other service providers. The demand for our services generally comes from capital spending decisions made by our clients.

Within our EWF segment, our Energy business primarily focuses on providing services to a comprehensive range of private sector clients and utilities, while our Water business primarily provides services to state and local governments. Our facilities business provides services to private sector manufacturing clients as well as public sector entities. Within our GEI segment, our government business primarily provides a comprehensive range of services to various U.S. federal government agencies and foreign governments. Our infrastructure business provides services to all types of governments and military installations while our environment business provides comprehensive services to a broad spectrum of domestic and international clients in the public, private and government sectors.

The following table summarizes our primary client types, revenues and key markets served by each of our operating segments during 2012.

Operating Segment	Client Type	% of 2012 Revenues	Key Markets
Energy, Water and Facilities	State and Local Governments, Private Sectors and Utilities	56%	• Energy & Chemicals • Industrial and Advanced Technology • Operations Management • Power • Water
Government, Environment and Infrastructure	U.S. Federal and Foreign Governments, Governmental Agencies and Authorities, Private Sectors and Utilities	44%	• Environmental Services • Government Facilities and Infrastructure • Nuclear • Transportation

The following table provides a summary of representative clients:

Public Sector Clients

- U.S. Department of Energy ("DOE")
- U.S. Department of Defense
- U.S. Department of the Interior
- U.S. Air Force
- U.S. Navy
- U.S. Army Corps of Engineers
- U.S. Federal Emergency Management Agency ("FEMA")
- Department of Homeland Security
- U.S. Agency for International Development
- U.S. Environmental Protection Agency
- National Aeronautics and Space Administration
- National Science Foundation
- U.K. Environment Agency
- Transport for London
- U.K. Department for Transport
- Local and Municipal Transport Agencies
- U.K. Atomic Energy Authority
- U.K. Nuclear Decommissioning Authority ("NDA")
- Republic of Korea Ministry of Defense
- U.S. cities
- Foreign cities
- U.S. and international airports and seaports
- U.S. and State Departments of Transportation
- U.S. state and international transit authorities and agencies
- Water and wastewater municipalities
- Panama Canal Authority
- Qatar Public Works Authority
- Qatar 2022 Supreme Committee
- Rio 2016 Olympic and Paralympic Games

Private Sector Clients

- Major oil and gas companies, refiners and pipeline operators
- Power utilities
- Chemicals, bioprocessing and refining companies
- Metals and mining
- Microelectronics manufacturers
- Pharmaceutical and biotechnology companies
- Automotive, food and beverage consumer product manufacturers
- Renewable energy companies

In 2012, we derived approximately 28% of our total revenues from contracts with the U.S. federal government. This work is performed through numerous contracts and joint ventures primarily within the GEI operating segment.

Key Markets

The following is a description of each of our key markets within our operating segments and the services we provide.

Energy, Water and Facilities Segment

The EWF Segment is comprised of the Energy and Chemicals, Industrial and Advanced Technologies, Operations Management, Power and Water businesses. The portfolio of services includes: consulting, design, engineering, design-build, EPC, operations and maintenance, construction management, construction, and program management.

Energy and Chemicals—In our Energy and Chemicals ("E&C") business, we serve the upstream, pipelines and terminals, and refining sectors of the oil and gas industry. For the upstream sector, we perform engineering, modular fabrication, erection, construction, and operations and maintenance services for oil and gas fields. We deliver compression and dehydration facilities, drilling and well support services, enhanced oil recovery, field development, fleet support, natural gas gathering and processing, conventional oil production, sulfur recovery, acid gas treating, and heavy oil and steam-assisted gravity drainage facilities. In our pipelines and terminals sector, we focus on infrastructure projects that gather, store, and transport oil, natural gas, refined products, carbon dioxide, and other related hydrocarbons, liquids, and gases. These projects include pipelines, compression, pump stations, metering, tank farms, terminals, and related facilities for midstream (wellhead to central processing) and downstream (cross-country transportation) systems. In our refining sector, we provide conceptual and preliminary engineering, front-end and detail design, procurement, construction, and operations and maintenance services. Our refining experience includes technology evaluation and feasibility studies; design and construction of refinery units, terminals, pipelines, pump stations, and cogeneration facilities; design, fabrication, and installation of modules and pipe racks; turnarounds and revamps; effluent treatment; refinery conversion to heavy crude oil processing; and process safety management. In our chemicals business, we serve all segments of the industry, including petrochemicals and derivatives, inorganics, specialties, and agricultural chemicals. We have substantial experience in polysilicon, chemicals from alternative feedstock, bioprocess, alkalis and chlorine, pigments and coating, monomers and polymers, resins and plastics, and synthetic performance fibers. This group also serves the biofuels market where we specialize in advanced fuel sources for biofuels development in the United States, Canada, and Latin America. In our metals and mining sector we provide the complete suite of engineering, construction, and operations and maintenance services for mining infrastructure and processing facilities. We serve clients in North and South America, the Middle East, Asia, and Russia.

Industrial and Advanced Technology—In our Industrial and Advanced Technology ("I&AT") business, we provide program management, consulting, planning, design, and construction services to clients in the following manufacturing industries: integrated circuit, wafer, dynamic random access memory, nanotechnology, photo voltaic, data center, flat panel display, automotive, aerospace and aviation, food and beverage, building materials, metals and consumer products sectors. Our clients typically require integrated design and construction services for complex manufacturing systems, including clean rooms, ultrapure water and wastewater systems, chemical and gas systems and production tools. Our electronics business also provides specialized consulting services to optimize the operating efficiency and return on investment for complex manufacturing facilities. In addition, our IDC Architects group services the university research sectors as well as special economic zone developments. As the economy recovers, we will continue to expand market reach in Asia, North America, and the Middle East. We are leveraging our strategic business planning capabilities to help clients structure and plan their high-volume manufacturing projects, and to provide follow-on design and construction services.

Operations Management—In our Operations Management ("OM") business, we provide public sector entities and private/commercial companies with a broad range of tailored solutions focused on increasing efficiency and productivity. Our public sector clients include state and local governments and agencies as well as national governments outside the United States. We provide service in the private sector to customers in heavy manufacturing, electronics, food & beverage, advanced technology, mining and minerals, oil and gas, aviation, energy, and chemicals. Our services include water and wastewater system and staff optimization; contract operations and maintenance of water, wastewater, and other municipal functions such as public works, and community development; facilities management; utilities operations and maintenance; and management, asset management/maintenance, and financial consulting. Our geographic strategy is to expand market reach in North America, and follow our other business groups and clients into target geographies including Europe, Australia, and the Middle East. We see an increase in public-private and private-private partnerships for both full and customized services, as municipal and private entities continue to look for more ways to increase revenues and reduce costs through efficiency gains. We will continue to expand our consulting business and leverage cross-market synergies around design-build-operate, remediation, produced water, and manufacturing.

Power—In our Power business, we design and build power generation facilities that produce energy from natural gas, coal, solar, wind, biomass, and geothermal sources. Our portfolio includes combined-cycle, simple-cycle, coal/integrated gasification, clean air, alternative/waste fuels, transmission and cogeneration projects. We also repower, upgrade, and modify existing plants to improve performance, reliability and achieve clean air standards. Our delivery of full-service EPC services helps clients craft long-term strategies while addressing the ongoing market challenges around unpredictable and changing electricity demand, transmission capacity constraints, changing environmental regulations and policies, aging infrastructure, outdated technologies, water constraints, and fuel diversification. We also provide engineering studies, design, construction management, program management and consulting services. We use advanced, novel technologies to deliver projects safely and effectively for our clients.

Water—In our Water business, we are dedicated to sustainability as we serve water resources and ecosystem management; water treatment; conveyance and collection; wastewater treatment and reuse; and utility management market segments. We support the water-related needs of clients in the utility, industrial, government, energy, and agricultural sectors. Our broad portfolio of water solutions helps clients address the complex challenges related to population growth, aging infrastructure, water supply uncertainty, global climate change, regulatory changes, and increasing demand. Beginning in 2012, the industrial water capability from the industrial systems business was combined with the Water business to pursue the large and growing energy and industrial related water market. Addressing the impacts of global climate change requires the ability to create solutions for the energy-water-carbon nexus. Energy and mining production require a reliable, abundant, and predictable source of water, a resource that is already in short supply throughout much of the world. We work with clients to identify solutions for water and energy conservation, and to re-evaluate processes to achieve cost savings and reduce environmental impacts. Our geographic strategy is to expand market reach in North and South America, Europe, the Middle East, Asia, and Australia. We will continue to capitalize on market drivers such as drought and water scarcity, aging infrastructure, global climate change, and regulatory requirements.

Government, Environment and Infrastructure Segment

The GEI segment is comprised of the Environmental Services, Government Facilities and Infrastructure, Nuclear, and Transportation businesses. GEI provides a full range of services—program management, engineering, design, construction, environmental remediation, operation and maintenance, decontamination and decommissioning, facility closure, sustainable solutions, and consulting services—to clients worldwide, including our largest client, the U.S. federal government. The segment also provides enterprise stewardship for the development of our facilities penetration strategy and our urban development practice for large program management projects.

Environmental Services—Our Environmental Services ("ES") business is dedicated to sustainability by protecting human health, preserving the environment, and restoring impacted natural resources. We achieve this mission by offering services through nine global practices: sustainability consulting, threat reduction management, environmental compliance, planning and permitting, integrated waste solutions, munitions response, natural resources planning and management, sediment management and remediation, and site remediation and revitalization. A key differentiator for our services remains our innovation and complex problem solving capacities found in these practices. Clients include a broad spectrum of U.S. and state government agencies and departments; multinational commercial clients; and international clients in the public, private and government sectors. Over the past ten years our environmental services have consistently been rated in the top 10% of our peer provider base by market journals and trade magazines and we are considered to be an industry leader. Another key differentiator for us with both our government and multinational clients is project delivery with a global footprint—our ability to effectively and consistently deploy our systems and processes (especially safety, environmental compliance, and project management) throughout the world with minimal deviation.

Government Facilities and Infrastructure—Our Government Facilities and Infrastructure ("GF&I") business plans, designs, constructs, operates and maintains various categories of facilities and infrastructure at all types of government and military installations offering contingency and logistics, planning and consulting engineering and design, design-build, operations and maintenance, and program management services. The U.S. Department of Defense is GF&I's largest client. We also provide a multitude of services to other government agencies such as the U.S. Federal Emergency Management Agency, National Science Foundation, U.S. Agency for International Development, Department of Energy (DOE), and the National Aeronautics and Space Administration. We continue to expand our government client base, both within the U.S. and internationally. At its core, our GF&I business ensures value-added mission success for our clients by safely delivering flexible and sustainable facilities, infrastructure, and contingency solutions on any scale worldwide while maintaining a focus to optimize client goals, and minimize impacts and costs.

Nuclear—Our Nuclear business specializes in the management of complex nuclear programs and projects around the globe. Our experience includes managing and operating nuclear facilities and providing innovative cleanup and environmental remediation for commercial and government facilities and sites worldwide. We provide innovative cleanup and closure solutions for contaminated sites in the U.S. DOE nuclear weapons complex and at U.K. Nuclear Decommissioning Authority ("NDA") sites in Great Britain. In the commercial nuclear sector, we provide program management and program advisory services, as well as planning, permitting, and licensing of new nuclear energy generating stations. Additionally, we provide service offerings at government and commercial nuclear sites including which include program management and owner's engineer services, decommissioning, waste management, waste fuel strategies, support service operations, and planning, permitting, and licensing of new nuclear energy generating stations. Our Nuclear business unit serves three primary businesses sectors: nuclear remediation and decommissioning, nuclear power and national defense. The DOE and NDA are the primary clients served by our nuclear remediation and decommissioning sector, however we have also decommissioned reactors for utilities and research reactors for universities. Our nuclear power sector primarily serves clients such as the United Arab Emirates and Poland. Governmental clients such as the U.S. National Nuclear Security Agency and U.K. Ministry of Defense's Atomic Weapons Establishment are served by our national defense sector.

Transportation—In the Transportation business, we serve the aviation, highway/bridge, ports and maritime, and transit and rail segments with horizontal infrastructure development. We provide planning, design, value engineering, design-build, project/program management, construction management, feasibility studies, public involvement/community management, environmental documentation, and sustainability planning services to our clients. Airport services include airfield planning and design, airfield navigational aids, airport master planning, program management, airport modeling and simulation, and airport facilities planning, design, mechanical, and electrical. For our highway and bridge clients, we provide transportation and sustainability planning; highway and bridge design and construction; traffic engineering and traffic modeling; intelligent transportation systems; highway safety consulting; geotechnical analysis; and tunneling. Ports and maritime client services include architecture; passenger, container, liquid, and bulk terminal facilities design and construction; asset management; inspection and rehabilitation; and ports infrastructure. Transit and rail services include planning; track, tunneling, and facilities design; vehicle engineering; transit technology; systems engineering; asset management; safety and security; and management consulting.

Our *Sustainability Practice* has substantial client engagements in both our EWF and GEI segments. This practice develops and implements climate change, carbon and energy management, natural resources planning and management, green buildings and many other facets of sustainability. Through a robust Community of Practice and a Sustainability Leadership Board, we bring together strategists, scientists, architects, engineers, technologists, management consultants and economists to evaluate opportunities and work collaboratively to deliver lasting solutions that benefit our clients, their communities, and the environment. We also have a diverse platform of tools, technology, and best practices to help clients make well informed decisions and to evaluate the overall sustainability of various business decisions.

Competition

The market for our design, consulting, engineering, construction, design-build, EPC, operations and maintenance, and program management services is highly competitive. We compete primarily with large multinational firms but also compete with smaller firms on contracts within the private industry and state and local government sectors. In addition, some of our clients, including government agencies, occasionally utilize their own internal resources to perform design, engineering and construction services where we might have been the service provider.

Numerous mergers and acquisitions in the engineering services industry have resulted in a group of large firms that offer a full complement of single-source services including studies, designs, construction, design-build, EPC, operation and maintenance and in some instances, facility ownership. Included in the current trend is movement towards larger program and contract awards and longer-term contract periods for a full suite of services, (e.g., 5 to 20 year full-service contracts). While these larger, longer, more comprehensive contracts require us to have substantially greater financial and human capital than in the past, we compete effectively for these full service programs.

To our knowledge, no single company or group of companies currently dominates any significant portion of the engineering services markets. Competition in the engineering services industry is based on quality of performance, reputation, expertise, price, technology, customer relationships, range of service offerings and domestic and international office networks. For additional information regarding competition, see Item 1A. *Risk Factors*.

Backlog

We define backlog as signed contracts and task orders less previously recognized revenue on such contracts and task orders. In addition, we include amounts under notices to proceed that have been received from clients and are expected to be recognized as revenues when future services are performed. Our operations and maintenance contracts are included for the non-cancellable term of the contract. Unexercised options under any contract are not included in our backlog. Our backlog also reflects the future activities related to consolidated joint ventures. Many of our contracts require us to provide services that span over a number of fiscal years. U.S. government agencies operate under annual fiscal appropriations by Congress and fund various federal contracts only on an incremental basis. The same is true of many state, local and foreign contracts. Our policy is to include in backlog the full contract award, whether funded or unfunded, for amounts that are expected to result in revenue in future periods based upon our experience with our clients or type of work. In accordance with industry practice, substantially all of our contracts are subject to cancellation, termination, or suspension at the discretion of the client. If sequestration occurs, our backlog could be negatively impacted. See Item 1A. *Risk Factors* for further discussion.

The following table provides backlog revenues by operating segment for the years ended December 31:

($ in millions)	2012	2011
Energy, Water and Facilities	$4,135.1	$4,065.4
Government, Environment and Infrastructure	3,247.2	3,209.4
	$7,382.3	$7,274.8

Available Information

For information regarding our company, including free copies of filings with the Securities and Exchange Commission ("SEC"), please visit our web site at www.ch2m.com. The SEC filings, which include our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K are located in the About Us/Employee Ownership section of our web site and are made available as soon as practicable after they are filed with the SEC.

Item 1A. ***Risk Factors***

You should carefully consider the following factors and other information contained in this Annual Report on Form 10-K before deciding to invest in our common stock.

Risks Related to Our Business

Unpredictable economic cycles, uncertain demand for our engineering and related services, and failure by our major customers to pay our fees, could cause our revenue to fluctuate or be uncollectible.

Demand for our engineering and other services is affected by the general level of economic activity in the markets in which we operate, both in and outside of the U.S. Our customers and the markets in which we compete to provide services are likely to experience periods of economic decline from time-to-time. In particular, the recent global economic downturn and governmental tax revenue declines resulted in a slowdown in demand for our services in state and municipal clients.

Adverse economic conditions may decrease our customers' willingness to make capital expenditures or otherwise reduce their spending to purchase our services, which could result in diminished revenues and margins for our business. The demand for services depends on the demand and capital spending of our customers in their target markets, some of which are cyclical in nature. Adverse economic conditions could alter the overall mix of services that our customers seek to purchase, and increased competition during a period of economic decline could force us to accept contract terms that are less favorable to us than we might be able to negotiate under other circumstances. Changes in our mix of services or a less favorable contracting environment may cause our revenues and margins to decline. Moreover, our customers impacted by the economic downturn could delay or fail to pay our fees. If a customer failed to pay a significant outstanding fee, our financial results could be adversely affected and our stock price could be reduced. Adverse credit market conditions could negatively impact our customers' ability to fund their projects and therefore utilize our services; they can also impact subcontractors' and suppliers' ability to deliver work. These credit disruptions could negatively impact our backlog and profits, and could increase our costs or adversely impact project schedules.

The uncertainties involved in prolonged procurement processes associated with our projects make it particularly difficult to predict whether and when we will receive a contract award. The uncertainty of contract award timing can present difficulties in matching our workforce size with our project needs. If an expected project award is delayed or not received, we could incur costs resulting from idle workforce reductions in staff, or redundancy of facilities that would have the effect of reducing our profits.

Changes and fluctuations in U.S. government's spending priorities could adversely affect our revenue expectations.

Because a substantial part of our overall business is generated either directly or indirectly as a result of U.S. federal, state and local government regulatory and infrastructure priorities, shifts in these priorities due to changes in policy imperatives or economic conditions are often unpredictable and may affect our revenues.

Our contracts with the U.S. federal government are subject to the uncertainties of Congressional funding. Since government contracts represent a significant percentage of our revenues (in fiscal 2012, our U.S. federal government contracts represented approximately 28% of our total revenues), government budget deficits or a significant reduction in government funding could lead to continued delays in contract awards and termination or suspension of our existing contracts, which could have an adverse impact on our business, financial condition and results of operations. In addition, any government shutdown could have an impact on our government projects including our ability to earn revenue on the projects already awarded, and could have an adverse impact on our financial condition.

In particular, the Budget Control Act of 2011 imposed a process, known as sequestration, to implement $1.2 trillion in automatic spending cuts starting on March 1, 2013 and effective through fiscal year 2021, unless an alternative federal budget management process is agreed between the U.S. Congress and the President of the United States. If the sequestration takes effect, the agencies of the U.S. Federal Government may be required to modify or terminate contracts and substantially reduce awards of new work to companies like us, which will likely impact our ability to earn revenue on projects already awarded, win new work from U.S. Government customers and may have an adverse impact on our financial condition.

Political instability in key regions around the world coupled with the U.S. federal government's commitment to the war on terror put at risk U.S. federal discretionary spending, such as spending on infrastructure projects that are of particular importance to our business. At the state and local levels, the need to compensate for reductions in the federal matching funds, as well as financing of federal unfunded mandates, creates pressures to cut back on infrastructure project expenditures. While we have won and are continuing to seek federal contracts related to changing U.S. federal government priorities, such as unforeseen disaster response, rebuilding efforts in countries impacted by war on terror, and other projects that reflect current U.S. government focus, there can be no assurances that changing U.S. government priorities and spending would not adversely affect our business.

Government contracts present risks of termination for convenience, adjustment of payments received, restrictions on ability to compete for government work and funding constraints.

In 2012, we derived approximately 28% of our total revenues from contracts with the U.S. federal government. The following risks are inherent in U.S. federal government contracts:

- Because U.S. federal laws permit government agencies to terminate a contract for convenience, our U.S. government clients may terminate or decide not to renew our contracts with little or no prior notice.
- Due to payments we receive from our U.S. government clients, our books, records and processes are subject to audit by various U.S. governmental agencies for a number of years after these

payments are made. Based on these audits, the U.S. government may adjust or demand repayment of payments we previously received, or withhold a portion of fees due to us because of unsatisfactory audit outcomes. Audits have been completed on our U.S. federal contracts through December 31, 2006, and are continuing for subsequent periods. Audits performed to date have not resulted in material adjustments to our financial statements. Unsatisfactory audit results may impact our ability to bid or win future U.S. government contract work. In addition, as a government contractor, we are subject to increased risks of investigation, criminal prosecution and other legal actions and liabilities to which purely private sector companies are not. The results of any such actions could adversely impact our business and have an adverse effect on our consolidated financial statements.

- Our ability to earn revenues from our existing and future U.S. federal government projects will depend upon the availability of funding from U.S. federal government agencies. We cannot control whether those clients will fund or continue funding our existing projects.
- In years when the U.S. federal government does not complete its budget process before the end of its fiscal year on September 30, government operations are typically funded pursuant to a "continuing resolution" that authorizes agencies of the U.S. government to continue to operate, but does not authorize new spending initiatives, which can delay the award of new contracts. These delays could have an adverse effect on our operating results.
- Many U.S. federal government programs in which we work require security clearances. Security clearances can be difficult and time-consuming to obtain. If we or our employees are unable to obtain or retain necessary security clearances, we may not be able to win new business or will not be able to renew existing contracts. To the extent we cannot obtain or maintain the required security clearances for our employees working on a particular contract, we may not derive the revenue anticipated from the contract, which could adversely affect our business and results of operations.
- If the sequestration takes effect, the agencies of the U.S. Federal Government may be required to modify or terminate contracts and substantially reduce awards of new work to companies like CH2M HILL, which will likely impact our ability to earn revenue on projects already awarded, win new work from U.S. Government customers and may have an adverse impact on our financial condition.

Our ability to secure new government contracts and our revenues from existing government contracts could be adversely affected by any one or a combination of the factors listed above.

Many of our projects are funded by U.S. federal, state and local governments and if we violate applicable laws governing this work, we are subject to the risk of suspension or debarment from government contracting activities, which could have a material adverse affect on our business and results of operations.

If we fail to comply with the terms of one or more of our government contracts or statutes and regulations that govern this type of work, or if we or our employees are indicted or convicted on criminal charges (including misdemeanors) relating to any of our government contracts, in addition to any civil or criminal penalties and costs we may incur, we could be suspended or debarred from government contracting activities for a period of time. Some U.S. federal and state statutes and regulations provide for automatic debarment in certain circumstances. The suspension or debarment in any particular case may be limited to the facility, contract or subsidiary involved in the violation or could be applied to our entire family of companies in certain severe circumstances. Even a narrow scope suspension or debarment could result in negative publicity that could adversely affect our ability to renew contracts and to secure new contracts, both with governments and private customers, which could materially and adversely affect our business and results of operations.

Our industry is highly competitive.

We are engaged in a highly competitive business in which most of our contracts with public sector clients are awarded through a competitive bidding process that places no limit on the number or type of potential service providers. The process usually begins with a government agency request for proposal that delineates the size and scope of the proposed contract. The government agency evaluates the proposals on the basis of technical merit and cost.

In both the private and public sectors, acting either as a prime contractor or as a subcontractor, we may join with other firms that we otherwise compete with to form a team to compete for a single contract. Because a team can often offer stronger combined qualifications than any firm standing alone, these teaming arrangements can be very important to the success of a particular contract competition or proposal. Consequently, we maintain a network of relationships with other companies to form teams that compete for particular contracts and projects. Failure to maintain technical and price competitiveness, as well as failure to maintain access to strong teaming partners may impact our ability to win work.

Our backlog is subject to unexpected adjustments and cancellations and is, therefore, an uncertain indicator of our future performance.

Our backlog at December 31, 2012 was $7.4 billion. We cannot assure that the revenues projected in our backlog will be realized or, if realized, will result in profits. Projects may remain in our backlog for an extended period of time prior to project execution and, once project execution begins, it may occur unevenly over the current and multiple future periods. In addition, our ability to earn revenues from our backlog depends on the availability of funding for various government and private clients. Most of our industrial clients have termination for convenience provisions in their contracts. Therefore, project terminations, suspensions or reductions in scope may occur from time-to-time with respect to contracts reflected in our backlog. Some backlog reductions would adversely affect the revenue and profit we actually receive from contracts reflected in our backlog. Future project cancellations and scope adjustments could further reduce the dollar amount of our backlog and the revenues and profits that we actually earn.

Our inability to attract and retain professional personnel could adversely affect our business.

Our ability to attract, retain and expand our staff of qualified engineers and technical professionals will be an important factor in determining our future success and growth. The market for these professionals is competitive in and outside the U.S. As some of our key personnel approach retirement age, we are developing and implementing proactive succession plans. If we cannot attract and effectively implement our succession plans, we could have a material adverse impact on our business, financial condition, and results of operations. Since we derive a significant part of our revenues from services performed by our professional staff, our failure to retain and attract professional staff could adversely affect our business by impacting our ability to complete our projects and secure new contracts.

Our projects may result in liability for faulty engineering services.

Our engineering practice involves professional judgments regarding the planning, design, development, construction, operations and management of industrial facilities and public infrastructure projects. Because our projects are often large and can affect many people, our failure to make judgments and recommendations in accordance with applicable professional standards could result in large damages and, perhaps, punitive damages. Although we have adopted quality control, risk management and risk avoidance programs designed to reduce potential liabilities, and carry professional liability to set off this risk, there can be no assurance that such programs will protect us fully from all risks and liabilities.

Fluctuations in commodity prices may affect our customers' investment decisions and therefore subject us to risks of cancellation or delays in existing work, or changes in the timing and funding of new awards.

Commodity prices can affect our customers and may have a significant impact on the costs and profitability of our projects. For projects that we perform on a guaranteed fixed price or "not to exceed" cost basis, unforeseen rising commodity prices can reduce our profit or cause us to incur a loss. Rising commodity prices can negatively impact the potential returns on investments for our customers and may lead to customers deferring new investments or canceling or delaying existing projects. Some of our customers are engaged in the production or processing of commodity products, particularly in the energy sector, and fluctuations in commodity prices can impact their business and their willingness to make new capital investments, which in turn may reduce demand for our services. Cancellations, delays and weakness in demand for our services in markets that are affected by commodity price fluctuations may affect our operating results in significant and unpredictable ways and could have a material adverse impact on our business, financial condition, and results of operations.

We could sustain losses on contracts that contain a fixed price or guaranteed maximum price provision if our costs exceed the maximum prices.

In 2012, we derived approximately 38% of our revenues from fixed price and "guaranteed maximum price" contracts. Under fixed price contracts, we agree to deliver projects for a definite, predetermined price and under guaranteed maximum price contracts, we agree to deliver projects for a price that is capped regardless of our actual costs incurred over the life of the project. Under cost reimbursable contracts with maximum pricing provisions, we are typically compensated for the labor hours expended at agreed-upon hourly rates plus cost of materials plus any subcontractor costs used; however, there is a stated maximum compensation for the services to be provided under the contract. Many fixed price or guaranteed maximum price contracts involve large industrial facilities and public infrastructure projects and present the risk that our costs to complete a project may exceed the guaranteed maximum or fixed price agreed upon with the client. The fees negotiated for such projects may not cover our actual costs and desired profit margins. In addition, many of our customers on fixed or maximum price contracts do not accept escalation clauses regarding labor or material cost increases, including commodity price increases. If our actual costs for a maximum price project or fixed price project are higher than we expect, our profit margins on the project will be reduced or we could suffer a loss.

Percentage-of-completion accounting used for our engineering and construction contracts can result in overstated or understated profits or losses.

The revenue for our engineering and construction contracts is accounted for on the percentage-of-completion method of accounting. This method of accounting requires us to calculate revenues and profit to be recognized in each reporting period based on our predictions of future outcomes, including our estimates of the total cost to complete the project, project schedule and completion date, the percentage of the project that is completed and the amounts of any probable unapproved change orders. Our failure to accurately estimate these often subjective factors could result in reduced profits or losses.

Environmental regulations and related compliance investigations may adversely impact our project performance, expose us to liability and could adversely affect our revenues.

A substantial portion of our business is generated either directly or indirectly as a result of laws and regulations related to environmental matters. In particular, our business involves significant risks including the assessment, analysis, remediation, handling, management and disposal of hazardous substances. As a result, we are subject to a variety of environmental laws and regulations governing, among other things, discharges of pollutants and hazardous substances into the air and water and the handling and disposal of hazardous waste including nuclear materials and related record keeping requirements. These laws and regulations and related investigations into our compliance, as it pertains to facility operations and remediation of hazardous substances, can cause project delays and, substantial management time commitment and may significantly add to our costs. Violations of these environmental laws and regulations could subject us to civil and criminal penalties and other liabilities, which can be very large. Although we have not been subject to any material civil or criminal penalties for violations of these laws to date, we have incurred costs and diverted resources to respond to reviews that have negatively impacted the profitability of some of our projects. While the costs of these reviews have not been material to our consolidated results of operations in the past, additional or expanded reviews or proceedings on environmental compliance, or any substantial fines or penalties, could affect our profitability and our stock price in the future, or could adversely affect our ability to compete for new business. Changes in environmental regulations could affect our business more significantly than other firms. Accordingly, a reduction in the number or scope of these laws and regulations, or changes in government policies regarding the funding, implementation or enforcement of such laws and regulations, could significantly reduce one of our most important markets and limit our opportunities for growth or reduce our revenues. In addition, any effort by government agencies to reduce the role of private contractors in regulatory programs, including environmental compliance projects, could have material adverse effects on our business.

We may not be successful in growing through acquisitions or integrating effectively any businesses and operations we may acquire.

Our success depends on our ability to continually enhance and broaden our service offerings and our service delivery footprint in response to changing customer demands, technology, and competitive pressures. Numerous mergers and acquisitions in our industry have resulted in a group of larger firms that offer a full complement of single source services including studies, design, engineering, procurement, construction, operations, maintenance, and facility ownership. To remain competitive, we may acquire new and complementary businesses to expand our portfolio of services, add value to the projects undertaken for clients or enhance our capital strength. We do not know if we will be able to complete any future acquisitions or whether we will be able to successfully integrate any acquired businesses, operate them profitably, or retain their key employees.

When suitable acquisition candidates are identified, we anticipate significant competition when trying to acquire these companies, and there can be no assurance that we will be able to acquire such acquisition targets at reasonable prices or on favorable terms. If we cannot identify or successfully acquire suitable acquisition candidates, we may not be able to successfully expand our operations. Further, there can be no assurance that we will be able to generate sufficient cash flow from an acquisition to service any indebtedness incurred to finance such acquisitions or realize any other anticipated benefits. In addition, there can be no assurance that the due diligence undertaken in connection with an acquisition will uncover all liabilities relating to the acquired business. Nor can there be any assurance that our profitability will be improved as a result of these acquisitions. Any acquisition may involve operating risks, such as:

- the difficulty of assimilating the acquired operations and personnel and integrating them into our current business;
- the potential impairment of employee morale;
- the potential disruption of our ongoing business;
- preserving important strategic and customer relationships;
- the diversion of management's attention and other resources;
- the risks of entering markets in which we have little or no experience;

- the possibility that acquisition related liabilities that we incur or assume may prove to be more burdensome than anticipated;
- the risks associated with possible violations of the Foreign Corrupt Practices Act, the United Kingdom Bribery Act of 2010, and other anti-corruption laws as a result of any acquisition; and
- the possibility that any acquired firms do not perform as expected.

The success of our joint ventures depends on the satisfactory performance by our joint venture partners. The failure of our joint venture partners to perform their obligations could impose on us additional financial and performance obligations that could result in reduced profits or significant losses on the projects that our joint ventures undertake.

We routinely enter into joint ventures as part of our business. The success of these joint ventures depends, in large part, on the satisfactory performance of our joint venture partners. If our joint venture partners fail to satisfactorily perform their joint venture obligations as a result of financial or other difficulties, the joint venture may be unable to adequately perform or deliver its contracted services. Under these circumstances, we may be required to make additional investments and provide additional services to ensure the adequate performance and project delivery. These additional obligations could result in reduced profits or, in some cases, significant losses for us with respect to the joint venture.

Occasionally, we participate in joint ventures where we are not a controlling party. In such instances we may have limited control over joint venture decisions and actions, including internal controls and financial reporting, which may have an impact on our business.

We may be restricted in our ability to access the cash flows or assets from our subsidiaries and joint venture partners upon which we are substantially dependent.

We are dependent on the cash flows generated by our subsidiaries and, consequently, on their ability to collect on their respective accounts receivables. Substantially all of our cash flows necessary to meet our operating expenditures are generated by our subsidiaries. The financial condition and operational requirements of our foreign subsidiaries may limit our ability to obtain cash from them. In addition, we conduct some operations through joint ventures. We do not manage all of these entities. Even in those joint ventures that we manage, we are often required to consider the interests of our joint venture partners in connection with decisions concerning the operations of the joint ventures. Arrangements involving our foreign subsidiaries and joint ventures may restrict us from gaining access to the cash flows or assets of these entities. In addition, our foreign subsidiaries sometimes face governmentally imposed restrictions on their abilities to transfer funds to us.

Our dependence on subcontractors and equipment manufacturers could adversely affect us.

We rely on third party subcontractors as well as third party equipment manufacturers to complete our projects. To the extent that we cannot engage subcontractors or acquire equipment or materials, our ability to complete a project in a timely fashion or at a profit may be impaired. If the amount we are required to pay for these goods and services exceeds the amount we have estimated in bidding for fixed price contracts, we could experience losses in the performance of these contracts. In addition, if a subcontractor or a manufacturer is unable to deliver its services, equipment or materials according to the negotiated terms for any reason, including the deterioration of its financial condition, we may be required to purchase the services, equipment or materials from another source at a higher price. These risks are potentially more significant in the current economic downturn if financial difficulties in our supply chain cause our sub contractors or equipment suppliers not to be able to support the demands and schedules of our business. This may reduce the profit we expect to realize or result in a loss on a project for which the services, equipment or materials were needed.

Our defined benefit pension plans have significant deficits that may grow in the future; we may be required to contribute additional cash to meet any underfunded benefit obligations under these plans.

As a result of our recent acquisition of Halcrow, the Company acquired defined benefit pension plans (also known as "defined benefit pension schemes") that have significant deficits. The ongoing funding obligations for the defined benefit pension plans vary from time to time depending on actuarial assumptions outside of the Company's control, such as discount rates, inflation rates, plan investment returns, and life expectancy of the plan members. In order to maintain an adequate funding position over time, the Company continuously reviews these assumptions and mitigates these risks by working with the pension plan trustees and with actuarial and investment advisors. The Company maintains an ongoing dialog with its pension plan trustees to negotiate a reasonable schedule for cash contributions as required by local regulations. If we are unable to agree such schedule in the future, or if the actuarial assumptions change significantly, we could have material adverse effects on our financial position, results of operations and/or cash flows.

We face special risks associated with our international business.

In 2012 and 2011, we derived approximately 31% and 25%, respectively, of our revenues from operations outside of the U.S. Conducting business abroad is subject to a variety of risks including:

- Currency exchange rate fluctuations, restrictions on currency movement and impact of international tax laws could adversely affect our results of operations, if we are forced to maintain assets in currencies other than the U.S. dollar as our financial results are reported in U.S. dollars.
- Political and economic instability and unexpected changes in regulatory environment in countries outside the U.S. could adversely affect our projects overseas and our ability to repatriate cash.
- Inconsistent and diverse regulations, licensing and legal requirements may increase our costs because our operations must comply with a variety of laws that differ from one country to another.
- Terrorist attacks and civil unrest in some of the countries where we do business may delay project schedules, threaten the health and safety of our employees and increase our cost of operations.
- Challenges in managing risks inherent in international operations, such as unique labor rules and corrupt business environments may cause inadvertent violations of laws that we may not immediately detect or correct.

While we are monitoring such regulatory, geopolitical and other factors, we cannot assess with certainty what impact they may have over time on our business.

Limitations of or modifications to, indemnification regulations of the U.S. or foreign countries could adversely affect our business.

The Price-Anderson Nuclear Industries Indemnity Act, commonly called the Price-Anderson Act, ("PAA") is a United States federal law, which, among other things, regulates radioactive materials and the nuclear energy industry, including liability and compensation in the event of nuclear related incidents. The PAA provides certain protections and indemnification to nuclear energy plant operators and Department of Energy ("DOE") contractors. The PAA protections and indemnification apply to us as part of our services to the U.S. nuclear energy industry and the DOE for new facilities, maintenance, modification, decontamination and decommissioning of nuclear energy, weapons, and research facilities. We offer similar services in other jurisdictions outside the U.S., provided we believe similar protections and indemnities are available, either through laws or commercial insurance. These protections and indemnifications, however, may not cover all of our liability that could arise in the performance of these services. To the extent the PAA or other protections and indemnifications do not apply to our services, our business could be adversely affected because of the cost of losses associated with liability not covered by the available protections and indemnifications, or by virtue of our loss of business because of these added costs.

Foreign exchange risks may affect our ability to realize a profit from certain projects.

We attempt to minimize our exposure from currency risks by denominating our contracts in the currencies of our expenditures, obtaining escalation provisions for projects in inflationary economies, or entering into derivative (hedging) instruments. However, these actions may not always eliminate our currency risk exposure. Based on fluctuations in currency, the U.S. dollar value of our backlog may from time to time increase or decrease significantly. We do not enter into derivative instruments or hedging activities for speculative purposes. Our operational cash flows and cash balances may consist of different currencies at various points in time in order to execute our project contracts globally. In addition, our non-U.S. asset and liability balances are subject to currency fluctuations when measured period to period for financial reporting purposes in U.S. dollars. Financial hedging may be used to minimize currency volatility for financial reporting purposes.

Special risks associated with doing business in highly corrupt environments and employee, agent or partner misconduct or failure to comply with anti-bribery and other governmental laws could, among other things, harm our reputation.

The global nature of our business creates various domestic and local regulatory challenges. Our operations include projects in developing countries and countries torn by war and conflict. Many of these countries are rated poorly by Transparency International, the independent watchdog organization for government and institutional corruption around the world. Our operations outside of the U.S. are subject to the Foreign Corrupt Practices Act (“FCPA”), the United Kingdom Bribery Act of 2010, and similar anti-bribery laws in other jurisdictions which generally prohibit companies and their intermediaries from paying or offering anything of value to foreign government officials for the purpose of obtaining or retaining business, or otherwise receiving discretionary favorable treatment of any kind. In addition, we may be held liable for actions taken by our local partners, subcontractors and agents even though such parties are not always subject to our control. Any determination that we have violated the FCPA, the United Kingdom Bribery Act of 2010, or any similar anti-bribery laws in other jurisdictions (whether directly or through acts of others, intentionally or through inadvertence) could result in sanctions that could have a material adverse effect on our business and our reputation and on our ability to secure U.S. federal government and other contracts. While our staff is trained on FCPA and other anti-corruption laws and we have procedures and controls in place to monitor compliance, situations outside of our control may arise that could potentially put us in violation of the these regulations and thus negatively impact our business. In addition, we are also subject to various international trade and export laws. Any misconduct, fraud, non-compliance with applicable governmental laws and regulations, or other improper activities by our employees, agents or partners could have a significant impact on our business, financial results and reputation and could subject us to criminal and civil enforcement actions.

Misconduct could also include the failure to comply with government procurement regulations, regulations regarding the protection of classified information, regulations regarding the pricing of labor and other costs in government contracts, regulations on lobbying or similar activities, regulations pertaining to the internal controls over financial reporting, environmental laws and any other applicable laws or regulations. In addition, we regularly provide services that may be highly sensitive or that relate to critical national security matters; if a security breach were to occur, our ability to procure future government contracts could be severely limited. Failure to comply with applicable laws or regulations or acts of misconduct could subject us to fines and penalties, loss of security clearances, and suspension or debarment from contracting, any or all of which could harm our reputation, reduce our revenues and profits and subject us to criminal and civil enforcement actions.

We face risks associated with working in locations where there are high security risks.

Some of our projects are performed in locations known for their high security risks. In these high risk locations, we may incur substantial security costs to maintain the safety of our employees and work sites. Despite our best efforts, we cannot guarantee the safety of our employees and we may suffer future losses of employees and subcontractors.

We face risks associated with our work sites and the maintenance of adequate safety standards.

Construction and maintenance sites are inherently dangerous workplaces and place our employees in close proximity to dangers of the work site, such as mechanized equipment, moving vehicles, chemical and manufacturing process and materials. Our failure to maintain and implement adequate safety standards and procedures could have a material adverse impact on our business, financial condition and results of operations.

Our businesses could be materially and adversely affected by severe weather.

Repercussions of severe weather conditions may include:

- Evacuation of personnel and curtailment of services which may be temporary in nature;
- Increased labor and materials costs in areas impacted by weather and subsequent increased demand for labor and materials for repairing and rebuilding;
- Weather related damage to our jobsites or facilities;
- Inability to deliver materials to jobsites in accordance with contract schedules; and
- Loss of productivity.

We typically remain obligated to perform our services after a natural disaster unless the contract contains a force majeure clause relieving us of our contractual obligations in such an extraordinary event. If we are not able to react quickly to force majeure, our operations may be affected significantly, which would have a negative impact on our financial condition, results of operations or cash flows.

Rising inflation, interest rates and/or construction costs could reduce the demand for our services as well as decrease our profit on our existing contracts.

Because a significant portion of our revenue is earned from fixed price and guaranteed maximum price contracts as well as contracts that base significant financial incentives on our ability to keep costs down, we bear some or all of the risk of rising inflation with respect to those contracts. In addition, if we expand our business into markets and geographic areas where "fixed price" work is more prevalent, inflation may have a larger impact on our results of operations in the future. Therefore, increases in inflation, interest rates and/or construction costs could have a material adverse impact on our business and financial results.

Inability to secure adequate bonding would impact our ability to win projects.

As is customary in our industry, we are often required to provide performance and surety bonds to customers in connection with our construction, EPC and fixed price projects. These bonds indemnify the customer if we fail to perform our obligations under the contract. Failure to provide a bond on terms and conditions desired by a customer may result in an inability to compete for or win projects.

Historically, we have had and continue to have good relationships with our sureties and have a strong bonding capacity. The issuance of bonds under any bonding facilities, however, is at the sureties' sole discretion. There can be no assurance that bonds will continue to be available to us on reasonable terms. Our inability to obtain adequate bonding may result in our ineligibility to bid for construction, EPC and fixed price projects, which could have a material adverse effect on our growth and financial condition.

It can be difficult or expensive to obtain the insurance we need for our business operations.

As part of our business operations, we maintain insurance both as a corporate risk management strategy and to satisfy the requirements of many of our contracts. Insurance products go through market fluctuations and can become expensive and sometimes very difficult to obtain. We work with a diversified team of insurers to reduce our risk of available capacity. There can be no assurances, however, that we can secure all necessary or appropriate insurance in the future at an affordable price for the required limits. Our failure to obtain such insurance could lead to uninsured losses that could have a material adverse effect on our results of operations or financial condition.

Our present assessment of the insurance market is that there is adequate capacity to cover our insurance needs, but there are indications that the cost of insurance is likely to rise. Currently our insurance and bonds are purchased from several of the world's leading and financially stable providers often in layered insurance or co-surety arrangements. The built-in redundancy of such arrangements usually enables us to call upon existing insurance and surety suppliers to fill gaps that may arise if other such suppliers become financially unstable. Our risk management personnel continuously monitor the developments in the insurance market and financial stability of the insurance providers.

Actual results could differ from the estimates and assumptions used to prepare our financial statements.

In order to prepare financial statements in conformity with generally accepted accounting principles in the U.S., we are required to make estimates and assumptions as of the date of the financial statements which affect the reported values of our assets, liabilities, revenues and expenses, and disclosures of contingent assets and liabilities. Areas requiring significant estimates by us include:

- Recognition of contract revenues, costs, profit or losses in applying the percentage-of-completion method of accounting;
- Recognition of recoveries under contract change orders or claims;
- Collectability of billed and work-in-process unbilled accounts receivables and the need for and the amount of allowances for problematic accounts;
- Estimated amounts for anticipated project losses, warranty costs and contract close-out costs;
- Determination of potential liabilities under pension and other postretirement benefit programs;
- Accruals for self insurance programs for medical, workers compensation, general liability and professional liability;
- Recoverability of deferred tax assets and the related valuation allowances, and accruals for uncertain tax positions;
- Stock option valuation model assumptions;
- Accruals for other estimated liabilities;
- Employee incentive plans and stock valuation;
- Variable interest entities; and
- Asset valuations.

We rely on information systems to conduct our business, and failure to protect these systems against security breaches could adversely affect our business and results of operations. Additionally, if these systems fail or become unavailable for any significant period of time, our business could be harmed.

Because of recent advancements in technology and well-known efforts on the part of computer hackers and cyber terrorists to breach data security of companies, we face risks associated with potential failure to adequately protect critical corporate, client, and employee data which, if released, could adversely impact our client relationships, our reputation, and even violate privacy laws. As part of our business, we develop, receive and retain confidential data about our company and our clients including the U.S. federal and other governments' classified or sensitive information.

In addition, as a global company, we rely heavily on computer, information and communications technology and related systems in order to properly operate. From time to time, we may be subject to systems failures, including network, software or hardware failures, whether caused by us, third party service providers, intruders or hackers, computer viruses, natural disasters, power shortages or terrorist attacks. Such failures could cause loss of data and interruptions or delays in our or our customers' businesses and could damage our reputation. In addition, the failure or disruption of our communications or utilities could cause us to interrupt or suspend our operations or otherwise adversely affect our business. Losses that may occur as a result of any system or operational failure or disruption may cause our actual results to differ materially from those anticipated.

We rely on industry accepted security measures and technology to securely maintain confidential and proprietary information maintained on our information systems. However, these measures and technology may not adequately prevent security breaches. Any significant interruption or failure of our information systems or any significant breach of security could damage our reputation and adversely affect our business and results of operations.

The currently evolving landscape of cyber security regulations relating to "critical infrastructure" may impact our clients, and how we offer our services to our clients.

Risks Related to Our Internal Market

Absence of a public market may prevent you from selling your stock and cause you to lose all or part of your investment.

There is no public market for our common stock. While we intend the internal market to provide liquidity to stockholders, there can be no assurance that there will be enough orders to purchase shares to permit stockholders to sell their shares on the internal market, or that our internal trading market will be sustained in the future. The price in effect on any trade date may not be attractive enough to buyers and sellers to result in a balanced market because the price is determined by our Board of Directors based on their judgment of fair value, and not by actual market trading activity. Moreover, although we may participate in the internal market as a buyer of common stock if there are more sell orders than buy orders in the market, we have no obligation to engage in internal market transactions and will not guarantee market liquidity. Consequently, insufficient buyer demand could cause sell orders to be prorated, or could prevent the internal market from opening on any particular trade date. Insufficient buyer demand could cause stockholders to suffer a total loss of investment or substantial delay in their ability to sell their common stock. No assurance can be given that stockholders desiring to sell all or a portion of their shares of common stock will be able to do so.

Transfer restrictions on our common stock could prevent you from selling your common stock and cause you to lose all or part of your investment.

Since all of the shares of our common stock are subject to transfer restrictions, you will generally only be able to sell your common stock through our internal market on the scheduled trade dates each year. Unlike shares that are actively traded in public markets, you will not be able to sell your shares on demand. Our common stock price could decline between the time you want to sell and the time you become able to sell. For a detailed discussion of the transfer restrictions on our common stock, see Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*.

Our stock prices are and will continue to be determined by our Board of Directors' judgment of fair value and not by market trading activity.

The prices of our common stock at each trade date are established by our Board of Directors based on the factors that are described in Item 5 of this Annual Report on Form 10-K. Our Board of Directors sets the stock price in advance of each trade date, and all trades on our internal market are transacted at the price established by our Board. The market trading activity on any given trade date, therefore, cannot affect the price on that trade date. This is a risk to you because our common stock price will not change to reflect supply of and demand for shares on a given trade date as it would in a public market. You may not be able to sell shares or you may have to sell your shares at a price that is lower than the price that would prevail if the internal market price could change on a given trade date to reflect supply and demand. Our Board of Directors endeavors to use the common stock valuation methodology that results in the stock price that represents fair value. The valuation methodology used to determine fair value is subject to change at the discretion of our Board of Directors.

The limited market and transfer restrictions on our common stock, as well as restrictions in our restated articles of incorporation and bylaws, will likely have anti-takeover effects.

Only our active and retired employees, directors, eligible consultants, and employee benefit plans may own our common stock and participate in our internal market. We also have significant restrictions on the transfer of our common stock other than through sales on our internal market. These limitations make it extremely difficult for a potential acquirer who does not have the prior consent of our Board of Directors to attain control of our company, regardless of the price per share an acquirer might be willing to pay and whether or not our stockholders would be willing to sell at that price. In addition, restrictions in our restated articles of incorporation and bylaws may make it more difficult for our stockholders to elect directors not endorsed by management.

Future returns on our common stock may be significantly lower than historical returns.

We cannot assure you that our common stock will provide returns in the future comparable to those achieved historically or that the price will not decline.

Item 1B. ***Unresolved Staff Comments***

None

Item 2. ***Properties***

Our operations are conducted primarily in leased properties in approximately 60 countries throughout the world. Our corporate headquarters are located in Englewood, Colorado, where we lease approximately 155,000 square feet of space. The lease on our corporate headquarters building expires in 2017, with an option to extend the term twice for either a five or ten year term. We believe that our existing facilities are adequate for the present needs of our business and that suitable additional or substitute space will be available as needed to accommodate any expansion of operations.

Item 3. ***Legal Proceedings***

We are party to various contractual guarantees and legal actions arising in the normal course of business. Because a large portion of our business comes from U.S. federal, state and municipal sources, our procurement and certain other practices at times are subject to review and investigation by U.S. and state attorneys offices. Such state and U.S. government investigations, whether relating to government contracts or conducted for other reasons, could result in administrative, civil or criminal liabilities, including repayments, fines or penalties or could lead to suspension or debarment from future U.S. government contracting. These investigations often take years to complete and many result in no adverse action or alternatively could result in settlement. Damages assessed in connection with and the cost of defending any such actions could be substantial. While the outcomes of pending proceedings and legal actions are often difficult to predict, management believes that proceedings and legal actions currently pending would not result in a material adverse effect on our results of operations or financial condition even if the final outcome is adverse to our company.

Many claims that are currently pending against us are covered by our professional liability insurance. Management estimates that the levels of insurance coverage (after retentions and deductibles) are generally adequate to cover our liabilities, if any, with regard to such claims. Any amounts that are probable of payment are accrued when such amounts are estimable.

In 2010, we were notified that the U.S. Attorney's Office for the Eastern District of Washington is investigating overtime practices in connection with the U.S. Department of Energy Hanford tank farms management contract which we transitioned to another contractor in 2008. In 2011 and 2012, eight former CH2M HILL Hanford Group ("CH2M HILL Subsidiary") employees pleaded guilty on felony charges related to time card fraud committed while working on the Hanford Tank Farm Project. As part of its investigation, the U.S. Attorney's Office raised the possibility of civil and/or criminal charges for possible violations arising from CH2M HILL's Subsidiary overtime practices on the project. In September 2012, the government intervened in a False Claims Act case filed in the District Court for the Eastern District of Washington by one of the employees who plead guilty to time card fraud. We are cooperating with the government's investigation and continue to seek an amicable settlement of any potential civil and criminal charges and resolution of any potential False Claims Act allegations with the Department of Justice. We have reached an agreement in principle with the United States Attorney which, when finalized, will settle the False Claims Act case and result in an agreement by the United States Attorney to not bring criminal charges against us. Based on the information available to us at this time, we do not believe that the ultimate resolution of this matter will have a material impact on our results of operations or financial condition.

Item 4. ***Mine Safety Disclosures***

None.

PART II

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

We are employee-controlled. As a result, our stock is only available to certain active and retired employees, directors, eligible consultants and benefit plans. There is no market for our stock with the general public. In order to provide liquidity for our stockholders, an internal market ("Internal Market") is maintained through an independent broker, currently Neidiger, Tucker and Bruner, Inc. (NTB).

The Internal Market enables eligible participants to offer to sell or purchase shares of our common stock on predetermined days (each, a "Trade Date"). The Trade Dates are determined by our Board. Generally, there are four Trade Dates each year. Currently our Board of Directors meetings are scheduled quarterly. All sales of our common stock are made at the price determined by our Board of Directors pursuant to the valuation methodology described below.

All sales of common stock on the Internal Market are restricted to the following authorized buyers:

- Our employees, directors and eligible consultants
- Trustees of the benefit plans
- Administrator of the Payroll Deduction Stock Purchase Plan ("PDSPP")

We may impose limitations on the number of shares that an individual may purchase when there are more buy orders than sell orders for a particular Trade Date. After our Board of Directors determines the stock price for use on the next Trade Date, all stockholders, employees, directors and eligible consultants will be advised as to the new stock price and the next Trade Date.

Our Internal Market is managed through an independent broker, currently NTB, which acts upon instructions from the buyers and sellers to affect trades at the stock price set by our Board of Directors and in accordance with the Internal Market rules. NTB does not play a role in determining the price of our common stock and is not affiliated with us. Individual stock ownership account records are currently maintained by our in-house transfer agent.

We may purchase shares if the Internal Market is under-subscribed. We may, but are not obligated to, purchase shares of common stock on the Internal Market on any Trade Date at the price in effect on that Trade Date, but only to the extent that the number of shares offered for sale by stockholders exceeds the number of shares sought to be purchased by authorized buyers. The decision as to whether or not we will purchase shares in the Internal Market, if the Internal Market is under-subscribed, is solely within our discretion and we will not notify investors as to whether or not we will participate prior to the Trade Date. Investors should understand that there can be no assurance that they will be able to sell their CH2M HILL stock without substantial delay or that their stock will be able to be sold at all on the Internal Market. We will consider a variety of factors including our cash position, financial performance and number of shares outstanding in making the determination as to whether to participate in an under-subscribed market. The terms of our existing unsecured revolving line of credit do not play a role in the decision as to whether to buy shares in the Internal Market. To date, no other factors have been considered by us in our decisions as to whether or not to participate in an under-subscribed market.

If the aggregate number of shares offered for sale on the Internal Market on any Trade Date is greater than the number of shares sought to be purchased, stockholder offers to sell will be accepted as follows:

- If enough orders to buy are received to purchase all the shares offered by each seller selling fewer than 500 shares and at least 500 shares from each other seller, then all sell orders will be accepted up to the first 500 shares and the portion of any sell orders exceeding 500 shares will be accepted on a pro-rata basis
- If not enough orders to buy are received to purchase all the shares offered by each seller selling fewer than 500 shares and at least 500 shares from each other seller, then the purchase orders will be allocated equally to each seller

We may sell shares if the Internal Market is over-subscribed. To the extent that the aggregate number of shares sought to be purchased exceeds the aggregate number of shares offered for sale, we may, but are not obligated to, sell authorized but unissued shares of common stock on the Internal Market at the price in effect on that Trade Date to satisfy purchase demands. The decision as to whether or not we will sell shares in the Internal Market, if the Internal Market is over-subscribed, is solely within our discretion and we will not notify investors as to whether or not we will participate prior to the Trade Date. Investors should understand that there can be no assurance that they will be able to buy as many shares as they would like on a given Trade Date. We will consider a variety of factors including our cash position, financial performance and number of shares outstanding in making the determination as to whether to participate in an over-subscribed market. The terms of our existing unsecured revolving line of credit do not play a role in the decision as to whether to sell shares in the Internal Market. To date, no other factors have been considered by us in our decisions as to whether or not to participate in an over-subscribed market.

If the aggregate purchase orders exceed the number of shares available for sale and we choose not to issue additional shares, the following prospective purchasers will have priority to purchase shares, in the order listed:

- Administrator of the PDSPP
- Trustees of the 401(k) Plan
- Internal Market participants on a pro-rata basis (including purchases through pre-tax and after-tax deferred compensation plans)

Effective February 11, 2011, all sellers on the Internal Market, other than us and the trustees of the 401(k) Plan, pay NTB a commission fee equal to three tenths of one percent (.3%) of the proceeds from such sales. The previous commission level was two percent (2%) of proceeds from such sales. Employees who sell their common stock upon retirement from our company will have the option to sell the common stock they own on the Internal Market and pay a commission on the sale or to sell to us without paying a commission. In the latter case, the employee will sell their common stock to us at the price in effect on the date of their termination in exchange for a four-year note at a market interest rate determined biannually. No commission is paid by buyers on the Internal Market.

Price of our Common Stock

Our Board of Directors will determine the price, which is intended to be the fair value, of the shares of our common stock to be used for buys and sells on each Trade Date pursuant to the valuation methodology described below. The price per share of our common stock generally is set as follows:

$$\text{Share Price} = [(7.8 \times M \times P) + (SE)] / CS$$

In order to determine the fair value of the common stock in the absence of a public trading market, our Board of Directors felt it appropriate to develop a valuation methodology to use as a tool to determine a price that would be a valid approximation of the fair value. In determining the fair value stock price, our Board of Directors believes that the use of a going concern component (i.e., net income, which we call profit after tax, as adjusted by the market factor) and a book value component (i.e., total stockholders' equity) is important. Our Board of Directors believes that the process we have developed reflects modern equity valuation techniques and is based on those factors that are generally used in the valuation of equity securities.

The existence of an over-subscribed or under-subscribed market on any given Trade Date will not affect the stock price on that Trade Date. However, our Board of Directors, when determining the stock price for a future Trade Date, may take into account the fact that there have been under-subscribed or over-subscribed markets on prior Trade Dates.

Market Factor ("M"). "M" is the market factor, which is subjectively determined in the sole discretion of our Board of Directors. In determining the market factor, our Board of Directors will take into account factors the directors considered to be relevant in determining the fair value of our common stock, including:

- The market for publicly traded equity securities of companies comparable to us
- The merger and acquisition market for companies comparable to us
- The prospects for our future performance
- General economic conditions
- General capital market conditions
- Other factors our Board of Directors deem appropriate

Our Board of Directors has not assigned predetermined weights to the various factors it may consider in determining the market factor. A market factor greater than one would increase the price per share and a market factor less than one would decrease the price per share.

In its discretion, our Board of Directors may change, from time-to-time, the market factor used in the valuation process. Our Board of Directors could change the market factor, for example, following a change in general market conditions that either increased or decreased stock market equity values for companies comparable to us, if our Board of Directors felt that the market change was applicable to our common stock as well. Our Board of Directors will not make any other changes in the method of determining the price per share of common stock unless in the good faith exercise of its fiduciary duties and, if appropriate, after consultation with its professional advisors, our Board of Directors determines that the method for determining the price per share of common stock no longer results in a stock price that reasonably reflects our fair value on a per share basis.

As part of the total mix of information that our Board of Directors considers in determining the "M" factor, our Board of Directors also may take into account company appraisal information prepared by The Environmental Financial Consulting Group, Inc. ("EFCG"), an independent appraiser engaged by the trustees of our benefit plans. In setting the stock price, our Board of Directors compares the total of the going concern and book value components used in the valuation methodology to the enterprise value of the Company in the appraisal provided by EFCG. If, after such comparison, our Board of Directors concludes that its initial determination of the "M" factor should be re-examined, our Board of Directors may review, and if appropriate, adjust the "M" factor. Since the inception of the program on January 1, 2000, the total of the going concern and book value components used by our Board of Directors in setting the price for our stock has always been within the enterprise appraisal range provided quarterly by EFCG.

This "M" component of our stock price valuation remained unchanged since the inception of the current ownership program in 2000 until the November 9, 2007 valuation, when it was changed by the Board of Directors from 1.0 to 1.2.

Profit After Tax ("P"). "P" is profit after tax, otherwise referred to as net income, for the four fiscal quarters immediately preceding the Trade Date. Our Board of Directors, at its discretion, may exclude nonrecurring or unusual transactions from the calculation. Nonrecurring or unusual transactions are developments that the market would not generally take into account in valuing an equity security. A change in accounting rules, for example, could increase or decrease net income without changing the fair value of our common stock. Similarly, such a change could fail to have an immediate impact on the value of our common stock, but still have an impact on the value of our common stock over time. As a result, our Board of Directors believes that in order to determine the fair value of our common stock, it needs the ability to review unusual events that affect net income. In the past, our Board of Directors has excluded unusual items from the calculation of "P", including nonrecurring revenue from Kaiser-Hill Company, LLC and a write off of an investment in an international telecommunications company. Because "P" is calculated on a four quarter basis, an exclusion impacts the calculation of fair value for four consecutive quarters. Our Board of Directors may determine to exclude other future unusual or non-recurring items from the calculation of "P".

Total Stockholders' Equity ("SE"). "SE" is total Stockholders' Equity, which includes intangible items, as set forth on our most recent available quarterly or annual financial statements. Our Board of Directors, at its discretion, may exclude from the Stockholders' Equity parameter nonrecurring or unusual transactions that the market would not generally take into account in valuing an equity security. The exclusions from Stockholders' Equity will generally be those transactions that are non-cash and are reported as "accumulated other comprehensive income (loss)" on the face of our consolidated balance sheet. For example, our Board of Directors excluded, and will continue to exclude, a non-cash adjustment to Stockholders' Equity related to the accounting for our defined benefit pension and other postretirement plans. Because this adjustment is unusual and will fluctuate from period to period, our Board of Directors excluded it from the "SE" parameter for stock valuation purposes. Similarly, other items that are reported as components of "accumulated other comprehensive income (loss)" and non-controlling interests are excluded from "SE" and include items such as unrealized gains/losses on securities and foreign currency translation adjustments.

Common Stock Outstanding ("CS"). "CS" is the weighted-average number of shares of our common stock outstanding during the four fiscal quarters immediately preceding the Trade Date, calculated on a fully-diluted basis. By "fully-diluted" we mean that the calculations are made as if all outstanding options to purchase our common stock had been exercised and other "dilutive" securities were converted into shares of our common stock. In addition, an estimate of the weighted-average number of shares that we reasonably anticipate will be issued under our stock-based compensation programs and employee benefit plans is included in this calculation. For example, we include in CS as calculated an estimate of the weighted-average number of shares that we reasonably anticipate will be issued during the next four quarters under our stock-based compensation programs and employee benefit plans in this calculation. We include an estimate of the weighted-average number of shares that we reasonably anticipate will be issued during the next four quarters because we have more than a 30-year history in making annual grants of stock-based compensation. Therefore, we believe that we have sufficient information to reasonably estimate the number of such "to be issued" shares. This approach avoids an artificial variance in share value during the first calendar quarter of each year when the bulk of shares of our common stock are issued by us pursuant to our stock-based compensation programs. Similarly, if we make a substantial issuance of shares during the four fiscal quarters immediately preceding the Trade Date, using the weighted average of those shares may create an inappropriate variance in share value during the four fiscal quarters following the issuance. For example, if we use shares as all or part of the consideration for the acquisition of a business, the time-weighted average number of shares issued in the acquisition transaction would not match the impact of the transaction reflected in total Stockholders' Equity (or SE) as described above. Therefore, in the discretion of the Board of Directors, a substantial issuance of shares during the four-quarter period used to calculate CS for each Trade Date may be treated as having been issued at the beginning of such four-quarter period. As a result, our Board of Directors may determine, in its discretion, to adjust the weighted-average number of shares to reflect in an appropriate manner the impact of past or anticipated future issuances.

Modification of the Calculation of Common Stock Outstanding ("CS"). On February 9, 2011, our Board of Directors determined that it would be in the best interest of the company and our stockholders to modify the calculation of CS to treat substantial issuances of shares at any time during the four fiscal quarters immediately preceding the Trade Date as having been issued at the beginning of such four-quarter period. As such, we determined that the issuance of 342,379 shares as partial consideration for our acquisition of Halcrow Holdings Limited in November 2011 would result in approximately a 1% artificial increase in the stock price for the first quarterly Trade Date after the fiscal quarter in which the transaction was completed because the shares issued in that transaction were issued only 51 days prior to year end. As a result, under the valuation methodology, such shares would be included in the weighted-average number of shares used to calculate CS on the basis of 51/365 while the full amount of the increase to stockholders' equity resulting from the Halcrow transaction would be included in the SE factor as of December 31, 2011. We determined the artificial increase in the stock price resulting from the Halcrow acquisition would not be material, but could potentially be material in connection with future transactions. Such artificial variance in the calculation of the CS factor can be eliminated, under appropriate circumstances and solely for the purpose of determining the price of our common stock, by treating the transaction involving such substantial issuance of shares as having been completed at the beginning of the four-fiscal quarter period immediately preceding the Trade Date for which the fair value for our stock is being calculated.

The following table shows a comparison of the "CS" value actually used by our Board of Directors to calculate stock prices on the dates indicated versus the year-to-date weighted-average number of shares of common stock as reflected in the diluted earnings per share calculation in our financial statements for the past three years.

Effective Date	CS	YTD Weighted-Average Number of Shares as reflected in Diluted EPS calculation
	(in thousands)	(in thousands)
May 6, 2010	34,353	32,305
August 13, 2010	34,178	32,356
November 12, 2010	33,903	32,270
February 11, 2011	33,450	32,163
May 5, 2011	33,189	31,362
August 10, 2011	32,885	31,327
November 10, 2011	32,670	31,363
February 9, 2012	32,962	31,428
May 11, 2012	32,944	31,801
August 10, 2012	32,941	31,851
November 9, 2012	32,779	31,718
February 15, 2013	32,466	31,484

Constant 7.8. In the course of developing this valuation methodology, it became apparent to our Board of Directors that a multiple would be required in order for the stock price derived by this methodology to approximate our historical, pre-Internal Market stock price. Another objective of our

Board of Directors when developing the valuation methodology was to establish the fair value of our common stock using a market factor of 1.0. We believe that it was important to begin the Internal Market program with an "M" factor equal to 1.0 in order to make it easier for stockholders to understand future changes, if any, to the market factor.

Therefore, the constant 7.8 was introduced into the formula. The constant 7.8 is the multiple that our Board of Directors determined necessary (i) for the new stock price to approximate our historical stock price derived using the pre-Internal Market formula as well as (ii) to allow the use of the market factor of 1.0 at the beginning of the Internal Market program.

We intend to announce the new stock price and the Trade Date approximately four weeks prior to each Trade Date. The information will be delivered by the broker to all employees, eligible consultants and eligible participants in the internal market. In addition, we will file a Current Report on Form 8-K disclosing the new stock price and all components used by our Board of Directors in determining such price in accordance with the valuation methodology described above.

We will also distribute the most current prospectus for our common stock and our audited annual financial statements to all stockholders, as well as other employees and eligible consultants, and to participants in the Internal Market through the employee benefit plans. Such information will be distributed at the same time as our annual reports and proxy information. Solicitations are distributed for voting instructions from stockholders and participants in the employee benefit plans each year.

Current Price of Our Common Stock

Starting in 2000, with the introduction of the Internal Market and its quarterly trades, our Board of Directors reviews the common stock price quarterly using the valuation methodology described above to set the price for the common stock. The prices of our common stock for the past three years, along with the various factors and values used by our Board of Directors to determine such stock prices on each date, are as follows:

Effective Date	M	P (in thousands)	SE (in thousands)	CS (in thousands)	Price Per Share	Percentage Price Increase (Decrease)
May 6, 2010	1.2	93,067	541,940	34,353	41.13	1.5%
August 13, 2010	1.2	105,385	568,233	34,178	45.49	10.6%
November 12, 2010	1.2	106,297	581,344	33,903	46.49	2.2%
February 11, 2011	1.2	106,848	563,649	33,450	46.75	0.6%
May 5, 2011	1.2	115,190	595,629	33,189	50.43	7.9%
August 10, 2011	1.2	122,525	640,303	32,885	54.35	7.8%
November 10, 2011	1.2	121,959	678,358	32,670	55.71	2.5%
February 9, 2011	1.2	124,121	717,414	32,962	57.01	2.3%
May 11, 2012	1.2	110,441	725,247	32,944	53.39	(6.3)%
August 10, 2012	1.2	101,423	743,484	32,941	51.39	(3.7)%
November 9, 2012	1.2	111,722	746,205	32,779	54.67	6.4%
February 15, 2013	1.2	121,490	734,331	32,466	57.64	5.4%

Changes to Commission Charged to Sellers on the Internal Market

Effective February 11, 2011, NTB agreed that all sellers on the internal market, other than CH2M HILL and the trustees of CH2M HILL's benefit plans will pay NTB a commission fee equal to three tenths of one percent (.3%) of proceeds from such sales. It was a reduction from the previous commission level of two percent (2%). No commission is paid by buyers on the internal market.

Holders of Our Common Stock

As of February 8, 2013, there were 8,068 holders of record of our common stock. As of such date, all of our common stock of record was owned by our current and retired employees, directors, eligible consultants, and by our various employee benefit plans. Common stock is held in a trust for each of our employee benefit plans and each trust is considered one holder of record of our common stock.

Dividend Policy

We have never declared or paid any cash dividends on our common stock and no cash dividends are contemplated on our common stock in the foreseeable future.

Issuer Purchases of Equity Securities

The following table covers the purchases of our securities by CH2M HILL during the quarter ended December 31, 2012:

Period	Total Number of Shares	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
October (a)	1,738	$53.18	—	—
November	—	—	—	—
December (a)(b)	929,785	$54.67	—	—
Total	931,523	$54.67	—	—

(a) Shares purchased by CH2M HILL from terminated employees.

(b) Shares purchased by CH2M HILL in the Internal Market.

Item 6. ***Selected Financial Data***

The selected financial data presented below under the captions "Selected Statement of Operations Data" and "Selected Balance Sheet Data" for, and as of the end of, each of the years in the five-year period ended December 31, 2012, are derived from the consolidated financial statements of CH2M HILL Companies, Ltd. and subsidiaries, which consolidated financial statements have been audited by KPMG LLP, an independent registered public accounting firm. The consolidated financial statements as of December 31, 2012 and 2011, and for each of the years in the three-year period ended December 31, 2012, and the report thereon, are included in Item 15. *Exhibits and Financial Statement Schedules* of this Annual Report on Form 10-K. The following information should be read in conjunction with Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations* and the consolidated financial statements and related notes thereto.

The consolidated financial statements and selected financial data below reflect the adoption of new accounting standards related to variable interest entities; accounting for non-controlling interests in consolidated financial statements; employee benefit plan expenses; income taxes; and acquisitions which affect the comparability of information presented. Certain prior years' amounts have been reclassified to conform to the current year presentation.

($ in millions, except per share data)	Years Ended December 31, 2012	2011	2010	2009	2008
Selected Statement of Operations Data:					
Revenue	$6,160.6(d)	$5,555.2	$5,422.8	$5,499.3	$5,589.9
Operating income	158.8	185.2	174.8	174.5(a)	89.2
Net income attributable to CH2M HILL	93.0	113.3	93.7	103.7	32.1
Net income per common share					
Basic	$ 2.99	$ 3.68	$ 2.98	$ 3.25	$ 0.96
Diluted	$ 2.95	$ 3.60	$ 2.91	$ 3.18	$ 0.93
Selected Balance Sheet Data:					
Total assets	$3,114.6	$2,754.0(c)	$1,967.1	$1,948.0	$1,971.8
Long-term debt, including current maturities	252.3(e)	92.8	37.6	52.3(b)	175.9
Total stockholders' equity	616.7	666.3	554.2	524.8	386.7

(a) The increase in 2009 was primarily attributable to the gain of $58.2 million on the sale of certain assets of our Enterprise Management Solutions ("EMS") business.

(b) During 2009, the net repayments of debt were approximately $123.6 million. Repayments were paid out of proceeds from the EMS sale and operating cash flows.

(c) The majority of the increase in total assets relates to the acquisition of Halcrow in November 2011.

(d) The majority of the increase in revenue relates to the acquisition of Halcrow in November 2011.

(e) The majority of the increase in debt relates to funding for Halcrow operations and cash used for increased working capital needs.

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

Business Summary

We are a large employee-controlled professional engineering services firm providing engineering, construction, consulting, design, design-build, EPC, procurement, operations and maintenance, program management and technical services to U.S. federal, state, municipal and local government agencies, national governments, as well as private industry and utilities, around the world. Founded in 1946, we have approximately 30,000 employees worldwide.

We provide services to a diverse customer base including the U.S. federal and foreign governments and governmental authorities, various U.S. federal government agencies, provincial, state and local municipal governments, major oil and gas companies, refiners and pipeline operators, utilities, metal and mining, automotive, food and beverage and consumer products manufacturers, microelectronics, pharmaceuticals and biotechnology companies. We believe we provide our clients with innovative project delivery using cost-effective approaches and advanced technologies.

Our revenues are dependent upon our ability to attract and retain qualified and productive employees, identify business opportunities, allocate our labor resources to profitable markets, secure new contracts, execute existing contracts, and maintain existing client relationships. Moreover, as a professional services company, the quality of the work generated by our employees is integral to our revenue generation.

The Budget Control Act of 2011 imposed a process known as sequestration to implement $1.2 trillion in automatic spending cuts starting on March 1, 2013 and effective through fiscal year 2021, unless an alternative federal budget management process is agreed between the U.S. Congress and the President of the United States. If the sequestration takes effect, the agencies of the U.S. Federal Government may be required to modify or terminate contracts and substantially reduce awards of new work to companies like CH2M HILL, which will likely impact our ability to earn revenue on projects already awarded, win new work from U.S. Government customers and may have an adverse impact on our financial condition. We are beginning to feel the effects of the impending sequestration as a result of a postponement in projects, at least one termination for convenience after contract award, and cancellations of planned projects prior to award.

Acquisitions

We continuously monitor acquisition and investment opportunities that will expand our portfolio of services, provide local resources internationally to serve our customers, add value to the projects undertaken for clients, or enhance our capital strength.

On November 10, 2011, we purchased all the share capital of Halcrow Holdings Limited ("Halcrow") for approximately £124.0 million ($197.3 million). Halcrow is a United Kingdom-headquartered engineering, planning, design and management services firm specializing in developing infrastructure and buildings. Halcrow has 5,000 employees who provide services to our clients in the United Kingdom, Middle East, Canada, the United States, China, India, Australia, South America, and Europe. Halcrow's clients include public and private-sector organizations around the world, including local, regional and national governments, asset owners, international funding agencies, regulators, financial institutions, contractors, developers and operators. The results of Halcrow's operations have been reported in the consolidated financial statements since the date of acquisition.

On July 29, 2011, we acquired Booz Allen Hamilton's State and Local Government Transportation and Consulting business ("BAH"). BAH has approximately 150 employees and provides management consulting, system engineering, vehicle engineering, asset management, train control and communications systems, systems safety and revenue system consulting to transit and rail agencies throughout North America. The cost of the acquisition was $28.5 million adjusted for working capital requirements. The results of operations for BAH have been included in the consolidated financial statements since the date of acquisition and are reported in the GEI operating segment.

Summary of Operations

Effective January 1, 2012, we reorganized our reporting structure under which our chief operating decision maker regularly reviews operating results and makes strategic and operating decisions with regards to assessing performance and allocating resources in order to streamline our business and reducing overhead costs. As a result, we formed the Energy, Water, and Facilities ("EWF") segment and the Government, Environment, and Infrastructure ("GEI") segment. The reporting units previously included in the Energy and Water segment in 2011 were moved to the EWF segment and the reporting units previously included in the Government, Environment and Nuclear segment in 2011 were moved to the GEI segment. Reporting units that were previously included in the Facilities and Infrastructure segment were divided into either the EWF or GEI segment, accordingly. Additionally, for 2012, the results of operations for various lines of business acquired within Halcrow were assigned to the appropriate reporting units within our segments according to the nature of their operations. The majority of the Halcrow operations were assigned to our transportation reporting unit. We believe this new organizational structure will help us capitalize on cross-market synergies, consolidate our service offerings and optimize our client management process. Prior period amounts have been adjusted to conform to the revised organization.

Results of Operations for the Year Ended December 31, 2012 Compared to 2011

($ in millions)	2012 Revenue	2012 Equity in Earnings	2012 Operating Income (Loss)	2011 Revenue	2011 Equity in Earnings	2011 Operating Income (Loss)	Change Revenue		Change Equity in Earnings	Change Operating Income (Loss)	
Energy, Water and Facilities	$3,474.8	$22.6	$ 88.2	$2,784.4	$25.0	$ 99.6	$690.4	24.8%	$(2.4)	$(11.4)	(11.4)%
Government, Environment and Infrastructure	2,685.8	41.1	93.2	2,770.8	39.5	107.0	(85.0)	(3.1)%	1.6	(13.8)	(12.9)%
Corporate	—	—	(22.6)	—	—	(21.4)	—	—	—	(1.2)	(5.6)%
Total	$6,160.6	$63.7	$158.8	$5,555.2	$64.5	$185.2	$605.4		$(0.8)	$(26.4)	

Energy, Water and Facilities Segment

Revenue from our EWF segment increased for the year ended December 31, 2012 compared to the same period in the prior year by $690.4 million, or 24.8%. Approximately $177.9 million of the revenue increase relates to Halcrow operations. The remaining increase in revenue of $512.5 million is primarily attributable to four new EPC power projects awarded in late 2011. Our E&C business also experienced year over year increases in revenues due to higher volumes on operations and maintenance projects on the North Slope of Alaska. Additionally, we experienced improved volumes in our North American design-build water and wastewater reclamation projects as well as increases in our international water projects in the United Kingdom and Middle East. These increases were partially offset by a decrease in revenue from a significant water project that completed the design-build phase of the project in 2012 and transitioned into the operations phase.

Operating income decreased for the year ended December 31, 2012 by $11.4 million, or 11.4% compared to the prior year period. During the year ended December 31, 2012, approximately $9.8 million of the decrease related to losses in Halcrow's operations, which was comprised of $2.2 million of operating income, $5.4 million of acquisition related amortization expense and $6.6 million in costs incurred to integrate the Halcrow operations. Excluding Halcrow, operating income was $98.0 million for the year ended December 31, 2012 compared to $99.6 million in the comparable prior year period. The annual results for 2012 were negatively impacted by a significant loss on a power project in the western United States as well as two loss projects within our E&C business in North America. These project losses were partially offset by better performance in our E&C construction business where we were able to reduce losses on projects in 2012 compared to 2011, as well as the recovery of costs on an OM project in the southwest United States in the second quarter of 2012. In addition, allocable corporate overhead costs and indirect spending within the EWF segment has decreased during 2012 in comparison to 2011. While revenues from our Water business increased during 2012, operating profit for the same period remained relatively constant due to certain higher margin contracts being completed in 2011 as well as slightly higher overhead costs during 2012.

Government, Environment and Infrastructure Segment

Revenue from our GEI segment decreased for the year ended December 31, 2012, compared to the same period in the prior year by $85.0 million, or 3.1%. Excluding revenue related to Halcrow of $394.1 million, the segment experienced a decline of $479.1 million during the year ended December 31, 2012. This decline in revenue was primarily the result of lower volumes in our Nuclear markets as a result of a decrease in funding levels for large Department of Energy projects as well as lower design build volumes in the Middle East in our GF&I business. These decreases were partially offset by improved results in our domestic and international environmental services private-sector clients business as well as growth in our domestic Transportation business, driven by the Booz Allen Hamilton acquisition in 2011.

Operating income decreased for the year ended December 31, 2012 compared to the same period in the prior year by $13.8 million, or 12.9%. Our GEI operating results were affected by a 2012 loss of approximately $27.7 million in Halcrow's operations which was comprised of $6.2 million of income from operations, $18.6 million of acquisition related amortization expense and $15.3 million of costs incurred to integrate the Halcrow operations. Excluding Halcrow, operating income was $120.9 million for the year ended December 31, 2012 compared to $107.0 million in the comparable prior year period. This increase of $13.9 million in operating income, excluding Halcrow, relates primarily to volume growth in our ES business and our North American consulting services in our Transportation business. In addition, excluding Halcrow, allocable corporate overhead costs and indirect spending within the GEI division has decreased during 2012 in comparison to 2011. The operating income increase, excluding Halcrow, was significantly impacted by increased costs on various U.S. government military base facility projects within our GF&I business, resulting in an overall decrease in gross margin. The overall decrease in revenue volumes in our Nuclear and GF&I markets discussed above also impacted our operating income for the year. These decreases in earnings were principally offset by fees earned from the successful completion of the venues on the London 2012 Olympics.

Results of Operations for the Year Ended December 31, 2011 Compared to 2010

	2011			2010			Change				
($ in millions)	Revenue	Equity in Earnings	Operating Income (Loss)	Revenue	Equity in Earnings	Operating Income (Loss)	Revenue		Equity in Earnings	Operating Income (Loss)	
Energy, Water and Facilities	$2,784.4	$25.0	$ 99.6	$2,667.1	$24.6	$ 49.4	$117.3	4.4%	$ 0.4	$ 50.2	101.6%
Government, Environment and Infrastructure	2,770.8	39.5	107.0	2,755.7	43.9	138.4	15.1	0.5%	(4.4)	(31.4)	(22.7)%
Corporate	—	—	(21.4)	—	—	(13.0)	—	—	—	(8.4)	64.6%
Total	$5,555.2	$64.5	$185.2	$5,422.8	$68.5	$174.8	$132.4		$(4.0)	$ 10.4	

Energy, Water and Facilities Segment

Revenue increased for the year ended December 31, 2011, compared to the prior year by $117.3 million or 4.4%. The increase in revenue was partially attributable to the acquisition of Halcrow in November 2011, which contributed approximately $35.5 million of revenues to this segment. Revenue also increased in our OM business due to new water projects in Washington and Arizona. Additionally, this increase was attributable to improvement in our North American operations and maintenance equipment rental program as well as improvements in engineering services within our E&C business. Finally, our I&AT business experienced higher volumes of work due to increased capital spending in that sector. These increases in revenue were slightly offset due to the completion of design-build projects in North America and Australia for both our Power and Water businesses during the second half of 2011.

Operating income increased for the year ended December 31, 2011 compared to 2010 by $50.2 million, or 101.6%. This increase was primarily due to a shift in the mix of our business within our I&AT market from construction to design projects. An increase in design projects, which contribute higher margins than construction projects, was consistent with the trend in capital spending in this market at that time. Additionally, our OM business recognized higher margins on design-build-operate projects as they transitioned to the operational phases of the projects. Although our Power business experienced lower revenues in 2011, it was able to maintain its year over year operating income due to incentive fees earned on the successful completion of construction milestones from their design build projects as well as successfully managing their controllable indirect costs. These increases were partially offset by a loss on a large construction project in our North American E&C business as well as decreasing margins on their operations and maintenance and engineering work.

Government, Environment and Infrastructure Segment

Revenue increased for the year ended December 31, 2011, compared to the same period in the prior year by $15.1 million or 0.5%. The increase in revenue was directly attributable to the acquisition of Halcrow in November 2011, which contributed approximately $78.6 million of revenues to this segment. Additionally, we experienced improved results in the Environmental Services market due to the start of the Twelve Mile Creek construction project and other work performed for the U.S. Environmental Protection Agency. These increases were significantly offset by decreased volumes in our Nuclear and GF&I businesses as a result of the conclusion of the American Recovery and Reinvestment Act ("ARRA") projects in 2011 that had provided full year revenues in 2010. Additionally, revenue decreased in our GF&I business due to the lack of new awards in the first half of 2011 during the Congressional Budget impasse. Revenues from our Transportation business remained relatively consistent year over year.

Operating income decreased for the year ended December 31, 2011 compared to the same period in the prior year by $31.4 million or 22.7%. The decrease in operating income was primarily due to the decrease in revenues in our Nuclear and GF&I businesses discussed above. Additionally, our GF&I business experienced increased costs on U.S. government military base facility projects in both the U.S. and Middle East. Furthermore, the GF&I market provided fewer services in support of disaster response work to FEMA during 2011 compared to 2010. Finally, we experienced a decrease in earnings from our Transportation business due to claims arising on two port projects as well as a decrease in fees earned on a major bridge project completed in 2010. These decreases were partially offset by schedule incentive fees on the River Corridor project in our Nuclear business. We also recorded increased earnings in 2011 compared to 2010 from our program management activities on the London 2012 Olympics as we earned fees for the successful completion of certain Olympic venues.

Corporate

The Corporate segment includes expenses which represent centralized management costs that are not allocable to individual operating segments and primarily include expenses associated with administrative functions such as executive management, legal, and general business development efforts. Corporate expenses for the year ended December 31, 2012 were $22.6 million compared to $21.4 million for the same period in the prior year. The increase in corporate costs for 2012 is primarily due to increased severance costs associated with overhead reduction efforts offset by a decrease in activities associated with initiatives for potential acquisitions and business development activities.

Income Taxes

The income tax provisions for the years ended December 31, 2012, 2011 and 2010 are as follows:

($ in millions)	Income Tax Provision	Effective Tax Rate
2012	$52.1	35.9%
2011	$55.9	33.1%
2010	$53.8	36.5%

The effective tax rate for the year ended December 31, 2012 was 35.9% compared to 33.1% for the same period in the prior year. The effective tax rate in 2012 was higher in comparison to the effective rate in 2011 primarily due to a 2012 decrease in domestic permanent benefits such as the research and experimentation credit and the domestic production deduction as well as the 2012 negative impacts of certain foreign operations which were partially offset by international tax planning. Our effective tax rate continues to be negatively impacted by the effect of state income taxes, non-deductible foreign net operating losses, the disallowed portion of executive compensation, and disallowed portions of meals and entertainment expenses.

The effective tax rate for the year ended December 31, 2011 was 33.1% compared to 36.5% for 2010. The 2011 rate was favorably impacted by significant improvements in foreign operating results when compared to 2010, as well as benefits from international tax planning strategies.

We must assess the likelihood that we will be able to recover our deferred tax assets. If recovery is not likely, we must increase our tax provision by recording a valuation allowance for the deferred tax assets that we estimate will not ultimately be recoverable. As of December 31, 2012 and 2011, we reported a valuation allowance of $116.9 million and $99.3 million, respectively, related primarily to the reserve of certain foreign net loss carryforwards.

Liquidity and Capital Resources

Our primary sources of liquidity are cash flows from operations and borrowings under our unsecured revolving line of credit. Our primary uses of cash are to fund our working capital, capital expenditures and purchases of common stock presented on our internal market. During the year ended December 31, 2012, cash provided by operating activities was $134.2 million compared to $257.4 million for the year ended December 31, 2011. The significant decrease in cash provided by operations is primarily due to an increase in working capital needs primarily attributable to slower collections of accounts receivables as well as timings of billings of our work in progress.

Billings and collections on accounts receivable can impact our operating cash flows. We continuously monitor collection efforts and assess the allowance for doubtful accounts. Based on this assessment at December 31, 2012, we have deemed the allowance for uncollectible accounts to be adequate; however, future economic conditions may adversely impact some of our clients' ability to pay our bills or the timeliness of their payments. Consequently, it may also impact our timing of cash receipts necessary to meet our operating needs.

Cash used in investing activities was $33.1 million in the year ended December 31, 2012 compared to $217.0 million used in investing activities for the same period in 2011. The majority of investing expenditures during 2011 related to the $187.7 million spent on the acquisitions of Halcrow and BAH, net of $23.5 million of cash acquired. In addition, we spent $46.7 million and $30.2 million on capital expenditures in 2012 and 2011, respectively. These cash outflows were partially offset by proceeds from the sale of fixed assets of $1.0 million and $6.4 million in 2012 and 2011, respectively. We had net distributions of capital from our joint ventures of $12.7 million in the year ended December 31, 2012 compared to cash outflows for joint venture capital contributions of $5.5 million in the year ended December 31, 2011.

Cash provided by financing activities was $1.8 million in the year ended December 31, 2012 compared to $118.0 million of cash used in financing activities for the same period in 2011. The major components of our financing activities include repurchases and retirements of our common stock and net borrowings or repayments on our long-term debt. For the twelve months ended December 31, 2012, repurchases of stock were $157.2 million compared to $93.6 million for the same period in the prior year. Additionally, the net proceeds from borrowings on debt were approximately $159.4 million during 2012 compared to approximately $25.7 million repayments of debt during 2011. The primary uses of cash received from borrowings during 2012 were to fund increased working capital needs discussed above. For additional information regarding repurchases of stock and our Internal Market, see Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*.

We finance our operations, acquisitions and capital expenditures using a variety of capital vehicles. On December 6, 2010, we entered into a Credit Agreement providing for an unsecured revolving Credit Facility (the "Credit Facility") in an amount up to $600.0 million. We entered into an amendment to the original Credit Agreement on September 27, 2011 which provided modifications to certain covenants and other provisions of the Credit Agreement to take into account the acquisition of Halcrow. On April 19, 2012 we amended and restated this agreement for the purposes of increasing the size of the Credit Facility to $900.0 million, extending the maturity to April 19, 2017, increasing the capacity of certain subfacilities as well as improving our borrowing rates. Under the terms of the revised agreement we may be able to invite existing and new lenders to increase the amount available to be borrowed under the agreement by up to $200.0 million. The revised credit facility has a subfacility for the issuance of standby letters of credit in a face amount up to $500.0 million, compared to $300.0 million in the original agreement, and a subfacility up to $300.0 million for multicurrency borrowings, which is unchanged from the original agreement

Revolving loans under the Credit Facility bear interest, at our option, at a rate equal to either (i) the base rate plus a margin based on our consolidated leverage ratio or (ii) the eurodollar rate, based on interest periods of one, two, three or six months, plus a margin based on our consolidated leverage ratio. The base rate is defined as the highest of (i) the "Federal Funds Rate," as published from time to time by the Federal Reserve Bank of New York, plus 0.5%, (ii) the Agent's "prime rate" in effect from time to time, and (iii) the one month eurodollar rate in effect from time to time, plus 1.0%. Our "consolidated leverage ratio" on any date is the ratio of our consolidated total funded debt to our consolidated adjusted earnings before interest, taxes, depreciation and amortization for the preceding four fiscal quarters. The definition of consolidated adjusted earnings before interest, taxes, depreciation and amortization was amended to allow for the addition of, among other things, all expenses associated with the non-cash portion of all stock-based compensation. We are also obligated to pay other closing fees, commitment fees and letter of credit fees customary for a credit facility of this size and type. Under the terms of the revised agreement, the margin added to either the base rate or the eurodollar rate has decreased, which provides us with access to capital at lower overall borrowing rates.

Both the original and revised credit agreements contain customary representations and warranties and conditions to borrowing. They also include customary affirmative and negative covenants, including covenants that limit or restrict our ability to incur indebtedness and other obligations, grant liens to secure their obligations, make investments, merge or consolidate, dispose of assets outside the ordinary course of business, enter into transactions with affiliates, and make certain kinds of payments, in each case subject to customary exceptions for credit facilities of this size and type. We are also required to comply with a minimum consolidated fixed charge coverage ratio and a maximum consolidated leverage ratio. As of December 31, 2012, we were in compliance with the covenants required by the Credit Agreement. There can be no assurance that the capacity under this facility will be adequate to fund future operations or acquisitions we may pursue from time to time.

At December 31, 2012, issued and outstanding letters of credit of $126.5 million were reserved against the borrowing base of the Credit Facility, compared to $90.6 million at December 31, 2011. Additionally, Halcrow and CH2M HILL have approximately $106.4 million of other letters of credit and bank guarantee facilities with various banks. Approximately $27.5 million of letters of credit and $48.5 million of bank guarantees were outstanding as of December 31, 2012, leaving us with remaining available capacity of approximately $30.4 million on these other credit facilities.

The remaining borrowing capacity under the revised credit facility is $504.3 million at December 31, 2012. Based on our total cash and credit capacity available at December 31, 2012, we believe we have sufficient resources to fund our operations, any future acquisition and capital expenditure requirements, as well as purchases of common stock presented on our internal market, should we choose to do so, for the next 12 months and beyond.

Depreciation and Amortization

Depreciation and amortization expense for the year ended December 31, 2012 of $79.6 million was $31.4 million greater than the same period in 2011. The increase was due to an increase in depreciation expense of $3.9 million and an increase in amortization expense of $27.5 million. We recognized $38.6 million and $11.1 million of amortization expense related to intangible assets during 2012 and 2011, respectively. The increase in amortization expense in 2012 is related to amortization of the intangible assets acquired in the Halcrow and BAH transactions as well as amortization of a tradename, previously acquired. The increase in depreciation is primarily due to the addition of property, plant and equipment acquired in the Halcrow acquisition.

Off-Balance Sheet Arrangements

We have interests in multiple joint ventures, some of which are considered variable interest entities. These entities facilitate the completion of contracts that are jointly owned with our joint venture partners. These joint ventures are formed to leverage the skills of the respective partners and include consulting, construction, design, project management and operations and maintenance contracts. Our risk of loss on joint ventures is similar to what the risk of loss would be if the project was self-performed, other than the fact that the risk is shared with our partners.

There were no substantial changes to other off-balance sheet arrangements or contractual commitments during the twelve months ended December 31, 2012.

Aggregate Commercial Commitments

We maintain a variety of commercial commitments that are generally made available to provide support for various provisions in engineering and construction contracts. Letters of credit are provided to clients in the ordinary course of the contracting business in lieu of retention or for performance and completion guarantees on engineering and construction contracts. We post surety and bid bonds, which are contractual agreements issued by a surety, for the purpose of guaranteeing our performance on contracts and to protect owners and are subject to full or partial forfeiture for failure to perform obligations arising from a successful bid. We also carry substantial premium paid, traditional insurance for our business risks including professional liability and general casualty insurance and other coverage which is customary in our industry.

We believe that we will be able to continue to have access to professional liability and general casualty insurance, as well as bonds, with sufficient coverage limits, and on acceptable financial terms necessary to support our business. The cost of such coverage has remained stable during 2012 and is expected to continue to be stable in the foreseeable future. For additional information, see Item 1A. *Risk Factors*.

Our risk management personnel continuously monitor the developments in the insurance market. The financial stability of the insurance and surety providers is one of the major factors that we take into account when buying our insurance coverage. Currently our insurance and bonds are purchased from several of the world's leading and financially stable providers often in layered insurance or co-surety arrangements. The built-in redundancy of such arrangements usually enables us to call upon existing insurance and surety suppliers to fill gaps that may arise if other such suppliers become financially unstable.

Contractual obligations outstanding as of December 31, 2012 are summarized below:

($ in millions) Contractual Obligations	Amount of Commitment Expiration Per Period Less than 1 Year	1-3 Years	4-5 Years	Over 5 Years	Total Amount Committed
Letters of credit	$ 94.7	$ 36.2	$ —	$ 23.1	$ 154.0
Bank guarantees	22.9	12.3	1.4	11.9	48.5
Total debt	3.5	6.5	238.2	4.1	252.3
Interest payments	4.8	9.0	8.5	0.3	22.6
Operating lease obligations	106.3	160.3	107.5	85.0	459.1
Surety and bid bonds	507.1	1,199.8	—	35.2	1,742.1
Total	$739.3	$1,424.1	$355.6	$159.6	$2,678.6

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). The preparation of these financial statements requires us to make estimates and judgments that affect both the results of operations as well as the carrying values of our assets and liabilities. Some of our accounting policies require us to make difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. We base estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities as of the date of the financial statements that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Although our significant accounting policies are described in the Notes to Consolidated Financial Statements in Item 15. of this Annual Report on Form 10-K, below is a summary of our most critical accounting policies.

Revenue Recognition

We earn our revenues from different types of services under a variety of different types of contracts, including cost-plus, fixed-price and time-and-materials. We evaluate contractual arrangements to determine how to recognize revenue. We recognize revenue and profit for most of our contracts on the percentage-of-completion method where progress towards completion is measured by relating the actual cost of work performed to date to the current estimated total cost of the respective contract. In making such estimates, judgments are required to evaluate potential variances in schedule, the cost of materials and labor, productivity, liability claims, contract disputes, or achievement of contract performance standards.

Change orders are included in total estimated contract revenue when it is probable that the change order will result in an addition to contract value and can be reliably estimated. Losses on construction and engineering contracts in process are recognized in their entirety when the loss becomes evident and the amount of loss can be reasonably estimated.

We have a history of making reasonable estimates of the extent of progress towards completion, total contract revenue and total contract costs on our engineering and construction contracts. However, due to uncertainties inherent in the estimation process, actual total contract revenue and completion costs can vary from estimates.

Below is a description of the three basic types of contracts from which we may earn revenues using the percentage-of-completion method.

Cost-Plus Contracts. Cost-plus contracts can be cost plus a fixed fee or rate, or cost plus an award fee. Under these types of contracts, we charge our clients for our costs, including both direct and indirect costs, plus a fixed negotiated fee or award fee. We generally recognize revenue based on the actual labor costs and non-labor costs we incur, plus the portion of the fixed fee or award fee we have earned to date. If the actual labor hours and other costs we expend are lower than the total number of hours and other costs we have estimated, our revenues related to cost recoveries from the project will be lower than originally estimated. If the actual labor hours and other costs we expend exceed the original estimate, we must obtain a change order, contract modification, or successfully prevail in a claim in order to receive payment for the additional costs.

In the case of a cost-plus award fee, we include in the total contract value the portion of the fee that we are probable of receiving. Award fees are influenced by the achievement of contract milestones, cost savings and other factors.

Fixed Price Contracts. Under fixed price contracts, our clients pay us an agreed amount negotiated in advance for a specified scope of work. For engineering and construction contracts, we recognize revenue on fixed price contracts using the percentage-of-completion method where costs incurred to date are compared to total projected costs at contract completion. Prior to completion, our recognized profit margins on any fixed price contract depend on the accuracy of our estimates and will increase to the extent that our actual costs are below the original estimated amounts. Conversely, if our costs exceed these estimates, our profit margins will decrease and we may realize a loss on a project. If our actual costs exceed the original estimate, we attempt to obtain a change order or contract modification.

Time-and-Materials Contracts. Under our time-and-materials contracts, we negotiate hourly billing rates and charge our clients based on the actual time that we expend on a project. In addition, clients reimburse us for our actual out-of-pocket costs of materials and other direct expenditures that we incur in connection with our performance under the contract. Our profit margins on time-and-materials contracts fluctuate based on actual labor and overhead costs that we directly charge or allocate to contracts compared with the negotiated billing rate and markup on other direct costs. Some of our time-and-materials contracts are subject to maximum contract values, and accordingly, revenue under these contracts are recognized under the percentage-of-completion method where costs incurred to date are compared to total projected costs at contract completion. Revenue on contracts that are not subject to maximum contract values are recognized based on the actual number of hours we spend on the projects plus any actual out-of-pocket costs of materials and other direct expenditures that we incur on the projects. Our time-and-materials contracts generally include annual billing rate escalation provisions.

Operations and Maintenance Contracts. A portion of our contracts are operations and maintenance type contracts. Typically, these contracts may include fixed and variable components along with incentive fees. Revenue is recognized on operations and maintenance contracts on a straight-line basis over the life of the contract once we have an arrangement, delivery has occurred, the price is fixed or determinable and collectability is reasonably assured.

Income Taxes

In determining net income for financial statement purposes, we must make estimates and judgments in the calculation of tax assets and liabilities and in the determination of the recoverability of the deferred tax assets. The tax assets and liabilities arise from temporary differences between the tax return and the financial statement recognition of revenue and expenses. We must assess the likelihood that we will be able to recover our deferred tax assets. If recovery is not likely, we must increase our tax provision by recording a valuation allowance for the deferred tax assets that we estimate will not ultimately be recoverable.

In addition, the calculation of our income tax provision involves uncertainties in the application of complex tax regulations. For income tax benefits to be recognized, a tax position must be more likely than not to be sustained upon ultimate settlement. We record reserves for uncertain tax positions that do not meet this criterion.

Goodwill

Goodwill represents the excess of costs over fair value of assets of businesses acquired. Goodwill acquired in a purchase business combination is not amortized, but instead is tested for impairment at least annually in accordance with the provisions of the FASB Accounting Standards Codification ("ASC") 350, *Intangibles—Goodwill and Other* ("ASC 350"), as amended under Accounting Standards Update 2011-08 ("ASU 2011-08"). In performing the annual impairment test, we evaluate our goodwill at the reporting unit level which we have determined based upon our various lines of business within each of our reporting segments. These lines of business are further discussed in Item 1 of this Form 10-K within the respective segments. Under the guidance of ASC 350, we have the option to assess either quantitative or qualitative factors to determine if it is more likely than not that the fair values of our reporting units are less than their carrying amounts. If after assessing the totality of events or circumstances, we determine that it is not more likely than not that the fair values of our reporting units are less than their carrying amounts, then the next step of the impairment test is unnecessary. If we conclude otherwise, then we are required to test goodwill for impairment under the two-step process. The two-step process involves comparing the estimated fair value of each reporting unit to the unit's carrying value, including goodwill. If the fair value of a reporting unit exceeds its carrying value, the goodwill of the reporting unit is not considered impaired; therefore, the second step of the impairment test is unnecessary. If the carrying amount of a reporting unit exceeds its fair value, we would then perform a second step to measure the amount of goodwill impairment loss to be recorded. We determine the fair value of our reporting units using a market approach. Our market based valuation method provides estimates of the fair value of our reporting units based on applying a multiple to our estimate of a cash flow metric for each business unit. Our annual goodwill impairment test is conducted as of October 1st of each year.

At our goodwill assessment date in 2012, we concluded that the two-step process was necessary to assess the goodwill associated with the Halcrow acquisition (see *Acquisitions* above). Based on our assessment, using the market valuation approach described above, we concluded there was no indication of impairment of the goodwill in any of our reporting units. At our 2011 goodwill assessment date, our qualitative assessment determined there were no events or circumstances that lead us to believe it was more likely than not that the fair values of our reporting units were less than their carrying amounts.

Pension and Postretirement Employee Benefits

The unfunded or overfunded projected benefit obligation of our defined benefit pension plans and other postretirement benefits are recorded in our consolidated financial statements using actuarial valuations that are based on many assumptions. These assumptions primarily include discount rates, rates of compensation increases for participants, and long-term rates of return on plan assets. We use judgment in selecting these assumptions each year because we have to consider not only the current economic environment in each host country, but also future market trends, changes in interest rates and equity market performance. Our plan liabilities are most sensitive to changes in the discount rates, which if reduced by 25 basis points, plan liabilities for the U.S. and non-U.S. plans would increase by approximately $8.4 million and $45.9 million, respectively. Changes in these assumptions have an immaterial impact on our net periodic pension costs as most of our defined benefit arrangements have been closed to new entrants and ceased future accruals.

Recent Accounting Standards

In June 2009, the FASB issued Accounting Standards Update (ASU) 2009-17, *Consolidations (Topic 810)—Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities,* revising the existing guidance on the consolidation and disclosures of variable interest entities ("VIEs") which was codified in Accounting Standards Codification ("ASC") 810-10. Specifically, it changes how a reporting entity determines when an entity that is insufficiently capitalized or is not controlled through voting rights should be consolidated. The determination of whether a reporting entity is required to consolidate another entity is based on, among other things, the entity's purpose and design and the reporting entity's ability to direct the activities of the other entity that most significantly impact the other entity's economic performance. The guidance also requires additional disclosures about a company's involvement with VIEs and requires an entity to continually assess any significant changes in risk exposure as well as an entity's assessment of the primary beneficiary of the entity. ASC 810-10 became effective for us beginning January 1, 2010.

In May 2011, the FASB issued ASU 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS*, which amends current guidance to result in common fair value measurement and disclosures between accounting principles generally accepted in the United States and International Financial Reporting Standards. The amendments explain how to measure fair value. They do not require additional fair value measurements and are not intended to establish valuations standards or affect valuation practices outside of financial reporting. The amendments in ASU 2011-04 became effective for our interim and annual periods beginning January 1, 2012. The adoption of the provisions of ASU 2011-04 did not have a material impact on our consolidated financial position or results of operations.

In June 2011, the FASB issued ASU 2011-05, *Presentation of Comprehensive Income*, which changes the financial reporting of items reported in other comprehensive income ("OCI") by eliminating the option to present components of OCI as part of the statement of changes in stockholders' equity. The amendments in this standard require that all nonowner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The amendments in this standard do not change the items that must be reported in OCI, when an item of OCI must be reclassified to net income, or change the option for an entity to present components of OCI gross or net of the effect of income taxes. The amendments in ASU 2011-05 became effective for our interim and annual periods beginning January 1, 2012 and have been applied retrospectively.

In December 2011, the FASB issued ASU 2011-11 Balance Sheet Topic 210, *Disclosures about Offsetting Assets and Liabilities*. ASU 2011-11 requires that an entity disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. ASU 2011-11 is effective for annual and interim periods beginning on January 1, 2013 and will be applied retrospectively.

In July 2012, the FASB issued ASU 2012-02, *Testing Indefinite-Lived Intangible Assets for Impairment*. ASU 2012-02 allows entities testing an indefinite-lived intangible asset other than goodwill for impairment the option of performing a qualitative assessment before calculating the fair value of the asset. If it is determined, on the basis of qualitative factors, that the fair value of the indefinite-lived intangible asset is more likely than not greater than the carrying amount, no further testing is necessary. ASU 2012-02 is effective for interim and annual impairment tests performed for fiscal years beginning after September 15, 2012. We do not believe that the adoption of ASU 2012-02 will have a material effect on its consolidated financial statements.

Commitments and Contingencies

We are party to various contractual guarantees and legal actions arising in the normal course of business. Because a large portion of our business comes from U.S. federal, state and municipal sources, our procurement and certain other practices at times are subject to review and investigation by U.S. and state attorneys offices. Such state and U.S. government investigations, whether relating to government contracts or conducted for other reasons, could result in administrative, civil or criminal liabilities, including repayments, fines or penalties or could lead to suspension or debarment from future U.S. government contracting. These investigations often take years to complete and many result in no adverse action or alternatively could result in settlement. Damages assessed in connection with and the cost of defending any such actions could be substantial. While the outcomes of pending proceedings and legal actions are often difficult to predict, management believes that proceedings and legal actions currently pending would not result in a material adverse effect on our results of operations or financial condition even if the final outcome is adverse to our company.

Many claims that are currently pending against us are covered by our professional liability insurance. Management estimates that the levels of insurance coverage (after retentions and deductibles) are generally adequate to cover our liabilities, if any, with regard to such claims. Any amounts that are probable of payment are accrued when such amounts are estimable. As of December 31, 2012 and 2011, accruals for potential estimated claim liabilities were $34.4 million and $34.1 million, respectively.

In 2010, we were notified that the U.S. Attorney's Office for the Eastern District of Washington is investigating overtime practices in connection with the U.S. Department of Energy Hanford tank farms management contract which we transitioned to another contractor in 2008. In 2011 and 2012, eight former CH2M HILL Hanford Group ("CH2M HILL Subsidiary") employees pleaded guilty on felony charges related to time card fraud committed while working on the Hanford Tank Farm Project. As part of its investigation, the U.S. Attorney's Office raised the possibility of civil and/or criminal charges for possible violations arising from CH2M HILL's Subsidiary overtime practices on the project. In September 2012, the government intervened in a False Claims Act case filed in the District Court for the Eastern District of Washington by one of the employees who plead guilty to time card fraud. We are cooperating with the government's investigation and continue to seek an amicable settlement of any potential civil and criminal charges and resolution of any potential False Claims Act allegations with the Department of Justice. We have reached an agreement in principle with the United States Attorney which, when finalized, will settle the False Claims Act case and result in an agreement by the United States Attorney to not bring criminal charges against us. Based on the information available to us at this time, we do not believe that the ultimate resolution of this matter will have a material impact on our results of operations or financial condition.

In connection with the Halcrow acquisition, we assumed a lease obligation for office space which was entered into by Halcrow in 1981 and was previously occupied as one of their primary office locations. Subsequently, Halcrow vacated the space and has been subleasing a portion of the building to third parties. The lease requires Halcrow to continue to make lease payments until 2080 with rent escalating provisions that can increase with market conditions. In 2012, we obtained a final third party determination of the fair value of this lease obligation and the associated real property in order to complete the purchase price allocation. As a result, we recorded capital lease and related obligations of $66.1 million, of which $65.5 million and $0.6 million are included in other long-term liabilities and other accrued liabilities in the consolidated balance sheets, respectively, as well as a related building asset of $25.9 million. In addition, we have assumed an operating lease for the associated land on which the building is located with total lease payments due over the remaining term of the lease totaling $36.8 million.

Item 7A. ***Quantitative and Qualitative Disclosures about Market Risk***

In the ordinary course of our operations we are exposed to certain market risks, primarily changes in foreign currency exchange rates and interest rates. This risk is monitored to limit the effect of foreign currency exchange rate and interest rate fluctuations on earnings and cash flows.

Foreign currency exchange rates. We operate in many countries around the world and as a result, are exposed to foreign currency exchange rate risk on transactions in numerous countries. We are primarily subject to this risk on long term projects whereby the currency being paid by our client differs from the currency in which we incurred our costs, as well as, intercompany trade balances among our entities with differing currencies. In order to mitigate this risk, we enter into derivative financial instruments. We do not enter into derivative transactions for speculative or trading purposes. All derivatives are carried at fair value in the consolidated balance sheets and changes in the fair value of the derivative instruments are recognized in earnings. These currency derivative instruments are carried on the balance sheet at fair value and are typically based upon Level 2 inputs including third party quotes. As of December 31, 2012 there were no foreign exchange contracts outstanding.

Interest rates. Our interest rate exposure is generally limited to our unsecured revolving credit agreement, purchase of interest bearing short-term investments and holdback contingency balances outstanding related to our acquisitions of VECO and BAH. As of December 31, 2012, the outstanding balance on the unsecured revolving credit agreement was $235.5 million and there was approximately $32.1 million outstanding on the holdback contingencies. We have assessed the market risk exposure on these financial instruments and determined that any significant changes to the fair value of these instruments would not have a material impact on our consolidated results of operations, financial position or cash flows. Based upon the amount outstanding under the unsecured credit agreement and the holdback contingency, a one percentage point change in the assumed interest rate would change our annual interest expense by approximately $2.7 million.

Item 8. ***Financial Statements and Supplementary Data***

Reference is made to the information set forth beginning on page F-1.

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

Item 9A. ***Controls and Procedures***

Disclosure Controls and Procedures

We carried out an evaluation as of the last day of the period covered by this Annual Report on Form 10-K, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 ("Exchange Act"). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures (a) are effective to ensure that information required to be disclosed by us in reports filed or submitted under the Exchange Act is timely recorded, processed, summarized and reported and (b) include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There have been no changes in our internal control over financial reporting during the quarter ended December 31, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on our evaluation under the framework in Internal Control—Integrated Framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2012.

The effectiveness of our internal control over financial reporting as of December 31, 2012 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report which is included herein on page F-2.

Item 9B. ***Other Information***

In November 2011, CH2M HILL acquired Halcrow, a U.K. engineering consulting company that provides services to clients worldwide and had a small presence in Iran. As a condition of the acquisition, the U.K. affiliate was required to terminate all activities in Iran and the company undertook expedient steps to withdraw all operational activities in Iran, including abandoning certain assets. The wind down was completed within the context of U.S. and European sanctions governing restrictions on activities in Iran. The acquired company has no intentions to resume its activities in Iran.

PART III

Item 10. ***Directors, Executive Officers and Corporate Governance***

Certain information required by this item is incorporated by reference from CH2M HILL's definitive proxy statement for its 2013 Annual Meeting of Stockholders. Information regarding the executive officers of CH2M HILL is presented below:

EXECUTIVE OFFICERS OF CH2M HILL

The executive officers of CH2M HILL are listed below, along with their ages, tenure as officer and business background for at least the last five years.

Robert W. Bailey. Age 57. Mr. Bailey has served as President of CH2M HILL's Water Business Group since 2008. Between 2002 and 2007, he served as the Regional Manager for CH2M HILL's southeast U.S. region. Prior to 2002, Mr. Bailey, a professional engineer, held a variety of positions from Project Manager to Regional Business Group Manager for the Water Business Group.

Jacqueline C. Hinman. Age 51. Ms. Hinman has served as Senior Vice President and President of the International Division of CH2M HILL since 2012. She was previously the President of the Facilities and Infrastructure Division from 2009 until 2011 and served as the Vice President, Major Programs and Executive Director for Mergers and Acquisitions between 2009 and 2010. Between 2007 and 2009, she led our Center for Project Excellence and has worked for CH2M HILL since 1988 in various senior technical and executive positions. Ms. Hinman left CH2M HILL in 1997 to form her own consulting company, Talisman Partners, and returned to CH2M HILL in 2005 after successfully selling her business to an industry competitor.

Michael A. Lucki. Age 56. Mr. Lucki has served as Senior Vice President and Chief Financial Officer of CH2M HILL since 2010. Mr. Lucki came to CH2M HILL from Ernst & Young LLP where he was a partner and led the firm's U.S. and Americas Engineering and Construction (E&C) Industry Practice since 1994, the firm's Global E&C Industry Practice since 2002 and the firm's Global Infrastructure Practice since 2008.

John A. Madia. Age 57. Mr. Madia has served as Chief Human Resources Officer of CH2M HILL since November 2009. In May 2009 he joined CH2M HILL as Senior Vice President of Human Resources. Mr. Madia came to CH2M HILL from Dow Chemical Company where he was Vice President of Human Resources from 2006 to 2009.

Lee A. McIntire. Age 64. Mr. McIntire has served as Chairman of the Board of Directors of CH2M HILL since 2010 and the Chief Executive Officer since 2009. He joined CH2M HILL as the President and Chief Operating Officer in 2006. Before joining CH2M HILL, Mr. McIntire was a Professor and Executive-in-Residence at the Graduate School of Management, University of California, Davis (UC Davis). Prior to that, Mr. McIntire spent more than 15 years with Bechtel Group in various executive leadership positions.

Michael E. McKelvy. Age 53. Mr. McKelvy has served as Senior Vice President of CH2M HILL and President of the Government, Environment and Infrastructure Division since 2012. From 2009 to 2011, Mr. McKelvy was the President of the Government, Environment and Nuclear Division. Prior to these positions, Mr. McKelvy was the President for the Industrial Client business between 2006 and 2009, and President for the Manufacturing and Life Sciences business of CH2M HILL since 2005. Prior to CH2M HILL, Mr. McKelvy held executive leadership positions within Lockwood Greene, a company CH2M HILL acquired in 2003.

Margaret B. McLean. Age 49. Ms. McLean has served as CH2M HILL's Chief Legal Officer and Chief Ethics & Compliance officer since 2007. Ms. McLean was appointed as CH2M HILL's Corporate

Secretary and Senior Vice President in 2009. From 1998 to 2007, she was CH2M HILL's International, M&A and Securities Counsel. Prior to joining CH2M HILL, Ms. McLean was a Partner at the law firm of Holme Roberts & Owens LLP.

JoAnn Shea. Age 48. Ms. Shea has served as Chief Accounting Officer of CH2M HILL since 2006 and as Vice President and Controller since 2003. She also served as acting Chief Financial Officer of CH2M HILL from May to November of 2010. Ms. Shea joined CH2M HILL in 1998 as Assistant Controller.

Michael A. Szomjassy. Age 62. Mr. Szomjassy has served as President of the Energy, Water and Facilities Division since August 2012. He previously served as President of the Environmental Services Business Group of CH2M HILL from 2011 until 2012. Between 2007 and 2010, Mr. Szomjassy served as the Deputy Program Director for the CLM Delivery Partner, a joint venture providing program management services to the Olympic Delivery Authority for the London 2012 Olympic and Paralympic Games. Between 2004 and 2007, Mr. Szomjassy served as Senior Vice President and Director of Operations of the Environmental Business Group.

There are no family relationships among the executive officers or directors of CH2M HILL. The executive officers are elected by the Board of Directors each year and hold office until the organizational meeting of the Board in the next subsequent year and until his or her successor is chosen or until his or her earlier death, resignation or removal.

Item 11. *Executive Compensation*

Information required by this item is incorporated by reference from CH2M HILL's definitive proxy statement for its 2013 Annual Meeting of Stockholders.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

Information required by this item is incorporated by reference from CH2M HILL's definitive proxy statement for its 2013 Annual Meeting of Stockholders.

Item 13. *Certain Relationships and Related Transactions, and Director Independence*

Information required by this item is incorporated by reference from CH2M HILL's definitive proxy statement for its 2013 Annual Meeting of Stockholders.

Item 14. *Principal Accounting Fees and Services*

Information required by this item is incorporated by reference from CH2M HILL's definitive proxy statement for its 2013 Annual Meeting of Stockholders.

PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

Documents Filed as Part of this Report

1. Financial Statements

2. Financial Statement Schedules and Other

All financial statement schedules have been omitted because the required information is included in the consolidated financial statements or notes thereto, or because such schedules are not applicable.

3. Exhibits

The Exhibits required by this item are listed in the Exhibit Index. Each management contract and compensatory plan or arrangement is denoted with a "+" in the Exhibit Index.

Exhibit Number	Description
2.1	Implementation Agreement dated September 24, 2011 between CH2M HILL Companies, Ltd. and Halcrow Holdings Limited (filed as Exhibit 2.1 to CH2M HILL's Form 10-Q for the quarter ended September 30, 2011 (Commission File No. 000-27261), and incorporated herein by reference)
3.1	Certificate of Incorporation of CH2M HILL Companies, Ltd. (filed as Exhibit 3.1 to CH2M HILL's Form 8-K on July 5, 2011 (Commission File No. 000-27261), and incorporated herein by reference)
3.2	Bylaws of CH2M HILL Companies, Ltd. (filed as Exhibit 3.2 to CH2M HILL's Form 8-K/A (Amendment No. 1), on July 20, 2011 (Commission File No. 000-27261), and incorporated herein by reference)
10.1	CH2M HILL Companies, Ltd. Payroll Deduction Stock Purchase Plan as amended and restated effective January 1, 2004 (filed as Appendix B to CH2M HILL's Definitive Proxy Statement on Schedule 14A on March 26, 2004 (Commission File No. 000-27261), and incorporated herein by reference)
+10.2	CH2M HILL Companies, Ltd. Amended and Restated Short Term Incentive Plan effective January 1, 2012 (filed as Exhibit 10.2 to CH2M HILL's Form 10-Q for the quarter ended June 30, 2012 (Commission File No. 000-27261), and incorporated herein by reference)
+10.3	CH2M HILL Companies, Ltd. Amended and Restated Long Term Incentive Plan effective January 1, 2011 (filed as Exhibit 10.3 to CH2M HILL's Form 10-K for the year ended December 31, 2011 (Commission File No. 000-27261), and incorporated herein by reference)

Exhibit Number	Description
+10.4	CH2M HILL Companies, Ltd. Amended and Restated 2009 Stock Option Plan, effective May 7, 2012 (filed as Exhibit 10.1 to CH2M HILL's Form 8-K on May 11, 2012 (Commission File No. 000-27261), and incorporated herein by reference)
+10.5	CH2M HILL Companies, Ltd. Restricted Stock Policy and Administration Plan effective January 1, 2000 as amended and restated on February 11, 2011 (filed as Exhibit 10.4 to CH2M HILL's Form 10-K for the year ended December 31, 2010 (Commission File No. 000-27261), and incorporated herein by reference)
+10.6	CH2M HILL Companies, Ltd. Amended and Restated Deferred Compensation Plan effective January 1, 2011 (filed as Exhibit 10.5 to CH2M HILL's Form 10-Q for the quarter ended June 30, 2012 (Commission File No. 000-27261), and incorporated herein by reference)
+10.7	CH2M HILL Companies, Ltd. Amended and Restated Deferred Compensation Plan effective January 1, 2011 (filed as Exhibit 10.5 to CH2M HILL's Form 10-Q for the quarter ended June 30, 2012 (Commission File No. 000-27261), and incorporated herein by reference)
*+10.8	CH2M HILL Companies, Ltd. Supplemental Executive Retirement and Retention Plan effective January 1, 2013 (Commission File No. 002-27261)
+10.9	Form of Change of Control Agreement between CH2M HILL Companies, Ltd. and employee directors and executive officers, effective as of July 1, 2010 (filed as Exhibit 10.1 to CH2M HILL's Form 10-Q for the quarter ended September 30, 2010, (Commission File No. 002-27261), and incorporated herein by reference)
+10.10	CH2M HILL Companies, Ltd. Death Benefit Only Plan effective September 13, 2012 (filed as Exhibit 10.1 to CH2M HILL's Form 10-Q for the quarter ended September 30, 2012 (Commission File No. 000-27261), and incorporated herein by reference)
10.11	Contract with Neidiger, Tucker, Bruner, Inc. dated as of July 1, 2006 (filed as Exhibit 10.12 to CH2M HILL's Form 10-K for the year ended December 31, 2010 (Commission File No. 000-27261), and incorporated herein by reference)
10.12	Addendum to Contract with Neidiger, Tucker, Bruner, Inc. dated as of February 11, 2011 (filed as Exhibit 10.1 to CH2M HILL's Form 10-Q for the quarter ended March 31, 2011 (Commission File No. 000-27261), and incorporated herein by reference)
10.13	Addendum to Contract with Neidiger, Tucker, Bruner, Inc. dated as of June 21, 2012 (filed as Exhibit 10.4 to CH2M HILL's Form 10-Q for the quarter ended June 30, 2012 (Commission File No. 000-27261), and incorporated herein by reference)
10.14	Amended and Restated Credit Agreement dated as of April 19, 2012, by and among CH2M HILL Companies, Ltd. and certain of its subsidiaries, Wells Fargo Bank, National Association, and other lenders as party thereto (filed as Exhibit 10.1 to CH2M HILL's Form 10-Q for the quarter ended June 30, 2012 (Commission File No. 000-27261), and incorporated herein by reference)
10.15	Retirement Transition Agreement between CH2M HILL Companies, Ltd. and Nancy R. Tuor (filed as Exhibit 10.1 to CH2M HILL's Form 10-Q for the quarter ended March 31, 2012 (Commission File No. 000-27261), and incorporated herein by reference)

Exhibit Number	Description
14.1	CH2M HILL Companies, Ltd. Ethics Code for Executive and Financial Officers (filed as Exhibit 14.1 to CH2M HILL's Form 10-K for the year ended December 31, 2009 (Commission File No. 000-27261), and incorporated herein by reference)
*21.1	Subsidiaries of CH2M HILL Companies, Ltd.
*23.1	Consent of KPMG LLP, Independent Registered Public Accounting Firm
*24.1	Power of Attorney authorizing signature
*31.1	Written Statement of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31.2	Written Statement of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*32.1	Written Statement of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)
*32.2	Written Statement of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)
99.1	Internal Market Rules, (filed as Exhibit 99.1 to CH2M HILL's Form 8-K on February 11, 2011 (Commission File No. 000-27261), and incorporated herein by reference)
99.2	Voluntary, Separation, Waiver and General Release Agreement entered into on August 10, 2012 by and between CH2M HILL Companies, Ltd. and Robert G. Card (filed as Exhibit 99.1 to CH2M HILL's Form 8-K on August 10, 2012 (Commission File No. 000-27261), and incorporated herein by reference)
**101.INS	XBRL Instance Document
**101.SCH	XBRL Taxonomy Extension Schema Document
**101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
**101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
**101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
**101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

* Filed herewith

** XBRL (eXtensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

\+ Indicates management contract or compensatory plan or arrangement

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
CH2M HILL Companies, Ltd.:

We have audited the accompanying consolidated balance sheets of CH2M HILL Companies, Ltd. and subsidiaries (the Company) as of December 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income, stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2012. We also have audited the Company's internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CH2M HILL Companies, Ltd. and subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles. Also in our opinion, CH2M HILL Companies, Ltd. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control—Integrated Framework issued by COSO.

As described in note 1 to the consolidated financial statements, the Company adopted new accounting standards relating to variable interest entities on January 1, 2010.

/s/ KPMG LLP

KPMG LLP

Denver, Colorado
February 28, 2013

CH2M HILL COMPANIES, LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

(Dollars in thousands)

	December 31, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 310,638	$ 208,266
Available-for-sale securities	2,135	2,356
Receivables, net—		
Client accounts	794,903	703,062
Unbilled revenue	570,914	448,553
Other	19,606	17,155
Income tax receivable	6,905	36,837
Deferred income taxes	75,556	69,370
Prepaid expenses and other current assets	82,299	66,777
Total current assets	1,862,956	1,552,376
Investments in unconsolidated affiliates	118,008	103,871
Property, plant and equipment, net	212,007	204,402
Goodwill	562,461	545,443
Intangible assets, net	133,657	162,399
Deferred income taxes	155,250	128,743
Employee benefit plan assets and other	70,245	56,805
Total assets	$3,114,584	$2,754,039
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 3,497	$ 11,334
Accounts payable and accrued subcontractor costs	568,507	398,332
Billings in excess of revenue	385,985	393,754
Accrued payroll and employee related liabilities	335,457	305,549
Other accrued liabilities	216,907	241,546
Total current liabilities	1,510,353	1,350,515
Long-term employee related liabilities	574,406	461,583
Long-term debt	248,832	81,474
Other long-term liabilities	164,285	194,154
Total liabilities	2,497,876	2,087,726
Commitments and contingencies (Note 16)		
Stockholders' equity:		
Preferred stock, Class A $0.01 par value, 50,000,000 shares authorized; none issued	—	—
Common stock, $0.01 par value, 100,000,000 shares authorized; 29,845,190 and 31,050,654 issued and outstanding at December 31, 2012 and 2011, respectively	298	311
Additional paid-in capital	—	—
Retained earnings	734,033	717,103
Accumulated other comprehensive loss	(130,671)	(60,855)
Total CH2M HILL common stockholders' equity	603,660	656,559
Noncontrolling interests	13,048	9,754
Total equity	616,708	666,313
Total liabilities and stockholders' equity	$3,114,584	$2,754,039

The accompanying notes are an integral part of these consolidated financial statements.

CH2M HILL COMPANIES, LTD. AND SUBSIDIARIES

Consolidated Statements of Income

(Dollars in thousands except per share amounts)

	For The Years Ended December 31		
	2012	2011	2010
Gross revenue	$ 6,160,553	$ 5,555,233	$ 5,422,801
Equity in earnings of joint ventures and affiliated companies	63,674	64,477	68,513
Operating expenses:			
Direct cost of services and overhead	(4,967,318)	(4,487,584)	(4,426,352)
General and administrative	(1,098,070)	(946,973)	(890,199)
Operating income	158,839	185,153	174,763
Other income (expense):			
Interest income	1,496	534	1,372
Interest expense	(9,972)	(4,328)	(4,616)
Income before provision for income taxes	150,363	181,359	171,519
Provision for income taxes	(52,066)	(55,930)	(53,804)
Net income	98,297	125,429	117,715
Less: Income attributable to noncontrolling interests	(5,321)	(12,132)	(24,020)
Net income attributable to CH2M HILL	$ 92,976	$ 113,297	$ 93,695
Net income attributable to CH2M HILL per common share:			
Basic	$ 2.99	$ 3.68	$ 2.98
Diluted	$ 2.95	$ 3.60	$ 2.91
Weighted average number of common shares:			
Basic	31,081,679	30,823,954	31,458,126
Diluted	31,483,901	31,427,823	32,163,093

The accompanying notes are an integral part of these consolidated financial statements.

CH2M HILL COMPANIES, LTD.

Consolidated Statements of Comprehensive Income

(Dollars in thousands)

	Year ended December 31,		
	2012	2011	2010
Net Income	$ 98,297	$125,429	$117,715
Other comprehensive income (loss):			
Foreign currency translation adjustments	13,384	(15,052)	4,178
Benefit plan adjustments, net of tax	(83,066)	(26,868)	9,869
Unrealized gain (loss) on available-for-sale investments and other, net of tax	(133)	(34)	275
Other comprehensive income (loss)	(69,815)	(41,954)	14,322
Comprehensive income	28,482	83,475	132,037
Less: comprehensive income attributable to noncontrolling interests	(5,321)	(12,132)	(24,020)
Comprehensive income attributable to CH2M HILL	$ 23,161	$ 71,343	$108,017

The accompanying notes are an integral part of these consolidated financial statements.

CH2M HILL COMPANIES, LTD. AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity and Comprehensive Income

(Dollars in thousands)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total Stockholders' Equity
	Shares	Amount					
Balance at December 31, 2009	31,373,955	$ 314	$ 12,803	$ 531,796	$ (32,743)	$ 12,639	$ 524,809
Net income		—	—	93,695		24,020	117,715
Other comprehensive income:							
Foreign currency translation adjustments		—	—	—	3,831	347	4,178
Benefit plan adjustments, net of tax		—	—	—	9,869		9,869
Unrealized gain on equity investments, net of tax		—	—	—	275	—	275
Comprehensive income					—	—	132,037
Distributions to affiliates, net		—	—	—	—	(31,806)	(31,806)
Impact of adoption of ASC 810, consolidation of previously unconsolidated VIEs	—	—	—	—	—	4,088	4,088
Shares issued in connection with stock based compensation and employee benefit plans	1,857,418	18	43,776	—	—	—	43,794
Shares purchased and retired	(2,703,900)	(27)	(56,579)	(62,148)	—	—	(118,754)
Balance at December 31, 2010	30,527,473	305	—	563,343	(18,768)	9,288	554,168
Net income				113,297		12,132	125,429
Other comprehensive income:							
Foreign currency translation adjustments	—	—	—	—	(15,185)	133	(15,052)
Benefit plan adjustments, net of tax	—	—	—	—	(26,868)		(26,868)
Unrealized loss on equity investments, net of tax	—	—	—	—	(34)	—	(34)
Comprehensive income	—	—	—	—	—	—	83,475
Distributions to affiliates, net	—	—	—	—	—	(11,799)	(11,799)
Shares issued in connection with stock based compensation and employee benefit plans	1,535,357	16	115,239	—	—	—	115,255
Shares issued in connection with purchase of Halcrow Holdings, Ltd.	342,379	3	18,838	—	—	—	18,841
Shares purchased and retired	(1,354,555)	(13)	(134,077)	40,463	—	—	(93,627)
Balance at December 31, 2011	31,050,654	311	—	717,103	(60,855)	9,754	666,313
Net income				92,976		5,321	98,297
Other comprehensive income:							
Foreign currency translation adjustments	—	—	—	—	13,383	1	13,384
Benefit plan adjustments, net of tax	—	—	—	—	(83,066)		(83,066)
Unrealized loss on equity investments, net of tax	—	—	—	—	(133)	—	(133)
Comprehensive income	—	—	—	—	—	—	28,482
Distributions to affiliates, net	—	—	—	—	—	(2,028)	(2,028)
Shares issued in connection with stock based compensation and employee benefit plans	1,236,561	12	81,142	—	—	—	81,154
Shares purchased and retired	(2,442,025)	(25)	(81,142)	(76,046)	—	—	(157,213)
Balance at December 31, 2012	29,845,190	$ 298	$ —	$ 734,033	$(130,671)	$ 13,048	$ 616,708

The accompanying notes are an integral part of these consolidated financial statements.

CH2M HILL COMPANIES, LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(Dollars in thousands)

	For The Years Ended		
	December 31, 2012	December 31, 2011	December 31, 2010
Cash flows from operating activities:			
Net income	$ 98,297	$ 125,429	$ 117,715
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	79,631	48,215	62,311
Stock-based employee compensation	61,390	71,495	50,603
Loss on disposal of property, plant and equipment	886	2,403	1,266
Allowance for uncollectible accounts	4,060	5,846	3,521
Deferred income taxes	(21,958)	(22,107)	(24,699)
Gain on sale of investments	—	—	(6,495)
Undistributed earnings from unconsolidated affiliates	(63,674)	(64,477)	(68,513)
Distributions of income from unconsolidated affiliates	42,449	57,597	71,181
Contributions to defined benefit pension plans	(34,034)	(14,659)	(8,073)
Changes in current assets and liabilities, net of businesses acquired:			
Receivables and unbilled revenue	(216,070)	25,513	72,921
Prepaid expenses and other	(33,676)	(18,209)	(2,465)
Accounts payable and accrued subcontractor costs	167,945	(34,605)	(16,558)
Billings in excess of revenues	(8,717)	85,775	(61,950)
Accrued payroll and employee related liabilities	36,034	28,814	29,517
Other accrued liabilities	(15,135)	(12,420)	32,530
Current income taxes	29,862	(68,279)	41,486
Long-term employee related liabilities and other	6,901	41,069	(7,729)
Net cash provided by operating activities	134,191	257,400	286,569
Cash flows from investing activities:			
Capital expenditures	(46,710)	(30,202)	(26,884)
Acquisitions, net of cash acquired	—	(187,678)	—
Investments in unconsolidated affiliates	(24,491)	(29,162)	(49,133)
Distributions of capital from unconsolidated affiliates	37,172	23,627	35,601
Consolidation of previously unconsolidated variable interest entities	—	—	32,651
Proceeds from sale of operating assets	956	6,415	2,961
Purchases of investments	—	—	(37,079)
Proceeds from sale of investments	—	—	43,573
Net cash (used in) provided by investing activities	(33,073)	(217,000)	1,690
Cash flows from financing activities:			
Borrowings on long-term debt	1,438,455	451,129	404,827
Payments on long-term debt	(1,279,010)	(476,796)	(419,056)
Repurchases and retirements of common stock	(157,213)	(93,627)	(137,208)
Acquisition payments	(9,174)	—	—
Excess tax benefits from stock-based compensation	10,741	13,066	14,968
Net distributions to noncontrolling interests	(2,028)	(11,799)	(31,806)
Net cash provided by (used in) financing activities	1,771	(118,027)	(168,275)
Effect of exchange rate changes on cash	(517)	(4,512)	704
Increase (decrease) in cash and cash equivalents	102,372	(82,139)	120,688
Cash and cash equivalents, beginning of year	208,266	290,405	169,717
Cash and cash equivalents, end of year	$ 310,638	$ 208,266	$ 290,405
Supplemental disclosures:			
Cash paid for interest	$ 9,704	$ 3,994	$ 4,708
Cash paid for income taxes	$ 34,932	$ 113,426	$ 43,714

The accompanying notes are an integral part of these consolidated financial statements.

CH2M HILL COMPANIES, LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(1) Summary of Business and Significant Accounting Policies

Summary of Business

CH2M HILL Companies, Ltd. and subsidiaries ("We","Our", "CH2M HILL" or the "Company") is a project delivery firm founded in 1946. We are a large employee-controlled professional engineering services firm providing engineering, construction, consulting, design, design-build, procurement, engineering-procurement-construction ("EPC"), operations and maintenance, program management and technical services to U.S. federal, state, municipal and local government agencies, national governments, as well as private industry and utilities, around the world. A substantial portion of our professional fees are derived from projects that are funded directly or indirectly by government entities.

On November 10, 2011, we purchased all the share capital of Halcrow Holdings Limited ("Halcrow"). Halcrow is a United Kingdom-headquartered engineering, planning, design and management services firm specializing in developing infrastructure and buildings. Halcrow's 5,000 employees provide services to its clients in the United Kingdom, Middle East, Canada, the United States, China, India, Australia, South America, and Europe. See Note 6—*Acquisitions* for further details.

Principles of Consolidation and Basis of Presentation

The consolidated financial statements include the accounts of CH2M HILL and all of its wholly owned subsidiaries after elimination of all intercompany accounts and transactions. Partially owned affiliates and joint ventures are evaluated for consolidation. The consolidated financial statements (referred to herein as "financial statements") are prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). Certain amounts in prior years' consolidated financial statements have been reclassified to conform to the current year presentation.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make certain estimates, judgments, and assumptions. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities as of the date of the consolidated financial statements, as well as the reported amounts of revenue and expenses during the periods presented. Actual results could differ from our estimates.

Capital Structure

Our Company has authorized 100,000,000 shares of common stock, par value $0.01 per share, and 50,000,000 shares of Class A preferred stock, par value $0.01 per share. The bylaws and articles of incorporation provide for the imposition of certain restrictions on the stock including, but not limited to, the right but not the obligation to repurchase shares upon termination of employment or affiliation, the right of first refusal and ownership limits.

Foreign Currency Translation

All assets and liabilities of our foreign subsidiaries are translated into U.S. dollars as of each balance sheet date. Translation gains and losses related to permanent investments in foreign subsidiaries are reflected in stockholders' equity as part of accumulated other comprehensive loss. Revenues and expenses are translated at the average exchange rate for the period and included in the

(1) Summary of Business and Significant Accounting Policies (Continued)

consolidated statements of income. Foreign currency transaction gains and losses are recognized as incurred in the consolidated statements of income.

Revenue Recognition

We earn revenue from different types of services performed under various types of contracts, including cost-plus, fixed-price and time-and-materials. We evaluate contractual arrangements to determine how to recognize revenue. We primarily perform engineering and construction related services and recognize revenue for these contracts on the percentage-of-completion method where progress towards completion is measured by relating the actual cost of work performed to date to the current estimated total cost of the respective contracts. In making such estimates, judgments are required to evaluate potential variances in schedule, the cost of materials and labor, productivity, liability claims, contract disputes, and achievement of contract performance standards.

Change orders are included in total estimated contract revenue when it is probable that the change order will result in an addition to contract value and can be estimated. Management evaluates when a change order is probable based upon its experience in negotiating change orders, the customer's written approval of such changes or separate documentation of change order costs that are identifiable. Losses on construction and engineering contracts in process are recognized in their entirety when the loss becomes evident and the amount of loss can be reasonably estimated.

Performance incentive and award fee arrangements are included in total estimated contract revenue upon the achievement of some measure of contract performance in relation to agreed-upon targets. We adjust our project revenue estimate by the probable amounts of these performance incentives and award fee arrangements we expect to earn if we achieve the agreed-upon criteria.

We also perform operations and maintenance services. Revenue is recognized on operations and maintenance contracts on a straight-line basis over the life of the contract once we have an arrangement, service has begun, the price is fixed or determinable and collectability is reasonably assured.

Unbilled Revenue and Billings in Excess of Revenue

Unbilled revenue represents the excess of contract revenue recognized over billings to date on contracts in process. These amounts become billable according to the contract terms, which usually consider the passage of time, achievement of certain milestones or completion of the project.

Billings in excess of revenue represent the excess of billings to date, per the contract terms, over revenue recognized on contracts in process.

Allowance for Uncollectible Accounts Receivable

We reduce accounts receivable by estimating an allowance for amounts that may become uncollectible in the future. Management determines the estimated allowance for uncollectible amounts based on their judgments in evaluating the aging of the receivables and the financial condition of our clients, which may be dependent on the type of client and the client's current financial condition.

(1) Summary of Business and Significant Accounting Policies (Continued)

Fair Value Measurements

Fair value represents the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Assets and liabilities are valued based upon observable and non-observable inputs. Valuations using Level 1 inputs are based off of unadjusted quoted prices that are available in active markets for the identical assets or liabilities at the measurement date. Level 2 inputs utilize significant other observable inputs available at the measurement date, other than quoted prices included in Level 1, either directly or indirectly; and valuations using Level 3 inputs are based off of significant unobservable inputs that cannot be corroborated by observable market data and reflect the use of significant management judgment. There were no significant transfers between levels during the year ended December 31, 2012.

Income Taxes

We account for income taxes utilizing an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax effects of events that have been recognized in the financial statements or tax returns. In estimating future tax consequences, we generally consider all expected future events other than enactment of changes in the tax laws or rates. Deferred tax assets and liabilities are determined based on the difference between the tax basis of assets and liabilities and their reported amounts using enacted tax rates in effect for the year in which differences are expected to reverse. A valuation allowance is provided for deferred tax assets if it is more likely than not that these items will not be realized. Annually, we determine the amount of undistributed foreign earnings invested indefinitely in our foreign operations. Deferred taxes are not provided on those earnings. In addition, the calculation of tax assets and liabilities involves uncertainties in the application of complex tax regulations. For income tax benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. We record reserves for uncertain tax positions that do not meet this criteria.

Cash and Cash Equivalents

We maintain a cash management system which provides for cash sufficient to pay checks as they are submitted for payment and we invest cash in excess of this amount in interest-bearing short-term investments such as certificates of deposit and commercial paper. Investments with original short-term maturities of less than three months are considered cash equivalents in the consolidated balance sheets and statements of cash flows. In addition, cash and cash equivalents on our consolidated balance sheets include cash held within our consolidated joint venture entities which is used for operating activities of those joint ventures. As of December 31, 2012 and 2011, cash and cash equivalents held in our consolidated joint ventures and reflected on the consolidated balance sheets totaled $118.8 million and $32.3 million, respectively.

Available-for-Sale Securities

Available-for-sale securities are carried at fair value, with unrecognized gains and losses reported in accumulated other comprehensive loss, net of taxes. Losses on available-for-sale securities are recognized when a loss is determined to be other than temporary or when realized. The fair value of available-for-sale securities is estimated using Level 1 inputs.

(1) Summary of Business and Significant Accounting Policies (Continued)

Property, Plant and Equipment

All additions, including betterments to existing facilities, are recorded at cost. Maintenance and repairs are charged to expense as incurred. When assets are retired or otherwise disposed of, the cost of the assets and the related accumulated depreciation are removed from the accounts. Any gain or loss on retirements is reflected in operating income in the year of disposition.

Depreciation for owned property is based on the estimated useful lives of the assets using the straight-line method for financial statement purposes. Useful lives for buildings range from 12 to 25 years. Furniture, fixtures, computers, software and other equipment are depreciated over their useful lives from 3 to 10 years. Leasehold improvements are depreciated over the shorter of their estimated useful life or the remaining term of the associated lease up to 11 years.

Goodwill

Goodwill represents the excess of costs over fair value of assets of businesses acquired. Goodwill acquired in a purchase business combination is not amortized, but instead is tested for impairment at least annually in accordance with the provisions of the FASB Accounting Standards Codification ("ASC") 350, *Intangibles—Goodwill and Other* ("ASC 350"), as amended under Accounting Standards Update 2011-08 ("ASU 2011-08"). In performing the annual impairment test, we evaluate our goodwill at the reporting unit level which we have determined based upon our various lines of business within each of our reporting segments. Under the guidance of ASC 350, we have the option to assess either quantitative or qualitative factors to determine if it is more likely than not that the fair values of our reporting units are less than their carrying amounts. If after assessing the totality of events or circumstances, we determine that it is not more likely than not that the fair values of our reporting units are less than their carrying amounts, then the next step of the impairment test is unnecessary. If we conclude otherwise, then we are required to test goodwill for impairment under the two-step process. The two-step process involves comparing the estimated fair value of each reporting unit to the unit's carrying value, including goodwill. If the fair value of a reporting unit exceeds its carrying value, the goodwill of the reporting unit is not considered impaired; therefore, the second step of the impairment test is unnecessary. If the carrying amount of a reporting unit exceeds its fair value, we would then perform a second step to measure the amount of goodwill impairment loss to be recorded. We determine the fair value of our reporting units using a market approach. Our market based valuation method provides estimates of the fair value of our reporting units based on applying a multiple to our estimate of a cash flow metric for each business unit. Our annual goodwill impairment test is conducted as of October 1st of each year.

At our goodwill assessment date in 2012, we concluded that the two-step process was necessary to assess the goodwill associated with the Halcrow acquisition (see Note 6—*Acquisitions* for further details). Based on our assessment, using the market valuation approach described above, we concluded there was no indication of impairment of the goodwill in any of our reporting units. At our 2011 goodwill assessment date, our qualitative assessment determined there were no events or circumstances that lead us to believe it was more likely than not that the fair values of our reporting units were less than their carrying amounts.

(1) Summary of Business and Significant Accounting Policies (Continued)

Other Long-Lived Assets

We may acquire other intangible assets in business combinations. Intangible assets are stated at fair value as of the date acquired in a business combination. We amortize intangible assets with finite lives on a straight-line basis over their expected useful lives, currently up to seven years. For those intangible assets with no legal, regulatory, contractual or other factors that would reasonably limit the useful life of the intangible asset, management has determined that the life is indefinite and therefore, they are not amortized.

Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss consists of foreign currency translation adjustments, unrealized gains/losses on equity investments and benefit plan adjustments. These components are included in the consolidated statements of stockholders' equity and comprehensive income. Taxes are not provided on the foreign currency translation gains and losses as deferred taxes are not provided on the unremitted earnings of the foreign subsidiaries to which they relate.

($ in thousands)	Foreign Currency Translation	Unrealized Gains (Losses) on Equity Investments	Benefit Plan Adjustments	Accumulated Other Comprehensive Loss
Accumulated other comprehensive (loss) income, December 31, 2011	$(1,737)	$ 987	$ (60,105)	$ (60,855)
Current period other comprehensive income (loss)	13,383	(133)	(83,066)	(69,816)
Accumulated other comprehensive income (loss), December 31, 2012	$11,646	$ 854	$(143,171)	$(130,671)

Derivative instruments

We primarily enter into derivative financial instruments to mitigate exposures to changing foreign currency exchange rates. We are primarily subject to this risk on long term projects whereby the currency being paid by our client differs from the currency in which we incurred our costs, as well as, intercompany trade balances among our entities with differing currencies. We do not enter into derivative transactions for speculative or trading purposes. All derivatives are carried at fair value on the consolidated balance sheets in other receivables or other accrued liabilities as applicable. The periodic change in the fair value of the derivative instruments is recognized in earnings.

Concentrations of Credit Risk

Financial instruments which potentially subject our company to concentrations of credit risk consist principally of cash and cash equivalents, short term investments and trade receivables. Our cash is primarily held with major banks and financial institutions throughout the world and typically is insured up to a set amount. Accordingly, we believe the risk of any potential loss on deposits held in these institutions is minimal. Concentrations of credit risk relative to trade receivables are limited due to our diverse client base, which includes the U.S. federal government, various states and municipalities,

(1) Summary of Business and Significant Accounting Policies (Continued)

foreign government agencies, and a variety of U.S. and foreign corporations operating in a broad range of industries and geographic areas.

Contracts with the U.S. federal government and its prime contractors usually contain standard provisions for permitting the government to modify, curtail or terminate the contract for convenience of the government or such prime contractors if program requirements or budgetary constraints change. Upon such a termination, we are generally entitled to recover costs incurred, settlement expenses and profit on work completed prior to termination.

Recent Accounting Standards

In June 2009, the FASB issued Accounting Standards Update (ASU) 2009-17, *Consolidations (Topic 810)—Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities,* revising the existing guidance on the consolidation and disclosures of variable interest entities ("VIEs") which was codified in Accounting Standards Codification ("ASC") 810-10. Specifically, it changes how a reporting entity determines when an entity that is insufficiently capitalized or is not controlled through voting rights should be consolidated. The determination of whether a reporting entity is required to consolidate another entity is based on, among other things, the entity's purpose and design and the reporting entity's ability to direct the activities of the other entity that most significantly impact the other entity's economic performance. The guidance also requires additional disclosures about a company's involvement with VIEs and requires an entity to continually assess any significant changes in risk exposure as well as an entity's assessment of the primary beneficiary of the entity. ASC 810-10 became effective for us beginning January 1, 2010.

In May 2011, the FASB issued ASU 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS*, which amends current guidance to result in common fair value measurement and disclosures between accounting principles generally accepted in the United States and International Financial Reporting Standards. The amendments explain how to measure fair value. They do not require additional fair value measurements and are not intended to establish valuations standards or affect valuation practices outside of financial reporting. The amendments in ASU 2011-04 became effective for our interim and annual periods beginning January 1, 2012. The adoption of the provisions of ASU 2011-04 did not have a material impact on our consolidated financial position or results of operations.

In June 2011, the FASB issued ASU 2011-05, *Presentation of Comprehensive Income*, which changes the financial reporting of items reported in other comprehensive income ("OCI") by eliminating the option to present components of OCI as part of the statement of changes in stockholders' equity. The amendments in this standard require that all nonowner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The amendments in this standard do not change the items that must be reported in OCI, when an item of OCI must be reclassified to net income, or change the option for an entity to present components of OCI gross or net of the effect of income taxes. The amendments in ASU 2011-05 became effective for our interim and annual periods beginning January 1, 2012 and have been applied retrospectively.

In December 2011, the FASB issued ASU 2011-11 Balance Sheet Topic 210, *Disclosures about Offsetting Assets and Liabilities*. ASU 2011-11 requires that an entity disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect

(1) Summary of Business and Significant Accounting Policies (Continued)

of those arrangements on its financial position. ASU 2011-11 is effective for annual and interim periods beginning on January 1, 2013 and will be applied retrospectively.

In July 2012, the FASB issued ASU 2012-02, *Testing Indefinite-Lived Intangible Assets for Impairment*. ASU 2012-02 allows entities testing an indefinite-lived intangible asset other than goodwill for impairment the option of performing a qualitative assessment before calculating the fair value of the asset. If it is determined, on the basis of qualitative factors, that the fair value of the indefinite-lived intangible asset is more likely than not greater than the carrying amount, no further testing is necessary. ASU 2012-02 is effective for interim and annual impairment tests performed for fiscal years beginning after September 15, 2012. We do not believe that the adoption of ASU 2012-02 will have a material effect on its consolidated financial statements.

(2) Receivables, net

Receivables are stated at net realizable values and consist of receivables billed to clients as well as receivables for which revenue has been earned but has not yet been billed. The U.S. federal government accounted for approximately 16% and 21% of our net receivables at December 31, 2012 and 2011, respectively. No other customer exceeded 10% of total receivables at December 31, 2012 or 2011.

The change in the allowance for uncollectible accounts consists of the following for the years ended December 31:

($ in thousands)	2012	2011	2010
Balance at beginning of year	$ 7,520	$12,076	$13,190
Provision charged to expense	4,060	5,846	3,521
Accounts written off	(579)	(9,576)	(3,614)
Other	(929)	(826)	(1,021)
Balance at end of year	$10,072	$ 7,520	$12,076

(3) Variable Interest Entities and Equity Method Investments

We routinely enter into teaming arrangements to perform projects for our clients. Such arrangements are customary in the engineering and construction industry and generally are project specific. The arrangements facilitate the completion of projects that are jointly contracted with our partners. These arrangements are formed to leverage the skills of the respective partners and include consulting, construction, design, design-build, program management and operations and maintenance contracts. Our risk of loss on these arrangements is usually shared with our partners. The liability of each partner is usually joint and several, which means that each partner may become liable for the entire risk of loss on the project.

We perform a qualitative assessment to determine whether our company is the primary beneficiary once an entity is identified as a variable interest entity ("VIE"). A qualitative assessment begins with an understanding of the nature of the risks in the entity as well as the nature of the entity's activities including terms of the contracts entered into by the entity, ownership interests issued by the entity and how they were marketed, and the parties involved in the design of the entity. All of the variable interests held by parties involved with the VIE are identified and a determination of which activities

(3) Variable Interest Entities and Equity Method Investments (Continued)

are most significant to the economic performance of the entity and which variable interest holder has the power to direct those activities is made. Most of the VIEs with which our company is involved have relatively few variable interests and are primarily related to our equity investments, subordinated financial support, and subcontracting arrangements. We consolidate those VIEs in which we have both the power to direct the activities of the VIE that most significantly impact the VIEs economic performance and the obligation to absorb losses or the right to receive the benefits from the VIE that could potentially be significant to the VIE. As of December 31, 2012, total assets of VIEs that were consolidated were $168.9 million and total liabilities were $128.1 million.

We held investments in unconsolidated affiliates of $118.0 million and $103.9 million for the years ended December 31, 2012 and 2011, respectively. Our proportionate share of net income or loss is included as equity in earnings of joint ventures and affiliated companies in the consolidated statements of income. In general, the equity investment in our unconsolidated affiliates is equal to our current equity investment plus those entities' undistributed earnings. We provide certain services, including engineering, construction management and computer and telecommunications support, to these unconsolidated entities. These services are billed to the joint ventures in accordance with the provisions of the agreements.

As of December 31, 2012, the total assets of VIEs that were not consolidated were $420.9 million and total liabilities were $343.7 million. The maximum exposure to losses is limited to the funding of any future losses incurred by those entities under their respective contracts.

Summarized financial information for our unconsolidated VIEs and equity method investments as of and for the years ended December 31 is as follows:

($ in thousands)	2012	2011
FINANCIAL POSITION:		
Current assets	$802,755	$740,365
Noncurrent assets	48,623	51,867
Total assets	$851,378	$792,232
Current liabilities	$522,152	$491,126
Noncurrent liabilities	22,755	20,227
Partners'/Owners' equity	306,471	280,879
Total liabilities and equity	$851,378	$792,232
CH2M HILL's share of equity	$118,008	$103,871

(3) Variable Interest Entities and Equity Method Investments (Continued)

($ in thousands)	2012	2011	2010
RESULTS OF OPERATIONS:			
Revenue	$ 2,787,830	$ 3,037,595	$ 2,814,824
Direct costs	(2,513,302)	(2,779,990)	(2,598,872)
Gross margin	274,528	257,605	215,952
General and administrative expenses	(39,408)	(50,307)	(13,603)
Operating income	235,120	207,298	202,349
Other (loss) income, net	(15,095)	130	458
Net income	$ 220,025	$ 207,428	$ 202,807
CH2M HILL's share of net income	$ 63,674	$ 64,477	$ 68,513

(3) Variable Interest Entities and Equity Method Investments (Continued)

We have the following significant investments in affiliated unconsolidated companies:

	% Ownership
Domestic:	
AGVIQ—CH2M HILL Joint Venture III	49.0%
Americas Gateway Builders	40.0%
CH2M / WG Idaho, LLC	50.5%
Clark-Nexsen/CH2M HILL	50.0%
Clark-Nexsen/CH2M HILL—Norfolk	50.0%
Coastal Estuary Services	49.9%
Connecting Idaho Partners	49.0%
IAP-Hill, LLC	25.0%
National Security Technologies, LLC	10.0%
Parsons CH2M HILL Program Management Consultants, Joint Venture	47.5%
Savannah River Remediation LLC	15.0%
URS/CH2M OAK RIDGE LLC	45.0%
Washington Closure, LLC	30.0%
Foreign:	
A-one+ Integrated Highway Services.	33.3%
Babcock Dounreay Partnership, Ltd.	30.0%
CH2M HILL BECA, Ltd.	50.0%
CH2M HILL—Kunwon PMC	54.0%
CH2M Olyan	50.0%
CLM Delivery Partner, Limited	37.5%
Consorcio Integrador Rio de Janeiro	49.0%
CPG Consultants—CH2M HILL NIP Joint Venture	50.0%
ECC-VECO, LLC	50.0%
HWC Treatment Program Alliance Joint Venture	50.0%
Luggage Point Alliance	50.0%
OMI BECA, Ltd.	50.0%
SMNM/VECO Joint Venture	50.0%
Sydney Water Corporation-Odour Management Program Alliance	50.0%
Transcend Partners, Ltd	40.0%

(4) Property, Plant and Equipment

Property, plant and equipment consists of the following as of December 31:

($ in thousands)	2012	2011
Land	$ 23,012	$ 22,615
Building and land improvements	111,233	107,466
Furniture and fixtures	25,963	20,679
Computer and office equipment	102,591	89,345
Field Equipment	124,123	110,885
Leasehold improvements	85,893	78,874
	472,815	429,864
Less: Accumulated depreciation	(260,808)	(225,462)
Net property, plant and equipment	$ 212,007	$ 204,402

Depreciation expense is reflected in the consolidated statements of income in direct costs and general and administrative costs depending on the intended use of the asset and totaled $41.0 million, $37.1 million and $52.1 million for the years ended December 31, 2012, 2011 and 2010, respectively.

(5) Employee Benefit Plan Assets

We have investments that support deferred compensation arrangements and other employee benefit plans. These assets are recorded at fair market value primarily using Level 2 inputs. As of December 31, 2012 and 2011, the fair market value of these assets was $66.3 million and $53.0 million, respectively, and are included in employee benefit plan assets and other on the consolidated balance sheets.

(6) Acquisitions

On July 29, 2011, we acquired Booz Allen Hamilton's State and Local Government Transportation and Consulting ("BAH") business. The purchase price was $28.5 million adjusted for working capital and other purchase price adjustments and was paid in cash. We performed an analysis of the fair market value of the tangible assets acquired and liabilities assumed as well as any identifiable intangible assets purchased. Included in the intangible assets acquired are the estimated fair value of customer relationships of $8.8 million and contracted backlog of $1.2 million, with useful lives of seven and three years, respectively. In addition, we recorded $10.5 million in goodwill related to the acquisition. The results of operations for this acquisition are reported in the Government, Environment and Infrastructure operating segment after the date of the acquisition.

On November 10, 2011, we purchased all the share capital of Halcrow for approximately £124.0 million ($197.3 million). Halcrow is a United Kingdom-headquartered engineering, planning, design and management services firm specializing in developing infrastructure and buildings. Halcrow has 5,000 employees who provide services to our clients in the United Kingdom, Middle East, Canada, the United States, China, India, Australia, South America, and Europe. Halcrow's clients include public and private-sector organizations around the world, including local, regional and national governments, asset owners, international funding agencies, regulators, financial institutions, contractors, developers and operators.

(6) Acquisitions (Continued)

The purchase price was paid to the selling stockholders of Halcrow in the form of $41.7 million of cash, $18.8 million of common stock of CH2M HILL, based on the stock price on the closing date, and $136.8 million of notes payable which were satisfied in full in December 2011.

The following table summarizes the amounts of identified assets acquired and liabilities assumed at the acquisition date of November 10, 2011. During the measurement period, net adjustments of $43.9 million were made to the fair values of the assets acquired and liabilities assumed with a corresponding adjustment to goodwill. These adjustments are summarized in the measurement period adjustments column.

($ in thousands)	Provisional Fair Value as of Acquisition Date	Measurement Period Adjustments	Final Fair Value as of Acquisition Date
Current assets	$ 249,117	$(10,708)	$ 238,409
Property, plant and equipment, net	27,294	25,728	53,022
Intangible assets, net	114,100	2,734	116,834
Goodwill	375,807	43,944	419,751
Other long-term assets	8,493	—	8,493
Total assets acquired	774,811	61,698	836,509
Current liabilities	(180,124)	(4,072)	(184,196)
Debt	(80,874)	—	(80,874)
Pension liabilities	(293,819)	5,582	(288,237)
Other long-term liabilities	(22,736)	(63,208)	(85,944)
Total liabilities assumed	(577,553)	(61,698)	(639,251)
Net assets acquired	$ 197,258	$ —	$ 197,258

Included in the intangible assets acquired is the fair value for customer relationships, contracted backlog and the tradename valued at $93.5 million, $19.1 million and $4.2 million, respectively. Customer relationships, contracted backlog and the tradename will be amortized over their useful lives of six, four and three years, respectively.

Certain changes to prior year balance sheet amounts and the corresponding footnotes have been made in accordance with the accounting standard for business combinations to reflect adjustments made during the measurement period to the provisional amounts for assets acquired and liabilities

(6) Acquisitions (Continued)

assumed in the Halcrow acquisition. The following table summarizes the effect these measurement period adjustments had on the December 31, 2011 consolidated balance sheet as previously reported.

($ in thousands)	Consolidated Balance Sheet as Reported December 31, 2011 (a)	Measurement Period Adjustments (b)	Consolidated Balance Sheet Retrospectively Adjusted December 31, 2011
Assets:			
Other receivables, net	$ 39,095	$(21,940)	$ 17,155
Income tax receivable	43,324	(6,487)	36,837
Prepaid expenses and other current assets	48,622	18,155	66,777
Property, plant and equipment, net	179,722	24,680	204,402
Goodwill	503,289	42,154	545,443
Intangible assets, net	159,777	2,622	162,399
Liabilities:			
Accrued payroll and employee related liabilities	315,650	(10,101)	305,549
Other accrued liabilities	227,539	14,007	241,546
Long-term employee related liabilities	466,939	(5,356)	461,583
Other long-term liabilities	133,520	60,634	194,154

(a) As previously reported in the Company's 2011 Annual Report on Form 10-K.

(b) These measurement period adjustments were recorded to reflect changes in the estimated fair value of certain assets and liabilities. These adjustments were primarily made to reflect better market participant assumptions about facts and circumstances existing as of the acquisition date and reflect the tax impact of the adjustments. The measurement period adjustments did not result from intervening events subsequent to the acquisition date.

(7) Goodwill and Intangible Assets

The following table presents the changes in goodwill during the years ended December 31:

($ in thousands)	2012	2011
Balance at beginning of year	$545,443	$130,354
Acquisitions	—	430,211
Foreign currency translation	17,018	(15,122)
Balance at end of year	$562,461	$545,443

(7) Goodwill and Intangible Assets (Continued)

Intangible assets with finite lives consist of the following:

($ in thousands)	Cost	Accumulated Amortization	Net finite-lived intangible assets
December 31, 2012			
Contracted backlog	$ 81,014	$ (64,850)	$ 16,164
Customer relationships	160,651	(62,386)	98,265
Tradename	24,862	(5,634)	19,228
Total finite-lived intangible assets	$266,527	$(132,870)	$133,657
December 31, 2011			
Contracted backlog	$ 79,834	$ (59,737)	$ 20,097
Customer relationships	155,358	(37,433)	117,925
Tradename	4,095	(45)	4,050
Non-compete agreements and other	902	(902)	—
Total finite-lived intangible assets	$240,189	$ (98,117)	$142,072

All intangible assets are being amortized over their expected lives of between three and seven years. Included in the December 31, 2012 balance above is a tradename valued at $20.3 million which we began amortizing in 2012 over a period of five years due to a change in estimate of the useful life of the tradename. This tradename was classified as an indefinite-lived intangible asset as of December 31, 2011 and therefore was not included in the table above as of that date.

The amortization expense reflected in the consolidated statements of income totaled $38.6 million, $11.1 million and $10.2 million for the years ended December 31, 2012, 2011 and 2010, respectively. These intangible assets are expected to be fully amortized in 2018. At December 31, 2012, the future estimated amortization expense related to these intangible assets is (in thousands):

Year Ending:	
2013	$ 36,424
2014	33,642
2015	25,596
2016	21,402
2017	15,858
Thereafter	735
	$133,657

(8) Fair Value of Financial Instruments

Cash and cash equivalents, receivables, unbilled revenue, accounts payable and accrued subcontractor costs and billings in excess of revenue are carried at cost, which approximates fair value due to their short maturities. Fair value of long-term debt, including the current portion, is estimated based on Level 2 inputs, except the amount outstanding on the revolving credit facility for which the carrying value approximates fair value. Fair value is determined by discounting future cash flows using

(8) Fair Value of Financial Instruments (Continued)

interest rates available for issues with similar terms and average maturities. The estimated fair values of our financial instruments where carrying values do not approximate fair value are as follows:

	2012		2011	
($ in thousands)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Mortgage notes payable	$12,159	$10,718	$13,750	$12,207
Equipment financing	4,348	3,716	13,764	12,923
Stockholder notes payable	322	303	294	272

The fair value of marketable securities classified as available-for-sale, which totaled $2.1 million and $2.4 million at December 31, 2012 and 2011, respectively, were valued based on Level 1 inputs whereby a readily determinable market value exists for the specific asset.

We primarily enter into derivative financial instruments to mitigate exposures to changing foreign currency exchange rates. These currency derivative instruments are carried on the balance sheet at fair value and are typically based upon Level 2 inputs including third party quotes. At December 31, 2012, we had forward foreign exchange contracts on major world currencies with varying durations, none of which extend beyond five years. At December 31, 2012, there were no foreign exchange contracts outstanding. At December 31, 2011, derivative assets and liabilities recorded amounted to $6.7 million and $6.6 million, respectively.

(9) Line of Credit and Long-Term Debt

On December 6, 2010, we entered into a Credit Agreement providing for an unsecured revolving Credit Facility (the "Credit Facility") in an amount up to $600.0 million. We entered into an amendment to the original Credit Agreement on September 27, 2011 which provided modifications to certain covenants and other provisions of the Credit Agreement to take into account the acquisition of Halcrow. On April 19, 2012, we amended and restated this agreement for the purposes of increasing the size of the Credit Facility to $900.0 million, extending the maturity to April 19, 2017, increasing the capacity of certain subfacilities as well as improving our borrowing rates. Under the terms of the revised agreement we may be able to invite existing and new lenders to increase the amount available to be borrowed under the agreement by up to $200.0 million. The revised credit facility has a subfacility for the issuance of standby letters of credit in a face amount up to $500.0 million, compared to $300.0 million in the original agreement and a subfacility up to $300.0 million for multicurrency borrowings, which is unchanged from the original agreement.

Revolving loans under the Credit Facility bear interest, at our option, at a rate equal to either (i) the base rate plus a margin based on our consolidated leverage ratio or (ii) the eurodollar rate, based on interest periods of one, two, three or six months, plus a margin based on our consolidated leverage ratio. The base rate is defined as the highest of (i) the "Federal Funds Rate," as published from time to time by the Federal Reserve Bank of New York, plus 0.5%, (ii) the Agent's "prime rate" in effect from time to time, and (iii) the one month LIBOR rate in effect from time to time, plus 1.0%. Our "consolidated leverage ratio" on any date is the ratio of our consolidated total funded debt to our consolidated adjusted earnings before interest, taxes, depreciation and amortization for the preceding four fiscal quarters. The definition of consolidated adjusted earnings before interest, taxes, depreciation and amortization was amended to allow for the addition of, among other things, all expenses associated with the non-cash portion of all stock-based compensation. We are also obligated

(9) Line of Credit and Long-Term Debt (Continued)

to pay other closing fees, commitment fees and letter of credit fees customary for a credit facility of this size and type. Under the terms of the revised agreement, the margin added to either the base rate or the eurodollar rate has decreased, which provides us with access to capital at lower overall borrowing rates.

Both the original and revised credit agreements contain customary representations and warranties and conditions to borrowing. They also include customary affirmative and negative covenants, including covenants that limit or restrict our ability to incur indebtedness and other obligations, grant liens to secure their obligations, make investments, merge or consolidate, dispose of assets outside the ordinary course of business, enter into transactions with affiliates, and make certain kinds of payments, in each case subject to customary exceptions for credit facilities of this size and type. We are also required to comply with a minimum consolidated fixed charge coverage ratio and a maximum consolidated leverage ratio. As of December 31, 2012, we were in compliance with the covenants required by the Credit Agreement. The remaining borrowing capacity available under the Credit Facility was $504.3 million as of December 31, 2012.

Our nonrecourse and other long-term debt, as of December 31 consist of the following:

($ in thousands)	2012	2011
Nonrecourse:		
Mortgage payable in monthly installments to July 2020, secured by real estate, rents and leases. The note bears interest at 5.35%	$ 10,374	$11,429
Mortgage payable in monthly installments to December 2015, secured by real estate. The note bears interest at 6.59%	1,785	2,321
	12,159	13,750
Other:		
Revolving credit facility	$235,500	$65,000
Equipment financing, due in monthly installments to December 2015, secured by equipment. These notes bear interest ranging from 4.00% to 8.00%	4,348	13,764
Stockholder notes payable	322	294
Total debt	252,329	92,808
Less current portion of debt	3,497	11,334
Total long-term portion of debt	$248,832	$81,474

At December 31, 2012, future principal payments on long-term debt are as follows (in thousands):

Year Ending:	
2013	$ 3,497
2014	3,355
2015	3,112
2016	1,338
2017	236,885
Thereafter	4,142
	$252,329

(10) Operating Lease Obligations

We have entered into certain noncancellable leases, which are being accounted for as operating leases. At December 31, 2012, future minimum lease payments, without consideration of sublease income, are as follows (in thousands):

Year Ending:	
2013	$106,328
2014	86,495
2015	73,785
2016	58,418
2017	49,052
Thereafter	85,031
	$459,109

Rental expense charged to operations, net of sublease income, was $125.8 million, $121.5 million and $126.7 million during the years ended December 31, 2012, 2011 and 2010, respectively, including amortization of a deferred gain of $4.3 million in each of the years ended December 31, 2012 and 2011, and 2010 related to the sale-leaseback of our corporate offices. Certain of our operating leases contain provisions for a specific rent-free period and escalation clauses. We accrue rental expense during the rent-free period based on total expected rent payments to be made over the life of the related lease.

(11) Income Taxes

Income before provision for income taxes for the years ended December 31 consists of the following:

($ in thousands)	2012	2011	2010
U.S. income	$137,033	$146,721	$135,915
Foreign income	8,009	22,506	11,584
Income before taxes	$145,042	$169,227	$147,499

(11) Income Taxes (Continued)

The provision for income taxes for the years ended December 31 consists of the following:

($ in thousands)	2012	2011	2010
Current income tax expense:			
Federal	$ 49,468	$ 55,576	$ 55,835
Foreign	19,098	13,016	11,729
State and local	7,556	7,839	10,939
Total current income tax expense	76,122	76,431	78,503
Deferred income tax benefit:			
Federal	(22,481)	(17,619)	(17,280)
Foreign	2,810	(806)	(4,771)
State	(4,385)	(2,076)	(2,648)
Total deferred income tax benefit	(24,056)	(20,501)	(24,699)
Total income tax expense	$ 52,066	$ 55,930	$ 53,804

The reconciliations of income tax computed at the U.S. federal statutory tax rate to our effective income tax rate for the years ended December 31 are as follows:

($ in thousands)	2012	2011	2010
Pretax income	$145,042	$169,227	$147,499
Federal statutory rate	35%	35%	35%
Expected tax expense	50,765	59,229	51,625
Reconciling items:			
State income taxes, net of federal benefit	4,200	6,402	5,640
Nondeductible meals and entertainment	2,452	2,466	3,082
Section 199—Domestic manufacturer deduction	(4,263)	(5,472)	(3,686)
Subsidiary earnings	(7,001)	(6,126)	(5,358)
Permanent expenses	(5,124)	(3,091)	(2,824)
Foreign tax rate differential	(8,436)	(3,593)	226
Tax credits	(5,387)	(9,071)	(13,617)
Change in valuation allowance	17,685	2,140	2,566
Foreign permanent expenses and other	8,746	13,722	16,788
Other	(1,571)	(676)	(638)
Provision for income taxes	$ 52,066	$ 55,930	$ 53,804

(11) Income Taxes (Continued)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31 are as follows:

($ in thousands)	2012	2011
Deferred tax assets:		
Net foreign operating loss carryforwards	$ 46,743	$ 45,690
Deferred gain, insurance and other	29,829	32,878
Investments in affiliates	1,909	—
Accrued employee benefits	282,974	266,122
Total deferred tax assets	361,455	344,690
Valuation allowance	(116,986)	(99,301)
Net deferred tax assets	244,469	245,389
Deferred tax liabilities:		
Investments in affiliates	—	(13,685)
Depreciation and amortization	(13,663)	(33,591)
Net deferred tax liabilities	(13,663)	(47,276)
Net deferred tax assets	$ 230,806	$198,113

A valuation allowance is required to be established for those deferred tax assets where it is more likely than not that they will not be realized. The above valuation allowances relate primarily to operating loss carryforwards from foreign operations and employee benefits of $498.0 million and $460.0 million for the years ended December 31, 2012 and 2011, respectively. The foreign net operating losses can be carried forward for varying terms depending on the foreign jurisdiction between three years and an unlimited carry forward period.

Undistributed earnings of our foreign subsidiaries amounted to approximately $160.5 million at December 31, 2012. These earnings are considered to be permanently reinvested. Accordingly, no provision for U.S. federal and state income taxes or foreign withholding taxes has been made. If these earnings were repatriated as of December 31, 2012, approximately $41.5 million of income tax expense would be incurred. Cash held in international accounts at December 31, 2012 and 2011 was $260.0 million and $140.7 million, respectively.

The tax benefit from stock-based compensation awards for the years ended December 31, 2012, 2011 and 2010 was $10.7 million, $13.1 million and $15.0 million, respectively. These amounts are reflected as additional paid-in capital in the consolidated statements of stockholders' equity and comprehensive income and are reported as financing activities in the consolidated statements of cash flows.

As of December 31, 2012 and 2011, we had $30.2 million and $29.9 million, respectively, recorded as a liability for uncertain tax positions and accrued interest. We recognize interest and penalties related to uncertain tax positions in income tax expense. As of December 31, 2012 and 2011, we had approximately $5.4 million and $4.6 million, respectively, of accrued interest and penalties related to

(11) Income Taxes (Continued)

uncertain tax positions. A reconciliation of the beginning and ending amount of uncertain tax positions as of December 31, 2011 and December 31, 2012 is as follows (in thousands):

Balance at December 31, 2010	$15,338
Additions for current year tax positions	9,802
Additions for prior year tax positions	1,862
Reductions for prior year tax positions	(1,129)
Settlement with taxing authorities	—
Reductions as a result of lapse of applicable statue of expirations	(564)
Balance at December 31, 2011	$25,309
Additions for current year tax positions	1,349
Additions for prior year tax positions	1,002
Reductions for prior year tax positions	(866)
Settlement with taxing authorities	(168)
Reductions as a result of lapse of applicable statue of expirations	(1,866)
Balance at December 31, 2012	$24,760

If recognized, the $24.8 million in uncertain tax positions would affect the effective tax rate. It is also possible that the reserve could change within twelve months of the reporting date related to the state research and experimentation credit as a result of tax authority settlement. The estimated range of unrecognized change is zero to $1.3 million at December 31, 2012.

We file income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. In the normal course of business, we are subject to examination by taxing authorities throughout the world, including such major jurisdictions as the U.S., Canada, and the United Kingdom. With few exceptions, we are no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities in major tax jurisdictions for years before 2006.

(12) Earnings Per Share

Basic earnings per share ("EPS") excludes the dilutive effect of common stock equivalents and is computed by dividing net income by the weighted-average number of common shares outstanding during the period. Diluted EPS includes the dilutive effect of common stock equivalents, which consists of stock options, and is computed using the weighted-average number of common shares and common stock equivalents outstanding during the period.

(12) Earnings Per Share (Continued)

Reconciliations of basic and diluted EPS for the years ended December 31 are as follows:

($ in thousands)	2012	2011	2010
Numerator:			
Net income attributable to CH2M HILL	$92,976	$113,297	$93,695
Denominator:			
Basic weighted-average common shares outstanding	31,082	30,824	31,458
Dilutive effect of common stock equivalents	402	604	705
Diluted adjusted weighted-average common shares outstanding, assuming conversion of common stock equivalents	31,484	31,428	32,163
Basic net income per common share	$ 2.99	$ 3.68	$ 2.98
Diluted net income per common share	$ 2.95	$ 3.60	$ 2.91

(13) Employee Benefit Plans

Deferred Compensation Plans

In 2010, we amended and restated the CH2M HILL Companies, Ltd. Deferred Compensation Retirement Plan ("DCRP") to form the CH2M HILL Supplemental Executive Retirement and Retention Plan ("SERRP"). The Plan is intended to be unfunded and maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees within the meaning of Title I of the Employee Retirement Income Security Act ("ERISA"). Under this plan, each participant's account consists of various contributions made to the account by our Company on behalf of the participant. The SERRP was amended effective January 1, 2013 to, in general, allow participants to select the investment vehicles available under the plan. The plan can be used to provide additional retirement benefits for certain of our senior executives at the Company's discretion. Compensation expense was $2.0 million, $3.9 million, $0.6 million for the years ended December 31, 2012, 2011 and 2010, respectively.

In addition to the SERRP, we have a nonqualified deferred compensation plan that provides benefits payable to officers and certain highly compensated employees at specified future dates, or upon retirement, disability or death. In 2011, we amended and restated the Deferred Compensation Plan and Executive Deferred Compensation Plan to combine both plans into a single plan. The plan allows eligible participants to defer up to a certain amount of base compensation and incentive compensation received, in cash or common stock. It also allows a more select group of eligible participants, whose 401(k) Plan contributions are limited by the ERISA, to defer additional base compensation to which we may make a matching contribution. The plan is also used to provide additional retirement benefits for certain of our senior executives at levels to be determined from time-to-time by the Compensation Committee of the Board of Directors.

The Deferred Compensation Plans are unfunded; therefore, benefits are paid from the general assets of our company. The participant's cash deferrals earn a return based on the participant's selection of investments in several hypothetical investment options. All deferrals of common stock must remain invested in common stock and are distributed in common stock. As of December 31, 2012 and 2011, amounts due under the Deferred Compensation Plans were $75.2 and $58.8, respectively.

(13) Employee Benefit Plans (Continued)

Compensation expense for the two nonqualified plans was $2.7 million, $4.1 million and $2.8 million for the years ended December 31, 2012, 2011 and 2010, respectively.

Death Benefit Only Plan

Effective as of September 13, 2012, we amended and restated the CH2M HILL Companies, Ltd. Death Benefit Only Plan. The plan provides for a payment of five times the base salary (pre-tax) in a lump sum to the beneficiary of select executives (including the named executive officers) upon his or her death. This is a pre-retirement employment benefit similar to term life insurance while the executive remains a CH2M HILL employee.

Stock Option Plans

In 2009, the Board of Directors and stockholders approved the CH2M HILL Companies, Ltd. 2009 Stock Option Plan ("2009 Stock Option Plan") which reserved 3,000,000 shares of our common stock for issuance upon exercise of stock options granted. Effective May 7, 2012, the 2009 Stock Option Plan was amended and restated to increase the number of reserved shares to 5,500,000. All options outstanding under the previously cancelled plans ("1999 and 2004 Stock Option Plans"), that expired or for any other reason cease to be exercisable, were rolled into the 2009 Stock Option Plan and are available for grant in addition to the 5,500,000 options reserved.

Stock options are granted at an exercise price equal to the fair market value of our common stock at the date of grant. Stock options granted generally become exercisable 25%, 25% and 50% after one, two and three years, respectively, and have a term of five years from the date of grant. The following table summarizes the activity relating to the 2009 Stock Option Plan during 2012:

Stock Options:	Number of Shares	Weighted Average Exercise Price
Outstanding at December 31, 2011	2,913,658	$37.18
Granted	739,037	$54.37
Exercised	(832,972)	$27.30
Forfeited	(149,540)	$49.62
Expired	(49,646)	$26.48
Outstanding at December 31, 2012	2,620,537	$44.65
Exercisable at December 31, 2012	1,145,755	$36.98
Available for future grants	5,859,834	

The weighted-average remaining contractual term for all options outstanding at December 31, 2012 and 2011 was 2.7 years and 2.6 years, respectively. The aggregate intrinsic value of all options outstanding was $26.7 million and $54.0 million, at December 31, 2012 and 2011, respectively. The weighted-average remaining contractual term for options vested and exercisable at December 31, 2012 and 2011 was 1.5 years and 1.4 years, respectively. The aggregate intrinsic value for the vested and exercisable options was $20.3 million and $37.8 million, at December 31, 2012 and 2011, respectively. The remaining unrecognized compensation expense related to nonvested awards as of December 31, 2012 is $5.7 million. We expect to recognize this compensation expense over the weighted average remaining recognition period of 1.6 years, subject to forfeitures that may occur during that period.

(13) Employee Benefit Plans (Continued)

We received $5.2 million, $4.6 million and $3.7 million from options exercised during the years ended December 31, 2012, 2011 and 2010, respectively. Our stock option plans also allow participants to satisfy the exercise price and participant tax withholding obligation by tendering shares of company stock that have been owned by the participants for at least six months. The intrinsic value associated with exercises was $18.0 million, $16.4 million and $16.3 million during the years ended December 31, 2012, 2011 and 2010, respectively.

We measure the fair value of each stock option grant at the date of grant using a Black-Scholes option pricing model. The weighted average grant date fair value of options granted during the years ended December 31, 2012 and 2011 was $5.85 and $7.40, respectively. The following assumptions were used in determining the fair value of options granted during 2012 and 2011:

	2012	2011
Risk-free interest rate	0.62%	1.15%
Expected dividend yield	0.00%	0.00%
Expected option life	4.2 Years	4.2 Years
Expected stock price volatility	11.72%	15.63%

We estimate the expected term of options granted based on historical experience of employee exercise behavior. We estimate the volatility of our common stock by using the weighted-average of historical volatility over the same period as the option term. We use the Treasury Yield Curve rates for the risk-free interest rate in the option valuation model with maturities similar to the expected term of the options. We do not anticipate paying any cash dividends on our common stock in the foreseeable future and therefore use an expected dividend yield of zero in the option valuation model. We are required to estimate forfeitures at the time of grant and revise those estimates in subsequent periods if actual forfeitures differ from those estimates. We use historical data to estimate pre-vesting option forfeitures and record stock-based compensation expense only for those awards that are expected to vest. All stock-based payment awards are amortized on a straight-line basis over the requisite service periods of the awards.

The total compensation expense recognized for stock options granted for the years ended December 31, 2012, 2011 and 2010 was $2.1 million, $4.8 million and $4.8 million, respectively.

Payroll Deduction Stock Purchase Plan

In November 1999, we established the Payroll Deduction Stock Purchase Plan (“PDSPP”) which provides for the purchase of common stock at 90% of the market value as of the date of purchase through payroll deductions by participating employees. Eligible employees may purchase common stock totaling up to 15% of an employee’s compensation through payroll deductions. An employee cannot purchase more than $25,000 of common stock under the PDSPP in any calendar year. The PDSPP is intended to qualify under Section 423 of the Internal Revenue Code (“IRC”). The PDSPP is not intended to qualify under Section 401(a) of the IRC and is not subject to ERISA. The PDSPP is non-compensatory since the plan is available to all stockholders and incorporates no option features such as a look-back period. Accordingly, no compensation expense is recognized in the financial statements for the PDSPP. During the years ended December 31, 2012, 2011 and 2010, a total of 540,134 shares, 527,503 shares and 569,788 shares, respectively, were issued under the PDSPP, for total proceeds of $26.3 million, $24.4 million and $22.2 million, respectively.

(13) Employee Benefit Plans (Continued)

Phantom Stock Plan

In January 2000, we established the Phantom Stock Plan, which provides eligible individuals with added incentives to continue in the long-term service of our company. Eligible individuals are generally individuals who are not residents of the U.S. Phantom stock grants are 100% vested on the grant date and may be redeemed after six months from the grant date. The value of phantom stock is equal to the market value of our common stock. All amounts granted under the Phantom Stock Plan are payable in cash only and are generally granted in connection with the short and long term incentive plans. Compensation expense under this plan is based on the value of the units on the date of grant.

During the years ended December 31, 2012, 2011 and 2010, a total of 711 units, 731 units and 6,136 units, respectively, were granted under the Phantom Stock Plan. The fair values of the units granted under the Phantom Stock Plan during 2012, 2011 and 2010 were $57.01, $49.90 and $40.52, respectively. Compensation expense related to the Phantom Stock Plan during 2012, 2011 and 2010 was zero, $0.6 million and $0.5 million, respectively.

The following table summarizes the activity relating to the Phantom Stock Plan during 2012:

	Number of Units
Balance at December 31, 2011	32,487
Granted	711
Exercised	(4,627)
Cancelled	(1,139)
Balance at December 31, 2012	27,432

Stock Appreciation Rights Plan

In February 1999, we established the Stock Appreciation Rights ("SARs") Plan. Eligible individuals are generally individuals who are not residents of the U.S. SARs are granted at an exercise price equal to the market value of our common stock and generally become exercisable 25%, 25% and 50% after one, two and three years, respectively, and have a term of five years from the date of the grant. All amounts granted under the SARs Plan are payable in cash only. Compensation expense under this plan is based on the vesting provisions and the market value of our common stock.

Compensation expense related to the SARs Plan during 2012, 2011 and 2010 was $0.1 million, $0.1 million and $0.2 million for the years ended December 31, 2012, 2011 and 2010, respectively.

The following table summarizes the activity relating to the SARs Plan during 2012:

	Number of Rights	Weighted Average Exercise Price
Balance at December 31, 2011	21,145	$39.90
Granted	6,367	$53.81
Exercised	(5,650)	$29.95
Cancelled	(3,273)	$48.00
Balance at December 31, 2012	18,589	$46.26

(13) Employee Benefit Plans (Continued)

Incentive Plans

The Annual Incentive Plan ("AIP") aids in the recruitment, motivation, and retention of employees. Management determines which employees participate in the AIP. During the years ended December 31, 2011 and 2010, a total of 58,045 shares and 369,566 shares, respectively, were issued under the AIP. The fair values of the shares issued under the AIP were $46.75 and $40.52, for the years ended December 31, 2011 and 2010, respectively. We accrued compensation expense related to common stock awards under the AIP in the amount of $2.7 million for the year ended December 31, 2011. All of the 2012 awards were paid in cash. Therefore no stock-based compensation was recognized in 2012 or 2010.

The Long Term Incentive Plan ("LTIP") rewards certain executives and senior leaders for the creation of value in the organization through the achievement of specific long-term (3 year) goals of earnings growth and strategic initiatives. The Compensation Committee of the Board reviews and endorses participation in the LTIP in any program year and a new program is established each year. During the years ended December 31, 2012, 2011 and 2010, a total of 304,736 shares, 219,087 shares and 279,447 shares, respectively, were issued under the LTIP at a fair value of $57.01, $46.75 and $40.52 per share, respectively. Compensation expense for common stock awards under the LTIP amounted to $7.2 million, $11.8 million and $15.0 million for the years ended December 31, 2012, 2011 and 2010, respectively.

Restricted Stock Plan

In 2000, we established the Restricted Stock Policy and Administration Plan (as amended and restated in 2011) which provides eligible individuals with added incentives to continue in the long-term service of our company. The awards are made for no consideration, vest over various periods, and may include performance requirements, but are considered outstanding at the time of grant. During the years ended December 31, 2012, 2011 and 2010, a total of 163,469 shares, 136,696 shares and 186,396 shares, respectively, were granted under the Restricted Stock Policy and Administration Plan.

We recognize compensation costs, net of forfeitures, over the vesting term based on the fair value of the restricted stock at the date of grant. The amount of compensation expense recognized under the Restricted Stock Policy and Administration Plan was $6.7 million, $5.5 million and $4.8 million for the years ended December 31, 2012, 2011 and 2010, respectively. As of December 31, 2012, there was $6.0 million of unrecognized compensation expense related to non-vested restricted stock grants. The expense is expected to be recognized over a weighted average period of 1.91 years.

(13) Employee Benefit Plans (Continued)

The following table summarizes the activity relating to the Restricted Stock Policy and Administration Plan during 2012:

	Non-vested Shares	Weighted Average Grant Date Fair Value
Balance at December 31, 2011	394,287	$39.04
Granted	163,469	$54.96
Vested	(90,765)	$44.16
Cancelled and expired	(122,773)	$37.15
Balance at December 31, 2012	344,218	$45.92

The weighted-average fair values of the shares granted under the Restricted Stock Plan during 2012, 2011 and 2010 were $54.96, $50.37 and $42.32, respectively.

(14) Employee Retirement Plans

Retirement and Tax-Deferred Savings Plan

The Retirement and Tax-Deferred Savings Plan ("401(k) Plan") is a profit sharing plan that includes a cash or deferred arrangement that is intended to qualify under Sections 401(a) and 401(k) of the Internal Revenue Code. Employees are eligible to participate in the 401(k) Plan on the first date of hire with respect to employee contributions and matching contributions. Each eligible employee begins to participate in the 401(k) Plan with respect to defined contributions as of the first day of the first month that begins on or after the eligible employee completes a twelve-month period of service during which the employee is credited with at least 1,000 hours of service.

The 401(k) Plan allows for matching contributions to be made in both cash and stock. Matching contributions may be made in an amount that is based on a percentage of the employee's contributions for the calendar quarter up to 4% of the employee's base compensation. Participants of the 401(k) Plan are, at all times, 100% vested in the employee contribution account. Employer contributions allocated to a participant's account generally vest over six years of completed service. Expenses related to matching contributions, made in common stock, for the 401(k) Plan for 2012, 2011 and 2010 were $27.0 million, $24.8 million and $20.6 million, respectively. In addition, expenses related to defined contributions made in common stock for the 401(k) Plan for 2012, 2011 and 2010 were $18.5 million, $20.0 million and $16.6 million, respectively.

In September, 2012, our Board of Directors approved the CH2M HILL Companies, Ltd. Amended and Restated 401(k) Plan which becomes effective January 1, 2013 and allows for matching contributions to be made based on a percentage of the employee's contributions up to 6% of the employee's base compensation, although specific subsidiaries or business groups may have different limits on employer matching. The matching contributions may still be made in both cash and stock. Employer defined contributions will no longer be made under the amended and restated 401(k) Plan and a five-year vesting schedule for employer matching contributions, with 20% vesting per year beginning at the end of the first year of service, will be implemented.

(14) Employee Retirement Plans (Continued)

Defined Benefit Plans

We sponsor several defined benefit pension plans primarily in the United States and the United Kingdom.

In the U.S., we have three noncontributory defined benefit pension plans. Plan benefits in two of the plans are frozen while one plan remains active. Effective December 31, 2010, the active plan was amended to change the calculation of future benefits. Benefits are generally based on years of service and compensation during the span of employment.

In the U.K., we assumed several defined benefit plans as part of our acquisition of Halcrow on November 10, 2011, of which the largest is the Halcrow Pension Scheme. These defined benefit plans have been closed to new entrants for many years. The information related to these plans is presented in the Non-U.S. Pension Plans columns of the tables below.

Benefit Expense

The weighted average actuarial assumptions used to compute the net periodic pension expense are based upon information available as of the beginning of the year, as presented in the following table.

	U.S. Pension Plans			Non-U.S. Pension Plans
	2012	2011	2010	2012
Discount rate	5.30%	5.80%	5.90%	4.90%
Expected long-term rate of return on plan assets	7.50%	7.50%	7.50%	5.81%
Rate of compensation increase	3.00%	3.00%	4.00%	4.10%

The components of the net periodic pension expense for the years ended December 31 are detailed below:

	U.S. Pension Plans			Non-U.S. Pension Plans	
($ in thousands)	2012	2011	2010	2012	2011
Service cost	$ 3,532	$ 3,666	$ 5,579	$ 2,350	$ 320
Interest cost	10,592	10,585	10,692	45,628	5,969
Expected return on plan assets	(10,756)	(10,462)	(9,149)	(36,647)	(5,674)
Amortization of prior service cost (credits)	(781)	(783)	92	—	—
Recognized net actuarial loss	5,546	3,549	4,058	—	—
Net expense included in current income	$ 8,133	$ 6,555	$11,272	$ 11,331	$ 615

(14) Employee Retirement Plans (Continued)

Benefit Obligations

The measurement date used for the U.S. and non-U.S. defined benefit pension plans is December 31. The significant actuarial weighted average assumptions used to compute the projected benefit obligations for the defined benefit pension plans at December 31 are as follows:

	U.S. Pension Plans		Non-U.S. Pension Plans	
	2012	2011	2012	2011
Discount rate	4.20%	5.30%	4.50%	4.94%
Rate of compensation increase	3.00%	3.00%	4.00%	4.10%

The discount rate assumption for the U.S. and U.K. defined benefit pension plans was determined using an actuarial bond model. The model assumes we purchase high quality, Aa-rated or better, corporate bonds such that the expected cash flow from the selected bond portfolio generally matches the timing of our projected benefit payments. The model develops the average yield on this portfolio of bonds as of the measurement date. This average yield is used as the discount rate.

The following table summarizes the change in the projected benefit obligation and plan assets for the defined benefit pension plans for the years ended December 31:

	U.S. Pension Plans		Non-U.S. Pension Plans	
($ in thousands)	2012	2011	2012	2011
Benefit obligation at beginning of year	$205,750	$187,595	$ 922,259	$ —
Service cost	3,532	3,666	2,350	320
Interest cost	10,592	10,585	45,628	5,969
Actuarial loss	34,584	12,313	82,069	21,060
Participant contributions	—	—	347	—
Currency translation	—	—	43,707	(34,494)
Benefits paid	(9,381)	(8,409)	(32,408)	(3,262)
Liabilities assumed from the Halcrow acquisition and other	—	—	—	932,666
Benefit obligation at end of year	$245,077	$205,750	$1,063,952	$922,259
Plan assets at beginning of year	$141,491	$138,692	$ 623,972	$ —
Actual return on plan assets	18,195	(1,172)	57,968	10,371
Company contributions	12,360	12,380	21,674	2,279
Participant contributions	—	—	347	—
Currency translation	—	—	29,703	(23,745)
Benefits paid	(9,381)	(8,409)	(32,408)	(3,262)
Assets obtained from the Halcrow acquisition and other	—	—	—	638,329
Fair value of plan assets at end of year	$162,665	$141,491	$ 701,256	$623,972

(14) Employee Retirement Plans (Continued)

The expected benefit payments for the U.S. and non-U.S. defined benefit pension plans are as follows:

($ in thousands)	U.S. Pension Plans	Non-U.S. Pension Plans
2013	$ 13,228	$ 39,406
2014	14,306	40,736
2015	15,427	41,451
2016	16,540	43,142
2017	17,202	44,131
Thereafter	91,950	245,384
	$168,653	$454,250

Benefit Plan Assets

The target allocation for the U.S. pension plans and the weighted-average asset allocations for the defined benefit pension plans at December 31, 2012 and 2011 by asset category are set out below. For the non-U.S. pension plans, the targeted allocation of assets is generally related to the expected benefit payments over the next five to ten years. The target is to hold sufficient assets in fixed income securities to meet these cash flows. So as the benefit plan matures, an increasing proportion of plan assets will be held in fixed income securities.

	U.S. Pension Plans			Non-U.S. Pension Plans	
	Target Allocation	2012	2011	2012	2011
Equity securities	55%	54%	52%	36%	45%
Debt securities	45%	46%	47%	50%	45%
Other	—	—%	1%	14%	10%
Total	100%	100%	100%	100%	100%

The investment philosophy for the defined benefit pension plans is primarily to have the asset values and long-term rates of return exceed those of the relative benchmarks in order to protect and pay the expected future benefit payments to participants. Asset allocation decisions are made in an attempt to construct a total portfolio that achieves the desired expected risk and return needed to meet long term liabilities of the plans. For non-U.S. plans, the asset allocation decisions are often made by an independent board of trustees. In order to accomplish the investment philosophy and strategy, the benefit plan trustees monitor the asset classes allowed for investment, the strategic mix targets, and allowable ranges of such.

Investments in domestic and international equity securities are utilized with the expectation that they will provide a higher rate of return than debt securities for periods in excess of five to ten years, albeit with greater risk. Investments in debt securities, such as government and corporate bonds of domestic and international entities, are utilized with the expectation that they are generally low in risk and can meet the shorter term cash flow needs of the plans.

(14) Employee Retirement Plans (Continued)

We use long-term historical actual return experience with consideration of the expected investment mix of the plan assets, as well as future estimates of long-term investment returns to develop the expected rate of return assumptions used in calculating the net periodic pension cost.

The following tables summarize the fair values of our defined benefit pension plan assets by major asset category:

($ in thousands)	U.S. Pension Plans			
December 31, 2012	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$ 937	$ 937	$ —	$—
Equity funds	87,143	27,767	59,376	—
Fixed income securities	74,585	74,585	—	—
Total	$162,665	$103,289	$ 59,376	$—
December 31, 2011				
Cash and cash equivalents	$ 117	$ 117	$ —	$—
Equity funds	74,448	22,746	51,702	—
Fixed income securities	66,926	66,926	—	—
Total	$141,491	$ 89,789	$ 51,702	$—

($ in thousands)	Non-U.S. Pension Plans			
December 31, 2012	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$ 42,969	$ 41,988	$ 981	$—
Equity funds	254,538	217,996	36,542	—
Fixed income securities	351,558	288,590	62,968	—
International property fund	31,697	1,632	30,065	—
Other	20,494	18,719	1,775	—
Total	$701,256	$568,925	$132,331	$—
December 31, 2011				
Cash and cash equivalents	$ 26,204	$ 26,204	$ —	$—
Equity funds	297,655	7,058	290,597	—
Fixed income securities	268,862	122,196	146,666	—
International property fund	31,251	—	31,251	—
Total	$623,972	$155,458	$468,514	$—

(14) Employee Retirement Plans (Continued)

Funded Status

The following table presents the underfunded status of the defined benefit pension plans at December 31:

($ in thousands)	U.S. Pension Plans		Non-U.S. Pension Plans	
	2012	2011	2012	2011
Projected benefit obligation	$245,077	$205,750	$1,063,952	$ 922,259
Fair value of plan assets	162,665	141,491	701,256	623,972
Underfunded status	$ (82,412)	$ (64,259)	$ (362,696)	$(298,287)
Amounts recognized in accumulated other comprehensive income consist of:				
Net actuarial loss	$ 95,843	$ 74,245	$ 83,037	$ 14,837
Net prior service cost (credits)	(7,881)	(8,662)	—	—
Total	$ 87,962	$ 65,583	$ 83,037	$ 14,837
Amounts to be recognized in the following year as a component of net periodic pension expense:				
Net actuarial loss	$ 7,490	$ 5,546	918	—
Net prior service cost (credits)	(766)	(781)	—	—
Total	$ 6,724	$ 4,765	918	—
Additional information:				
Accumulated benefit obligation	$238,234	$200,735	$1,056,442	$ 922,497

The liability for the underfunded status is included in long-term employee related liabilities on the consolidated balance sheets.

Other Postretirement Benefits

We sponsor a medical benefit plan for retired employees of certain subsidiaries. The plan is contributory, and retiree premiums are based on years of service at retirement. The benefits contain limitations and a cap on future cost increases. We fund postretirement medical benefits on a pay-as-you-go basis. Effective December 31, 2009, the plan was modified impacting the eligibility criteria, the cost, and the events of termination regarding the retiree medical coverage. Additionally, we have a frozen non-qualified pension plan that provides additional retirement benefits to certain senior executives that remained employed and retired from CH2M HILL on or after age 65.

(14) Employee Retirement Plans (Continued)

The non-qualified pension and postretirement healthcare benefit payments, including expected future services, are expected to be paid from plan assets and operating cash flows as follows:

($ in thousands)	Non-Qualified Pension Plan	Postretirement Benefit Plans
2013	$ 136	$ 2,805
2014	174	3,048
2015	167	3,303
2016	160	3,570
2017	153	3,850
2018-2022	678	22,129
	$1,468	$38,705

Benefit Expense

The measurement date used for non-qualified pension and other postretirement benefit plans is December 31. The actuarial assumptions used to compute the non-qualified pension benefit expense and postretirement benefit expense are based upon information available as of the beginning of the year, as presented in the following table.

	Non-Qualified Pension Plan			Postretirement Benefit Plans		
	2012	2011	2010	2012	2011	2010
Actuarial assumptions at beginning of year:						
Discount rate	5.30%	5.80%	5.90%	5.30%	5.80%	5.90%
Initial healthcare costs trend rate	na	na	na	na	na	na
Ultimate healthcare cost trend rate	na	na	na	na	na	na
Year ultimate trend rate is reached	na	na	na	na	na	na

na—not applicable

The components of the non-qualified pension benefit expense and postretirement benefit expense for the years ended December 31 are detailed below:

($ in thousands)	Non-Qualified Pension Plan			Postretirement Benefit Plans		
	2012	2011	2010	2012	2011	2010
Service cost	$—	$—	$—	$1,828	$1,971	$ 2,878
Interest cost	38	34	36	2,416	2,519	2,340
Amortization of transition obligation	—	—	—	100	349	349
Amortization of prior service costs	—	—	—	341	354	354
Recognized net actuarial loss (gain)	36	12	9	—	50	(3)
Net expense included in current income	$74	$46	$45	$4,685	$5,243	$ 5,918

The discount rate used to compute the benefit obligations for the non-qualified pension plan and postretirement benefit plans at December 31, 2012 and 2011 were 4.20% and 5.30%, respectively.

(14) Employee Retirement Plans (Continued)

The discount rate assumptions are set annually based on several factors such as: a) the rates of return on high quality fixed income investments available and expected to be available during the period to maturity of the benefits and b) the duration of the plan liabilities is also compared to a portfolio of high quality corporate bonds appropriate to provide for the projected benefit payments of the plan.

The following table summarizes the change in benefit obligation and change in plan assets for the non-qualified pension and postretirement benefit plans for the years ended December 31:

	Non-Qualified Pension Plan		Postretirement Benefit Plans	
($ in thousands)	2012	2011	2012	2011
Benefit obligation at beginning of year	$ 770	$628	$46,821	$44,980
Service cost	—	—	1,828	1,971
Interest cost	38	34	2,416	2,519
Transfer of existing obligations	1,200	—	—	—
Plan contributions	—	—	2,045	1,404
Actuarial loss (gain)	86	214	4,246	(680)
Participant contributions	—	—	25	—
Benefits paid	(100)	(106)	(3,695)	(3,373)
Benefit obligation at end of year	$ 1,994	$770	$53,686	$46,821

We have instituted caps on the potential growth of our retiree healthcare costs. The retiree healthcare cost caps have been reached and apply in all future years. As healthcare costs continue to increase, these caps are intended to remain in force at current levels. As a result, a 1% change in the health care cost trends has no impact on the postretirement benefit obligation or costs.

(14) Employee Retirement Plans (Continued)

Funded Status

The following table presents the underfunded status of the non-qualified pension and postretirement benefit plans at December 31:

($ in thousands)	Non-Qualified Pension Plan 2012	Non-Qualified Pension Plan 2011	Postretirement Benefit Plans 2012	Postretirement Benefit Plans 2011
Projected benefit obligation	$ 1,994	$ 770	$ —	$ —
Accumulated benefit obligation	—	—	53,686	46,821
Underfunded status	$(1,994)	$(770)	$(53,686)	$(46,821)
Amounts recognized in accumulated other comprehensive income consist of:				
Net actuarial loss	$ 416	$ 365	$ 8,460	$ 4,213
Net prior service cost	—	—	(56)	285
Transition obligation	—	—	—	100
Total	$ 416	$ 365	$ 8,404	$ 4,598
Amounts to be recognized in the following year as a component of net periodic cost:				
Net actuarial loss	$ 21	$ 36	$ 336	$ —
Transition obligation	—	—	—	100
Net prior service cost	—	—	206	341
Total	$ 21	$ 36	$ 542	$ 441

Multiemployer Plans

We participate in various multiemployer pension plans for certain employees represented by labor unions. We are required to make contributions to these plans in amounts established under collective bargaining agreements, generally based on the number of hours worked. We made contributions to the various plans totaling approximately $6.1 million, $4.3 million and $6.5 million for the years ended December 31, 2012, 2011 and 2010, respectively. We are unable to obtain additional financial information from the multiemployer pension plans sponsors in order to determine unfunded liability amounts and other plan data, however based upon the small number of our employees that have participated in these plans, we do not believe any of these amounts will have a material impact on our financial results.

We have employees who participate in benefit plans with the U.S. Department of Energy for which information is not provided because we are not responsible for the current or future funded status of those plans.

(15) Segment Information

During 2012, we reorganized our reporting structure under which our chief operating decision maker regularly reviews operating results and makes strategic and operating decisions with regards to assessing performance and allocating resources in order to streamline our business and reducing

(15) Segment Information (Continued)

overhead costs. As a result, we formed the Energy, Water, and Facilities ("EWF") segment and the Government, Environment, and Infrastructure ("GEI") segment. The reporting units previously included in the Energy and Water segment in 2011 were moved to the EWF segment and the reporting units previously included in the Government, Environment and Nuclear segment in 2011 were moved to the GEI segment. Reporting units that were previously included in the Facilities and Infrastructure segment were divided into either the EWF or GEI segment, accordingly. Additionally, for 2012, the results of operations for the various lines of business acquired within Halcrow were assigned to the appropriate reporting units within our segments according to the nature of their operations. The majority of the Halcrow operations were assigned to our transportation reporting unit. We believe this new organizational structure will help us capitalize on cross-market synergies, consolidate our service offerings and optimize our client management process. These changes were effective January 1, 2012 and prior period amounts have been adjusted to conform to the revised organization.

We evaluate performance based on several factors, of which the primary financial measure is operating income. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. We use operating income as our measurement of segment profit. Corporate expenses, including costs for centralized management activities, are not allocable to individual operating segments and are included in "Corporate" below. These costs primarily include expenses associated with administrative functions such as executive management, legal, and general business development efforts.

(15) Segment Information (Continued)

Certain financial information for each segment is provided below (in thousands):

2012	Energy, Water and Facilities	Government, Environment and Infrastructure	Corporate	Financial Statement Balances
Revenue from external customers	$3,474,768	$2,685,785	$ —	$ 6,160,553
Equity in earnings of joint ventures and affiliated companies	22,612	41,062	—	63,674
Depreciation and amortization	45,711	33,920	—	79,631
Operating income (loss)	88,216	93,249	(22,626)	158,839
Segment assets	960,456	2,154,128	—	3,114,584
Goodwill	221,539	340,922	—	562,461

2011	Energy, Water and Facilities	Government, Environment and Infrastructure	Corporate	Financial Statement Balances
Revenue from external customers	$2,784,418	$2,770,815	$ —	$ 5,555,233
Equity in earnings of joint ventures and affiliated companies	25,025	39,452	—	64,477
Depreciation and amortization	38,021	10,194	—	48,215
Operating income (loss)	99,642	106,970	(21,459)	185,153
Segment assets	813,600	1,940,439	—	2,754,039
Goodwill	217,756	327,687	—	545,443

2010	Energy, Water and Facilities	Government, Environment and Infrastructure	Corporate	Financial Statement Balances
Revenue from external customers	$2,667,095	$2,755,706	$ —	$ 5,422,801
Equity in earnings of joint ventures and affiliated companies	24,638	43,875	—	68,513
Depreciation and amortization	54,160	8,151	—	62,311
Operating income (loss)	49,440	138,355	(13,032)	174,763
Segment assets	896,233	1,070,847	—	1,967,080
Goodwill	127,734	2,620	—	130,354

We derived approximately 28%, 35% and 37% of our total revenues from contracts with the U.S. federal government in the years ended December 31, 2012, 2011 and 2010, respectively.

Although we provide services in numerous countries, no single country outside of the U.S. accounted for 10% or greater of the total consolidated revenue. Total U.S. and international revenue for the years ended December 31 were as follows:

($ in thousands)	2012	2011	2010
U.S.	$4,237,918	$4,185,501	$4,274,155
International	1,922,635	1,369,732	1,148,646
Total	$6,160,553	$5,555,233	$5,422,801

(16) Commitments and Contingencies

We maintain a variety of commercial commitments that are generally made available to provide support for various provisions in our engineering and construction contracts. Letters of credit are provided to clients in the ordinary course of the contracting business in lieu of retention or for performance and completion guarantees on engineering and construction contracts. We also post surety bonds, which are contractual agreements issued by a surety, for the purpose of guaranteeing our performance on contracts. Bid bonds are also issued by a surety to protect owners and are subject to full or partial forfeiture for failure to perform obligations arising from a successful bid.

Commercial commitments outstanding as of December 31, 2012 are summarized below:

	Amount of Commitment Expiration Per Period				
($ in thousands)	**Less than 1 Year**	**1-3 Years**	**4-5 Years**	**Over 5 Years**	**Total Amount Committed**
Letters of credit	$ 94.7	$ 36.2	$ —	$23.1	$ 154.0
Bank guarantees	22.9	12.3	1.4	11.9	48.5
Surety and bid bonds	507.1	1,199.8	—	35.2	1,742.1
Total	$624.7	$1,248.3	$ 1.4	$70.2	$1,944.6

In connection with the acquisition of VECO, the purchase agreement established a holdback contingency of $70.0 million for tax indemnifications and the potential future payment of certain contingencies that may arise after the date of acquisition. Since the date of acquisition, we have made distributions to the sellers of VECO and paid expenses on their behalf which were deemed distributions of the holdback contingency. Upon resolution of the remaining outstanding items, we will likely incur costs which will be paid out of the holdback funds with any remaining amount being remitted to the sellers of VECO. Additionally, under the terms of the BAH acquisition agreement, we held back $2.9 million of the purchase price for the payment and discharge of any indemnification claims payable as a result of inaccuracies or breach of representations or warrants made by BAH as defined under the terms of the purchase agreement. At December 31, 2012 and 2011, the outstanding balance payable under the holdback contingencies was $32.1 million and $41.3 million, respectively.

We are party to various contractual guarantees and legal actions arising in the normal course of business. Because a large portion of our business comes from U.S. federal, state and municipal sources, our procurement and certain other practices at times are subject to review and investigation by U.S. and state attorneys offices. Such state and U.S. government investigations, whether relating to government contracts or conducted for other reasons, could result in administrative, civil or criminal liabilities, including repayments, fines or penalties or could lead to suspension or debarment from future U.S. government contracting. These investigations often take years to complete and many result in no adverse action or alternatively could result in settlement. Damages assessed in connection with and the cost of defending any such actions could be substantial. While the outcomes of pending proceedings and legal actions are often difficult to predict, management believes that proceedings and legal actions currently pending would not result in a material adverse effect on our results of operations or financial condition even if the final outcome is adverse to our company.

Many claims that are currently pending against us are covered by our professional liability insurance. Management estimates that the levels of insurance coverage (after retentions and deductibles) are generally adequate to cover our liabilities, if any, with regard to such claims. Any

(16) Commitments and Contingencies (Continued)

amounts that are probable of payment are accrued when such amounts are estimable. As of December 31, 2012 and 2011, accruals for potential estimated claim liabilities were $34.4 million and $34.1 million, respectively.

In 2010, we were notified that the U.S. Attorney's Office for the Eastern District of Washington is investigating overtime practices in connection with the U.S. Department of Energy Hanford tank farms management contract which we transitioned to another contractor in 2008. In 2011 and 2012, eight former CH2M HILL Hanford Group ("CH2M HILL Subsidiary") employees pleaded guilty on felony charges related to time card fraud committed while working on the Hanford Tank Farm Project. As part of its investigation, the U.S. Attorney's Office raised the possibility of civil and/or criminal charges for possible violations arising from CH2M HILL's Subsidiary overtime practices on the project. In September 2012, the government intervened in a False Claims Act case filed in the District Court for the Eastern District of Washington by one of the employees who plead guilty to time card fraud. We are cooperating with the government's investigation and continue to seek an amicable settlement of any potential civil and criminal charges and resolution of any potential False Claims Act allegations with the Department of Justice. We have reached an agreement in principle with the United States Attorney which, when finalized, will settle the False Claims Act case and result in an agreement by the United States Attorney to not bring criminal charges against us. Based on the information available to us at this time, we do not believe that the ultimate resolution of this matter will have a material impact on our results of operations or financial condition.

In connection with the Halcrow acquisition, we assumed a lease obligation for office space which was entered into by Halcrow in 1981 and was previously occupied as one of their primary office locations. Subsequently, Halcrow vacated the space and has been subleasing a portion of the building to third parties. The lease requires Halcrow to continue to make lease payments until 2080 with rent escalating provisions that can increase with market conditions. In 2012, we obtained a final third party determination of the fair value of this lease obligation and the associated real property in order to complete the purchase price allocation. As a result, we recorded capital lease and related obligations of $66.1 million, of which $65.5 million and $0.6 million are included in other long-term liabilities and other accrued liabilities in the consolidated balance sheets, respectively, as well as a related building asset of $25.9 million. In addition, we have assumed an operating lease for the associated land on which the building is located with total lease payments due over the remaining term of the lease totaling $36.8 million.

(17) Quarterly Financial Information (unaudited)

Our quarterly financial information for the years ended December 31, 2012 and 2011 is as follows:

(In thousands except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	For the Year Ended
2012					
Revenue	$1,401,944	$1,540,612	$1,603,456	$1,614,541	$6,160,553
Operating income	9,604	46,030	47,822	55,383	158,839
Net income attributable to CH2M HILL	5,124	27,602	29,613	30,637	92,976
Net income per common share					
Basic	$ 0.16	$ 0.88	$ 0.95	$ 1.01	$ 2.99
Diluted	$ 0.16	$ 0.87	$ 0.94	$ 1.00	$ 2.95
2011					
Revenue	$1,268,095	$1,360,571	$1,504,294	$1,422,273	$5,555,233
Operating income	42,289	62,044	40,457	40,363	185,153
Net income attributable to CH2M HILL	23,558	40,367	26,328	23,044	113,297
Net income per common share					
Basic	$ 0.77	$ 1.31	$ 0.85	$ 0.74	$ 3.68
Diluted	$ 0.75	$ 1.29	$ 0.84	$ 0.73	$ 3.60

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Englewood, Douglas County, State of Colorado, on February 28, 2013.

CH2M HILL COMPANIES, LTD.

By: /s/ MICHAEL A. LUCKI

Michael A. Lucki

Senior Vice President and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons in the capacities and on the dates stated, through their attorney-in-fact as appointed in the power of attorney of February 15, 2013 included as Exhibit 24.1 filed herewith.

Signature	Title	Date
/s/ LEE A. MCINTIRE Lee A. McIntire	Chief Executive Officer (Principal Executive Officer)	February 28, 2013
/s/ MICHAEL A. LUCKI Michael A. Lucki	Chief Financial Officer (Principal Financial Officer)	February 28, 2013
/s/ JOANN SHEA JoAnn Shea	Chief Accounting Officer (Principal Accounting Officer)	February 28, 2013
* Robert W. Bailey	Director	February 28, 2013
* Malcolm Brinded	Director	February 28, 2013
* Jerry D. Geist	Director	February 28, 2013
* Jacqueline C. Hinman	Director	February 28, 2013
* Charles O. Holliday, Jr.	Director	February 28, 2013
* Michael A. Lucki	Director	February 28, 2013
* Lee A. McIntire	Director	February 28, 2013
* Michael E. McKelvy	Director	February 28, 2013

Signature	Title	Date
* Georgia R. Nelson	Director	February 28, 2013
* Michael A. Szomjassy	Director	February 28, 2013
* Barry L. Williams	Director	February 28, 2013

*By: /s/ MICHAEL A. LUCKI
Michael A. Lucki,
as attorney-in-fact

Exhibit 21.1

Subsidiaries of CH2M HILL Companies, Ltd.

1. CH2M HILL, Inc., a Florida corporation
2. CH2M HILL Constructors, Inc., a Delaware corporation
3. CH2M HILL Engineers, Inc., a Delaware corporation
4. VECO Services, Inc., an Alaskan corporation
5. CH2M HILL Canada, Limited, a Canadian corporation
6. CH2M HILL International, Ltd., a Delaware corporation
8. Halcrow Group Ltd., a United Kingdom private company limited by shares
9. CH2M HILL Europe Limited, a United Kingdom private company limited by shares

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors
CH2M HILL Companies, Ltd.:

We consent to the incorporation by reference in the registration statement (No. 333-148101) on Form S-4 and in the registration statement (No. 333-165649) on Form S-8 of CH2M HILL Companies, Ltd. and subsidiaries (the Company) of our report dated February 28, 2013, with respect to the consolidated balance sheets of the Company as of December 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income, stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2012, and the effectiveness of internal control over financial reporting as of December 31, 2012, which appears in the December 31, 2012 annual report on Form 10-K and to the references to our firm under the heading "Selected Financial Data" included in the annual report on Form 10-K of the Company.

Our report refers to the Company's adoption of new accounting standards relating to variable interest entities on January 1, 2010.

/s/ KPMG LLP

KPMG LLP

Denver, Colorado
February 28, 2013

Exhibit 24.1

POWER OF ATTORNEY

Each person whose signature appears below does hereby make, constitute and appoint each of Lee A. McIntire, Michael A. Lucki, Margaret B. McLean and JoAnn Shea, acting individually, as such person's true and lawful attorney-in-fact and agent, with full power of substitution, resubstitution and revocation to execute, deliver and file with the U.S. Securities and Exchange Commission, the United Kingdom Financial Services Authority and the corresponding securities regulatory agency in each other country where a registration or filing may be necessary or advised in connection with any offering of the Company's securities, including but not limited to: Argentina, Brazil, Canada, Hong Kong, India, Ireland, Mexico, Poland, Qatar, Singapore, the United Arab Emirates, and the United Kingdom, for and on such person's behalf, and in any and all capacities,

1. The Annual Report on Form 10-K of CH2M HILL Companies, Ltd. for the year ended December 31, 2012, any and all amendments (including post-effective amendments) thereto with all exhibits thereto and other documents in connection therewith, or foreign jurisdiction equivalent reports and statements;
2. A Prospectus for use in the member nations of the European Union pursuant to the EU Prospectus Directions and any and all amendments thereto with all exhibits and other documents in connection therewith, and
3. Such annual or other periodic reports on business, prospects, financial and results of operations as may be required in any such other country.

granting unto each of said attorneys-in fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done as fully to all intents and purposes as such person might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent or such person's substitute or substitutes may lawfully do or cause to be done by virtue hereof.

/s/ LEE A. MCINTIRE Lee A. McIntire	February 15, 2013
/s/ ROBERT W. BAILEY Robert W. Bailey	February 15, 2013
/s/ MALCOLM BRINDED Malcolm Brinded	February 15, 2013
/s/ JERRY D. GEIST Jerry D. Geist	February 15, 2013
/s/ JACQUELINE C. HINMAN Jacqueline C. Hinman	February 15, 2013
/s/ CHARLES O. HOLLIDAY, JR. Charles O. Holliday, Jr.	February 15, 2013
/s/ MICHAEL A. LUCKI Michael A. Lucki	February 15, 2013

/s/ MICHAEL E. MCKELVY Michael E. McKelvy	February 15, 2013
/s/ GEORGIA R. NELSON Georgia R. Nelson	February 15, 2013
/s/ MICHAEL A. SZOMJASSY Michael A. Szomjassy	February 15, 2013
/s/ BARRY L. WILLIAMS Barry L. Williams	February 15, 2013

Exhibit 31.1

CERTIFICATION

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Lee A. McIntire, Chief Executive Officer of CH2M HILL Companies, Ltd., certify that:

1. I have reviewed this annual report on Form 10-K of CH2M HILL Companies, Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal year that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2013

/s/ LEE A. MCINTIRE

Lee A. McIntire
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Michael A. Lucki, Chief Financial Officer of CH2M HILL Companies, Ltd., certify that:

1. I have reviewed this annual report on Form 10-K of CH2M HILL Companies, Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal year that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2013

/s/ MICHAEL A. LUCKI

Michael A. Lucki
Chief Financial Officer

Exhibit 32.1

CERTIFICATION

PURSUANT TO RULE 13A-14(B) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, AND SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE (18 U.S.C. SECTION 1350)

In connection with the Annual Report of CH2M HILL Companies, Ltd. (the "Company") on Form 10-K for the annual period ended December 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lee A. McIntire, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350 as adopted by Section 906 of the Sarbanes-Oxley Act of 2002 that to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Exchange Act as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in the Report.

/s/ LEE A. MCINTIRE

Lee A. McIntire
Chief Executive Officer

February 28, 2013

This certification "accompanies" the Report to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Report), irrespective of any general incorporation language contained in such filing. A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION

PURSUANT TO RULE 13A-14(B) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, AND SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE (18 U.S.C. SECTION 1350)

In connection with the Annual Report of CH2M HILL Companies, Ltd. (the "Company") on Form 10-K for the annual period ended December 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael A. Lucki, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350 as adopted by Section 906 of the Sarbanes-Oxley Act of 2002 that to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Exchange Act as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in the Report.

/s/ MICHAEL A. LUCKI

Michael A. Lucki
Chief Financial Officer

February 28, 2013

This certification "accompanies" the Report to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Report), irrespective of any general incorporation language contained in such filing. A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form 10-K

(MARK ONE)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011
OR

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

FOR THE TRANSITION PERIOD FROM TO

Commission File Number 000-27261

CH2M HILL Companies, Ltd.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**93-0549963** (I.R.S. Employer Identification Number)
9191 South Jamaica Street, **Englewood, CO** (Address of principal executive offices)	**80112-5946** (Zip Code)

(303) 771-0900
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act: **None**
Securities registered pursuant to Section 12(g) of the Act:
Common Stock, par value $0.01 per share

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

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

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

Indicate by checkmark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

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

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

The aggregate value of common stock held by non-affiliates computed by reference to the price as of June 30, 2011 was approximately $1.5 billion.

As of February 17, 2012, there were 31,324,438 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Information, required by Items 10, 11, 12, 13 and 14 of Part III of this Form 10-K are incorporated by reference from the CH2M HILL definitive proxy statement for its 2012 Annual Meeting of Stockholders to be held on May 7, 2012.

CH2M HILL COMPANIES, LTD. AND SUBSIDIARIES

ANNUAL REPORT ON FORM 10-K

TABLE OF CONTENTS

This Form 10-K contains various "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements represent the Company's expectations and beliefs concerning future events, based on information available to the Company on the date of the filing of this Form 10-K, and are subject to various risks and uncertainties. Such forward looking statements are and will be subject to many risks and uncertainties relating to our operations and business environment that may cause actual results to differ materially from any future results expressed or implied in such forward looking statements. Words such as "believes," "anticipates," "expects," "will," "plans" and similar expressions are intended to identify forward looking statements. Additionally, forward looking statements include statements that do not relate solely to historical facts, such as statements which identify uncertainties or trends, discuss the possible future effects of current known trends or uncertainties, or which indicate that the future effects of known trends or uncertainties cannot be predicted, guaranteed or assured. All forward looking statements in this report are based upon information available to us on the date of this report. We undertake no obligation to publicly update or revise any forward looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as required by applicable law. Factors that could cause actual results to differ materially from those referenced in the forward-looking statements are listed in Item 1A, Risk Factors. The Company disclaims any intent or obligation to update or revise any of the forward- looking statements, whether in response to new information, unforeseen events, changed circumstances or otherwise.

PART I

Item 1. *Business*

Summary

CH2M HILL Companies, Ltd. was founded in 1946 and incorporated under the laws of the State of Oregon on November 9, 1965. We are a large employee-controlled professional engineering services firm providing engineering, construction, consulting, design, design-build, procurement, operations and maintenance, program management and technical services to U.S. federal, state, municipal and local government agencies, national governments, as well as private industry, around the world. We have approximately 30,000 employees worldwide.

On July 1, 2011, we changed our state of incorporation from Oregon to Delaware through a conversion under Oregon and Delaware law (the "Reincorporation"). The Reincorporation did not result in any change in the business, physical location, management, assets, liabilities, or net worth of our company. In addition, our consolidated financial condition and results of operations immediately after consummation of the Reincorporation are the same as those immediately prior to the consummation of the Reincorporation.

Our Operating Segments

Effective January 1, 2011, we reorganized our reporting structure under which our chief operating decision maker makes strategic and operating decisions with regard to assessing performance and allocating resources. As a result, our Industrial Systems business was divided based upon its operations and absorbed within our Environmental Services business and Water business. Our Water business operations were then grouped with the Energy business creating the Energy and Water segment ("E&W"). Our Environmental Services business was grouped with our Nuclear business and our Government Facilities and Infrastructure business and reflected in the new Government, Environment and Nuclear ("GEN") segment. Lastly, our Transportation business, Operations and Maintenance business and Industrial and Advanced Technology business were grouped together to form the Facilities and Infrastructure ("F&I") segment. The F&I segment also has responsibilities for major programs such as our contract to provide program management services for the London 2012 Olympics.

Within our E&W segment, our Energy business primarily focuses on providing services to a comprehensive range of private sector clients and utilities, while our Water business primarily provides services to state and local governments. Our GEN segment primarily provides a comprehensive range of services to various U.S. federal government agencies and foreign governments and private industry. Our Facilities and Infrastructure segment primarily provides a comprehensive range of services to various state, local and provincial governments and also a select group of private clients.

On November 10, 2011, we acquired all of the share capital of Halcrow Holdings Limited ("Halcrow"), which is reported in the F&I segment. More information about the acquisition can be found in Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*.

Our Clients and Key Markets

Clients

We provide our services to a broad range of domestic and international clients, including federal governments, state, local and provincial governments, private sector businesses and utilities. We perform services as the prime contractor, as subcontractors, or through joint ventures or partnership agreements with other service providers. The demand for our services generally comes from budgeting and capital spending decisions made by our clients.

The following table summarizes our primary client types, revenues and key markets served by each of our operating segments during 2011.

Operating Segment	Client Type	% of 2011 Revenues	Key Markets
Government, Environment and Nuclear	U.S. Federal and Foreign Governments, Governmental Agencies, Authorities and Utilities	39%	• Nuclear • Environmental Services • Government Facilities and Infrastructure
Facilities and Infrastructure	State and Local Governments and Private Sectors	25%	• Transportation • Operations Management • Industrial and Advanced Technology
Energy and Water	Local Governments, Private Sectors and Utilities	36%	• Energy and Chemicals • Power • Water, Wastewater and Water Resources

The following table provides a summary of representative clients:

Public Sector Clients		Private Sector Clients
• U.S. Department of Energy ("DOE") • U.S. Department of Defense • U.S. Department of the Interior • U.S. Air Force • U.S. Navy • U.S. Army Corps of Engineers • U.S. Federal Emergency Management Agency ("FEMA") • Department of Homeland Security • U.S. Agency for International Development • U.S. Environmental Protection Agency • National Aeronautics and Space Administration • National Science Foundation	• United Kingdom Atomic Energy Authority • United Kingdom Nuclear Decommissioning Authority ("NDA") • Republic of Korea Ministry of Defense • U.S. cities • Foreign cities • U.S. airports and seaports • U.S. and State Departments of Transportation • State Transit Authorities • Water and Wastewater Municipalities • Panama Canal Authority • London 2012 Olympic Delivery Authority	• Major oil and gas companies, refiners and pipeline operators • Power utilities • Chemicals, bioprocessing and refining companies • Metals and mining • Microelectronics manufacturers • Pharmaceutical and biotechnology companies • Automotive, food and beverage, metals and consumer product manufacturers • Renewable energy companies

In 2011, we derived approximately 35% of our total revenues from contracts with the U.S. federal government. This work is performed through numerous contracts and joint ventures primarily within the GEN operating segment.

Key Markets

The following is a description of each of our key markets within our operating segments and the services we provide.

Government, Environment & Nuclear

The GEN segment comprises three businesses—Government Facilities and Infrastructure (GF&I), Environmental Services, and Nuclear. GEN provides a full range of services—program management, engineering, design, construction, environmental remediation, operation and maintenance, decontamination and decommissioning, facility closure, sustainable solutions, and consulting services—to clients worldwide, including our largest client, the U.S. federal government.

Government Facilities and Infrastructure—Our GF&I business plans, designs, constructs, operates and maintains various categories of facility and infrastructure at all types of government and military installations offering contingency and logistics, planning and consulting engineering and design, design-build, operations and maintenance, and program management services. The U.S. Department of Defense is GF&I's largest client. We also provide a multitude of services to other government agencies such as the U.S. Federal Emergency Management Agency, National Science Foundation, U.S. Agency for International Development, Department of Energy, and the National Aeronautics and Space Administration. We continue to expand our government client base, both within the U.S. and internationally. At its core, our GF&I business ensures value-added mission success for our clients by safely delivering flexible and sustainable facilities, infrastructure, and contingency solutions on any scale worldwide while maintaining a focus to optimize client goals, and minimize impacts and costs.

Environmental Services—Our Environmental Services ("ES") business is dedicated to protecting human health, preserving the environment, and restoring impacted natural resources. We achieve this mission by offering services through nine global practices: sustainability consulting, threat reduction management, environmental compliance, planning and permitting, integrated waste solutions, munitions response, natural resources planning and management, sediment management and remediation, and site remediation and revitalization. A key differentiator for our services remains our innovation and complex problem solving capacities found in these practices. Clients include a broad spectrum of U.S. and state government agencies and departments; multi-national commercial clients; and international clients in both the public and private sectors. Over the past ten years our environmental services have consistently been rated in the top 10% of our peer provider base by market journals and trade magazines and we are considered to be an industry leader. Another key differentiator for us with both our government and multinational clients is project delivery with a global footprint—our ability to effectively and consistently deploy our systems and processes (especially safety, environmental compliance, and project management) throughout the world with minimal deviation.

Nuclear—Our Nuclear business unit specializes in the management of complex nuclear programs and projects around the globe. Our experience includes managing and operating nuclear facilities and providing innovative cleanup and environmental remediation for commercial and government facilities and sites worldwide. We provide innovative cleanup and closure solutions for contaminated sites in the DOE nuclear weapons complex and at NDA sites in Great Britain. In the commercial nuclear sector, we provide program management and program advisory services, as well as planning, permitting, and licensing of new nuclear energy generating stations. Additionally, we provide service offerings at government and commercial nuclear sites including: program management and owner's engineer services; decommissioning; waste management; waste fuel strategies; support service operations; and planning, permitting, and licensing of new nuclear energy generating stations. The Nuclear business unit serves three primary businesses sectors: Nuclear Remediation and Decommissioning, Nuclear Power and National Defense. The DOE and NDA are the primary clients served by our Nuclear Remediation and Decommissioning sector, however we have also decommissioned reactors for utilities and research reactors for universities. Our Nuclear Power sector primarily serves clients such as the United Arab Emirates and Poland. Governmental clients such as the U.S. National Nuclear Security Agency and U.K. Ministry of Defense's Atomic Weapons Establishment are served by our National Defense sector.

Facilities & Infrastructure

The F&I segment is comprised of three businesses: Industrial and Advanced Technology, Transportation, and Operations and Maintenance. F&I's portfolio of services include: consulting, design, design-build, operations and maintenance, construction management, and program management. The segment also provides enterprise stewardship for the development of our facilities penetration strategy and our urban development practice for large program management projects.

Industrial and Advanced Technology—In the Industrial and Advanced Technology ("I&AT") business, we provide program management, consulting, planning, design, and construction services to clients in the following manufacturing industries: integrated circuit, wafer, dynamic random access memory, nanotechnology, photo voltaic, data center, flat panel display, automotive, aerospace and aviation, food and beverage, building materials, and consumer products sectors. Our clients typically require integrated design and construction services for complex manufacturing systems, including clean rooms, ultrapure water and wastewater systems, chemical and gas systems and production tools. Our electronics business also provides specialized consulting services to optimize the operating efficiency and return on investment for complex manufacturing facilities. In addition, our IDC Architects group services the university research sectors as well as special economic zone developments. As the economy recovers, we will continue to expand market reach in Asia, North America, South America, and the Middle East. We are leveraging our strategic business planning capabilities to help clients structure and plan their high-volume manufacturing projects, and to provide follow-on design and construction services.

Transportation—In the transportation business, we serve the aviation, highway/bridge, ports and maritime, and transit and rail segments with both horizontal and vertical infrastructure development. For all of our clients, we provide planning, design, value engineering, design-build, project/program management, construction management, feasibility studies, public involvement/community management, environmental documentation, and sustainability planning. Airport services include airfield planning and design, airfield navigational aids, airport master planning, program management, airport modeling and simulation, and airport facilities planning, design, mechanical, and electrical. For our highway and bridge clients, we provide transportation and sustainability planning; highway and bridge design and construction; traffic engineering and traffic modeling; intelligent transportation systems; highway safety consulting; geotechnical analysis; and tunneling. Ports and maritime client services include architecture; passenger, container, liquid, and bulk terminal facilities design and construction; asset management; inspection and rehabilitation; and ports infrastructure. Transit and rail services include planning; track, tunneling, and facilities design; vehicle engineering; transit technology; systems engineering; asset management; safety and security; and management consulting.

Operations and Maintenance—In our Operations and Maintenance ("O&M") business, we provide public sector entities and private/commercial companies with a broad range of tailored solutions focused on increasing efficiency and productivity. Our public sector clients include state and local governments and agencies as well as national governments outside the United States. We provide service in the private sector to customers in heavy manufacturing, electronics, food & beverage, advanced technology, mining and minerals, oil and gas, energy, and chemicals. Our services include water and wastewater system and staff optimization; contract operations and maintenance of water, wastewater, and other municipal functions such as public works, and community development; facilities management; utilities O&M; and O&M consulting. Our geographic strategy is to expand market reach in North America, and follow our other business groups and clients into target geographies including Europe, Australia, the Middle East, and South America. We see an increase in public-private and private-private partnerships for both full and customized service selection, as municipal and private entities continue to look for more ways to increase revenues and reduce costs through efficiency gains. Our O&M Collaborative Working Group combines established O&M services across our energy, environmental, facilities, transportation, resources, and water markets. We will continue to expand our consulting business and leverage cross-market synergies around design-build-operate, remediation, produced water, and manufacturing.

Energy and Water

The Energy and Water segment ("E&W") is comprised of the Energy and Chemicals, Water and Power businesses. The E&W segment also serves as the corporate steward of our Sustainability and Climate Change practice, and as the nexus of energy-water-carbon solutions to address emerging market needs. The portfolio of services include: consulting, design, engineering, design-build, engineering-procurement-construction ("EPC"), operations and maintenance, construction management, construction, and program management.

Energy and Chemicals—In the Energy and Chemicals ("E&C") business, we serve the Upstream, Pipelines & Terminals, and Refining sectors of the oil and gas industry. For the Upstream sector, we perform engineering, modular fabrication, erection, construction, and operations and maintenance services for oil and gas fields. We deliver compression and dehydration facilities, drilling and well support services, enhanced oil recovery, field development, fleet support, natural gas gathering and processing, conventional oil production, sulfur recovery, acid gas treating, and heavy oil and steam-assisted gravity drainage facilities. In the Pipelines & Terminals sector, we focus on infrastructure projects that gather, store, and transport oil, natural gas, refined products, carbon dioxide, and other related hydrocarbons, liquids, and gases. These projects include pipelines, compression, pump stations, metering, tank farms, terminals, and related facilities for midstream (wellhead to central processing) and downstream (cross-country transportation) systems. In the Refining sector, we provide conceptual and preliminary engineering, front-end and detail design, procurement, construction, and operations and maintenance services. Our refining experience includes technology evaluation and feasibility studies; design and construction of refinery units, terminals, pipelines, pump stations, and cogeneration facilities; design, fabrication, and installation of modules and pipe racks; turnarounds and revamps; effluent treatment; refinery conversion to heavy crude oil processing; flue gas scrubbing; and process safety management. In Chemicals, we serve all segments of the industry, including petrochemicals and derivatives, inorganics, specialties, and agricultural chemicals. We have substantial experience in polysilicon, chemicals from alternative feedstock, bioprocess, alkalis and chlorine, pigments and coating, monomers and polymers, resins and plastics, and synthetic performance fibers. This group also serves the biofuels market where we specialize in advanced fuel sources for biofuels development in the United States, Canada, and Latin America. In our Mining sector we provide the complete suite of engineering, construction, and operations and maintenance services for mining infrastructure and processing facilities. We serve clients in North and South America, the Middle East and Russia.

Water—In the Water business, we serve water resources and ecosystem management; water treatment; conveyance and collection; wastewater treatment and reuse; and utility management market segments. We support the water-related needs of clients in the utility, industrial, government, energy, and agricultural sectors. Our broad portfolio of water solutions helps clients address the complex challenges related to population growth, aging infrastructure, water supply uncertainty, global climate change, regulatory changes, and increasing demand. Beginning in 2011, the industrial water capability from the Industrial Systems business was combined with the Water business to pursue the large and growing energy and industrial related water market. Addressing the impacts of global climate change requires the ability to create solutions for the energy-water-carbon Nexus. Energy and mining production require reliable, abundant, and predictable source of water, a resource that is already in short supply throughout much of the world. We work with clients to identify solutions for water and energy conservation, and to re-evaluate processes to achieve cost savings and reduce environmental impacts. Our geographic strategy is to expand market reach in North and South America, Europe, the Middle East, Asia, and Australia. We will continue to capitalize on market drivers such as drought/water scarcity, aging infrastructure, global climate change, and regulatory requirements.

Power—In our global Power business, we design and build power generation facilities that produce energy from natural gas, coal, solar, wind, biomass, and geothermal sources. Our portfolio includes combined-cycle, simple-cycle, coal/integrated gasification, clean air, alternative/waste fuels, transmission and cogeneration projects. We also repower, upgrade, and modify existing plants to improve performance, reliability and achieve clean air standards. Our delivery of full-service EPC services helps clients craft long-term strategies while addressing the ongoing market challenges around unpredictable and changing electricity demand, transmission capacity constraints, changing environmental regulations and policies, aging infrastructure, outdated technologies, water constraints, and fuel diversification. We also provide engineering studies, design, construction management, program management and consulting services. We use advanced, novel technologies to deliver projects safely and effectively for our clients.

Our Sustainability and Climate Change practice encompasses facilities and land development, sustainable cities, carbon and energy management, natural resources planning and management, and site remediation. We bring together strategists, scientists, architects, engineers, technologists, and economists to evaluate opportunities and work collaboratively to deliver lasting solutions that benefit our clients, their communities, and the environment. We also have a diverse platform of tools, technology, and best practices to help clients make well informed decisions and to evaluate the overall sustainability of various options.

Competition

The market for our design, consulting, engineering, construction, design-build, EPC, operations and maintenance, and program management services is highly competitive. We compete primarily with large multinational firms but also compete with smaller firms on contracts within the private industry and state and local government sectors. In addition, some of our clients, including government agencies, occasionally utilize their own internal resources to perform design, engineering and construction services where we might have been the service provider.

Numerous mergers and acquisitions in the engineering services industry have resulted in a group of large firms that offer a full complement of single-source services including studies, designs, construction, design-build, EPC, operation and maintenance and in some instances, facility ownership. Included in the current trend is movement towards larger program and contract awards and longer-term contract periods for a full suite of services, (e.g., 5 to 20 year full-service contracts). While these larger, longer, more comprehensive contracts require us to have substantially greater financial and human capital than in the past, we compete effectively for these full service programs.

To our knowledge, no single company or group of companies currently dominates any significant portion of the engineering services markets. Competition in the engineering services industry is based on quality of performance, reputation, expertise, price, technology, customer relationships, range of service offerings and domestic and international office networks. For additional information regarding competition, see Item 1A. *Risk Factors*.

Backlog

We define backlog as signed contracts and task orders less previously recognized revenue on such contracts and task orders. In addition, we include amounts under notices to proceed that have been received from clients and are expected to be recognized as revenues when future services are performed. Our operations and maintenance contracts are included for the non-cancellable term of the contract. Unexercised options under any contract are not included in our backlog. Our backlog also reflects the future activities related to consolidated joint ventures. Many of our contracts require us to provide services that span over a number of fiscal years. U.S. government agencies operate under annual fiscal appropriations by Congress and fund various federal contracts only on an incremental basis. The same is true of many state, local and foreign contracts. Our policy is to include in backlog the full contract award, whether funded or unfunded, for amounts that expected to result in revenue in future periods based upon our experience with our clients or type of work. In accordance with industry practice, substantially all of our contracts are subject to cancellation, termination, or suspension at the discretion of the client.

The following table provides backlog revenues by operating segment for the years ended December 31:

($ in millions)	**2011**	**2010**
Government, Environment and Nuclear	$2,140.3	$3,343.5
Facilities and Infrastructure	2,458.7	1,419.2
Energy and Water	2,675.8	1,595.8
	$7,274.8	$6,358.5

The increase in backlog from 2010 to 2011 is primarily due to the acquisition of Halcrow.

Available Information

In addition, for information regarding our company, including free copies of filings with the Securities and Exchange Commission ("SEC"), please visit our web site at www.ch2m.com. The SEC filings, which include our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K are located in the About Us/Employee Ownership section of our web site and are made available as soon as practicable after they are filed with the SEC.

Item 1A. ***Risk Factors***

You should carefully consider the following factors and other information contained in this Annual Report on Form 10-K before deciding to invest in our common stock.

Risks Related to Our Business

Unpredictable economic cycles, uncertain demand for our engineering and related services, and failure by our major customers to pay our fees, could cause our revenue to fluctuate or be uncollectible.

Demand for our engineering and other services is affected by the general level of economic activity in the markets in which we operate, both in and outside of the U.S. Our customers and the markets in which we compete to provide services are likely to experience periods of economic decline from time-to-time. In particular, the recent global economic downturn and governmental tax revenue declines resulted in a slowdown in demand for our services in oil and gas, state and municipal infrastructure, manufacturing and industrial clients.

Adverse economic conditions may decrease our customers' willingness to make capital expenditures or otherwise reduce their spending to purchase our services, which could result in diminished revenues and margins for our business. The demand for services depends on the demand and capital spending of our customers in their target markets, some of which are cyclical in nature. Adverse economic conditions could alter the overall mix of services that our customers seek to purchase, and increased competition during a period of economic decline could force us to accept contract terms that are less favorable to us than we might be able to negotiate under other circumstances. Changes in our mix of services or a less favorable contracting environment may cause our revenues and margins to decline. Moreover, our customers impacted by the economic downturn could delay or fail to pay our fees. If a customer failed to pay a significant outstanding fee, our financial results could be adversely affected and our stock price could be reduced. Adverse credit market conditions could negatively impact our customers' ability to fund their projects and therefore utilize our services; they can also impact subcontractors' and suppliers' ability to deliver work. These credit disruptions could negatively impact our backlog and profits, and could increase our costs or adversely impact project schedules.

The uncertainties involved in prolonged procurement processes associated with our projects make it particularly difficult to predict whether and when we will receive a contract award. The uncertainty of contract award timing can present difficulties in matching our workforce size with our project needs. If an expected project award is delayed or not received, we could incur costs resulting from idle workforce reductions in staff, or redundancy of facilities that would have the effect of reducing our profits.

Changes and fluctuations in U.S. government's spending priorities could adversely affect our revenue expectations.

Because a substantial part of our overall business is generated either directly or indirectly as a result of U.S. federal, state and local government regulatory and infrastructure priorities, shifts in these priorities due to changes in policy imperatives or economic conditions are often unpredictable and may affect our revenues.

Our contracts with the U.S. federal government are subject to the uncertainties of Congressional funding. Since government contracts represent a significant percentage of our revenues (in fiscal 2011, our U.S. federal government contracts represented approximately 35% of our total revenue), government budget deficits or significant reduction in government funding (for example, as a result of the failure of the Joint Select Committee on Deficit Reduction to reach consensus on recommendations for U.S. government budget reduction) could lead to continued delays in contract awards and termination or suspension of our existing contracts, which could have an adverse impact on our business, financial condition and results of operations. In addition, any government shutdown could have an impact on our government projects including our ability to earn revenue on the projects already awarded, and could have an adverse impact on our financial condition.

Political instability in key regions around the world coupled with the U.S. federal government's commitment to the war on terror put at risk U.S. federal discretionary spending, such as spending on infrastructure projects that are of particular importance to our business. At the state and local levels, the need to compensate for reductions in the federal matching funds, as well as financing of federal unfunded mandates, creates pressures to cut back on infrastructure project expenditures. While we have won and are continuing to seek federal contracts related to changing U.S. federal government priorities, such as unforeseen disaster response, rebuilding efforts in countries impacted by war on terror, and other projects that reflect current U.S. government focus, there can be no assurances that changing U.S. government priorities and spending would not adversely affect our business.

In addition, the U.S. federal government has announced its intention to scale back outsourcing of services in favor of "insourcing" jobs to its employees. This practice and its adoption by other government entities could reduce the size and scope of contracts awarded to us.

Government contracts present risks of termination for convenience, adjustment of payments received, restrictions on ability to compete for government work and funding constraints.

In 2011, we derived approximately 35% of our total revenues from contracts with the U.S. federal government. The following risks are inherent in U.S. federal government contracts:

- Because U.S. federal laws permit government agencies to terminate a contract for convenience, our U.S. government clients may terminate or decide not to renew our contracts with little or no prior notice.

- Payments we receive from our U.S. government clients, our books, records and processes are subject to audit by various U.S. governmental agencies for several years after these payments are made. Based on these audits, the U.S. government may adjust or demand repayment of payments we previously received, or withhold a portion of fees due to us because of unsatisfactory audit outcomes. Audits have been completed on our U.S. federal contracts through December 31, 2006, and are continuing for subsequent periods. Audits performed to date have not resulted in material adjustments to our financial statements. Unsatisfactory audit results may impact our ability to bid or win future U.S. government contract work. In addition, as a government contractor, we are subject to increased risks of investigation, criminal prosecution and other legal actions and liabilities to which purely private sector companies are not. The results of any such actions could adversely impact our business and have an adverse effect on our consolidated financial statements.

- Our ability to earn revenues from our existing and future U.S. federal government projects will depend upon the availability of funding from U.S. federal government agencies. We cannot control whether those clients will fund or continue funding our existing projects.

- In years when the U.S. federal government does not complete its budget process before the end of its fiscal year on September 30, government operations are typically funded pursuant to a "continuing resolution" that authorizes agencies of the U.S. government to continue to operate, but does not authorize new spending initiatives, which can delay the award of new contracts. These delays could have an adverse effect on our operating results.

- Many U.S. federal government programs in which we work require security clearances. Security clearances can be difficult and time-consuming to obtain. If we or our employees are unable to obtain or retain necessary security clearances, we may not be able to win new business or will not be able to renew existing contracts. To the extent we cannot obtain or maintain the required security clearances for our employees working on a particular contract, we may not derive the revenue anticipated from the contract, which could adversely affect our business and results of operations.

Our ability to secure new government contracts and our revenues from existing government contracts could be adversely affected by any one or a combination of the factors listed above.

Many of our projects are funded by U.S. federal, state and local governments and if we violate applicable laws governing this work, we are subject to the risk of suspension or debarment from government contracting activities, which could have a material adverse affect on our business and results of operations.

If we fail to comply with the terms of one or more of our government contracts or statutes and regulations that govern this type of work, or if we or our employees are indicted or convicted on criminal charges (including misdemeanors) relating to any of our government contracts, in addition to any civil or criminal penalties and costs we may incur, we could be suspended or debarred from government contracting activities for a period of time. Some U.S. federal and state statutes and regulations provide for automatic debarment in certain circumstances. The suspension or debarment in any particular case may be limited to the facility, contract or subsidiary involved in the violation or could be applied to our entire family of companies in certain severe circumstances. Even a narrow scope suspension or debarment could result in negative publicity that could adversely affect our ability to renew contracts and to secure new contracts, both with governments and private customers, which could materially and adversely affect our business and results of operations.

Our industry is highly competitive.

We are engaged in a highly competitive business in which most of our contracts with public sector clients are awarded through a competitive bidding process that places no limit on the number or type of potential service providers. The process usually begins with a government agency request for proposal that delineates the size and scope of the proposed contract. The government agency evaluates the proposals on the basis of technical merit and cost.

In both the private and public sectors, acting either as a prime contractor or as a subcontractor, we may join with other firms that we otherwise compete with to form a team to compete for a single contract. Because a team can often offer stronger combined qualifications than any firm standing alone, these teaming arrangements can be very important to the success of a particular contract competition or proposal. Consequently, we maintain a network of relationships with other companies to form teams that compete for particular contracts and projects. Failure to maintain technical and price competitiveness, as well as failure to maintain access to strong teaming partners may impact our ability to win work.

Our backlog is subject to unexpected adjustments and cancellations and is, therefore, an uncertain indicator of our future performance.

Our backlog at December 31, 2011 was $7.3 billion. We cannot assure that the revenues projected in our backlog will be realized or, if realized, will result in profits. Projects may remain in our backlog for an extended period of time prior to project execution and, once project execution begins, it may occur unevenly over the current and multiple future periods. In addition, our ability to earn revenues from our backlog depends on the availability of funding for various government and private clients. Most of our industrial clients have termination for convenience provisions in their contracts. Therefore, project terminations, suspensions or reductions in scope may occur from time-to-time with respect to contracts reflected in our backlog. Some backlog reductions would adversely affect the revenue and profit we actually receive from contracts reflected in our backlog. Future project cancellations and scope adjustments could further reduce the dollar amount of our backlog and the revenues and profits that we actually earn.

Our inability to attract and retain professional personnel could adversely affect our business.

Our ability to attract, retain and expand our staff of qualified engineers and technical professionals will be an important factor in determining our future success and growth. The market for these professionals is competitive in and outside the U.S. As some of our key personnel approach retirement age, we are developing and implementing proactive succession plans. If we cannot attract and effectively implement our succession plans, we could have a material adverse impact on our business, financial condition, and results of operations. Since we derive a significant part of our revenues from services performed by our professional staff, our failure to retain and attract professional staff could adversely affect our business by impacting our ability to complete our projects and secure new contracts.

Our projects may result in liability for faulty engineering services.

Our engineering practice involves professional judgments regarding the planning, design, development, construction, operations and management of industrial facilities and public infrastructure projects. Because our projects are often large and can affect many people, our failure to make judgments and recommendations in accordance with applicable professional standards could result in large damages and, perhaps, punitive damages. Although we have adopted quality control, risk management and risk avoidance programs designed to reduce potential liabilities, and carry professional liability to set off this risk, there can be no assurance that such programs will protect us fully from all risks and liabilities.

Fluctuations in commodity prices may affect our customers' investment decisions and therefore subject us to risks of cancellation or delays in existing work, or changes in the timing and funding of new awards.

Commodity prices can affect our customers and may have a significant impact on the costs and profitability of our projects. For projects that we perform on a guaranteed fixed price or "not to exceed" cost basis, unforeseen rising commodity prices can reduce our profit or cause us to incur a loss. Rising commodity prices can negatively impact the potential returns on investments for our customers and may lead to customers deferring new investments or canceling or delaying existing projects. Some of our customers are engaged in the production or processing of commodity products, particularly in the energy sector, and fluctuations in commodity prices can impact their business and their willingness to make new capital investments, which in turn may reduce demand for our services. Cancellations, delays and weakness in demand for our services in markets that are affected by commodity price fluctuations may affect our operating results in significant and unpredictable ways and could have a material adverse impact on our business, financial condition, and results of operations.

We could sustain losses on contracts that contain a fixed price or guaranteed maximum price provision if our costs exceed the maximum prices.

In 2011, we derived approximately 31% of our revenues from fixed price and "guaranteed maximum price" contracts. Under fixed price contracts, we agree to deliver projects for a definite, predetermined price and under guaranteed maximum price contracts, we agree to deliver projects for a price that is capped regardless of our actual costs incurred over the life of the project. Under cost reimbursable contracts with maximum pricing provisions, we are compensated for the labor hours expended at agreed-upon hourly rates plus cost of materials plus any subcontractor costs used; however, there is a stated maximum compensation for the services to be provided under the contract. Many fixed price or guaranteed maximum price contracts involve large industrial facilities and public infrastructure projects and present the risk that our costs to complete a project may exceed the guaranteed maximum or fixed price agreed upon with the client. The fees negotiated for such projects may not cover our actual costs and desired profit margins. In addition, many of our customers on fixed or maximum price contracts do not accept escalation clauses regarding labor or material cost increases, including commodity price increases. If our actual costs for a maximum price project or fixed price project are higher than we expect, our profit margins on the project will be reduced or we could suffer a loss.

Percentage-of-completion accounting used for our engineering and construction contracts can result in overstated or understated profits or losses.

The revenue for our engineering and construction contracts is accounted for on the percentage-of-completion method of accounting. This method of accounting requires us to calculate revenues and profit to be recognized in each reporting period based on our predictions of future outcomes, including our estimates of the total cost to complete the project, project schedule and completion date, the percentage of the project that is completed and the amounts of any probable unapproved change orders. Our failure to accurately estimate these often subjective factors could result in reduced profits or losses.

Environmental regulations and related compliance investigations may adversely impact our project performance, expose us to liability and could adversely affect our revenues.

A substantial portion of our business is generated either directly or indirectly as a result of laws and regulations related to environmental matters. In particular, our business involves significant risks including the assessment, analysis, remediation, handling, management and disposal of hazardous substances. As a result, we are subject to a variety of environmental laws and regulations governing, among other things, discharges of pollutants and hazardous substances into the air and water and the handling and disposal of hazardous waste including nuclear materials and related record keeping requirements. These laws and regulations and related investigations into our compliance, as it pertains to facility operations and remediation of hazardous substances, can cause project delays and, substantial management time commitment and may significantly add to our costs. Violations of these environmental laws and regulations could subject us to civil and criminal penalties and other liabilities, which can be very large. Although we have not been subject to any material civil or criminal penalties for violations of these laws to date, we have incurred costs and diverted resources to respond to reviews that have negatively impacted the profitability of some of our projects. While the costs of these reviews have not been material to our consolidated results of operations in the past, additional or expanded reviews or proceedings on environmental compliance, or any substantial fines or penalties, could affect our profitability and our stock price in the future, or could adversely affect our ability to compete for new business. Changes in environmental regulations could affect our business more significantly than other firms. Accordingly, a reduction in the number or scope of these laws and regulations, or changes in government policies regarding the funding, implementation or enforcement of such laws and regulations, could significantly reduce one of our most important markets and limit our opportunities for growth or reduce our revenues. In addition, any effort by government agencies to reduce the role of private contractors in regulatory programs, including environmental compliance projects, could have material adverse effects on our business.

We may not be successful in growing through acquisitions or integrating effectively any businesses and operations we may acquire.

Our success depends on our ability to continually enhance and broaden our service offerings and our service delivery footprint in response to changing customer demands, technology, and competitive pressures. Numerous mergers and acquisitions in our industry have resulted in a group of larger firms that offer a full complement of single source services including studies, design, engineering, procurement, construction, operations, maintenance, and facility ownership. To remain competitive, we may acquire new and complementary businesses to expand our portfolio of services, add value to the projects undertaken for clients or enhance our capital strength. We do not know if we will be able to complete any future acquisitions or whether we will be able to successfully integrate any acquired businesses, operate them profitably, or retain their key employees.

When suitable acquisition candidates are identified, we anticipate significant competition when trying to acquire these companies, and there can be no assurance that we will be able to acquire such acquisition targets at reasonable prices or on favorable terms. If we cannot identify or successfully acquire suitable acquisition candidates, we may not be able to successfully expand our operations. Further, there can be no assurance that we will be able to generate sufficient cash flow from an acquisition to service any indebtedness incurred to finance such acquisitions or realize any other anticipated benefits. Nor can there be any assurance that our profitability will be improved as a result of these acquisitions. Any acquisition may involve operating risks, such as:

- the difficulty of assimilating the acquired operations and personnel and integrating them into our current business;
- the potential impairment of employee morale;
- the potential disruption of our ongoing business;
- preserving important strategic and customer relationships;
- the diversion of management’s attention and other resources;
- the risks of entering markets in which we have little or no experience;
- the possibility that acquisition related liabilities that we incur or assume may prove to be more burdensome than anticipated;

- the risks associated with possible violations of the Foreign Corrupt Practices Act and other anti-corruption laws as a result of any acquisition; and

- the possibility that any acquired firms do not perform as expected.

The success of our joint ventures depends on the satisfactory performance by our joint venture partners. The failure of our joint venture partners to perform their obligations could impose on us additional financial and performance obligations that could result in reduced profits or significant losses on the projects that our joint ventures undertake.

We routinely enter into joint ventures as part of our business. The success of these joint ventures depends, in large part, on the satisfactory performance of our joint venture partners. If our joint venture partners fail to satisfactorily perform their joint venture obligations as a result of financial or other difficulties, the joint venture may be unable to adequately perform or deliver its contracted services. Under these circumstances, we may be required to make additional investments and provide additional services to ensure the adequate performance and project delivery. These additional obligations could result in reduced profits or, in some cases, significant losses for us with respect to the joint venture.

Occasionally, we participate in joint ventures where we are not a controlling party. In such instances we may have limited control over joint venture decisions and actions, including internal controls and financial reporting, which may have an impact on our business.

We may be restricted in our ability to access the cash flows or assets from our subsidiaries and joint venture partners upon which we are substantially dependent.

We are dependent on the cash flows generated by our subsidiaries and, consequently, on their ability to collect on their respective accounts receivables. Substantially all of our cash flows necessary to meet our operating expenditures are generated by our subsidiaries. The financial condition and operational requirements of our foreign subsidiaries may limit our ability to obtain cash from them. In addition, we conduct some operations through joint ventures. We do not manage all of these entities. Even in those joint ventures that we manage, we are often required to consider the interests of our joint venture partners in connection with decisions concerning the operations of the joint ventures. Arrangements involving our foreign subsidiaries and joint ventures may restrict us from gaining access to the cash flows or assets of these entities. In addition, our foreign subsidiaries sometimes face governmentally imposed restrictions on their abilities to transfer funds to us.

Our dependence on subcontractors and equipment manufacturers could adversely affect us.

We rely on third party subcontractors as well as third party equipment manufacturers to complete our projects. To the extent that we cannot engage subcontractors or acquire equipment or materials, our ability to complete a project in a timely fashion or at a profit may be impaired. If the amount we are required to pay for these goods and services exceeds the amount we have estimated in bidding for maximum price contracts, we could experience losses in the performance of these contracts. In addition, if a subcontractor or a manufacturer is unable to deliver its services, equipment or materials according to the negotiated terms for any reason, including the deterioration of its financial condition, we may be required to purchase the services, equipment or materials from another source at a higher price. These risks are potentially more significant in the current economic downturn if financial difficulties in our supply chain cause our services or equipment suppliers not to be able to support the demands and schedules of our business. This may reduce the profit we expect to realize or result in a loss on a project for which the services, equipment or materials were needed.

Our defined benefit pension plans have significant deficits that may grow in the future; we may be required to contribute additional cash to meet any underfunded benefit obligations under these plans.

As a result of our recent acquisition of Halcrow, the Company acquired defined benefit pension plans (also known as “defined benefit pension schemes”) that have significant deficits. The Company’s ongoing funding obligations for the defined benefit pension plans vary from time to time depending on actuarial assumptions outside of the Company’s control, such as discount rates, inflation rates, plan investment returns, and life expectancy of the plan members. In order to maintain an adequate funding position over time, the Company continuously reviews these assumptions and mitigates these risks by working with the pension plan trustees and with actuarial and investment advisors. The Company maintains an ongoing dialog with its pension plan trustees to negotiate a reasonable schedule for cash contributions as required by local regulations. If we are unable to agree such schedule in the future, or if the actuarial assumptions change significantly, we could have material adverse effects on our financial position, results of operations and/or cash flows.

We face special risks associated with our international business.

In 2011 and 2010, we derived approximately 25% and 21%, respectively, of our revenues from operations outside of the U.S. Conducting business abroad is subject to a variety of risks including:

- Currency exchange rate fluctuations, restrictions on currency movement and impact of international tax laws could adversely affect our results of operations, if we are forced to maintain assets in currencies other than the U.S. dollar as our financial results are reported in U.S. dollars.

- Political and economic instability and unexpected changes in regulatory environment in countries outside the U.S. could adversely affect our projects overseas and our ability to repatriate cash.

- Inconsistent and diverse regulations, licensing and legal requirements may increase our costs because our operations must comply with a variety of laws that differ from one country to another.

- Terrorist attacks and civil unrest in some of the countries where we do business may delay project schedules, threaten the health and safety of our employees and increase our cost of operations.

- Challenges in managing risks inherent in international operations, such as unique labor rules and corrupt business environments may cause inadvertent violations of laws that we may not immediately detect or correct.

While we are monitoring such regulatory, geopolitical and other factors, we cannot assess with certainty what impact they may have over time on our business.

Special risks associated with doing business in highly corrupt environments and employee, agent or partner misconduct or failure to comply with anti-bribery and other governmental laws could, among other things, harm our reputation.

The global nature of our business creates various domestic and local regulatory challenges. Our operations include projects in developing countries and countries torn by war and conflict. Many of these countries are rated poorly by Transparency International, the independent watchdog organization for government and institutional corruption around the world. Our operations outside of the U.S. are subject to the Foreign Corrupt Practices Act ("FCPA") and similar anti-bribery laws in other jurisdictions which generally prohibit companies and their intermediaries from paying or offering anything of value to foreign government officials for the purpose of obtaining or retaining business, or otherwise receiving discretionary favorable treatment of any kind. In addition, we may be held liable for actions taken by our local partners, subcontractors and agents even though such parties are not always subject to our control. Any determination that we have violated the FCPA or any similar anti-bribery laws in other jurisdictions (whether directly or through acts of others, intentionally or through inadvertence) could result in sanctions that could have a material adverse effect on our business and our reputation and on our ability to secure U.S. federal government and other contracts. While our staff is trained on FCPA and other anti-corruption laws and we have procedures and controls in place to monitor compliance, situations outside of our control may arise that could potentially put us in violation of the these regulations and thus negatively impact our business. In addition, we are also subject to various international trade and export laws. Any misconduct, fraud, non-compliance with applicable governmental laws and regulations, or other improper activities by our employees, agents or partners could have a significant impact on our business, financial results and reputation and could subject us to criminal and civil enforcement actions.

Misconduct could also include the failure to comply with government procurement regulations, regulations regarding the protection of classified information, regulations regarding the pricing of labor and other costs in government contracts, regulations on lobbying or similar activities, regulations pertaining to the internal controls over financial reporting, environmental laws and any other applicable laws or regulations. In addition, we regularly provide services that may be highly sensitive or that relate to critical national security matters; if a security breach were to occur, our ability to procure future government contracts could be severely limited. Failure to comply with applicable laws or regulations or acts of misconduct could subject us to fines and penalties, loss of security clearances, and suspension or debarment from contracting, any or all of which could harm our reputation, reduce our revenues and profits and subject us to criminal and civil enforcement actions.

We face risks associated with working in locations where there are high security risks.

Some of our projects are performed in locations known for their high security risks. In these high risk locations, we may incur substantial security costs to maintain the safety of our employees and work sites. Despite our best efforts, we cannot guarantee the safety of our employees and we may suffer future losses of employees and subcontractors.

We face risks associated with our work sites and the maintenance of adequate safety standards.

Construction and maintenance sites are inherently dangerous workplaces and place our employees in close proximity to dangers of the work site, such as mechanized equipment, moving vehicles, chemical and manufacturing process and materials. Our failure to maintain and implement adequate safety standards and procedures could have a material adverse impact on our business, financial condition and results of operations.

Our businesses could be materially and adversely affected by severe weather.

Repercussions of severe weather conditions may include:

- Evacuation of personnel and curtailment of services which may be temporary in nature;
- Increased labor and materials costs in areas impacted by weather and subsequent increased demand for labor and materials for repairing and rebuilding;
- Weather related damage to our jobsites or facilities;
- Inability to deliver materials to jobsites in accordance with contract schedules; and
- Loss of productivity.

We typically remain obligated to perform our services after a natural disaster unless the contract contains a force majeure clause relieving us of our contractual obligations in such an extraordinary event. If we are not able to react quickly to force majeure, our operations may be affected significantly, which would have a negative impact on our financial condition, results of operations or cash flows.

Rising inflation, interest rates and/or construction costs could reduce the demand for our services as well as decrease our profit on our existing contracts.

Because a significant portion of our revenue is earned from fixed price and guaranteed maximum price contracts as well as contracts that base significant financial incentives on our ability to keep costs down, we bear some or all of the risk of rising inflation with respect to those contracts. In addition, if we expand our business into markets and geographic areas where "fixed price" work is more prevalent, inflation may have a larger impact on our results of operations in the future. Therefore, increases in inflation, interest rates and/or construction costs could have a material adverse impact on our business and financial results.

Inability to secure adequate bonding would impact our ability to win projects.

As is customary in our industry, we are often required to provide performance and surety bonds to customers in connection with our construction, EPC and fixed price projects. These bonds indemnify the customer if we fail to perform our obligations under the contract. Failure to provide a bond on terms and conditions desired by a customer may result in an inability to compete for or win projects. Historically, we have had and continue to have good relationships with our sureties and have a strong bonding capacity. The issuance of bonds under any bonding facilities, however, is at the sureties' sole discretion. There can be no assurance that bonds will continue to be available to us on reasonable terms. Our inability to obtain adequate bonding may result in our ineligibility to bid for construction, EPC and fixed price projects, which could have a material adverse effect on our growth and financial condition.

It can be difficult or expensive to obtain the insurance we need for our business operations.

As part of our business operations, we maintain insurance both as a corporate risk management strategy and to satisfy the requirements of many of our contracts. Insurance products go through market fluctuations and can become expensive and sometimes very difficult to obtain. We work with a diversified team of insurers to reduce our risk of available capacity. There can be no assurances, however, that we can secure all necessary or appropriate insurance in the future at an affordable price for the required limits. Our failure to obtain such insurance could lead to uninsured losses that could materially adversely affect our results of operations or financial condition.

Our present assessment of the insurance market is that there is adequate capacity to cover our insurance needs at reasonable cost. Currently our insurance and bonds are purchased from several of the world's leading and financially stable providers often in layered insurance or co-surety arrangements. The built-in redundancy of such arrangements usually enables us to call upon existing insurance and surety suppliers to fill gaps that may arise if other such suppliers become financially unstable. Our risk management personnel continuously monitor the developments in the insurance market and financial stability of the insurance providers.

Actual results could differ from the estimates and assumptions used to prepare our financial statements.

In order to prepare financial statements in conformity with generally accepted accounting principles in the U.S., we are required to make estimates and assumptions as of the date of the financial statements which affect the reported values of our assets, liabilities, revenues and expenses, and disclosures of contingent assets and liabilities. Areas requiring significant estimates by us include:

- Recognition of contract revenues, costs, profit or losses in applying the percentage-of-completion method of accounting;
- Recognition of recoveries under contract change orders or claims;
- Collectability of billed and work-in-process unbilled accounts receivables and the need for and the amount of allowances for problematic accounts;
- Estimated amounts for anticipated project losses, warranty costs and contract close-out costs;
- Determination of potential liabilities under pension and other postretirement benefit programs;
- Accruals for self insurance programs for medical, workers compensation, general liability and professional liability;
- Recoverability of deferred tax assets and the related valuation allowances, and accruals for uncertain tax positions;
- Stock option valuation model assumptions;
- Accruals for other estimated liabilities;
- Employee incentive plans and stock valuation;
- Variable interest entities; and
- Asset valuations.

We rely on information systems to conduct our business, and failure to protect these systems against security breaches could adversely affect our business and results of operations. Additionally, if these systems fail or become unavailable for any significant period of time, our business could be harmed.

Because of recent advancements in technology and well-known efforts on the part of computer hackers and cyber terrorists to breach data security of companies, we face risks associated with potential failure to adequately protect critical corporate, client, and employee data which, if released, could adversely impact our client relationships, our reputation, and even violate privacy laws. As part of our business, we develop, receive and retain confidential data about our company and our clients including the U.S. federal and other governments' classified or sensitive information.

In addition, as a global company, we rely heavily on computer, information and communications technology and related systems in order to properly operate. From time to time, we may be subject to systems failures, including network, software or hardware failures, whether caused by us, third party service providers, intruders or hackers, computer viruses, natural disasters, power shortages or terrorist attacks. Such failures could cause loss of data and interruptions or delays in our or our customers' businesses and could damage our reputation. In addition, the failure or disruption of our communications or utilities could cause us to interrupt or suspend our operations or otherwise adversely affect our business. Losses that may occur as a result of any system or operational failure or disruption may cause our actual results to differ materially from those anticipated.

We rely on industry accepted security measures and technology to securely maintain confidential and proprietary information maintained on our information systems. However, these measures and technology may not adequately prevent security breaches. Any significant interruption or failure of our information systems or any significant breach of security could damage our reputation and adversely affect our business and results of operations.

Risks Related to Our Internal Market

Absence of a public market may prevent you from selling your stock and cause you to lose all or part of your investment.

There is no public market for our common stock. While we intend the internal market to provide liquidity to stockholders, there can be no assurance that there will be enough orders to purchase shares to permit stockholders to sell their shares on the internal market, or that our internal trading market will be sustained in the future. The price in effect on any trade date may not be attractive enough to buyers and sellers to result in a balanced market because the price is determined by our Board of Directors based on their judgment of fair value, and not by actual market trading activity. Moreover, although we may participate in the internal market as a buyer of common stock if there are more sell orders than buy orders in the market, we have no obligation to engage in internal market transactions and will not guarantee market liquidity. Consequently, insufficient buyer demand could cause sell orders to be prorated, or could prevent the internal market from opening on any particular trade date. Insufficient buyer demand could cause stockholders to suffer a total loss of investment or substantial delay in their ability to sell their common stock. No assurance can be given that stockholders desiring to sell all or a portion of their shares of common stock will be able to do so.

Transfer restrictions on our common stock could prevent you from selling your common stock and cause you to lose all or part of your investment.

Since all of the shares of our common stock are subject to transfer restrictions, you will generally only be able to sell your common stock through our internal market on the scheduled trade dates each year. Unlike shares that are actively traded in public markets, you will not be able to sell your shares on demand. Our common stock price could decline between the time you want to sell and the time you become able to sell. For a detailed discussion of the transfer restrictions on our common stock, see Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*.

Our stock prices are and will continue to be determined by our Board of Directors' judgment of fair value and not by market trading activity.

The prices of our common stock at each trade date are established by our Board of Directors based on the factors that are described in Item 5 of this Annual Report on Form 10-K. Our Board of Directors sets the stock price in advance of each trade date, and all trades on our internal market are transacted at the price established by our Board. The market trading activity on any given trade date, therefore, cannot affect the price on that trade date. This is a risk to you because our common stock price will not change to reflect supply of and demand for shares on a given trade date as it would in a public market. You may not be able to sell shares or you may have to sell your shares at a price that is lower than the price that would prevail if the internal market price could change on a given trade date to reflect supply and demand. Our Board of Directors endeavors to use the common stock valuation methodology that results in the stock price that represents fair value. The valuation methodology used to determine fair value is subject to change at the discretion of our Board of Directors.

The limited market and transfer restrictions on our common stock, as well as restrictions in our restated articles of incorporation and bylaws, will likely have anti-takeover effects.

Only our active and retired employees, directors, eligible consultants, and employee benefit plans may own our common stock and participate in our internal market. We also have significant restrictions on the transfer of our common stock other than through sales on our internal market. These limitations make it extremely difficult for a potential acquirer who does not have the prior consent of our Board of Directors to attain control of our company, regardless of the price per share an acquirer might be willing to pay and whether or not our stockholders would be willing to sell at that price. In addition, restrictions in our restated articles of incorporation and bylaws may make it more difficult for our stockholders to elect directors not endorsed by management.

Future returns on our common stock may be significantly lower than historical returns.

We cannot assure you that our common stock will provide returns in the future comparable to those achieved historically or that the price will not decline.

Item 1B. ***Unresolved Staff Comments***

None

Item 2. ***Properties***

Our operations are conducted primarily in leased properties in approximately 50 countries throughout the world. Our corporate headquarters are located in Englewood, Colorado, where we lease approximately 155,000 square feet of space. The lease on our corporate headquarters building expires in 2017, with an option to extend the term twice for either a ten or five year term. We believe that our existing facilities are adequate for the present needs of our business and that suitable additional or substitute space will be available as needed to accommodate any expansion of operations.

Item 3. ***Legal Proceedings***

We are party to various contractual guarantees and legal actions arising in the normal course of business. Because a large portion of our business comes from the U.S. federal government and various federal agencies, state and municipal sources, our procurement and certain other practices at times are subject to review and investigation by U.S. and state attorneys offices as well as similar enforcement agencies outside of the United States. Such government investigations, whether relating to our government contracts or conducted for other reasons, could result in administrative, civil or criminal liabilities, including repayments, fines or penalties or could lead to suspension or debarment from future government contracting. These investigations often take years to complete and many result in no adverse action or alternatively could result in settlement. Damages assessed in connection with and the cost of defending any such actions could be substantial. While the outcomes of pending proceedings and legal actions are often difficult to predict, management believes that proceedings and legal actions currently pending would not result in a material adverse effect on our results of operations or financial condition even if the final outcome is adverse to our company.

Many claims that are currently pending against us are covered by our professional liability insurance. Management estimates that the levels of insurance coverage (after retentions, deductibles, and self-insurance) are generally adequate to cover our potential liabilities, if any, with respect to such claims. We accrue for all claims that may result in payment when they are reasonably estimable.

In 2010, we were notified that the U.S. Attorney's Office for the Eastern District of Washington is investigating overtime practices in connection with the U.S. Department of Energy Hanford tank farms management contract which we transitioned to another contractor in 2008. In 2011, two former CH2M HILL Hanford employees pleaded guilty in United States District Court on a felony charge related to time card falsification. As part of its investigation, the U.S. Attorney's Office raised the possibility of civil and/or criminal charges for possible violations arising from our overtime practices on this project. We are fully cooperating with the investigation and will continue to work to resolve this matter. CH2M HILL and the Department of Justice are in discussions about a possible global settlement of any potential civil and criminal charges and resolution of any potential False Claims Act allegations. We do not believe that the terms of a potential settlement even if it will be in excess of the amount accrued would have a material impact on our results of operations or financial condition.

Item 4. ***Mine Safety Disclosures.***

None.

PART II

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

We are employee-controlled. As a result, our stock is only available to certain active and retired employees, directors, eligible consultants and benefit plans. There is no market for our stock with the general public. In order to provide liquidity for our stockholders, an internal market ("Internal Market") is maintained through an independent broker, currently Neidiger, Tucker and Bruner, Inc. (NTB).

The Internal Market enables eligible participants to offer to sell or purchase shares of our common stock on predetermined days (each, a "Trade Date"). The Trade Dates are determined by our Board. Generally, there are four Trade Dates each year. Currently our Board of Directors meetings are scheduled quarterly. All sales of our common stock are made at the price determined by our Board of Directors pursuant to the valuation methodology described below.

All sales of common stock on the Internal Market are restricted to the following authorized buyers:

- Our employees, directors and eligible consultants
- Trustees of the benefit plans
- Administrator of the Payroll Deduction Stock Purchase Plan ("PDSPP")

We may impose limitations on the number of shares that an individual may purchase when there are more buy orders than sell orders for a particular Trade Date. After our Board of Directors determines the stock price for use on the next Trade Date, all stockholders, employees, directors and eligible consultants will be advised as to the new stock price and the next Trade Date.

Our Internal Market is managed through an independent broker, currently NTB, which acts upon instructions from the buyers and sellers to affect trades at the stock price set by our Board of Directors and in accordance with the Internal Market rules. NTB does not play a role in determining the price of our common stock and is not affiliated with us. Individual stock ownership account records are currently maintained by our in-house transfer agent.

We may purchase shares if the Internal Market is under-subscribed. We may, but are not obligated to, purchase shares of common stock on the Internal Market on any Trade Date at the price in effect on that Trade Date, but only to the extent that the number of shares offered for sale by stockholders exceeds the number of shares sought to be purchased by authorized buyers. The decision as to whether or not we will purchase shares in the Internal Market, if the Internal Market is under-subscribed, is solely within our discretion and we will not notify investors as to whether or not we will participate prior to the Trade Date. Investors should understand that there can be no assurance that they will be able to sell their CH2M HILL stock without substantial delay or that their stock will be able to be sold at all on the Internal Market. We will consider a variety of factors including our cash position, financial performance and number of shares outstanding in making the determination as to whether to participate in an under-subscribed market. The terms of our existing unsecured revolving line of credit do not play a role in the decision as to whether to buy shares in the Internal Market. To date, no other factors have been considered by us in our decisions as to whether or not to participate in an under-subscribed market.

If the aggregate number of shares offered for sale on the Internal Market on any Trade Date is greater than the number of shares sought to be purchased, stockholder offers to sell will be accepted as follows:

- If enough orders to buy are received to purchase all the shares offered by each seller selling fewer than 500 shares and at least 500 shares from each other seller, then all sell orders will be accepted up to the first 500 shares and the portion of any sell orders exceeding 500 shares will be accepted on a pro-rata basis
- If not enough orders to buy are received to purchase all the shares offered by each seller selling fewer than 500 shares and at least 500 shares from each other seller, then the purchase orders will be allocated equally to each seller

We may sell shares if the Internal Market is over-subscribed. To the extent that the aggregate number of shares sought to be purchased exceeds the aggregate number of shares offered for sale, we may, but are not obligated to, sell authorized but unissued shares of common stock on the Internal Market at the price in effect on that Trade Date to satisfy purchase demands. The decision as to whether or not we will sell shares in the Internal Market, if the Internal Market is over-subscribed, is solely within our discretion and we will not notify investors as to whether or not we will participate prior to the Trade Date. Investors should understand that there can be no assurance that they will be able to buy as many shares as they would like on a given Trade Date. We will consider a variety of factors including our cash position, financial performance and number of shares outstanding in making the determination as to whether to participate in an over-subscribed market. The terms of our existing unsecured revolving line of credit do not play a role in the decision as to whether to sell shares in the Internal Market. To date, no other factors have been considered by us in our decisions as to whether or not to participate in an over-subscribed market.

If the aggregate purchase orders exceed the number of shares available for sale and we choose not to issue additional shares, the following prospective purchasers will have priority to purchase shares, in the order listed:

- Administrator of the PDSPP

- Trustees of the 401(k) Plan

- Internal Market participants on a pro-rata basis (including purchases through pre-tax and after-tax deferred compensation plans)

Effective February 11, 2011, all sellers on the Internal Market, other than us and the trustees of the 401(k) Plan, pay NTB a commission equal to three tenths of one percent (.3%) of the proceeds from such sales. The previous commission level was two percent (2%) of proceeds from such sales. Employees who sell their common stock upon retirement from our company will have the option to sell the common stock they own on the Internal Market and pay a commission on the sale or to sell to us without paying a commission. In the latter case, the employee will sell their common stock to us at the price in effect on the date of their termination in exchange for a four-year note at a market interest rate determined biannually. No commission is paid by buyers on the Internal Market.

Price of our Common Stock

Our Board of Directors will determine the price, which is intended to be the fair value, of the shares of our common stock to be used for buys and sells on each Trade Date pursuant to the valuation methodology described below. The price per share of our common stock generally is set as follows:

$$\text{Share Price} = [(7.8 \times M \times P) + (SE)] / CS$$

In order to determine the fair value of the common stock in the absence of a public trading market, our Board of Directors felt it appropriate to develop a valuation methodology to use as a tool to determine a price that would be a valid approximation of the fair value. In determining the fair value stock price, our Board of Directors believes that the use of a going concern component (i.e., net income, which we call profit after tax, as adjusted by the market factor) and a book value component (i.e., total stockholders' equity) is important. Our Board of Directors believes that the process we have developed reflects modern equity valuation techniques and is based on those factors that are generally used in the valuation of equity securities.

The existence of an over-subscribed or under-subscribed market on any given Trade Date will not affect the stock price on that Trade Date. However, our Board of Directors, when determining the stock price for a future Trade Date, may take into account the fact that there have been under-subscribed or over-subscribed markets on prior Trade Dates.

Market Factor ("M"). "M" is the market factor, which is subjectively determined in the sole discretion of our Board of Directors. In determining the market factor, our Board of Directors will take into account factors the directors considered to be relevant in determining the fair value of our common stock, including:

- The market for publicly traded equity securities of companies comparable to us

- The merger and acquisition market for companies comparable to us

- The prospects for our future performance

- General economic conditions

- General capital market conditions

- Other factors our Board of Directors deem appropriate

Our Board of Directors has not assigned predetermined weights to the various factors it may consider in determining the market factor. A market factor greater than one would increase the price per share and a market factor less than one would decrease the price per share.

In its discretion, our Board of Directors may change, from time-to-time, the market factor used in the valuation process. Our Board of Directors could change the market factor, for example, following a change in general market conditions that either increased or decreased stock market equity values for companies comparable to us, if our Board of Directors felt that the market change was applicable to our common stock as well. Our Board of Directors will not make any other changes in the method of determining the price per share of common stock unless in the good faith exercise of its fiduciary duties and, if appropriate, after consultation with its professional advisors, our Board of Directors determines that the method for determining the price per share of common stock no longer results in a stock price that reasonably reflects our fair value on a per share basis.

As part of the total mix of information that our Board of Directors considers in determining the “M” factor, our Board of Directors also may take into account company appraisal information prepared by The Environmental Financial Consulting Group, Inc. (“EFCG”), an independent appraiser engaged by the trustees of our benefit plans. In setting the stock price, our Board of Directors compares the total of the going concern and book value components used in the valuation methodology to the enterprise value of the Company in the appraisal provided by EFCG. If, after such comparison, our Board of Directors concludes that its initial determination of the “M” factor should be re-examined, our Board of Directors may review, and if appropriate, adjust the “M” factor. Since the inception of the program on January 1, 2000, the total of the going concern and book value components used by our Board of Directors in setting the price for our stock has always been within the enterprise appraisal range provided quarterly by EFCG.

This “M” component of our stock price valuation remained unchanged since the inception of the current ownership program in 2000 until the November 9, 2007 valuation, when it was changed by the Board of Directors from 1.0 to 1.2.

Profit After Tax (“P”). “P” is profit after tax, otherwise referred to as net income, for the four fiscal quarters immediately preceding the Trade Date. Our Board of Directors, at its discretion, may exclude nonrecurring or unusual transactions from the calculation. Nonrecurring or unusual transactions are developments that the market would not generally take into account in valuing an equity security. A change in accounting rules, for example, could increase or decrease net income without changing the fair value of our common stock. Similarly, such a change could fail to have an immediate impact on the value of our common stock, but still have an impact on the value of our common stock over time. As a result, our Board of Directors believes that in order to determine the fair value of our common stock, it needs the ability to review unusual events that affect net income. In the past, our Board of Directors has excluded unusual items from the calculation of “P”, including nonrecurring revenue from Kaiser-Hill Company, LLC and a write off of an investment in an international telecommunications company. Because “P” is calculated on a four quarter basis, an exclusion impacts the calculation of fair value for four consecutive quarters. Our Board of Directors may determine to exclude other future unusual or non-recurring items from the calculation of “P”.

Total Stockholders’ Equity (“SE”). “SE” is total Stockholders’ Equity, which includes intangible items, as set forth on our most recent available quarterly or annual financial statements. Our Board of Directors, at its discretion, may exclude from the Stockholders’ Equity parameter nonrecurring or unusual transactions that the market would not generally take into account in valuing an equity security. The exclusions from Stockholders’ Equity will generally be those transactions that are non-cash and are reported as “accumulated other comprehensive income (loss)” on the face of our consolidated balance sheet. For example, our Board of Directors excluded, and will continue to exclude, a non-cash adjustment to Stockholders’ Equity related to the accounting for our defined benefit pension and other postretirement plans. Because this adjustment is unusual and will fluctuate from period to period, our Board of Directors excluded it from the “SE” parameter for stock valuation purposes. Similarly, other items that are reported as components of “accumulated other comprehensive income (loss)” and non-controlling interests are excluded from “SE” and include items such as unrealized gains/losses on securities and foreign currency translation adjustments.

Common Stock Outstanding (“CS”). “CS” is the weighted-average number of shares of our common stock outstanding during the four fiscal quarters immediately preceding the Trade Date, calculated on a fully-diluted basis. By “fully-diluted” we mean that the calculations are made as if all outstanding options to purchase our common stock had been exercised and other “dilutive” securities were converted into shares of our common stock. In addition, an estimate of the weighted-average number of shares that we reasonably anticipate will be issued under our stock-based compensation programs and employee benefit plans is included in this calculation. For example, we include in CS as calculated an estimate of the weighted-average number of shares that we reasonably anticipate will be issued during the next four quarters under our stock-based compensation programs and employee benefit plans in this calculation. We include an estimate of the weighted-average number of shares that we reasonably anticipate will be issued during the next four quarters because we have more than a 30-year history in making annual grants of stock-based compensation. Therefore, we believe that we have sufficient information to reasonably estimate the number of such “to be issued” shares. This approach avoids an artificial variance in share value during the first calendar quarter of each year when the bulk of shares of our common stock are issued by us pursuant to our stock-based compensation programs. Similarly, if we make a substantial issuance of shares during the four fiscal quarters immediately preceding the Trade Date, using the weighted average of those shares may create an inappropriate variance in share value during the four fiscal quarters following the issuance. For example, if we use shares as all or part of the consideration for the acquisition of a business, the time-weighted average number of shares issued in the acquisition transaction would not match the impact of the transaction reflected in total Stockholders’ Equity (or SE) as described above. Therefore, in the discretion of the Board of Directors, a substantial issuance of shares during the four-quarter period used to calculate CS for each Trade Date may be treated as having been issued at the beginning of such four-quarter period. As a result, our Board of Directors may determine, in its discretion, to adjust the weighted-average number of shares to reflect in an appropriate manner the impact of past or anticipated future issuances.

Modification of the Calculation of Common Stock Outstanding ("CS"). On February 9, 2012, our Board of Directors determined that it would be in the best interest of the company and our stockholders to modify the calculation of CS to treat substantial issuances of shares at any time during the four fiscal quarters immediately preceding the Trade Date as having been issued at the beginning of such four-quarter period. As such, we determined that the issuance of 342,379 shares as partial consideration for our acquisition of Halcrow Holdings Limited in November 2011 would result in approximately a 1% artificial increase in the stock price for the first quarterly Trade Date after the fiscal quarter in which the transaction was completed because the shares issued in that transaction were issued only 51 days prior to year end. As a result, under the valuation methodology, such shares would be included in the weighted-average number of shares used to calculate CS on the basis of 51/365 while the full amount of the increase to stockholders' equity resulting from the Halcrow transaction would be included in the SE factor as of December 31, 2011. We determined the artificial increase in the stock price resulting from the Halcrow acquisition would not be material, but could potentially be material in connection with future transactions. Such artificial variance in the calculation of the CS factor can be eliminated, under appropriate circumstances and solely for the purpose of determining the price of our common stock, by treating the transaction involving such substantial issuance of shares as having been completed at the beginning of the four-fiscal quarter period immediately preceding the Trade Date for which the fair value for our stock is being calculated.

The following table shows a comparison of the "CS" value actually used by our Board of Directors to calculate stock prices on the dates indicated versus the year-to-date weighted-average number of shares of common stock as reflected in the diluted earnings per share calculation in our financial statements for the past three years.

Effective Date	**CS**	**YTD Weighted-Average Number of Shares as reflected in Diluted EPS calculation**
	(in thousands)	**(in thousands)**
May 7, 2009	35,314	32,396
August 7, 2009	34,931	32,533
November 6, 2009	34,608	32,577
February 12, 2010	34,424	32,599
May 6, 2010	34,353	32,305
August 13, 2010	34,178	32,356
November 12, 2010	33,903	32,270
February 11, 2011	33,450	32,163
May 5, 2011	33,189	31,362
August 10, 2011	32,885	31,327
November 10, 2011	32,670	31,363
February 9, 2012	32,962	31,428

Constant 7.8. In the course of developing this valuation methodology, it became apparent to our Board of Directors that a multiple would be required in order for the stock price derived by this methodology to approximate our historical, pre-Internal Market stock price. Another objective of our Board of Directors when developing the valuation methodology was to establish the fair value of our common stock using a market factor of 1.0. We believe that it was important to begin the Internal Market program with an "M" factor equal to 1.0 in order to make it easier for stockholders to understand future changes, if any, to the market factor.

Therefore, the constant 7.8 was introduced into the formula. The constant 7.8 is the multiple that our Board of Directors determined necessary (i) for the new stock price to approximate our historical stock price derived using the pre-Internal Market formula as well as (ii) to allow the use of the market factor of 1.0 at the beginning of the Internal Market program.

We intend to announce the new stock price and the Trade Date approximately four weeks prior to each Trade Date. The information will be delivered by the broker to all employees, eligible consultants and eligible participants in the internal market. In addition, we will file a Current Report on Form 8-K disclosing the new stock price and all components used by our Board of Directors in determining such price in accordance with the valuation methodology described above.

We will also distribute the most current prospectus for our common stock and our audited annual financial statements to all stockholders, as well as other employees and eligible consultants, and to participants in the Internal Market through the employee benefit plans. Such information will be distributed at the same time as our annual reports and proxy information. Solicitations are distributed for voting instructions from stockholders and participants in the employee benefit plans each year.

Current Price of Our Common Stock

Starting in 2000, with the introduction of the Internal Market and its quarterly trades, our Board of Directors reviews the common stock price quarterly using the valuation methodology described above to set the price for the common stock. The prices of our common stock for the past three years, along with the various factors and values used by our Board of Directors to determine such stock prices on each date, are as follows:

Effective Date	M	P	SE	CS	Price Per Share	Percentage Price Increase (Decrease)
		(in thousands)	(in thousands)	(in thousands)		
May 7, 2009	1.2	74,295	453,760	35,314	32.54	4.6%
August 7, 2009	1.2	82,561	474,858	34,931	35.72	9.8%
November 6, 2009	1.2	93,047	544,759	34,608	40.91	14.5%
February 12, 2010	1.2	90,816	544,913	34,424	40.52	(1.0)%
May 6, 2010	1.2	93,067	541,940	34,353	41.13	1.5%
August 13, 2010	1.2	105,385	568,233	34,178	45.49	10.6%
November 12, 2010	1.2	106,297	581,344	33,903	46.49	2.2%
February 11, 2011	1.2	106,848	563,649	33,450	46.75	0.6%
May 5, 2011	1.2	115,190	595,629	33,189	50.43	7.9%
August 10, 2011	1.2	122,525	640,303	32,885	54.35	7.8%
November 10, 2011	1.2	121,959	678,358	32,670	55.71	2.5%
February 9, 2012	1.2	124,121	717,414	32,962	57.01	2.3%

Changes to Commission Charged to Sellers on the Internal Market

Effective February 11, 2011, NTB agreed that all sellers on the internal market, other than CH2M HILL and the trustees of CH2M HILL's benefit plans will pay NTB a commission equal to three tenths of one percent (.3%) of proceeds from such sales. It was a reduction from the previous commission level of two percent (2%). No commission is paid by buyers on the internal market.

Holders of Our Common Stock

As of February 17, 2012, there were 8,535 holders of record of our common stock. As of such date, all of our common stock of record was owned by our current and retired employees, directors, eligible consultants, and by our various employee benefit plans. Common stock is held in a trust for each of our employee benefit plans and each trust is considered one holder of record of our common stock.

Dividend Policy

We have never declared or paid any cash dividends on our common stock and no cash dividends are contemplated on our common stock in the foreseeable future.

Issuer Purchases of Equity Securities

The following table covers the purchases of our securities by CH2M HILL during the quarter ended December 31, 2011:

Period	Total Number of Shares	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
October(a)	803	$49.38	—	—
November	—	—	—	—
December(a)(b)	279,923	$55.71	—	—
Total	280,726	$55.69	—	—

(a) Shares purchased by CH2M HILL from terminated employees.

(b) Shares purchased by CH2M HILL in the Internal Market.

Item 6. *Selected Financial Data*

The selected financial data presented below under the captions "Selected Statement of Operations Data" and "Selected Balance Sheet Data" for, and as of the end of, each of the years in the five-year period ended December 31, 2011, are derived from the consolidated financial statements of CH2M HILL Companies, Ltd. and subsidiaries, which consolidated financial statements have been audited by KPMG LLP, an independent registered public accounting firm. The consolidated financial statements as of December 31, 2011 and 2010, and for each of the years in the three-year period ended December 31, 2011, and the report thereon, are included in Item 15. of this Annual Report on Form 10-K. The following information should be read in conjunction with Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations* and the consolidated financial statements and related notes thereto.

The consolidated financial statements and selected financial data below reflect the adoption of new accounting standards related to variable interest entities; accounting for non-controlling interests in consolidated financial statements; employee benefit plan expenses; income taxes; and acquisitions which affect the comparability of information presented. Certain prior years' amounts have been reclassified to conform to the current year presentation.

	Years Ended December 31,				
($ in millions, except per share data)	**2011**	**2010**	**2009**	**2008**	**2007**
Selected Statement of Operations Data:					
Revenue	$5,555.2	$5,422.8	$5,499.3	$5,589.9(a)	$4,376.2
Operating income	185.2	174.8	174.5(b)	89.2	77.2
Net income attributable to CH2M HILL	113.3	93.7	103.7	32.1	66.0
Net income per common share					
Basic	$3.68	$2.98	$3.25	$0.96	$2.01
Diluted	$3.60	$2.91	$3.18	$0.93	$1.97
Selected Balance Sheet Data:					
Total assets	$2,694.9(d)	$1,967.1	$1,948.0	$1,971.8	$1,909.9
Long-term debt, including current maturities	92.8	37.6	52.3(c)	175.9	197.8
Total stockholders' equity	666.3	554.2	524.8	386.7	464.5

(a) The majority of the increase in revenues for the year ended December 31, 2008 relates to a full year of revenue recognized from the operations acquired of VECO Corporation ("VECO") and Trigon EPC, LLC ("Trigon").

(b) The increase in 2009 was primarily attributable to the gain of $58.2 million on the sale of certain assets of our Enterprise Management Solutions ("EMS") business.

(c) During 2009, the net repayments of debt were approximately $123.6 million. Repayments were paid out of proceeds from the EMS sale and operating cash flows.

(d) The majority of the increase in total assets relates to the acquisition of Halcrow Holdings Limited in November 2011.

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

Business Summary

We are a large employee-controlled professional engineering services firm providing consulting, engineering, design, design-build, procurement, construction, operations and maintenance, EPC, program management and technical services to U.S. federal, state, municipal and local government agencies, national governments, as well as private industry and utilities, around the world. Founded in 1946, we have approximately 30,000 employees worldwide.

We provide services to a diverse customer base including the U.S. federal and foreign governments and governmental authorities, various U.S. federal government agencies, provincial, state and local municipal governments, major oil and gas companies, refiners and pipeline operators, utilities, metal and mining, automotive, food and beverage and consumer products manufacturers, microelectronics, pharmaceuticals and biotechnology companies. We believe we provide our clients with innovative project delivery using cost-effective approaches and advanced technologies.

Our revenues are dependent upon our ability to attract and retain qualified and productive employees, identify business opportunities, allocate our labor resources to profitable markets, secure new contracts, execute existing contracts, and maintain existing client relationships. Moreover, as a professional services company, the quality of the work generated by our employees is integral to our revenue generation.

Acquisitions

We continuously monitor acquisition and investment opportunities that will expand our portfolio of services, provide local resources internationally to serve our customers, add value to the projects undertaken for clients, or enhance our capital strength.

On July 29, 2011, we acquired Booz Allen Hamilton's State and Local Government Transportation and Consulting business ("BAH"). BAH has approximately 150 employees and provides management consulting, system engineering, vehicle engineering, asset management, train control and communications systems, systems safety and revenue system consulting to transit and rail agencies throughout North America. The cost of the acquisition was $28.5 million adjusted for working capital requirements. The results of operations for BAH have been included in the consolidated financial statements since the acquisition and are reported in the F&I operating segment.

On November 10, 2011, we purchased all the share capital of Halcrow Holdings Limited ("Halcrow") for approximately £124.0 million ($197.3 million). Halcrow is a United Kingdom-headquartered engineering, planning, design and management services firm specializing in developing infrastructure and buildings. Halcrow's 6,000 employees provide services to its clients in the United Kingdom, Middle East, Canada, the United States, China, India, Australia, South America, and Europe. Halcrow's clients include public and private sector clients around the world, including contractors, developers, operators, regulators, financial institutions, international funding agencies, local, regional and national governments, project consortia and asset owners. The results of Halcrow's operations have been reported in the consolidated financial statements since the date of acquisition and are reported in the F&I operating segment.

We performed an initial purchase price allocation for these acquisitions based on our current assessment and estimates of fair values; however, we are currently in the process of evaluating the fair values of certain assets acquired and liabilities assumed. We are completing the estimations of fair values of assets and liabilities assumed including valuations of intangible assets, work in progress and billings in excess of revenue, assessments of tax assets and liabilities, valuations of pension-related assets and liabilities, determinations of fair value of financial guarantees and other items that may affect the allocation of the purchase price. As such, the purchase price allocations are subject to change as the procedures are completed.

Sale of Operating Assets

During the third quarter of 2009, we completed the sale of certain assets of our Enterprise Management Solutions ("EMS") business. We recorded a pre-tax gain of $58.2 million. The operating results of our EMS business are reflected in the GEN operating segment until the date of sale.

Summary of Operations

In order to improve our competitiveness, client service, and financial strength, effective January 1, 2011, we reorganized our reporting structure under which our chief operating decision maker makes strategic and operating decisions with regard to assessing performance and allocating resources. As a result, our results of operations are reported within three operating segments—Government, Environment and Nuclear; Facilities and Infrastructure; and Energy and Water, which are aligned with the types of clients we serve.

Results of Operations for the Year Ended December 31, 2011 Compared to 2010

	2011			2010			Change				
($ in millions)	**Revenue**	**Equity in Earnings**	**Operating Income (Loss)**	**Revenue**	**Equity in Earnings**	**Operating Income (Loss)**	**Revenue**		**Equity in Earnings**	**Operating Income (Loss)**	
Government, Environment and Nuclear	$2,191.2	$35.8	$79.0	$2,218.4	$35.1	$94.8	$(27.2)	(1.2)%	$0.7	$(15.8)	(16.7)%
Facilities and Infrastructure	1,372.1	20.9	65.5	1,224.6	22.9	34.2	147.5	12.0%	(2.0)	31.3	91.5%
Energy and Water	1,991.9	7.8	62.1	1,979.8	10.5	58.8	12.1	0.6%	(2.7)	3.3	5.6%
Corporate	—	—	(21.4)	—	—	(13.0)	—		—	(8.4)	(64.6)%
Total	$5,555.2	$64.5	$185.2	$5,422.8	$68.5	$174.8	$132.4		$(4.0)	$10.4	

Government, Environment and Nuclear

Revenue decreased for the year ended December 31, 2011, compared to the same period in the prior year by $27.2 million or 1.2%. The decrease in revenue is primarily attributable to decreased volumes in our Nuclear and GF&I businesses as a result of the American Recovery and Reinvestment Act ("ARRA") projects which concluded in the current year and had provided full year revenues in 2010. Additional nuclear projects were started in 2011 which partially offset the decrease in ARRA revenue. Additionally, revenue decreased in our GF&I business due to the lack of new awards in the first half of 2011 during the Congressional Budget impasse. These decreases were partially offset by improved results in the environmental services market due to the start of the Twelve Mile Creek construction project and other work performed for the U.S. Environmental Protection Agency.

Operating income decreased for the year ended December 31, 2011 compared to the same period in the prior year by $15.8 million or 16.7%. The decrease in operating income is primarily due to the decrease in revenues in our Nuclear and GF&I businesses discussed above. In addition, our GF&I business experienced increased costs on U.S. government military base facility projects in both the U.S. and Middle East. Furthermore, the GF&I market provided fewer services in support of disaster response work to FEMA during 2011 compared to 2010. These decreases were partially offset by schedule incentive fees on the River Corridor project in our Nuclear business.

Facilities and Infrastructure

Revenue increased for the year ended December 31, 2011, compared to last year by $147.5 million or 12.0%. The increase in revenue is primarily attributable to the acquisition of Halcrow which contributed $114.3 million in revenue since the acquisition date in 2011. In addition, our I&AT business experienced higher volumes of work due to increased capital spending in that sector. Revenue also increased in our O&M business due to new water projects in Spokane, Washington and Pima, Arizona. Revenues from our transportation business remained relatively consistent year over year.

Operating income increased for the year ended December 31, 2011, compared to the prior year, by $31.3 million or 91.5%. The increase is primarily attributable to a shift in the mix of our business within our I&AT market from construction to design projects. An increase in design projects, which contribute higher margins than construction projects, is consistent with the trend in capital spending in this market. Additionally, our O&M business recognized improved margins on design-build-operate projects as they transitioned to the operational phases of the projects. We also recorded increased earnings in 2011 compared to 2010 from our program management activities on the London 2012 Olympics as we earned fees for the successful completion of certain Olympic venues. These increases were partially offset by a decrease in earnings from our transportation business due to claims arising on two port projects as well as a decrease in fees earned on a major bridge project completed in 2010. Additionally, Halcrow experienced an operating loss for the period from acquisition through December 31, 2011 of $3.6 million.

Energy and Water

Revenue increased for the year ended December 31, 2011, compared to last year by $12.1 million or 0.6%. The increase is attributable to improvement in our North American operations and maintenance equipment rental program within our energy business. In addition, our energy business experienced growth in their engineering services. These increases in revenue were slightly offset due to the completion of design-build projects in North America and Australia for both our Power and Water businesses during the second half of 2011.

Operating income increased for the year ended December 31, 2011 compared to 2010 by $3.3 million, or 5.6%. The increase in operating income in 2011 was primarily due to cost and risk reductions on a large design-build project in the United States as well as increased volumes on higher margin work in various projects in North America. This increase was partially offset by earnings in our energy business being negatively impacted by a loss on a large construction project in North America as well as decreasing margins on their operations and maintenance and engineering work. Although our Power group experienced lower revenues in 2011, it was able to primarily maintain its operating income due to incentive fees earned on the successful completion of construction milestones from their design build projects as well as successfully managing their controllable indirect costs.

Results of Operations for the Year Ended December 31, 2010 Compared to 2009

	2010			2009			Change				
($ in millions)	Revenue	Equity in Earnings	Operating Income (Loss)	Revenue	Equity in Earnings	Operating Income (Loss)	Revenue		Equity in Earnings	Operating Income (Loss)	
Government, Environment and Nuclear	$2,218.4	$35.1	$94.8	$1,931.1	$30.6	$94.0	$287.3	14.9%	$4.5	$0.8	0.9%
Facilities and Infrastructure	1,224.6	22.9	34.2	1,243.5	21.4	28.6	(18.9)	(1.5)%	1.5	5.6	19.6%
Energy and Water	1,979.8	10.5	58.8	2,324.7	13.5	65.2	(344.9)	(14.8)%	(3.0)	(6.4)	(9.8)%
Corporate	—	—	(13.0)	—	—	(13.3)	—		—	0.3	2.3%
Total	$5,422.8	$68.5	$174.8	$5,499.3	$65.5	$174.5	$(76.5)		$3.0	$0.3	

Government, Environment and Nuclear

Revenue increased for the year ended December 31, 2010, compared to 2009 by $287.3 million or 14.9%. The increase in revenue was primarily due to project work in Texas supporting the Hurricane Ike recovery efforts. Also contributing to the increase in revenues is the award of a domestic nuclear contract and the award of a program management project in the United Arab Emirates, partially offset by delays in finalizing newly awarded governmental contracts in our continental U.S. design build markets. Additionally, the revenue increase was partially offset by decreased revenues in the EMS business due to the sale of the business during the third quarter of 2009.

Operating income increased slightly during the year ended December 31, 2010, compared to 2009, by $0.8 million or 0.9%. The increase is primarily due to the fluctuations in revenues described above and reductions in our overhead spending and general and administrative costs associated with managing our projects within the segment. These increases were offset slightly due to the completion of two major nuclear projects in the second half of 2010 which generated operating income during the full year in 2009.

Facilities and Infrastructure

Revenue decreased for the year ended December 31, 2010, compared to 2009 by $18.9 million or 1.5%. The decrease is largely attributable to significant decreases in both full service and traditional service revenue in the I&AT market. Additionally, the O&M business experienced delays and scope reductions on several projects as a result of budget constraints at municipal clients. The decrease is partially offset by growth in our North American consulting and international markets. North American consulting growth is due in part to design and program management services for municipal clients in the northeast and southwest United States, while international growth was driven primarily by large program management projects located in the United Kingdom and the United Arab Emirates.

Operating income increased for the year ended December 31, 2010 compared to 2009 by $5.6 million or 19.6%. Operating margins were positively impacted by the successful negotiation of a change order during 2010 on a transportation construction project. The increase in operating income is partially offset by schedule and cost impacts on two projects in the Middle East within our transportation and water businesses.

Energy and Water

Revenue decreased for the year ended December 31, 2010, compared to 2009 by $344.9 million or 14.8%. The decrease in revenue is primarily attributable to a decrease in full service revenue due to a slowdown in economic activity and depressed oil and gas prices resulting in decreased capital spending in the energy market. Also contributing to the decrease were delays and contract value reductions in certain businesses and the cancellation of a project in Canada. The decrease is partially offset by increased volume in Alaska and the related work on the North Slope within our energy and chemicals business as well as two EPC power projects awarded during 2007 that are now in the peak of their construction cycles. These decreases in our energy markets were partially offset by strength in our water design build business in North America, Australia and Europe during 2010.

Operating income decreased for the year ended December 31, 2010 compared to 2009 by $6.4 million, or 9.8%. The decrease in operating income is primarily attributable to the delays, contract value reduction and the project cancellation as discussed above which was partially offset by income derived from the two EPC projects discussed above. Additionally, margins in our design build water business offset lower margins in our energy markets.

Corporate

Corporate includes expenses which represent centralized management costs that are not allocable to individual operating segments and primarily include expenses associated with administrative functions such as executive management, legal, and general business development efforts. Corporate expenses for the year ended December 31, 2011 were $21.4 million compared to $13.0 million at December 31, 2010, and $13.3 million in 2009. The increase in 2011 costs is primarily due to Halcrow and BAH acquisition due diligence and integration costs of approximately $8.1 million. In 2010, corporate costs were partially offset by a $6.9 million gain on the sale of investment securities of Scott Wilson Group plc realized during 2010.

Income Taxes

The income tax provisions for the years ended December 31, 2011, 2010 and 2009 are as follows:

($ in millions)	Income Tax Provision	Effective Tax Rate
2011	$55.9	33.1%
2010	$53.8	36.5%
2009	$46.4	30.9%

The effective tax rate for the year ended December 31, 2011 was 33.1% compared to 36.5% for the same period in the prior year. The effective tax rate in 2011 was lower in comparison to the effective rate in 2010 primarily due to significant improvement in foreign operating results as well as benefits from foreign tax planning strategies. Our effective tax rate continues to be negatively impacted by the effect of state income taxes, non-deductible foreign net operating losses, the disallowed portion of executive compensation, and disallowed portions of meals and entertainment expenses.

The effective tax rate for the year ended December 31, 2010 was 36.5% compared to 30.9% for 2009. The 2010 rate was negatively impacted by a decrease in the Section 199 domestic production deduction, a significant decrease in research and experimentation credit impacts, and a decrease in officer's life insurance benefits when compared to 2009. These negative impacts were partially offset by a decrease in valuation allowances when compared to 2009, due to improved operating results of foreign operations.

We must assess the likelihood that we will be able to recover our deferred tax assets. If recovery is not likely, we must increase our tax provision by recording a valuation allowance for the deferred tax assets that we estimate will not ultimately be recoverable. As of December 31, 2011 and 2010, we reported a valuation allowance of $97.7 million and $27.7 million, respectively, related primarily to the reserve of certain foreign net loss carryforwards. The increase in valuation allowance in 2011 is primarily a result of deferred tax assets purchased in connection with the Halcrow acquisition which, at the date of acquisition, we did not believe were more likely than not to be realized and thus recorded a valuation allowance against these assets. These assets primarily related to net operating losses in foreign jurisdictions.

Liquidity and Capital Resources

Our primary sources of liquidity are cash flows from operations and borrowings under our unsecured revolving line of credit. Our primary uses of cash are to fund our working capital, capital expenditures and purchases of common stock presented on our internal market.

The following table reflects our available capacity as of December 31, 2011 (in millions):

Cash on hand		$208.3
Available for sale securities		2.4
Line of credit capacity	$600.0	
Outstanding borrowings	(65.0)	
Issued letters of credit	(90.6)	
Net credit capacity available		444.4
Total available capacity		$655.1

Based on our total cash and credit capacity available at December 31, 2011 of $655.1 million, we believe we have sufficient resources to fund our operations, any future acquisition and capital expenditure requirements, as well as purchases of common stock presented on our internal market, should we choose to do so, for the next 12 months and beyond.

Billings and collections on accounts receivable can impact our operating cash flows. We continuously monitor collection efforts and assess the allowance for doubtful accounts. Based on this assessment at December 31, 2011, we have deemed the allowance for uncollectible accounts to be adequate; however, future economic conditions may adversely impact some of our clients' ability to pay our bills or the timeliness of their payments. Consequently, it may also impact our timing of cash receipts necessary to meet our operating needs.

Cash used in investing activities was $217.0 million in the twelve months ended December 31, 2011 compared to $1.7 million provided by investing activities for the same period in 2010. The majority of investing expenditures during 2011 related to the $187.7 million spent on the acquisitions of Halcrow and BAH, net of $23.5 million of cash acquired. Additional uses of cash related to payments made for the purchase of property, plant, and equipment and investments in our joint ventures. We spent $30.2 million and $26.9 million on capital expenditures in 2011 and 2010, respectively. These cash outflows were partially offset by proceeds from the sale of fixed assets of $6.4 million and a reduction of net investment in our unconsolidated affiliates of $8.0 million compared to the prior year. In January 2010, our reported cash increased by $32.7 million as a result of the consolidation of joint ventures that were previously unconsolidated. Additionally, during 2010, we purchased $37.1 million of marketable securities of Scott Wilson Group plc, a design and engineering firm headquartered in the United Kingdom. We subsequently sold the securities for $43.6 million, resulting in a cash gain of $6.5 million.

In connection with the acquisition of VECO, the purchase agreement established a holdback contingency of $70.0 million for tax indemnifications and the potential future payment of certain contingencies that may arise after the date of acquisition. Since the date of acquisition, we have made distributions to the sellers of VECO and paid expenses on their behalf which were deemed distributions of the holdback contingency. Upon resolution of the remaining outstanding items, we will likely incur costs which will be paid out of the holdback funds with any remaining amount being remitted to the sellers of VECO. Additionally, under the terms of the BAH acquisition agreement, we held back $2.9 million of the purchase price, for the payment and discharge of any indemnification claims payable as a result of inaccuracies or breach of representations or warrants made by BAH as defined under the terms of the purchase agreement. The holdback contingency is payable to BAH, 50% on the one year anniversary of the closing and the remainder at the eighteen month anniversary. Interest accrues on the outstanding balance at the rate stated in the purchase agreement. At December 31, 2011 and 2010, the outstanding balance payable under the holdback contingencies was $41.3 million and $46.7 million, respectively.

We finance our operations, acquisitions and capital expenditures using a variety of capital vehicles. On December 6, 2010, we entered into a Credit Agreement providing for an unsecured revolving Credit Facility (the "Credit Facility") in an amount of up to $600.0 million. Subject to certain conditions, at any time prior to the date that is thirty days before the maturity date of the Credit Agreement, we will be able to invite existing and new lenders to increase the size of the revolving credit facility by up to $100.0 million, for a maximum aggregate revolving credit facility of $700.0 million. The revolving credit facility has a subfacility for the issuance of standby letters of credit in a face amount up to $300.0 million and a subfacility of up to $300.0 million for multicurrency borrowings. Revolving loans under the Credit Facility bear interest, at our option, at a rate equal to either (i) the base rate plus a margin based on our consolidated leverage ratio or (ii) the LIBOR rate, based on interest periods of one, two, three or six months, plus a margin based on our consolidated leverage ratio. The base rate is equal to the greater of (i) the Federal Funds Rate, as published from time to time by the Federal Reserve Bank of New York, plus 0.5%, (ii) the lender's prime rate in effect from time to time, or (iii) the one-month LIBOR rate in effect from time to time, plus 1.0%. Our consolidated leverage ratio on any date is the ratio of our consolidated total funded debt to our consolidated earnings before interest, taxes, depreciation and amortization plus non-cash expense related to certain bonus payments, for the preceding four fiscal quarters.

The Credit Agreement contains customary representations and warranties and conditions to borrowing. It also includes customary affirmative and negative covenants, including covenants that limit our ability to incur indebtedness and other obligations, grant liens to secure their obligations, make investments, merge or consolidate, dispose of assets, enter into transactions with affiliates, and make certain kinds of payments, in each case subject to customary exceptions for a credit facility of this size and type. We are also required to comply with a minimum consolidated fixed charge coverage ratio and a maximum consolidated leverage ratio. We entered into an amendment to the Credit Agreement on September 27, 2011 which provides for modifications to certain covenants and other provisions of the Credit Agreement to take into account the acquisition of Halcrow. As of December 31, 2011, we were in compliance with the covenants required by the Credit Agreement. There can be no assurance that the capacity under this facility will be adequate to fund future operations or acquisitions we may pursue from time to time.

Depending on the applicable terms and conditions on new debt or equity offerings compared to the opportunity cost of using our internally generated cash, we may either choose to finance new opportunities using leverage in the form of our Credit Facility, or other debt. In some instances we may use a combination of one or more of these financing mechanisms. As of December 31, 2011, our total outstanding debt obligations were approximately $92.8 million, including $65.0 million outstanding on the Credit Facility. The remaining obligations relate to the issuance of notes payable and mortgages related to property, plant and equipment. The increase in our debt obligations at December 31, 2011 was a result of utilizing our credit facility to fund a portion of the Halcrow acquisition.

At December 31, 2011, issued and outstanding letters of credit of $90.6 million were reserved against the borrowing base of the Credit Facility, compared to $89.4 million at December 31, 2010. Additionally, Halcrow has approximately $69.5 million of overdraft and bank guarantee facilities with various banks. Approximately $47.4 million of bank guarantees were issued and outstanding on these facilities as of December 31, 2011, leaving us with remaining available capacity of approximately $22.1 million.

For the twelve months ended December 31, 2011, repurchases of stock were $93.6 million compared to $137.2 million for the same period in the prior year. Additionally, the net payments on debt were approximately $25.7 million during 2011 compared to approximately $14.2 million during 2010. For additional information regarding repurchases of stock and our Internal Market, see Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*.

Depreciation and Amortization

Depreciation and amortization expense for the year ended December 31, 2011 of $48.2 million was $14.1 million less than the same period in 2010. The decrease was primarily due to a net decrease in depreciation expense of $15.0 million offset by a net increase in amortization expense of $0.9 million. The decrease in depreciation is due to many of the assets acquired in the VECO transaction that have been fully depreciated. We recognized $11.1 million and $10.2 million of amortization expense related to intangible assets during 2011 and 2010, respectively. A significant amount of the depreciation and amortization expense is attributable to fixed assets and intangible assets held in our Energy and Water segment. The net increase in amortization expense in 2011 is related to the amortization of intangible assets acquired in the Halcrow and BAH transactions.

Off-Balance Sheet Arrangements

We have interests in multiple joint ventures, some of which are considered variable interest entities. These entities facilitate the completion of contracts that are jointly owned with our joint venture partners. These joint ventures are formed to leverage the skills of the respective partners and include consulting, construction, design, project management and operations and maintenance contracts. Our risk of loss on joint ventures is similar to what the risk of loss would be if the project was self-performed, other than the fact that the risk is shared with our partners.

There were no substantial changes to other off-balance sheet arrangements or contractual commitments during the twelve months ended December 31, 2011.

Aggregate Commercial Commitments

We maintain a variety of commercial commitments that are generally made available to provide support for various provisions in engineering and construction contracts. Letters of credit are provided to clients in the ordinary course of the contracting business in lieu of retention or for performance and completion guarantees on engineering and construction contracts. We post surety and bid bonds, which are contractual agreements issued by a surety, for the purpose of guaranteeing our performance on contracts and to protect owners and are subject to full or partial forfeiture for failure to perform obligations arising from a successful bid. We also carry substantial premium paid, traditional insurance for our business risks including professional liability and general casualty insurance and other coverage which is customary in our industry.

We believe that we will be able to continue to have access to professional liability and general casualty insurance, as well as bonds, with sufficient coverage limits, and on acceptable financial terms necessary to support our business. The cost of such coverage has remained stable during 2011 and is expected to continue to be stable in the foreseeable future. For additional information, see Item 1A. *Risk Factors*.

Our risk management personnel continuously monitor the developments in the insurance market. The financial stability of the insurance and surety providers is one of the major factors that we take into account when buying our insurance coverage. Currently our insurance and bonds are purchased from several of the world’s leading and financially stable providers often in layered insurance or co-surety arrangements. The built-in redundancy of such arrangements usually enables us to call upon existing insurance and surety suppliers to fill gaps that may arise if other such suppliers become financially unstable.

Contractual obligations outstanding as of December 31, 2011 are summarized below:

($ in millions) Contractual Obligations	Amount of Commitment Expiration Per Period: Less than 1 Year	1-3 Years	4-5 Years	Over 5 Years	Total Amount Committed
Letters of credit	$71.6	$18.3	$0.7	$—	$90.6
Bank guarantees	15.7	9.0	6.0	17.0	47.7
Total debt	11.3	6.7	69.3	5.5	92.8
Interest payments	2.5	4.0	2.0	0.6	9.1
Operating lease obligations	117.1	182.7	121.4	96.6	517.8
Surety and bid bonds	894.5	628.0	34.4	—	1,556.9
Total	$1,112.7	$848.7	$233.8	$119.7	$2,314.9

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”). The preparation of these financial statements requires us to make estimates and judgments that affect both the results of operations as well as the carrying values of our assets and liabilities. Some of our accounting policies require us to make difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. We base estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities as of the date of the financial statements that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Although our significant accounting policies are described in the Notes to Consolidated Financial Statements in Item 15. of this Annual Report on Form 10-K, below is a summary of our most critical accounting policies.

Revenue Recognition

We earn our revenues from different types of services under a variety of different types of contracts, including cost-plus, fixed-price and time-and-materials. We evaluate contractual arrangements to determine how to recognize revenue. We recognize revenue and profit for most of our contracts on the percentage-of-completion method where progress towards completion is measured by relating the actual cost of work performed to date to the current estimated total cost of the respective contract. In making such estimates, judgments are required to evaluate potential variances in schedule, the cost of materials and labor, productivity, liability claims, contract disputes, or achievement of contract performance standards.

Change orders are included in total estimated contract revenue when it is probable that the change order will result in an addition to contract value and can be reliably estimated. Losses on construction and engineering contracts in process are recognized in their entirety when the loss becomes evident and the amount of loss can be reasonably estimated.

We have a history of making reasonable estimates of the extent of progress towards completion, total contract revenue and total contract costs on our engineering and construction contracts. However, due to uncertainties inherent in the estimation process, actual total contract revenue and completion costs can vary from estimates.

Below is a description of the three basic types of contracts from which we may earn revenues using the percentage-of-completion method.

Cost-Plus Contracts. Cost-plus contracts can be cost plus a fixed fee or rate, or cost plus an award fee. Under these types of contracts, we charge our clients for our costs, including both direct and indirect costs, plus a fixed negotiated fee or award fee. We generally recognize revenue based on the actual labor costs and non-labor costs we incur, plus the portion of the fixed fee or award fee we have earned to date. If the actual labor hours and other costs we expend are lower than the total number of hours and other costs we have estimated, our revenues related to cost recoveries from the project will be lower than originally estimated. If the actual labor hours and other costs we expend exceed the original estimate, we must obtain a change order, contract modification, or successfully prevail in a claim in order to receive payment for the additional costs.

In the case of a cost-plus award fee, we include in the total contract value the portion of the fee that we are probable of receiving. Award fees are influenced by the achievement of contract milestones, cost savings and other factors.

Fixed Price Contracts. Under fixed price contracts, our clients pay us an agreed amount negotiated in advance for a specified scope of work. For engineering and construction contracts, we recognize revenue on fixed price contracts using the percentage-of-completion method where costs incurred to date are compared to total projected costs at contract completion. Prior to completion, our recognized profit margins on any fixed price contract depend on the accuracy of our estimates and will increase to the extent that our actual costs are below the original estimated amounts. Conversely, if our costs exceed these estimates, our profit margins will decrease and we may realize a loss on a project. If our actual costs exceed the original estimate, we attempt to obtain a change order or contract modification.

Time-and-Materials Contracts. Under our time-and-materials contracts, we negotiate hourly billing rates and charge our clients based on the actual time that we expend on a project. In addition, clients reimburse us for our actual out-of-pocket costs of materials and other direct expenditures that we incur in connection with our performance under the contract. Our profit margins on time-and-materials contracts fluctuate based on actual labor and overhead costs that we directly charge or allocate to contracts compared with the negotiated billing rate and markup on other direct costs. Some of our time-and-materials contracts are subject to maximum contract values, and accordingly, revenue under these contracts are recognized under the percentage-of-completion method where costs incurred to date are compared to total projected costs at contract completion. Revenue on contracts that are not subject to maximum contract values are recognized based on the actual number of hours we spend on the projects plus any actual out-of-pocket costs of materials and other direct expenditures that we incur on the projects. Our time-and-materials contracts generally include annual billing rate escalation provisions.

Operations and Maintenance Contracts. A portion of our contracts are operations and maintenance type contracts. Typically, these contracts may include fixed and variable components along with incentive fees. Revenue is recognized on operations and maintenance contracts on a straight-line basis over the life of the contract once we have an arrangement, delivery has occurred, the price is fixed or determinable and collectability is reasonably assured.

Income Taxes

In determining net income for financial statement purposes, we must make estimates and judgments in the calculation of tax assets and liabilities and in the determination of the recoverability of the deferred tax assets. The tax assets and liabilities arise from temporary differences between the tax return and the financial statement recognition of revenue and expenses. We must assess the likelihood that we will be able to recover our deferred tax assets. If recovery is not likely, we must increase our tax provision by recording a valuation allowance for the deferred tax assets that we estimate will not ultimately be recoverable.

In addition, the calculation of our income tax provision involves uncertainties in the application of complex tax regulations. For income tax benefits to be recognized, a tax position must be more likely than not to be sustained upon ultimate settlement. We record reserves for uncertain tax positions that do not meet this criteria.

Pension and Postretirement Employee Benefits

The unfunded or overfunded projected benefit obligation of our defined benefit pension plans and other postretirement benefits are recorded in our consolidated financial statements using actuarial valuations that are based on many assumptions. These assumptions primarily include discount rates, rates of compensation increases for participants, and long-term rates of return on plan assets. We use judgment in selecting these assumptions each year because we have to consider not only the current economic environment in each host country, but also future market trends, changes in interest rates and equity market performance. Our plan liabilities are most sensitive to changes in the discount rates, which if reduced by 25 basis points, plan liabilities for the U.S. and non-U.S. plans would increase by approximately $6.7 million and $41.2 million, respectively. Changes in these assumptions have an immaterial impact on our net periodic pension costs as most of our defined benefit arrangements have been closed to new entrants and ceased future accruals.

We also use these assumptions as well as applicable regulatory requirements, tax deductibility, reporting considerations and other factors to determine the appropriate funding levels. For 2012, we expect to fund approximately $35.0 million to $40.0 million.

Recently Adopted Accounting Standards

In June 2009, the FASB issued Accounting Standards Update (ASU) 2009-17, *Consolidations (Topic 810)—Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities,* revising the existing guidance on the consolidation and disclosures of variable interest entities ("VIEs") which was codified in Accounting Standards Codification ("ASC") 810-10. Specifically, it changes how a reporting entity determines when an entity that is insufficiently capitalized or is not controlled through voting rights should be consolidated. The determination of whether a reporting entity is required to consolidate another entity is based on, among other things, the entity's purpose and design and the reporting entity's ability to direct the activities of the other entity that most significantly impact the other entity's economic performance. The guidance also requires additional disclosures about a company's involvement with VIEs and requires an entity to continually assess any significant changes in risk exposure as well as an entity's assessment of the primary beneficiary of the entity. ASC 810-10 became effective for us beginning January 1, 2010.

In January 2011, the FASB issued ASU 2011-06, *Fair Value Measurements and Disclosures (Topic 820)—Improving Disclosures about Fair Value Measurements*. ASU 2011-06 requires expanded fair value disclosures about transfers into and out of Levels 1 and 2 fair value measurements and clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. ASU 2011-06 was effective for us beginning January 1, 2010. The adoption of this accounting standard update did not have a material impact on our financial position, results of operations, cash flows and disclosures.

In September 2011, the FASB issued ASU 2011-09, *Compensation—Retirement Benefits—Multiemployer Plans (Subtopic 715-80)—Disclosures about an Employer's Participation in a Multiemployer Plan*. ASU 2011-09 creates greater transparency in financial reporting by requiring additional disclosures of an employer's participation in a multiemployer pension plan. ASU 2011-09 became effective for us on December 31, 2011.

In September 2011, the FASB issued ASU 2011-08, an amendment to Topic 350, *Intangibles—Goodwill and Other,* which simplifies how entities test goodwill for impairment. Previous guidance under Topic 350 required an entity to test goodwill for impairment using a two-step process on at least an annual basis. First, the fair value of a reporting unit was calculated and compared to its carrying amount, including goodwill. Second, if the fair value of a reporting unit was less than its carrying amount, the amount of impairment loss, if any, was required to be measured. Under the amendment, an entity has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads the entity to determine that it is more likely than not that its fair value is less than its carrying amount. If after assessing the totality of events or circumstances, an entity determines that it is not more likely than not that the fair value of the reporting unit is less than its carrying amount, then the two-step impairment test is unnecessary. If the entity concludes otherwise, then it is required to test goodwill for impairment under the two-step process as described under Topic 350. We adopted this standard in 2011.

Recently Issued Accounting Standards

In September 2011, the FASB issued ASU 2011-05, *Presentation of Comprehensive Income*, which changes the financial reporting of items reported in other comprehensive income ("OCI") by eliminating the option to present components of OCI as part of the statement of changes in stockholders' equity. The amendments in this standard require that all nonowner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The amendments in this standard do not change the items that must be reported in OCI, when an item of OCI must be reclassified to net income, or change the option for an entity to present components of OCI gross or net of the effect of income taxes. The amendments in ASU 2011-05 are effective for our interim and annual periods beginning January 1, 2012 and are to be applied retrospectively.

In May 2011, the FASB issued ASU 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS*, which amends current guidance to result in common fair value measurement and disclosures between accounting principles generally accepted in the United States and International Financial Reporting Standards. The amendments explain how to measure fair value. They do not require additional fair value measurements and are not intended to establish valuations standards or affect valuation practices outside of financial reporting. The amendments in ASU 2011-04 are effective for our interim and annual periods beginning January 1, 2012. The adoption of the provisions of ASU 2011-04 is not expected to have a material impact on our consolidated financial position or results of operations.

Commitments and Contingencies

We are party to various contractual guarantees and legal actions arising in the normal course of business. Because a large portion of our business comes from the U.S. federal government and various federal agencies, state and municipal sources, our procurement and certain other practices at times are subject to review and investigation by U.S. and state attorneys offices as well as similar enforcement agencies outside of the United States. Such government investigations, whether relating to our government contracts or conducted for other reasons, could result in administrative, civil or criminal liabilities, including repayments, fines or penalties or could lead to suspension or debarment from future government contracting. These investigations often take years to complete and many result in no adverse action or alternatively could result in settlement. Damages assessed in connection with and the cost of defending any such actions could be substantial. While the outcomes of pending proceedings and legal actions are often difficult to predict, management believes that proceedings and legal actions currently pending would not result in a material adverse effect on our results of operations or financial condition even if the final outcome is adverse to our company.

Many claims that are currently pending against us are covered by our professional liability insurance. Management estimates that the levels of insurance coverage (after retentions, deductibles, and self-insurance) are generally adequate to cover our potential liabilities, if any, with respect to such claims. We accrue for all claims that may result in payment when they are reasonably estimable. As of December 31, 2011 and 2010, accruals for these potential estimated claim liabilities were $34.1 million and $28.9 million, respectively.

In 2010, we were notified that the U.S. Attorney's Office for the Eastern District of Washington is investigating overtime practices in connection with the U.S. Department of Energy Hanford tank farms management contract which we transitioned to another contractor in 2008. In 2011, two former CH2M HILL Hanford employees pleaded guilty in United States District Court on a felony charge related to time card falsification. As part of its investigation, the U.S. Attorney's Office raised the possibility of civil and/or criminal charges for possible violations arising from our overtime practices on this project. We are fully cooperating with the investigation and will continue to work to resolve this matter. CH2M HILL and the Department of Justice are in discussions about a possible global settlement of any potential civil and criminal charges and resolution of any potential False Claims Act allegations. We do not believe that the terms of a potential settlement even if it will be in excess of the amount accrued would have a material impact on our results of operations or financial condition.

In connection with the Halcrow acquisition, we assumed a lease obligation for office space which was entered into by a Halcrow subsidiary in 1981 and was previously occupied and used as one of their primary office locations. However, Halcrow subsequently vacated the space and, at the date of acquisition, had no involvement with the property and was not using any portion of the building. The lease requires Halcrow to continue to make lease payments until 2080 with clauses that require the rent to escalate with market conditions. We are currently attempting to obtain a third party determination of the fair value of this lease obligation in order to complete the purchase accounting for the Halcrow acquisition.

Item 7A. ***Quantitative and Qualitative Disclosures about Market Risk***

In the ordinary course of our operations we are exposed to certain market risks, primarily changes in foreign currency exchange rates and interest rates. This risk is monitored to limit the effect of foreign currency exchange rate and interest rate fluctuations on earnings and cash flows.

Foreign currency exchange rates. We operate in many countries around the world and as a result, are exposed to foreign currency exchange rate risk on transactions in numerous countries. We are primarily subject to this risk on long term projects whereby the currency being paid by our client differs from the currency in which we incurred our costs, as well as, intercompany trade balances among entities with differing currencies. In order to mitigate this risk, we enter into derivative financial instruments. We do not enter into derivative transactions for speculative or trading purposes. All derivatives are carried at fair value in the consolidated balance sheets and changes in the fair value of the derivative instruments are recognized in earnings. These currency derivative instruments are carried on the balance sheet at fair value and are based upon Level 2 inputs including third party quotes. As of December 31, 2011, we had forward foreign exchange contracts on major world currencies with varying durations, none of which extend beyond five years. At December 31, 2011, we recorded derivative assets and liabilities of $6.7 million and $6.6 million, respectively.

Interest rates. Our interest rate exposure is generally limited to our unsecured revolving credit agreement, purchase of interest bearing short-term investments and holdback contingency balances outstanding related to our acquisitions of VECO and BAH. As of December 31, 2011 the outstanding balance on the unsecured revolving credit agreement was $65.0 million and there was approximately $41.3 million outstanding on the holdback contingencies. We have assessed the market risk exposure on these financial instruments and determined that any significant changes to the fair value of these instruments would not have a material impact on our consolidated results of operations, financial position or cash flows. Based upon the amount outstanding under the unsecured credit agreement and the holdback contingency, a one percentage point change in the assumed interest rate would change our annual interest expense by approximately $1.1 million.

Item 8. *Financial Statements and Supplementary Data*

Reference is made to the information set forth beginning on page F-1.

Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure*

None.

Item 9A. *Controls and Procedures*

Disclosure Controls and Procedures

We carried out an evaluation as of the last day of the period covered by this Annual Report on Form 10-K, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (“Exchange Act”). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures (a) are effective to ensure that information required to be disclosed by us in reports filed or submitted under the Exchange Act is timely recorded, processed, summarized and reported and (b) include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There have been no changes in our internal control over financial reporting during the quarter ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. The Company is in the process of reviewing the internal controls of Halcrow and, if necessary, will make appropriate changes as we incorporate our controls and procedures into this recently acquired business.

Management’s Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”).

We acquired Halcrow on November 10, 2011. Our management has excluded the Halcrow business from its assessment of the effectiveness of internal control over financial reporting on December 31, 2011. The acquired business accounts for $725.0 million of total assets and $114.3 million of total revenues included in our consolidated financial statements as of and for the year ended December 31, 2011.

Based on our evaluation under the framework in Internal Control—Integrated Framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2011.

The effectiveness of our internal control over financial reporting as of December 31, 2011 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report which is included herein on page F-1.

Item 9B. ***Other Information***

Not applicable.

PART III

Item 10. ***Directors, Executive Officers and Corporate Governance***

Certain information required by this item is incorporated by reference from CH2M HILL's definitive proxy statement for its 2012 Annual Meeting of Stockholders. Information regarding the executive officers of CH2M HILL is presented below:

EXECUTIVE OFFICERS OF CH2M HILL

The executive officers of CH2M HILL are listed below, along with their ages, tenure as officer and business background for at least the last five years.

Frederick M. Brune. Age 60. Mr. Brune began serving as the Chief Administrative Officer on January 1, 2012 and previously served as the President of CH2M HILL International in 2011. He previously served as President of the Government Facilities and Infrastructure business at CH2M HILL from 2006 to 2010. Between 1999 and 2005, Mr. Brune served as the President and Chief Executive Officer of Lockwood Greene, a company CH2M HILL acquired in 2003. He also served as Lockwood Greene's Chief Financial Officer between 1987 and 1999.

Robert G. Card. Age 59. Mr. Card is a Senior Vice President of CH2M HILL and began serving as the President of the Energy, Water and Facilities Division, a newly formed division, since January 1, 2012. During 2011, he was the President of the Energy and Water Division at CH2M HILL. Mr. Card has served in many senior executive positions, including Chief Executive Officer of Kaiser-Hill Company between 1996 and 2001, President for International Operations from 2004 through 2006, President of the Government, Environment and Nuclear Division from 2008 to 2009 and the Facilities and Infrastructure Division between 2009 and 2010. Between 2001 and 2004, Mr. Card served as the undersecretary for the U.S. Department of Energy.

Michael A. Lucki. Age 55. Mr. Lucki joined CH2M HILL as Senior Vice President and Chief Financial Officer in November of 2010. Mr. Lucki came to CH2M HILL from Ernst & Young LLP where he was a partner and led the firm's Global Engineering and Construction (E&C) Industry Practice since 1994 and the firm's Global Infrastructure Practice since 2008.

John A. Madia. Age 56. Mr. Madia has served as Chief Human Resources Officer of CH2M HILL since November 2009. In May 2009 he joined CH2M HILL as Senior Vice President of Human Resources. Mr. Madia came to CH2M HILL from Dow Chemical Company where he was Vice President of Human Resources from 2006 to 2009.

Lee A. McIntire. Age 63. Mr. McIntire has served as Chairman of the Board of Directors of CH2M HILL since 2010 and the Chief Executive Officer since 2009. He joined CH2M HILL as the President and Chief Operating Officer in 2006. Before joining CH2M HILL, Mr. McIntire was a Professor and Executive-in-Residence at the Graduate School of Management, University of California, Davis (UC Davis). Prior to that, Mr. McIntire spent more than 15 years with Bechtel Group in various executive leadership positions.

Michael E. McKelvy. Age 53. Mr. McKelvy has served as Senior Vice President of CH2M HILL and, since January 1, 2012, began serving as the President of the Government, Environment and Infrastructure Division, a newly formed division. From 2009 to 2011, Mr. McKelvy was the President of the Government, Environment and Nuclear Division. Prior to these positions, Mr. McKelvy was the President for the Industrial Client business between 2006 and 2009, and President for the Manufacturing and Life Sciences business of CH2M HILL since 2005. Prior to CH2M HILL, Mr. McKelvy held executive leadership positions within Lockwood Greene, a company CH2M HILL acquired in 2003.

Margaret B. McLean. Age 48. Ms. McLean has served as CH2M HILL's Chief Legal Officer and Chief Ethics & Compliance officer since 2007. Ms. McLean was appointed as CH2M HILL's Corporate Secretary and Senior Vice President in 2009. From 1998 to 2007, she was CH2M HILL's International, M&A and Securities Counsel. Prior to joining CH2M HILL, Ms. McLean was a Partner at the law firm of Holme Roberts & Owens LLP.

Jacqueline C. Rast. Age 50. Ms. Rast is a Senior Vice President of CH2M HILL and began serving as the President of the International Division of CH2M HILL since January 1, 2012. During 2011, Ms. Rast was the President of the Facilities and Infrastructure Division in 2011 and served as the Vice President, Major Programs and Executive Director for Mergers and Acquisitions since 2009. Between 2007 and 2009, she led our Center for Project Excellence and has worked for CH2M HILL since 1988 in various senior technical and executive positions. Ms. Rast left CH2M HILL in 1997 to form her own consulting company, Talisman Partners, and returned to CH2M HILL in 2005 after successfully selling her business to an industry competitor.

JoAnn Shea. Age 47. Ms. Shea has served as Chief Accounting Officer of CH2M HILL since 2006 and as Vice President and Controller since 2003. She also served as acting Chief Financial Officer of CH2M HILL from May to November of 2010. Ms. Shea joined CH2M HILL in 1998 as Assistant Controller.

There are no family relationships among the executive officers or directors of CH2M HILL. The executive officers are elected by the Board of Directors each year and hold office until the organizational meeting of the Board in the next subsequent year and until his or her successor is chosen or until his or her earlier death, resignation or removal.

Item 11. *Executive Compensation*

Information required by this item is incorporated by reference from CH2M HILL's definitive proxy statement for its 2012 Annual Meeting of Stockholders.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

Information required by this item is incorporated by reference from CH2M HILL's definitive proxy statement for its 2012 Annual Meeting of Stockholders.

Item 13. *Certain Relationships and Related Transactions, and Director Independence*

Information required by this item is incorporated by reference from CH2M HILL's definitive proxy statement for its 2012 Annual Meeting of Stockholders.

Item 14. *Principal Accounting Fees and Services*

Information required by this item is incorporated by reference from CH2M HILL's definitive proxy statement for its 2012 Annual Meeting of Stockholders.

PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

Documents Filed as Part of this Report

1. Financial Statements

2. Financial Statement Schedules and Other

All financial statement schedules have been omitted because the required information is included in the consolidated financial statements or notes thereto, or because such schedules are not applicable.

3. Exhibits

The Exhibits required by this item are listed in the Exhibit Index. Each management contract and compensatory plan or arrangement is denoted with a "+" in the Exhibit Index.

Exhibit Number	Description
2.1	Implementation Agreement dated September 24, 2011 between CH2M HILL Companies, Ltd. and Halcrow Holdings Limited (filed as Exhibit 2.1 to CH2M HILL's Form 10-Q for the quarter ended September 30, 2011 (Commission File No. 000-27261), and incorporated herein by reference)
3.1	Certificate of Incorporation of CH2M HILL Companies, Ltd. (filed as Exhibit 3.1 to CH2M HILL's Form 8-K on July 5, 2011 (Commission File No. 000-27261), and incorporated herein by reference)
3.2	Bylaws of CH2M HILL Companies, Ltd. (filed as Exhibit 3.2 to CH2M HILL's Form 8-K/A (Amendment No. 1), on July 20, 2011 (Commission File No. 000-27261), and incorporated herein by reference)
10.1	CH2M HILL Companies, Ltd. Payroll Deduction Stock Purchase Plan as amended and restated effective January 1, 2004 (filed as Appendix B to CH2M HILL's Definitive Proxy Statement on Schedule 14A on March 26, 2004 (Commission File No. 000-27261), and incorporated herein by reference)
+10.2	CH2M HILL Companies, Ltd. Short Term Incentive Plan effective January 1, 2000 (filed as Exhibit 10.5 to CH2M HILL's Form 10-K for the year ended December 31, 2010 (Commission File No. 000-27261), and incorporated herein by reference)
*+10.3	CH2M HILL Companies, Ltd. Amended and Restated Long Term Incentive Plan effective January 1, 2011 (Commission File No. 000-27261)
+10.4	CH2M HILL Companies, Ltd. 2004 Stock Option Plan (filed as Exhibit 10.6 to CH2M HILL's Form 10-K for the year ended December 31, 2010 (Commission File No. 000-27261), and incorporated herein by reference)
+10.5	CH2M HILL Companies, Ltd. 2009 Stock Option Plan, effective January 1, 2009 (filed as Exhibit 10.24 to CH2M HILL's Form 10-K for the year ended December 31, 2008 (Commission File No. 000-27261), and incorporated herein by reference)
+10.6	CH2M HILL Companies, Ltd. Restricted Stock Policy and Administration Plan effective January 1, 2000 as amended and restated on February 11, 2011 (filed as Exhibit 10.4 to CH2M HILL's Form 10-K for the year ended December 31, 2010 (Commission File No. 000-27261), and incorporated herein by reference)
+10.7	CH2M HILL Companies, Ltd. Deferred Compensation Plan effective January 1, 2001 (filed as Exhibit 10.3 to CH2M HILL's Form 10-K for the year ended December 31, 2010 (Commission File No. 000-27261), and incorporated herein by reference)

Exhibit Number	Description
*+10.8	CH2M HILL Companies, Ltd. Amended and Restated Deferred Compensation Plan effective January 1, 2011 (Commission File No. 000-27261)
+10.9	CH2M HILL Companies, Ltd. Supplemental Executive Retirement and Retention Plan effective February 11, 2010 (filed as Exhibit 10.2 to CH2M HILL's Form 10-K for the year ended December 31, 2010 (Commission File No. 000-27261), and incorporated herein by reference)
+10.10	Form of Change of Control Agreement between CH2M HILL Companies, Ltd. and employee directors and executive officers, effective as of July 1, 2010 (filed as Exhibit 10.1 to CH2M HILL's Form 10-Q for the quarter ended September 30, 2010, (Commission File No. 002-27261), and incorporated herein by reference)
10.11	Contract with Neidiger, Tucker, Bruner, Inc. dated as of July 1, 2006 (filed as Exhibit 10.12 to CH2M HILL's Form 10-K for the year ended December 31, 2010 (Commission File No. 000-27261), and incorporated herein by reference)
10.12	Addendum to Contract with Neidiger, Tucker, Bruner, Inc. dated as of February 11, 2011 (filed as Exhibit 10.1 to CH2M HILL's Form 10-Q for the quarter ended March 31, 2011 (Commission File No. 000-27261), and incorporated herein by reference)
10.13	Credit Agreement dated as of December 6, 2010, by and among CH2M HILL Companies, Ltd. and certain of its subsidiaries, Wells Fargo Bank, National Association and other lenders (filed as Exhibit 10.13 to CH2M HILL's Form 10-K for the year ended December 31, 2010 (Commission File No. 000-27261), and incorporated herein by reference)
10.14	Agreement of Purchase and Sale executed on September 26, 2007 (dated September 11, 2007) by and between CH2M HILL, Inc. and WELLS REIT II—South Jamaica Street, LLC (filed as Exhibit 10.44 to CH2M HILL's Form 8-K on September 27, 2007 (Commission File No. 000-27261), and incorporated herein by reference)
10.15	Lease Agreement dated as of September 26, 2007, by and between CH2M HILL, Inc. and WELLS REIT II—South Jamaica Street, LLC (filed as Exhibit 10.43 to CH2M HILL's Form 8-K on September 27, 2007 (Commission File No. 000-27261), and incorporated herein by reference)
14.1	CH2M HILL Companies, Ltd. Ethics Code for Executive and Financial Officers (filed as Exhibit 14.1 to CH2M HILL's Form 10-K for the year ended December 31, 2009 (Commission File No. 000-27261), and incorporated herein by reference)
*21.1	Subsidiaries of CH2M HILL Companies, Ltd.
*23.1	Consent of KPMG LLP, Independent Registered Public Accounting Firm
*24.1	Power of Attorney authorizing signature
*31.1	Written Statement of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31.2	Written Statement of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*32.1	Written Statement of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)
*32.2	Written Statement of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)
99.1	Internal Market Rules, (filed as Exhibit 99.1 to CH2M HILL's Form 8-K on February 11, 2011 (Commission File No. 000-27261), and incorporated herein by reference)
**101.INS	XBRL Instance Document
**101.SCH	XBRL Taxonomy Extension Schema Document
**101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
**101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
**101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
**101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

* Filed herewith

** XBRL (eXtensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

\+ Indicates management contract or compensatory plan or arrangement

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
CH2M HILL Companies, Ltd.:

We have audited the accompanying consolidated balance sheets of CH2M HILL Companies, Ltd. and subsidiaries (the Company) as of December 31, 2011 and 2010, and the related consolidated statements of income, stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2011. We also have audited CH2M HILL Companies, Ltd. and subsidiaries' internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CH2M HILL Companies, Ltd. and subsidiaries as of December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2011, in conformity with U.S. generally accepted accounting principles. Also in our opinion, CH2M HILL Companies, Ltd. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control—Integrated Framework* issued by COSO.

The Company adopted new accounting standards relating to variable interest entities on January 1, 2010 and noncontrolling interests in consolidated financial statements on January 1, 2009.

CH2M HILL Companies, Ltd. and subsidiaries acquired Halcrow Holdings, Ltd. and subsidiaries during 2011, and management excluded from its assessment of the effectiveness of CH2M HILL Companies, Ltd. and subsidiaries internal control over financial reporting as of December 31, 2011, Halcrow Holdings, Ltd. and subsidiaries internal control over financial reporting associated with total assets of $725.0 million and total revenues of $114.3 million, included in the consolidated financial statements of CH2M HILL Companies, Ltd. and subsidiaries as of and for the year ended December 31, 2011. Our audit of internal control over financial reporting of CH2M HILL Companies, Ltd. and subsidiaries also excluded an evaluation of the internal control over financial reporting of Halcrow Holdings Ltd. and subsidiaries.

KPMG LLP

Denver, Colorado
February 29, 2012

CH2M HILL COMPANIES, LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

(Dollars in thousands)

	December 31, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$208,266	$290,405
Available-for-sale securities	2,356	2,412
Receivables, net—		
Client accounts	703,062	558,734
Unbilled revenue	448,553	389,353
Other	39,095	21,264
Income tax receivable	43,324	—
Deferred income taxes	69,370	62,007
Prepaid expenses and other current assets	48,622	44,498
Total current assets	1,562,648	1,368,673
Investments in unconsolidated affiliates	103,871	82,982
Property, plant and equipment, net	179,722	169,261
Goodwill	503,289	130,354
Intangible assets, net	159,777	51,048
Deferred income taxes	128,743	112,919
Employee benefit plan assets and other	56,805	51,843
Total assets	$2,694,855	$1,967,080
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$11,334	$13,934
Accounts payable and accrued subcontractor costs	398,332	407,694
Billings in excess of revenue	393,754	237,053
Accrued payroll and employee related liabilities	315,650	291,713
Current income tax payable	—	20,010
Other accrued liabilities	227,539	163,396
Total current liabilities	1,346,609	1,133,800
Long-term employee related liabilities	466,939	144,603
Long-term debt	81,474	23,687
Other long-term liabilities	133,520	110,822
Total liabilities	2,028,542	1,412,912
Commitments and contingencies (Note 17)		
Stockholders' equity:		
Preferred stock, Class A $0.01 par value, 50,000,000 shares authorized; none issued	—	—
Common stock, $0.01 par value, 100,000,000 shares authorized; 31,050,654 and 30,527,473 issued and outstanding at December 31, 2011 and 2010, respectively	311	305
Additional paid-in capital	—	—
Retained earnings	717,103	563,343
Accumulated other comprehensive loss	(60,855)	(18,768)
Total CH2M HILL common stockholders' equity	656,559	544,880
Noncontrolling interests	9,754	9,288
Total equity	666,313	554,168
Total liabilities and stockholders' equity	$2,694,855	$1,967,080

The accompanying notes are an integral part of these consolidated financial statements.

CH2M HILL COMPANIES, LTD. AND SUBSIDIARIES

Consolidated Statements of Income

(Dollars in thousands except per share amounts)

	For The Years Ended December 31		
	2011	**2010**	**2009**
Gross revenue	$5,555,233	$5,422,801	$5,499,318
Equity in earnings of joint ventures and affiliated companies	64,477	68,513	65,539
Operating expenses:			
Direct cost of services and overhead	(4,487,584)	(4,426,352)	(4,478,884)
General and administrative	(946,973)	(890,199)	(969,677)
Gain on sale of operating assets	—	—	58,235
Operating income	185,153	174,763	174,531
Other income (expense):			
Interest income	534	1,372	1,474
Interest expense	(4,328)	(4,616)	(7,487)
Income before provision for income taxes	181,359	171,519	168,518
Provision for income taxes	(55,930)	(53,804)	(46,420)
Net income	125,429	117,715	122,098
Less: Income attributable to noncontrolling interests	(12,132)	(24,020)	(18,356)
Net income attributable to CH2M HILL	$113,297	$93,695	$103,742
Net income per common share:			
Basic	$3.68	$2.98	$3.25
Diluted	$3.60	$2.91	$3.18
Weighted average number of common shares:			
Basic	30,823,954	31,458,126	31,907,861
Diluted	31,427,823	32,163,093	32,598,509

The accompanying notes are an integral part of these consolidated financial statements.

CH2M HILL COMPANIES, LTD. AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity and Comprehensive Income

(Dollars in thousands)

	Common Stock		Additional Paid-In	Retained	Accumulated Other Comprehensive	Noncontrolling	Total Stockholders'
	Shares	Amount	Capital	Earnings	Loss	Interest	Equity
Balance at December 31, 2008	31,604,336	$316	$9,947	$428,054	$(54,086)	$2,518	$386,749
Net income		—	—	103,742	—	18,356	122,098
Other comprehensive income:							
Foreign currency translation adjustments		—	—	—	16,426	1,145	17,571
Benefit plan adjustments		—	—	—	3,925	—	3,925
Unrealized gain on equity investments		—	—	—	992	—	992
Comprehensive income							144,586
Distributions to affiliates, net		—	—	—	—	(9,380)	(9,380)
Shares issued in connection with stock based compensation and employee benefit plans	1,973,413	20	81,564	—	—	—	81,584
Shares purchased and retired	(2,203,794)	(22)	(78,708)	—	—	—	(78,730)
Balance at December 31, 2009	31,373,955	314	12,803	531,796	(32,743)	12,639	524,809
Net income				93,695		24,020	117,715
Other comprehensive income:							
Foreign currency translation adjustments	—	—	—	—	3,831	347	4,178
Benefit plan adjustments	—	—	—	—	9,869		9,869
Unrealized gain on equity investments	—	—	—	—	275	—	275
Comprehensive income	—	—	—	—	—	—	132,037
Distributions to affiliates, net	—	—	—	—	—	(31,806)	(31,806)
Impact of adoption of ASC 810, consolidation of previously unconsolidated VIEs	—	—	—	—	—	4,088	4,088
Shares issued in connection with stock based compensation and employee benefit plans	1,857,418	18	43,776	—	—	—	43,794
Shares purchased and retired	(2,703,900)	(27)	(56,579)	(62,148)	—	—	(118,754)
Balance at December 31, 2010	30,527,473	305	—	563,343	(18,768)	9,288	554,168
Net income				113,297		12,132	125,429
Other comprehensive income:							
Foreign currency translation adjustments	—	—	—	—	(15,185)	133	(15,052)
Benefit plan adjustments	—	—	—	—	(26,868)		(26,868)
Unrealized gain on equity investments	—	—	—	—	(34)	—	(34)
Comprehensive income	—	—	—	—	—	—	83,475
Distributions to affiliates, net	—	—	—	—	—	(11,799)	(11,799)
Shares issued in connection with stock based compensation and employee benefit plans	1,535,357	16	115,239	—	—	—	115,255
Shares issued in connection with purchase of Halcrow Holdings, Ltd.	342,379	3	18,838	—	—	—	18,841
Shares purchased and retired	(1,354,555)	(13)	(134,077)	40,463	—	—	(93,627)
Balance at December 31, 2011	31,050,654	$311	$—	$717,103	$(60,855)	$9,754	$666,313

The accompanying notes are an integral part of these consolidated financial statements.

CH2M HILL COMPANIES, LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(Dollars in thousands)

	For The Years Ended		
	December 31, 2011	December 31, 2010	December 31, 2009
Cash flows from operating activities:			
Net income	$125,429	$117,715	$122,098
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	48,215	62,311	80,889
Gain on sale of operating assets	—	—	(58,235)
Stock-based employee compensation	71,495	50,603	67,738
Loss on disposal of property, plant and equipment	2,403	1,266	3,570
Allowance for uncollectible accounts	5,846	3,521	11,115
Deferred income taxes	(20,501)	(24,699)	(29,289)
Gain on sale of investments	—	(6,495)	—
Undistributed earnings from unconsolidated affiliates	(64,477)	(68,513)	(65,539)
Distributions of income from unconsolidated affiliates	57,597	71,181	52,808
Contributions to defined benefit pension plans	(14,659)	(8,073)	(1,415)
Changes in current assets and liabilities, net of businesses acquired:			
Receivables and unbilled revenue	3,573	72,921	40,748
Prepaid expenses and other	610	(2,465)	13,510
Accounts payable and accrued subcontractor costs	(34,605)	(16,558)	(29,470)
Billings in excess of revenues	85,775	(61,950)	9,331
Accrued payroll and employee related liabilities	28,814	29,517	3,631
Other accrued liabilities	(5,933)	32,530	8,089
Current income taxes	(73,251)	41,486	(10,268)
Long-term employee related liabilities and other	41,069	(7,729)	21,170
Net cash provided by operating activities	257,400	286,569	240,481
Cash flows from investing activities:			
Capital expenditures	(30,202)	(26,884)	(37,663)
Acquisitions, net of cash acquired	(187,678)	—	(1,186)
Investments in unconsolidated affiliates	(29,162)	(49,133)	(68,366)
Distributions of capital from unconsolidated affiliates	23,627	35,601	41,597
Consolidation of previously unconsolidated variable interest entities	—	32,651	—
Proceeds from sale of operating assets	6,415	2,961	71,036
Purchases of investments	—	(37,079)	—
Proceeds from sale of investments	—	43,573	10,741
Net cash provided by (used in) investing activities	(217,000)	1,690	16,159
Cash flows from financing activities:			
Borrowings on long-term debt	451,129	404,827	747,349
Payments on long-term debt	(476,796)	(419,056)	(870,885)
Repurchases and retirements of common stock	(93,627)	(137,208)	(91,253)
Excess tax benefits from stock-based compensation	13,066	14,968	6,432
Net distributions to noncontrolling interests	(11,799)	(31,806)	(9,380)
Net cash used in financing activities	(118,027)	(168,275)	(217,737)
Effect of exchange rate changes on cash	(4,512)	704	16,532
Increase (decrease) in cash and cash equivalents	(82,139)	120,688	55,435
Cash and cash equivalents, beginning of year	290,405	169,717	114,282
Cash and cash equivalents, end of year	$208,266	$290,405	$169,717
Supplemental disclosures:			
Cash paid for interest	$3,994	$4,708	$7,793
Cash paid for income taxes	$113,426	$43,714	$50,910

The accompanying notes are an integral part of these consolidated financial statements.

(1) Summary of Business and Significant Accounting Policies

Summary of Business

CH2M HILL Companies, Ltd. and subsidiaries ("We", "CH2M HILL" or the "Company") is a project delivery firm founded in 1946. We are a large employee-controlled professional engineering services firm providing engineering, construction, consulting, design, design-build, procurement, engineering-procurement-construction ("EPC"), operations and maintenance, program management and technical services to U.S. federal, state, municipal and local government agencies, national governments, as well as private industry and utilities, around the world. A substantial portion of our professional fees are derived from projects that are funded directly or indirectly by government entities.

On November 10, 2011, we purchased all the share capital of Halcrow Holdings Limited ("Halcrow"). Halcrow is a United Kingdom-headquartered engineering, planning, design and management services firm specializing in developing infrastructure and buildings. Halcrow's 6,000 employees provide services to its clients in the United Kingdom, Middle East, Canada, the United States, China, India, Australia, South America, and Europe. See Note 6 for further details.

Principles of Consolidation and Basis of Presentation

The consolidated financial statements include the accounts of CH2M HILL and all of its wholly owned subsidiaries after elimination of all intercompany accounts and transactions. Partially owned affiliates and joint ventures are evaluated for consolidation. The consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). Certain amounts in prior years' consolidated financial statements have been reclassified to conform to the current year presentation.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make certain estimates, judgments, and assumptions. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities as of the date of the consolidated financial statements, as well as the reported amounts of revenue and expenses during the periods presented. Actual results could differ from our estimates.

Capital Structure

Our Company has authorized 100,000,000 shares of common stock, par value $0.01 per share, and 50,000,000 shares of Class A preferred stock, par value $0.01 per share. The bylaws and articles of incorporation provide for the imposition of certain restrictions on the stock including, but not limited to, the right but not the obligation to repurchase shares upon termination of employment or affiliation, the right of first refusal and ownership limits.

Foreign Currency Translation

All assets and liabilities of our foreign subsidiaries are translated into U.S. dollars as of each balance sheet date. Translation gains and losses related to permanent investments in foreign subsidiaries are reflected in stockholders' equity as part of accumulated other comprehensive loss. Revenues and expenses are translated at the average exchange rate for the period and included in the consolidated statements of income. Foreign currency transaction gains and losses are recognized as incurred in the consolidated statements of income.

Subsequent Events

We have evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through the day the financial statements were issued.

Revenue Recognition

We earn revenue from different types of contracts, including cost-plus, fixed-price and time-and-materials. We evaluate contractual arrangements to determine how to recognize revenue. We primarily perform engineering and construction related services and recognize revenue for these contracts on the percentage-of-completion method where progress towards completion is measured by relating the actual cost of work performed to date to the current estimated total cost of the respective contracts. In making such estimates, judgments are required to evaluate potential variances in schedule, the cost of materials and labor, productivity, liability claims, contract disputes, and achievement of contract performance standards.

Change orders are included in total estimated contract revenue when it is probable that the change order will result in an addition to contract value and can be estimated. Management evaluates when a change order is probable based upon its experience in negotiating change orders, the customer's written approval of such changes or separate documentation of change order costs that are identifiable. Losses on construction and engineering contracts in process are recognized in their entirety when the loss becomes evident and the amount of loss can be reasonably estimated.

Performance incentive and award fee arrangements are included in total estimated contract revenue upon the achievement of some measure of contract performance in relation to agreed-upon targets. We adjust our project revenue estimate by the probable amounts of these performance incentives and award fee arrangements we expect to earn if we achieve the agreed-upon criteria.

We also perform operations and maintenance services. Revenue is recognized on operations and maintenance contracts on a straight-line basis over the life of the contract once we have an arrangement, service has begun, the price is fixed or determinable and collectability is reasonably assured.

Unbilled Revenue and Billings in Excess of Revenue

Unbilled revenue represents the excess of contract revenue recognized over billings to date on contracts in process. These amounts become billable according to the contract terms, which usually consider the passage of time, achievement of certain milestones or completion of the project.

Billings in excess of revenue represent the excess of billings to date, per the contract terms, over revenue recognized on contracts in process.

Allowance for Uncollectible Accounts Receivable

We reduce accounts receivable by estimating an allowance for amounts that may become uncollectible in the future. Management determines the estimated allowance for uncollectible amounts based on their judgments in evaluating the aging of the receivables and the financial condition of our clients, which may be dependent on the type of client and the client's current financial condition.

Fair Value Measurements

Fair value represents the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. We use a three-tier valuation hierarchy based upon observable and non-observable inputs to value our assets and liabilities. The three levels are as follows: Level 1, unadjusted quoted prices that are available in active markets for the identical assets or liabilities at the measurement date; Level 2, significant other observable inputs available at the measurement date, other than quoted prices included in Level 1, either directly or indirectly; and Level 3, significant unobservable inputs that cannot be corroborated by observable market data and reflect the use of significant management judgment. There were no significant transfers between levels during the year ended December 31, 2011.

Income Taxes

We account for income taxes utilizing an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax effects of events that have been recognized in the financial statements or tax returns. In estimating future tax consequences, we generally consider all expected future events other than enactment of changes in the tax laws or rates. Deferred tax assets and liabilities are determined based on the difference between the tax basis of assets and liabilities and their reported amounts using enacted tax rates in effect for the year in which differences are expected to reverse. A valuation allowance is provided for deferred tax assets if it is more likely than not that these items will not be realized. Annually, we determine the amount of undistributed foreign earnings invested indefinitely in our foreign operations. Deferred taxes are not provided on those earnings. In addition, the calculation of tax assets and liabilities involves uncertainties in the application of complex tax regulations. For income tax benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. We record reserves for uncertain tax positions that do not meet this criteria.

Cash and Cash Equivalents

We maintain a cash management system which provides for cash sufficient to pay checks as they are submitted for payment and we invest cash in excess of this amount in interest-bearing short-term investments such as certificates of deposit and commercial paper. Investments with original short-term maturities of less than three months are considered cash equivalents in the consolidated balance sheets and statements of cash flows. In addition, cash and cash equivalents on our consolidated balance sheets include cash held within our consolidated joint venture entities which is used for operating activities of those joint ventures. As of December 31, 2011 and 2010, cash and cash equivalents held in our consolidated joint ventures and reflected on the consolidated balance sheets totaled $32.3 million and $60.3 million, respectively.

Available-for-Sale Securities

Available-for-sale securities are carried at fair value, with unrecognized gains and losses reported in accumulated other comprehensive loss, net of taxes. Losses on available-for-sale securities are recognized when a loss is determined to be other than temporary or when realized. The fair value of available-for-sale securities is estimated using Level 1 inputs.

Property, Plant and Equipment

All additions, including betterments to existing facilities, are recorded at cost. Maintenance and repairs are charged to expense as incurred. When assets are retired or otherwise disposed of, the cost of the assets and the related accumulated depreciation are removed from the accounts. Any gain or loss on retirements is reflected in operating income in the year of disposition.

Depreciation for owned property is based on the estimated useful lives of the assets using the straight-line method for financial statement purposes. Useful lives for buildings range from 12 to 20 years. Furniture, fixtures, computers, software and other equipment are depreciated over their useful lives from 3 to 10 years. Leasehold improvements are depreciated over the shorter of their estimated useful life or the remaining term of the associated lease up to 12 years.

Other Long-Lived Assets

We may acquire goodwill or other intangible assets in business combinations. Intangible assets are stated at fair value as of the date acquired in a business combination. We amortize intangible assets with finite lives on a straight-line basis over their expected useful lives, currently up to seven years. For those intangible assets with no legal, regulatory, contractual or other factors that would reasonably limit the useful life of the intangible asset, such as goodwill or certain tradenames, management has determined that the life is indefinite and therefore, they are not amortized.

We review our finite-lived intangibles and other long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. Assets which are held and used in operations are considered impaired if the undiscounted future cash flows from the asset do not exceed the net book value. If impaired, the assets are written down to their estimated fair value. We generally measure fair value by considering sale prices for similar assets or by discounting estimated future cash flows from the asset group using an appropriate discount rate.

Goodwill and intangible assets with indefinite lives are tested for impairment on an annual basis, or on an interim basis if events or circumstances indicate that the carrying amount of the assets may not be fully recoverable. An impairment charge is recognized for any amount by which the carrying amount of goodwill or intangible assets with indefinite lives exceeds their fair value. Management performs its impairment tests of goodwill at the reporting unit level, which is one level below the operating segments. Management's review of goodwill and the tradename indicated there was no impairment during the years ended December 31, 2011, 2010 and 2009.

Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss consists of foreign currency translation adjustments, benefit plan adjustments, and unrealized gains/losses on equity investments. These components are included in the consolidated statements of stockholders' equity and comprehensive income. Taxes are not provided on the foreign currency translation gains and losses as deferred taxes are not provided on the unremitted earnings of the foreign subsidiaries to which they relate.

The composition of accumulated other comprehensive loss consists of the following at December 31:

($ in thousands)	**2011**	**2010**
Foreign currency translation adjustments	$(1,736)	$13,449
Benefit plan adjustments, net of tax	(60,107)	(33,239)
Unrealized gain on equity investments, net of tax	988	1,022
	$(60,855)	$(18,768)

Derivative instruments

We primarily enter into derivative financial instruments to mitigate exposures to changing foreign currency exchange rates. We are primarily subject to this risk on long term projects whereby the currency being paid by our client differs from the currency in which we incurred our costs, as well as, intercompany trade balances among entities with differing currencies. We do not enter into derivative transactions for speculative or trading purposes. All derivatives are carried at fair value on the consolidated balance sheets in other receivables or other accrued liabilities as applicable. The periodic change in the fair value of the derivative instruments is recognized in earnings.

Concentrations of Credit Risk

Financial instruments which potentially subject our company to concentrations of credit risk consist principally of cash and cash equivalents, short term investments and trade receivables. Our cash is primarily held with major banks and financial institutions throughout the world and typically is insured up to a set amount. Accordingly, we believe the risk of any potential loss on deposits held in these institutions is minimal. Concentrations of credit risk relative to trade receivables are limited due to our diverse client base, which includes the U.S. federal government, various states and municipalities, foreign government agencies, and a variety of U.S. and foreign corporations operating in a broad range of industries and geographic areas.

Contracts with the U.S. federal government and its prime contractors usually contain standard provisions for permitting the government to modify, curtail or terminate the contract for convenience of the government or such prime contractors if program requirements or budgetary constraints change. Upon such a termination, we are generally entitled to recover costs incurred, settlement expenses and profit on work completed prior to termination.

Recently Adopted Accounting Standards

In June 2009, the FASB issued Accounting Standards Update (ASU) 2009-17, *Consolidations (Topic 810)—Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities,* revising the existing guidance on the consolidation and disclosures of variable interest entities ("VIEs") which was codified in Accounting Standards Codification ("ASC") 810-10. Specifically, it changes how a reporting entity determines when an entity that is insufficiently capitalized or is not controlled through voting rights should be consolidated. The determination of whether a reporting entity is required to consolidate another entity is based on, among other things, the entity's purpose and design and the reporting entity's ability to direct the activities of the other entity that most significantly impact the other entity's economic performance. The guidance also requires additional disclosures about a company's involvement with VIEs and requires an entity to continually assess any significant changes in risk exposure as well as an entity's assessment of the primary beneficiary of the entity. ASC 810-10 became effective for us beginning January 1, 2010. For further discussion of the effect of the adoption, see Note 3.

In January 2011, the FASB issued ASU 2011-06, *Fair Value Measurements and Disclosures (Topic 820)—Improving Disclosures about Fair Value Measurements*. ASU 2011-06 requires expanded fair value disclosures about transfers into and out of Levels 1 and 2 fair value measurements and clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. ASU 2011-06 was effective for us beginning January 1, 2011. The adoption of this accounting standard update did not have a material impact on our financial position, results of operations, cash flows and disclosures.

In September 2011, the FASB issued ASU 2011-09, *Compensation—Retirement Benefits—Multiemployer Plans (Subtopic 715-80)—Disclosures about an Employer's Participation in a Multiemployer Plan*. ASU 2011-09 creates greater transparency in financial reporting by requiring additional disclosures of an employer's participation in a multiemployer pension plans. ASU 2011-09 became effective for us on December 31, 2011. For further discussion, see Note 15.

In September 2011, the FASB issued ASU 2011-08, an amendment to Topic 350, *Intangibles—Goodwill and Other*, which simplifies how entities test goodwill for impairment. Previous guidance under Topic 350 required an entity to test goodwill for impairment using a two-step process on at least an annual basis. First, the fair value of a reporting unit was calculated and compared to its carrying amount, including goodwill. Second, if the fair value of a reporting unit was less than its carrying amount, the amount of impairment loss, if any, was required to be measured. Under the amendment, an entity has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads the entity to determine that it is more likely than not that its fair value is less than its carrying amount. If after assessing the totality of events or circumstances, an entity determines that it is not more likely than not that the fair value of the reporting unit is less than its carrying amount, then the two-step impairment test is unnecessary. If the entity concludes otherwise, then it is required to test goodwill for impairment under the two-step process as described under Topic 350. We adopted this standard in 2011.

Recently Issued Accounting Standards

In September 2011, the FASB issued ASU 2011-05, *Presentation of Comprehensive Income*, which changes the financial reporting of items reported in other comprehensive income ("OCI") by eliminating the option to present components of OCI as part of the statement of changes in stockholders' equity. The amendments in this standard require that all nonowner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The amendments in this standard do not change the items that must be reported in OCI, when an item of OCI must be reclassified to net income, or change the option for an entity to present components of OCI gross or net of the effect of income taxes. The amendments in ASU 2011-05 are effective for our interim and annual periods beginning January 1, 2012 and are to be applied retrospectively.

In May 2011, the FASB issued ASU 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS*, which amends current guidance to result in common fair value measurement and disclosures between accounting principles generally accepted in the United States and International Financial Reporting Standards. The amendments explain how to measure fair value. They do not require additional fair value measurements and are not intended to establish valuations standards or affect valuation practices outside of financial reporting. The amendments in ASU 2011-04 are effective for our interim and annual periods beginning January 1, 2012. The adoption of the provisions of ASU 2011-04 is not expected to have a material impact on our consolidated financial position or results of operations.

(2) Receivables, net

Receivables are stated at net realizable values and consist of receivables billed to clients as well as receivables for which revenue has been earned but has not yet been billed. The U.S. federal government accounted for approximately 21% and 20% of our net receivables at December 31, 2011 and 2010, respectively. No other customer exceeded 10% of total receivables at December 31, 2011 or 2010.

The change in the allowance for uncollectible accounts consists of the following for the years ended December 31:

($ in thousands)	2011	2010	2009
Balance at beginning of year	$12,076	$13,190	$4,183
Provision charged to expense	5,846	3,521	11,115
Accounts written off	(9,576)	(3,614)	(2,049)
Other	(826)	(1,021)	(59)
Balance at end of year	$7,520	$12,076	$13,190

(3) Variable Interest Entities and Equity Method Investments

We routinely enter into teaming arrangements to perform projects for our clients. Such arrangements are customary in the engineering and construction industry and generally are project specific. The arrangements facilitate the completion of projects that are jointly contracted with our partners. These arrangements are formed to leverage the skills of the respective partners and include consulting, construction, design, program management and operations and maintenance contracts. Our risk of loss on these arrangements is usually shared with our partners. The liability of each partner is usually joint and several, which means that each partner may become liable for the entire risk of loss on the project.

We perform a qualitative assessment to determine whether we are the primary beneficiary once an entity is identified as a VIE. A qualitative assessment begins with an understanding of the nature of the risks in the entity as well as the nature of the entity's activities including terms of the contracts entered into by the entity, ownership interests issued by the entity and how they were marketed, and the parties involved in the design of the entity. All of the variable interests held by parties involved with the VIE are identified and a determination of which activities are most significant to the economic performance of the entity and which variable interest holder has the power to direct those activities is made. Most of the VIEs with which the Company is involved have relatively few variable interests and are primarily related to equity investments, subordinated financial support, and subcontracting arrangements. We consolidate those VIEs in which we have both the power to direct the activities of the VIE that most significantly impact the VIEs economic performance and the obligation to absorb losses or the right to receive the benefits from the VIE that could potentially be significant to the VIE. As of December 31, 2011, total assets of VIEs that were consolidated were $77.6 million and liabilities were $42.6 million.

We recorded investments in unconsolidated affiliates of $103.9 million and $83.0 million for the years ended December 31, 2011 and 2010, respectively. Our proportionate share of net income or loss is included as equity in earnings of joint ventures and affiliated companies in the consolidated statements of income. In general, the equity investment in our unconsolidated affiliates is equal to our current equity investment plus those entities' undistributed earnings. We provide certain services, including engineering, construction management and computer and telecommunications support, to these unconsolidated entities. These services are billed to the joint ventures in accordance with the provisions of the agreements.

As of December 31, 2011, the total assets of VIEs that were not consolidated were $295.6 million and total liabilities were $217.6 million. The maximum exposure to losses is limited to the funding of any future losses incurred by those entities under their respective contracts with the project company.

Summarized financial information for our unconsolidated VIEs and equity method investments as of and for the years ended December 31 is as follows:

($ in thousands)	**2011**	**2010**
FINANCIAL POSITION:		
Current assets	$740,365	$677,638
Noncurrent assets	51,867	84,042
Total assets	$792,232	$761,680
Current liabilities	$491,126	$497,338
Noncurrent liabilities	20,227	26,486
Partners'/Owners' equity	280,879	237,856
Total liabilities and equity	$792,232	$761,680
CH2M HILL's share of equity	$103,871	$82,982

($ in thousands)	**2011**	**2010**	**2009**
RESULTS OF OPERATIONS:			
Revenue	$3,037,595	$2,814,824	$2,426,505
Direct costs	(2,779,990)	(2,598,872)	(2,250,752)
Gross margin	257,605	215,952	175,753
General and administrative expenses	(50,307)	(13,603)	(3,228)
Operating income	207,298	202,349	172,525
Other income, net	130	458	479
Net income	$207,428	$202,807	$173,004
CH2M HILL's share of net income	$64,477	$68,513	$65,539

We have the following significant investments in affiliated unconsolidated companies:

	% Ownership
Domestic:	
ATCS/CH2M HILL	50.0%
AGVIQ—CH2M HILL Joint Venture II	49.0%
AGVIQ—CH2M HILL Joint Venture III	49.0%
Americas Gateway Builders	40.0%
Atkinson/CH2M HILL—a Joint Venture	30.0%
CH2M—WG Idaho, LLC	50.5%
Clark-Nexsen/CH2M HILL	50.0%
Clark-Nexsen/CH2M HILL—Norfolk	50.0%
Coastal Estuary Services	49.9%
Connecting Idaho Partners	49.0%
HEBL, Inc.	100.0%
IAP-Hill, LLC	25.0%
Kaiser-Hill Company, LLC	50.0%
National Security Technologies, LLC	10.0%
Parsons CH2M HILL Program Management Consultants, Joint Venture	47.5%
Savannah River Remediation LLC	15.0%
URS/CH2M OAK RIDGE LLC	45.0%
Washington Closure, LLC	30.0%
Foreign:	
A-One+	38.5%
CH2M HILL BECA, Ltd.	50.0%
CH2M HILL—Kunwon PMC	54.0%
CH2M Olyan	49.0%
CHBM Water Joint Venture	50.0%
CLM Delivery Partner, Limited	37.5%
Conisa	33.3%
CPG Consultants—CH2M HILL NIP Joint Venture	50.0%
ECC-VECO, LLC	50.0%
Golden Crossing Constructors Joint Venture	33.3%
HWC Treatment Program Alliance Joint Venture	50.0%
JJCH2M, a Joint Venture	40.0%
Luggage Point Alliance	50.0%
OMI BECA, Ltd.	50.0%
SMNM/VECO Joint Venture	50.0%
Sydney Water Corporation-Odour Management Program Alliance	50.0%
Transcend Partners, Ltd	40.0%

(4) Property, Plant and Equipment

Property, plant and equipment consists of the following as of December 31:

($ in thousands)	2011	2010
Land	$22,615	$27,337
Building and land improvements	82,786	80,183
Furniture and fixtures	20,679	16,902
Computer and office equipment	89,345	81,270
Field Equipment	110,885	101,027
Leasehold improvements	78,874	67,690
	405,184	374,409
Less: Accumulated depreciation	(225,462)	(205,148)
Net property, plant and equipment	$179,722	$169,261

Depreciation expense is reflected in the consolidated statements of income in direct costs and general and administrative costs depending on the intended use of the asset and totaled $37.1 million, $52.1 million and $53.5 million for the years ended December 31, 2011, 2010 and 2009, respectively.

(5) Employee Benefit Plan Assets

We have investments that support deferred compensation arrangements and other employee benefit plans. These assets are recorded at fair market value primarily using Level 2 inputs. As of December 31, 2011 and 2010, the fair market value of these assets was $53.0 million and $47.0 million, respectively, and are included in employee benefit plan assets and other on the consolidated balance sheets.

(6) Acquisitions

On July 29, 2011, we acquired Booz Allen Hamilton’s State and Local Government Transportation and Consulting (“BAH”) business. The purchase price was $28.5 million adjusted for working capital and other purchase price adjustments and was paid in cash. We have performed an analysis of the fair market value of the tangible assets and liabilities we assumed as well as any identifiable intangible assets purchased. Included in the intangible assets acquired is the estimated fair value of customer relationships of $8.8 million and contracted backlog of $1.2 million, with useful lives of seven and three years, respectively. In addition, we recorded $10.5 million in goodwill related to the acquisition. The results of operations for this acquisition are reported in the Facilities and Infrastructure (F&I) operating segment. These results are not considered material to our consolidated financial results in 2011.

On November 10, 2011, we purchased all the share capital of Halcrow Holdings Limited (“Halcrow”) for approximately £124.0 million ($197.3 million). Halcrow is a United Kingdom-headquartered engineering, planning, design and management services firm specializing in developing infrastructure and buildings. Halcrow has 6,000 employees who provide services to its clients in the United Kingdom, Middle East, Canada, the United States, China, India, Australia, South America, and Europe. Halcrow’s clients include public and private-sector clients around the world, including contractors, developers, operators, regulators, financial institutions, international funding agencies, local, regional and national governments, project consortia and asset owners. Approximately $114.3 million of revenue and $3.8 million of operating loss generated from Halcrow’s operations have been reported in the consolidated financial statements since the date of acquisition and are reported in the F&I operating segment.

The purchase price was paid to the selling shareholders of Halcrow in the form of $41.7 million of cash, $18.8 million of common stock of CH2M HILL, based on the stock price on the closing date, and $136.8 million of notes payable (“Loan Notes”). The Loan Notes required that we place into escrow an amount equal to the face value of the notes at the date the notes were issued. In December 2011, the Loan Notes and the related restricted cash were transferred and assigned to an unrelated third party as full satisfaction of all liabilities and guarantees under the terms of the Loan Notes. As a result, the Loan Notes are no longer a liability of CH2M HILL as of December 31, 2011.

We performed an initial purchase price allocation for these acquisitions based on our current assessment and estimates of fair values; however, we are currently in the process of evaluating the fair values of certain assets acquired and liabilities assumed. We are completing the estimations of fair values of assets and liabilities assumed including valuations of intangible assets, work in progress and billings in excess of revenue, assessments of tax assets and liabilities, valuations of pension-related assets and liabilities, determinations of fair value of financial guarantees and other items that may affect the allocation of the purchase price. As such, the purchase price allocations below are preliminary and are subject to change as the procedures are completed.

The following table summarizes the preliminary estimated fair values of the assets acquired and liabilities assumed from Halcrow as of the purchase date:

($ in thousands)	
Current assets	$249,117
Property, plant and equipment	27,294
Intangible assets	114,100
Goodwill	375,807
Other long-term assets	8,493
Total assets acquired	774,811
Current liabilities	(180,124)
Debt	(80,874)
Pension liabilities	(293,819)
Other long-term liabilities	(22,736)
Total liabilities assumed	(577,553)
Net assets acquired	$197,258

Included in the intangible assets acquired is the preliminary calculation of fair value for customer relationships, contracted backlog and the tradename valued at $85.7 million, $17.3 million and $11.1 million, respectively. Customer relationships, contracted backlog and the tradename will be amortized over their useful lives of six, four and seven years, respectively.

The following unaudited pro forma combined financial information is presented as if CH2M HILL and Halcrow had been combined as of the beginning of the periods presented. This information is presented for illustrative purposes only and is not necessarily indicative of the results that would have been realized had the entities operated as a combined entity during the periods presented.

The proforma results of operations as if the acquisition occurred on January 1 for the years ended December 31 are as follows:

($ in thousands)	**2011**	**2010**
	(unaudited)	**(unaudited)**
Revenue	$6,084,034	$6,150,342
Net income	$30,417	$87,777
Basic earnings per share	$0.99	$2.79
Diluted earnings per share	$0.97	$2.73

(7) Sale of Operating Assets

In September 2009, we completed the sale of certain assets and liabilities of our Enterprise Management Solutions (“EMS”) business. The selling price was $86.6 million, net of amounts due for estimated working capital adjustments of $13.5 million. We recorded a pre-tax gain of $58.2 million during 2009. The results of operations for EMS prior to disposition were recorded in the F&I operating segment. As part of the EMS sale, our company and the purchasers entered into a preferred provider agreement whereby we guaranteed an annual volume of revenues of $42.5 million to be provided to the purchasers for each of the five years through September 2014. To the extent we do not reach this volume of revenues, we must compensate the purchasers. During the year ended December 31, 2011, we did not meet our minimum revenue targets outlined under the agreement and, as a result, we accrued $2.6 million as compensation to the purchasers. The agreement allows for us to recoup this amount if we exceed the revenue targets in future years.

(8) Goodwill and Intangible Assets

The following table presents the changes in goodwill during the years ended December 31:

($ in thousands)	2011	2010
Balance at beginning of year	$130,354	$130,354
Acquisitions	386,267	—
Foreign currency translation	(13,332)	—
Balance at end of year	$503,289	$130,354

We also own a tradename valued at $20.3 million at December 31, 2011 and 2010, which is not subject to amortization.

Intangible assets with finite lives consist of the following:

($ in thousands)	Cost	Accumulated Amortization	Net finite-lived intangible assets
December 31, 2011			
Contracted backlog	$78,071	$(59,737)	$18,334
Customer relationships	147,450	(37,433)	110,017
Tradename	11,145	(45)	11,100
Non-compete agreements and other	902	(902)	—
Total finite-lived intangible assets	$237,568	$(98,117)	$139,451
December 31, 2010			
Contracted backlog	$58,871	$(58,871)	$—
Customer relationships	57,922	(27,200)	30,722
Non-compete agreements and other	902	(902)	—
Total finite-lived intangible assets	$117,695	$(86,973)	$30,722

All intangible assets are being amortized over their expected lives up to seven years. The amortization expense reflected in the consolidated statements of income totaled $11.1 million, $10.2 million and $27.4 million for the years ended December 31, 2011, 2010 and 2009, respectively. These intangible assets are expected to be fully amortized in 2018. At December 31, 2011, the future estimated amortization expense related to these intangible assets is (in thousands):

Year Ending:	
2012	$29,478
2013	29,478
2014	26,935
2015	20,104
2016	16,304
Thereafter	17,152
	$139,451

(9) Fair Value of Financial Instruments

Cash and cash equivalents, receivables, unbilled revenue, accounts payable and billings in excess of revenue are carried at cost, which approximates fair value due to their short maturities. Fair value of long-term debt, including the current portion, is estimated based on Level 2 inputs, except the amount outstanding on the revolving credit facility for which the carrying value approximates fair value. Fair value is determined by discounting future cash flows using interest rates available for issues with similar terms and average maturities.

The estimated fair values of our financial instruments where carrying values do not approximate fair value are as follows:

	2011		2010	
($ in thousands)	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Mortgage notes payable	$13,750	$12,207	$15,253	$12,403
Equipment financing	13,764	12,923	22,227	21,439
Stockholder notes payable	294	272	141	98

The fair value of marketable securities classified as available-for-sale, which totaled $2.4 million at both December 31, 2011 and December 31, 2010, were valued based on Level 1 inputs whereby a readily determinable market value exists for the specific asset.

We primarily enter into derivative financial instruments to mitigate exposures to changing foreign currency exchange rates. These currency derivative instruments are carried on the balance sheet at fair value and are based upon Level 2 inputs including third party quotes. As of December 31, 2011, we had forward foreign exchange contracts on major world currencies with varying durations, none of which extend beyond five years. At December 31, 2011, we recorded derivative assets and liabilities of $6.7 million and $6.6 million, respectively.

(10) Line of Credit and Long-Term Debt

On December 6, 2010, we entered into a Credit Agreement providing for an unsecured revolving Credit Facility (the "Credit Facility") in an amount up to $600.0 million. Subject to certain conditions, at any time prior to the date that is thirty days before the maturity date of the Credit Agreement, we will be able to invite existing and new lenders to increase the size of the revolving credit facility by up to $100.0 million, for a maximum aggregate revolving credit facility of $700.0 million. The revolving credit facility has a subfacility for the issuance of standby letters of credit in a face amount up to $300.0 million and a subfacility up to $300.0 million for multicurrency borrowings. Revolving loans under the Credit Facility bear interest, at our option, at a rate equal to either (i) the base rate plus a margin based on our consolidated leverage ratio or (ii) the LIBOR rate, based on interest periods of one, two, three or six months, plus a margin based on our consolidated leverage ratio. The base rate is equal to the greater of (i) the Federal Funds Rate, as published from time to time by the Federal Reserve Bank of New York, plus 0.5%, (ii) the lender's prime rate in effect from time to time, or (iii) the one-month LIBOR rate in effect from time to time, plus 1.0%. Our consolidated leverage ratio on any date is the ratio of our consolidated total funded debt to our consolidated earnings before interest, taxes, depreciation and amortization for the preceding four fiscal quarters. At December 31, 2011, we had $65.0 million in outstanding borrowings on the Credit Facility. The rate of interest charged on that balance was 1.81% as of December 31, 2011. Issued and outstanding letters of credit of $90.6 million were reserved against the borrowing base of the Credit Facility at December 31, 2011. This credit facility will expire on December 6, 2015. The remaining available borrowing capacity under this Credit Facility is $444.4 million at December 31, 2011.

The Credit Agreement contains customary representations and warranties and conditions to borrowing. It also includes customary affirmative and negative covenants, including covenants that limit or restrict our company and its subsidiaries' ability to incur indebtedness and other obligations, grant liens to secure their obligations, make investments, merge or consolidate, dispose of assets, enter into transactions with affiliates, and make certain kinds of payments, in each case subject to customary exceptions for a credit facility of this size and type. We are also required to comply with a minimum consolidated fixed charge coverage ratio and a maximum consolidated leverage ratio. We entered into an amendment to the Credit Agreement on September 27, 2011 which provides for modifications to certain covenants and other provisions of the Credit Agreement to take into account the acquisition of Halcrow. As of December 31, 2011, we were in compliance with the covenants required by the Credit Agreement. There can be no assurance that the capacity under this facility will be adequate to fund future operations or acquisitions we may pursue from time to time.

Our nonrecourse and other long-term debt, as of December 31 consist of the following:

($ in thousands)	2011	2010
Nonrecourse:		
Mortgage payable in monthly installments to July 2020, secured by real estate, rents and leases. The note bears interest at 5.35%	$11,429	$12,430
Mortgage payable in monthly installments to December 2015, secured by real estate. The note bears interest at 6.59%	2,321	2,823
	13,750	15,253
Other:		
Revolving credit facility	$65,000	$—
Equipment financing, due in monthly installments to December 2015, secured by equipment. These notes bear interest ranging from 4.00% to 8.00%	13,764	22,227
Stockholder notes payable	294	141
Total debt	92,808	37,621
Less current portion of debt	11,334	13,934
Total long-term portion of debt	$81,474	$23,687

At December 31, 2011, future principal payments on long-term debt are as follows (in thousands):

Year Ending:	
2012	$11,334
2013	3,413
2014	3,266
2015	67,957
2016	1,311
Thereafter	5,527
	$92,808

(11) Operating Lease Obligations

We have entered into certain noncancellable leases, which are being accounted for as operating leases. At December 31, 2011, future minimum lease payments are as follows (in thousands):

Year Ending:	
2012	$117,106
2013	100,909
2014	81,809
2015	67,301
2016	54,065
Thereafter	96,620
	$517,810

Rental expense charged to operations, net of sublease income, was $121.5 million, $126.7 million and $138.9 million during the years ended December 31, 2011, 2010 and 2009, respectively, including amortization of a deferred gain of $4.3 million in the years ended December 31, 2011 and 2010, and 2009 related to the sale-leaseback of our corporate offices. Certain of our operating leases contain provisions for a specific rent-free period. We accrue rental expense during the rent-free period based on total expected rent payments to be made over the life of the related lease.

(12) Income Taxes

Income before provision for income taxes for the years ended December 31 consists of the following:

($ in thousands)	2011	2010	2009
U.S. income	$146,721	$135,915	$143,190
Foreign income	22,506	11,584	6,972
Income before taxes	$169,227	$147,499	$150,162

The provision for income taxes for the years ended December 31 consists of the following:

($ in thousands)	2011	2010	2009
Current income tax expense:			
Federal	$55,576	$55,835	$49,035
Foreign	13,016	11,729	14,138
State and local	7,839	10,939	12,653
Total current income tax expense	76,431	78,503	75,826
Deferred income tax benefit:			
Federal	(17,619)	(17,280)	(23,291)
Foreign	(806)	(4,771)	(2,646)
State	(2,076)	(2,648)	(3,469)
Total deferred income tax benefit	(20,501)	(24,699)	(29,406)
Total income tax expense	$55,930	$53,804	$46,420

The reconciliations of income tax computed at the U.S. federal statutory tax rate to our effective income tax rate for the years ended December 31 are as follows:

($ in thousands)	2011	2010	2009
Pretax income	$169,227	$147,499	$150,162
Federal statutory rate	35%	35%	35%
Expected tax expense	59,229	51,625	52,556
Reconciling items:			
State income taxes, net of federal benefit	6,402	5,640	7,763
Nondeductible meals and entertainment	2,466	3,082	3,035
Section 199—Domestic manufacturer deduction	(5,472)	(3,686)	(4,515)
Compensation	286	(1,804)	(6,114)
Subsidiary earnings	(6,126)	(5,358)	(7,520)
Permanent expenses, exclusions and credits	(3,462)	2,108	(6,660)
Foreign permanent expenses, taxes, credits and other	3,283	2,835	8,442
Other	(676)	(638)	(567)
Provision for income taxes	$55,930	$53,804	$46,420

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31 are as follows:

($ in thousands)	2011	2010
Deferred tax assets:		
Net foreign operating loss carryforwards	$45,690	$23,050
Deferred gain, insurance and other	32,878	24,758
Accrued employee benefits	264,516	180,055
Total deferred tax assets	343,084	227,863
Valuation allowance	(97,695)	(27,712)
Net deferred tax assets	245,389	200,151
Deferred tax liabilities:		
Investments in affiliates	13,685	2,871
Depreciation and amortization	33,591	22,354
Net deferred tax liabilities	47,276	25,225
Net deferred tax assets	$198,113	$174,926

A valuation allowance is required to be established for those deferred tax assets where it is more likely than not that they will not be realized. The above valuation allowances relate primarily to operating loss carryforwards from foreign operations and employee benefits of $460.0 million and $86.9 million for the years ended December 31, 2011 and 2010, respectively. The foreign net operating losses can be carried forward for varying terms depending on the foreign jurisdiction between three years and an unlimited carry forward period. As a result of the Halcrow acquisition, we recorded net deferred tax assets of $77.5 million, which have a full valuation allowance, as we believe it is not more likely than not that the tax benefit related to these assets will be realized in the foreseeable future.

Undistributed earnings of our foreign subsidiaries amounted to approximately $94.7 million at December 31, 2011. These earnings are considered to be permanently reinvested. Accordingly, no provision for U.S. federal and state income taxes or foreign withholding taxes has been made. If these earnings were repatriated as of December 31, 2011, approximately $20.2 million of income tax expense would be incurred. Cash held in international accounts at December 31, 2011 and 2010 was $142.3 million and $129.7 million, respectively.

The tax benefit from stock-based compensation awards for the years ended December 31, 2011, 2010 and 2009 was $13.1 million, $15.0 million and $6.4 million, respectively. These amounts are reflected as additional paid-in capital in the consolidated statements of stockholders' equity and comprehensive income and are reported as financing activities in the consolidated statements of cash flows.

As of December 31, 2011 and 2010, we had $27.4 million and $18.3 million, respectively, recorded as a liability for uncertain tax positions and accrued interest. We recognize interest and penalties related to uncertain tax positions in income tax expense. As of December 31, 2011 and 2010, we had approximately $2.6 million and $3.0 million, respectively, of accrued interest and penalties related to uncertain tax positions. A reconciliation of the beginning and ending amount of uncertain tax positions as of December 31, 2010 and December 31, 2011 is as follows (in thousands):

Balance at December 31, 2009	$23,752
Additions for current year tax positions	2,591
Additions for prior year tax positions	3,882
Reductions for prior year tax positions	(7,725)
Settlement with taxing authorities	(777)
Reductions as a result of lapse of applicable statue of expirations	(6,385)
Balance at December 31, 2010	$15,338
Balance at December 31, 2010	$15,338
Additions for current year tax positions	9,325
Additions for prior year tax positions	1,862
Reductions for prior year tax positions	(1,129)
Settlement with taxing authorities	—
Reductions as a result of lapse of applicable statue of expirations	(564)
Balance at December 31, 2011	$24,832

If recognized, the $24.8 million in uncertain tax positions would affect the effective tax rate. It is also possible that the reserve could change within twelve months of the reporting date related to the state research and experimentation credit as a result of tax authority settlement. The estimated range of unrecognized change is zero to $0.8 million at December 31, 2011.

We file income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. In the normal course of business, we are subject to examination by taxing authorities throughout the world, including such major jurisdictions as the U.S. and Canada. With few exceptions, we are no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities in major tax jurisdictions for years before 2004.

(13) Earnings Per Share

Basic earnings per share ("EPS") excludes the dilutive effect of common stock equivalents and is computed by dividing net income by the weighted-average number of common shares outstanding during the period. Diluted EPS includes the dilutive effect of common stock equivalents, which consists of stock options, and is computed using the weighted-average number of common shares and common stock equivalents outstanding during the period.

Reconciliations of basic and diluted EPS for the years ended December 31 are as follows:

($ in thousands)	2011	2010	2009
Numerator:			
Net income attributable to CH2M HILL	$113,297	$93,695	$103,742
Denominator:			
Basic weighted-average common shares outstanding	30,824	31,458	31,908
Dilutive effect of common stock equivalents	604	705	691
Diluted adjusted weighted-average common shares outstanding, assuming conversion of common stock equivalents	31,428	32,163	32,599
Basic net income per common share	$3.68	$2.98	$3.25
Diluted net income per common share	$3.60	$2.91	$3.18

(14) Employee Benefit Plans

Deferred Compensation Plans

Effective February 11, 2010, we amended and restated the CH2M HILL Companies, Ltd. Deferred Compensation Retirement Plan (“DCRP”) to form the CH2M HILL Supplemental Executive Retirement and Retention Plan (“SERRP”). The Plan is intended to be unfunded and maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees within the meaning of Title I of the Employee Retirement Income Security Act (“ERISA”). Under this plan, each participant’s account consists of various contributions made to the account by our Company on behalf of the participant. We select the investment vehicles available under the plan. Compensation expense was $3.9 million and $0.6 million for the years ended December 31, 2011 and 2010, respectively.

In addition to the SERRP, we have a nonqualified deferred compensation plan that provides benefits payable to officers and certain highly compensated employees at specified future dates, or upon retirement, disability or death. Effective January 1, 2011, we amended and restated the Deferred Compensation Plan and Executive Deferred Compensation Plan to combine both plans into a single plan. The plan allows eligible participants to defer up to a certain amount of base compensation and incentive compensation received, in cash or common stock. It also allows a more select group of eligible participants, whose 401(k) Plan contributions are limited by the ERISA, to defer additional base compensation to which we may make a matching contribution. The plan is also used to provide additional retirement benefits for certain of our senior executives at levels to be determined from time-to-time by the Board of Directors.

The Deferred Compensation Plans are unfunded; therefore, benefits are paid from the general assets of our company. The participant’s cash deferrals earn a return based on the participant’s selection of investments in several hypothetical investment options. All deferrals of common stock must remain invested in common stock and are distributed in common stock.

Compensation expense for the two nonqualified plans was $4.1 million, $2.8 million and $8.4 million for the years ended December 31, 2011, 2010 and 2009, respectively.

Stock Option Plans

Effective January 1, 2009, the Board of Directors and stockholders approved the CH2M HILL Companies, Ltd. 2009 Stock Option Plan (“2009 Stock Option Plan”). The 2009 Stock Option Plan reserves 3,000,000 shares of our common stock for issuance upon exercise of stock options granted under the plan. All options outstanding under the previously cancelled plans (“1999 and 2004 Stock Option Plans”), expired or for any other reason cease to be exercisable, were rolled into the 2009 Stock Option Plan and are available for grant in addition to the 3,000,000 options reserved.

Stock options are granted at an exercise price equal to the fair market value of our common stock at the date of grant. Stock options granted generally become exercisable 25%, 25% and 50% after one, two and three years, respectively, and have a term of five years from the date of grant. The following table summarizes the activity relating to the 2009 Stock Option Plan during 2011:

Stock Options:	Number of Shares	Weighted Average Exercise Price
Outstanding at December 31, 2010	2,971,845	$29.52
Granted	892,687	$49.69
Exercised	(812,748)	$22.76
Forfeited	(104,610)	$41.54
Expired	(33,516)	$26.44
Outstanding at December 31, 2011	2,913,658	$37.18
Exercisable at December 31, 2011	1,426,031	$29.19
Available for future grants	1,410,033	

The weighted-average remaining contractual term for all options outstanding at December 31, 2011 and 2010 was 2.6 years and 2.4 years, respectively. The aggregate intrinsic value of all options outstanding was $54.0 million and $50.4 million, respectively. The weighted-average remaining contractual term for options vested and exercisable at December 31, 2011 and 2010 was 1.4 years and 1.6 years, respectively. The aggregate intrinsic value for the vested and exercisable options was $37.8 million and $35.9 million, respectively. The remaining unrecognized compensation expense related to nonvested awards as of December 31, 2011 is $6.3 million. We expect to recognize this compensation expense over the weighted average remaining recognition period of 1.7 years, subject to forfeitures that may occur during that period.

We received $4.6 million, $3.7 million and $3.9 million from options exercised during the years ended December 31, 2011, 2010 and 2009, respectively. Our stock option plans also allow participants to satisfy the exercise price and participant tax withholding obligation by tendering shares of company stock that have been owned by the participants for at least six months. The intrinsic value associated with exercises was $16.4 million, $16.3 million and $11.8 million during the years ended December 31, 2011, 2010 and 2009, respectively.

We measure the fair value of each stock option grant at the date of grant using a Black-Scholes option pricing model. The weighted average grant date fair value of options granted during the years ended December 31, 2011 and 2010 was $7.40 and $6.30, respectively. The following assumptions were used in determining the fair value of options granted during 2011 and 2010:

	2011	2010
Risk-free interest rate	1.15%	1.56%
Expected dividend yield	0.00%	0.00%
Expected option life	4.19 Years	4.21 Years
Expected stock price volatility	15.63%	15.06%

We estimate the expected term of options granted based on historical experience of employee exercise behavior. We estimate the volatility of our common stock by using the weighted-average of historical volatility over the same period as the option term. We use the Treasury Yield Curve rates for the risk-free interest rate in the option valuation model with maturities similar to the expected term of the options. We do not anticipate paying any cash dividends on our common stock in the foreseeable future and therefore use an expected dividend yield of zero in the option valuation model. We are required to estimate forfeitures at the time of grant and revise those estimates in subsequent periods if actual forfeitures differ from those estimates. We use historical data to estimate pre-vesting option forfeitures and record stock-based compensation expense only for those awards that are expected to vest. All stock-based payment awards are amortized on a straight-line basis over the requisite service periods of the awards.

The total compensation expense recognized for stock options granted for the years ended December 31, 2011, 2010 and 2009 was $4.8 million, $4.8 million and $4.7 million, respectively.

Payroll Deduction Stock Purchase Plan

In November 1999, we established the Payroll Deduction Stock Purchase Plan (“PDSPP”) which provides for the purchase of common stock at 90% of the market value as of the date of purchase through payroll deductions by participating employees. Eligible employees may purchase common stock totaling up to 15% of an employee’s compensation through payroll deductions. An employee cannot purchase more than $25,000 of common stock under the PDSPP in any calendar year. The PDSPP is intended to qualify under Section 423 of the Internal Revenue Code ("IRC"). The PDSPP is not intended to qualify under Section 401(a) of the IRC and is not subject to ERISA. The PDSPP is non-compensatory since the plan is available to all stockholders and incorporates no option features such as a look-back period. Accordingly, no compensation expense is recognized in the financial statements for the PDSPP. During the years ended December 31, 2011, 2010 and 2009, a total of 527,503 shares, 569,788 shares and 688,776 shares, respectively, were issued under the PDSPP, for total proceeds of $24.4 million, $22.2 million and $21.5 million, respectively.

Phantom Stock Plan

In January 2000, we established the Phantom Stock Plan, which provides eligible individuals with added incentives to continue in the long-term service of our company. Eligible individuals are generally individuals who are not residents of the U.S. Phantom stock grants are 100% vested on the grant date and may be redeemed after six months from the grant date. The value of phantom stock is equal to the market value of our common stock. All amounts granted under the Phantom Stock Plan are payable in cash only and are generally granted in connection with the short and long term incentive plans. Compensation expense under this plan is based on the value of the units on the date of grant.

During the years ended December 31, 2011, 2010 and 2009, a total of 731 units, 6,136 units and 1,504 units, respectively, were granted under the Phantom Stock Plan. The fair values of the units granted under the Phantom Stock Plan during 2011, 2010 and 2009 were $49.90, $40.52 and $31.10, respectively. Compensation expense related to the Phantom Stock Plan during 2011, 2010 and 2009 was $0.6 million, $0.5 million, and $0.4 million, respectively.

The following table summarizes the activity relating to the Phantom Stock Plan during 2011:

	Number of Units
Balance at December 31, 2010	36,467
Granted	731
Exercised	(4,306)
Cancelled	(405)
Balance at December 31, 2011	32,487

Stock Appreciation Rights Plan

In February 1999, we established the Stock Appreciation Rights ("SARs") Plan. Eligible individuals are generally individuals who are not residents of the U.S. SARs are granted at an exercise price equal to the market value of our common stock and generally become exercisable 25%, 25% and 50% after one, two and three years, respectively, and have a term of five years from the date of the grant. All amounts granted under the SARs Plan are payable in cash only. Compensation expense under this plan is based on the vesting provisions and the market value of our common stock.

Compensation expense related to the SARs Plan amounted to $0.1 million, $0.2 million and $0.4 million for the years ended December 31, 2011, 2010 and 2009, respectively.

The following table summarizes the activity relating to the SARs Plan during 2011:

	Number of Rights	Weighted Average Exercise Price
Balance at December 31, 2010	30,675	$27.28
Granted	8,773	$50.51
Exercised	(15,016)	$20.73
Cancelled	(3,287)	$38.29
Balance at December 31, 2011	21,145	$39.90

Incentive Plans

The Annual Incentive Plan ("AIP") aids in the recruitment, motivation, and retention of employees. Management determines which employees participate in the AIP. During the years ended December 31, 2011, 2010 and 2009, a total of 58,045 shares, 369,566 shares and 432,093 shares, respectively, were issued under the AIP. The fair values of the shares issued under the AIP were $46.75, $40.52 and $31.10, for the years ended December 31, 2011, 2010, and 2009, respectively. We accrued compensation expense related to common stock awards under the AIP in the amount of $2.7 million and $14.4 million for the years ended December 31, 2011 and 2009, respectively. We accrued compensation expense in 2009 for the shares issued in 2010 and all of the 2010 AIP awards were paid in cash in 2011. Therefore no stock-based compensation was recognized in 2010.

The Long Term Incentive Plan ("LTIP") rewards certain executives and senior leaders for the creation of value in the organization through the achievement of specific long-term (3 year) goals of earnings growth and strategic initiatives. The Compensation Committee of the Board reviews and endorses participation in the LTIP in any program year and a new plan is established each year. During the years ended December 31, 2011, 2010 and 2009, a total of 219,087 shares, 279,447 shares and 323,474 shares, respectively, were issued under the LTIP at a fair value of $46.75, $40.52 and $31.10 per share, respectively. Compensation expense related to common stock awards under the LTIP amounted to $11.8 million, $15.0 million and $13.3 million for the years ended December 31, 2011, 2010 and 2009, respectively.

Restricted Stock Plan

In January 2000, we established the Restricted Stock Policy and Administration Plan (amended and restated effective February 22, 2011) which provides eligible individuals with added incentives to continue in the long-term service of our company. The awards are made for no consideration, vest over various periods, and may include performance requirements, but are considered outstanding at the time of grant. During the years ended December 31, 2011, 2010 and 2009, a total of 136,696 shares, 186,396 shares and 111,246 shares, respectively, were granted under the Restricted Stock Policy and Administration Plan.

We recognize compensation costs, net of forfeitures, over the vesting term based on the fair value of the restricted stock at the date of grant. The amount of compensation expense recognized under the Restricted Stock Policy and Administration Plan was $5.5 million, $4.8 million and $2.9 million for the years ended December 31, 2011, 2010 and 2009, respectively. As of December 31, 2011, there was $8.2 million of unrecognized compensation expense related to non-vested restricted stock grants. The expense is expected to be recognized over a weighted average period of 2.83 years.

The following table summarizes the activity relating to the Restricted Stock Policy and Administration Plan during 2011:

	Non-vested Shares	Weighted Average Grant Date Fair Value
Balance at December 31, 2010	448,053	$30.91
Granted	136,696	$50.37
Vested	(172,376)	$26.91
Cancelled and expired	(18,086)	$39.61
Balance at December 31, 2011	394,287	$39.04

The weighted-average fair values of the shares granted under the Restricted Stock Plan during 2011, 2010 and 2009 were $50.37, $42.32 and $33.76, respectively.

(15) Employee Retirement Plans

Retirement and Tax-Deferred Savings Plan

The Retirement and Tax-Deferred Savings Plan ("401(k) Plan") is a profit sharing plan that includes a cash or deferred arrangement that is intended to qualify under Sections 401(a) and 401(k) of the Internal Revenue Code. Employees are eligible to participate in the 401(k) Plan on the first date of hire with respect to employee contributions and matching contributions. Each eligible employee begins to participate in the 401(k) Plan with respect to defined contributions as of the first day of the first month that begins on or after the eligible employee completes a twelve-month period of service during which the employee is credited with at least 1,000 hours of service.

The 401(k) Plan allows for matching contributions to be made in both cash and stock. Matching contributions may be made in an amount that is based on a percentage of the employee's contributions for the calendar quarter up to 4% of the employee's base compensation. Participants of the 401(k) Plan are, at all times, 100% vested in the employee contribution account. Employer contributions allocated to a participant's account generally vest over six years of completed service. Expenses related to matching contributions for the 401(k) Plan for 2011, 2010 and 2009 were $24.8 million, $20.6 million and $25.4 million, respectively. In addition, expenses related to defined contributions made in common stock for the 401(k) Plan for 2011, 2010 and 2009 were $20.0 million, $16.6 million and $12.7 million, respectively.

Defined Benefit Plans

We sponsor several defined benefit pension plans primarily in the United States and the United Kingdom.

In the U.S., we have three noncontributory defined benefit pension plans. Plan benefits in two of the plans are frozen while one plan remains active. Effective December 31, 2010, the active plan was amended to change the calculation of future benefits. Benefits are generally based on years of service and compensation during the span of employment.

In the U.K., we assumed several defined benefit plans as part of our acquisition of Halcrow on November 10, 2011, including the Halcrow Pension Scheme, the Pension & Life Assurance Plan of Halcrow Fox & Associates Limited and a few smaller plans. These defined benefit plans have been closed to new entrants for many years. The information related to these plans is presented in the Non-U.S. Pension Plans columns of the tables below. We have completed preliminary actuarial valuations for these plans, however, our analysis is based on preliminary data received about the plans including plan participants. These estimates are subject to change during 2012.

Benefit Expense

The weighted average actuarial assumptions used to compute the net periodic pension expense are based upon information available as of the beginning of the year, as presented in the following table.

	U.S. Pension Plans		
	2011	**2010**	**2009**
Discount rate	5.80%	5.90%	6.25%
Expected long-term rate of return on plan assets	7.50%	7.50%	8.00%
Rate of compensation increase	3.00%	4.00%	4.00%

The components of the net periodic pension expense for the years ended December 31 are detailed below:

	U.S. Pension Plans			Non-U.S. Pension Plans
($ in thousands)	**2011**	**2010**	**2009**	**2011**
Service cost	$3,666	$5,579	$4,691	$320
Interest cost	10,585	10,692	9,870	5,969
Expected return on plan assets	(10,462)	(9,149)	(8,262)	(5,674)
Amortization of prior service cost (credits)	(783)	92	87	—
Recognized net actuarial loss	3,549	4,058	4,382	—
Net expense included in current income	$6,555	$11,272	$10,768	$615

Benefit Obligations

The measurement date used for the U.S. and non-U.S. defined benefit pension plans is December 31. The significant actuarial weighted average assumptions used to compute the projected benefit obligations for the defined benefit pension plans at December 31, are as follows:

	U.S. Pension Plans		Non-U.S. Pension Plans
	2011	**2010**	**2011**
Discount rate	5.30%	5.80%	4.94%
Rate of compensation increase	3.00%	3.00%	4.10%

The discount rate assumption for the U.S. and U.K. defined benefit pension plans was determined using an actuarial bond model. The model assumes we purchase high quality, Aa-rated or better, corporate bonds such that the expected cash flow from the selected bond portfolio generally matches the timing of our projected benefit payments. The model develops the average yield on this portfolio of bonds as of the measurement date. This average yield is used as the discount rate.

The following table summarizes the change in the projected benefit obligation and plan assets for the defined benefit pension plans for the years ended December 31:

	U.S. Pension Plans		Non-U.S. Pension Plans
($ in thousands)	**2011**	**2010**	**2011**
Benefit obligation at beginning of year	$187,595	$184,716	$—
Service cost	3,666	5,579	320
Interest cost	10,585	10,692	5,969
Actuarial loss	12,313	2,613	21,060
Plan amendments	—	(9,610)	—
Currency translation	—	—	(34,494)
Benefits paid	(8,409)	(6,395)	(3,262)
Liabilities assumed from the Halcrow acquisition and other	—	—	936,760
Benefit obligation at end of year	$205,750	$187,595	$926,353
Plan assets at beginning of year	$138,692	$122,588	—
Actual return on plan assets	(1,172)	14,426	10,371
Company contributions	12,380	8,073	2,279
Currency translation	—	—	(23,745)
Benefits paid	(8,409)	(6,395)	(3,262)
Assets obtained from the Halcrow acquisition and other	—	—	638,329
Fair value of plan assets at end of year	$141,491	$138,692	$623,972

We expect to make contributions of approximately $35.0 million to $40.0 million to the defined benefit pension plans in 2012.

The expected benefit payments for the U.S. and non-U.S. defined benefit pension plans are as follows:

($ in thousands)	U.S. Pension Plans	Non-U.S. Pension Plans
2012	$11,808	$39,967
2013	12,325	38,707
2014	13,367	39,503
2015	14,448	39,984
2016	15,476	41,274
2017-2021	85,135	225,117
	$152,559	$424,552

Benefit Plan Assets

The target allocation for the U.S. pension plans and the weighted-average asset allocations for the defined benefit pension plans at December 31, 2011 and 2010 by asset category are set out below. For the non-U.S. pension plans, the targeted allocation of assets is generally related to the expected benefit payments over the next five to ten years. The target is to hold sufficient assets in fixed income securities to meet these cash flows. So as the benefit plan matures, an increasing proportion of plan assets will be held in fixed income securities.

	U.S. Pension Plans			Non-U.S. Pension Plans
	Target Allocation	2011	2010	2011
Equity securities	60%	52%	54%	45%
Debt securities	40%	47%	45%	45%
Other	—	1%	1%	10%
Total	100%	100%	100%	100%

The investment philosophy for the defined benefit pension plans is primarily to have the asset values and long-term rates of return exceed those of the relative benchmarks in order to protect and pay the expected future benefit payments to participants. Asset allocation decisions are made in an attempt to construct a total portfolio that achieves the desired expected risk and return needed to meet long term liabilities of the plans. For non-U.S. plans, the asset allocation decisions are often made by an independent board of trustees. In order to accomplish the investment philosophy and strategy, the benefit plan trustees monitor the asset classes allowed for investment, the strategic mix targets, and allowable ranges of such.

Investments in domestic and international equity securities are utilized with the expectation that they will provide a higher rate of return than debt securities for periods in excess of five to ten years, albeit with greater risk. Investments in debt securities, such as government and corporate bonds of domestic and international entities, are utilized with the expectation that they are generally low in risk and can meet the shorter term cash flow needs of the plans.

We use long-term historical actual return experience with consideration of the expected investment mix of the plan assets, as well as future estimates of long-term investment returns to develop the expected rate of return assumptions used in calculating the net periodic pension cost.

The following tables summarize the fair values of our defined benefit pension plan assets by major asset category:

Non-U.S. Pension Plans

	Fair Value Measurement at December 31, 2011			
($ in thousands)	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$26,204	$26,204	$—	$—
Equity funds	297,655	7,058	290,597	—
Fixed income securities	268,862	122,196	146,666	—
International property fund	31,251	—	31,251	—
Total	$623,972	$155,458	$468,514	$—

U.S. Pension Plans

	Fair Value Measurement at December 31, 2011			
($ in thousands)	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$117	$117	$—	$—
Equity funds	74,448	—	74,448	—
Fixed income securities	66,926	—	66,926	—
Total	$141,491	$117	$141,374	$—

($ in thousands)	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value Measurement at December 31, 2010			
Equity funds	$75,562	$—	$75,562	$—
Fixed income securities	63,130		63,130	—
Total	$138,692	$—	$138,692	$—

Funded Status

The following table presents the underfunded status of the defined benefit pension plans at December 31:

($ in thousands)	U.S. Pension Plans 2011	U.S. Pension Plans 2010	Non-U.S. Pension Plans 2011
Projected benefit obligation	$205,750	$187,595	$926,353
Fair value of plan assets	141,491	138,692	623,972
Underfunded status	$(64,259)	$(48,903)	$(302,381)
Amounts recognized in accumulated other comprehensive income consist of:			
Net actuarial loss	$74,245	$53,848	$14,837
Net prior service cost (credits)	(8,662)	(9,446)	—
Total	$65,583	$44,402	$14,837
Amounts to be recognized in the following year as a component of net periodic pension expense:			
Net actuarial loss	$5,546	$3,550	—
Net prior service cost	(781)	(783)	—
Total	$4,765	$2,767	—
Additional information:			
Accumulated benefit obligation	$200,735	$182,065	$922,497

The liability for the underfunded status is included in long-term employee related liabilities on the consolidated balance sheets.

Other Postretirement Benefits

We sponsor a medical benefit plan for retired employees of certain subsidiaries. The plan is contributory, and retiree premiums are based on years of service at retirement. The benefits contain limitations and a cap on future cost increases. We fund postretirement medical benefits on a pay-as-you-go basis. Effective December 31, 2009, the plan was modified impacting the eligibility criteria, the cost, and the events of termination regarding the retiree medical coverage. Additionally, we have a frozen non-qualified pension plan that provides additional retirement benefits to certain senior executives that remained employed and retired from CH2M HILL on or after age 65.

The non-qualified pension and postretirement healthcare benefit payments, including expected future services, are expected to be paid from plan assets and operating cash flows as follows:

($ in thousands)	Non-Qualified Pension Plan	Postretirement Benefit Plans
2012	$100	$2,467
2013	93	2,707
2014	87	3,019
2015	81	3,322
2016	75	3,637
2017-2021	301	21,888
	$737	$37,040

Benefit Expense

The measurement date used for non-qualified pension and other postretirement benefit plans is December 31. The actuarial assumptions used to compute the non-qualified pension benefit expense and postretirement benefit expense are based upon information available as of the beginning of the year, as presented in the following table.

	Non-Qualified Pension Plan			Postretirement Benefit Plans		
	2011	**2010**	**2009**	**2011**	**2010**	**2009**
Actuarial assumptions at beginning of year:						
Discount rate	5.80%	5.90%	6.25%	5.80%	5.90%	6.25%
Initial healthcare costs trend rate	na	na	na	na	na	5.99%
Ultimate healthcare cost trend rate	na	na	na	na	na	4.50%
Year ultimate trend rate is reached	na	na	na	na	na	2011

na—not applicable

The components of the non-qualified pension benefit expense and postretirement benefit expense for the years ended December 31 are detailed below:

	Non-Qualified Pension Plan			Postretirement Benefit Plans		
($ in thousands)	**2011**	**2010**	**2009**	**2011**	**2010**	**2009**
Service cost	$—	$—	$—	$1,971	$2,878	$3,327
Interest cost	34	36	38	2,519	2,340	2,181
Amortization of transition obligation	—	—	—	349	349	349
Amortization of prior service costs	—	—	—	354	354	387
Recognized gain due to curtailment	—	—	—	—	—	(1,052)
Recognized net actuarial loss (gain)	12	9	3	50	(3)	(1)
Net expense included in current income	$46	$45	$41	$5,243	$5,918	$5,191

The gain recognized in 2009 due to the curtailment in the postretirement benefit plans represents a decrease in the accrued benefit obligation of $2.8 million, accelerated recognition of previously unrecognized loss of $0.2 million, and accelerated recognition of previously unrecognized prior service cost of $1.5 million.

The discount rate used to compute the benefit obligations for the non-qualified pension plan and postretirement benefit plans at December 31, 2011 and 2010 were 5.30% and 5.80%, respectively.

The discount rate assumptions are set annually based on several factors such as: a) the rates of return on high quality fixed income investments available and expected to be available during the period to maturity of the benefits and b) the duration of the plan liabilities is also compared to a portfolio of high quality corporate bonds appropriate to provide for the projected benefit payments of the plan.

The following table summarizes the change in benefit obligation and change in plan assets for the non-qualified pension and postretirement benefit plans for the years ended December 31:

	Non-Qualified Pension Plan		Postretirement Benefit Plans	
($ in thousands)	**2011**	**2010**	**2011**	**2010**
Benefit obligation at beginning of year	$628	$651	$44,980	$40,281
Service cost	—	—	1,971	2,878
Interest cost	34	36	2,519	2,340
Plan contributions	—	—	1,404	1,272
Actuarial loss (gain)	214	32	(680)	1,388
Benefits paid	(106)	(91)	(3,373)	(3,179)
Benefit obligation at end of year	$770	$628	$46,821	$44,980

We have instituted caps on the potential growth of our retiree healthcare costs. Based on expected costs for 2012, the retiree healthcare cost caps are expected to be reached in 2012 and apply in all future years. As healthcare costs continue to increase, these caps are intended to remain in force at current levels. As a result, a 1% change in the health care cost trends has no impact on the postretirement benefit obligation or costs.

Funded Status

The following table presents the underfunded status of the non-qualified pension and postretirement benefit plans at December 31:

	Non-Qualified Pension Plan		Postretirement Benefit Plans	
($ in thousands)	**2011**	**2010**	**2011**	**2010**
Projected benefit obligation	$770	$628	$—	$—
Accumulated benefit obligation	—	—	46,821	44,980
Underfunded status	$(770)	$(628)	$(46,821)	$(44,980)
Amounts recognized in accumulated other comprehensive income consist of:				
Net actuarial loss	$365	$163	$4,213	$4,943
Net prior service cost	—	—	285	638
Transition obligation	—	—	100	449
Total	$365	$163	$4,598	$6,030
Amounts to be recognized in the following year as a component of net periodic cost:				
Net actuarial loss	$36	$13	$—	$50
Transition obligation	—	—	100	349
Net prior service cost	—	—	341	353
Total	$36	$13	$441	$752

Multiemployer Plans

We participate in various multiemployer pension plans for certain employees represented by labor unions. We are required to make contributions to these plans in amounts established under collective bargaining agreements, generally based on the number of hours worked. We made contributions to the various plans totaling approximately $4.3 million, $6.5 million and $11.8 million for the years ended December 31, 2011, 2010 and 2009, respectively.

We have employees who participate in benefit plans with the U.S. Department of Energy for which information is not provided because we are not responsible for the current or future funded status of those plans.

(16) Segment Information

Effective January 1, 2011, we reorganized our reporting structure under which our chief operating decision maker makes strategic and operating decisions with regard to assessing performance and allocating resources. As a result, our Industrial Systems business was divided based upon its operations and absorbed within our Environmental Services business and Water business. Our Water business operations were then grouped with the Energy business creating the Energy and Water (“E&W”) segment. Our Environmental Services business was then combined with our Nuclear business and our Government Facilities and Infrastructure business and reflected in the new Government, Environment and Nuclear (“GEN”) segment. Lastly, our Transportation business, Operations and Maintenance business and Industrial and Advanced Technology business were grouped together to form the Facilities and Infrastructure (“F&I”) segment.

Within our E&W segment, our Energy business primarily focuses on providing services to a comprehensive range of private sector clients and utilities, while our Water business primarily provides services to state and local governments. Our GEN segment primarily provides a comprehensive range of services to various U.S. federal government agencies and foreign governments as well as some private industries. Our F&I segment primarily provides a comprehensive range of services to various state, local and provincial governments and also a select group of private industry clients.

We evaluate performance based on several factors, of which the primary financial measure is operating income. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. We use operating income as our measurement of segment profit. Corporate expenses, including costs for centralized management activities, are not allocable to individual operating segments and are included in “Other” below. These costs primarily include expenses associated with administrative functions such as executive management, legal, and general business development efforts.

Certain financial information for each segment is provided below (in thousands):

2011	Government, Environment and Nuclear	Facilities and Infrastructure	Energy and Water	Other	Financial Statement Balances
Revenue from external customers	$2,191,243	$1,372,125	$1,991,865	$—	$5,555,233
Equity in earnings of joint ventures and affiliated companies	$35,809	$20,905	$7,763	$—	$64,477
Depreciation and amortization	$6,161	$6,868	$35,186	$—	$48,215
Operating income (loss)	$78,970	$65,523	$62,119	$(21,459)	$185,153
Segment assets	$1,664,084	$504,205	$526,566	$—	$2,694,855
Goodwill	$—	$384,766	$118,523	$—	$503,289

2010	Government, Environment and Nuclear	Facilities and Infrastructure	Energy and Water	Other	Financial Statement Balances
Revenue from external customers	$2,218,368	$1,224,579	$1,979,854	$—	$5,422,801
Equity in earnings of joint ventures and affiliated companies	$35,116	$22,861	$10,536	$—	$68,513
Depreciation and amortization	$5,414	$5,247	$51,650	$—	$62,311
Operating income (loss)	$94,840	$34,137	$58,818	$(13,032)	$174,763
Segment assets	$936,526	$358,477	$672,077	$—	$1,967,080
Goodwill	$—	$11,831	$118,523	$—	$130,354

2009	Government, Environment and Nuclear	Facilities and Infrastructure	Energy and Water	Other	Financial Statement Balances
Revenue from external customers	$1,931,093	$1,243,516	$2,324,709	$—	$5,499,318
Equity in earnings of joint ventures and affiliated companies	$30,635	$21,367	$13,537	$—	$65,539
Depreciation and amortization	$6,105	$6,211	$68,573	$—	$80,889
Operating income (loss)	$93,985	$28,576	$65,264	$(13,294)	$174,531
Segment assets	$804,885	$427,355	$715,782	$—	$1,948,022
Goodwill	$—	$11,831	$118,523	$—	$130,354

We derived approximately 35%, 37% and 35% of our total revenues from contracts with the U.S. federal government in the years ended December 31, 2011, 2010 and 2009, respectively.

Although we provide services in numerous countries, no single country outside of the U.S. accounted for 10% or greater of the total consolidated revenue. Total U.S. and international revenue for the years ended December 31 were as follows:

($ in thousands)	2011	2010	2009
U.S.	$4,185,501	$4,274,155	$4,525,613
International	1,369,732	1,148,646	973,705
Total	$5,555,233	$5,422,801	$5,499,318

(17) Commitments and Contingencies

We maintain a variety of commercial commitments that are generally made available to provide support for various provisions in our engineering and construction contracts. Letters of credit are provided to clients in the ordinary course of the contracting business in lieu of retention or for performance and completion guarantees on engineering and construction contracts. We also post surety bonds, which are contractual agreements issued by a surety, for the purpose of guaranteeing our performance on contracts. Bid bonds are also issued by a surety to protect owners and are subject to full or partial forfeiture for failure to perform obligations arising from a successful bid.

Commercial commitments outstanding as of December 31, 2011 are summarized below:

($ in thousands)	Amount of Commitment Expiration Per Period Less than 1 Year	1-3 Years	4-5 Years	Over 5 Years	Total Amount Committed
Letters of credit	$71.6	$18.3	$0.7	$—	$90.6
Bank guarantees	15.7	9.0	6.0	17.0	47.7
Surety and bid bonds	894.5	628.0	34.4	—	1,556.9
Total	$981.8	$655.3	$41.1	$17.0	$1,695.2

In connection with the acquisition of VECO, the purchase agreement established a holdback contingency of $70.0 million for tax indemnifications and the potential future payment of certain contingencies that may arise after the date of acquisition. Since the date of acquisition, we have made distributions to the sellers of VECO and paid expenses on their behalf which were deemed distributions of the holdback contingency. Upon resolution of the remaining outstanding items, we will likely incur costs which will be paid out of the holdback funds with any remaining amount being remitted to the sellers of VECO. Additionally, under the terms of the BAH acquisition agreement, we held back $2.9 million of the purchase price, for the payment and discharge of any indemnification claims payable as a result of inaccuracies or breach of representations or warrants made by BAH as defined under the terms of the purchase agreement. The holdback contingency is payable to BAH, 50% on the one year anniversary of the closing and the remainder at the eighteen month anniversary. Interest accrues on the outstanding balance at the rate stated in the purchase agreement. At December 31, 2011 and 2010, the outstanding balance payable under the holdback contingencies was $41.3 million and $46.7 million, respectively.

We are party to various contractual guarantees and legal actions arising in the normal course of business. Because a large portion of our business comes from the U.S. federal government and various federal agencies, state and municipal sources, the company's procurement and certain other practices at times are subject to review and investigation by U.S. and state attorneys offices. Such state and U.S. federal government investigations, whether relating to government contracts or conducted for other reasons, could result in administrative, civil or criminal liabilities, including repayments, fines or penalties or could lead to suspension or debarment from future U.S. federal government contracting. These investigations often take years to complete and many result in no adverse action or alternatively could result in settlement. Damages assessed in connection with and the cost of defending any such actions could be substantial. While the outcomes of pending proceedings and legal actions are often difficult to predict, our management believes that proceedings and legal actions currently pending would not result in a material adverse effect on the company's results of operations or financial condition even if the final outcome is adverse to us.

Many claims that are currently pending against us are covered by our professional liability insurance. Management estimates that the levels of insurance coverage (after retentions and deductibles) are generally adequate to cover CH2M HILL's liabilities, if any, with regard to such claims. Any amounts that are probable of payment by the company are accrued when such amounts are estimable. As of December 31, 2011 and 2010, accruals for potential estimated claim liabilities were $34.1 million and $28.9 million, respectively.

In April of 2010, we were notified that the U.S. Attorney's Office for the Eastern District of Washington is investigating overtime practices in connection with the U.S. Department of Energy Hanford tank farms management contract which we transitioned to another contractor in 2008. As part of its investigation, the U.S. Attorney's Office raised the possibility of civil and/or criminal charges for possible violations arising from our overtime practices on this project. We are fully cooperating with the investigation and will continue to work to resolve this matter. In addition, two former CH2M HILL Hanford employees pleaded guilty in United States District Court on a felony charge related to time card falsification. We have reasons to believe that these pleas are related to the investigation. At this time we do not believe that a loss in excess of the amount accrued would have a material impact on our consolidated financial statements.

In connection with the Halcrow acquisition, we assumed a lease obligation for office space which was entered into by a Halcrow subsidiary in 1981 and was previously occupied and used as one of their primary office locations. However, Halcrow subsequently vacated the space and, at the date of acquisition, had no involvement with the property and was not using any portion of the building. The lease requires Halcrow to continue to make lease payments until 2080 with clauses that require the rent to escalate with market conditions. We are currently attempting to obtain a third party determination of the fair value of this lease obligation in order to complete the purchase accounting for the Halcrow acquisition.

(18) Quarterly Financial Information (unaudited)

Our quarterly financial information for the years ended December 31, 2011 and 2010 is as follows:

(In thousands except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	For the Year Ended
2011					
Revenue	$1,268,095	$1,360,571	$1,504,294	$1,422,273	$5,555,233
Operating income	42,289	62,044	40,457	40,363	185,153
Net income attributable to CH2M HILL	23,558	40,367	26,328	23,044	113,297
Net income per common share					
Basic	$0.77	$1.31	$0.85	$0.74	$3.68
Diluted	$0.75	$1.29	$0.84	$0.73	$3.60
2010					
Revenue	$1,235,579	$1,341,088	$1,399,063	$1,447,071	$5,422,801
Operating income	26,859	62,016	46,362	39,526	174,763
Net income attributable to CH2M HILL	14,332	31,732	25,293	22,338	93,695
Net income per common share					
Basic	$0.45	$1.00	$0.81	$0.71	$2.98
Diluted	$0.44	$0.98	$0.79	$0.69	$2.91

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Englewood, Douglas County, State of Colorado, on February 29, 2012.

CH2M HILL COMPANIES, LTD.

By: /s/ MICHAEL A. LUCKI
Michael A. Lucki
Senior Vice President and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons in the capacities and on the dates stated, through their attorney-in-fact as appointed in the power of attorney of February 9, 2012 included as Exhibit 24.1 filed herewith.

Signature	Title	Date
/s/ LEE A. MCINTIRE Lee A. McIntire	Chief Executive Officer (Principal Executive Officer)	February 29, 2012
/s/ MICHAEL A. LUCKI Michael A. Lucki	Chief Financial Officer (Principal Financial Officer)	February 29, 2012
/s/ JOANN SHEA JoAnn Shea	Chief Accounting Officer (Principal Accounting Officer)	February 29, 2012
* Manuel E. Aguirre	Director	February 29, 2012
* Robert W. Bailey	Director	February 29, 2012
* Robert G. Card	Director	February 29, 2012
* Jerry D. Geist	Director	February 29, 2012
* Charles O. Holliday, Jr.	Director	February 29, 2012
* Michael A. Lucki	Director	February 29, 2012
* Michael E. McKelvy	Director	February 29, 2012
* Georgia R. Nelson	Director	February 29, 2012
* Jacqueline C. Rast	Director	February 29, 2012
* Nancy R. Tuor	Director	February 29, 2012
* Barry L. Williams	Director	February 29, 2012

*By: /s/ MICHAEL A. LUCKI
Michael A. Lucki,
as attorney-in-fact

Exhibit 21.1

Subsidiaries of CH2M HILL Companies, Ltd.

1. Operations Management International Inc., a California corporation

2. CH2M HILL, Inc., a Florida corporation

3. CH2M HILL Constructors, Inc., a Delaware corporation

4. LG Constructors, Inc., a Delaware corporation

5. VECO Services, Inc., an Alaskan corporation

6. CH2M HILL Energy, Ltd., a Delaware corporation

7. Halcrow Holdings Ltd., a United Kingdom private company limited by shares

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors
CH2M HILL Companies, Ltd.:

We consent to the incorporation by reference in the registration statement (No. 333-148101) on Form S-4 and in the registration statement (No. 333-113160) on Form S-8 of CH2M HILL Companies, Ltd. and subsidiaries (the Company) of our report dated February 29, 2012, with respect to the consolidated balance sheets of the Company as of December 31, 2011 and 2010, and the related consolidated statements of income, stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2011, and the effectiveness of internal control over financial reporting as of December 31, 2011, which appears in the December 31, 2011 annual report on Form 10-K and to the references to our firm under the heading "Selected Financial Data" included in the annual report on Form 10-K of the Company.

Our report refers to the Company's adoption of new accounting standards relating to variable interest entities on January 1, 2010 and noncontrolling interests in consolidated financial statements on January 1, 2009.

Our report also contains an explanatory paragraph that states that management excluded from its assessment of the effectiveness of CH2M HILL Companies, Ltd. and subsidiaries internal control over financial reporting as of December 31, 2011, Halcrow Holdings, Ltd. and subsidiaries internal control over financial reporting associated with total assets of $725.0 million and total revenues of $114.3 million, included in the consolidated financial statements of CH2M HILL Companies, Ltd. and subsidiaries as of and for the year ended December 31, 2011. Our audit of internal control over financial reporting of CH2M HILL Companies, Ltd. and subsidiaries also excluded an evaluation of the internal control over financial reporting of Halcrow Holdings Ltd. and subsidiaries.

KPMG LLP

Denver, Colorado
February 29, 2012

Exhibit 24.1

POWER OF ATTORNEY

Each person whose signature appears below does hereby make, constitute and appoint each of Lee A. McIntire, Michael A. Lucki, Margaret B. McLean, or JoAnn Shea as such person's true and lawful attorney-in-fact and agent, with full power of substitution, resubstitution and revocation to execute, deliver and file with the U.S. Securities and Exchange Commission, the United Kingdom Financial Services Authority, or securities registration agencies in foreign countries, including but not limited to: Argentina, Brazil, Canada, Hong Kong, India, Ireland, Mexico, Poland, Qatar, Singapore, the United Arab Emirates, and the United Kingdom, for and on such person's behalf, and in any and all capacities,

1. A Registration Statement on Form S-4, any and all amendments (including post-effective amendments) thereto and any abbreviated registration statements in connection with this Registration Statement pursuant to the Securities Act of 1933, with all exhibits thereto and other documents in connection therewith or foreign jurisdiction equivalent registration statements;
2. An Annual Report on Form 10-K for the year ended December 31, 2011, any and all amendments (including post-effective amendments) thereto with all exhibits thereto and other documents in connection therewith, or foreign jurisdiction equivalent reports and statements; and
3. A European Prospectus and any and all amendments thereto with all exhibits and other documents in connection therewith,

granting unto said attorneys-in fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done as fully to all intents and purposes as such person might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent or such person's substitute or substitutes may lawfully do or cause to be done by virtue hereof.

/s/ LEE A. MCINTIRE Lee A. McIntire	February 9, 2012
/s/ MANUEL ERNESTO AGUIRRE Manuel Ernesto Aguirre	February 9, 2012
/s/ ROBERT W. BAILEY Robert W. Bailey	February 9, 2012
/s/ ROBERT G. CARD Robert G. Card	February 9, 2012
/s/ JERRY D. GEIST Jerry D. Geist	February 9, 2012
/s/ CHARLES O. HOLLIDAY, JR. Charles O. Holliday, Jr.	February 9, 2012
/s/ MICHAEL A. LUCKI Michael A. Lucki	February 9, 2012
/s/ MICHAEL E. MCKELVY Michael E. McKelvy	February 9, 2012
/s/ GEORGIA R. NELSON Georgia R. Nelson	February 9, 2012
/s/ JACQUELINE C. RAST Jacqueline C. Rast	February 9, 2012
/s/ NANCY R. TUOR Nancy R. Tuor	February 9, 2012
/s/ BARRY L. WILLIAMS Barry L. Williams	February 9, 2012

Exhibit 31.1

CERTIFICATION

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Lee A McIntire, Chief Executive Officer of CH2M HILL Companies, Ltd., certify that:

1. I have reviewed this annual report on Form 10-K of CH2M HILL Companies, Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal year that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 29, 2012

/s/ LEE A. MCINTIRE

Lee A. McIntire
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Michael A. Lucki, Chief Financial Officer of CH2M HILL Companies, Ltd., certify that:

1. I have reviewed this annual report on Form 10-K of CH2M HILL Companies, Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal year that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 29, 2012

/s/ MICHAEL A. LUCKI

Michael A. Lucki
Chief Financial Officer

Exhibit 32.1

CERTIFICATION

PURSUANT TO RULE 13A-14(B) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, AND SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE (18 U.S.C. SECTION 1350)

In connection with the Annual Report of CH2M HILL Companies, Ltd. (the “Company”) on Form 10-K for the annual period ended December 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Lee A. McIntire, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350 as adopted by Section 906 of the Sarbanes-Oxley Act of 2002 that to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Exchange Act as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in the Report.

/s/ LEE A. MCINTIRE
Lee A. McIntire
Chief Executive Officer

February 29, 2012

This certification “accompanies” the Report to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Report), irrespective of any general incorporation language contained in such filing. A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION

PURSUANT TO RULE 13A-14(B) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, AND SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE (18 U.S.C. SECTION 1350)

In connection with the Annual Report of CH2M HILL Companies, Ltd. (the “Company”) on Form 10-K for the annual period ended December 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Michael A. Lucki, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350 as adopted by Section 906 of the Sarbanes-Oxley Act of 2002 that to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Exchange Act as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in the Report.

/s/ MICHAEL A. LUCKI

Michael A. Lucki
Chief Financial Officer

February 29, 2012

This certification “accompanies” the Report to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Report), irrespective of any general incorporation language contained in such filing. A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

Form 10-K

(MARK ONE)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

OR

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

FOR THE TRANSITION PERIOD FROM TO

Commission File Number 000-27261

CH2M HILL Companies, Ltd.

(Exact name of registrant as specified in its charter)

Oregon	**93-0549963**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
9191 South Jamaica Street,	
Englewood, CO	**80112-5946**
(Address of principal executive offices)	(Zip Code)

(303) 771-0900

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: **None**

Securities registered pursuant to Section 12(g) of the Act:
CH2M HILL common stock, par value $0.01 per share

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

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

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

Indicate by checkmark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

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

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

The aggregate value of common stock held by non-affiliates computed by reference to the price as of June 30, 2010 was approximately $1.2 billion.

As of February 15, 2011, there were 30,696,136 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Information, required by Items 10, 11, 12, 13 and 14 of Part III of this Form 10-K are incorporated by reference from the CH2M HILL definitive proxy statement for its 2011 Annual Meeting of Shareholders to be held on May 2, 2011.

CH2M HILL COMPANIES, LTD. AND SUBSIDIARIES

ANNUAL REPORT ON FORM 10-K

TABLE OF CONTENTS

This Form 10-K contains various "forward-looking statements "within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements represent the Company's expectations and beliefs concerning future events, based on information available to the Company on the date of the filing of this Form 10-K, and are subject to various risks and uncertainties. Such forward looking statements are and will be subject to many risks and uncertainties relating to our operations and business environment that may cause actual results to differ materially from any future results expressed or implied in such forward looking statements. Words such as "believes," "anticipates," "expects," "will," "plans" and similar expressions are intended to identify forward looking statements. Additionally, forward looking statements include statements that do not relate solely to historical facts, such as statements which identify uncertainties or trends, discuss the possible future effects of current known trends or uncertainties, or which indicate that the future effects of known trends or uncertainties cannot be predicted, guaranteed or assured. All forward looking statements in this report are based upon information available to us on the date of this report. We undertake no obligation to publicly update or revise any forward looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as required by applicable law. Factors that could cause actual results to differ materially from those referenced in the forward-looking statements are listed in Item 1A, Risk Factors. The Company disclaims any intent or obligation to update or revise any of the forward- looking statements, whether in response to new information, unforeseen events, changed circumstances or otherwise.

PART I

Item 1. *Business*

Summary

CH2M HILL Companies, Ltd. was founded in 1946 and incorporated under the laws of the State of Oregon on November 9, 1965. We are a large employee owned professional engineering services firm providing engineering, construction, consulting, design, design-build, procurement, operations and maintenance, program management and technical services to U.S. federal, state, municipal, and local government agencies, national governments, as well as private sector clients worldwide. We have 23,000 employees in offices worldwide.

Our Operating Segments

We provide services to our clients through three operating segments: Government, Environment and Nuclear (GEN), Facilities and Infrastructure, and Energy.

Our GEN segment provides a comprehensive range of services to various U.S. federal government agencies as well as services to foreign governments and private industry. Our Facilities and Infrastructure segment provides a comprehensive range of services to various private industry segments, and state, local and provincial governments. Our Energy segment provides a comprehensive range of services to private sector clients. Financial information for each segment for each of the last three years, including 2010, is included in Note 16 of the Notes to Consolidated Financial Statements in Item 15 of this Annual Report on Form 10-K.

In order to improve our competitiveness, client service, and financial strength, effective January 1, 2011, we have reorganized our reporting structure under which our chief operating decision maker will be making strategic and operating decisions with regards to assessing performance and allocating resources. We believe this new organizational structure will help us deal with global economic and industry challenges, and better position us for a solid future. As a result, our water business will be reported with the Energy segment creating the Energy and Water segment. Additionally, our Industrial Systems business will be split based upon its operations and combined within our Environmental Services business and Water business and thus reflected in the GEN and Energy and Water segments, respectively. These changes began on January 1, 2011.

Our Clients and Key Markets

We provide services to a diverse customer base including the U.S. federal and foreign governments and governmental authorities, various U.S. federal government agencies, provincial, state and local municipal government, major oil and gas companies, refiners and pipeline operators, metal and mining, automotive, food and beverage and consumer products manufacturers, microelectronics, pharmaceuticals and biotechnology companies. In 2010, we derived approximately 37% of our total revenues from contracts with the U.S. federal government.

The following table summarizes our primary client types, revenues and key markets served by each of our operating segments.

Operating Segment	Client Type	% of 2010 Revenues	Key Markets
Government, Environment and Nuclear	U.S. Federal and Foreign Governments, Governmental Authorities and Utilities	41%	• Nuclear • Environmental Services • Government Facilities and Infrastructure
Facilities and Infrastructure	State and Local Governments and Private Sectors	37%	• Water, Wastewater and Water Resources • Transportation • Operations Management • Industrial and Advanced Technology
Energy	Private Sectors and Utilities	22%	• Energy and Chemicals • Industrial Systems • Power

Clients

We provide our services to a broad range of domestic and international clients, including federal governments, state, local and provincial governments and private sector businesses. We perform services as the prime contractor, as subcontractors, or through joint ventures or partnership agreements with other service providers. The demand for our services generally comes from budgeting and capital spending decisions made by our clients. The following table provides a summary of representative clients:

Public Sector Clients		Private Sector Clients
• U.S. Department of Energy (DOE) • U.S. Department of Defense • U.S. Department of the Interior • U.S. Air Force • U.S. Navy • U.S. Army Corps of Engineers • Federal Emergency Management Agency (FEMA) • Department of Homeland Security • U.S. Agency for International Development (USAID) • U.S. Environmental Protection Agency • U.S. Federal Emergency Management Agency	• United Kingdom Atomic Energy Authority • United Kingdom Nuclear Decommissioning Authority • Republic of Korea Ministry of Defense • U.S. cities • Foreign cities • U.S. airports and seaports • U.S. and State Departments of Transportation • State Transit Authorities • Water and Wastewater Municipalities • Panama Canal Authority • London 2012 Olympic Delivery Authority	• Major oil and gas companies, refiners and pipeline operators • Power utilities • Chemicals, bioprocessing and refining companies • Metals and mining • Microelectronics manufacturers • Pharmaceutical and biotechnology companies • Automotive, food and beverage, metals and consumer product manufacturers • Renewable energy companies

Key Markets

The following is a description of each of our key markets within our operating segments and the services we provide.

Government, Environment & Nuclear Division

The GEN operating division comprises three businesses—Government Facilities and Infrastructure (GF&I), Environmental Services, and Nuclear. GEN provides a full range of services—program management, engineering, design, construction, environmental remediation, operation and maintenance, decontamination and decommissioning, facility closure, sustainable solutions, and consulting services—to clients worldwide, including our largest client, the U.S. federal government.

Government Facilities and Infrastructure—Our GF&I business ensures value-added mission success for our government clients globally by safely delivering flexible and sustainable facilities, infrastructure, and contingency solutions on any scale worldwide. GF&I designs, constructs, operates, or maintains various categories of facility and infrastructure at all types of government and military installations. In addition, GF&I maintains a focus on sustainability to optimize client goals while minimizing impacts and costs. GF&I service offerings include contingency and logistics, design-build services, engineering and design, operations and maintenance, planning and consulting, and program management. The U.S. Department of Defense is GF&I's largest client. We also provide a multitude of services to other government agencies such as the Federal Emergency Management Agency, U.S. Agency for International Development, Department of Energy, and Department of Homeland Security. We continue to expand our U.S. government client base, both within the U.S. and internationally.

Environmental Services—The Environmental Services business is dedicated to protecting public health, preserving the environment, and restoring impacted natural resources. We achieve this mission by offering services within five market segments: integrated waste solutions, munitions response, natural resources planning and management, sediment management and remediation, and site remediation and revitalization. Clients include a broad spectrum of U.S. government agencies and departments; multi-national industrial clients; numerous U.S. municipalities and port authorities; and international clients in both the public and private sector. Beginning in 2011, the life cycle services for the industrial market from the Industrial Systems business was combined with the Environmental Services business to bring all our industrial environmental services capabilities under the same management. A key differentiator for us with both our government and multinational clients is project delivery with a global footprint—our ability to effectively and consistently deploy our systems and processes (especially safety, environmental compliance, and project management) throughout the world with little deviation.

Nuclear—The Nuclear business specializes in the management of complex nuclear programs and projects around the globe. Our experience includes more than two decades of managing and operating nuclear facilities and providing innovative cleanup and environmental remediation for commercial and government facilities and sites worldwide. A key strength is our ability to manage large nuclear projects with inherent radiological, chemical, and industrial safety challenges—complex challenges that few companies can manage successfully. CH2M HILL provides innovative cleanup and closure solutions for contaminated sites in the U.S. Department of Energy (DOE) nuclear weapons complex and at United Kingdom Nuclear Decommissioning Authority sites in Great Britain. In the commercial nuclear sector, we provide program management and program advisory services, as well as planning, permitting, and licensing of new nuclear generating stations in compliance with current international regulatory requirements. Additional service offerings at government and commercial nuclear sites are: program management and owner's engineer services; decommissioning; waste management; waste fuel strategies; support service operations; and planning, permitting, and licensing of new nuclear generating stations. With a solid record of successfully mitigating the risks and hazards on environmental management programs, CH2M HILL has completed a significant amount of decommissioning as a contractor in the DOE complex (nearly 9.1 million square feet). We continue to build our commercial nuclear offerings while maintaining our preeminent position in liabilities management.

Facilities & Infrastructure Division

The Facilities and Infrastructure (F&I) Division comprises four businesses: Water, Industrial and Advanced Technology, Transportation, and Operations and Maintenance (O&M). The Division also provides enterprise stewardship for the development of our facilities market penetration strategy, the urban development practice, and the O&M collaborative working group, which is responsible for identifying ways to better leverage our O&M capabilities that reside in various businesses. F&I's portfolio of services include: consulting, design, design-build, operations and maintenance, construction management, and program management.

Water—In the Water business, we serve the water resources and ecosystem management; water treatment; conveyance and collection; wastewater treatment and reuse; and utility management market segments. We support the water-related needs of clients in the utility, industrial, government, energy, and agricultural sectors. Our broad portfolio of water solutions helps clients address the complex challenges related to population growth, water supply uncertainty, global climate change, regulatory changes, and increasing demand. Beginning in 2011, the industrial water capability from the Industrial Systems business was combined with the Water business to pursue the large and growing energy-related water market. Addressing the impacts of global climate change requires the ability to create solutions for the energy-water-carbon Nexus. Energy production requires a reliable, abundant, and predictable source of water, a resource that is already in short supply throughout much of the world. We work with clients to identify solutions for water and energy conservation, and to re-evaluate processes to achieve cost savings and reduce environmental impacts. Our geographic strategy is to expand market reach in North America, Europe, the Middle East, Singapore, and Australia. We will continue to capitalize on market drivers such as drought/water scarcity, aging infrastructure, global climate change, and regulatory requirements.

Industrial and Advanced Technology—In our Industrial and Advanced Technology business, we serve the pharmaceutical, food processing, aerospace, automobile, metals, building materials, semiconductor, photovoltaic, flat panel, and life science manufacturing sectors. In addition, our IDC Architects group services the data center, nanotechnology, and university research sectors, as well as special economic zone developments. In addition, we serve the automobile and aerospace manufacturing segments. As the economy recovers, we will continue to expand market reach in Asia, North America, South America, and the Middle East. We are leveraging our strategic business planning capabilities to help clients structure and plan their high-volume manufacturing projects, and to provide follow-on design and construction services.

Transportation—In the Transportation business, we serve the aviation, highway/bridge, ports and maritime, and transit and rail segments with both horizontal and vertical infrastructure development. For all of our clients, we provide design, value engineering, design-build, project/program management, construction management, feasibility studies, public involvement/community management, environmental, and sustainability planning. Airport services include airfield design, airfield infrastructure, airspace obstruction analysis, and noise analyses. For our highway and bridge clients, we provide corridor location studies, traffic engineering, intelligent transportation systems, bridge condition assessment and load ratings, and structural seismic analysis and retrofit design. Ports and maritime client services include architecture, commercial, and owner's representative. Transit and rail services include alternatives analysis, and security services for light rail, commuter rail, freight rail, bus rapid transit, and fleet maintenance facilities.

Operations and Maintenance—In our Operations and Maintenance ("O&M") business, we provide communities and private companies with a broad range of tailored solutions. Our services include water and wastewater system and staff optimization; contract operations and maintenance of water, wastewater, and other municipal functions such as public works, and community development; facilities management; and O&M consulting. The geographic strategy is to expand market reach in North America, and we are positioning for growth in Australia, the Middle East, and Brazil. We see an increase in public-private partnerships for both full and customized service selection, as municipal and private entities continue to look for more ways to increase revenues and reduce costs through efficiency gains. Our O&M Collaborative Working Group combines established O&M services across our Energy, Environmental, Facilities, Transportation, Resources, and Water markets. We will continue to expand our consulting business and leverage cross-market synergies around design-build-operate, remediation, produced water, and manufacturing.

Energy Division

The Energy Division is comprised of the Energy and Chemicals, Industrial Systems and Power businesses. The Energy Division also serves as the corporate steward of our Sustainability and Climate Change practice, and as the nexus of energy-water-carbon solutions to address emerging market needs. The portfolio of services include: consulting, design, design-build, operations, construction management, and program management.

Energy and Chemicals—In the Energy and Chemicals business, we serve the upstream, midstream, and downstream sectors of the oil and gas industry. For the upstream sector, we perform modular fabrication, erection, and operations and maintenance services for oil and gas fields. In the midstream sector, we gather, store, and transport oil, natural gas, refined products, carbon dioxide, and other related hydrocarbons, liquids, and gases via pipelines, compression, pump stations, metering, tank farms, terminals, and related facilities. In the downstream sector, we provide technology evaluation and feasibility studies; design and construction of refinery units, terminals, pipelines, pump stations, and cogeneration facilities; design, fabrication, and installation of modules and pipe racks; turnarounds and revamps; effluent treatment; refinery conversion to heavy crude oil processing; flue gas scrubbing; and process safety management. We look to expand our business in Alaska, Canada, and the Middle East. In Chemicals, we serve all segments of the industry, including petrochemicals and derivatives, inorganics, specialties, and agricultural chemicals, with a specialization in "first of kind" processes. We provide a full-suite of solutions for polysilicon, chemicals from alternative feedstocks, alkalis and chlorine, synthetic performance fibers, monomers and polymers, and resins and plastics plants. Our services cover the entire lifecycle from green field, design, construction, operations and maintenance, and retrofit, to decommissioning and remediation. We serve clients in North and South America, China, and Europe.

Industrial Systems—In our Industrial Systems business, we provide a broad array of life cycle services to industrial markets to improve the performance and operations of industrial facilities. These services typically include consulting, design, project, licensing, air quality management, environmental, health and safety auditing and performance, regulatory compliance, renewable energy and facility sustainability analysis, risk assessment and ecosystems management.

Power—In our Power business, we design and build power generation facilities that produce energy from natural gas, coal, oil, solar, wind, biomass, and geothermal sources. Our portfolio includes coal/integrated gasification, combined-cycle, simple-cycle, clean air, alternative/waste fuels, and cogeneration projects. We also repower, upgrade, or modify existing plants to improve performance and achieve clean air standards. Our delivery of full-service engineer-procure-construct services helps clients craft long-term strategies while addressing the ongoing market challenges around unpredictable and changing electricity demand, transmission capacity constraints, changing environmental regulations and policies, aging infrastructure, outdated technologies, water constraints, and fuel diversification.

Our Sustainability and Climate Change practice encompasses facilities and land development, sustainable cities, carbon and energy management, natural resources planning and management, and site remediation. We bring together strategists, scientists, architects, engineers, technologists, and economists to evaluate opportunities and work collaboratively to deliver lasting solutions that benefit our clients, their communities, and the environment. We also have a diverse platform of tools, technology, and best practices to help clients make well informed decisions and to evaluate the overall sustainability of various options.

Competition

The market for our design, consulting, engineering construction, operations and maintenance, and program management services is highly competitive. We compete with large multinational firms as well as smaller firms with less resources who offer lower prices for particular services. In addition, some of our clients, including government agencies, occasionally utilize their own internal resources to perform design, engineering and construction services where we might have been the service provider.

Numerous mergers and acquisitions in the engineering services industry have resulted in a group of large firms that offer a full complement of single-source services including studies, designs, construction, operations, maintenance and in some instances, facility ownership. Included in the current trend is movement towards larger program and contract awards and longer-term contract periods for a full suite of services, (e.g., 5 to 20 year full-service contracts). While these larger, longer, more comprehensive contracts require us to have substantially greater financial and human capital than in the past, we compete effectively for these full service programs.

To our knowledge, no single company or group of companies currently dominates any significant portion of the engineering services markets. Competition in the engineering services industry is based on quality of performance, reputation, expertise, price, technology, customer relationships, range of service offerings and domestic and international office networks. For additional information regarding competition, see "Risk Factors—Our industry is highly competitive" in Item 1A of this Annual Report on Form 10-K.

Backlog

We define backlog as signed contracts and task orders less previously recognized revenue on such contracts and task orders. In addition, we also include amounts under notices to proceed that have been received from clients and are expected to be recognized as revenues when future services are performed. Our operations and maintance contracts are included for the non-cancellable term of the contract. Unexercised options under any contract are not included in our backlog. Our backlog also reflects our proportionate share of future activities related to consolidated and unconsolidated joint ventures. Many of our contracts require us to provide services that span over a number of fiscal years. U.S. government agencies operate under annual fiscal appropriations by Congress and fund various federal contracts only on an incremental basis. The same is true of many state, local and foreign contracts.

The following table provides backlog revenues by operating segment for the years ended December 31:

($ in millions)	**2010**	**2009**
Government, Environment and Nuclear	$3,304.5	$4,629.3
Facilities and Infrastructure	2,186.8	2,237.4
Energy	746.5	772.3
	$6,237.8	$7,639.0

The decrease in the GEN segment backlog is due to a decrease in the American Recovery and Reinvestment Act (ARRA) funding.

For more information on backlog, see "Risk Factors—Our backlog is subject to unexpected adjustments and cancellations and is, therefore, an uncertain indicator of our future performance" in Item 1A of this Annual Report on Form 10-K.

Available Information

In addition, for information regarding CH2M HILL, including free copies of filings with the Securities and Exchange Commission (SEC), please visit our web site at www.ch2m.com. The SEC filings, which include our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K are located in the About Us/Employee Ownership section of our web site and are made available as soon as practicable after they are filed with the SEC.

Item 1A. *Risk Factors*

You should carefully consider the following factors and other information contained in this Annual Report on Form 10-K before deciding to invest in our common stock.

Risks Related to Our Business

Unpredictable economic cycles, uncertain demand for our engineering and related services, and failure by our major customers to pay our fees, could cause our revenue to fluctuate or be uncollectible.

Demand for our engineering and other services is affected by the general level of economic activity in the markets in which we operate, both in and outside of the U.S. Our customers and the markets in which we compete to provide services are likely to experience periods of economic decline from time-to-time. In particular, the recent global economic downturn and governmental tax revenue declines resulted in a slowdown in demand for our services in oil and gas, state and municipal infrastructure, manufacturing and industrial clients.

Adverse economic conditions may decrease our customers' willingness to make capital expenditures or otherwise reduce their spending to purchase our services, which could result in diminished revenues and margins for our business. The demand for services depends on the demand and capital spending of our customers in their target markets, some of which are cyclical in nature. Adverse economic conditions could alter the overall mix of services that our customers seek to purchase, and increased competition during a period of economic decline could force us to accept contract terms that are less favorable to us than we might be able to negotiate under other circumstances. Changes in our mix of services or a less favorable contracting environment may cause our revenues and margins to decline. Moreover, our customers impacted by the economic downturn could delay or fail to pay our fees. If a customer failed to pay a significant outstanding fee, our financial results could be adversely affected and our stock price could be reduced. Adverse credit market conditions could negatively impact our customers' ability to fund their projects and therefore utilize our services; they can also impact subcontractors' and suppliers' ability to deliver work. These credit disruptions could negatively impact our backlog and profits, and could increase our costs or adversely impact project schedules.

The uncertainties involved in prolonged procurement processes associated with our projects make it particularly difficult to predict whether and when we will receive a contract award. The uncertainty of contract award timing can present difficulties in matching our workforce size with our project needs. If an expected project award is delayed or not received, we could incur costs resulting from idle workforce reductions in staff, or redundancy of facilities that would have the effect of reducing our profits.

Changes and fluctuations in government's spending priorities could adversely affect our revenue expectations.

Because a substantial part of our overall business is generated either directly or indirectly as a result of U.S. federal, state and local government regulatory and infrastructure priorities, shifts in these priorities due to changes in policy imperatives or economic conditions are often unpredictable and may affect our revenues. Significant government budget deficits may result in delays or cancellations for some of our projects. In addition, any government shutdown could have an impact on our government projects including our ability to earn revenue on those projects, and could have an adverse impact on our financial condition.

Political instability in key regions around the world coupled with the U.S. federal government's commitment to the war on terror put U.S. federal discretionary spending at risk, including spending on infrastructure projects that are of particular importance to our business. At the state and local levels, the need to compensate for reductions in the federal matching funds, as well as financing of federal unfunded mandates, creates pressures to cut back on infrastructure project expenditures. While we have won and are continuing to seek federal contracts related to changing U.S. federal government priorities, such as unforeseen disaster response, rebuilding efforts in countries impacted by war on terror, and other projects that reflect current U.S. government focus, there can be no assurances that changing U.S. government priorities and spending would not adversely affect our business.

Government contracts present risks of termination for convenience, adjustment of payments received, restrictions on ability to compete for government work and funding constraints.

In 2010, we derived approximately 37% of our total revenues from contracts with the U.S. federal government. The following risks are inherent in U.S. federal government contracts:

- Because U.S. federal laws permit government agencies to terminate a contract for convenience, our U.S. government clients may terminate or decide not to renew our contracts with little or no prior notice.
- Payments we receive from our U.S. government clients, our books, records and processes are subject to audit by various U.S. governmental agencies for several years after these payments are made. Based on these audits, the U.S. government may adjust or demand repayment of payments we previously received, or withhold a portion of fees due to us because of unsatisfactory audit outcomes. Audits have been completed on our U.S. federal contracts through December 31, 2006, and are continuing for subsequent periods. Audits performed to date have not resulted in material adjustments to our financial statements. Unsatisfactory audit results may impact our ability to bid or win future U.S. government contract work. In addition, as a government contractor, we are subject to increased risks of investigation, criminal prosecution and other legal actions and liabilities to which purely private sector companies are not. The results of any such actions could adversely impact our business and have an adverse effect on our consolidated financial statements.
- Our ability to earn revenues from our existing and future U.S. federal government projects will depend upon the availability of funding from U.S. federal government agencies. We cannot control whether those clients will fund or continue funding our existing projects.
- In years when the U.S. federal government does not complete its budget process before the end of its fiscal year on September 30, government operations are typically funded pursuant to a “continuing resolution” that authorizes agencies of the U.S. government to continue to operate, but does not authorize new spending initiatives, which can delay the award of new contracts. These delays could have an adverse effect on our operating results.
- Many U.S. federal government programs in which we work require security clearances. Security clearances can be difficult and time-consuming to obtain. If we or our employees are unable to obtain or retain necessary security clearances, we may not be able to win new business or will not be able to renew existing contracts. To the extent we cannot obtain or maintain the required security clearances for our employees working on a particular contract, we may not derive the revenue anticipated from the contract, which could adversely affect our business and results of operations.

Our ability to secure new government contracts and our revenues from existing government contracts could be adversely affected by any one or a combination of the factors listed above.

Many of our projects are funded by U.S. federal, state and local governments and if we violate applicable law governing this work, we are subject to the risk of suspension or debarment from government contracting activities, which could have a material adverse affect on our business and results of operations.

If we fail to comply with the terms of one or more of our government contracts or statutes and regulations that govern this type of work, or if we or our employees are indicted or convicted on criminal charges (including misdemeanors) relating to any of our government contracts, in addition to any civil or criminal penalties and costs we may incur, we could be suspended or debarred from government contracting activities for a period of time. Some U.S. federal and state statutes and regulations provide for automatic debarment in certain circumstances. The suspension or debarment in any particular case may be limited to the facility, contract or subsidiary involved in the violation or could be applied to the entire CH2M HILL family of companies in certain severe circumstances. Even a narrow scope suspension or debarment could result in negative publicity that could adversely affect our ability to renew contracts and to secure new contracts, both with governments and private customers, which could materially and adversely affect our business and results of operations.

Our industry is highly competitive.

We are engaged in a highly competitive business in which most of our contracts with public sector clients are awarded through a competitive bidding process that places no limit on the number or type of potential service providers. The process usually begins with a government agency request for proposal that delineates the size and scope of the proposed contract. The government agency evaluates the proposals on the basis of technical merit and cost.

In both the private and public sectors, acting either as a prime contractor or as a subcontractor, we may join with other firms that we otherwise compete with to form a team to compete for a single contract. Because a team can often offer stronger combined qualifications than any firm standing alone, these teaming arrangements can be very important to the success of a particular contract competition or proposal. Consequently, we maintain a network of relationships with other companies to form teams that compete for particular contracts and projects. Failure to maintain technical and price competitiveness, as well as failure to maintain access to strong teaming partners may impact our ability to win work.

Our backlog is subject to unexpected adjustments and cancellations and is, therefore, an uncertain indicator of our future performance.

Our backlog at December 31, 2010 was $6.2 billion. We cannot assure that the revenues projected in our backlog will be realized or, if realized, will result in profits. Projects may remain in our backlog for an extended period of time prior to project execution and, once project execution begins, it may occur unevenly over the current and multiple future periods. In addition, our ability to earn revenues from our backlog depends on the availability of funding for various government and private clients. Most of our industrial clients have termination for convenience provisions in their contracts. Therefore, project terminations, suspensions or reductions in scope may occur from time-to-time with respect to contracts reflected in our backlog. Some backlog reductions would adversely affect the revenue and profit we actually receive from contracts reflected in our backlog. Future project cancellations and scope adjustments could further reduce the dollar amount of our backlog and the revenues and profits that we actually earn.

Our inability to attract and retain professional personnel could adversely affect our business.

Our ability to attract, retain and expand our staff of qualified engineers and technical professionals will be an important factor in determining our future success and growth. The market for these professionals is competitive in and outside the U.S. As some of our key personnel approach retirement age, we are developing and implementing proactive succession plans. If we cannot attract and effectively implement our succession plans, we could have a material adverse impact on our business, financial condition, and results of operations. Since we derive a significant part of our revenues from services performed by our professional staff, our failure to retain and attract professional staff could adversely affect our business by impacting our ability to complete our projects and secure new contracts.

Our projects may result in liability for faulty engineering services.

Our engineering practice involves professional judgments regarding the planning, design, development, construction, operations and management of industrial facilities and public infrastructure projects. Because our projects are often large and can affect many people, our failure to make judgments and recommendations in accordance with applicable professional standards could result in large damages and, perhaps, punitive damages. Although we have adopted quality control, risk management and risk avoidance programs designed to reduce potential liabilities, and carry professional liability to set off this risk, there can be no assurance that such programs will protect us fully from all risks and liabilities.

We could sustain losses on contracts that contain "fixed price" or "not to exceed" pricing provisions if our costs exceed the fixed or maximum prices.

In 2010, we derived approximately 29% of our revenues from "fixed price" contracts and approximately 41% of our revenues from time-and-materials contracts, most of which had "not to exceed" price limits. Under "fixed price" contracts, we agree to deliver projects for a definite, predetermined price regardless of our actual costs incurred over the life of the project. Under time-and-materials contracts with "not to exceed" provisions, we are compensated for the labor hours expended at agreed-upon hourly rates plus cost of materials used; however, there is a stated maximum compensation for the services to be provided under the contract. Many fixed price and "not to exceed" contracts involve large industrial facilities and public infrastructure projects and present the risk that our costs to complete a project may exceed the fixed price or "not to exceed" price agreed upon with the client. The fixed or maximum fees negotiated for such projects may not cover our actual costs and desired profit margins. If our actual costs for a fixed or "not to exceed" price project are higher than we expect, our profit margins on the project will be reduced or we could suffer a loss.

Percentage-of-completion accounting used for our engineering and construction contracts can result in overstated or understated profits or losses.

The revenue for our engineering and construction contracts is accounted for on the percentage-of-completion method of accounting. This method of accounting requires us to calculate revenues and profit to be recognized in each reporting period based on our predictions of future outcomes, including our estimates of the total cost to complete the project, project schedule and completion date, the percentage of the project that is completed and the amounts of any probable unapproved change orders. Our failure to accurately estimate these often subjective factors could result in reduced profits or losses.

Environmental regulations and related compliance investigations may adversely impact our project performance, expose us to liability and could adversely affect our revenues.

A substantial portion of our business is generated either directly or indirectly as a result of laws and regulations related to environmental matters. In particular, our business involves significant risks including the assessment, analysis, remediation, handling, management and disposal of hazardous substances. As a result, we are subject to a variety of environmental laws and regulations governing, among other things, discharges of pollutants and hazardous substances into the air and water and the handling and disposal of hazardous waste including nuclear materials and related record keeping requirements. These laws and regulations and related investigations into our compliance, as it pertains to facility operations and remediation of hazardous substances, can cause project delays and, substantial management time commitment and may significantly add to our costs. Violations of these environmental laws and regulations could subject us to civil and criminal penalties and other liabilities, which can be very large. Although we have not been subject to any material civil or criminal penalties for violations of these laws to date, we have incurred costs and diverted resources to respond to reviews that have negatively impacted the profitability of some of our projects. While the costs of these reviews have not been material to our consolidated results of operations in the past, additional or expanded reviews or proceedings on environmental compliance, or any substantial fines or penalties, could affect our profitability and our stock price in the future, or could adversely affect our ability to compete for new business. Changes in environmental regulations could affect our business more significantly than other engineering firms. Accordingly, a reduction in the number or scope of these laws and regulations, or changes in government policies regarding the funding, implementation or enforcement of such laws and regulations, could significantly reduce one of our most important markets and limit our opportunities for growth or reduce our revenues. In addition, any effort by government agencies to reduce the role of private contractors in regulatory programs, including environmental compliance projects, could have material adverse effects on our business.

We may not be successful in growing through acquisitions or integrating effectively any businesses and operations we may acquire.

Our success depends on our ability to continually enhance and broaden our service offerings and our service delivery footprint in response to changing customer demands, technology, and competitive pressures. Numerous mergers and acquisitions in our industry have resulted in a group of larger firms that offer a full complement of single source services including studies, design, engineering, procurement, construction, operations, maintenance, and facility ownership. To remain competitive, we may acquire new and complementary businesses to expand our portfolio of services, add value to the projects undertaken for clients or enhance our capital strength. We do not know if we will be able to complete any future acquisitions or whether we will be able to successfully integrate any acquired businesses, operate them profitably, or retain their key employees.

When suitable acquisition candidates are identified, we anticipate significant competition when trying to acquire these companies, and there can be no assurance that we will be able to acquire such acquisition targets at reasonable prices or on favorable terms. If we cannot identify or successfully acquire suitable acquisition candidates, we may not be able to successfully expand our operations. Further, there can be no assurance that we will be able to generate sufficient cash flow from an acquisition to service any indebtedness incurred to finance such acquisitions or realize any other anticipated benefits. Nor can there be any assurance that our profitability will be improved as a result of these acquisitions. Any acquisition may involve operating risks, such as:

- the difficulty of assimilating the acquired operations and personnel and integrating them into our current business;
- the potential impairment of employee morale;
- the potential disruption of our ongoing business;

- preserving important strategic and customer relationships;
- the diversion of management's attention and other resources;
- the risks of entering markets in which we have little or no experience;
- the possibility that acquisition related liabilities that we incur or assume may prove to be more burdensome than anticipated;
- the risks associated with possible violations of the Foreign Corrupt Practices Act and other anti-corruption laws as a result of any acquisition; and
- the possibility that any acquired firms do not perform as expected.

The success of our joint ventures depends on the satisfactory performance by our joint venture partners. The failure of our joint venture partners to perform their obligations could impose on us additional financial and performance obligations that could result in reduced profits or significant losses on the projects that our joint ventures undertake.

We routinely enter into joint ventures as part of our business. The success of these joint ventures depends, in large part, on the satisfactory performance of our joint venture partners. If our joint venture partners fail to satisfactorily perform their joint venture obligations as a result of financial or other difficulties, the joint venture may be unable to adequately perform or deliver its contracted services. Under these circumstances, we may be required to make additional investments and provide additional services to ensure the adequate performance and project delivery. These additional obligations could result in reduced profits or, in some cases, significant losses for us with respect to the joint venture.

Occasionally, we participate in joint ventures where we are not a controlling party. In such instances we may have limited control over joint venture decisions and actions, including internal controls and financial reporting, which may have an impact on our business.

We may be restricted in our ability to access the cash flows or assets from our subsidiaries and joint venture partners upon which we are substantially dependent.

We are dependent on the cash flows generated by our subsidiaries and, consequently, on their ability to collect on their respective accounts receivables. Substantially all of our cash flows necessary to meet our operating expenditures are generated by our subsidiaries. The financial condition and operational requirements of our foreign subsidiaries may limit our ability to obtain cash from them. In addition, we conduct some operations through joint ventures. We do not manage all of these entities. Even in those joint ventures that we manage, we are often required to consider the interests of our joint venture partners in connection with decisions concerning the operations of the joint ventures. Arrangements involving our foreign subsidiaries and joint ventures may restrict us from gaining access to the cash flows or assets of these entities. In addition, our foreign subsidiaries sometimes face governmentally imposed restrictions on their abilities to transfer funds to us.

Our dependence on subcontractors and equipment manufacturers could adversely affect us.

We rely on third party subcontractors as well as third party equipment manufacturers to complete our projects. To the extent that we cannot engage subcontractors or acquire equipment or materials, our ability to complete a project in a timely fashion or at a profit may be impaired. If the amount we are required to pay for these goods and services exceeds the amount we have estimated in bidding for fixed price contracts, we could experience losses in the performance of these contracts. In addition, if a subcontractor or a manufacturer is unable to deliver its services, equipment or materials according to the negotiated terms for any reason, including the deterioration of its financial condition, we may be required to purchase the services, equipment or materials from another source at a higher price. These risks are potentially more significant in the current economic downturn if financial difficulties in our supply chain cause our services or equipment suppliers not to be able to support the demands and schedules of our business. This may reduce the profit we expect to realize or result in a loss on a project for which the services, equipment or materials were needed.

We face special risks associated with our international business.

In 2010 and 2009, we derived approximately 21% and 18%, respectively, of our revenues from operations outside of the U.S. Conducting business abroad is subject to a variety of risks including:

- Because our financial results are reported in U.S. dollars, currency exchange rate fluctuations, restrictions on currency movement and impact of international tax laws could adversely affect our results of operations, if we are forced to maintain assets in currencies other than the U.S. dollar.

- Political and economic instability and unexpected changes in regulatory environment in countries outside the U.S. could adversely affect our projects overseas and our ability to repatriate cash.

- Inconsistent and diverse regulations, licensing and legal requirements may increase our costs because our operations must comply with a variety of laws that differ from one country to another.

- Terrorist attacks and civil unrest in some of the countries where we do business may delay project schedules, threaten the health and safety of our employees and increase our cost of operations.

- Challenges in managing risks inherent in international operations, such as unique labor rules and corrupt business environments may cause inadvertent violations of laws that we may not immediately detect or correct.

While we are monitoring such regulatory, geopolitical and other factors, we cannot assess with certainty what impact they may have over time on our business.

Special risks associated with doing business in highly corrupt environments.

The global nature of our business creates various domestic and local regulatory challenges. Our operations include projects in developing countries and countries torn by war and conflict. Many of these countries are rated poorly by Transparency International, the independent watchdog organization for government and institutional corruption around the world. Our operations outside of the U.S. are subject to the Foreign Corrupt Practices Act (FCPA) and similar anti-bribery laws in other jurisdictions which generally prohibit companies and their intermediaries from paying or offering anything of value to foreign government officials for the purpose of obtaining or retaining business, or otherwise receiving discretionary favorable treatment of any kind. In particular, we may be held liable for actions taken by our local partners, subcontractors and agents even though such parties are not always subject to our control. Any determination that we have violated the FCPA or any similar anti-bribery laws in other jurisdictions (whether directly or through acts of others, intentionally or through inadvertence) could result in sanctions that could have a material adverse effect on our business and our reputation and on our ability to secure U.S. federal government and other contracts. While our staff is trained on FCPA and other anti-corruption laws and we have procedures and controls in place to monitor compliance, situations outside of our control may arise that could potentially put us in violation of the these regulations and thus negatively impact our business. In addition, we are also subject to various international trade and export laws. Any misconduct, fraud, non-compliance with applicable governmental laws and regulations, or other improper activities by our employees, agents or partners could have a significant impact on our business, financial results and reputation and could subject us to criminal and civil enforcement actions.

We face risks associated with working in locations where there are high security risks.

Some of our projects are performed in locations known for their high security risks. In these high risk locations, we may incur substantial security costs to maintain the safety of our employees and work sites. Despite our best efforts, we cannot guarantee the safety of our employees and we may suffer future losses of employees and subcontractors.

We face risks associated with our work sites and the maintenance of adequate safety standards.

Construction and maintenance sites are inherently dangerous workplaces and place our employees in close proximity to dangers of the work site, such as mechanized equipment, moving vehicles, chemical and manufacturing process and materials. Our failure to maintain and implement adequate safety standards and procedures could have a material adverse impact on our business, financial condition and results of operations.

Systems failures could disrupt our business and impair our ability to effectively provide our services to our customers, which could damage our reputation and adversely affect our operating results.

As a global company, we are heavily reliant on computer, information and communications technology and related systems. From time to time, we may be subject to systems failures, including network, software or hardware failures, whether caused by us, third party service providers, intruders or hackers, computer viruses, natural disasters, power shortages or terrorist attacks. Such failures could cause loss of data and interruptions or delays in our or our customers' businesses and could damage our reputation. In addition, the failure or disruption of our communications or utilities could cause us to interrupt or suspend our operations or otherwise adversely affect our business. Losses that may occur as a result of any system or operational failure or disruption may cause our actual results to differ materially from those anticipated.

Our businesses could be materially and adversely affected by severe weather.

Repercussions of severe weather conditions may include:

- Evacuation of personnel and curtailment of services which may be temporary in nature;
- Increased labor and materials costs in areas impacted by weather and subsequent increased demand for labor and materials for repairing and rebuilding;
- Weather related damage to our jobsites or facilities;
- Inability to deliver materials to jobsites in accordance with contract schedules; and
- Loss of productivity.

We typically remain obligated to perform our services after a natural disaster unless the contract contains a force majeure clause relieving us of our contractual obligations in such an extraordinary event. If we are not able to react quickly to force majeure, our operations may be affected significantly, which would have a negative impact on our financial condition, results of operations or cash flows.

Rising inflation, interest rates and/or construction costs could reduce the demand for our services as well as decrease our profit on our existing contracts.

Because a significant portion of our revenues is earned from time-and-materials type contracts, guaranteed maximum price contracts and fixed price contracts, as well as contracts that base significant financial incentives on our ability to keep costs down, we bear some or all of the risk of rising inflation with respect to those contracts. In addition, if we expand our business into markets and geographic areas where "fixed price" work is more prevalent, inflation may have a larger impact on our results of operations in the future. Therefore, increases in inflation, interest rates and/or construction costs could have a material adverse impact on our business and financial results.

Inability to secure adequate bonding would impact our ability to win projects.

As is customary in our industry, we are often required to provide performance and surety bonds to customers in connection with our construction, EPC and fixed price projects. These bonds indemnify the customer if we fail to perform our obligations under the contract. Failure to provide a bond on terms and conditions desired by a customer may result in an inability to compete for or win projects. Historically, we have had and continue to have good relationships with our sureties and have a strong bonding capacity. The issuance of bonds under any bonding facilities, however, is at the sureties' sole discretion. There can be no assurance that bonds will continue to be available to us on reasonable terms. Our inability to obtain adequate bonding may result in our ineligibility to bid for construction, EPC and fixed price projects, which could have a material adverse effect on our growth and financial condition.

It can be difficult or expensive to obtain the insurance we need for our business operations.

As part of our business operations, we maintain insurance both as a corporate risk management strategy and to satisfy the requirements of many of our contracts. Insurance products go through market fluctuations and can become expensive and sometimes very difficult to obtain. We work with a diversified team of insurers to reduce our risk of available capacity. There can be no assurances, however, that we can secure all necessary or appropriate insurance in the future at an affordable price for the required limits. Our failure to obtain such insurance could lead to uninsured losses that could materially adversely affect our results of operations or financial condition.

Our present assessment of the insurance market is that there is adequate capacity to cover our insurance needs at reasonable cost. Currently our insurance and bonds are purchased from several of the world's leading and financially stable providers often in layered insurance or co-surety arrangements. The built-in redundancy of such arrangements usually enables us to call upon existing insurance and surety suppliers to fill gaps that may arise if other such suppliers become financially unstable. Our risk management personnel continuously monitor the developments in the insurance market and financial stability of the insurance providers.

Actual results could differ from the estimates and assumptions used to prepare our financial statements.

In order to prepare financial statements in conformity with generally accepted accounting principles in the U.S., we are required to make estimates and assumptions as of the date of the financial statements which affect the reported values of our assets, liabilities, revenues and expenses, and disclosures of contingent assets and liabilities. Areas requiring significant estimates by us include:

- Recognition of contract revenues, costs, profit or losses in applying the percentage-of-completion method of accounting;
- Recognition of recoveries under contract change orders or claims;
- Collectability of billed and work-in-process unbilled accounts receivables and the need for and the amount of allowances for problematic accounts;
- Estimated amounts for anticipated project losses, warranty costs and contract close-out costs;
- Determination of potential liabilities under pension and other post-retirement benefit programs;
- Accruals for self insurance programs for medical, workers compensation, general liability and professional liability;
- Recoverability of deferred tax assets and the related valuation allowances, and accruals for uncertain tax positions;
- Stock option valuation model assumptions;
- Accruals for other estimated liabilities;
- Employee incentive plans and stock valuation;
- Variable interest entities; and
- Asset valuations.

We face risks associated with preserving data privacy.

Because of recent advancements in technology and well-known efforts on the part of various organizations to breach data security of large companies, we face risks associated with potential failure to adequately protect critical corporate, client, and employee data which, if released, could adversely impact our client relationships, our reputation, and even violate privacy laws. As part of our business, we develop, receive and retain confidential data about our company and our clients including the U.S. federal and other governments' classified or sensitive information. Our failure to adequately protect such data and keep the information confidential could result in significant damage to our company and our clients, and have a financial impact on our results of operations and financial condition.

Risks Related to Our Internal Market

Absence of a public market may prevent you from selling your stock and cause you to lose all or part of your investment.

There is no public market for our common stock. While we intend the internal market to provide liquidity to shareholders, there can be no assurance that there will be enough orders to purchase shares to permit shareholders to sell their shares on the internal market, or that our internal trading market will be sustained in the future. The price in effect on any trade date may not be attractive enough to buyers and sellers to result in a balanced market because the price is determined by our Board of Directors based on their judgment of fair value, and not by actual market trading activity. Moreover, although CH2M HILL may participate in the internal market as a buyer of common stock if there are more sell orders than buy orders in the market, we have no obligation to engage in internal market transactions and will not guarantee market liquidity. Consequently, insufficient buyer demand could cause sell orders to be prorated, or could prevent the internal market from opening on any particular trade date. Insufficient buyer demand could cause shareholders to suffer a total loss of investment or substantial delay in their ability to sell their common stock. No assurance can be given that shareholders desiring to sell all or a portion of their shares of common stock will be able to do so.

Transfer restrictions on our common stock could prevent you from selling your common stock and cause you to lose all or part of your investment.

Since all of the shares of our common stock are subject to transfer restrictions, you will generally only be able to sell your common stock through our internal market on the scheduled trade dates each year. Unlike shares that are actively traded in public markets, you will not be able to sell your shares on demand. Our common stock price could decline between the time you want to sell and the time you become able to sell. For a detailed discussion of the transfer restrictions on our common stock, see “Market for Registrant’s Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities” in Item 5 of this Annual Report on Form 10-K.

Our stock prices are and will continue to be determined by our Board of Directors’ judgment of fair value and not by market trading activity.

The prices of our common stock at each trade date are established by our Board of Directors based on the factors that are described in Item 5 of this Annual Report on Form 10-K. Our Board of Directors sets the stock price in advance of each trade date, and all trades on our internal market are transacted at the price established by our Board. The market trading activity on any given trade date, therefore, cannot affect the price on that trade date. This is a risk to you because our common stock price will not change to reflect supply of and demand for shares on a given trade date as it would in a public market. You may not be able to sell shares or you may have to sell your shares at a price that is lower than the price that would prevail if the internal market price could change on a given trade date to reflect supply and demand. Our Board of Directors endeavors to use the common stock valuation methodology that results in the stock price that represents fair value. The valuation methodology used to determine fair value is subject to change at the discretion of our Board of Directors.

The limited market and transfer restrictions on our common stock, as well as restrictions in our restated articles of incorporation and bylaws, will likely have anti-takeover effects.

Only our active and retired employees, directors, eligible consultants, and employee benefit plans may own our common stock and participate in our internal market. We also have significant restrictions on the transfer of our common stock other than through sales on our internal market. These limitations make it extremely difficult for a potential acquirer who does not have the prior consent of our Board of Directors to attain control of our company, regardless of the price per share an acquirer might be willing to pay and whether or not our shareholders would be willing to sell at that price. In addition, restrictions in our restated articles of incorporation and bylaws may make it more difficult for our stockholders to elect directors not endorsed by management.

Future returns on our common stock may be significantly lower than historical returns.

We cannot assure you that our common stock will provide returns in the future comparable to those achieved historically or that the price will not decline.

Item 1B. *Unresolved Staff Comments*

None

Item 2. ***Properties***

Our operations are conducted at both owned and leased properties in over 35 countries throughout the world. Our corporate headquarters are located in Englewood, Colorado, where we lease approximately 155,000 square feet of space. The lease on our corporate headquarters building expires in 2017, with an option to extend the term twice for either a ten or five year term. We believe that our existing facilities are adequate for the present needs of our business and that suitable additional or substitute space will be available as needed to accommodate any expansion of operations.

Item 3. ***Legal Proceedings***

We are a party to various contractual guarantees and legal actions arising in the normal course of our business. From time to time, agencies of the U.S. government investigate whether we conduct our operations in accordance with applicable regulatory requirements. Because a large portion of our business comes from U.S. federal, state, and municipal sources, our procurement and certain other practices at times are subject to review and investigation by U.S. and state attorneys offices. Such state and U.S. government investigations, whether relating to government contracts or conducted for other reasons, could result in administrative, civil or criminal liabilities, including repayments, fines or penalties or could lead to suspension or debarment from future U.S. government contracting. These investigations often take years to complete and many result in no adverse action or alternatively, could result in settlement. Damages assessed in connection with and the cost of defending any such actions could be substantial. While the outcomes of pending proceedings and legal actions are often difficult to predict, our management believes that proceedings and legal actions currently pending would not result in a material adverse on our results of operations or financial condition even if the final outcome is adverse to CH2M HILL.

Item 4. ***Removed and Reserved***

PART II

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

We are employee owned. As a result, our stock is only available to certain active and retired employees, directors, eligible consultants and benefit plans. There is no market for our stock with the general public. In order to provide liquidity for our shareholders, an internal market (Internal Market) is maintained through an independent broker, currently Neidiger, Tucker and Bruner, Inc. (NTB).

The Internal Market enables eligible participants to offer to sell or purchase shares of our common stock on predetermined days (each, a Trade Date). The Trade Dates are determined by our Board. Generally, there are four Trade Dates each year. Currently our Board of Directors meetings are scheduled quarterly. All sales of our common stock are made at the price determined by our Board of Directors pursuant to the valuation methodology described below.

All sales of common stock on the Internal Market are restricted to the following authorized buyers:

- Our employees, directors and eligible consultants
- Trustees of the benefit plans
- Administrator of the Payroll Deduction Stock Purchase Plan (PDSPP)

We may impose limitations on the number of shares that an individual may purchase when there are more buy orders than sell orders for a particular Trade Date. After our Board of Directors determines the stock price for use on the next Trade Date, all shareholders, employees, directors and eligible consultants will be advised as to the new stock price and the next Trade Date.

Our Internal Market is managed through an independent broker, currently NTB, which acts upon instructions from the buyers and sellers to affect trades at the stock price set by our Board of Directors and in accordance with the Internal Market rules. NTB does not play a role in determining the price of our common stock and is not affiliated with us. Individual stock ownership account records are currently maintained by our in-house transfer agent.

We may purchase shares if the Internal Market is under-subscribed. We may, but are not obligated to, purchase shares of common stock on the Internal Market on any Trade Date at the price in effect on that Trade Date, but only to the extent that the number of shares offered for sale by shareholders exceeds the number of shares sought to be purchased by authorized buyers. The decision as to whether or not we will purchase shares in the Internal Market, if the Internal Market is under-subscribed, is solely within our discretion and we will not notify investors as to whether or not we will participate prior to the Trade Date. Investors should understand that there can be no assurance that they will be able to sell their CH2M HILL stock without substantial delay or that their stock will be able to be sold at all on the Internal Market. We will consider a variety of factors including our cash position, financial performance and number of shares outstanding in making the determination as to whether to participate in an under-subscribed market. The terms of our existing unsecured revolving line of credit do not play a role in the decision as to whether to buy shares in the Internal Market. To date, no other factors have been considered by us in our decisions as to whether or not to participate in an under-subscribed market.

If the aggregate number of shares offered for sale on the Internal Market on any Trade Date is greater than the number of shares sought to be purchased, shareholder offers to sell will be accepted as follows:

- If enough orders to buy are received to purchase all the shares offered by each seller selling fewer than 500 shares and at least 500 shares from each other seller, then all sell orders will be accepted up to the first 500 shares and the portion of any sell orders exceeding 500 shares will be accepted on a pro-rata basis

- If not enough orders to buy are received to purchase all the shares offered by each seller selling fewer than 500 shares and at least 500 shares from each other seller, then the purchase orders will be allocated equally to each seller

We may sell shares if the Internal Market is over-subscribed. To the extent that the aggregate number of shares sought to be purchased exceeds the aggregate number of shares offered for sale, we may, but are not obligated to, sell authorized but unissued shares of common stock on the Internal Market at the price in effect on that Trade Date to satisfy purchase demands. The decision as to whether or not we will sell shares in the Internal Market, if the Internal Market is over-subscribed, is solely within our discretion and we will not notify investors as to whether or not we will participate prior to the Trade Date. Investors should understand that there can be no assurance that they will be able to buy as many shares as they would like on a given Trade Date. We will consider a variety of factors including our cash position, financial performance and number of shares outstanding in making the determination as to whether to participate in an over-subscribed market. The terms of our existing unsecured revolving line of credit do not play a role in the decision as to whether to sell shares in the Internal Market. To date, no other factors have been considered by us in our decisions as to whether or not to participate in an over-subscribed market.

If the aggregate purchase orders exceed the number of shares available for sale and we choose not to issue additional shares, the following prospective purchasers will have priority to purchase shares, in the order listed:

- Administrator of the PDSPP

- Trustees of the 401(k) Plan

- Internal Market participants on a pro-rata basis (including purchases through pre-tax and after-tax deferred compensation plans)

In 2010, all sellers on the Internal Market, other than us and the trustees of the 401(k) Plan, paid NTB a commission equal to two percent of the proceeds from such sales. The commission rate changed effective on February 11, 2011, to 3 tenths of one percent (.3%) of proceeds from such sales. Employees who sell their common stock upon retirement from CH2M HILL will have the option to sell the common stock they own on the Internal Market and pay a commission on the sale or to sell to us without paying a commission. In the latter case, the employee will sell their common stock to us at the price in effect on the date of their termination in exchange for a four-year note at a market interest rate determined biannually. No commission is paid by buyers on the Internal Market.

Price of our Common Stock

Our Board of Directors will determine the price, which is intended to be the fair value, of the shares of our common stock to be used for buys and sells on each Trade Date pursuant to the valuation methodology described below. The price per share of our common stock generally is set as follows:

$$\text{Share Price} = [(7.8 \times M \times P) + (SE)] / CS$$

In order to determine the fair value of the common stock in the absence of a public trading market, our Board of Directors felt it appropriate to develop a valuation methodology to use as a tool to determine a price that would be a valid approximation of the fair value. In determining the fair value stock price, our Board of Directors believes that the use of a going concern component (i.e., net income, which we call profit after tax, as adjusted by the market factor) and a book value component (i.e., total shareholders' equity) is important. Our Board of Directors believes that the process we have developed reflects modern equity valuation techniques and is based on those factors that are generally used in the valuation of equity securities.

The existence of an over-subscribed or under-subscribed market on any given Trade Date will not affect the stock price on that Trade Date. However, our Board of Directors, when determining the stock price for a future Trade Date, may take into account the fact that there have been under-subscribed or over-subscribed markets on prior Trade Dates.

Market Factor ("M"). "M" is the market factor, which is subjectively determined in the sole discretion of our Board of Directors. In determining the market factor, our Board of Directors will take into account factors the directors considered to be relevant in determining the fair value of our common stock, including:

- The market for publicly traded equity securities of companies comparable to us
- The merger and acquisition market for companies comparable to us
- The prospects for our future performance
- General economic conditions
- General capital market conditions
- Other factors our Board of Directors deem appropriate

Our Board of Directors has not assigned predetermined weights to the various factors it may consider in determining the market factor. A market factor greater than one would increase the price per share and a market factor less than one would decrease the price per share.

In its discretion, our Board of Directors may change, from time-to-time, the market factor used in the valuation process. Our Board of Directors could change the market factor, for example, following a change in general market conditions that either increased or decreased stock market equity values for companies comparable to us, if our Board of Directors felt that the market change was applicable to our common stock as well. Our Board of Directors will not make any other changes in the method of determining the price per share of common stock unless in the good faith exercise of its fiduciary duties and, if appropriate, after consultation with its professional advisors, our Board of Directors determines that the method for determining the price per share of common stock no longer results in a stock price that reasonably reflects our fair value on a per share basis.

As part of the total mix of information that our Board of Directors considers in determining the "M" factor, our Board of Directors also may take into account company appraisal information prepared by The Environmental Financial Consulting Group, Inc. (EFCG), an independent appraiser engaged by the trustees of our benefit plans. In setting the stock price, our Board of Directors compares the total of the going concern and book value components used in the valuation methodology to the enterprise value of the Company in the appraisal provided by EFCG. If, after such comparison, our Board of Directors concludes that its initial determination of the "M" factor should be re-examined, our Board of Directors may review, and if appropriate, adjust the "M" factor. Since the inception of the program on January 1, 2000, the total of the going concern and book value components used by our Board of Directors in setting the price for our stock has always been within the enterprise appraisal range provided quarterly by EFCG.

This "M" component of our stock price valuation remained unchanged since the inception of the current ownership program in 2000 until the November 9, 2007 valuation, when it was changed by the Board of Directors from 1.0 to 1.2.

Profit After Tax ("P"). "P" is profit after tax, otherwise referred to as net income, for the four fiscal quarters immediately preceding the Trade Date. Our Board of Directors, at its discretion, may exclude nonrecurring or unusual transactions from the calculation. Nonrecurring or unusual transactions are developments that the market would not generally take into account in valuing an equity security. A change in accounting rules, for example, could increase or decrease net income without changing the fair value of our common stock. Similarly, such a change could fail to have an immediate impact on the value of our common stock, but still have an impact on the value of our common stock over time. As a result, our Board of Directors believes that in order to determine the fair value of our common stock, it needs the ability to review unusual events that affect net income. In the past, our Board of Directors has excluded unusual items from the calculation of "P", including nonrecurring revenue from Kaiser-Hill Company, LLC and a write off of an investment in an international telecommunications company. Because "P" is calculated on a four quarter basis, an exclusion impacts the calculation of fair value for four consecutive quarters. Our Board of Directors may determine to exclude other future unusual or non-recurring items from the calculation of "P".

Total Shareholders' Equity ("SE"). "SE" is total shareholders' equity, which includes intangible items, as set forth on our most recent available quarterly or annual financial statements. Our Board of Directors, at its discretion, may exclude from the Shareholders' Equity parameter nonrecurring or unusual transactions that the market would not generally take into account in valuing an equity security. The exclusions from Shareholders' Equity will generally be those transactions that are non-cash and are reported as "accumulated other comprehensive income (loss)" on the face of our consolidated balance sheet. For example, our Board of Directors excluded, and will continue to exclude, a non-cash adjustment to shareholders' equity related to the accounting for our defined benefit pension and other postretirement plans. Because this adjustment is unusual and will fluctuate from period to period, our Board of Directors excluded it from the "SE" parameter for stock valuation purposes. Similarly, other items that are reported as components of "accumulated other comprehensive income (loss)" are excluded from "SE" and include items such as unrealized gains/losses on securities and foreign currency translation adjustments.

Common Stock Outstanding ("CS"). "CS" is the weighted-average number of shares of our common stock outstanding during the four fiscal quarters immediately preceding the Trade Date, calculated on a fully-diluted basis. By "fully-diluted" we mean that the calculations are made as if all outstanding options to purchase our common stock had been exercised and other "dilutive" securities were converted into shares of our common stock. In addition, an estimate of the weighted-average number of shares that we reasonably anticipate will be issued under our stock-based compensation programs and employee benefit plans is included in this calculation.

The "CS" calculation is done on a fully-diluted basis since we believe that taking into account the issuance of all securities that will affect the per share value is a better representation of the share value over time. We have more than a 30-year history in making annual grants of stock-based compensation. Therefore, we believe that we have sufficient information to reasonably estimate the number of such "to be issued" shares. This approach avoids an artificial variance in share value during the first calendar quarter of each year when the bulk of shares of our common stock are issued by us pursuant to our stock-based compensation programs.

The following table shows a comparison of the "CS" value actually used by our Board of Directors to calculate stock prices on the dates indicated versus the year-to-date weighted-average number of shares of common stock as reflected in the diluted earnings per share calculation in our financial statements for the past three years.

(in thousands) **Effective Date**	**CS**	**YTD Weighted-Average Number of Shares as reflected in Diluted EPS calculation**
May 8, 2008	35,617	34,440
August 15, 2008	35,858	34,568
November 7, 2008	35,929	34,545
February 13, 2009	35,735	34,376
May 7, 2009	35,314	32,396
August 7, 2009	34,931	32,533
November 6, 2009	34,608	32,577
February 12, 2010	34,424	32,599
May 6, 2010	34,353	32,305
August 13, 2010	34,178	32,356
November 12, 2010	33,903	32,270
February 11, 2011	33,450	32,163

Constant 7.8. In the course of developing this valuation methodology, it became apparent to our Board of Directors that a multiple would be required in order for the stock price derived by this methodology to approximate our historical, pre-Internal Market stock price. Another objective of our Board of Directors when developing the valuation methodology was to establish the fair value of our common stock using a market factor of 1.0. We believe that it was important to begin the Internal Market program with an "M" factor equal to 1.0 in order to make it easier for shareholders to understand future changes, if any, to the market factor.

Therefore, the constant 7.8 was introduced into the formula. The constant 7.8 is the multiple that our Board of Directors determined necessary (i) for the new stock price to approximate our historical stock price derived using the pre-Internal Market formula as well as (ii) to allow the use of the market factor of 1.0 at the beginning of the Internal Market program.

We intend to announce the new stock price and the Trade Date approximately four weeks prior to each Trade Date. The information will be delivered by the broker to all employees, eligible consultants and eligible participants in the internal market. In addition, we will file a Current Report on Form 8-K disclosing the new stock price and all components used by our Board of Directors in determining such price in accordance with the valuation methodology described above.

We will also distribute the most current prospectus for our common stock and our audited annual financial statements to all shareholders, as well as other employees and eligible consultants, and to participants in the Internal Market through the employee benefit plans. Such information will be distributed at the same time as our annual reports and proxy information. Solicitations are distributed for voting instructions from shareholders and participants in the employee benefit plans each year.

Current Price of Our Common Stock

Starting in 2000, with the introduction of the Internal Market and its quarterly trades, our Board of Directors reviews the common stock price quarterly using the valuation methodology described above to set the price for the common stock. The prices of our common stock for the past three years, along with the various factors and values used by our Board of Directors to determine such stock prices on each date, are as follows:

Effective Date	M	P	SE	CS	Price Per Share	Percentage Price Increase (Decrease)
		(in thousands)	(in thousands)	(in thousands)		
May 8, 2008	1.2	69,624	463,434	35,617	31.31	3.3%
August 15, 2008	1.2	68,031	464,561	35,858	30.71	(1.9)%
November 7, 2008	1.2	66,816	480,313	35,929	30.77	0.2%
February 13, 2009	1.2	71,918	438,318	35,735	31.10	1.1%
May 7, 2009	1.2	74,295	453,760	35,314	32.54	4.6%
August 7, 2009	1.2	82,561	474,858	34,931	35.72	9.8%
November 6, 2009	1.2	93,047	544,759	34,608	40.91	14.5%
February 12, 2010	1.2	90,816	544,913	34,424	40.52	(1.0)%
May 6, 2010	1.2	93,067	541,940	34,353	41.13	1.5%
August 13, 2010	1.2	105,385	568,233	34,178	45.49	10.6%
November 12, 2010	1.2	106,297	581,344	33,903	46.49	2.2%
February 11, 2011	1.2	106,848	563,649	33,450	46.75	0.6%

Changes to Commission Charged to Sellers on the Internal Market

Effective February 11, 2011, CH2M HILL and Neidiger Tucker Bruner ("NTB") agreed that all sellers on the internal market, other than CH2M HILL and the trustees of CH2M HILL's benefit plans will pay NTB a commission equal to 3 tenths of one percent (.3%) of proceeds from such sales. It is a reduction from the previous commission level of two percent (2%). No commission is paid by buyers on the internal market.

Holders of Our Common Stock

As of February 11, 2011, there were 8,069 holders of record of our common stock. As of such date, all of our common stock of record was owned by our current and retired employees, directors, eligible consultants, and by our various employee benefit plans. Common stock is held in a trust for each of our employee benefit plans and each trust is considered one holder of record of our common stock.

Dividend Policy

We have never declared or paid any cash dividends on our common stock and no cash dividends are contemplated on our common stock in the foreseeable future.

Issuer Purchases of Equity Securities

The following table covers the purchases of our securities by CH2M HILL during the quarter ended December 31, 2010:

Period	Total Number of Shares	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
October(a)	1,983	$43.53	—	—
November	—	—	—	—
December(a)(b)	742,964	$46.49	—	—
Total	744,947	$46.48	—	—

(a) Shares purchased by CH2M HILL from terminated employees.

(b) Shares purchased by CH2M HILL in the Internal Market.

Item 6. *Selected Financial Data*

The selected financial data presented below under the captions “Selected Statement of Operations Data” and “Selected Balance Sheet Data” for, and as of the end of, each of the years in the five-year period ended December 31, 2010, are derived from the consolidated financial statements of CH2M HILL Companies, Ltd. and subsidiaries, which consolidated financial statements have been audited by KPMG LLP, an independent registered public accounting firm. The consolidated financial statements as of December 31, 2010 and 2009, and for each of the years in the three-year period ended December 31, 2010, and the report thereon, are included in Item 15 of this Annual Report on Form 10-K. The following information should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Item 7, and the consolidated financial statements and related notes thereto, included in this Annual Report on Form 10-K.

The consolidated financial statements and selected financial data below reflect the adoption of new accounting standards related to variable interest entities; accounting for non-controlling interests in consolidated financial statements; employee benefit plan expenses; income taxes; and acquisitions which affect the comparability of information presented. Certain prior years’ amounts have been reclassified to conform to the current year presentation.

	Years Ended December 31,				
($ in millions, except per share data)	**2010**	**2009**	**2008**	**2007**	**2006**
Selected Statement of Operations Data:					
Revenues	$5,422.8	$5,499.3	$5,589.9(a)	$4,376.2	$4,006.9
Operating income	174.8	174.5(c)	89.2	77.2	64.2
Net income attributable to CH2M HILL	93.7	103.7	32.1	66.0	38.9
Net income per common share					
Basic	$2.98	$3.25	$0.96	$2.01	$1.20
Diluted	$2.91	$3.18	$0.93	$1.97	$1.18
Selected Balance Sheet Data:					
Total assets	$1,967.1	$1,948.0	$1,971.8	$1,909.9	$1,279.5
Long-term debt, including current maturities	37.6	52.3(d)	175.9	197.8(b)	0.6
Total shareholders’ equity	554.2	524.8	386.7	464.5	368.9

(a) The majority of the increase in revenues for the year ended December 31, 2008 relates to a full year of revenue recognized from the operations acquired of VECO Corporation (VECO) and Trigon EPC, LLC (Trigon).

(b) The majority of the increase in long-term debt outstanding at December 31, 2007 relates to the debt incurred to fund the acquisitions of VECO and Trigon and the debt assumed in those business combinations.

(c) The increase in 2009 was primarily attributable to the gain of $58.2 million on the sale of certain assets of our Enterprise Management Solutions (EMS) business.

(d) During 2009, the net repayments of debt were approximately $123.5 million.

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

Business Summary

We are a large employee owned professional engineering services firm providing engineering, construction, consulting, design, design-build, procurement, operations and maintenance, program management and technical services to U.S. federal, state, municipal and local government agencies, national governments, as well as private industry, around the world. Founded in 1946, we have approximately 23,000 employees in offices worldwide.

Our revenues are dependent upon our ability to attract and retain qualified and productive employees, identify business opportunities, allocate our labor resources to profitable markets, secure new contracts, execute existing contracts, and maintain existing client relationships. Moreover, as a professional services company, the quality of the work generated by our employees is integral to our revenue generation.

We believe we provide our clients with innovative project delivery using cost-effective approaches and advanced technologies. We continuously monitor acquisition and investment opportunities that will expand our portfolio of services, markets and geographic reach, add value to the projects undertaken for clients, or enhance our capital strength. We believe that we are well positioned geographically, technically and financially to compete anywhere in the world in the key markets we have elected to pursue.

We provide services to our clients through three operating segments—Government, Environment and Nuclear (GEN), Facilities and Infrastructure (F&I) and Energy, which are aligned with the types of clients we serve. Our GEN segment generally provides a comprehensive range of services to various U.S. federal government agencies, other national governments, and to private sector clients. Our F&I segment generally provides a comprehensive range of services to various industry segments, and U.S. and other countries' state, local and provincial governments. Our Energy segment generally provides a comprehensive range of services to private sector clients.

In order to improve our competitiveness, client service, and financial strength, effective January 1, 2011, we have reorganized our reporting structure under which our chief operating decision maker will be making strategic and operating decisions with regard to assessing performance and allocating resources. We believe this new organizational structure will help us deal with global economic and industry challenges, and better position us for a solid future. As a result, our water business will be reported with the Energy segment creating the Energy and Water segment. Additionally, our Industrial Systems business will be split based upon its operations and combined within our Environmental Services business and Water business and thus reflected in the GEN and Energy and Water segments, respectively. These changes will be reflected beginning January 1, 2011.

Acquisitions

We continuously monitor acquisition and investment opportunities that will expand our portfolio of services, add value to the projects undertaken for clients, or enhance our capital strength. Mergers and acquisitions in our industry have resulted in a group of larger firms that offer a full complement of single-source services including studies, designs, construction, operations, maintenance and in some instances, facility ownership. We have also seen movement towards longer-term contracts for the expanded array of services, e.g., 5 to 20 year contracts. These larger, longer, full-service contracts require us to have substantially greater financial capital than has historically been necessary to remain competitive. There can be no assurances that we can continue to be successful when competing against companies in our industry who have greater access to capital. We expect to continue to see consolidation of our competitors which may result in challenges for our business in the future.

Sale of Operating Assets

During the third quarter of 2009, we completed the sale of certain assets of our Enterprise Management Solutions (EMS) business. We recorded a pre-tax gain of $58.2 million. The operating results of our EMS business are reflected in the GEN operating segment until the date of sale.

Summary of Operations

Results of Operations for the Year Ended December 31, 2010 Compared to 2009

	2010			2009			Change				
($ in millions)	Revenue	Equity in Earnings	Operating Income (Loss)	Revenue	Equity in Earnings	Operating Income (Loss)	Revenue		Equity in Earnings	Operating Income (Loss)	
Government, Environment and Nuclear	$2,197.6	$46.9	$87.7	$1,939.1	$44.8	$136.0	$258.5	13.3%	$2.1	$(48.3)	(35.5)%
Facilities and Infrastructure	2,004.3	16.6	91.6	1,947.4	18.5	71.0	56.9	2.9%	(1.9)	20.6	29.0%
Energy	1,220.9	5.0	25.5	1,612.8	2.2	14.5	(391.9)	(24.3)%	2.8	11.0	75.9%
Other	—	—	(30.0)	—	—	(47.0)	—		—	17.0	(36.2)%
Total	$5,422.8	$68.5	$174.8	$5,499.3	$65.5	$174.5	$(76.5)		$3.0	$0.3	

Government, Environment and Nuclear

Revenue increased for the year ended December 31, 2010, compared to the same period in the prior year by $258.5 million or 13.3%. The increase in revenue is primarily due to an increased volume of contracts in our nuclear business primarily generated as a result of the American Recovery and Reinvestment Act to accelerate environmental cleanups. In addition, our work under a nuclear remediation project in Washington began during 2009 and thus volumes increased in 2010 in comparison to 2009. The increase is partially offset by lower volumes in our GF&I business due to increased domestic competition, a decrease in federal spending internationally and the completion of work we performed on the recovery efforts on Hurricane Ike in 2009. Revenue volumes in our environmental markets remained relatively consistent with those in the prior year.

Operating income decreased for the year ended December 31, 2010 compared to the same period in the prior year by $48.3 million or 35.5%. During 2009, we recognized a $58.2 million gain on the sale of EMS. Excluding the sale of EMS, the operating income increased approximately $9.9 million. The increase is primarily due to the fluctuations in revenues discussed above. In addition, we reduced our overhead spending significantly as well as general and administrative costs associated with managing our major projects within the segment.

Facilities and Infrastructure

Revenue increased for the year ended December 31, 2010, compared to last year by $56.9 million. The increase is primarily attributable to the growing demand in our water design build business in North America, Australia and Europe. Additionally, we have experienced increased volumes in our operations and management business due to the transition of certain design-build-operate water projects into the operation phases of the projects and increased scope at certain of our facility services projects. Our Industrial and Advanced Technology business experienced revenue growth primarily as a result of a large construction project in Malaysia. These increases were partially offset by reduced workload in our transportation consulting markets due to the economic environment and delays in project awards.

Operating income increased for the year ended December 31, 2010, compared to the prior year by $20.6 million or 29.0%. The increase is primarily associated with the increased revenues discussed above. Operating margins were also positively impacted by the successful negotiation of change orders during 2010 on a transportation construction project and a design-build-operate water project. Additionally, our operating income in 2009 was negatively impacted by significant write offs of uncollectible receivables on two projects in the Middle East. These increases to 2010 operating income were partially offset by a decrease in our Industrial and Advanced Technology business margins; however, we underwent significant overhead cost reduction efforts throughout 2010 to better align our overhead structure within this business to its current backlog.

Energy

Revenue decreased for the year ended December 31, 2010, compared to last year by $391.9 million or 24.3%. The decrease in revenue is primarily attributable to a decrease in activity within the oil and gas businesses due primarily to constrained capital spending and a continued highly competitive market. In addition, certain Alaska construction activities neared completion in 2010 and thus experienced a decrease in revenues from 2009. Revenues within our power business have slowed as large projects also have been completed or are nearing completion during 2010 as well as an overall decline in the number of contract awards in this business sector. These decreases were slightly offset by an increase in our industrial systems business volumes.

Operating income increased for the year ended December 31, 2010 compared to 2009 by $11.0 million, or 75.9%. Although our operating income was negatively impacted by the overall decline in our revenues discussed above, we were successful in the settlement of change orders within our power business during 2010 which offset this decline. In addition, our Energy business had $17.2 million less of amortization expense from intangibles related to the VECO acquisition, significantly reduced overhead spending in response to the decline in market conditions and implemented cost control measures which increased our operating income from the prior year.

Results of Operations for the Year Ended December 31, 2009 Compared to 2008

	2009			2008			Change				
($ in millions)	Revenue	Equity in Earnings	Operating Income (Loss)	Revenue	Equity in Earnings	Operating Income (Loss)	Revenue		Equity in Earnings	Operating Income (Loss)	
Government, Environment and Nuclear	$1,939.1	$44.8	$136.0	1,668.9	$41.3	$80.6	$270.2	16.2%	$3.5	$55.4	68.7%
Facilities and Infrastructure	1,947.4	18.5	71.0	1,986.6	(12.1)	31.9	(39.2)	(2.0)%	30.6	39.1	122.6%
Energy	1,612.8	2.2	14.5	1,934.4	5.0	50.9	(321.6)	(16.6)%	(2.8)	(36.4)	(71.5)%
Other	—	—	(47.0)	—	—	(74.2)	—		—	27.2	36.7%
Total	$5,499.3	$65.5	$174.5	$5,589.9	$34.2	$89.2	$(90.6)		$31.3	$85.3	

Government, Environment and Nuclear

Revenue increased for the year ended December 31, 2009, compared to the same period in the prior year by $270.2 million or 16.2%. The increase in revenue is substantially due to higher volume of work in Texas supporting Hurricane Ike recovery. Also contributing to the increase in revenues is the award of a domestic nuclear contract and the award of a program management project in the United Arab Emirates, partially offset by delays in finalizing newly awarded governmental contracts in our continental U.S. design build markets. Additionally, the revenue increase was partially offset by decreased revenues in the enterprise management solutions business due to the sale of certain assets of the business during the second quarter 2009.

Operating income increased during the year ended December 31, 2009, compared to last year, by $55.4 million or 68.7%. The increase is due to the $58.2 million gain on the sale of certain operating assets of our EMS business. Excluding this gain, operating income decreased slightly from the prior year due to the completion of two major nuclear projects in the second half of 2009 which generated operating income during the full year in 2008. This decrease was partially offset by the startup of a domestic and an international nuclear project associated with the revenues discussed above.

Facilities and Infrastructure

Revenue decreased for the year ended December 31, 2009, compared to last year by $39.2 million or 2%. The decrease is largely attributable to significant decreases in both full service and traditional service revenue in the manufacturing and life sciences markets. Additionally, the operations and maintenance business experienced delays and scope reductions on several projects as a result of budget constraints at municipal clients. The decrease is partially offset by growth in our North American consulting and international markets. North American consulting growth is due in part to design and program management services for municipal clients in the northeast and southwest United States, while international growth was driven primarily by large program management projects located in the United Kingdom and United Arab Emirates.

Operating income increased significantly for the year ended December 31, 2009 compared to the prior year by $39.1 million or 122.6%. During the second quarter of 2008, a significant loss was recognized on a transportation project within one of its joint ventures that is now substantially complete. The increase is also attributable to the increased volume within our transportation business discussed above. The increase in operating income is partially offset by schedule and cost impacts on two projects in the Middle East within our transportation and water businesses.

Energy

Revenue decreased for the year ended December 31, 2009, compared to last year by $321.6 million or 16.6%. The decrease in revenue is primarily attributable to a decrease in full service revenue due to a slow down in economic activity and depressed oil and gas prices. Also contributing to the decrease were delays and contract value reductions in certain businesses and the cancellation of a project in Canada. The decrease is partially offset by increased volume in Alaska and the related work on the North Slope within our energy and chemicals business as well as two engineering-procurement-construction (EPC) power projects awarded during 2007 that are now in the peak of their construction cycles.

Operating income decreased for the year ended December 31, 2009 compared to 2008 by $36.4 million, or 71.5%. The decrease in operating income is primarily attributable to the delays, contract value reduction and the project cancellation as discussed above which was partially offset by income derived from the two engineering, procurement and construction (EPC) projects discussed above.

Other

Other primarily includes corporate expenses which represent centralized management costs that are not allocable to individual operating segments and primarily include expenses associated with administrative functions such as executive management, legal, treasury, tax, and general business development efforts. Corporate expenses for the year ended December 31, 2010 were $30.0 million compared to $47.0 million at December 31, 2009, and $74.2 million in 2008. The overall decrease is primarily attributable to our continued overhead cost reduction efforts that began in the fourth quarter of 2008.

Income Taxes

The income tax provisions for the years ended December 31, 2010, 2009 and 2008 are as follows:

($ in millions)	**Income Tax Provision**	**Effective Tax Rate**
2010	$53.8	36.5%
2009	$46.4	30.9%
2008	$27.5	46.2%

The effective tax rate for the year ended December 31, 2010 was 36.5% compared to 30.9% for the same period in the prior year. The current year rate was negatively impacted by a decrease in the Section 199 domestic production deduction, a significant decrease in research and experimentation credit impacts, and a decrease in officer's life insurance benefits when compared to the prior year. These negative impacts were partially offset by a decrease in valuation allowances when compared to 2009, due to improved operating results of foreign operations. The significant decrease in the effective tax rate for the year ended December 31, 2009 compared to 2008 was primarily due to recognition of benefits from statute expirations, taxing jurisdiction settlements and by improved foreign operating results in 2009. Our effective tax rate continues to be impacted by deferred compensation, unrealized foreign net operating losses in selected countries, and disallowed portions of meals and entertainment expenses.

We must assess the likelihood that we will be able to recover our deferred tax assets. If recovery is not likely, we must increase our tax provision by recording a valuation allowance for the deferred tax assets that we estimate will not ultimately be recoverable. As of December 31, 2010 and 2009, we reported a valuation allowance of $27.7 million and $26.0 million, respectively, related primarily to the reserve of certain foreign net loss carryforwards.

Liquidity and Capital Resources

Our primary sources of liquidity are cash flows from operations and borrowings under our unsecured revolving line of credit. Our primary uses of cash are to fund our working capital, capital expenditures and purchases of common stock presented on our internal market. Based on our total cash and credit capacity available at December 31, 2010 of $803.4 million, we believe that we have sufficient resources to fund our operations, any future acquisition and capital expenditure requirements, as well as purchases of common stock presented on our internal market, should we choose to do so, for the next 12 months and beyond.

The following table reflects our available capacity as of December 31, 2010 (in millions):

Cash on hand		$290.4
Available for sale securities		2.4
Line of credit capacity	$600.0	
Outstanding borrowings	—	
Issued letters of credit	(89.4)	
Net credit capacity available		510.6
Total available capacity		$803.4

Billings and collections on accounts receivable can impact our operating cash flows. We continuously monitor collection efforts and assess the allowance for doubtful accounts. Based on this assessment at December 31, 2010, we have deemed the allowance for uncollectible accounts to be adequate; however, future economic conditions may adversely impact some of our clients' ability to pay our bills or the timeliness of their payments. Consequently, it may also impact our timing of cash receipts necessary to meet our operating needs.

Cash generated in investing activities was $1.7 million in the twelve months ended December 31, 2010 compared to $16.2 million generated in investing activities for the same period in 2009. The major uses of cash in investing activities relate to payments made for the purchase of property, plant, and equipment and investments in our joint ventures. We spent $26.9 million and $37.7 million on capital expenditures in 2010 and 2009, respectively. The net cash flows invested in our unconsolidated affiliates decreased $13.2 million from December 31, 2009 to December 31, 2010. The cash increase as a result of the consolidation of variable interest entities was $32.7 million. During 2010 we purchased $37.1 million of marketable securities of Scott Wilson Group plc, a design and engineering firm headquartered in the United Kingdom. We subsequently sold the securities for $43.6 million. In addition, during 2009, we received proceeds of $71.0 million for the sale of certain operating assets from our EMS business in the GEN segment.

In connection with the acquisition of VECO, the purchase agreement established a holdback contingency of $70.0 million for tax indemnifications and the potential future payment of certain contingencies that may arise within three years after the date of acquisition. Any amounts remaining after payments for these indemnifications and contingencies are payable to the sellers of VECO. Since the date of acquisition, we have made distributions to the sellers of VECO and paid expenses on their behalf which were deemed distributions of the holdback contingency. At December 31, 2010 and 2009, the outstanding balance payable under the holdback contingency was $46.7 million and $49.1 million, respectively. Amounts outstanding under the holdback contingency as of December 31, 2010 represent disputed contingent claims and tax indemnifications which have not been resolved. Upon resolution of the outstanding items, we will likely incur costs which will be paid out of the holdback funds with any remaining amount being remitted to the sellers.

We finance our operations, acquisitions and capital expenditures using a variety of capital vehicles. On December 6, 2010, we entered into a Credit Agreement (the "Credit Agreement") providing for an unsecured revolving credit facility in an amount of up to $600 million. Subject to certain conditions, at any time prior to the date that is thirty days before the maturity date of the Credit Agreement, we will be able to invite existing and new lenders to increase the size of the revolving credit facility by up to $100 million, for a maximum aggregate revolving credit facility of $700 million. The revolving credit facility has a subfacility for the issuance of standby letters of credit in a face amount up to $300 million, a subfacility of up to $300 million for multicurrency borrowings and a subfacility of up to $20 million for swingline loans. Revolving loans under the Credit Agreement bear interest, at the Company's option, at a rate equal to either (i) the base rate plus a margin based on the ratio of CH2M HILL's consolidated leverage ratio or (ii) the LIBOR rate, based interest periods of one, two, three or six months, plus a margin based on the ratio of our consolidated leverage ratio. The base rate is equal to the greater of (i) the Federal Funds Rate, as published from time to time by the Federal Reserve Bank of New York, plus 0.5%, (ii) the swingline lender's prime rate in effect from time to time, or (iii) the one-month LIBOR rate in effect from time to time, plus 1.0%. Our consolidated leverage ratio on any date is the ratio of our consolidated total funded debt to our consolidated earnings before interest, taxes, depreciation and amortization for the preceding four fiscal quarters. There can be no assurance that the capacity under the credit facility will be adequate to fund future operations or acquisitions the Company may pursue from time to time.

Depending on the applicable terms and conditions on new debt or equity offerings compared to the opportunity cost of using our internally generated cash, we may either choose to finance new opportunities using leverage in the form of our Credit Agreement, or other debt. In some instances we may use a combination of one or more of these financing mechanisms. As of December 31, 2010, our total outstanding debt obligations were approximately $37.6 million. There was not an outstanding balance on the Credit Agreement. The majority of these obligations relate to the issuance of notes payable and mortgages related to property, plant and equipment.

At December 31, 2010, issued and outstanding letters of credit of $89.4 million were reserved against the borrowing base of the Credit Agreement, compared to $78.4 million at December 31, 2009.

For the twelve months ended December 31, 2010, repurchases of stock were $137.2 million compared to $91.3 million for the same period in the prior year. Additionally, the net repayments of debt were approximately $14.2 million during 2010 compared to approximately $123.5 million during 2009. For additional information regarding repurchases of stock and our Internal Market, see "Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities" in Item 5 of this Annual Report on Form 10-K.

Depreciation and Amortization

Depreciation and amortization expense for the year ended December 31, 2010 of $62.3 million was $18.6 million less than the same period in 2009. We recognized $52.1 million and $53.5 million of depreciation expense related to fixed assets during 2010 and 2009, respectively. We recognized $10.2 million and $27.4 million of amortization expense related to intangible assets during 2010 and 2009, respectively. A significant amount of the depreciation and amortization expense is attributable to fixed assets and intangible assets held in our Energy segment.

Off-Balance Sheet Arrangements

We have interests in multiple joint ventures, some of which are considered variable interest entities. These entities facilitate the completion of contracts that are jointly owned with our joint venture partners. These joint ventures are formed to leverage the skills of the respective partners and include consulting, construction, design, project management and operations and maintenance contracts. Our risk of loss on joint ventures is similar to what the risk of loss would be if the project was self-performed, other than the fact that the risk is shared with our partners.

There were no substantial changes to other off-balance sheet arrangements or contractual commitments during the twelve months ended December 31, 2010.

Aggregate Commercial Commitments

We maintain a variety of commercial commitments that are generally made available to provide support for various provisions in engineering and construction contracts. Letters of credit are provided to clients in the ordinary course of the contracting business in lieu of retention or for performance and completion guarantees on engineering and construction contracts. We post surety and bid bonds, which are contractual agreements issued by a surety, for the purpose of guaranteeing our performance on contracts and to protect owners and are subject to full or partial forfeiture for failure to perform obligations arising from a successful bid. We also carry substantial premium paid, traditional insurance for our business risks including professional liability and general casualty insurance and other coverage which is customary in our industry.

We believe that we will be able to continue to have access to professional liability and general casualty insurance, as well as bonds, with sufficient coverage limits, and on acceptable financial terms necessary to support our business. The cost of such coverage has remained stable during 2010 and is expected to continue to be stable in the foreseeable future. See "Risk Factors—It can be difficult or expensive to obtain the insurance we need for our business operations" in Item 1A of this Annual Report on Form 10-K for additional information.

Our risk management personnel continuously monitor the developments in the insurance market. The financial stability of the insurance and surety providers is one of the major factors that we take into account when buying our insurance coverage. Currently our insurance and bonds are purchased from several of the world's leading and financially stable providers often in layered insurance or co-surety arrangements. The built-in redundancy of such arrangements usually enables us to call upon existing insurance and surety suppliers to fill gaps that may arise if other such suppliers become financially unstable.

Contractual Obligations

Contractual obligations outstanding as of December 31, 2010 are summarized below:

($ in millions) Contractual Obligations	Amount of Commitment Expiration Per Period Less than 1 Year	1-3 Years	4-5 Years	Over 5 Years	Total Amount Committed
Letters of credit	$67.5	$21.2	$0.7	$—	$89.4
Total debt	13.9	13.0	3.9	6.8	37.6
Interest payments	1.9	1.8	1.1	1.0	5.8
Operating lease obligations	115.3	184.3	129.2	102.6	531.4
Surety and bid bonds	1,019.4	327.2	164.0	—	1,510.6
Total	$1,218.0	$547.5	$298.9	$110.4	$2,174.8

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles (GAAP). The preparation of these financial statements requires us to make estimates and judgments that affect both the results of operations as well as the carrying values of our assets and liabilities. Some of our accounting policies require us to make difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. We base estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities as of the date of the financial statements that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Although our significant accounting policies are described in the Notes to Consolidated Financial Statements in Item 15 of this Annual Report on Form 10-K, below is a summary of our most critical accounting policies.

Revenue Recognition

We earn our revenues from different types of services under a variety of different types of contracts, including cost-plus, fixed-price and time-and-materials. We evaluate contractual arrangements to determine how to recognize revenue. We recognize revenue and profit for most of our contracts on the percentage-of-completion method where progress towards completion is measured by relating the actual cost of work performed to date to the current estimated total cost of the respective contract. In making such estimates, judgments are required to evaluate potential variances in schedule, the cost of materials and labor, productivity, liability claims, contract disputes, or achievement of contract performance standards.

Change orders are included in total estimated contract revenue when it is probable that the change order will result in an addition to contract value and can be reliably estimated. Losses on construction and engineering contracts in process are recognized in their entirety when the loss becomes evident and the amount of loss can be reasonably estimated.

We have a history of making reasonable estimates of the extent of progress towards completion, total contract revenue and total contract costs on our engineering and construction contracts. However, due to uncertainties inherent in the estimation process, actual total contract revenue and completion costs can vary from estimates.

Below is a description of the three basic types of contracts from which we may earn revenues using the percentage-of-completion method.

Cost-Plus Contracts. Cost-plus contracts can be cost plus a fixed fee or rate, or cost plus an award fee. Under these types of contracts, we charge our clients for our costs, including both direct and indirect costs, plus a fixed negotiated fee or award fee. We generally recognize revenue based on the actual labor costs and non-labor costs we incur, plus the portion of the fixed fee or award fee we have earned to date. If the actual labor hours and other costs we expend are lower than the total number of hours and other costs we have estimated, our revenues related to cost recoveries from the project will be lower than originally estimated. If the actual labor hours and other costs we expend exceed the original estimate, we must obtain a change order, contract modification, or successfully prevail in a claim in order to receive payment for the additional costs.

In the case of a cost-plus award fee, we include in the total contract value the portion of the fee that we are probable of receiving. Award fees are influenced by the achievement of contract milestones, cost savings and other factors.

Fixed Price Contracts. Under fixed price contracts, our clients pay us an agreed amount negotiated in advance for a specified scope of work. For engineering and construction contracts, we recognize revenue on fixed price contracts using the percentage-of-completion method where costs incurred to date are compared to total projected costs at contract completion. Prior to completion, our recognized profit margins on any fixed price contract depend on the accuracy of our estimates and will increase to the extent that our actual costs are below the original estimated amounts. Conversely, if our costs exceed these estimates, our profit margins will decrease and we may realize a loss on a project. If our actual costs exceed the original estimate, we attempt to obtain a change order or contract modification.

Time-and-Materials Contracts. Under our time-and-materials contracts, we negotiate hourly billing rates and charge our clients based on the actual time that we expend on a project. In addition, clients reimburse us for our actual out-of-pocket costs of materials and other direct expenditures that we incur in connection with our performance under the contract. Our profit margins on time-and-materials contracts fluctuate based on actual labor and overhead costs that we directly charge or allocate to contracts compared with the negotiated billing rate and markup on other direct costs. Some of our time-and-materials contracts are subject to maximum contract values, and accordingly, revenue under these contracts are recognized under the percentage-of-completion method where costs incurred to date are compared to total projected costs at contract completion. Revenue on contracts that are not subject to maximum contract values are recognized based on the actual number of hours we spend on the projects plus any actual out-of-pocket costs of materials and other direct expenditures that we incur on the projects. Our time-and-materials contracts generally include annual billing rate escalation provisions.

Operations and Maintenance Contracts. A portion of our contracts are operations and maintenance type contracts. Typically, these contracts may include fixed and variable components along with incentive fees. Revenue is recognized on operations and maintenance contracts on a straight-line basis over the life of the contract once we have an arrangement, delivery has occurred, the price is fixed or determinable and collectability is reasonably assured.

Income Taxes

In determining net income for financial statement purposes, we must make estimates and judgments in the calculation of tax assets and liabilities and in the determination of the recoverability of the deferred tax assets. The tax assets and liabilities arise from temporary differences between the tax return and the financial statement recognition of revenue and expenses. We must assess the likelihood that we will be able to recover our deferred tax assets. If recovery is not likely, we must increase our tax provision by recording a valuation allowance for the deferred tax assets that we estimate will not ultimately be recoverable.

In addition, the calculation of our income tax provision involves uncertainties in the application of complex tax regulations. For income tax benefits to be recognized, a tax position must be more likely than not to be sustained upon ultimate settlement.

Pension and Postretirement Employee Benefits

We have two frozen and one active noncontributory defined benefit pension plans, a medical benefit plan for retired employees and other benefit plans. The determination of pension plan expense and the requirements for funding our pension plans are based on a number of actuarial assumptions. These valuations include many assumptions, but the two most critical assumptions are the discount rate and the expected long-term rate of return on plan assets. For our medical benefit plan, which provides certain health care benefits to qualified retired employees, critical assumptions in determining the employee benefit expense are the discount rate applied to benefit obligations and the assumed health care cost trend rates used in the calculation of benefit obligations. We use judgment in selecting these assumptions each year because we have to consider not only current market conditions, but also make judgments about future market trends, changes in the interest rates and equity market performance. We also have to consider factors like the timing and amounts of expected contributions to the plans and benefit payments to plan participants.

The funded status of a benefit plan is measured as the difference between plan assets at fair value and the benefit obligation. We record an asset for overfunded plans and a liability for underfunded plans, with a corresponding entry recorded to accumulated other comprehensive loss, net of tax.

Recently Adopted Accounting Standards

In June 2009, the FASB issued Accounting Standards Update (ASU) No. 2009-17, *Consolidations (Topic 810)—Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*, revising the existing guidance on the consolidation and disclosures of variable interest entities (VIEs) which was codified in Accounting Standards Codification (ASC) 810-10. Specifically, it changes how a reporting entity determines when an entity that is insufficiently capitalized or is not controlled through voting rights should be consolidated. The determination of whether a reporting entity is required to consolidate another entity is based on, among other things, the entity's purpose and design and the reporting entity's ability to direct the activities of the other entity that most significantly impact the other entity's economic performance. The guidance also requires additional disclosures about a company's involvement with VIEs and requires an entity to continually assess any significant changes in risk exposure as well as an entity's assessment of the primary beneficiary of the entity. ASC 810-10 became effective for CH2M HILL beginning January 1, 2010. For further discussion of the effect of the adoption, see Note 3 of the footnotes to the consolidated financial statements.

In January 2010, the FASB issued ASU No. 2010-06 (ASU 2010-06), *Fair Value Measurements and Disclosures (Topic 820)—Improving Disclosures about Fair Value Measurements*. ASU 2010-06 requires expanded fair value disclosures about transfers into and out of Levels 1 and 2 fair value measurements and clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. ASU 2010-06 is effective for CH2M HILL beginning January 1, 2010. The adoption of this accounting standard update did not have a material impact on CH2M HILL's financial position, results of operations, cash flows and disclosures.

Commitments and Contingencies

CH2M HILL is party to various contractual guarantees and legal actions arising in the normal course of business. Because a large portion of CH2M HILL's business comes from the U.S. federal government and various federal agencies, state and municipal sources, CH2M HILL's procurement and certain other practices at times are subject to review and investigation by U.S. and state attorneys offices. Such state and U.S. federal government investigations, whether relating to government contracts or conducted for other reasons, could result in administrative, civil or criminal liabilities, including repayments, fines or penalties or could lead to suspension or debarment from future U.S. federal government contracting. These investigations often take years to complete and many result in no adverse action or alternatively could result in settlement. Damages assessed in connection with and the cost of defending any such actions could be substantial. While the outcomes of pending proceedings and legal actions are often difficult to predict, CH2M HILL's management believes that proceedings and legal actions currently pending would not result in a material adverse effect on CH2M HILL's results of operations or financial condition even if the final outcome is adverse to CH2M HILL.

Many claims that are currently pending against CH2M HILL are covered by our professional liability insurance, after retentions and deductibles. Management estimates that the levels of insurance coverage are generally adequate to cover CH2M HILL's liabilities, if any, with regard to such claims. Any amounts that are probable of payment by CH2M HILL are accrued when such amounts are estimable.

In 2010, we were notified that the U.S. Attorney's Office is investigating potential overtime irregularities on our DOE Hanford tank farms contract which we completed in 2008. We are cooperating with the investigation but given its early stages are not yet in a position to ascertain the strength of potential claims or quantify their possible impact. Based on currently available information, CH2M HILL's management believes that the investigation would not result in a material impact on CH2M HILL's results of operations or financial condition, even if the final outcome is adverse to CH2M HILL.

Item 7A. *Quantitative and Qualitative Disclosures About Market Risk*

In the ordinary course of our operations we are exposed to certain market risks, primarily changes in foreign currency exchange rates and interest rates. This risk is monitored to limit the effect of foreign currency exchange rate and interest rate fluctuations on earnings and cash flows.

Foreign currency exchange rates. The majority of our transactions are in U.S. dollars; however, our foreign subsidiaries conduct business in various foreign currencies. As a result, we are exposed to foreign currency exchange rate risk on transactions in some foreign countries. We do not comprehensively hedge our exposure to currency rate changes; however, our exposure to foreign currency fluctuations is limited in that most of our contracts require client payments to be in currencies corresponding to the currency in which costs are incurred. As a result, we do not need to hedge foreign currency cash flows for contract work performed.

Interest rates. Our interest rate exposure is generally limited to our unsecured revolving credit agreement, purchase of interest bearing short-term investments and the holdback contingency balance outstanding related to our acquisition of VECO. As of December 31, 2010 there was not a balance on the unsecured revolving credit agreement, but there was approximately $46.7 million outstanding on the holdback contingency. We have assessed the market risk exposure on these financial instruments and determined that any significant changes to the fair value of these instruments would not have a material impact on our consolidated results of operations, financial position or cash flows. Based upon the amount outstanding under the holdback contingency, a one percentage point change in the assumed interest rate would change our annual interest expense by approximately $0.5 million.

Item 8. ***Financial Statements and Supplementary Data***

Reference is made to the information set forth beginning on page F-1.

Item 9. ***Changes in and Disagreements With Accountants on Accounting and Financial Disclosure***

None.

Item 9A. ***Controls and Procedures***

Disclosure Controls and Procedures

We carried out an evaluation as of the last day of the period covered by this Annual Report on Form 10-K, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (Exchange Act). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures (a) are effective to ensure that information required to be disclosed by us in reports filed or submitted under the Exchange Act is timely recorded, processed, summarized and reported and (b) include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There have been no changes in our internal control over financial reporting during the quarter ended December 31, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on our evaluation under the framework in Internal Control—Integrated Framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2010.

The effectiveness of our internal control over financial reporting as of December 31, 2010 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report which is included herein on page F-2.

Item 9B. ***Other Information***

Not applicable.

PART III

Item 10. *Directors, Executive Officers and Corporate Governance*

Certain information required by this item is incorporated by reference from CH2M HILL's definitive proxy statement for its 2011 Annual Meeting of Shareholders. Information regarding the executive officers of CH2M HILL is presented below:

EXECUTIVE OFFICERS OF CH2M HILL

The executive officers of CH2M HILL are listed below, along with their ages, tenure as officer and business background for at least the last five years.

Frederick M. Brune. Age 59. Mr. Brune has served as the President of CH2M HILL International since January 1, 2011. He previously served as President of the Government Facilities and Infrastructure business at CH2M HILL from 2006 to 2010. Between 1999 and 2005, Mr. Brune served as the President and Chief Executive Officer of Lockwood Greene, a company CH2M HILL acquired in 2003. He also served as Lockwood Greene's Chief Financial Officer between 1987 and 1999.

Robert G. Card. Age 58. Mr. Card has served as Senior Vice President of CH2M HILL and the President of the Energy and Water Division since January 1, 2011. Prior to his current role, Mr. Card has served in many senior executive positions, including Chief Executive Officer of Kaiser-Hill Company between 1996 and 2001, President for International Operations from 2004 through 2006, President of the Government, Environment and Nuclear Division from 2008 to 2009 and the Facilities and Infrastructure Division between 2009 and 2010. Between 2001 and 2004, Mr. Card served as the undersecretary for the US Department of Energy.

Michael A. Lucki. Age 54. Mr. Lucki joined CH2M HILL as Senior Vice President and Chief Financial Officer in November of 2010. Mr. Lucki came to CH2M HILL from Ernst & Young LLP where he was a partner and led the firm's Global Engineering and Construction (E&C) Industry Practice since 1994 and the firm's Global Infrastructure Practice since 2008.

John A. Madia. Age 55. Mr. Madia has served as Chief Human Resources Officer of CH2M HILL since November 2009. In May 2009 he joined CH2M HILL as Senior Vice President of Human Resources. Mr. Madia came to CH2M HILL from Dow Chemical Company where he was Vice President of Human Resources from 2006 to 2009.

Lee A. McIntire. Age 62. Mr. McIntire has been the Chairman of the Board of Directors of CH2M HILL since 2010 and the Chief Executive Officer since 2009. He joined CH2M HILL as the President and Chief Operating Officer in 2006. Before joining CH2M HILL, Mr. McIntire was a Professor and Executive-in-Residence at the Graduate School of Management, University of California, Davis (UC Davis). Prior to that, Mr. McIntire spent more than 15 years with Bechtel Group in various executive leadership positions.

Michael E. McKelvy. Age 52. Mr. McKelvy has served as Senior Vice President and the President of the Government, Environment and Nuclear Division of CH2M HILL since 2009. Prior to his current role, Mr. McKelvy was the President for the Industrial Client business between 2006 and 2009, and President for the Manufacturing and Life Sciences business of CH2M HILL since 2005. Prior to CH2M HILL, Mr. McKelvy held executive leadership positions within Lockwood Greene, a company CH2M HILL acquired in 2003.

Margaret B. McLean. Age 47. Ms. McLean has served as CH2M HILL's Chief Legal Officer and Chief Ethics & Compliance officer since 2007. Ms. McLean was appointed as CH2M HILL's Corporate Secretary and Senior Vice President in 2009. From 1998 to 2007, she was CH2M HILL's International, M&A and Securities Counsel. Prior to joining CH2M HILL, Ms. McLean was a Partner at the law firm of Holme Roberts & Owens LLP.

Jacqueline C. Rast. Age 49. Ms. Rast has served as Senior Vice President and the President of the Facilities and Infrastructure Division of CH2M HILL as of January 1, 2011 and previously served as the Vice President, Major Programs and Executive Director for Mergers and Acquisitions since 2009. Between 2007 and 2009, she led our Center for Project Excellence and has worked for CH2M HILL since 1988 in various senior technical and executive positions. Ms. Rast left CH2M HILL in 1997 to form her own consulting company, Talisman Partners, and returned to CH2M HILL in 2005 after successfully selling her business to an industry competitor.

JoAnn Shea. Age 46. Ms. Shea has served as Chief Accounting Officer of CH2M HILL since 2006 and as Vice President and Controller since 2003. She also served as acting Chief Financial Officer of CH2M HILL from May to November of 2010. Ms. Shea joined CH2M HILL in 1998 as Assistant Controller.

There are no family relationships among the executive officers or directors of CH2M HILL. The executive officers are elected by the Board of Directors each year and hold office until the organizational meeting of the Board in the next subsequent year and until his or her successor is chosen or until his or her earlier death, resignation or removal.

Item 11. *Executive Compensation*

Information required by this item is incorporated by reference from CH2M HILL's definitive proxy statement for its 2011 Annual Meeting of Shareholders.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters*

Information required by this item is incorporated by reference from CH2M HILL's definitive proxy statement for its 2011 Annual Meeting of Shareholders.

Item 13. *Certain Relationships and Related Transactions, and Director Independence*

Information required by this item is incorporated by reference from CH2M HILL's definitive proxy statement for its 2011 Annual Meeting of Shareholders.

Item 14. *Principal Accounting Fees and Services*

Information required by this item is incorporated by reference from CH2M HILL's definitive proxy statement for its 2011 Annual Meeting of Shareholders.

PART IV

Item 15. *Exhibits and Financial Statement Schedules*

Documents Filed as Part of this Report

1. Financial Statements

2. Financial Statement Schedules and Other

In accordance with Regulation S-X Rule 3.09, we furnish separate financial statements of significant subsidiaries not consolidated and 50% or less owned persons. We are required to include the balance sheets of Golden Crossing Constructors Joint Venture and CLM Delivery Partner, Limited as of December 31, 2010 and 2009, and the related statements of income, partners' equity, and cash flows for each of the years in the three-year period ended December 31, 2010. In accordance with Regulation S-X Rule 3.09, as the unconsolidated subsidiaries are foreign filers and are private entities, the financial statements of these entities will be filed as an amendment to this periodic report by June 30, 2011.

All financial statement schedules have been omitted because the required information is included in the consolidated financial statements or notes thereto, or because such schedules are not applicable.

3. Exhibits

The Exhibits required by this item are listed in the Exhibit Index. Each management contract and compensatory plan or arrangement is denoted with a "+" in the Exhibit Index.

Exhibit Number	Description
3.1	Restated Articles of Incorporation of CH2M HILL Companies, Ltd. (filed as Exhibit A to CH2M HILL's Definitive Proxy Statement on Schedule 14A on November 13, 2009 (Commission File No. 333-60700) , and incorporated herein by reference)
3.2	Restated Bylaws of CH2M HILL Companies, Ltd. (filed as Exhibit 3.1 to CH2M HILL's Form 8-K, on November 12, 2009 (Commission File No. 000-27261), and incorporated herein by reference)
*+10.1	CH2M HILL Retirement and Tax-Deferred Savings Plan, as amended and restated effective June 1, 2000 (Commission File No. 000-27261)
*+10.2	CH2M HILL Companies, Ltd. Supplemental Executive Retirement and Retention Plan effective February 11, 2010 (Commission File No. 000-27261)
*+10.3	CH2M HILL Companies, Ltd. Deferred Compensation Plan effective January 1, 2001(Commission File No. 000-27261)
*+10.4	CH2M HILL Companies, Ltd. Restricted Stock Policy and Administration Plan effective January 1, 2000 as amended and restated on February 11, 2011 (Commission File No. 000-27261)
*+10.5	CH2M HILL Companies, Ltd. Short Term Incentive Plan effective January 1, 2000 (Commission File No. 000-27261)
*+10.6	CH2M HILL Companies, Ltd. 2004 Stock Option Plan (Commission File No. 000-27261)
+10.7	CH2M HILL Companies, Ltd. Payroll Deduction Stock Purchase Plan as amended and restated effective January 1, 2004 (filed as Appendix B to CH2M HILL's Definitive Proxy Statement on Schedule 14A on March 26, 2004 (Commission File No. 000-27261), and incorporated herein by reference)
+10.8	CH2M HILL Companies, Ltd. Amended and Restated Executive Officers Long Term Incentive Plan effective January 1, 2005, as amended and restated on May 8, 2008 (filed as Exhibit 10.1 to CH2M HILL's Form 10-Q for the quarter ended March 31, 2008 (Commission File No. 000-27261), and incorporated herein by reference)
+10.9	CH2M HILL Companies, Ltd. Amended and Restated Long Term Incentive Plan effective January 1, 2005 (filed as Exhibit 10.15 to CH2M HILL's Form 10-K for the year ended December 31, 2006 (Commission File No. 000-27261), and incorporated herein by reference)
+10.10	Form of Change of Control Agreement between CH2M HILL Companies, Ltd. and employee directors and executive officers, effective as of July 1, 2010 (filed as Exhibit 10.1 to CH2M HILL's Form 10-Q for the quarter ended September 30, 2010, (Commission File No. 002-27261), and incorporated herein by reference)
+10.11	CH2M HILL Companies, Ltd. 2009 Stock Option Plan, effective January 1, 2009 (filed as Exhibit 10.24 on Form 10-K on February 24, 2009 (Commission File No. 000-27261), and incorporated herein by reference)
*10.12	Contract with Neidiger, Tucker, Bruner, Inc. dated as of July 1, 2006 (Commission File No. 000-27261)
*10.13	Credit Agreement dated as of December 6, 2010, by and among CH2M HILL Companies, Ltd. and certain of its subsidiaries, Wells Fargo Bank, National Association and other lenders (Commission File No. 000-27261)
10.14	Amended and Restated Credit Facility closed on September 6, 2007, by and among CH2M HILL Companies, Ltd. and certain of its wholly owned subsidiaries. Wells Fargo Bank, National Association, as agent and sole arranger, and other lenders as party thereto (certain portions of this exhibit have been omitted and filed separately with the Commission pursuant to a request for confidential treatment under Rule 24b-2 as promulgated under the Securities Exchange Act of 1934) (filed as Exhibit 10.1 to CH2M HILL's Form 8-K on September 13, 2007 (Commission File No. 000-27261), and incorporated herein by reference)
10.15	Agreement of Purchase and Sale executed on September 26, 2007 (dated September 11, 2007) by and between CH2M HILL, Inc. and WELLS REIT II—South Jamaica Street, LLC (filed as Exhibit 10.44 to CH2M HILL's Form 8-K on September 27, 2007 (Commission File No. 000-27261), and incorporated herein by reference)
10.16	Lease Agreement dated as of September 26, 2007, by and between CH2M HILL, Inc. and WELLS REIT II—South Jamaica Street, LLC (filed as Exhibit 10.43 to CH2M HILL's Form 8-K on September 27, 2007 (Commission File No. 000-27261), and incorporated herein by reference)
14.1	CH2M HILL Companies, Ltd. Ethics Code for Executive and Financial Officers (filed as Exhibit 14.1 to CH2M HILL's Form 10-K for the year ended December 31, 2009(Commission File No. 000-27261), and incorporated herein by reference)
*21.1	Subsidiaries of CH2M HILL Companies, Ltd.
*23.1	Consent of KPMG LLP, Independent Registered Public Accounting Firm
*24.1	Power of Attorney authorizing signature
*31.1	Written Statement of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

Exhibit Number	Description
*31.2	Written Statement of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*32.1	Written Statement of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)
*32.2	Written Statement of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)
99.1	Internal Market Rules, (filed as Exhibit 99.1 to CH2M HILL's Form 8-K on February 11, 2011 (Commission File No. 000-27261), and incorporated herein by reference)

* Filed herewith

\+ Indicates management contract or compensatory plan or arrangement

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
CH2M HILL Companies, Ltd.:

We have audited the accompanying consolidated balance sheets of CH2M HILL Companies, Ltd. and subsidiaries (the Company) as of December 31, 2010 and 2009, and the related consolidated statements of income, shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2010. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CH2M HILL Companies, Ltd. and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles.

As discussed in note 1 to the accompanying consolidated financial statements, the Company adopted new accounting standards relating to variable interest entities on January 1, 2010 and to noncontrolling interests in consolidated financial statements on January 1, 2009.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), CH2M HILL Companies, Ltd. and subsidiaries' internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 1, 2011 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

KPMG LLP

Denver, Colorado
March 1, 2011

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
CH2M HILL Companies, Ltd.:

We have audited CH2M HILL Companies, Ltd. and subsidiaries (the Company) internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, CH2M HILL Companies Ltd. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control—Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of CH2M HILL Companies, Ltd. and subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of income, shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2010, and our report dated March 1, 2011 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

Denver, Colorado
March 1, 2011

CH2M HILL COMPANIES, LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

(Dollars in thousands)

	December 31, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$290,405	$169,717
Available-for-sale securities	2,412	1,966
Receivables, net—		
Client accounts	558,734	611,634
Unbilled revenue	389,353	416,927
Other	21,264	20,882
Deferred income taxes	62,007	47,964
Prepaid expenses and other current assets	44,498	64,510
Total current assets	1,368,673	1,333,600
Investments in unconsolidated affiliates	82,982	78,053
Property, plant and equipment, net	169,261	197,152
Goodwill	130,354	130,354
Intangible assets, net	51,048	61,275
Deferred income taxes	112,919	109,438
Employee benefit plan assets and other	51,843	38,150
Total assets	$1,967,080	$1,948,022
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$13,934	$14,396
Accounts payable and accrued subcontractor costs	407,694	407,222
Billings in excess of revenue	237,053	292,280
Accrued payroll and employee related liabilities	291,713	259,798
Income tax payable	20,010	—
Other accrued liabilities	163,396	134,763
Total current liabilities	1,133,800	1,108,459
Long-term employee related liabilities and other	255,425	276,811
Long-term debt	23,687	37,943
Total liabilities	1,412,912	1,423,213
Commitments and contingencies (Note 17)		
Shareholders' equity:		
Preferred stock, Class A $0.02 par value, 50,000,000 shares authorized; none issued	—	—
Common stock, $0.01 par value, 100,000,000 shares authorized; 30,527,473 and 31,373,955 issued and outstanding at December 31, 2010 and 2009, respectively	305	314
Additional paid-in capital	—	12,803
Retained earnings	563,343	531,796
Accumulated other comprehensive loss	(18,768)	(32,743)
Total CH2M HILL common shareholders' equity	544,880	512,170
Noncontrolling interests	9,288	12,639
Total equity	554,168	524,809
Total liabilities and shareholders' equity	$1,967,080	$1,948,022

The accompanying notes are an integral part of these consolidated financial statements.

CH2M HILL COMPANIES, LTD. AND SUBSIDIARIES

Consolidated Statements of Income

(Dollars in thousands except per share amounts)

	For The Years Ended		
	December 31, 2010	December 31, 2009	December 31, 2008
Gross revenue	$5,422,801	$5,499,318	$5,589,906
Equity in earnings of joint ventures and affiliated companies	68,513	65,539	34,232
Operating expenses:			
Direct cost of services and overhead	(4,426,352)	(4,478,884)	(4,507,738)
General and administrative	(890,199)	(969,677)	(1,027,225)
Gain on sale of operating assets	—	58,235	—
Operating income	174,763	174,531	89,175
Other income (expense):			
Interest income	1,372	1,474	2,405
Interest expense	(4,616)	(7,487)	(15,833)
Income before provision for income taxes	171,519	168,518	75,747
Provision for income taxes	(53,804)	(46,420)	(27,497)
Net income	117,715	122,098	48,250
Less: Income attributable to noncontrolling interests	(24,020)	(18,356)	(16,194)
Net income attributable to CH2M HILL	$93,695	$103,742	$32,056
Net income per common share:			
Basic	$2.98	$3.25	$0.96
Diluted	$2.91	$3.18	$0.93
Weighted average number of common shares:			
Basic	31,458,126	31,907,861	33,486,512
Diluted	32,163,093	32,598,509	34,376,259

The accompanying notes are an integral part of these consolidated financial statements.

CH2M HILL COMPANIES, LTD. AND SUBSIDIARIES

Consolidated Statements of Shareholders' Equity and Comprehensive Income

(Dollars in thousands)

	Common Stock		Additional Paid-In	Retained	Accumulated Other Comprehensive	Noncontrolling	Total Shareholders'
	Shares	Amount	Capital	Earnings	Loss	Interest	Equity
Balance at December 31, 2007	33,158,068	$332	$70,596	$395,998	$(3,393)	$964	$464,497
Net income		—	—	32,056	—	16,194	48,250
Other comprehensive loss:							
Foreign currency translation adjustments		—	—	—	(17,269)	(923)	(18,192)
Benefit plan adjustments		—	—	—	(32,125)	—	(32,125)
Unrealized loss on equity investments		—	—	—	(1,299)	—	(1,299)
Comprehensive loss							(3,366)
Distributions to affiliates, net		—	—	—	—	(13,717)	(13,717)
Shares issued in connection with stock based compensation and employee benefit plans	1,512,164	15	31,520	—	—	—	31,535
Shares purchased and retired	(3,065,896)	(31)	(92,169)	—	—	—	(92,200)
Balance at December 31, 2008	31,604,336	316	9,947	428,054	(54,086)	2,518	386,749
Net income		—	—	103,742	—	18,356	122,098
Other comprehensive income:							
Foreign currency translation adjustments		—	—	—	16,426	1,145	17,571
Benefit plan adjustments		—	—	—	3,925	—	3,925
Unrealized gain on equity investments		—	—	—	992	—	992
Comprehensive income							144,586
Distributions to affiliates, net		—	—	—	—	(9,380)	(9,380)
Shares issued in connection with stock based compensation and employee benefit plans	1,973,413	20	81,564	—	—	—	81,584
Shares purchased and retired	(2,203,794)	(22)	(78,708)	—	—	—	(78,730)
Balance at December 31, 2009	31,373,955	314	12,803	531,796	(32,743)	12,639	524,809
Net income				93,695		24,020	117,715
Other comprehensive income:							
Foreign currency translation adjustments	—	—	—	—	3,831	347	4,178
Benefit plan adjustments	—	—	—	—	9,869		9,869
Unrealized gain on equity investments	—	—	—	—	275	—	275
Comprehensive income	—	—	—	—	—	—	132,037
Distributions to affiliates, net	—	—	—	—	—	(31,806)	(31,806)
Impact of adoption of ASC 810	—	—	—	—	—	4,088	4,088
Shares issued in connection with stock based compensation and employee benefit plans	1,857,418	18	43,776	—	—	—	43,794
Shares purchased and retired	(2,703,900)	(27)	(56,579)	(62,148)	—	—	(118,754)
Balance at December 31, 2010	30,527,473	$305	$—	$563,343	$(18,768)	$9,288	$554,168

The accompanying notes are an integral part of these consolidated financial statements.

CH2M HILL COMPANIES, LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(Dollars in thousands)

	For The Years Ended		
	December 31, 2010	December 31, 2009	December 31, 2008
Cash flows from operating activities:			
Net income	$117,715	$122,098	$48,250
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	62,311	80,889	92,022
Gain on sale of operating assets	—	(58,235)	—
Stock-based employee compensation	50,603	67,738	43,654
Loss on disposal of property, plant and equipment	1,266	3,570	249
Allowance for uncollectible accounts	3,521	11,115	2,172
Deferred income taxes	(24,699)	(29,289)	(24,789)
Gain on sale of investments	(6,495)	—	—
Undistributed earnings from unconsolidated affiliates	(68,513)	(65,539)	(34,232)
Distributions of income from unconsolidated affiliates	71,181	52,808	55,407
Changes in current assets and liabilities, net of businesses acquired:			
Receivables and unbilled revenue	72,921	40,748	18,783
Prepaid expenses and other	(2,465)	13,510	22,376
Accounts payable and accrued subcontractor costs	(16,558)	(29,470)	3,670
Billings in excess of revenues	(61,950)	9,331	24,613
Accrued payroll and employee related liabilities	29,517	3,631	4,447
Other accrued liabilities	32,530	8,089	(4,860)
Current income taxes receivable (payable)	41,486	(10,268)	(83)
Long-term employee related liabilities and other	(15,802)	19,755	7,817
Net cash provided by operating activities	286,569	240,481	259,496
Cash flows from investing activities:			
Capital expenditures	(26,884)	(37,663)	(50,622)
Acquisitions and earnout payments, net of cash acquired	—	(1,186)	(24,570)
Investments in unconsolidated affiliates	(49,133)	(68,366)	(78,632)
Distributions of capital from unconsolidated affiliates	35,601	41,597	54,858
Consolidation of previously unconsolidated variable interest entities	32,651	—	—
Proceeds from sale of operating assets	—	70,971	—
Purchases of investments	(37,079)	—	(6,975)
Proceeds from sale of investments	43,573	10,741	8,032
Other	2,961	65	1,124
Net cash provided by (used in) investing activities	1,690	16,159	(96,785)
Cash flows from financing activities:			
Borrowings on long-term debt	404,827	747,349	1,072,318
Payments on long-term debt	(419,056)	(870,885)	(1,101,998)
Repurchases and retirements of common stock	(137,208)	(91,253)	(109,395)
Excess tax benefits from stock-based compensation	14,968	6,431	6,881
Net distributions to noncontrolling interests	(31,806)	(9,379)	(13,717)
Net cash used in financing activities	(168,275)	(217,737)	(145,911)
Effect of exchange rate changes on cash	704	16,532	(26,623)
Increase (decrease) in cash and cash equivalents	120,688	55,435	(9,823)
Cash and cash equivalents, beginning of year	169,717	114,282	124,105
Cash and cash equivalents, end of year	$290,405	$169,717	$114,282
Supplemental disclosures:			
Cash paid for interest	$4,708	$7,793	$14,860
Cash paid for income taxes	$43,714	$50,910	$48,295

The accompanying notes are an integral part of these consolidated financial statements.

CH2M HILL COMPANIES, LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(1) Summary of Business and Significant Accounting Policies

Summary of Business

CH2M HILL Companies, Ltd. and subsidiaries (CH2M HILL) is a project delivery firm founded in 1946. CH2M HILL provides engineering, consulting, design, construction, procurement, operations and maintenance, and program management services to U.S. federal government agencies, state, municipal and local government entities and foreign government agencies, as well as private industry, in the U.S. and internationally. CH2M HILL is an employee owned corporation. A substantial portion of CH2M HILL's professional fees are derived from projects that are funded directly or indirectly by government entities.

Principles of Consolidation and Basis of Presentation

The consolidated financial statements include the accounts of CH2M HILL and all of its wholly owned subsidiaries after elimination of all intercompany accounts and transactions. Partially owned affiliates and joint ventures are evaluated for consolidation. The consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP). Certain amounts in prior years' consolidated financial statements have been reclassified to conform to the current year presentation.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make certain estimates, judgments, and assumptions. CH2M HILL believes that the estimates, judgments and assumptions made when accounting for items and matters such as, but not limited to, revenue recognition, self insurance accruals, employee benefits, legal and tax reserves, allowance for doubtful accounts, depreciation, amortization, asset valuations and contingencies are reasonable, based on information available at the time they are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities as of the date of the consolidated financial statements, as well as the reported amounts of revenue and expenses during the periods presented. See Note 17—Commitments and Contingencies. Actual results could differ from our estimates.

Capital Structure

CH2M HILL has authorized 100,000,000 shares of common stock, par value $0.01 per share, and 50,000,000 shares of Class A preferred stock, par value $0.02 per share. CH2M HILL's Restated Bylaws and Articles of Incorporation provide for the imposition of certain restrictions on the stock including, but not limited to, the right but not the obligation to repurchase shares upon termination of employment or affiliation, the right of first refusal and ownership limits.

Foreign Currency Translation

All assets and liabilities of CH2M HILL's foreign subsidiaries are translated into U.S. dollars as of each balance sheet date. Translation gains and losses related to permanent investments in foreign subsidiaries are reflected in shareholders' equity as part of accumulated other comprehensive loss. Revenues and expenses are translated at the average exchange rate for the period and included in the consolidated statements of income. Foreign currency transaction gains and losses are recognized as incurred in the consolidated statements of income.

Subsequent Events

CH2M HILL has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through the day the financial statements were issued.

Revenue Recognition

CH2M HILL earns its revenue from different types of contracts, including cost-plus, fixed-price and time-and-materials. CH2M HILL evaluates contractual arrangements to determine how to recognize revenue. CH2M HILL primarily performs engineering and construction related services and recognizes revenue for these contracts on the percentage-of-completion method where progress towards completion is measured by relating the actual cost of work performed to date to the current estimated total cost of the respective contracts. In making such estimates, judgments are required to evaluate potential variances in schedule, the cost of materials and labor, productivity, liability claims, contract disputes, or achievement of contract performance standards.

Change orders are included in total estimated contract revenue when it is probable that the change order will result in an addition to contract value and can be estimated. Management evaluates when a change order is probable based upon its experience in negotiating change orders, the customer's written approval of such changes or separate documentation of change order costs that are identifiable. Losses on construction and engineering contracts in process are recognized in their entirety when the loss becomes evident and the amount of loss can be reasonably estimated.

CH2M HILL also performs operations and maintenance services. Revenue is recognized on operations and maintenance contracts on a straight-line basis over the life of the contract once CH2M HILL has an arrangement, delivery has occurred, the price is fixed or determinable and collectability is reasonably assured.

Unbilled Revenue and Billings in Excess of Revenue

Unbilled revenue represents the excess of contract revenue recognized over billings to date on contracts in process. These amounts become billable according to the contract terms, which usually consider the passage of time, achievement of certain milestones or completion of the project.

Billings in excess of revenue represent the excess of billings to date, per the contract terms, over revenue recognized on contracts in process.

Allowance for Uncollectible Accounts Receivable

CH2M HILL reduces accounts receivable by estimating an allowance for amounts that may become uncollectible in the future. Management determines the estimated allowance for uncollectible amounts based on their judgments in evaluating the aging of the receivables and the financial condition of CH2M HILL's clients, which may be dependent on the type of client and the client's current economic conditions.

Fair Value Measurements

Fair value represents the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. CH2M HILL uses a three-tier valuation hierarchy based upon observable and non-observable inputs. The three levels are as follows: Level 1, unadjusted quoted prices that are available in active markets for the identical assets or liabilities at the measurement date; Level 2, significant other observable inputs available at the measurement date, other than quoted prices included in Level 1, either directly or indirectly; and Level 3, significant unobservable inputs that cannot be corroborated by observable market data and reflect the use of significant management judgment.

Income Taxes

CH2M HILL accounts for income taxes utilizing an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax effects of events that have been recognized in the financial statements or tax returns. In estimating future tax consequences, CH2M HILL generally considers all expected future events other than enactment of changes in the tax laws or rates. Deferred tax assets and liabilities are determined based on the difference between the tax basis of assets and liabilities and their reported amounts using enacted tax rates in effect for the year in which differences are expected to reverse. Annually, CH2M HILL determines the amount of undistributed foreign earnings invested indefinitely in its foreign operations. Deferred taxes are not provided on those earnings. In addition, the calculation of tax assets and liabilities involves uncertainties in the application of complex tax regulations. For income tax benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities.

Cash and Cash Equivalents

CH2M HILL maintains a cash management system which provides for cash in the bank sufficient to pay checks as they are submitted for payment and invests cash in excess of this amount in interest bearing short-term investments such as certificates of deposit and commercial paper. Investments with original short-term maturities of less than three months are considered cash equivalents in the consolidated balance sheets and statements of cash flows. In addition, cash and cash equivalents on our consolidated balance sheets include cash held within our consolidated joint venture entities which is used for operating activities of those joint ventures. As of December 31, 2010 and 2009, cash and cash equivalents held in our consolidated joint ventures and reflected on the consolidated balance sheets totaled $60.3 million and $43.7 million, respectively.

Available-for-Sale Securities

Available-for-sale securities are carried at fair value, with unrecognized gains and losses reported in accumulated other comprehensive loss, net of taxes. Losses on available-for-sale securities are recognized when a loss is determined to be other than temporary or when realized. Fair values are estimated based on market prices, where available, or dealer quotes.

Property, Plant and Equipment

All additions, including betterments to existing facilities, are recorded at cost. Maintenance and repairs are charged to expense as incurred. When assets are retired or otherwise disposed of, the cost of the assets and the related accumulated depreciation are removed from the accounts. Any gain or loss on retirements is reflected in operating income in the year of disposition.

Depreciation for owned property is based on the estimated useful lives of the assets using the straight-line method for financial statement purposes. Useful lives for buildings range from 12 to 20 years. Furniture, fixtures and equipment are depreciated over their useful lives from 2 to 10 years. Leasehold improvements are depreciated over the shorter of their estimated useful life or the remaining term of the associated lease up to 12 years.

Other Long-Lived Assets

CH2M HILL may acquire goodwill or other intangible assets in business combinations. Intangible assets are stated at fair value as of the date acquired in a business combination. CH2M HILL amortizes intangible assets with finite lives on a straight-line basis over their expected useful lives, currently up to seven years. Where there are no legal, regulatory, contractual or other factors that would reasonably limit the useful life of the intangible asset, such as goodwill or tradenames, management has determined that those intangible assets have an indefinite life and therefore are not amortized.

CH2M HILL reviews its finite-lived intangibles and other long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. Assets which are held and used in operations are considered impaired if the undiscounted future cash flows from the asset do not exceed the net book value. If impaired, the assets are written down to their estimated fair value. CH2M HILL generally measures fair value by considering sale prices for similar assets or by discounting estimated future cash flows from the asset group using an appropriate discount rate.

Goodwill and intangible assets with indefinite lives are tested for impairment on an annual basis, or on an interim basis if events or circumstances indicate that the carrying amount of the assets may not be fully recoverable. An impairment charge is recognized for any amount by which the carrying amount of goodwill or intangible assets with indefinite lives exceeds their fair value. Management performs its impairment tests of goodwill at the reporting unit level, which is one level below the operating segments. Management's review of goodwill and the tradename indicated that there was no impairment during the years ended December 31, 2010, 2009 and 2008.

Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss consists of foreign currency translation adjustments, benefit plan adjustments, and unrealized gains/losses on equity investments. These components are included in the consolidated statements of shareholders' equity and comprehensive income. Taxes are not provided on the foreign currency translation gains and losses as deferred taxes are not provided on the unremitted earnings of the foreign subsidiaries to which they relate.

The composition of accumulated other comprehensive loss consists of the following at December 31:

($ in thousands)	2010	2009
Foreign currency translation adjustments	$13,449	$9,618
Benefit plan adjustments, net of tax	(33,239)	(43,108)
Unrealized gain on equity investments, net of tax	1,022	747
	$(18,768)	$(32,743)

Concentrations of Credit Risk

Financial instruments which potentially subject CH2M HILL to concentrations of credit risk consist principally of cash and cash equivalents, short term investments and trade receivables. CH2M HILL's cash and cash equivalents and short term investments are maintained in accounts held primarily in the U.S. with some accounts held by major banks and financial institutions located in Europe, Canada and Asia. Concentrations of credit risk relative to trade receivables are limited due to our diverse client base, which includes the U.S. federal government, various states and municipalities, foreign government agencies, and a variety of U.S. and foreign corporations operating in a broad range of industries and geographic areas.

Contracts with the U.S. federal government and its prime contractors usually contain standard provisions for permitting the government to modify, curtail or terminate the contract for convenience of the government or such prime contractors if program requirements or budgetary constraints change. Upon such a termination, CH2M HILL is generally entitled to recover costs incurred, settlement expenses and profit on work completed prior to termination.

Recently Adopted Accounting Standards

In June 2009, the FASB issued Accounting Standards Update (ASU) No. 2009-17, *Consolidations (Topic 810)—Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*, revising the existing guidance on the consolidation and disclosures of variable interest entities (VIEs) which was codified in Accounting Standards Codification (ASC) 810-10. Specifically, it changes how a reporting entity determines when an entity that is insufficiently capitalized or is not controlled through voting rights should be consolidated. The determination of whether a reporting entity is required to consolidate another entity is based on, among other things, the entity's purpose and design and the reporting entity's ability to direct the activities of the other entity that most significantly impact the other entity's economic performance. The guidance also requires additional disclosures about a company's involvement with VIEs and requires an entity to continually assess any significant changes in risk exposure as well as an entity's assessment of the primary beneficiary of the entity. ASC 810-10 became effective for CH2M HILL beginning January 1, 2010. For further discussion of the effect of the adoption, see Note 3.

In January 2010, the FASB issued ASU No. 2010-06 (ASU 2010-06), *Fair Value Measurements and Disclosures (Topic 820)—Improving Disclosures about Fair Value Measurements*. ASU 2010-06 requires expanded fair value disclosures about transfers into and out of Levels 1 and 2 fair value measurements and clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. ASU 2010-06 is effective for CH2M HILL beginning January 1, 2010. The adoption of this accounting standard update did not have a material impact on CH2M HILL's financial position, results of operations, cash flows or disclosures.

(2) Receivables, net

Receivables are stated at net realizable values and consist of receivables billed to clients as well as receivables for which revenue has been earned but has not yet been billed. The U.S. federal government accounted for approximately 20% and 13% of CH2M HILL's net receivables at December 31, 2010 and 2009, respectively. No other customers exceeded 10% of total receivables at December 31, 2010 or 2009.

The change in the allowance for uncollectible accounts consists of the following for the years ended December 31:

($ in thousands)	2010	2009	2008
Balance at beginning of year	$13,190	$4,183	$6,963
Provision charged to expense	3,521	11,115	2,172
Accounts written off	(3,614)	(2,049)	(4,344)
Other	(1,021)	(59)	(608)
Balance at end of year	$12,076	$13,190	$4,183

(3) Variable Interest Entities and Equity Method Investments

CH2M HILL routinely enters into teaming arrangements to perform projects for its clients. Such arrangements are customary in the engineering and construction industry and generally are project specific. The arrangements facilitate the completion of contracts that are jointly contracted with CH2M HILL's partners. These arrangements are formed to leverage the skills of the respective partners and include consulting, construction, design, program management and operations and maintenance contracts. CH2M HILL's risk of loss on these arrangements is usually shared with CH2M HILLs' partners. The liability of each partner is usually joint and several, which means that each partner may become liable for the entire risk of loss on the project.

CH2M HILL performs a qualitative assessment to determine whether CH2M HILL is the primary beneficiary once an entity is identified as a VIE. A qualitative assessment begins with an understanding of the nature of the risks in the entity as well as the nature of the entity's activities including terms of the contracts entered into by the entity, ownership interests issued by the entity and how they were marketed, and the parties involved in the design of the entity. All of the variable interests held by parties involved with the VIE are identified and a determination of which activities are most significant to the economic performance of the entity and which variable interest holder has the power to direct those activities is made. Most of the VIEs with which the Company is involved have relatively few variable interests and are primarily related to our equity investment, subordinated financial support, and subcontracting arrangements. CH2M HILL consolidates those VIEs in which it has both the power to direct the activities of the VIE that most significantly impact the VIEs economic performance and the obligation to absorb losses or the right to receive the benefits from the VIE that could potentially be significant to the VIE.

Upon adoption of ASC 810-10, CH2M HILL consolidated certain VIEs that were previously unconsolidated. It was determined that CH2M HILL is the primary beneficiary due to the ability to control the activities that most significantly impact the economic performance of the entity. These variable interest entities were previously not consolidated because no party absorbed the majority of the expected losses. Upon consolidation of these joint ventures, consolidated current assets increased by $35.8 million, primarily related to cash and cash equivalents and accounts receivable. Current liabilities increased by $27.6 million primarily related to accounts payable, accrued subcontractor costs and billings in excess of revenue. As of December 31, 2010, total assets of VIEs that were consolidated were $108.7 million and liabilities were $70.1 million.

CH2M HILL recorded investments in unconsolidated affiliates of $83.0 million and $78.1 million for the years ended December 31, 2010 and 2009, respectively. CH2M HILL's proportionate share of net income or loss is included as equity in earnings of joint ventures and affiliated companies in the consolidated statements of income. In general, the equity investment in our unconsolidated affiliates is equal to our current equity investment plus those entities' undistributed earnings. CH2M HILL provides certain services, including engineering, construction management and computer and telecommunications support, to these unconsolidated entities. These services are billed to the joint ventures in accordance with the provisions of the agreements.

As of December 31, 2010, the total assets of VIEs that were not consolidated were $388.7 million and total liabilities were $292.5 million. The maximum exposure to losses is limited to the funding of any future losses incurred by those entities under their respective contracts with the project company.

Summarized financial information for CH2M HILL's unconsolidated VIEs and equity method investments as of and for the years ended December 31 is as follows:

($ in thousands)	**2010**	**2009**
FINANCIAL POSITION:		
Current assets	$677,638	$665,068
Noncurrent assets	84,042	82,408
Total assets	$761,680	$747,476
Current liabilities	$497,338	$480,668
Noncurrent liabilities	26,486	31,711
Partners'/Owners' equity	237,856	235,097
Total liabilities and equity	$761,680	$747,476
CH2M HILL's share of equity	$82,982	$78,053

($ in thousands)	2010	2009	2008
RESULTS OF OPERATIONS:			
Revenue	$2,814,824	$2,426,505	$2,370,361
Direct costs	2,598,872	2,250,752	2,273,332
Gross margin	215,952	175,753	97,029
General and administrative expenses	13,603	3,228	5,901
Operating income	202,349	172,525	91,128
Other income, net	458	479	2,790
Net income	$202,807	$173,004	$93,918
CH2M HILL's share of net income	$68,513	$65,539	$34,232

CH2M HILL has the following significant investments in affiliated unconsolidated companies:

	%Ownership
Domestic:	
AGVIQ—CH2M HILL Joint Venture II	49.0%
AGVIQ—CH2M HILL Joint Venture III	49.0%
Americas Gateway Builders	40.0%
CH2M HILL/URS Team, a Joint Venture	50.0%
CH2M—WG Idaho, LLC	50.5%
Clark-Nexsen/CH2M HILL—Norfolk	50.0%
Coastal Estuary Services	49.9%
Connecting Idaho Partners	49.0%
HEBL, Inc.	100.0%
IAP-Hill, LLC	25.0%
Kaiser-Hill Company, LLC	50.0%
National Security Technologies, LLC	10.0%
OMI/Thames Water Stockton, Inc.	50.0%
Parsons CH2M HILL Program Management Consultants, Joint Venture	47.5%
Savannah River Remediation LLC	15.0%
TIC/CH2M Culbertson Unit #1 Joint Venture	25.0%
Washington Closure, LLC	30.0%
Foreign:	
CH2M HILL BECA, Ltd.	50.0%
CH2M HILL—Kunwon PMC	54.0%
CHBM Water Joint Venture	50.0%
CH2M Olayan	49.0%
CLM Delivery Partner, Limited	37.5%
Coniisa	33.3%
CPG Consultants—CH2M HILL NIP Joint Venture	50.0%
ECC-VECO, LLC	50.0%
Golden Crossing Constructors Joint Venture	33.3%
HWC Treatment Program Alliance Joint Venture	50.0%
Luggage Point Alliance	50.0%
OMI BECA, Ltd.	50.0%
SMNM/VECO Joint Venture.	50.0%
Transcend Partners, Ltd	40.0%

(4) Property, Plant and Equipment

Property, plant and equipment consists of the following as of December 31:

($ in thousands)	2010	2009
Land	$27,337	$26,516
Building and land improvements	80,183	72,280
Furniture, fixtures and equipment	199,199	196,511
Leasehold improvements	67,690	65,023
	374,409	360,330
Less: Accumulated depreciation	(205,148)	(163,178)
Net property, plant and equipment	$169,261	$197,152

The depreciation expense is reflected in the consolidated statements of income in direct costs and general and administrative costs depending on the intended use of the asset and totaled $52.1 million, $53.5 million and $55.2 million for the years ended December 31, 2010, 2009 and 2008, respectively.

(5) Employee Benefit Plan Assets

CH2M HILL has investments that support deferred compensation arrangements and other employee benefit plans. These assets are recorded at fair market value primarily using Level 2 inputs. As of December 31, 2010 and 2009, the fair market value of these assets was $47.0 million and $36.2 million, respectively.

(6) Acquisitions

On September 7, 2007, CH2M HILL purchased all of the outstanding stock of VECO and substantially all of VECO's operating businesses as part of a strategic initiative to expand operations into the energy industry. In connection with the acquisition of VECO, the purchase agreement established a holdback contingency of $70.0 million for tax indemnifications and the potential future payment of certain contingencies that may arise within three years after the date of acquisition. Any amounts remaining after payments for these indemnifications and contingencies are payable to the sellers of VECO. Since the date of acquisition, CH2M HILL has made distributions to the sellers of VECO and paid expenses on their behalf which were deemed distributions of the holdback contingency. At December 31, 2010 and 2009, the outstanding balance payable under the holdback contingency was $46.7 million and $49.1 million, respectively. Amounts outstanding under the holdback contingency as of December 31, 2010 represent disputed contingent claims and tax indemnifications which have not been resolved. Upon resolution of the outstanding items, CH2M HILL will likely incur costs which will be paid out of the holdback funds with any remaining amounts being remitted to the sellers.

(7) Sale of Operating Assets

In September 2009, CH2M HILL completed the sale of certain assets and liabilities of its Enterprise Management Solutions (EMS) business. The selling price was $86.6 million, net of amounts due for estimated working capital adjustments of $13.5 million. CH2M HILL recorded a pre-tax gain of $58.2 million during 2009. As part of the EMS sale, CH2M HILL and the purchasers entered into a preferred provider agreement whereby CH2M HILL guaranteed an annual volume of revenues of $42.5 million to be provided to the purchasers for each of the five years through September 2014. To the extent CH2M HILL does not reach this volume of revenues, it must compensate the purchasers. As of the first anniversary date of the sale, CH2M HILL met its annual guaranteed level of revenues and thus no compensation was required to be paid to the purchasers.

The results of operations for EMS prior to disposition were recorded in the Facilities and Infrastructure operating segment.

(8) Goodwill and Intangible Assets

Goodwill and the tradename as of December 31 consist of the following:

($ in thousands)	2010	2009
Goodwill	$130,354	$130,354
Tradename	20,326	20,326
	$150,680	$150,680

Intangible assets with finite lives consist of the following:

($ in thousands)	Cost	Accumulated Amortization	Net finite-lived intangible assets
December 31, 2010			
Contracted backlog	$58,871	$(58,871)	$—
Customer relationships	57,922	(27,200)	30,722
Non-compete agreements and other	902	(902)	—
Total finite-lived intangible assets	$117,695	$(86,973)	$30,722
December 31, 2009			
Contracted backlog	$58,871	$(56,946)	$1,925
Customer relationships	57,922	(18,926)	38,996
Non-compete agreements and other	902	(874)	28
Total finite-lived intangible assets	$117,695	$(76,746)	$40,949

All intangible assets are being amortized over their expected lives up to seven years. The amortization expense reflected in the consolidated statements of income totaled $10.2 million, $27.4 million and $36.8 million for the years ended December 31, 2010, 2009 and 2008, respectively. These intangible assets are expected to be fully amortized in 2014. At December 31, 2010, the future estimated amortization expense related to these intangible assets is (in thousands):

Year Ending:	
2011	$8,275
2012	8,275
2013	8,275
2014	5,897
	$30,722

(9) Fair Value of Financial Instruments

Cash and cash equivalents, receivables, unbilled revenue, accounts payable and billings in excess of revenue are carried at cost, which approximates fair value due to their short maturities. Fair value of long-term debt, including the current portion, is estimated based on Level 2 inputs. Fair value is determined by discounting future cash flows using interest rates available for issues with similar terms and average maturities.

Fair value of marketable securities classified as available-for-sale, which totaled $2.4 million and $2.0 million at December 31, 2010 and December 31, 2009, respectively, were valued based on Level 1 inputs whereby a readily determinable market value exists for the specific asset. There were no transfers between fair value hierarchy levels during the years ended December 31, 2010 and 2009. The estimated fair values of CH2M HILL's financial instruments where carrying values do not approximate fair value are as follows:

	2010		2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
($ in thousands)				
Mortgage notes payable	$15,253	$12,403	$16,672	$13,627
Equipment financing	$22,227	$21,439	$35,572	$33,951
Shareholder notes payable	$141	$98	$95	$61

(10) Line of Credit and Long-term Debt

On December 6, 2010, CH2M HILL entered into a Credit Agreement (the "Credit Agreement") providing for an unsecured revolving credit facility in an amount of up to $600.0 million. Subject to certain conditions, at any time prior to the date that is thirty days before the maturity date of the Credit Agreement, CH2M HILL will be able to invite existing and new lenders to increase the size of the revolving credit facility by up to $100.0 million, for a maximum aggregate revolving credit facility of $700.0 million. The revolving credit facility has a subfacility for the issuance of standby letters of credit in a face amount up to $300.0 million, a subfacility of up to $300.0 million for multicurrency borrowings and a subfacility of up to $20.0 million for swingline loans. Revolving loans under the Credit Agreement bear interest, at CH2M HILL's option, at a rate equal to either (i) the base rate plus a margin based on the ratio of CH2M HILL's consolidated leverage ratio or (ii) the LIBOR rate, based on interest periods of one, two, three or six months, plus a margin based on the ratio of CH2M HILL's consolidated leverage ratio. The base rate is equal to the greater of (i) the Federal Funds Rate, as published from time to time by the Federal Reserve Bank of New York, plus 0.5%, (ii) the swingline lender's prime rate in effect from time to time, or (iii) the one-month LIBOR rate in effect from time to time, plus 1.0%. CH2M HILL's consolidated leverage ratio on any date is the ratio of CH2M HILL's consolidated total funded debt to its consolidated earnings before interest, taxes, depreciation and amortization for the preceding four fiscal quarters. There were no outstanding borrowings on the Credit Agreement as of December 31, 2010 or December 31, 2009. If CH2M HILL had borrowed under the Credit Agreement on December 31, 2010 the rate of interest charged on that balance would have been 1.76%.

Prior to entering into the Credit Agreement, CH2M HILL was party to a credit agreement which provided for a $500.0 million revolving credit facility with an option to increase the initial borrowing capacity by up to an additional $250.0 million. It also provided that up to $250.0 million be available for the issuance of letters of credit to support various trade activities. At December 31, 2010, issued and outstanding letters of credit of $89.4 million were reserved against the borrowing base of the Credit Agreement, compared to $78.4 million at December 31, 2009.

The Credit Agreement contains customary representations and warranties and conditions to borrowing. The Credit Agreement also includes customary affirmative and negative covenants, including covenants that limit or restrict CH2M HILL's and its subsidiaries' ability to incur indebtedness and other obligations, grant liens to secure their obligations, make investments, merge or consolidate, dispose of assets outside the ordinary course of business, enter into transactions with affiliates, and make certain kinds of payments, in each case subject to customary exceptions for a credit facility of this size and type. CH2M HILL is also required to comply with a minimum consolidated fixed charge coverage ratio and a maximum consolidated leverage ratio. As of December 31, 2010, CH2M HILL was in compliance with the covenants required by the Credit Agreement.

CH2M HILL's nonrecourse and other long-term debt, as of December 31 consist of the following:

($ in thousands)	2010	2009
Nonrecourse:		
Mortgage payable in monthly installments to July 2020, secured by real estate, rents and leases. The note bears interest at 5.35%	$12,430	$13,379
Mortgage payable in monthly installments to December 2015, secured by real estate. The note bears interest at 6.59%	2,823	3,293
	15,253	16,672
Other:		
Equipment financing, due in monthly installments to December 2014, secured by equipment. These notes bear interest ranging from 6.00% to 8.00%	22,227	35,572
Shareholder notes payable	141	95
Total debt	37,621	52,339
Less current portion of debt	13,934	14,396
Total long-term portion of debt	$23,687	$37,943

At December 31, 2010, future principal payments on long-term debt are as follows (in thousands):

Year Ending:	
2011	$13,934
2012	10,382
2013	2,576
2014	2,047
2015	1,844
Thereafter	6,838
	$37,621

(11) Operating Lease Obligations

CH2M HILL has entered into certain noncancellable leases, which are being accounted for as operating leases. At December 31, 2010, future minimum lease payments are as follows (in thousands):

Year Ending:	
2011	$115,254
2012	99,680
2013	84,655
2014	69,375
2015	59,868
Thereafter	102,592
	$531,424

Rental expense charged to operations was $126.7 million, $138.9 million and $121.2 million during the years ended December 31, 2010, 2009 and 2008, respectively, including amortization of a deferred gain of $4.3 million in the years ended December 31, 2010 and 2009, and 2008 related to the sale-leaseback of our corporate offices. Certain of CH2M HILL's operating leases contain provisions for a specific rent-free period. CH2M HILL accrues rental expense during the rent-free period based on total expected rent payments to be made over the life of the related lease.

(12) Income Taxes

Income before provision for income taxes for the years ended December 31 consists of the following:

($ in thousands)	2010	2009	2008
U.S. income	$102,047	$143,190	$55,891
Foreign income	45,452	6,972	3,662
Income before taxes	$147,499	$150,162	$59,553

The provision for income taxes for the years ended December 31 consists of the following:

($ in thousands)	2010	2009	2008
Current income tax expense:			
Federal	$55,835	$49,035	$38,715
Foreign	11,729	14,138	(1,154)
State and local	10,939	12,653	14,725
Total current income tax expense	78,503	75,826	52,286
Deferred income tax benefit:			
Federal	(17,280)	(23,291)	(22,507)
Foreign	(4,771)	(2,646)	2,462
State	(2,648)	(3,469)	(4,744)
Total deferred income tax benefit	(24,699)	(29,406)	(24,789)
Total income tax expense	$53,804	$46,420	$27,497

The reconciliations of income tax computed at the U.S. federal statutory tax rate to CH2M HILL's effective income tax rate for the years ended December 31 are as follows:

($ in thousands)	2010	2009	2008
Pretax income	$147,499	$150,162	$59,553
Federal statutory rate	35%	35%	35%
Expected tax expense	51,625	52,556	20,844
Reconciling items:			
State income taxes, net of federal benefit	5,640	7,763	5,620
Nondeductible meals and entertainment	3,082	3,035	3,563
Section 199—Domestic manufacturer deduction	(3,686)	(4,515)	(2,737)
Compensation	(1,804)	(6,114)	1,483
Subsidiary earnings	(5,358)	(7,520)	(6,610)
Permanent expenses, exclusions and credits	2,108	(6,660)	(2,743)
Foreign permanent expenses, taxes, credits and other	2,835	8,442	7,136
Other	(638)	(567)	941
Provision for income taxes	$53,804	$46,420	$27,497

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31 are as follows:

($ in thousands)	2010	2009
Deferred tax assets:		
Net foreign operating loss carryforwards	$23,050	$23,143
Deferred gain, insurance and other	24,758	18,397
Accrued employee benefits	180,055	176,586
Total deferred tax assets	227,863	218,126
Valuation allowance	(27,712)	(26,019)
Net deferred tax assets	200,151	192,107
Deferred tax liabilities:		
Investments in affiliates	2,871	6,192
Depreciation and amortization	22,354	28,513
Net deferred tax liabilities	25,225	34,705
Net deferred tax assets	$174,926	$157,402

A valuation allowance is required to be established for those deferred tax assets where it is more likely than not that they will not be realized. The above valuation allowances relate primarily to operating loss carryforwards from foreign operations of $86.9 million and $77.4 million for the years ended December 31, 2010 and 2009, respectively. Taxable income within the applicable foreign subsidiary must be reported in order for the deferred tax asset to be realized. The foreign net operating losses can be carried forward for varying terms depending on the foreign jurisdiction between three years and an unlimited carry forward period.

Undistributed earnings of CH2M HILL's foreign subsidiaries amounted to approximately $75.3 million at December 31, 2010. These earnings are considered to be permanently reinvested. Accordingly, no provision for U.S. federal and state income taxes or foreign withholding taxes has been made. Upon distribution of those earnings, CH2M HILL would be subject to U.S. income taxes (subject to a reduction for foreign tax credits) and withholding taxes payable to the various foreign countries. If these earnings were repatriated as of December 31, 2010, approximately $16.3 million of income tax expense would be incurred.

The tax benefit from share-based compensation awards for the years ended December 31, 2010, 2009 and 2008 was $14.0 million, $6.4 million and $6.9 million, respectively. These amounts are reflected as additional paid-in capital in the consolidated statements of shareholders' equity and comprehensive income and are reported as financing activities in the 2010 and 2009 consolidated statements of cash flows.

A reconciliation of the beginning and ending amount of uncertain tax positions as of December 31, 2010 is as follows (in thousands):

Balance at December 31, 2009	$23,752
Additions for current year tax positions	2,591
Additions for prior year tax positions	3,882
Reductions for prior year tax positions	(7,725)
Settlement with taxing authorities	(777)
Reductions as a result of lapse of applicable statue of expirations	(6,385)
Balance at December 31, 2010	$15,338

CH2M HILL also recognizes interest and penalties related to uncertain tax positions in income tax expense. As of December 31, 2010 and 2009, CH2M HILL had approximately $3.0 million and $4.5 million, respectively, of accrued interest and penalties related to uncertain tax positions.

CH2M HILL files income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. In the normal course of business, CH2M HILL is subject to examination by taxing authorities throughout the world, including such major jurisdictions as the U.S. and Canada. With few exceptions, CH2M HILL is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities in major tax jurisdictions for years before 2003.

(13) Earnings Per Share

Basic earnings per share (EPS) excludes the dilutive effect of common stock equivalents and is computed by dividing net income by the weighted-average number of common shares outstanding during the period. Diluted EPS includes the dilutive effect of common stock equivalents, which consists of stock options, and is computed using the weighted-average number of common shares and common stock equivalents outstanding during the period.

Reconciliations of basic and diluted EPS for the years ended December 31 are as follows:

($ in thousands)	**2010**	**2009**	**2008**
Numerator:			
Net income attributable to CH2M HILL	$93,695	$103,742	$32,056
Denominator:			
Basic weighted-average common shares outstanding	31,458	31,908	33,487
Dilutive effect of common stock equivalents	705	691	889
Diluted adjusted weighted-average common shares outstanding, assuming conversion of common stock equivalents	32,163	32,599	34,376
Basic net income per common share	$2.98	$3.25	$0.96
Diluted net income per common share	$2.91	$3.18	$0.93

(14) Employee Benefit Plans

Deferred Compensation Plans

Effective February 11, 2010, CH2M HILL amended and restated the CH2M HILL Companies, Ltd. Deferred Compensation Retirement Plan (DCRP) to form the CH2M HILL Supplemental Executive Retirement and Retention Plan (SERRP). The Plan is intended to be unfunded and maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees within the meaning of Title I of the Employee Retirement Income Security Act (ERISA). Under this plan, each participant's account consists of various contributions made to the account by CH2M HILL on behalf of the participant. CH2M HILL selects the investment vehicles available under the plan. Compensation expense was $0.6 million and $0.1 million for the year ended December 31, 2010 and 2009, respectively.

In addition to the SERRP, CH2M HILL has two nonqualified deferred compensation plans that provide benefits payable to officers and certain highly compensated employees at specified future dates, upon retirement, or death. Under one plan, a participant could elect to defer base compensation and incentive compensation, in cash or common stock. Under the other plan, a participant, whose 401(k) Plan contributions are limited by the ERISA, could elect to defer additional base compensation to which CH2M HILL may make a matching contribution. It is also used by CH2M HILL to provide additional retirement benefits for certain of its senior executives at levels to be determined from time-to-time by the Board of Directors.

These deferred compensation plans are unfunded; therefore, benefits are paid from the general assets of CH2M HILL. The participant's cash deferrals earn a return based on the participant's selection of investments in several hypothetical investment options. Each hypothetical investment option is based on an investment fund that is similar to the 401(k) Plan. All deferrals of common stock must remain invested in common stock and are distributed in common stock.

Compensation expense for the two nonqualified plans was $2.8 million and $8.4 million for the years ended December 31, 2010, and 2009, respectively. During 2008, the return on the participants hypothetical investment options decreased by $14.3 million and thus compensation expense was decreased by this amount.

Stock Option Plans

Effective January 1, 2009, the Board of Directors and shareholders approved the CH2M HILL Companies, Ltd. 2009 Stock Option Plan (2009 Stock Option Plan). The 2009 Stock Option Plan reserves 3,000,000 shares of CH2M HILL common stock for issuance upon exercise of stock options granted under the plan. All options outstanding under the previous plans (1999 and 2004 Stock Option Plans) that have been cancelled, expired or for any other reason cease to be exercisable, are rolled into the 2009 Stock Option Plan and are available for grant in addition to the 3,000,000 options reserved.

Stock options are granted at an exercise price equal to the fair market value of CH2M HILL's common stock at the date of grant. Stock options granted generally become exercisable 25%, 25% and 50% after one, two and three years, respectively, and have a term of five years from date of grant. The following table summarizes the activity relating to the 2009 Stock Option Plan and the 1999 and 2004 Stock Option Plans during 2010:

Stock Options:	**Number of Shares**	**Weighted Average Exercise Price**
Outstanding at December 31, 2009	3,478,765	$25.09
Granted	510,256	$41.17
Exercised	(899,753)	$19.01
Forfeited	(80,139)	$33.33
Expired	(37,284)	$20.35
Outstanding at December 31, 2010	2,971,845	$29.52
Exercisable at December 31, 2010	1,592,589	$23.91
Available for future grants	2,165,019	

The weighted-average remaining contractual term for all options outstanding at December 31, 2010 and 2009 was 2.4 years and 2.7 years, respectively. The aggregate intrinsic value was $50.4 million and $55.0 million, respectively. The weighted-average remaining contractual term for options vested and exercisable at December 31, 2010 and 2009 was 1.6 years and 1.7 years, respectively. The aggregate intrinsic value was $35.9 million and $33.9 million, respectively. The remaining unrecognized compensation expense related to nonvested awards as of December 31, 2010 is $4.5 million. CH2M HILL expects to recognize this compensation expense over the weighted average remaining recognition period of 1.5 years, subject to forfeitures that may occur during that period.

CH2M HILL received $3.7 million, $3.9 million and $3.5 million from options exercised during the years ended December 31, 2010, 2009 and 2008, respectively. CH2M HILL's stock option plans also allow participants to satisfy the exercise price and participant tax withholding obligation by tendering shares of company stock that have been owned by the participants for at least six months. The intrinsic value associated with exercises was $16.3 million, $11.8 million and $13.1 million during the years ended December 31, 2010, 2009 and 2008, respectively.

CH2M HILL measures the fair value of each stock option grant at the date of grant using a Black-Scholes option pricing model. The weighted average grant date fair value of options granted during the years ended December 31, 2010 and 2009 was $6.30 and $5.58, respectively. The following assumptions were used in determining the fair value of options granted during 2009 and 2008:

	2010	**2009**
Risk-free interest rate	1.56%	1.86%
Expected dividend yield	0.00%	0.00%
Expected option life	4.21 Years	4.23 Years
Expected stock price volatility	15.06%	15.11%

CH2M HILL estimates the expected term of options granted based on historical experience of employee exercise behavior. CH2M HILL estimates the volatility of its common stock by using the weighted-average of historical volatility over the same period as option term. CH2M HILL uses the Treasury Yield Curve rates for the risk-free interest rate in the option valuation model with maturities similar to the expected term of the options. CH2M HILL does not anticipate paying any cash dividends on its common stock in the foreseeable future and therefore uses an expected dividend yield of zero in the option valuation model. CH2M HILL is required to estimate forfeitures at the time of grant and revise those estimates in subsequent periods if actual forfeitures differ from those estimates. CH2M HILL uses historical data to estimate pre-vesting option forfeitures and records stock-based compensation expense only for those awards that are expected to vest. All stock-based payment awards are amortized on a straight-line basis over the requisite service periods of the awards.

The total compensation expense recognized for stock options granted for the years ended December 31, 2010, 2009 and 2008 was $4.8 million, $4.7 million and $4.1 million, respectively.

Payroll Deduction Stock Purchase Plan

In November 1999, CH2M HILL established the Payroll Deduction Stock Purchase Plan (PDSPP) which provides for the purchase of common stock at 90% of the market value as of the date of purchase through payroll deductions by participating employees. Eligible employees may purchase common stock totaling up to 15% of an employee's compensation through payroll deductions. An employee cannot purchase more than $25,000 of common stock under the PDSPP in any calendar year. The PDSPP is intended to qualify under Section 423 of the Internal Revenue Code (IRC). The PDSPP is not intended to qualify under Section 401(a) of the IRC and is not subject to ERISA. The PDSPP is non-compensatory since the plan is available to all shareholders and incorporates no option features such as a look-back period. Accordingly, no compensation expense is recognized in the financial statements for the PDSPP. During the years ended December 31, 2010, 2009 and 2008, a total of 569,788 shares, 688,776 shares and 784,125 shares, respectively, were issued under the PDSPP, for total proceeds of $22.2 million, $21.5 million and $21.7 million, respectively.

Phantom Stock Plan

In January 2000, CH2M HILL established the Phantom Stock Plan, which provides eligible individuals with added incentives to continue in the long-term service of CH2M HILL. Eligible individuals are generally individuals who are not residents of the U.S. Phantom stock grants are 100% vested on the grant date and may be redeemed after six months from the grant date. The value of phantom stock is equal to the market value of CH2M HILL's common stock. All amounts granted under the Phantom Stock Plan are payable in cash only and are generally granted in connection with the short and long term incentive plans. Compensation expense under this plan is based on the value of the units on the date of grant.

During the years ended December 31, 2010, 2009 and 2008, a total of 6,136, 1,504 and 2,050 phantom stock units, respectively, were granted under the Phantom Stock Plan. The fair values of the units granted under the Phantom Stock Plan during 2010, 2009 and 2008 were $40.52, $31.10 and $30.32, respectively. Compensation expense related to the Phantom Stock Plan during 2010, 2009 and 2008 was $0.5 million, $0.4 million, and $0.3 million, respectively.

The following table summarizes the activity relating to the Phantom Stock Plan during 2010:

	Number of Units
Balance at December 31, 2009	32,509
Granted	6,136
Exercised	(2,135)
Cancelled	(43)
Balance at December 31, 2010	36,467

Stock Appreciation Rights Plan

In February 1999, CH2M HILL established the Stock Appreciation Rights (SARs) Plan. Eligible individuals are generally individuals who are not residents of the U.S. SARs are granted at an exercise price equal to the market value of CH2M HILL's common stock and generally become exercisable 25%, 25% and 50% after one, two and three years, respectively, and have a term of five years from the date of the grant. All amounts granted under the SARs Plan are payable in cash only. Compensation expense under this plan is based on the vesting provisions and the market value of CH2M HILL's common stock.

Compensation expense related to the SARs Plan amounted to $0.2 million, $0.4 million and $0.4 million for the years ended December 31, 2010, 2009 and 2008, respectively.

The following table summarizes the activity relating to the SARs Plan during 2010:

	Number of Rights	Weighted Average Exercise Price
Balance at December 31, 2009	39,330	$22.71
Granted	5,400	$41.10
Exercised	(12,113)	$18.27
Cancelled	(1,942)	$29.45
Balance at December 31, 2010	30,675	$27.28

Incentive Plans

In January 2000, CH2M HILL established the Short Term Incentive Plan (STIP) to aid in the motivation, recruitment, retention and reward of employees. Management determines which employees, directors, and eligible consultants participate in the STIP. During the years ended December 31, 2010, 2009 and 2008, a total of 369,566 shares, 432,093 shares and 604,333 shares, respectively, were issued under the STIP. The fair values of the shares issued under the STIP were $40.52, $31.10 and $30.32, for the years ended December 31, 2010, 2009, and 2008, respectively. Compensation expense related to common stock awards under the STIP amounted to zero, $14.4 million and $11.2 million for the years ended December 31, 2010, 2009 and 2008, respectively.

In January 1999, CH2M HILL established the Long Term Incentive Plan (LTIP) to reward certain executives and senior leaders for the creation of value in the organization through the achievement of specific long-term (3 year) goals of earnings growth and strategic initiatives. The Compensation Committee of the Board reviews and endorses participation in the LTIP in any program year and a new plan is established each year. During the years ended December 31, 2010, 2009 and 2008, a total of 279,447 shares, 323,474 shares and 262,837 shares, respectively, were issued under the LTIP at a fair value of $40.52, $31.10 and $30.32 per share, respectively. Compensation expense related to common stock awards under the LTIP amounted to $15.0 million, $13.3 million and $11.8 million for the years ended December 31, 2010, 2009 and 2008, respectively.

Restricted Stock Plan

In January 2000, CH2M HILL established the Restricted Stock Plan which provides eligible individuals with added incentives to continue in the long-term service of CH2M HILL. The awards are made for no consideration and vest over various periods, but are considered outstanding at the time of grant. During the years ended December 31, 2010, 2009 and 2008, a total of 186,396 shares, 111,246 shares and 70,405 shares, respectively, were granted under the Restricted Stock Plan.

CH2M HILL recognizes compensation costs, net of estimated forfeitures, over the vesting term based on the fair value of the restricted stock at the date of grant. The amount of compensation expense recognized under the Restricted Stock Plan was $4.8 million, $2.9 million and $3.8 million for the years ended December 31, 2010, 2009 and 2008, respectively. In determining the amount of compensation expense, CH2M HILL has estimated that forfeitures of restricted stock shares will be less than 10% of total restricted stock shares outstanding based upon prior experience. As of December 31, 2010, there was $7.6 million of unrecognized compensation expense related to non-vested restricted stock grants. The expense is expected to be recognized over a weighted average period of 2.78 years.

The following table summarizes the activity relating to the Restricted Stock Plan during 2010:

	Non-vested Shares	Weighted Average Grant Date Fair Value
Balance at December 31, 2009	460,205	$24.29
Granted	186,396	$42.32
Vested	(170,398)	$25.51
Cancelled and expired	(28,150)	$30.40
Balance at December 31, 2010	448,053	$30.91

The weighted-average fair values of the shares granted under the Restricted Stock Plan during 2010, 2009 and 2008 were $42.32, $33.76 and $30.71, respectively.

(15) Employee Retirement Plans

Retirement and Tax-Deferred Savings Plan

The Retirement and Tax-Deferred Savings Plan (401(k) Plan) is a profit sharing plan that includes a cash or deferred arrangement that is intended to qualify under Sections 401(a) and 401(k) of the Internal Revenue Code. Employees are eligible to participate in the 401(k) Plan on the first date of hire with respect to employee contributions and matching contributions. Each eligible employee begins to participate in the 401(k) Plan with respect to defined contributions as of the first day of the first month that begins on or after the eligible employee completes a twelve-month period of service during which the employee is credited with at least 1,000 hours of service.

The 401(k) Plan allows for matching contributions to be made in both cash and stock. Matching contributions may be made in an amount that is based on a percentage of the employee's contributions for the calendar quarter up to 4% of the employee's base compensation. Participants of the 401(k) Plan are, at all times, 100% vested in the employee contribution account. Employer contributions allocated to a participant's account generally vest over six years of completed service. Expenses related to matching contributions for the 401(k) Plan for 2010, 2009 and 2008 were $20.6 million, $25.4 million and $25.9 million, respectively. In addition, expenses related to defined contributions made in common stock for the 401(k) Plan for 2010, 2009 and 2008 were $16.6 million, $12.7 million and $14.9 million, respectively.

Pension and Other Postretirement Benefits

CH2M HILL has three noncontributory defined benefit pension plans. Plan benefits in two of the plans were frozen while one plan remains active. Effective December 31, 2010, the active plan was amended impacting the formula to calculate future benefits. Benefits are based on years of service and compensation during the span of employment.

CH2M HILL sponsors a medical benefit plan for retired employees of certain subsidiaries. The plan is contributory, and retiree premiums are based on years of service at retirement. The benefits contain limitations and a cap on future cost increases. CH2M HILL funds postretirement medical benefits on a pay-as-you-go basis. Effective December 31, 2009, the plan was modified impacting the eligibility criteria, the cost, and the events of termination regarding the retiree medical coverage.

CH2M HILL is required to (i) recognize the funded status of the defined benefit pension and other postretirement plans on the consolidated balance sheet, (ii) recognize as a component of other comprehensive income, net of tax, the gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit cost and (iii) measure defined benefit plan assets and obligations as of the date of the statement of financial position. In 2008, CH2M HILL changed its measurement date from October 31 to December 31. The impact of the change in the measurement date was not significant and proportionately allocated to current period benefit cost and accumulated other comprehensive loss.

CH2M HILL expects to make contributions of $10.2 million to the pension plans in 2011. The pension, non-qualified pension and post-retirement healthcare benefit payments, including expected future services, are expected to be paid from plan assets and operating cash flows as follows:

($ in thousands)	Pension Plans	Non-Qualified Pension Plans	Post-Retirement Benefit Plans
2011	$10,204	$91	$3,110
2012	11,396	85	2,588
2013	12,076	80	2,852
2014	13,255	75	3,174
2015	14,368	69	3,499
2016-2020	82,677	270	21,850
	$143,976	$670	$37,073

Benefit Expense

The measurement dates used to determine pension, non-qualified pension and other post-retirement benefits for the plans are December 31, 2010, 2009 and 2008. The actuarial assumptions used to compute the net pension benefit expense, non-qualified pension benefit expense and post-retirement benefit expense are based upon information available as of the beginning of the year, as presented in the following table.

	Pension Plans			Non-Qualified Pension Plans			Post-Retirement Benefit Plans		
	2010	2009	2008	2010	2009	2008	2010	2009	2008
Actuarial assumptions at beginning of year:									
Discount rate	5.90%	6.25%	6.25%	5.90%	6.25%	6.25%	5.90%	6.25%	6.25%
Rate of compensation increase	4.00%	4.00%	4.00%	na	na	na	na	na	na
Expected long-term rate of return on plan assets	7.50%	8.00%	8.00%	na	na	na	na	na	na
Initial healthcare costs trend rate	na	na	na	na	na	na	na	5.99%	6.51%
Ultimate healthcare cost trend rate	na	na	na	na	na	na	na	4.50%	4.50%
Year ultimate trend rate is reached	na	na	na	na	na	na	na	2011	2011

na—not applicable

The components of the pension benefit expense, non-qualified pension benefit expense and post-retirement benefit expense for the years ended December 31 are detailed below:

	Pension Plans			Non-Qualified Pension Plans			Post-Retirement Benefit Plans		
($ in thousands)	2010	2009	2008	2010	2009	2008	2010	2009	2008
Service costs	$5,579	$4,691	$4,229	$—	$—	$168	$2,878	$3,327	$3,510
Interest costs	10,692	9,870	9,213	36	38	324	2,340	2,181	2,655
Expected return on plan assets	(9,149)	(8,262)	(11,550)	—	—	—	—	—	—
Amortization of transition (asset)/obligation	—	—	(2)	—	—	—	349	349	349
Amortization of prior service costs	92	87	87	—	—	297	354	387	394
Recognized gain due to curtailments	—	—	—	—	—	—	—	(1,052)	—
Recognized net actuarial loss (gain)	4,058	4,382	91	9	3	6	(3)	(1)	203
Net expense included in current income	$11,272	$10,768	$2,068	$45	$41	$795	$5,918	$5,191	$7,111

The gain recognized in 2009 due to the curtailment in the post-retirement benefit plans represent a decrease in the accrued benefit obligation of $2.8 million, accelerated recognition of previously unrecognized loss of $0.2 million, and accelerated recognition of previously unrecognized prior service cost of $1.5 million.

Benefit Obligations

The actuarial assumptions used to compute the benefit obligations for the plans which are based upon information available as of December 31 are:

	Pension Plans		Non-Qualified Pension Plans		Post-Retirement Benefit Plans	
	2010	2009	2010	2009	2010	2009
Actuarial assumptions at end of year:						
Discount rate	5.80%	5.90%	5.80%	5.90%	5.80%	5.90%
Rate of compensation increase	3.00%	4.00%	na	na	na	na
Initial healthcare cost trend rate	na	na	na	na	na	5.99%
Ultimate healthcare cost trend rate	na	na	na	na	na	4.50%
Year ultimate trend rate is reached	na	na	na	na	na	2011

na—not applicable

The discount rate assumptions are set annually based on several factors such as: a) the rates of return on high quality fixed income investments available and expected to be available during the period to maturity of the benefits and b) the duration of the plan liabilities is also compared to a portfolio of high quality corporate bonds appropriate to provide for the projected benefit payments of the plan.

The following table summarizes the change in benefit obligation for the pension, non-qualified pension and post-retirement benefit plans and change in plan assets for the pension plans for the years ended December 31:

($ in thousands)	Pension Plans		Non-Qualified Pension Plans		Post-Retirement Benefit Plans	
	2010	2009	2010	2009	2010	2009
Benefit obligation accrued at beginning of year	$184,716	$161,072	$651	$655	$40,281	$41,901
Service cost	5,579	4,691	—	—	2,878	3,327
Interest cost	10,692	9,870	36	38	2,340	2,181
Plan contributions	—	—	—	—	1,272	2,452
Actuarial loss (gain)	2,613	14,984	32	49	1,388	(3,226)
Amendment	(9,610)	—	—	—	—	—
Curtailments	—	—	—	—	—	(2,771)
Benefits paid	(6,395)	(5,901)	(91)	(91)	(3,179)	(3,583)
Benefit obligation at end of year	$187,595	$184,716	$628	$651	$44,980	$40,281
Fair value of plan assets at beginning of year	$122,588	$105,457	—	—	—	—
Actual gain on plan assets	14,426	21,617	—	—	—	—
Employer and employee contributions	8,073	1,415	—	—	—	—
Benefits paid	(6,395)	(5,901)	—	—	—	—
Fair value of plan assets at end of year	$138,692	$122,588	—	—	—	—

The weighted-average asset allocations for the benefit plans as of December 31, 2010 and 2009 by asset category are as follows:

	Pension Plans	
	2010	2009
Equity	54%	52%
Debt	45%	47%
Other	1%	1%
Total	100%	100%

The investment philosophy for the pension plans is based on a balanced asset approach allocated primarily between equity securities and debt securities. At December 31, 2010, the equity security holdings were distributed in large and small cap index funds and an international fund. The debt securities consist of two fixed income funds. CH2M HILL uses long-term historical actual return experience with consideration of the expected investment mix of the plans' assets, as well as future estimates of long-term investment returns to develop its expected rate of return assumption used in calculating the net periodic pension cost.

The following table summarizes the effect of a 1% change in the health care cost trend rate (HCCTR) on the postretirement obligation and costs:

($ in thousands)	2010	2009
Effect of 1% increase in HCCTR as of December 31 on:		
Postretirement benefit obligation	na	$111
Total of service and interest cost components	na	30
Effect of 1% decrease in HCCTR for the year ended December 31 on:		
Postretirement benefit obligation	na	(155)
Total of service and interest cost components	na	(45)

CH2M HILL has instituted caps on the potential growth of it's retiree healthcare cost. Based on expected costs for 2011 and 2012, the retiree healthcare cost caps are expected to be reached in 2012 and apply in all future years. As healthcare costs continue to increase, these caps are intended to remain in force at current levels. As a result, a 1% change in the health care cost trends has no impact on the postretirement obligation or costs.

Funded Status

The following table presents the funded status of the pension, non-qualified pension and post-retirement benefit plans at December 31, 2010:

($ in thousands)	Pension Plans	Non-Qualified Pension Plans	Post-Retirement Benefit Plans
Projected benefit obligation	$187,595	$628	$—
Accumulated benefit obligation	—	—	44,980
Fair value of plan assets	138,692	—	—
Underfunded status	$(48,903)	$(628)	$(44,980)
Amounts recognized in accumulated other comprehensive income consist of:			
Net actuarial loss	$53,848	$163	$4,943
Net prior service cost	(9,446)	—	638
Transition obligation	—	—	449
Total	$44,402	$163	$6,030
Amounts to be recognized in 2011 as a component of net periodic cost:			
Net actuarial loss	$3,550	$13	$50
Transition obligation	—	—	349
Net prior service cost	(783)	—	353
Total	$2,767	$13	$752

The following table presents the funded status of the pension, non-qualified pension and post-retirement benefit plans at December 31, 2009:

($ in thousands)	Pension Plans	Non-Qualified Pension Plans	Post-Retirement Benefit Plans
Projected benefit obligation	$184,716	$651	$—
Accumulated benefit obligation	—	—	40,281
Fair value of plan assets	122,588	—	—
Underfunded status	$(62,128)	$(651)	$(40,281)
Amounts recognized in accumulated other comprehensive income consist of:			
Net actuarial loss	$60,571	$140	$3,552
Net prior service cost	256	—	992
Transition obligation	—	—	798
Total	$60,827	$140	$5,342
Amounts to be recognized in 2010 as a component of net periodic cost:			
Net actuarial loss (gain)	$4,058	$9	$(3)
Transition obligation	—	—	349
Net prior service cost	92	—	350
Total	$4,150	$9	$696

Benefit Plan Assets

CH2M HILL utilizes various investment securities, including U.S. government securities, corporate debt instruments and mutual funds. Investment securities, in general, are exposed to various risks, such as interest rate risk, credit risk, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the funded status of the plans.

Additionally, certain mutual funds invest in the securities of foreign companies, which involve special risks and considerations not typically associated with investing in U.S. companies. These risks include devaluation of currencies, less reliable information about issuers, different securities transaction clearance and settlement practices, and possible adverse political and economic developments. Moreover, securities of many foreign companies and their markets may be less liquid and their prices more volatile than those of securities of comparable U.S. companies.

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term could be material to the amounts reported.

Plan assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The following table sets forth, by level, within the fair value hierarchy a summary of the pension plans' investments measured at fair value on a recurring basis at December 31, 2010.

	Investment Assets at Fair Value as of December 31, 2010			
(in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Common/collective trust & wrap contracts	$—	$49,957	$—	$49,957
Mutual funds	88,735	—	—	88,735
Total investment assets at fair value	$88,735	$49,957	$—	$138,692

(16) Segment Information

CH2M HILL provides services to clients through three operating segments: Government, Environment and Nuclear, Facilities and Infrastructure, and Energy. Our Government, Environment and Nuclear segment generally provides a comprehensive range of services to the U.S. Federal government as well as services to foreign governments and industry. Our Facilities and Infrastructure segment generally provides a comprehensive range of services to various industry segments, and state, local and provincial governments. Our Energy segment generally provides a comprehensive range of services to private sector clients.

CH2M HILL evaluates performance based on several factors, of which the primary financial measure is operating income. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. CH2M HILL uses operating income as its measurement of segment profit. Unallocated corporate expenses are included in "other" in the table below.

Certain financial information for each segment is provided below (in thousands):

2010	**Government, Environment and Nuclear**	**Facilities and Infrastructure**	**Energy**	**Other**	**Financial Statement Balances**
Revenue from external customers	$2,197,585	$2,004,341	$1,220,875	$—	$5,422,801
Equity in earnings of joint ventures and affiliated companies	$46,919	$16,609	$4,985	$—	$68,513
Depreciation and amortization	$4,938	$9,252	$48,121	$—	$62,311
Operating income (loss)	$87,637	$91,600	$25,502	$(29,976)	$174,763
Segment assets	$896,389	$613,820	$456,871	$—	$1,967,080
Goodwill	$—	$42,384	$87,970	$—	$130,354

2009	**Government, Environment and Nuclear**	**Facilities and Infrastructure**	**Energy**	**Other**	**Financial Statement Balances**
Revenue from external customers	$1,939,188	$1,947,359	$1,612,771	$—	$5,499,318
Equity in earnings of joint ventures and affiliated companies	$44,781	$18,557	$2,201	$—	$65,539
Depreciation and amortization	$5,684	$9,875	$65,330	$—	$80,889
Operating income (loss)	$135,960	$71,010	$14,589	$(47,028)	$174,531
Segment assets	$804,885	$791,915	$351,222	$—	$1,948,022
Goodwill	$—	$42,384	$87,970	$—	$130,354

2008	Government, Environment and Nuclear	Facilities and Infrastructure	Energy	Other	Financial Statement Balances
Revenue from external customers	$1,668,865	$1,986,615	$1,934,426	$—	$5,589,906
Equity in earnings of joint ventures and affiliated companies	$41,323	$(12,136)	$5,045	$—	$34,232
Depreciation and amortization	$5,685	$8,791	$77,546	$—	$92,022
Operating income (loss)	$80,596	$31,953	$50,866	$(74,240)	$89,175
Segment assets	$759,310	$797,145	$415,386	$—	$1,971,841
Goodwill	$—	$46,870	$87,970	$—	$134,840

CH2M HILL derived approximately 37%, 35% and 26% of its total revenues from contracts with the U.S. federal government in the years ended December 31, 2010, 2009 and 2008, respectively.

Although CH2M HILL provides services in numerous countries, no single country outside of the U.S. accounted for 10% or greater of the total consolidated revenue. Total U.S. and international revenue for the years ended December 31 were as follows:

($ in thousands)	2010	2009	2008
U.S.	$4,274,155	$4,525,613	$4,584,498
International	1,148,646	973,705	1,005,408
Total	$5,422,801	$5,499,318	$5,589,906

(17) Commitments and Contingencies

CH2M HILL maintains a variety of commercial commitments that are generally made available to provide support for various provisions in its engineering and construction contracts. Letters of credit are provided to clients in the ordinary course of the contracting business in lieu of retention or for performance and completion guarantees on engineering and construction contracts. CH2M HILL also posts surety bonds, which are contractual agreements issued by a surety, for the purpose of guaranteeing our performance on contracts. Bid bonds are also issued by a surety to protect owners and are subject to full or partial forfeiture for failure to perform obligations arising from a successful bid.

Commercial commitments outstanding as of December 31, 2010 are summarized below:

	Amount of Commitment Expiration Per Period				
($ in thousands)	Less than 1 Year	1-3 Years	4-5 Years	Over 5 Years	Total Amount Committed
Letters of credit	$67,531	$21,232	$664	$—	$89,427
Surety and bid bonds	1,019,431	327,221	164,063	—	1,510,715
Total	$1,086,962	$348,453	$164,727	$—	$1,600,142

CH2M HILL is party to various contractual guarantees and legal actions arising in the normal course of business. Because a large portion of CH2M HILL's business comes from federal, state and municipal sources, CH2M HILL's procurement and certain other practices at times are also subject to review and occasional investigations by U.S. and state attorneys offices. Such state and U.S. federal government investigations, whether relating to government contracts or conducted for other reasons, could result in administrative, civil or criminal liabilities, including repayments, fines or penalties or could lead to suspension or debarment from future U.S. federal government contracting. These investigations often take years to complete and many result in no adverse action or alternatively, could result in settlement. Damages assessed in connection with and the cost of defending any such actions could be substantial. While the outcomes of pending proceedings are often difficult to predict, CH2M HILL's management believes that proceedings and legal actions currently pending would not result in a material adverse effect on CH2M HILL's results of operations or financial condition even if the final outcome is adverse to CH2M HILL.

Many claims that are currently pending against CH2M HILL are covered by our professional liability insurance, after retentions and deductibles. Management estimates that the levels of insurance coverage are generally adequate to cover CH2M HILL's liabilities, if any, with regard to such claims. Any amounts that are probable of payment by CH2M HILL, including legal fees incurred to defend, are accrued when such amounts are estimable. As of December 31, 2010 and 2009, accruals for potential estimated claim liabilities were $28.9 million and $28.7 million, respectively.

In 2010, CH2M HILL was notified that the U.S. Attorney's Office is investigating potential overtime irregularities on the DOE Hanford tank farms contract which CH2M HILL completed in 2008. Management is cooperating with the investigation but given its early stages are not yet in a position to ascertain the strength of potential claims or quantify their possible impact. Based on currently available information, CH2M HILL's management believes that the investigation would not result in a material impact on CH2M HILL's results of operations or financial condition, even if the final outcome is adverse to CH2M HILL.

(18) Quarterly Financial Information (unaudited)

CH2M HILL's quarterly financial information for the years ended December 31, 2010 and 2009 is as follows:

(In thousands except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	For the Year Ended
2010					
Revenue	$1,235,579	$1,341,088	$1,399,063	$1,447,071	$5,422,801
Operating income	26,859	62,016	46,362	39,526	174,763
Net income attributable to CH2M HILL	14,332	31,732	25,293	22,338	93,695
Net income per common share					
Basic	$0.45	$1.00	$0.81	$0.71	$2.98
Diluted	$0.44	$0.98	$0.79	$0.69	$2.91
2009					
Revenue	$1,334,083	$1,373,594	$1,441,281	$1,350,360	$5,499,318
Operating income	21,339	31,311	82,098	39,783	174,531
Net income attributable to CH2M HILL	8,329	15,585	58,267	21,561	103,742
Net income per common share					
Basic	$0.26	$0.49	$1.82	$0.68	$3.25
Diluted	$0.26	$0.48	$1.78	$0.66	$3.18

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Englewood, Douglas County, State of Colorado, on March 1, 2011.

CH2M HILL COMPANIES, LTD.

By: /s/ MICHAEL A. LUCKI
Michael A. Lucki
Senior Vice President and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons in the capacities and on the dates stated, through their attorney-in-fact as appointed in the power of attorney of February 11, 2011 included as Exhibit 24.1 filed herewith.

Signature	Title	Date
/s/ LEE A. MCINTIRE Lee A. McIntire	Chief Executive Officer (Principal Executive Officer)	March 1, 2011
/s/ MICHAEL A. LUCKI Michael A. Lucki	Chief Financial Officer (Principal Financial Officer)	March 1, 2011
/s/ JOANN SHEA JoAnn Shea	Chief Accounting Officer (Principal Accounting Officer)	March 1, 2011
* Manuel Ernesto Aguirre	Director	March 1, 2011
* Robert W. Bailey	Director	March 1, 2011
* Robert G. Card	Director	March 1, 2011
* William T. Dehn	Director	March 1, 2011
* Jerry D. Geist	Director	March 1, 2011
* Chad O. Holliday, Jr.	Director	March 1, 2011
* Michael E. McKelvy	Director	March 1, 2011
* Georgia R. Nelson	Director	March 1, 2011

Signature	Title	Date
* David B. Price	Director	March 1, 2011
* Jacqueline C. Rast	Director	March 1, 2011
* Nancy R. Tuor	Director	March 1, 2011
* Barry L. Williams	Director	March 1, 2011

*By: /s/ MICHAEL A. LUCKI
Michael A. Lucki,
as attorney-in-fact

Exhibit 21.1

Subsidiaries of CH2M HILL Companies, Ltd.

1. Operations Management International Inc., a California corporation

2. CH2M HILL, Inc., a Florida corporation

3. CH2M HILL Constructors, Inc., a Delaware corporation

4. LG Constructors, Inc., a Delaware corporation

5. VECO Services, Inc., an Alaskan corporation

6. CH2M HILL Energy, Ltd., a Delaware corporation

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors
CH2M HILL Companies, Ltd.:

We consent to the incorporation by reference in the registration statement (No. 333-148101) on Form S-4 and in the registration statement (No. 333-113160) on Form S-8 of CH2M HILL Companies, Ltd. and subsidiaries (the Company) of our reports dated March 1, 2011, with respect to the consolidated balance sheets of the Company as of December 31, 2010 and 2009, and the related consolidated statements of income, shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2010, and the effectiveness of internal control over financial reporting as of December 31, 2010, which reports appear in the December 31, 2010 annual report on Form 10-K and to the references to our firm under the heading "Selected Financial Data" included in the annual report on Form 10-K of the Company.

Our report on the consolidated financial statements of the Company refers to the Company's adoption of new accounting standards relating to variable interest entities on January 1, 2010 and noncontrolling interests in consolidated financial statements on January 1, 2009.

KPMG LLP

Denver, Colorado
March 1, 2011

Exhibit 24.1

POWER OF ATTORNEY

Each person whose signature appears below does hereby make, constitute and appoint each of Lee A. McIntire, Michael A. Lucki, Margaret B. McLean, or JoAnn Shea as such person's true and lawful attorney-in-fact and agent, with full power of substitution, resubstitution and revocation to execute, deliver and file with the U.S. Securities and Exchange Commission or securities registration agencies in foreign countries, including but not limited to: Argentina, Brazil, Canada, Ireland, Mexico, Poland, the United Arab Emirates, and the United Kingdom, for and on such person's behalf, and in any and all capacities,

1. A Registration Statement on Form S-4, any and all amendments (including post-effective amendments) thereto and any abbreviated registration statements in connection with this Registration Statement pursuant to the Securities Act of 1933, with all exhibits thereto and other documents in connection therewith or foreign jurisdiction equivalent registration statements; and

2. An Annual Report on Form 10-K for the year ended December 31, 2010, any and all amendments (including post-effective amendments) thereto with all exhibits thereto and other documents in connection therewith, or foreign jurisdiction equivalent reports and statements,

granting unto said attorneys-in fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done as fully to all intents and purposes as such person might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent or such person's substitute or substitutes may lawfully do or cause to be done by virtue hereof.

/s/ LEE A. MCINTIRE Lee A. McIntire	February 11, 2011
/s/ MANUEL ERNESTO AGUIRRE Manuel Ernesto Aguirre	February 11, 2011
/s/ ROBERT W. BAILEY Robert W. Bailey	February 11, 2011
/s/ ROBERT G. CARD Robert G. Card	February 11, 2011
/s/ WILLIAM T. DEHN William T. Dehn	February 11, 2011
/s/ JERRY D. GEIST Jerry D. Geist	February 11, 2011
/s/ CHARLES O. HOLLIDAY, JR. Charles O. Holliday, Jr.	February 11, 2011
/s/ MICHAEL E. MCKELVY Michael E. McKelvy	February 11, 2011
/s/ GEORGIA R. NELSON Georgia R. Nelson	February 11, 2011
/s/ DAVID B. PRICE David B. Price	February 11, 2011

/s/ JACQUELINE C. RAST Jacqueline C. Rast	February 11, 2011
/s/ NANCY R. TUOR Nancy R. Tuor	February 11, 2011
/s/ BARRY L. WILLIAMS Barry L. Williams	February 11, 2011

Exhibit 31.1

CERTIFICATION

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Lee A McIntire, Chief Executive Officer of CH2M HILL Companies, Ltd., certify that:

1. I have reviewed this annual report on Form 10-K of CH2M HILL Companies, Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal year that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2011

/s/ LEE A. MCINTIRE

Lee A. McIntire
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Michael A. Lucki, Chief Financial Officer of CH2M HILL Companies, Ltd., certify that:

1. I have reviewed this annual report on Form 10-K of CH2M HILL Companies, Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal year that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2011

/s/ MICHAEL A. LUCKI

Michael A. Lucki
Chief Financial Officer

Exhibit 32.1

CERTIFICATION

PURSUANT TO RULE 13A-14(B) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, AND SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE (18 U.S.C. SECTION 1350)

In connection with the Annual Report of CH2M HILL Companies, Ltd. (the “Company”) on Form 10-K for the annual period ended December 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Lee A. McIntire, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350 as adopted by Section 906 of the Sarbanes-Oxley Act of 2002 that to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Exchange Act as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in the Report.

/s/ LEE A. MCINTIRE

Lee A. McIntire
Chief Executive Officer

March 1, 2011

This certification “accompanies” the Report to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Report), irrespective of any general incorporation language contained in such filing. A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION

PURSUANT TO RULE 13A-14(B) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, AND SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE (18 U.S.C. SECTION 1350)

In connection with the Annual Report of CH2M HILL Companies, Ltd. (the "Company") on Form 10-K for the annual period ended December 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael A. Lucki, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350 as adopted by Section 906 of the Sarbanes-Oxley Act of 2002 that to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Exchange Act as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in the Report.

/s/ MICHAEL A. LUCKI

Michael A. Lucki
Chief Financial Officer

March 1, 2011

This certification "accompanies" the Report to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Report), irrespective of any general incorporation language contained in such filing. A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.