

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-K

Annual report pursuant to section 13 and 15(d)

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### FILER

#### TETRA TECH INC

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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 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 September 29, 1996.

Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission file number 0-19655

TETRA TECH, INC.  
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

<TABLE>

<S>	Delaware (State or other jurisdiction of incorporation or organization)	<C>	95-4148514 (I.R.S. Employer Identification No.)
	670 N. Rosemead Blvd. Pasadena, California (Address of registrant's principal executive offices) (Registrant's telephone number, including area code:)		91107 (Zip Code) (818) 351-4664

Securities registered pursuant to Section 12(b) of the Act: (Title of each class)	(Name of each exchange on which registered)
None	None

</TABLE>

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

(Title of Class)  
Common Stock, \$.01 par value

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

The aggregate market value of the voting stock held by non-affiliates of the registrant on December 2, 1996 was \$237,721,388.

The number of shares of Common Stock, \$.01 par value, outstanding (the only class of common stock of the registrant outstanding) was 14,141,365 on December 2, 1996.

Portions of registrant's Annual Report to Stockholders for the fiscal year ended September 29, 1996 are incorporated by reference in Part II of this report. Portions of registrant's Proxy Statement for its 1997 Annual Meeting of Stockholders are incorporated by reference in Part III of this report.

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

PART I

## ITEM 1. BUSINESS.

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of The Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements are in the fourth paragraph under "Overview," in the first paragraph under "Marketing," in the sole paragraph under "Backlog," in the last paragraph under "Environmental Legislation," in the last paragraph under "Potential Liability and Insurance," in the last paragraph under "Properties," and in the sole paragraph under "Legal Proceedings." Actual results could differ materially from those projected in the forward-looking statements as a result of the risk factors set forth below under "Risk Factors."

### INTRODUCTION

Tetra Tech, Inc. ("Tetra Tech" or the "Company") provides nationally recognized comprehensive environmental engineering and consulting services addressing complex water contamination and other environmental problems. These services are directed to a broad base of public and private sector clients and include substantially all types of engineering and consulting services in the environmental area, such as water chemistry, geohydrology, soil science, water and wastewater treatment, hydrodynamics, geology, air quality and civil engineering.

The Company was incorporated in Delaware in February 1988 to acquire the assets of the Water Management Group of Tetra Tech, Inc. (the "Predecessor"), a subsidiary of Honeywell Inc. ("Honeywell"), in a management buy-out in March 1988. The Predecessor was founded in 1966 as a coastal and marine engineering business. Honeywell acquired the Predecessor in 1982, by which time the Predecessor had developed an integrated water and environmental science and engineering business. In November 1988, the Company acquired GeoTrans, Inc., a groundwater service firm, and in March 1990, the Company acquired M.H. Loe Company ("Loe"), an underground storage tank removal and remediation company. In October 1991, Loe was merged into the Company. As of October 1993, the Company acquired Simons, Li & Associates, Inc., a firm engaged primarily in advanced water resources and environmental engineering, and in June 1994, the Company acquired Hydro-Search, Inc., a groundwater hydrology and remediation firm. In September 1995, the Company acquired PRC Environmental Management, Inc., an environmental engineering and consulting firm which provides services ranging from policy analysis to innovative remedial technology evaluation, including feasibility studies, remedial investigations and design, economic and financial analyses, environmental audits, risk management services, and regulatory compliance assistance. In November 1995, Tetra Tech acquired KCM, Inc., an engineering firm specializing in the areas of water quality, water and wastewater systems, surface water management, fisheries and facilities. Since 1966, the Company's business has expanded through the establishment of an international network of over 70 offices, allowing the development of technical and marketing expertise in a variety of geographic areas.

### OVERVIEW

Tetra Tech works in partnership with government and industry to balance the need for economic growth with sustainable development of natural resources. The Company responds to its partnerships by recognizing the uniqueness of each client; by recognizing the requirements and needs of the client; setting priorities and ensuring proper allocation and control of resources applied to a problem; as well as monitoring results. The Company's goal is to help the client build environmental performance into each aspect of their organizational activities to enhance both environmental and fiscal performance. Tetra Tech achieves this goal by assisting clients to be more effective in pollution prevention, better manage the spectrum of environmental compliance, and apply innovative and cost-effective solutions to remediation or corrective action to problems impacting our environment.

Tetra Tech has a commitment to people and results, technical excellence and teamwork and cost-effective solutions for its clients' technical problems. The challenges of today's environmental issues requires an integrated multi-disciplinary approach to assist clients in making informed decisions and to implement them in the most cost-effective way. These challenges are driven by:

- . Complex and continuously evolving environmental regulations and the need for a more strategic approach to meet national and international environmental challenges in a way that allows the government and industry to be cost-effective and competitive in the markets they serve.
- . Increased emphasis on pollution prevention and waste minimization as a necessary part of a long-term solution to sound natural resource management.
- . Competition for limited resources and the need for new and more effective technology to achieve pollution prevention, resource management and remediation goals more cost-effectively.

Public concern with water resources and other environmental issues has been a driving force behind the promulgation of numerous laws and regulations which seek to control or prevent environmental degradation and mandate restorative measures. According to the United States Environmental Protection Agency ("EPA"), contamination of groundwater and surface water resulting from industrial, agricultural and residential development is one of the most serious environmental problems facing the United States. Because of the interrelated nature of groundwater, surface water and rainwater in the water cycle, contamination of one source of water affects the quality of other sources. Surface water can be affected by direct contamination or runoff from cities or agricultural areas. In addition, soil contamination from hazardous materials often leads to water contamination through surface runoff and infiltration. Similarly, air pollution and the resulting acid rain and other forms of deposition can contribute to the contamination of water resources over a wide geographic area. This contamination can threaten the quality of the water supplies that serve as drinking water sources and detrimentally affect aquatic life and the quality of lakes, rivers, estuaries, harbors and oceans.

The economic and environmental consequences from continuously evolving regulations present new opportunities for the Company to assist public and private sector clients in achieving compliance. Past enforcement efforts under the Clean Water Act ("CWA") have focused on regulating sources of pollution which originate from a discrete point, such as industrial facilities and municipal treatment plants. Much of the Company's water-related environmental business has been derived from this market. However, the EPA estimates that nonpoint sources, such as stormwater runoff from urban streets, runoff from farmland and construction sites, atmospheric deposition, drainage and combined sewer overflow, currently account for more than 50% of the pollution entering the nation's waters. As a result, the EPA is currently developing programs and allocating funding to address the complex problem of nonpoint source pollution within the context of holistic watershed management. Under National Pollutant Discharge Elimination System ("NPDES") regulations promulgated in November 1990, for example, the EPA will require municipalities and industries to apply for nonpoint discharge permits. The Company's ongoing technical support of the EPA's water programs has led to early involvement in the development and implementation of this emerging nonpoint source program. However, no assurance can be given that the Company will continue to participate in this program.

In addition to the CWA, other laws, such as the Resource Conservation and Recovery Act of 1976 ("RCRA"), the Comprehensive Environmental Response, Compensation and Liability Act ("Superfund") and the Safe Drinking Water Act ("SDWA"), require companies and government agencies to make considerable environmental expenditures. Major environmental expenditures are also planned by the United States government, including expenditures by the United States Department of Defense ("DOD") and the United States Department of Energy ("DOE") to clean up defense and nuclear weapons production and test facilities that have become contaminated over the past four decades.

#### COMPANY SERVICES

The Company's services generally fall within six business areas: surface water, groundwater, waste management, nuclear environmental, resource management and facilities management. The Company provides its clients with a wide range of services including research and development, environmental assessment and engineering, design and construction management, and facility operation and maintenance. These services are offered individually or together as part of the Company's full service approach to environmental problems. The Company is currently performing services under more than 800 active contracts, which range

from small site investigations to large, comprehensive assessment and remediation projects.

## SURFACE WATER

Public concern with the quality of surface water resources, defined as rivers, lakes and streams as well as coastal and marine waters, and the ensuing legislative and regulatory response, have led to a demand for the Company's services. Over the past 30 years, the Company and the Predecessor have developed a specialized set of technical skills which position the Company to compete effectively for surface water and watershed management projects. The Company provides water resource services to public clients such as the EPA, DOD and DOE and to a broad base of private clients including those in the chemical, pharmaceutical, utility, aerospace and petroleum industries. The Company also provides surface water services to state and local agencies, particularly in the areas of watershed management, flood control and drainage designs. The Company's services in the management of surface water quantity and quality include research and development for new generations of computer models that can predict and compare the response of water quality parameters under various watershed management practices; design of monitoring programs; consulting services, particularly in regulatory compliance, permitting and nonpoint source management; and engineering design of integrated best management practices (e.g., stormwater detention ponds and artificial wetlands), stream, lake and wetland restoration and enhancement measures, and flood conveyance and control structures.

Traditional "command and control" solutions used since the 1970s by the federal government to bring industrial and municipal wastewater treatment plant discharges into compliance have been successful in reducing impacts to U.S. surface waters. However, a significant percentage of waters remain polluted due primarily to diffuse "nonpoint source" pollution generated by man's activities on the rural and urban landscape. Under a reauthorized Clean Water Act expected within the next one to two years, EPA has set as a high priority working with states and local governments to implement more effective nonpoint source and watershed management programs to address this problem.

The Company has also worked closely with the U.S. Army Corps of Engineers (ACE) to develop and implement nationwide non-traditional approaches to flood control policy, planning, and design. As a consultant to ACE, the Company has implemented flood control practices using natural, non-structural features. In addition to ensuring human health, safety, and welfare protection, this new approach results in a decreased federal investment, higher benefit-to-cost ratios, the creation of recreational opportunities, and the enhancement and effective long-term management of endangered urban watersheds.

The Company has worked closely with the EPA since the passage of the CWA in 1977 in researching and evaluating surface water environmental systems. Under contracts with the EPA, the Company has assisted in the development of national guidelines on surface water monitoring strategies, nonpoint source pollution control practices, pollution trading and other economic incentive-based control strategies, and public education methods for use by states and local agencies in their ongoing surface water and watershed management programs. Through its work for the EPA, the Company has developed expertise in complex modeling, Geographic Information Systems (GIS), remote sensing, surface water monitoring, data analyses, publication of national guidance documents and environmental impact assessments for surface water projects. The development of this knowledge base has strategically positioned Tetra Tech as an authority on regulations affecting discharges to surface water and best management practices.

Examples of past and current projects in the surface water field include the following:

- . Stormwater Runoff. The Company recommended methods to manage stormwater runoff and other point and nonpoint sources of pollution for a variety of clients including Guilford County, North Carolina; Baltimore and Prince Georges Counties, Maryland; Suffolk County, New York; Prince William County, Virginia; and the City of Tucson, Arizona. For Prince Georges County, Tetra Tech developed several new investigative technologies to assess and manage stormwater pollution under the NPDES program. Predictive models and statistical algorithms integrated with GIS help prioritize water quality efforts. Models are

also being developed to assess water quality benefits derived from wetland systems and other best management practices. The Company is assisting the California Department of Transportation to establish a statewide stormwater quality monitoring program to meet state and federal regulations.

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- . Water Supply Protection. Tetra Tech is assisting several local agencies in watershed restoration and pollution source assessments in areas where surface water supplies are susceptible to land activities (e.g., urbanization, agriculture). These include, for example, the assessment of pathogen sources and fate in the Occoquan Watershed, Virginia, and the development of stream channel restoration methods in several watersheds within New York City's water supply system.
- . Watershed Assessment Tool Development. Under contracts with the EPA and Prince Georges County, Maryland, Tetra Tech has developed a number of watershed assessment tools that provide integration of watershed and receiving water models, databases, monitoring and design data, and watershed attribute information within a GIS platform (PC-Windows and UNIX workstations). These tools range from "BASINS," which was developed for EPA to be used by states to perform local and regional scale watershed assessments, to "SAM," which was developed for Prince Georges County for detailed assessment and optimization of best management practices.
- . Coastal Nonpoint Pollution. As the prime contractor to the EPA's Assessment and Watershed Protection Division, Tetra Tech is assisting in the development of implementation strategies and technical guidance for nonpoint source pollution control within the coastal zone under the Coastal Nonpoint Pollution Control Program. The Company is also assisting the EPA in developing guidance for the assessment of stormwater discharges and combined sewer overflows as required under NPDES regulations. The Company is also assisting the government of the Philippines in addressing problems related to the management of the country's vital coastal resources. Under this contract, the Company provides scientific and engineering services and policy support for the development and implementation of effective community-based coastal resources and watershed management.
- . Municipal Flood Control Design. The Company has provided design services for numerous flood control projects in western states. The Company provided design and construction engineering services for the Talbert Channel ocean outlet, a major component of the U.S. Army Corps of Engineers' Santa Ana River flood control project. This project is the largest of its kind west of the Mississippi River. For the city of Federal Way, Washington, the Company performed the feasibility assessment, predesign and final design for a regional stormwater detention basin to address existing and predicted future flooding on a rapidly urbanizing portion of Hylebos Creek. The results of the analysis identified flood frequency levels, identified unstable downstream channel reaches, and predicted typical water quality expected for the site. The subsequent design required balancing various environmental (wetlands, fisheries, water quality) and physical (property availability, geologic) constraints.
- . Flood Control Planning. The Company is currently providing flood control related planning services to the U.S. Army Corps of Engineers' Los Angeles District. Individual projects include flood investigations of 72 sites in Arizona; an analysis of flooding effects to 300 in-stream structures in California, Arizona, Nevada, and Utah; a reconnaissance study for habitat restoration along the Gila River in Arizona; and development of multiple-use flood mitigation alternatives for 35 miles of the Salt River through the metropolitan Phoenix area.
- . Power Plant Discharges. Under a contract with the Electric Power Research Institute, the Company developed RIVRISK, a multi-purpose mathematical model used to assess potential human health risks from power plant discharges into rivers. The model is designed to help utilities evaluate options, design new or restored wetlands, and obtain permits for activities involving existing and constructed wetlands such as power corridors, road construction and habitat

improvement.

- . Water Quality Survey of Lower Columbia River. Tetra Tech conducted a three-year investigation of the overall status and health of the Columbia River from the mouth of the river to the first dam at Bonneville, Oregon. The project included identification of point and nonpoint sources of contamination; development of modeling approaches for estimating contaminant transport and fate;

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human health risk assessment of consumption of fish; identification of beneficial river uses and their susceptibility to changes in water quality; water, sediment and biological field investigations; and preparation of a comprehensive initial assessment of water quality in the lower Columbia River.

#### GROUNDWATER SERVICES

According to the EPA, groundwater contamination is one of the most severe environmental problems currently confronting the United States. Groundwater is located in the saturated zone beneath the land surface, is the source of drinking water for approximately 50% of the population and accounts for approximately 25% of all water consumed for residential, industrial and agricultural purposes. Tetra Tech's activities in the groundwater field are diverse and typically include such projects as the investigation and identification of sources of chemical contamination in groundwater; the examination of the extent of contamination; the analysis of the speed and direction of contamination migration; and the design and evaluation of remedial alternatives. In addition, the Company conducts monitoring studies to assess the effectiveness of groundwater treatment and extraction wells. Tetra Tech's professionals have the ability to analyze complex groundwater data using sophisticated computer models.

Examples of past and current projects in the groundwater field include the following:

- . Groundwater Studies and Regulatory Negotiation at a Superfund Site. At the Pagel's Pit CERCLA site in Illinois, the Company has demonstrated the effectiveness of a sparge curtain remedy that will save the client an estimated \$8 million compared to the remedy originally specified. To support this documentation, Tetra Tech conducted a study of groundwater impacts and remedial alternatives, prepared an Explanation of Significant Difference and presented the recommended remedy to the regulatory agency, which has conceptually approved the preliminary design. The sparge curtain will include approximately 31 wells to remove TCE contamination in groundwater at the facility.
- . Groundwater Cleanup at Former Municipal Solid Waste Landfill in New Hampshire. The Company has provided technical analysis to the landfill Trust in support of regulatory negotiations regarding remedy selection and development of a Scope of Work for Remedial Design and Remedial Action (RD/RA). The management of migration remedy includes groundwater extraction from the bedrock. In addition, Tetra Tech has assisted with the identification and evaluation of adjacent contributors to contamination at the site. The Company is also evaluating the use of an innovative chemical reactive wall to be installed downgradient of the landfill.
- . Aerospace Site. Tetra Tech performed a remedial investigation of possible subsurface contamination at five manufacturing plants of a large aerospace company. Over 400 soil borings, 15,000 feet of drilling and over 3,500 samples were collected and analyzed in 5 months. An innovative database was developed for analysis and presentation of data to the client and governmental regulators. Tetra Tech also designed and installed a Phase I remedial well field to extract 6,000 gallons-per-minute ("gpm") of contaminated groundwater. Subsequent phases will culminate in a 12,000 gpm treatment plant.
- . Utilities Cleanup. The Company is supporting activities ranging from initial site investigations through cleanup and demolition at approximately 50 former manufactured gas plant sites across the United

States, including work in Oregon, Washington, California, Iowa, Wisconsin, New York, New Jersey, West Virginia, and Washington, DC. Of primary concern at most of these sites are dense non-aqueous phase liquids (DNAPL). The Company is the author of the standard reference text, DNAPL Site Characterization, and has taught seminars for the EPA in all ten regions focusing on DNAPL investigation, cleanup and control strategies.

## WASTE MANAGEMENT

The Company has utilized its experience and technical expertise in water-related environmental services to expand into complementary environmental services. For example, Tetra Tech established a hazardous waste capability in the early 1980s which focused on water and soil contamination problems. Tetra Tech currently provides a wide range of engineering and consulting services for hazardous waste projects, from initial site assessment through design and implementation of remedial solutions. In addition, the Company performs risk assessments to determine the probability of adverse health effects that may result from exposure to toxic substances in environmental media. The Company also provides waste minimization and pollution prevention services, and evaluates the effectiveness of innovative technologies.

Examples of past and current projects in hazardous waste management include:

- . Technical Analyses and Regulatory Support at Superfund Site in Rhode Island. The Company is assisting in the implementation of remedial design/remedial action activities at a site at which liquid bulk wastes and more than 10,000 drums containing hazardous waste were disposed in several trenches. Tetra Tech has assisted the PRP Group in negotiating a revised scope of work that includes sequential pilot testing of remedy components. This allows the effectiveness of the proposed remedy to be evaluated prior to full scale implementation.
- . Navy Installation Restoration Program. The Company is providing program management and technical support for the Navy CLEAN program under a ten-year contract. Activities include installation restoration, base realignment and closure, and underground storage tank programs. The Company has conducted numerous treatability studies of both conventional and innovative treatment technologies to assist in selecting cleanup strategies for naval installations. The Company supports the Navy Environmental Leadership Program by identifying and demonstrating innovative methods for the Navy to achieve compliance with applicable laws and regulations, accelerate cleanup, implement pollution prevention techniques, and conserve natural resources.
- . Innovative Technology Evaluation. The Company is the prime contractor for the nationwide Superfund Innovative Technology Evaluation (SITE) program, to demonstrate and evaluate the performance and cost of various processes for treating contaminated soil and groundwater. Under SITE and similar federal government efforts for the Department of Defense (DOD) and Department of Energy (DOE), as well as state and private industry partners, Tetra Tech has tested, evaluated, and disseminated information on hundreds of new and emerging treatment technologies and have supported government and industry efforts to foster the continued development of these and other new technologies.
- . RCRA Support at Industrial Plant. The Company is performing a RCRA Facility Investigation and streamlined Corrective Measures Study in a fractured aquifer in Stonewall, Virginia. A phased and risk-based screening approach was used at the site to delineate 22 source areas, resulting in the consolidation of 22 areas into five areas of concern. The Company negotiated a streamlined approach that focuses on passive remediation and limited source reduction, thus limiting costs at the site.
- . Municipal Solid Waste Landfills. The Company is participating in remedial action at a landfill in Howard County, Maryland, including contractor oversight, waste characterization, air monitoring, and

reporting functions at a hazardous waste removal action for more than 500 buried drums. Work included setting up site zones, health and safety procedures, and standard procedures for drum removal, as well as comprehensive community relations activities. As part of the same contract, the Company performed remedial investigation/feasibility studies ("RI/FS") activities at three municipal solid waste landfills.

- . Site Investigation and Remediation Services. The Company is providing investigation and remediation services to the California Department of Transportation in connection with hazardous

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waste sites encountered during freeway construction; and site investigation, risk assessment and remedial design services for State superfund sites for the California Department of Toxic Substances Control.

- . Support for Ordnance Remediation. The Company supported a first-of-its-kind, large-scale demonstration of over 50 state-of-the-art technologies that detect, identify, and remediate buried unexploded ordnance (UXO) for the U.S. Army Environmental Center's UXO Advanced Technology Demonstration Program.
- . RI/FS Activities. The Company is engaged in RI/FS activities at 12 sites for a Fortune 50 company.
- . Army Depot Cleanup. The Company is providing site investigation and remedial design services for the Army Corps of Engineers at various Army Depots in western states.
- . Port of Long Beach. Tetra Tech is conducting site investigation and remediation of petroleum-contaminated soils for the Port of Long Beach, California.

#### NUCLEAR ENVIRONMENTAL PROGRAMS

The DOE's nuclear weapons plants and research laboratories have a wide variety of environmental needs, including groundwater and surface water contamination, as well as hazardous waste management and environmental compliance. Tetra Tech's services to the DOE are focused in areas compatible with the Company's core businesses and include NEPA analysis and documentation, environmental audits and risk assessments, regulatory compliance support, groundwater characterization, RI/FS and project management and oversight. The end of the Cold War and subsequent arms reduction agreements have reduced the Nation's requirements for nuclear weapons. These changes have resulted in increased opportunities for Tetra Tech's nuclear environmental services. The Company's environmental analyses will assist DOE with the storage or disposition of surplus materials from dismantled nuclear components from weapons no longer required for the U.S. weapons stockpile.

Examples of DOE projects performed by the Company include the following:

- . Environmental Impact Analysis. Programmatic Environmental Impact Statement ("PEIS") for Reconfiguration of the Nuclear Weapons Complex involving environmental analysis of planned modernization activities at 13 sites nationwide. Tetra Tech has received contract modifications expanding the PEIS contract to over seven times its original value.
- . Nuclear Test Site. The Company is a subcontractor under a multi-year DOE contract for an RI/FS of radioactive contamination resulting from activities, including nuclear test explosions, at the DOE's Nevada Test Site. This contract includes investigation of the magnitude and extent of groundwater contamination, preparation of environmental impact statements and corrective action under RCRA.
- . Savannah River Site. The Company is a prime contractor to the DOE Savannah River Site operator in South Carolina. Ongoing programs are being conducted by Tetra Tech to aid in the assessment of closure and remedial action options for various waste units at this site. The Company is also providing multi-disciplinary support for low-level radioactive and mixed waste management activities including the

assessment of waste characterization, sampling and analysis, treatment, and disposal alternatives.

- . Pantex Plant. The Company is preparing the site-wide Environmental Impact Statement for the Pantex Plant, Amarillo, Texas.
- . Support to Environmental Management Office. The Company is providing technical support to the Office of Environmental Management at DOE Headquarters on a wide range of issues. The

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focus of this program is on applying successful environmental practices to improve the efficiency and cost-effectiveness of environmental restoration and waste management activities throughout the DOE complex.

#### RESOURCE MANAGEMENT

The Company's resource management services include the full spectrum of regulatory requirements under RCRA, the CWA, the Clean Air Act, the National Environmental Policy Act ("NEPA") and other environmental laws. Although services are provided to both public and private sector clients, the Company's current emphasis is on providing resource management services to Army, Navy and Air Force installations. Activities have been conducted at bases which are closing as well as those which are remaining open.

Examples of Tetra Tech's resource management projects include the following:

- . Philippines Resource Management. The Company is assisting the government of the Philippines, through the U.S. Agency for International Development, with managing the country's natural resources, including the nation's coastal environments. The Company provides services supporting Philippine environmental and resource management policies which focus on market-driven incentives that encourage industry to comply with standards.
- . U.S. Air Force. A nationwide contract with the Air Mobility Command to perform environmental compliance activities at Air Force bases.
- . U.S. Navy. Performance of a wide variety of task orders for environmental assessment of proposed projects for a Southwest Division Naval Facilities Engineering Command contract covering Naval and Marine Corps facilities in California, Arizona and New Mexico.
- . Edwards Air Force Base. Environmental documentation for Base Comprehensive Planning at Edwards Air Force Base, California. Services performed for this project have included the assessment of air, wastewater and nonpoint source emissions, as well as technical support for source reduction and spill prevention contingency planning.
- . U.S. Navy. Environmental documentation for base realignment and closure activities at U.S. Naval bases in the San Francisco Bay area.
- . U.S. Army. A nationwide contract with Army Material Command ("AMC") to support compliance requirements of AMC installations and facility tenants.

#### FACILITIES MANAGEMENT

The Company works in partnership with government and some of the world's leading corporations to develop long-term solutions to their total facility management and operation needs. Tetra Tech's approach to Operations & Maintenance (O&M) services is to provide a fully integrated capability that targets improving technical effectiveness at the operating unit and process levels.

The Company's O&M services include the operation and maintenance of facilities as well as oversight and support for day-to-day compliance activities. Tetra Tech has operated treatment plants, soil and groundwater remediation systems, air monitoring stations, hazardous waste

transfer/collection stations, landfills, and industrial systems. The Company's approach to O&M services focuses on improving operating efficiencies and maintaining continued effectiveness of operating units. O&M services offered by the Company range from overall facility operating management to obtaining a facility's operating permits and licenses and providing the necessary documentation through automated data management systems. In addition, Tetra Tech has the capability to manage its customer's complete waste management requirements; to mitigate environmental impact from past management practices; and also to ensure that operations meet the stringent operating, reporting and administrative demands placed on today's facility managers.

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- . Large Air Force Base Facilities. The Company is prime contractor for O&M services at a large Air Force Base in California. The Company provides O&M services for a wastewater treatment plant and a hazardous waste collection plant, as well as air monitoring and other services. The Company's contract represents the consolidation of numerous individual contracts into one contract to provide cost savings and improve efficiency, a model which is expected to be adopted at additional military bases in the future.
- . Aerospace Corporation Landfills. The Company is providing O&M services of wastewater treatment plants to treat leachate from several landfills owned by a private corporation.
- . Large Air Force Base Site. The Company is providing O&M services of the Facilities' soil biofarm/bioventing systems.

#### OTHER ENGINEERING PROJECTS

The Company also provides engineering and construction management services for projects which are not necessarily environmental in nature, such as governmental, industrial and commercial buildings, as well as flood control, recreation and water storage dams and reservoirs. Net revenue from these civil engineering projects in fiscal 1994, 1995 and 1996 represented 5.7%, 3.7% and 10.3%, respectively, of the Company's net revenue.

#### CLIENTS

The Company has developed a diverse client base of over 500 current clients, including Federal, state and local government agencies, utilities, private companies, professional firms (such as law, consulting and engineering firms) and real estate development firms. As a result of the diversity of the Company's services, it may support multiple programs within a specific Federal agency. Tetra Tech's private sector clients include chemical, mining, pharmaceutical, aerospace, petroleum and utility companies.

#### CONTRACTS

The Company enters into various types of contracts with its clients which include fixed-price, fixed-rate time and materials, cost-reimbursement plus fixed fee and cost-reimbursement plus fixed and award fee contracts. In fiscal 1996, 17.1%, 32.5% and 50.4% of the Company's net revenue was derived from fixed-price, fixed-rate time and materials, and cost-reimbursement plus fixed fee and award fee contracts, respectively. Under a fixed-price contract, the customer agrees to pay a specified price for the Company's performance of the entire contract. Fixed-price contracts carry certain inherent risks, including risks of losses from underestimating costs, problems with new technologies and economic and other changes that may occur over the contract period. Consequently, the profitability of fixed-price contracts may vary substantially. The amount of the fee received for a cost-reimbursement plus fixed and award fee contract partially depends upon the government's discretionary periodic assessment of the Company's performance on that contract. The Company's fee from a cost-reimbursement plus fixed and award fee contract may vary based upon the Company's performance.

Agencies of the Federal government are among the Company's most significant clients. During fiscal 1996, the EPA, DOD and DOE accounted for 11.6%, 33.7% and 11.5%, respectively, of the Company's net revenue. Some contracts made with the Federal government are subject to annual approval of funding. Limitations imposed on spending by Federal government agencies may limit the continued funding of the Company's existing contracts with the Federal government and may

limit the Company's ability to obtain additional contracts. These limitations, if significant, could have a material adverse effect on the Company. To date, spending limitations have not had a significant effect on the Company. All contracts made with the Federal government may be terminated by the government at any time, with or without cause. Federal government agencies have formal policies against continuing or awarding contracts that would create actual or potential conflicts of interest with other activities of a contractor. These policies, among other things, may prevent the Company in certain cases from bidding for or performing contracts resulting from or relating to certain work the Company has performed for the government. In addition, services performed for a private client may create conflicts of interest which preclude or limit the Company's ability to obtain work for another private entity. The Company attempts to identify actual or potential

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conflicts of interest and to minimize the possibility that such conflicts would affect its work under current contracts or its ability to compete for future contracts. The Company has, on occasion, declined to bid on a project because of an existing potential conflict of interest. However, the Company has not experienced disqualification during a bidding or award negotiation process by any government or private client as a result of a conflict of interest. None of the Company's government contracts are subject to renegotiation of profits without a change in the contractual scope of work.

The Company provides its services pursuant to contracts, purchase orders or retainer letters. Company policy provides that, where possible, all contracts will be in writing. The Company bills all of its clients periodically based on costs incurred, on either an hourly-fee basis or on a percentage of completion basis, as the project progresses. Generally, Tetra Tech's contracts do not require that it provide performance bonds. Most of the Company's agreements permit termination by the client upon payment of fees and expenses through the date of the termination.

#### MARKETING

The Company's marketing activities are managed by the corporate marketing department, which establishes the Company's business plan, target markets and develops overall marketing strategies. The marketing department also identifies and tracks the development of large Federal programs, positions the Company for new business areas, selects appropriate partners, if any, for new projects and assists in the bid process for new projects. In addition, the corporate marketing department supports marketing activities firm-wide by coordinating corporate promotional and professional activities, including appearances at trade shows, direct mailings, telemarketing and public and media relations.

Local marketing activities for the Company are implemented through its over 70 local offices. A local presence enables the Company's professionals to gain greater knowledge of local environmental issues and a better understanding of local laws and regulations. Local marketing activities are coordinated by full time marketing staff located in certain local offices and include meetings with potential clients and local regulators, presentations to civic and professional organizations and seminars on current regulatory topics.

#### COMPETITION

The market for the Company's services is highly competitive. The Company competes with many other firms, ranging from small local firms to large national firms having greater financial and marketing resources than the Company. Competition in the environmental services industry is likely to increase as the industry matures, as more companies enter the market and expand the range of services which they offer and as the Company and its competitors move into new geographic markets. Historically, competition has been based primarily on the quality and timeliness of service. However, as the industry matures, the Company believes that price will become an increasingly important competitive factor.

#### BACKLOG

At September 29, 1996, Tetra Tech's gross revenue backlog was approximately \$206.3 million, compared to \$190.2 million at October 1, 1995. The Company includes in gross revenue backlog only those contracts for which funding has been provided and work authorizations have been received. The Company estimates

that approximately \$167.8 million of the gross revenue backlog at September 29, 1996 will be recognized during fiscal 1997. No assurance can be given that all amounts included in backlog ultimately will be realized, even if evidenced by written contracts. See "Contracts."

#### ENVIRONMENTAL LEGISLATION

The demand for the Company's environmental services is a result of public concern over environmental issues and the ensuing legislative response. As a result, the Company's clients have become subject to an increasing number of frequently overlapping Federal, state and local laws concerned with the protection of the environment, as well as regulations promulgated by administrative agencies pursuant to such laws.

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The Company has provided services to clients with respect to the following Federal statutes and regulations:

The Clean Water Act. Under the CWA, as amended, a system of permits and enforcement procedures for the discharge of pollutants into waters of the United States from industrial, municipal and other wastewater sources was established. The EPA sets discharge standards for certain wastewater discharges and provides grants to assist municipalities in complying with treatment requirements.

The CWA requires pretreatment of industrial wastewater before discharge into municipal systems and gives the EPA the authority to set pretreatment limits under certain circumstances. These efforts by the EPA will prompt facility upgrading and better control of industrial discharges. The surface water toxics regulations require states to identify waters adversely affected by toxics and propose control strategies. Promulgated regulations require permits for stormwater discharges for industrial activities and large (populations greater than 100,000) municipal stormwater systems.

The Resource Conservation and Recovery Act of 1976. RCRA, as amended by the Hazardous and Solid Waste Amendments of 1984 ("HSWA"), provides a comprehensive scheme for the regulation of hazardous waste from the time of generation to its ultimate disposal (and sometimes thereafter), as well as the regulation of persons engaged in generation, handling, transportation, treatment, storage and disposal of hazardous waste. The RCRA scheme includes both a permitting and a manifest tracking system. With few exceptions, every facility that treats, stores or disposes of hazardous waste must obtain a RCRA permit from the EPA, or a state agency which has been authorized by the EPA to administer the RCRA program, and must comply with certain operating, financial responsibility and disclosure requirements. Although most states have obtained authority to administer this program within their respective states, the applicable state statutes must be at least as stringent as the Federal standards and the Federal government retains enforcement authority. Regulations have been issued pursuant to RCRA in the following areas, among others: permitting assistance, remediation of environmental complications associated with underground storage tanks, municipal solid waste disposal and land disposal of hazardous waste. HSWA also imposes land disposal restrictions on certain listed hazardous wastes which do not meet specified treatment standards, prescribes more stringent standards for hazardous waste disposal sites, sets standards for underground storage tanks and provides for corrective action at or near sites of waste management units.

The Comprehensive Environmental Response, Compensation and Liability Act of 1980. This legislation, as amended by the Superfund Amendments and Reauthorization Act of 1986 ("SARA"), established the Superfund program to identify and clean up inactive hazardous waste sites and provides for penalties and punitive damages for noncompliance with EPA orders. Superfund also covers the emergency cleanup of spills. Superfund may impose strict joint and several liability on certain hazardous substance generators, transporters and disposal facility owners and operators for the costs of removal or remedial action, other necessary response costs and damages for injury, destruction or loss of natural resources, and the cost of any health effects study. Federal funds may be used to pay for the cleanup. SARA provided a separate fund, supported by a tax on gasoline, for the cleanup of leaks from underground storage tanks. In addition, under SARA, the EPA has the mandate to emphasize permanent remedies and treatment at Superfund sites, developing a technology oriented market.

The National Environmental Policy Act. NEPA is the basic national charter for protection of the environment. The purpose of NEPA is to guide public

officials in making decisions that are based on an understanding of the environmental consequences of those decisions.

NEPA requires that an environmental impact statement ("EIS") be prepared for "major federal actions significantly affecting the quality of the human environment." A "major federal action" includes actions with effects that may be major and which are potentially subject to Federal control and responsibility. The term includes legislation proposed by an agency; adoption of agency rules, regulation and policies; adoption of formal plans; and approval of specific Federal projects. In addition, Federal permits, licenses, loans, grants, leases and other Federal actions that are necessary for private developments may require preparation of an EIS, although actual Federal involvement in the activity may be minimal.

NEPA requires the EIS to contain a detailed statement on: the environmental impact of the proposed action; any adverse environmental effects which cannot be avoided should the proposal be implemented; alternatives

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to the proposed action; the relationship between local short-term uses of the environment and the maintenance and enhancement of long-term productivity; and any irreversible and irretrievable commitments of resources which would be involved in the proposed action should it be implemented.

In addition to NEPA, several states have adopted legislation requiring environmental impact analysis to be prepared for actions at the state level.

The Safe Drinking Water Act. Under the SDWA and its subsequent reauthorizations, the EPA is empowered to set drinking water standards for water supply systems in the United States. The SDWA requires that the EPA set maximum groundwater contamination levels for 83 previously unregulated toxic substances and also requires the EPA to establish a priority list every three years of contaminants that may cause adverse health effects and may require regulation. The first priority list was published in January 1988. Water supply systems are required to begin monitoring within defined time limits following the publication of the final regulations. The SDWA also requires that the EPA set criteria specifying when utilities using surface water supplies should filter their water and issue national primary drinking water regulations requiring all utilities to disinfect their water. By June 1993, all surface water supply systems must provide filtration and disinfection. The EPA regulations under the SDWA are expected to result in significant expenditures by water supply systems for evaluation and, ultimately, for upgrading of many facilities.

Other Regulations. The Company's services are also utilized by its clients in complying with the following Federal laws: the Oil Pollution Act of 1990, the Toxic Substances Control Act, the Clean Air Act, the Emergency Planning and Community Right-to-Know Act of 1986, and the Marine Protection, Research and Sanctuaries Act of 1972.

Many states have passed legislation and established policies to cover more detailed aspects of hazardous waste management. The State of California, for example, has consistently been a leader in passing and implementing waste management legislation. These laws, and similar laws in other states, address such topics as air pollution control, underground storage tanks, water quality, solid waste, hazardous materials, surface impoundments, site cleanup and waste discharge. Several states have modeled their environmental laws and regulations on those of California. The Company believes that its experience in California makes it prepared to respond to the regulatory environment in such states.

Because much of the Company's business is generated either directly or indirectly as a result of Federal and state governmental programs and regulations, changes in governmental policies affecting such programs, or regulations or administrative actions affecting the funding or sponsorship of such programs, could have a material adverse effect on the Company's business. However, the Company believes that it will benefit from current regulatory initiatives emphasizing risk management, cost/benefit analysis, pollution prevention and source control, and natural resources conservation and disaster planning.

#### POTENTIAL LIABILITY AND INSURANCE

Because of the type of environmental projects in which the Company is or

may be involved, the Company's current and anticipated future services may involve risks of potential liability under Superfund, common law or contractual indemnification agreements. It is difficult to assess accurately both the areas and magnitude of potential risk to the Company.

The Company maintains comprehensive general liability insurance in the amount of \$1,000,000. This amount, together with \$9,000,000 umbrella policies, provide total general liability coverage of \$10,000,000. The Company's professional liability insurance ("E&O") policy, which included pollution coverage, for 1996 provided \$10,000,000 in coverage, with \$100,000 self-insured retention. For 1997, the Company expects to maintain similar coverages as to 1996 for current services including pollution-related services rendered by the Company. However, because there are various exclusions and retentions under the Company's insurance policies, there can be no assurance that all liabilities that may be incurred by the Company are subject to insurance coverage. In addition, the E&O policy is a "claims made" policy which only covers claims made during the term of the policy. If a policy terminates and retroactive coverage is not obtained, a claim subsequently made, even a claim based on events or

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acts which occurred during the term of the policy, would not be covered by the policy. In the event the Company expands its services into new markets, no assurance can be given that the Company will be able to obtain insurance coverage for such activities or, if insurance is obtained, that the dollar amount of any liabilities incurred in connection with the performance of such services will not exceed policy limits. The premiums paid by the Company for its professional liability policies during 1996 were approximately \$726,000 for E&O. The amounts to be paid for 1997 will be determined by March 14, 1997. The Company expects no significant increase in rates.

#### EMPLOYEES

At September 29, 1996, the Company had 1,899 employees, including 1,303 professionals. The Company's professional staff includes archaeologists, biologists, cartographers, chemists, chemical engineers, civil engineers, electrical engineers, environmental engineers, environmental scientists, geologists, hydrogeologists, mechanical engineers, oceanographers and toxicologists. The Company's ability to retain and expand its staff of qualified professionals will be an important factor in determining the Company's future growth and success. None of the Company's employees is represented by a labor organization, and management considers its relations with its employees to be good.

#### RISK FACTORS

Statements regarding the Company's performance prospects could contain forward-looking information that involves risk and uncertainties such as the level of demand for the Company's services, funding delays for projects, lack of regulatory clarity affecting the marketplace and industry-wide competitive factors. The following risk factors should be reviewed in addition to the other information contained in this Annual Report on Form 10-K.

**POTENTIAL LIABILITY AND INSURANCE.** Because of the type of environmental projects in which the Company is or may be involved, the Company's current and anticipated future services may involve risks of potential liability under superfund, common law or contractual indemnification agreements. It is difficult to assess accurately both the areas and magnitude of potential risk to the Company.

The Company maintains comprehensive general liability insurance in the amount of \$1,000,000. This amount, together with \$9,000,000 coverage under umbrella policies, provide total general liability coverage of \$10,000,000. The Company's professional liability insurance ("E&O") policy, which includes pollution coverage, for 1996 provides \$10,000,000 in coverage, with a \$100,000 self-insured retention. For 1997, the Company expects to maintain similar coverages for current services including pollution-related services rendered by the Company. However, because there are various exclusions and retentions under the Company's insurance policies, there can be no assurance that all liabilities that may be incurred by the Company are subject to insurance coverage. In addition, the E&O policy is a "claims made" policy which only covers claims made during the term of the policy. If a policy terminates and retroactive coverage is not obtained, a claim subsequently made, even a claim based on events or acts

which occurred during the term of the policy, would not be covered by the policy. In the event the Company expands its services into new markets, no assurance can be given that the Company will be able to obtain insurance coverage for such activities or, if insurance is obtained, that the dollar amount of any liabilities incurred in connection with the performance of such services will not exceed policy limits. The premiums paid by the Company for its professional liability policies during 1996 were approximately \$726,000 for E&O. The amounts to be paid for 1997 will be determined by March 14, 1997.

The Company does not maintain funded reserves to provide for payment of partially or completely uninsured claims and, accordingly, a partially or completely uninsured claim, if successful and of significant magnitude, could have a material adverse effect on the Company.

**SIGNIFICANT COMPETITION.** The market for the Company's services is highly competitive. The Company competes with many other firms, ranging from small local firms to large national firms having greater financial and marketing resources than the Company. Competition in the environmental services industry is likely to increase as the industry matures, as more companies enter the market and expand the range of services which they offer and as the Company and its competitors move into new geographic markets. Historically, competition has been based

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primarily on the quality and timeliness of service. However, as the industry continues to mature, the Company believes that price will become an increasingly important competitive factor.

**CONTRACTS.** The Company's contracts with the Federal and State governments and some of its other client contacts are subject to termination at the discretion of the client. Some contracts made with the Federal government are subject to annual approval of funding and audits of the Company's rates. Limitations imposed on spending by Federal government agencies may limit the continued funding of the Company's existing contracts with the Federal government and may limit the Company's ability to obtain additional contracts. These limitations, if significant, could have a material adverse effect on the Company. All of the Company's contracts with the federal government are subject to audit by the government. The Company's government contracts are subject to renegotiation of profits in the event of a change in the contractual scope of work to be performed.

**CONFLICTS OF INTEREST.** Many of the Company's clients are concerned about potential or actual conflicts of interest in retaining environmental consultants and engineers. For example, Federal government agencies have formal policies against continuing or awarding contracts that would create actual or potential conflicts of interest with other activities of a contractor. These policies, among other things, may prevent the Company in certain cases from bidding for or performing contracts resulting from or relating to certain work the Company has performed for the government. In addition, services performed for a private client may create a conflict of interest which precludes or limits the Company's ability to obtain work from another private entity. The Company has, on occasion, declined to bid on a project because of an actual or potential conflict of interest. However, the Company has not experienced disqualification during a bidding or award negotiation process by any government or private client as a result of a conflict of interest.

**POTENTIAL VOLATILITY OF STOCK PRICE.** The market price of the Company's Common Stock may be significantly affected by factors such as quarter-to-quarter variations in the Company's results of operations, changes in environmental legislation and changes in investors' perception of the business risks and conditions in the environmental services business. In addition, market fluctuations, as well as general economic or political conditions, may adversely affect the market price of the Company's Common Stock, regardless of the Company's actual performance.

**QUALIFIED PROFESSIONALS.** The Company's ability to attract and retain qualified scientists and engineers is an important factor in determining the Company's future growth and success. The market for environmental professionals is competitive and there can be no assurance that the Company will continue to be successful in its efforts to attract and retain such professionals.

ITEM 2. PROPERTIES.

The Company's corporate headquarters facilities are located in Pasadena, California. These facilities contain approximately 25,000 square feet of office space. A portion of these facilities are subject to a lease which expires in February 1998 and gives the Company an option to extend the term for one additional five-year period. Another portion of these facilities is subject to a lease which expires in January 2001. The Company leases office space in approximately 70 locations in the United States. The Company also rents some additional office space on a month-to-month basis.

The Company believes that its existing facilities are adequate to meet current requirements and that suitable additional or substitute space will be available as needed to accommodate any expansion of operations and for additional offices.

ITEM 3. LEGAL PROCEEDINGS.

The Company is subject to certain claims and lawsuits typically filed against the engineering and consulting professions, primarily alleging professional errors or omissions. The Company carries professional liability insurance, subject to certain deductibles and policy limits against such claims. Management is of the opinion that

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the resolution of these claims will not have a material effect on the Company's financial position or results of operations. See "Item 1. Business - Potential Liability and Insurance."

ITEM 4. SUBMISSIONS OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

PART II

The information required by Items 5 through 8 of this report is set forth on pages 17 through 32 of the Company's Annual Report to Stockholders for the fiscal year ended September 29, 1996. Such information is incorporated in this report and made a part hereof by reference. Item 9 is not applicable.

PART III

The information required by Items 10 through 13 of this report is set forth in the sections entitled "Security Ownership of Principal Stockholders, Directors and Executive Officers," "Election of Directors," and "Executive Officers, Compensation and Other Information" in the Company's Proxy Statement for its 1997 Annual Meeting of Stockholders. Such information is incorporated in this report and made a part hereof by reference.

PART IV

<TABLE>  
<CAPTION>

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

<C> <S>

- (a) 1. and 2. FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES.

The Financial Statements filed as part of this report are listed in the accompanying index at page 16.

3. EXHIBITS.

- 3.1 Restated Certificate of Incorporation of the Company, as amended to date (incorporated herein by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K for the fiscal year ended October 1, 1995).

- 3.2 Bylaws of the Company, as amended to date (incorporated

herein by reference to Exhibit 3.2 to the Company's  
Registration Statement on Form S-1, No. 33-43723).

- 10.1 Credit Agreement dated as of Sept. 15, 1995 between the Company, and Bank of America Illinois, as amended by the First Amendment to Credit Agreement dated as of Nov. 27, 1995 (incorporated herein by reference to Exhibit 10.1 to the Company's Annual Report on Form 10-K for the fiscal year ended October 1, 1995).
- 10.2 Security Agreement dated as of September 15, 1995 among the Company, GeoTrans, Inc., Simons Li & Associates, Inc., Hydro-Search, Inc., PRC Environmental Management, Inc. and Bank of America Illinois (incorporated herein by reference to Exhibit 10.2 to the Company's Annual Report on Form 10-K for the fiscal year ended October 1, 1995).
- 10.3 Pledge Agreement dated as of September 15, 1995 between the Company and Bank of America Illinois (incorporated herein by reference to Exhibit 10.3 to the Company's Annual Report on Form 10-K for the fiscal year ended October 1, 1995).

</TABLE>

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<TABLE>

- | <u>&lt;C&gt;</u> | <u>&lt;S&gt;</u>  |
|------------------|---|
| 10.4             | Guaranty dated as of September 15, 1995, executed by the Company in favor of Bank of America Illinois (incorporated herein by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K for the fiscal year ended October 1, 1995).                         |
| *10.5            | Architect-Engineer Contract No. N62474-88-R-5086 dated as of June 6, 1989 between PRC Environmental Management, Inc. (a subsidiary of the Company) and the Western Division, Naval Facilities Engineering Command.  |
| 10.6             | 1989 Stock Option Plan dated as of February 1, 1989 (incorporated herein by reference to Exhibit 10.13 to the Company's Registration Statement on Form S-1, No. 33-43723).  |
| 10.7             | Form of Incentive Stock Option Agreement executed by the Company and certain individuals in connection with the Company's 1989 Stock Option Plan (incorporated herein by reference to Exhibit 10.14 to the Company's Registration Statement on Form S-1, No. 33-43723). |
| 10.8             | Executive Medical Reimbursement Plan provided to Messrs. Hwang, Rodrigue and Gherini (incorporated herein by reference to Exhibit 10.16 to the Company's Registration Statement on Form S-1, No. 33-43723).   |
| 10.9             | 1992 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.18 to the Company's Annual Report on Form 10-K for the fiscal year ended October 3, 1993).  |
| 10.10            | Form of Incentive Stock Option Agreement used by the Company in connection with the Company's 1992 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.19 to the Company's Annual Report on Form 10-K for the fiscal year ended October 3, 1993).      |
| 10.11            | 1992 Stock Option Plan for Nonemployee Directors (incorporated herein by reference to Exhibit 10.20 to the Company's Annual Report on Form 10-K for the fiscal year ended October 3, 1993).   |
| 10.12            | Form of Nonqualified Stock Option Agreement used by the Company in connection with the Company's 1992 Stock Option  |

Plan for Nonemployee Directors (incorporated herein by reference to Exhibit 10.21 to the Company's Annual Report on Form 10-K for the fiscal year ended October 3, 1993).

- 10.13 1994 Employee Stock Purchase Plan (incorporated herein by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K for the fiscal year ended October 2, 1994).
- 10.14 Form of Stock Purchase Agreement used by the Company in connection with the Company's 1994 Employee Stock Purchase Plan (incorporated herein by reference to Exhibit 10.23 to the Company's Annual Report on Form 10-K for the fiscal year ended October 2, 1994).
- 11. Computation of Net Income Per Common Share.
- 13. Annual Report to Stockholders for the fiscal year ended September 29, 1996, portions of which are incorporated by reference in this report as set forth in Part II hereof. With the exception of these portions, such Annual Report is not to be deemed filed as part of this report.

</TABLE>

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<TABLE>

- |   |  |
|---|--|
| <p>&lt;C&gt;</p> <p>21.</p> <p>23.</p> <p>27.</p> | <p>&lt;S&gt;</p> <p>Subsidiaries of the Company.</p> <p>Independent Auditors' Consent.</p> <p>Financial Data Schedule.</p> |
|---|--|

</TABLE>

---

\* Certain portions of this Exhibit were omitted from the copies filed as part of this Annual Report on Form 10-K. Complete copies of this Exhibit have been filed separately, together with an application to obtain confidential treatment with respect thereto.

(b) No Report on Form 8-K was filed during the quarter ended September 29, 1996.

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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.

TETRA TECH, INC.

Date: December 20, 1996      By: /s/ Li-San Hwang

\_\_\_\_\_  
Li-San Hwang, Chairman of the Board of  
Directors, President and Chief Executive  
Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<TABLE>

<CAPTION>

Signature	Title	Date
-----	-----	----
<S>	<C>	<C>

/s/ Li-San Hwang ----- Li-San Hwang	Chairman of the Board of Directors, President and Chief Executive Officer (Principal Executive Officer)	December 20, 1996
/s/ James M. Jaska ----- James M. Jaska	Vice President, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	December 20, 1996
/s/ J. Christopher Lewis ----- J. Christopher Lewis	Director	December 20, 1996
/s/ Patrick C. Haden ----- Patrick C. Haden	Director	December 20, 1996
/s/ James J. Shelton ----- James J. Shelton	Director	December 20, 1996

</TABLE>

INDEX TO FINANCIAL STATEMENTS

The consolidated financial statements, together with the Notes thereto and report thereon of Deloitte & Touche LLP dated November 12, 1996, appearing on pages 21 through 32 of the accompanying 1996 Annual Report to Stockholders, are incorporated by reference in this Form 10-K Annual Report. With the exception of the aforementioned information and Part II information set forth on pages 17 through 32, the 1996 Annual Report to Stockholders is not to be deemed filed as part of this report.

FINANCIAL STATEMENTS SCHEDULES

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<CAPTION>

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Report of Independent Accountants on Financial Statement Schedules.....	20
Financial Statement Schedules	
Schedule II -- Valuation and Qualifying Accounts and Reserves.....	21

</TABLE>

INDEPENDENT AUDITORS' REPORT

Tetra Tech, Inc.:

We have audited the consolidated financial statements of Tetra Tech, Inc. and its subsidiaries as of September 29, 1996 and October 1, 1995, and for each of the three years in the period ended September 29, 1996, and have issued our report thereon dated November 12, 1996; such financial statements and report are included in your 1996 Annual Report to Stockholders and are incorporated herein by reference. Our audits also included the financial statement schedule of Tetra Tech, Inc. and its subsidiaries, listed in Item 14. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic financial statements taken as a whole, prevents fairly in all material respects the information set forth therein.

TETRA TECH, INC.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

FOR THE FISCAL YEARS ENDED  
OCTOBER 2, 1994, OCTOBER 1, 1995 AND SEPTEMBER 29, 1996

<TABLE>  
<CAPTION>

	Balance at Beginning of Period ----- <C>	Charges to Costs and Expenses ----- <C>	Deductions ----- <C>	Balance at End of Period ----- <C>
Fiscal year ended October 2, 1994				
Allowance for loss on accounts receivable.....	\$ 993,000	\$ 720,000 (b)	\$ (72,000) (a)	\$ 1,641,000
Fiscal year ended October 1, 1995				
Allowance for loss on accounts receivable.....	\$ 1,641,000	\$9,579,000 (c)	\$ (67,000) (a)	\$11,153,000
Fiscal year ended September 29, 1996				
Allowance for loss on accounts receivable.....	\$11,153,000	\$1,606,000 (d)	\$ (1,658,000) (a)	\$11,101,000

</TABLE>

- 
- (a) Represents write-offs of uncollectible accounts, net of recoveries on accounts previously written off.
  - (b) Includes \$293,000 for Simons, Li & Associates, Inc. and Simon Hydro-Search, Inc. as of acquisition date.
  - (c) Includes \$9,635,000 for PRC Environmental Management, Inc. as of acquisition date.
  - (d) Includes \$1,365,000 for PRC Environmental Management, Inc. and KCM, Inc. as of acquisition date.

-----  
 ARCHITECT-ENGINEER CONTRACT  
 1. CONTRACT NO.  
 N62474-88-R-5086  
 -----  
 2. DATE OF CONTRACT

-----  
 3A. NAME OF ARCHITECT-ENGINEER  
 PRC ENVIRONMENTAL MANAGEMENT, INC.  
 3B. TELEPHONE NO. (Include Area Code)  
 (415) 543-4880  
 -----

-----  
 3C. ADDRESS OF ARCHITECT-ENGINEER (Include ZIP Code)  
 120 Howard Street, Suite 700  
 San Francisco, California 94105  
 -----

-----  
 4. DEPARTMENT OR AGENCY AND ADDRESS (INCLUDE ZIP CODE)  
 Western Division (Code 024)  
 Naval Facilities Engineering Command  
 P. O. Box 727  
 San Bruno, California 94066-0720 Telephone No. (415) 742-7820  
 -----

-----  
 5. PROJECT TITLE AND LOCATION  
 Comprehensive Long-Term Environmental Action Navy (CLEAN), Central Area  
 -----

-----  
 6. CONTRACT FOR (General description of services to be provided)  
 The purpose of this contract is to obtain program management and technical environmental services in support of the Nav's Environmental Engineering Program at Activities under the cognizance of Western Division, Naval Facilities Engineering Command. The principal geographical area this contract will encompass is Northern California and Nevada. However, the Contractor may be required to perform work in any of the programs outlined at the Naval activity in the nine states covered by Western Division, Naval Facilities Engineering Command. The contractor may also, on occasion, be tasked to provide the services described herein to other Department of Defense or other Federal agency activities.  
 -----

-----  
 7. CONTRACT AMOUNT (Express in words and figures)  
 NOT TO EXCEED One hundred thirty million (BASE PERIOD PLUS 9 OPTION PERIODS)  
 \*  
 -----

-----  
 8. NEGOTIATION AUTHORITY  
 U.S.C. 2304(c)(1) X  
 -----

-----  
 9. ADMINISTRATIVE, APPROPRIATION, AND ACCOUNTING DATA  
 AA 1791804.K7Q6 000 62474 3 062474  
 2D 0000P3 62474CL0199C - \*  
 Payments will be made by:  
 -----  
 Disbursing Officer, Code 244  
 Naval Construction Battalion  
 Center  
 Port Hueneme, CA 93043  
 Submit invoices to:  
 -----  
 DCAA East Bay Branch  
 #8 Union Square Blvd.  
 Union City, CA 94587-3524  
 -----

-----  
 10. The United States of America (called the Government) represented by the Contracting Officer executing this contract, and the Architect-Engineer agree to perform this contract in strict accordance with the clauses and the documents identified as follows, all of which are made a part of this contract:  
 -----

TABLE OF CONTENTS

PART I - Schedule of Services  
 PART II - Description/Specifications  
 PART III - Packaging and Marking  
 PART IV - Inspection and Acceptance  
 PART V - Deliveries or Performance  
 PART VI - Contract Administration Data  
 PART VII - Special Contract Requirements  
 PART VIII - Contract Clauses  
 PART IX - List of Attachments



&lt;/TABLE&gt;

\* CONFIDENTIAL

N62474-88-D-5086  
Part I  
Page 2 of 4

<TABLE>  
<CAPTION>

Item ----	Description -----	Budget Rate -----	Est. Hours -----	Estimated Cost Estimated -----
<S>	<C>	<C>	<C>	<C>
0001AB	Non-Recurring Costs			*
	Contract Management Plan			*
	QC Management Plan			*
	Safety Plan			*
	Fringe Benefits	*		*
	Overhead	*		*
	G&A	*		*
0001AC	Maximum Award Fee Pool *			*
0001AD	Travel			*
0002	Total Estimated CTO Costs			*
0002AA	Maximum CTO Award Fee Pool *			*
				-----
	TOTAL (Base Period)			*

&lt;/TABLE&gt;

\*Funding obligated upon award of the base contract period.

All negotiated forward pricing rate agreements for applicable direct and indirect rates, as well as award fee, will be applied proportionately to individual CTOs for estimating purposes.

## 2. ESTIMATED COST AND AWARD FEE

## a. Base Year

The estimated cost of this contract for the base year is

\* exclusive of the maximum award fee of \*

Total estimated cost and award fee is \* .

## b. Option Year One

If the first option year is exercised, the estimated cost is

\* exclusive of the maximum award fee of \* .

Total estimated cost and award fee for Option Year One is

\* .

\* CONFIDENTIAL

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Part I  
Page 3 of 4

## c. Option Year Two

If the second option year is exercised, the estimated cost is \*,  
exclusive of the maximum award fee of \*. The total estimated cost,  
base fee and award fee for Option Year Two is \*.

## d. Option Year Three

If the third option year is exercised, the estimated cost is \*,  
exclusive of the maximum award fee of \*. Total estimated cost and  
award fee for Option Year Three is \*.

## e. Option Year Four

If the fourth option year is exercised, the estimated cost is \*,  
exclusive of the maximum award fee of \*. Total estimated cost and

award fee for Option Year Four is \*.

f. Option Year Five

If the fifth option year is exercised, the estimated cost is \*, exclusive of the maximum award fee of \*. Total estimated cost and award fee for Option Year Five is \*.

g. Option Year Six

If the sixth option year is exercised, the estimated cost is \*, exclusive of the maximum award fee of \*. The total estimated cost and award fee for Option Year Six is \*.

h. Option Year Seven

If the seventh option year is exercised, the estimated cost is \*, exclusive of the maximum award fee of \*. Total estimated cost and award fee for Option Year Seven is \*.

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i. Option Year Eight

If the eighth option year is exercised, the estimated cost is \*, exclusive of the maximum award fee of \*. Total estimated cost and award fee for Option Year Eight is \*.

j. Option Year Nine

If the ninth option year is exercised, the estimated cost is \*, exclusive of the base fee of the maximum award fee of \*. Total estimated cost and award fee for Option Year Nine is \*.

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DESCRIPTION/SPECIFICATIONS

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1. The Contractor shall, in conformance with the terms and conditions hereinafter set forth, provide all of the necessary management, personnel, services, material, equipment, and facilities (except as otherwise specified) to perform the work identified in the following Statement of Work.

2. PURPOSE. The purpose of this contract is to obtain program management and

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technical environmental services in support of the Navy's Environmental Engineering Program at activities under the cognizance of Western Division, Naval Facilities Engineering Command. The principal geographical area this contract will encompass is Northern California and Nevada.

However, the Contractor may be required to perform work in any of the programs outlined herein at any Naval activity in the nine states covered by Western Division, Naval Facilities Engineering Command. It should be noted that although the contracts encompass a nine state area, the majority of the Naval activities and most of the requirements of these contracts will be in more localized areas. For the Northwest area contract, most of the assignments will be at activities in the Northern California.

The contractor may also, on occasion, be tasked to provide the services described herein to other Department of Defense or other Federal agency activities. These projects will be assigned on an exception basis, and will be used, for example, to take advantage of the contractor's specialized expertise to address unique technical problems, and where necessary, undertake expedited response action.

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## 3. MAJOR FUNCTIONS.

a. The work to be performed under this contract is divided into the following functions:

- (1) Program Management
- (2) Technical Services
- (3) Technical Services Support
- (4) Construction Subcontracting

b. The work to be performed under this contract is of two types: a portion which constitutes the base contract and covers all work described in paragraph 4., Program Management, and the remainder which is authorized by Contract Task Orders (CTOs) (i.e., paragraphs 5.; Technical Services, 6.; Technical Services Support Subcontracting, and 7.; Construction Subcontracting). All work accomplished by CTOs shall be authorized, performed, and reported according to each issued Contract Task Order.

c. The Contractor shall be responsible for the acquisition of all necessary services, supplies, etc. for the accomplishment of the Scope of Work (SOW), ensuring adherence to Government regulations and providing appropriate reporting and tracking information.

## 4. PROGRAM MANAGEMENT.

a. The contractor shall provide overall contract management to plan, monitor, and control all CTOs issued under this contract, and to assure that CTOs are completed in a timely, cost-effective, and highly competent manner.

b. The Program Management shall be performed on a completion basis, meaning that all functions necessary to perform Program Management activities under this contract shall be provided on an ongoing basis for the duration of the contract. Program Management is deemed to constitute those technical, management, administrative, clerical, and secretarial activities to be performed by the Program Management Office (PMO) and those support functions to be performed by the corporate office which are allocable to the PMO. Attachment F to this contract provides the Program Management Office Functions Chargeable to Contract Task Orders.

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c. Because of the number, complexity, and diversity of the projects that may be implemented under this contract, successful execution will require dedication of personnel principally responsible for planning, coordinating, monitoring, and controlling large, long-term and technically complex projects. The Contractor shall be responsible for the acquisition of specialized skills and experience as required for the performance of CTOs and for any management or administrative support required to accomplish the tasks. The Contractor is responsible for providing all administrative and personnel functions required to support this effort. Program management activities shall include but not be limited to the following:

- (1) Coordinating of work assignments between Navy and contractor project officers as designated per CTO.
- (2) Identifying project needs in terms of manpower and subcontractors' resources.
- (3) Monitoring and controlling projects in terms of quality, schedules, and costs.
- (4) Preparing financial and technical reports on both individual projects and on overall programs.
- (5) Subcontracting Services.

## 5. TECHNICAL SERVICES.

a. The Contractor shall provide the necessary technical services required to accomplish the work effort identified in all CTOs.

b. Technical Services include personnel such as engineers, scientists, draftsmen, technicians, statisticians, and other support personnel as required.

c. Programs to be supported by technical services are listed in paragraphs 5.1. through 5.4.

5.1. INSTALLATION RESTORATION (IR) PROGRAM.

a. The major emphasis of this contract is to provide technical assistance in the IR program. The IR program is designed to address uncontrolled hazardous waste sites at Navy activities, with the ultimate goal of site cleanup. The Superfund Amendments and Reauthorization Act (SARA) of 1986 requires Naval activities to comply with the National Contingency Plan and all U.S. Environmental Protection Agency (EPA) guidelines, rules, regulations, and criteria.

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b. The Contractor shall furnish environmental engineering services, field services, and laboratory testing and related services to perform Preliminary Assessment/Site Inspection (PA/SI), Remedial Investigation/Feasibility Study (RI/FS), Remedial Design (RD), and Remedial Action (RA) at specified Naval activities. All work shall be performed in a manner consistent with: the Comprehensive Environmental Response and Liability Act of 1980 (CERCLA), as amended; the National Oil and Hazardous Substances Pollution Contingency Plan (NCP), Title 40, Code of Federal Regulations (CFR), Part 300, as amended; and other appropriate federal, state and local guidelines, rules, regulations, and criteria.

5.1.1. APPLICABLE LAWS AND REGULATIONS. A comprehensive description of the major applicable laws and regulations that will relate to the scope and goals of activities to be performed as part of this effort are provided below. The regulatory elements described are not all inclusive and other applicable laws and regulations may impact work performed under this contract.

a. CERCLA. CERCLA as amended by SARA requires all federal entities to comply with CERCLA and NCP in the same manner and to the same extent, both procedurally and substantively, as any non-governmental entity in response to releases of hazardous substances. All work performed as part of this scope of work must be consistent with these requirements and applicable or relevant and appropriate guidelines, rules, regulations, and criteria. Specific requirements which may affect the approach and effort for performance include, but are not limited to: (1) coordination of work plan review with the EPA and relevant State and local agencies; (2) implementation of community relations activities; and (3) review of all data by the EPA and relevant State and local agencies relating to any cleanup activity, as the data becomes available.

b. NCP. The National Oil and Hazardous Substances Pollution Contingency Plan (NCP), Part 300, Chapter 40, Code of Federal Regulations provides the regulatory framework for implementing the response activities established under CERCLA at sites where hazardous substances have been released to the environment. The NCP defines a five step response process: (1) site discovery or notification; (2) preliminary assessment and site inspection (PA/SI); (3) establishment of priorities for remedial action; (4) implementation of remedial investigations/feasibility studies (RI/FSs); and (5) remedial action design and construction. The NCP provides the regulatory model under which the activities described in this scope of work are to be performed.

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c. State and Local Guidelines and Regulations and Criteria. CERCLA mandates that State laws concerning removal and remedial actions are applicable at Federal facilities. Therefore, work performed as part of this scope of work at Navy facilities must be consistent with applicable State laws.

5.1.2. Project Objectives. In accordance with the aforementioned laws and regulations, site inspections, Remedial Investigation/Feasibility Studies (RI/FS), remedial designs, and remedial actions are to be conducted or implemented at various locations. The objectives are to:

a. Evaluate the lateral and vertical extent of contamination in air, soil, surface water, and ground water.

b. Evaluate the existing and potential migration pathways.

c. Evaluate the existing or potential threat to human health and/or the environment.

d. Identify and evaluate the appropriate remedial actions to address identified sites.

e. Collect and evaluate the data needed to formulate and prepare a Remedial

Action Plan (RAP) in accordance with state and federal regulations.

f. Design, construct, and implement appropriate remedial actions.

5.1.3. Regulatory Agency Coordination. Regulatory agency involvement in the RI/FS process and associated tasks is critical to the compliance with the NCP, CERCLA and other applicable laws and regulations. The nature and extent of regulatory involvement will depend upon the extent of public interest in the project, physical conditions encountered at the project location, negotiated agreements between the Navy and regulatory agency officials, and/or applicable compliance orders issued by relevant regulatory agency officials.

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5.1.4. Specific Requirements.

a. Preliminary RI/FS Work. The Contractor shall conduct or verify the Preliminary Assessment (PA) and Site Inspection (SI). The preliminary assessment (PA) involves collection and review of all available information and includes tasks such as records review, site personnel interviews, and site reconnaissance. Results of the PA may require a Site Inspection (SI) to collect and analyze samples to determine the extent of alleged releases, to assess the need for removal actions, and to obtain data for ranking the hazards of a site. A PA/SI is necessary to provide a basis for defining the scope of the RI/FS relative to current site information. Conduct PA/SIs in accordance with appropriate local, state, and federal guidelines, rules, regulations, and criteria. In particular, the PA/SI should follow the EPA "Guidance on Preliminary Assessments and Site Investigations."

b. PA/SI Verification. If a PA/SI has already been performed, review all background information used to prepare the PA/SI and all recent relevant information obtained since its completion, to determine if the findings and conclusions of the existing PA/SI are current. Tasks which may be required include, but are not limited to: (1) records review, (2) personnel interviews, and (3) site reconnaissance.

c. Supplemental SI Work Plan. If assessment of the PA/SI identifies deficiencies in its findings and conclusions, prepare a work plan for accomplishing a supplemental SI to resolve data deficiencies and to establish an initial base from which to define the scope of the RI/FS and subsequent tasks. Accomplishment of the Supplemental SI work plan will be done in a manner consistent with applicable health and safety requirements and generally accepted practices for sample collection and analysis in order to maintain data quality control and quality assurance (QC/QA) consistent with the requirements of applicable guidelines, rules, regulations, and criteria.

d. Supplemental SI Implementation. The results, conclusions, and recommendations obtained from this task will be presented in a supplemental SI report. Examples of the content of the supplemental SI report include, but are not limited to a summary of the SI scope and approach, site specific conditions encountered, data summary, assessment of the need for removal actions, hazard ranking of sites, and identification of sites which should be investigated within the RI/FS.

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5.1.5. Remedial Investigation/Feasibility Study (RI/FS) Work Plan. An RI/FS Work Plan shall be prepared to address all the activities necessary to conduct a complete RI/FS at the sites where there is a release or threatened release of hazardous substances. The specific contents, structure, and format of the RI/FS Work Plan will be consistent with applicable guidelines, rules, regulations, and criteria as negotiated with appropriate regulatory agency officials. The following work plan elements are anticipated, but may be modified, supplemented, or deleted as project conditions demand:

a. Health and Safety Plan (Site Safety Plan). A health and safety plan will be prepared describing specific personnel, procedures and equipment to be used during field activities at specific sites and locations in order to protect project personnel and the general public from exposure to hazardous substances. The plan should be prepared in accordance with 29 CFR 1910.120 (Hazardous Waste Operations and Emergency Response) and other applicable guidelines, rules, regulations, and criteria.

b. Quality Assurance Project Plan (QAPP). A site specific QAPP will be prepared describing the procedures for collection, preservation chain of custody, and transport of samples; the calibration and maintenance of

instruments; the processing, verification, storage, and reporting of data; and other relevant requirements in accordance with applicable guidelines, rules, regulations, and criteria. This will require generation and recording of adequate analytical information such as raw data, instrumentation printouts, instrument calibration standards, check data and other relevant information in order to provide complete data validation.

c. Sampling Plan(s). An event-specific Sample Plan(s) will be prepared describing activities to completely characterize the extent of hazardous substance contamination in all relevant environmental media such as air, soil, water, and biota, on and off-site, due to operations and activities at the project location. The Sample Plan(s) will be prepared in accordance with applicable guidelines, rules, regulations, and criteria.

d. Project Performance Plans. Project Performance Plans will be prepared describing how the RI/FS will be managed, how all technical data will be managed and stored, how previously gathered data will be validated for intended use, and schedules for the project as a whole and individual sub-tasks. These work plan documents shall be prepared in accordance with applicable guidelines, rules, regulations, and criteria.

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e. Community Relations Plan. A Community Relations Plan will be prepared which will describe how the community will be kept informed of project planning and field activities. Scoping of community concerns will be required in development of the community relations plan and will require activities such as, but not limited to, organization and implementation of community scoping meetings, interviews with community members, and preparation of press releases and community fact sheets. Implementation of the final Community Relations Plan after review and comment by the relevant regulatory agencies may be required. Periodic community meetings, preparation of press releases and community fact sheets, and maintenance of a community relations information office and/or depository are examples of possible requirements for the Community Relations Plan. Preparation and implementation of the Community Relations Plan will be in accordance with applicable guidelines, rules, regulations, and criteria.

5.1.6. Remedial Investigation (RI) Field Investigation. Work plan elements will be implemented upon completion of the review and comment process by regulatory agency officials and incorporation of applicable final revisions. Specific field investigation methods will be consistent with procedures defined in the final work plan elements (e.g., Sample Plan, QAPP, etc.), and applicable guidelines, rules, regulations, and criteria. Examples of potentially applicable field investigation methods are described in A Compendium of Superfund Field Operations Methods (EPA/540-87/001a, OSWER directive 9355.0-14, September 1987).  
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a. RI Field Investigations. Implement field activities in accordance with final work plan elements and appropriate field methods. To achieve RI/FS goals, primary investigations may be an iterative process requiring assessment and revision of sampling strategies in response to discoveries of new site specific conditions. Elements of the primary RI Field Investigations will include, but not be limited to:

- (1) Installation of wells and sample borings.
- (2) Sampling of soil, water (surface and ground water), sediments, air, and biota.
- (3) Assessment and revision of sampling strategies.

b. Chemical Analysis. Chemical analysis of the samples taken during the field investigations must be performed by a certified laboratory. All data generated must be in accordance with the requirements of the QAPP.

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c. Data Evaluation. Data verified as being acceptably accurate and precise shall be analyzed and evaluated to determine if RI goals and objectives have been completely achieved. Examples of data evaluation tasks include, but are not limited to:

- (1) Data validation.
- (2) Data reduction and tabulation.

5.1.7. Remedial Investigation (RI) Report.

a. A report will be prepared when sufficient information is obtained from the RI field investigations to completely support the goals and objectives of the RI (e.g., identifying site characteristics, sources of contaminants, nature and extent of contamination, migration pathways and contaminant fate, receptor populations and risk assessment).

b. A baseline risk assessment may be performed to evaluate the potential threat to human health and the environment in the absence of any remedial action. The risk assessment will be consistent with approved work plan elements, applicable regulatory requirements, and RI data.

c. A separate report(s) shall be prepared presenting the findings of the risk assessments to provide complete information to be utilized for screening and assessing feasible remedial alternatives.

5.1.8. Feasibility Study. In this step, the site-specific alternatives will be developed and screened by the contractor to eliminate those elements that are clearly infeasible or inappropriate, prior to undertaking detailed evaluation of the remedial alternatives. The initial screening of site-specific alternatives may occur in conjunction with the RI step. The evaluation shall include technical, environmental, public health, institutional, cost and cost-effectiveness analyses. The final report shall contain all the information needed to select a logical course of remedial action. A list of remedial alternatives will be developed including:

- a. Alternatives for on-site treatment or disposal.
- b. Alternatives for off-site treatment or disposal.

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c. Alternatives which attain applicable and/or relevant public health or environmental standards.

d. Alternatives which exceed applicable and/or relevant public health or environmental standards.

e. Alternatives which may not attain but closely approach applicable and/or relevant public health or environmental standards but will reduce the likelihood of present or future threat from contaminants.

5.1.9. Remedial Design. This step will furnish required permits and detailed plans and specifications needed to implement the remedial action selected as a result of the RI/FS phases of the work.

a. Preliminary Design 35%. This task incorporates all work efforts related to the preparation of preliminary plans, specifications, cost estimates, detailed design criteria (Basis of Design Report), unit process and equipment alternatives evaluations, preliminary process and equipment selections, identification of long-lead equipment procurement items, geotechnical investigations, identification of additional permits, approvals, and site access agreements. All preliminary project documentation will be prepared in accordance with written instructions provided in the CTO. Also included as a deliverable during the preliminary design phase is the preparation of a cost estimate.

b. Equipment/Services Procurement. This task includes all efforts necessary to produce/initiate/procure long-lead equipment and/or services identified during the preliminary design phase. Efforts may include preparation of necessary plans and specifications, advertisement, evaluation of bids, pre-bid conference, etc.

c. Intermediate Design 50%. This task includes all effort necessary to prepare plans and specifications to a level of approximately 50% completion. Also part of this task is the incorporation of review comments, the preparation of plan profile sheets, lists of key submittals, implementation of Value Engineering Analysis, preparation of preliminary plans of operation, and preparation of an intermediate (budget level) cost estimate (i.e., plus 30 to minus 15 percent).

d. 100 Percent Design. This task includes all prefinal design effort necessary to finalize plans and specifications to a level of 100% completion. Included are design revisions resulting from incorporation of review comments and the development of a Definitive Estimate of Construction Cost (i.e., plus 15 to minus 5 percent). Work is submitted for final review at the 100% completion

and will be subject to a Value Engineering Analysis prior to any Final submittal.

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e. Final Design. This task includes the final submittal of plans, specifications, and cost estimates incorporating the comments from the 100 percent design submittal as well as those from the Value Engineering Analysis. The Contractor will provide final completion of camera-ready documents as a complete bid package suitable for open bidding and award after the final review.

5.1.10. Remedial Implementation. Implementing the design remedy involves procuring a construction contract, and/or managing the construction effort, and/or providing technical engineering services during the remedial action. The Contractor may be asked to provide any or all of these services depending on the specific organizational arrangement for the project as described in paragraph 7.1, Specific Requirements, hereinafter. In addition, the Contractor may be required to perform construction inspection services and/or Quality Assurance/Quality Control (QA/QC) during the course of construction.

## 5.2. UNDERGROUND STORAGE TANK PROGRAM (UST).

a. The intent of the Underground Storage Tank (UST) Program is to establish a continuing program for addressing and preventing contamination from, and improper storage of, hazardous substances or petroleum products stored underground. The program will determine and implement a course of action to follow on each underground tank studied in order to bring all tanks into compliance with current local, state and federal laws and regulations. It will determine whether or not releases of hazardous substances or petroleum products previously stored in the underground tanks have contaminated the environment at these various locations. Subsequent contamination abatement action will be conducted depending upon the study findings and the recommendations of the local, state or federal regulatory agencies.

b. The Underground Storage Tank Program implements ongoing Navy policy to comply with applicable Federal, state and local environmental laws and regulations. Section 6991a-i of the Resource Conservation and Recovery Act, 42 U.S.C. 6991a-i (RCRA) comprises newly enacted federal legislation to control and monitor all operational underground tanks and to close all nonoperational storage tanks. These regulations also require Naval activities to comply with all state and local regulations regarding underground tanks.

c. The Contractor shall furnish environmental engineering services, field services, laboratory testing and related services, and any incidental construction work that may be required in accordance with the provisions of this contract to perform any of the services described under the Specific Requirements indicated below.

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5.2.1. Specific Requirements. The Navy's program consists of three distinct subprograms - one for operational tanks, one for abandoned tanks, and one for leaking tanks. The following outline generally describes the tasks involved in the overall study:

### a. Operational Tank Program

- (1) Preparing applications to obtain operating permits for active tanks.
- (2) Performing on-site investigations including physical precision testing.
- (3) Confirming or refuting the existence of leakage.
- (4) Evaluating economically feasible monitoring alternatives to effect compliance with applicable environmental standards where required; recommending a permanent monitoring plan.
- (5) Installing monitoring systems based on approval of above recommendations and preparing standard operating procedures.

### b. Abandoned Tank Program

- (1) Locating tanks which are not on property record cards and those for which the exact location is in question.
- (2) Developing a plan for removal of current contents of tank;

inspecting underground storage tank for indication of leakage; verifying the presence or absence of contamination; coordinating with local regulatory agencies.

(3) Developing a closure plan for non-leaking, abandoned tanks.

c. Leaking Tank Program

(1) For tanks determined to be leaking by actions completed in sub-programs 5.2.1.a. and b. above or otherwise, characterizing the extent and rate of migration of contaminants using hydrogeological, geophysical, and chemical analysis procedures; screening alternatives to achieve compliance at the least cost and risk to human health and environment.

(2) Additional tasks may include:

(a) Preparing a detailed analysis of likely alternatives, reliability, implementability, public health and environmental impact and corresponding cost.

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(b) Conducting pilot studies to evaluate alternative remedial technologies.

(3) Monitoring the site and the implementation of remedial action to insure compliance with plans and specifications and applicable regulations.

5.2.2. Type of Services. All services provided will be performed in accordance with applicable federal, state and local regulations. Specific services include, but are not limited to:

- a. Records Searches
- b. Site Visits
- c. Hydrogeological Studies
- d. Geophysical Studies
- e. Engineering Investigations and Analyses
- f. Microbiological Studies
- g. Pilot Studies
- h. Engineering Designs
- i. Installation of Groundwater Monitoring Wells
- j. Installation of vadose zone monitoring systems
- k. Performance of tank and associated piping leak testing
- l. Preparation of permit applications

5.3. ASBESTOS ABATEMENT PROGRAM

a. The intent of the Asbestos Abatement Program is to identify areas of Asbestos Containing Materials (ACM), to assess the potential health impacts of the ACM areas, and to make recommendations and implement appropriate abatement actions.

b. The contractor shall furnish the appropriate personnel, services, material, and equipment to perform any or all of the various elements of the program at specified activities. This includes, but is not limited to, providing technical services, field services, laboratory testing and related services.

5.3.1. Specific Requirements. The Navy's program consists of three distinct phases:

a. Asbestos Inventory. The contractor will be responsible for locating, verifying, and recording all friable asbestos materials at specified activities. The contractor will also prepare a priority list for each activity for subsequent assessment and abatement actions.

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b. Asbestos Assessment. The contractor will be responsible for assessing each identified area of asbestos containing material at specified activities. The contractor will assess the likelihood of fiber release by evaluating current condition and the potential for future disturbance, damage, or erosion. The intent of the assessment will be to determine the need for further action, to prioritize the abatement actions at each activity, and to make recommendations as to the most appropriate abatement action.

c. Asbestos Abatement. The contractor will be responsible for preparing

plans and specifications for the remedial action, such as removal, encapsulation, or enclosure. The plans and specifications shall be prepared in accordance with Navy requirements provided with the CTO and shall comply with all appropriate federal, state and local regulations regarding asbestos abatement. The contractor may be requested to award the abatement contract under the Construction Subcontracting portion (Paragraph 7.) of the Scope of Work. The contractor may also provide oversight of the abatement contractor, whether awarded as a sub-contractor under this contract, or awarded by the Navy, to assure compliance with the abatement specifications and health and safety requirements.

#### 5.3.2. Type of Services

a. All services provided will be performed in accordance with applicable federal, state, and local regulations. Specific services include, but are not limited to:

- (1) Record searches
- (2) Site visits
- (3) Building inspections
- (4) Sampling and analysis of materials
- (5) Air sampling
- (6) Engineering designs and cost estimates
- (7) Oversight of abatement contractors
- (8) Preparation of removal and disposal permits or notifications

b. Inventories and Assessments under the program shall be performed under the direction of certified industrial hygienists. Engineering designs and specifications shall be signed by registered engineers.

5.4. OTHER TECHNICAL ASSISTANCE. Naval activities are required to comply with applicable federal, state and local environmental regulations. In addition to the technical support identified in the other programs (IR, UST, and Asbestos Abatement), the contractor may be assigned work at specific activities in other environmental areas. The contractor shall furnish the personnel, services, material and equipment required to perform work assignments in any of the areas described under specific requirements.

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5.4.1. Specific Requirements. The contractor may be assigned work at specified activities in other environmental areas. These areas include, but are not limited to the following areas:

a. Drinking Water Program. The Safe Drinking Water Act requires Navy activities that own and operate public/community domestic water supply systems consisting of a raw water source(s), water treatment plant, storage tank(s) distribution systems and appurtenances, to comply with applicable federal, state, or local requirements, whether substantive or administrative.

b. Spill Prevention, Control and Countermeasures (SPCC) Plan. Most Navy shore activities with non-transportation-related oil storage facilities are required to have an SPCC plan. Federal law (40 CFR 112) requires that the SPCC plans be reviewed at least once every three years, or whenever there is a change in facility design, construction, operation, or maintenance which materially affects the potential for discharge of oil into or upon navigable water of the U.S. or adjoining shorelines. The SPCC plan outlines the steps to be taken if an actual spill occurs. The intention is to be prepared to immediately take response actions to minimize pollution damage.

c. Hazardous Waste (HW) Minimization Program. The objective of the Navy HW Minimization Program is to reduce or eliminate the hazardous wastes generated from various Navy industrial operations. The 1984 Resource Conservation and Recovery Act (RCRA) Amendments require minimization of hazardous waste at the point of generation. Under the program, the Navy has been conducting various hazardous waste minimization studies and technology assessments in the areas of process modification, material substitution, and used solvent recycling.

d. Resource Conservation and Recovery Act (RCRA). Navy regulations require all activities which generate HW to have a current HW Management Plan in addition to complying with all federal and state regulations for HW generation, storage, treatment and disposal. The regulations cover HW definitions, labeling, record keeping, containers, transportation, storage and disposal. Various permits/licenses are required to operate or close HW facilities.

e. Industrial Waste Treatment/Pretreatment Program. The Navy requires that industrial wastewater discharges shall meet all applicable federal, state and local requirements. The Industrial Waste Treatment Plant (IWTP) discharges and other industrial processes discharges to "navigable" water shall comply with the EPA Best Practicable Control Technology (BPCT) currently available, the Best Available Technology (BAT) economically achievable, and any other effluent

limitations prescribed by discharge permit. The industrial wastewater discharges to an IWTW or Publicly Owned Treatment Works (POTW) shall meet all applicable general and categorical pretreatment standards.

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f. PCB Program. The Navy follows federal regulations for PCB transformers including labeling, inspections, records, fire safety, and use restrictions. It is the Navy's policy to eliminate PCB transformers as soon as possible. A risk assessment may be required of all PCB transformers to prioritize their elimination.

g. Wastewater Program. The National Pollution Discharge Elimination System (NPDES) is a federal wastewater program directed at surface water discharges. The program is being expanded to include non-point storm water runoff. Naval activity discharges comply with applicable discharge permit conditions established by appropriate federal, state, or local agencies.

h. Air Pollution Program. The Navy air pollution program is designed to assure that activities fulfill their obligation to control air emissions. Navy activities accomplish this in part by maintaining air permits with the regulatory agencies. New sources may require emission offsets to keep overall air pollution levels low. Emissions from shutdown sources may be deposited in an air pollution emission bank, for use in offsetting new source emissions.

The contractor may be required to conduct air pollution audits, modeling studies, air pollutant risk assessments, and air contaminant inventories; and prepare new source permit applications.

#### 6. TECHNICAL SERVICES SUPPORT SUBCONTRACTING

a. The Contractor shall provide the necessary "Technical Services Support" subcontracting as required by each individual CTO. The term "technical services support" refers primarily to field support and laboratory analytical services that are neither professional engineering nor construction services. "Technical Services Support" subcontracting are services not provided through either the Program Management Staff, Technical Services staff or the Construction Subcontractor. "Technical Services Support" may include such items as drilling, physical and chemical laboratory analysis, surveying, mapping, disposal of contractor-generated hazardous waste, etc.

b. The Contractor may be authorized by the Contracting Officer to provide the technical services support required on individual CTOs from in-house resources. The Contractor shall provide the necessary information to the Contracting Officer to demonstrate that the contractor's in-house resources:

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(1) are capable of satisfying the requirements of the work assignment, including proper lab certification, capacity to perform, availability and health and safety requirements, and

(2) can be provided at a cost favorable to the Government.

#### 7. CONSTRUCTION SUBCONTRACTING (Remedial Action/Abatement). The ultimate goal

of the Installation Restoration, Underground Storage Tank and Asbestos Abatement programs included in this contract is site restoration. In most cases, the various studies performed under this contract will lead to award of "construction" contracts for the purposes of removal actions, remedial actions, or abatement actions. "Construction" contracts are defined as contracts awarded to actually alter the site conditions via cleanup actions. These actions may include soil removal and disposal; construction of fences, dikes or waste impoundments; removal of abandoned tanks; removal, encapsulation or enclosure of asbestos containing areas or implementing a long-term remedial action as a result of the Remedial Investigation/Feasibility Study. The Navy may require the contractor to perform the tasks necessary to procure and award these subcontracts for various assigned projects. This activity, if required, may be authorized at different stages of the individual project and may be for individual sites under a specific project. The contractor that develops the remedial design for a specific site will not be permitted to also construct or implement that designed remedy. This restriction includes divisions, subsidiaries, affiliates and other organizational entities held under common ownership. The construction of the remedy must be conducted by firms procured through a competitive award of subcontracts consistent with Federal Acquisition Regulations (FAR).

## 7.1. Specific Requirements

a. Implementing the removal, abatement, or remedial action may involve procuring a construction contractor, managing the construction effort, and providing technical engineering services during the remedial action. The Contractor may be asked to provide any or all of these services depending on the specific organizational arrangement for the project. There are two possible arrangements:

- (1) The Navy will issue a separate contract for remedial implementation. The Contractor may be required to provide acquisition assistance to the Navy and subsequently shall provide construction management support and technical engineering services. The following items are typical activities included (but not limited to) under this task:

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- (a) Tabulate and evaluate bids
  - (b) Make recommendations for award
  - (c) Assist in resolution of bid protests
  - (d) Provide community relations support
  - (e) Provide resident inspection and engineering services to ensure overall quality of the remedial implementation
  - (f) Prepare daily logs/reports/photo history
  - (g) Prepare or approve shop/record drawings
  - (h) Interpret, clarify, and modify design plans and specifications
  - (i) Monitor and control progress
  - (j) Monitors adherence to health and safety plan requirements
  - (k) Review and evaluate change orders and claims and make recommendations for Navy approval
  - (l) Conduct final inspection and system start-up testing
  - (m) Ensure preparation of as-built drawings
- (2) The Contractor will issue a subcontract(s) for remedial implementation in accordance with Federal Acquisition Regulations (FAR). The Contractor also will manage the construction effort and provide technical engineering services. In this arrangement, the Contractor shall furnish the personnel, services, materials, and equipment required to manage remedial action activities. This includes selecting a subcontractor(s) and issuing a subcontract(s) to implement the action. The Contractor shall manage construction services and direct the implementation process to accomplish the objectives of the design.

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b. For remedies involving operating treatment systems (e.g., on-site incineration, air stripping, granular activated carbon), the contractor shall furnish the personnel, services, materials, and equipment required to operate and maintain such systems until the activity assumes operation and maintenance responsibilities. These services may include but are not limited to the following:

- (1) Conduct operator training for treatment systems
- (2) Operate and maintain facilities to ensure functional operation and treatment effectiveness
- (3) Prepare and adjust Operations and Maintenance (O&M) Manual to reflect actual operating conditions/parameters
- (4) Close-out construction contract

The contractor may issue subcontracts for facility operation activities.

7.2. Remedial Response Action.

a. Under construction subcontracting, the Contractor may also be required to award subcontracts for time-critical or non-time critical removal actions. This activity may involve construction of fences, surface waste removal, stabilization of surface impoundments, repair of leaking pipelines, or other similar actions. This activity may include but will not be limited to; development of engineering evaluation and cost analysis (EE/CA) documentation, technical support in preparation of Action Memoranda, preparation of removal action plans, specifications and cost estimates, issuance of subcontracts to implement removal actions, and oversight of removal action construction.

b. The Contractor shall furnish the general management support and, through subcontracts awarded using competitive procedures on a site-by-site basis, the personnel, services, materials, and equipment required to undertake removal actions. This work, if required, may be undertaken at different stages of the remedial planning process.

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PART III

PACKAGING AND MARKING  
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1. Preservation, packaging, and packing for shipment of all submittals and reports shall be in accordance with commercial practice and adequate for acceptance by common carrier and safe transportation at the most economical rates unless otherwise specified in each Contract Task Order.
2. The Contractor shall provide a cover page with all submittals and reports. This page shall be marked as follows:
  - a. Complete name and address of agency receiving the submittal or report.
  - b. The complete contract number.
  - c. The complete Contract Task Order (CTO) number.
  - d. The title and location of the project.
  - e. Typed name and signature of individual designated for certification by the CTO.
  - f. Complete name, address, and telephone number of Contractor.
  - g. Date of submittal or report.
  - h. Brief description or title of submittal or report being submitted.

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PART IV

INSPECTION AND ACCEPTANCE  
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1. INSPECTION AND ACCEPTANCE. In addition to FAR Clause 52.246-5, incorporated by reference in Part VIII, the following applies:
  - a. Inspection and acceptance of all submittals shall be accomplished by the Contracting Officer or his/her duly authorized representative.
  - b. For the purpose of this clause, the Remedial Project Manager (RPM) designated in each individual Contract Task Order (CTO) is the only authorized representative of the Contracting Officer.
2. INSPECTION BY REGULATORY AGENCIES. All effort performed under this contract is subject to inspection by various agencies. The Contractor may be required to provide personnel to accompany the regulatory agency inspection or review teams. Contractor personnel shall be knowledgeable concerning the work being inspected. In addition, the Contractor may be required to participate in responding to the requestor for information or other findings by regulatory agencies.

3. TECHNICAL ADEQUACY. Approval by the RPM of drawings, designs, specifications, and other architectural-engineering work furnished hereunder shall not in any way relieve the Architect-Engineer of responsibility for the technical adequacy of the work.

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PART V

DELIVERIES OR PERFORMANCE  
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1. PERIOD OF PERFORMANCE

The period of performance for this contract shall be for one calendar year from date of contract award, with nine one year options which the Government may exercise unilaterally. Notwithstanding this, specific performance periods shall be included in each CTO issued under this contract. In consequence thereof, no CTO shall be issued after the initial contract period and/or anniversary date of the final option exercised and no delivery required after two years beyond the date of the final CTO, without written notice from the Contracting Officer and acceptance by the Contractor.

2. PLACE OF PERFORMANCE

The place of performance for the work required hereunder shall be specified in each individual CTO.

3. DELIVERY OF REPORTS

The reports described in "Reports Description", Attachment A to this contract shall be due on a regular basis, as specified. All reports shall be addressed to the Contracting Officer at:

Commander (Code 024)  
Western Division  
Naval Facilities Engineering Command  
900 Commodore Drive, P.O. Box 727  
San Bruno, CA 94066-0720

4. DELIVERY OF REPORTS FOR CTOS

The time of deliveries shall be set forth in each individual CTO. Delivery shall be made to the address in paragraph 3 above unless otherwise specified in said CTO.

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PART VI

CONTRACT ADMINISTRATION DATA  
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1. CONTRACT FUNDING

a. For purposes of payment of cost, exclusive of fee, pursuant to the Limitation of Funds clause, the total amount allotted by the Government to this contract is \* . The above allotment is for cost only and covers the following period of performance: Base Year.

b. An additional amount of \* is obligated under this contract for payment of award fee for the base year.

2. INVOICING INSTRUCTIONS.

a. Preparation of Invoices. Invoices must be prepared in accordance with the instructions entitled: "Guide for the Preparation of Contractor's Invoices for Reimbursement of Costs and Fees Under Cost-Plus-Award-Fee (CPAF) Type contracts." (See Attachment B)

b. Submission of Invoices. Invoices shall be prepared and submitted in quadruplicate (an original and three copies), shall reference the contract

number, and be identified by denoting the numerical sequence of the invoice. Invoices shall be submitted to:

DCAA East Bay Branch  
#8 Union Square Blvd., Suite 104  
Union City, CA 94587-3524

3. DIRECTIVES. Specifications, directives and instructions which cannot be ordered pursuant to Clauses FAR 52.210-1 and 52.210-2 as referenced in Part VIII will be made available by the RPM or the Contracting Officer.

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#### PART VII

##### SPECIAL CONTRACT REQUIREMENTS

###### 1. OPTION TO EXTEND THE TERM OF THE CONTRACT - SERVICES

a. The Government may extend the term of this contract by written notice to the contractor within the time specified below for an additional period of twelve months, subject to re-negotiation of labor rates, re-occurring costs and fee prior to award of each extension year. The following Price Redetermination Clause shall be used for the above, provided, that the Government shall give the

Contractor a preliminary written notice of its intent to extend at least 60 days before the contract expires. The preliminary notice does not commit the Government to an extension.

b. If the Government exercises this option, the extended contract shall be considered to include this option provision.

c. The total duration of this contract, including the exercise of any options under this clause, shall not exceed 10 years.

###### 2. PRICE REDETERMINATION

a. The negotiated costs for any contract period will be utilized for budgeting purposes only. Costs actually incurred shall be billed. Prior to the Government exercising the award of an option period, the direct and indirect costs will be renegotiated for budgeting purposes for that option period. A post audit will be conducted by the cognizant Defense Contract Audit Agency (DCAA) for utilization in the renegotiation of the costs.

b. Definitions. (i) "Costs" as used in this clause, means the Program Management Office recurring and non-recurring costs; travel and relocation costs; direct labor rates; estimated CTOs costs and award fees. Attachment G provides the budgeting labor rates for the base contract period.

c. Price Redetermination Period. Performance of this contract is divided into successive periods. The first period shall extend from the date of the contract twelve (12) months, and the second and each succeeding period shall extend for the duration of any corresponding option period. The first day of the second and each succeeding period shall be the effective date of price redetermination for that period. For the purpose of this clause, the terms -- price redetermination period and contract period -- are synonymous.

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##### RATE ESCALATION LIMITATION

3. a. An adjustment to the award fee will be made whenever the increase in the composite labor rate exceeds the maximum rate increase allowed by the Joint Logistic's Command (JLC). The adjustment in the Award Fee Pool for the base contract and the CTO's will be adjusted in accordance with this clause.

b. The base contract period labor rates will be used as a baseline for all adjustments. The most current contract period's actual labor hours will be used to establish composite labor rates.

c. The following factors will be utilized in determining adjustments to the award fee.

Projected Composite Labor Rate (PCLR) The PCLR is calculated by computing an  
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average hourly rate using the next years negotiated labor rates and the previous

years actual labor hours.

Maximum Composite JLC Labor Rate (MCJLR) The MCJLR is calculated by computing

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an average hourly rate using the maximum labor rates allowed by the current JLC guidance and the previous years actual labor hours.

JLC Adjustment Factor (JAF) The JAF is calculated by taking a percentage of the

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PCLR compared to the MCJLR. The JAF is only calculated when the PCLR is greater than the MCJLR.

$$\text{JAF (\%)} = ((\text{PCLR}-\text{MCJLR})/\text{MCJLR})\times 100$$

Award Fee Adjustment (AFA) The AFA is calculated by multiplying the JAF by the

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Award Fee for the Base Contract (PMO) and each CTO awarded in that contract year. The Award Fee shall be reduced by the amount of the AFA. This adjustment will be made prior to the award of the Base Contract (PMO) and each CTO. Award Fee available in any evaluation period will be in accordance with the "Award Fee Approach" clause.

d. The previous years labor rates may be extrapolated from the data available at the time of negotiation.

e. If the PCLR exceeds the MCJLR, the AFA will apply. The JAF will be calculated when the rates for the following year are negotiated. The AFA will be applied to the base contract (PMO) and to all CTO's.

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#### 4. Schedule of Option Periods

Option Year One	1990 through 1991
Option Year Two	1991 through 1992
Option Year Three	1992 through 1993
Option Year Four	1993 through 1994
Option Year Five	1994 through 1995
Option Year Six	1995 through 1996
Option Year Seven	1997 through 1997
Option Year Eight	1997 through 1998
Option Year Nine	1998 through 1999

#### 5. CONTRACT TASK ORDERS (CTOs)

a. Each project assigned under this contract shall be issued via Contract Task Order (DD 1155).

b. Each CTO will include 1) a numerical designation; 2) the period of performance and schedule of deliverables; 3) the description of the work; and 4) sufficient funds to commence work immediately upon receipt of the CTO.

c. The Contractor shall acknowledge receipt of each CTO by returning to the Contracting Officer a signed copy of the document within 10 calendar days after its receipt. The Contractor shall begin work immediately upon receipt of a CTO.

d. As requested by the undefinitive CTO or by a request for proposal, the Contractor shall submit 3 copies of a work plan to the Contracting Officer. The work plan shall include a detailed technical and staffing plan and a detailed cost estimate.

e. Within 30 calendar days (unless otherwise designated) after receipt of the work plan for an undefinitive CTO, the Contracting Officer will provide written approval or disapproval of the technical issues contained in the plan to the Contractor. The cost estimate will be utilized for negotiation purposes. The work plan submitted in response to a Request for Proposal will be utilized as the contractor's proposal for negotiations. Approval of the plan (as revised, if necessary) will be granted by the issuance of a CTO.

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f. For undefinitive CTOs, if the Contractor has not received approval on a work plan within 45 calendar days after its submission, the Contractor shall stop work on that work assignment. Also, if the Contracting Officer disapproves a work plan, the Contractor shall stop work until the problem causing the disapproval is resolved. In either case, the Contractor shall resume work only when the Contracting Officer finally approves the work plan.

g. CTOs shall not allow for any change to the terms or conditions of this contract. Where any language in the CTO may suggest a change to the terms or conditions, the Contractor shall immediately notify the Contracting Officer.

h. Any CTO issued during the effective period of this contract and not completed within that period shall be completed within the time specified in the CTO.

i. Included as attachments to each CTO shall be a detailed scope of work stating the specific tasks required to be performed by the contractor at the activity; and applicable Navy furnished information, e.g., as-built drawings, utility plans, previous studies, sampling data, geotechnical studies, etc.

#### 6. LIMITATION OF FUNDS

a. FAR Clause 52.232-22, as referenced in Part VIII, of this contract, wherever the word "schedule" appears in the clause, the designation "schedule and CTO's" shall be substituted. The Contractor shall notify the Contracting Officer in writing whenever it has reason to believe that the costs it expects to incur under this contract in the next 60 days, when added to all costs previously incurred, will exceed 75 percent of the total amount so far allotted to the contract by the Government. The notice shall state the estimated amount of additional funds required to continue performance for the period specified in the Schedule. This clause pertains to the Program Management Office estimated costs and CTO estimated costs.

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#### 7. AWARD FEE APPROACH

a. The award fee (see Attachment C for the Award Fee Plan) will be applied against the negotiated aggregate estimated cost of all CTOs issued during a given evaluation period and not against the total negotiated estimated cost of the contract for the applicable year.

b. For the purpose of calculating the negotiated aggregate estimated cost, referenced above, the cost of any CTO which is not completed within the evaluation period will be calculated as follows:

The Government shall develop a percentage of physical completion determination in order to establish the corresponding percentage of the negotiated estimated cost for each incomplete CTO against which the award fee rating shall be applied. For any CTO which is not 100% complete within an evaluation period, no less than 25% of the available award fee will be retained until the completion of the CTO. Upon completion, all the remaining award fee for the CTO is eligible. The percentage of completion will be a Government determination not subject to the disputes clause.

#### 8. SUBCONTRACTING PROGRAM FOR SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS CONCERNS

The subcontracting plan submitted and approved by the Contracting Officer for this requirement is incorporated in Part X, Attachment E.

#### 9. SUBCONTRACTING REPORTS--SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS CONCERNS

a. The Contractor shall submit subcontracting reports on Standard Forms 294 and 295. The reports shall be submitted semi-annually and quarterly respectively in accordance with the General Instructions on the reverse side of the forms.

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b. In addition to the distribution specified on the reverse side of the forms copies of these reports shall be delivered to:

#### Distribution Addressee

1 original of SF 294	Contracting Officer
1 copy of SF 295	Small Business Specialist
1 copy of both the SF 294 and SF 295	Western Division Naval Facilities Engineering Command P.O. Box 727

10. SUBCONTRACT CONSENT

a. The Contractor shall submit the information required by FAR 52.244-2, "Subcontracts" (JUL 1985), to the Contracting Officer. The Contracting Officer will provide written notice to the Contractor of his/her decision.

b. Within 30 days of contract award, the contractor will submit data required by FAR 52.244-2, for the following subcontractors, upon whose use the contractor's selection as successful awardee had been contingent:

James M. Montgomery, Consulting Engineers  
Versar, Inc.

c. Consent in some instances may be granted contingent upon inclusion of performance bond requirements incorporated in the proposed subcontracts.

11. CONSULTANT SERVICES AND CONSENT

The Contractor shall obtain the consent of the Contracting Officer prior to using any consultant on this contract. The Contractor shall determine whether any consultant that is used has in effect an agreement with another Federal agency for similar or like services and, if so, shall notify the Contracting Officer.

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12. SUBCONTRACTOR SELECTION PROCEDURES

For the Installation Restoration Program the contractor shall select subcontractors for program management, construction management, architectural and engineering, surveying and mapping, and related services in accordance with Title IX of the Federal Property and Administrative Services Act of 1949.

13. LIMITATION ON FUTURE CONTRACTING

The prime contractor as well as subcontractors, and/or consultants responsible for fact findings or other types of work which directly contributes to the formulation of recommendations as to the need for remedial action projects will be ineligible to compete for such remedial action projects under this or other resulting contracts.

14. FUTURE EXPERT CONSULTING SERVICES

It is recognized that, subsequent to the performance period of this contract, the need may arise to provide expert testimony during hearings and/or court proceedings involving site specific activities or other matters, with regard to which personnel provided by the Contractor under this contract (including subcontractor personnel) would have gained expertise as a result of tasks performed under this contract. Therefore, the Contractor agrees to make available expert consulting services in support of such future proceedings, including litigation support and to enter into intent agreements as necessary with subcontractors to ensure the availability of subcontractor personnel provided under this contract to provide expert consulting services. Agreement to provide such services in the future serves as a notice of intent only. Such services are not purchased hereby and will be obtained through a separate contractual agreement.

Should the Contractor, or any subcontractors of any tier, ever have to testify in court in any case related to this contract, all his/her work will be considered proprietary to the Government. In such a case, the Contractor and/or subcontractor of any tier shall not release any information to adverse parties.

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15. ORGANIZATIONAL CONFLICTS OF INTEREST

a. The Contractor warrants that, to the best of the Contractor's knowledge and belief, there are no relevant facts or circumstances which could give rise to an organizational conflict of interest, as defined in FAR Subpart 9.5, or that the Contractor has disclosed all such relevant information prior to award.

b. The Contractor agrees that if an actual or potential organization

conflict of interest is discovered after award, the Contractor will make a full disclosure in writing to the Contracting Officer. This disclosure shall include a description of actions which the Contractor has taken or proposes to take, after consultation with the Contracting Officer, to avoid, mitigate, or neutralize the actual or potential conflict. In addition, the Contractor will notify the Contracting Officer in writing when the Contractor participates in competition for and receives an award of an EPA Contract which may involve Navy sites.

c. In addition, the Contractor will notify the Government, in writing, of its intention to compete for, or accept the award of any contract which may involve Navy sites. Such notification will be made before the contractor either competes for, or accepts any such contract.

d. Remedies - The Contracting Officer may terminate this contract for convenience, in whole or in part, if it deems such termination necessary to avoid an organizational conflict of interest. If the Contractor was aware of a potential organizational conflict of interest prior to award or discovered an actual or potential conflict after award and did not disclose or misrepresented relevant information to the Contracting Officer, the Government may terminate the contract for default, debar the Contractor from Government contracting, or pursue such other remedies as may be permitted by law or this contract.

e. The Contractor further agrees to insert in any subcontract or consultant agreement hereunder, provisions which shall conform substantially to the language of this clause, including this paragraph (d).

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#### 16. KEY PERSONNEL

a. The Contractor shall provide to the Contracting Officer within 30 days following contract award a list of key personnel to be assigned to the Program Management Office and specified Project Managers.

b. During the first one hundred eighty (180) calendar days of performance, the Contractor shall make no substitutions of key personnel unless the substitution is necessitated by illness, death, or termination of employment. The Contractor shall notify the Contracting Officer within 15 calendar days after the occurrence of any of these events and provide the information required by paragraph (c) below. After the initial one hundred eighty (180) calendar day period, the Contractor shall submit the information required by paragraph (c) to the Contracting Officer at least 30 days prior to making any permanent substitutions.

c. The Contractor shall provide a detailed explanation of the circumstances necessitating the proposed substitutions, complete resumes for the proposed substitutes, and any additional information requested by the Contracting Officer. Proposed substitutes should have comparable qualifications to those of the persons being replaced. The Contracting Officer will notify the Contractor within 30 calendar days after receipt of all required information of the decision on substitutions.

#### 17. HEALTH AND SAFETY TRAINING

The Contractor shall certify to the Government in writing that each of its employees, subcontractors, or consultants has completed a training program (IAW 29 CFR 1910.120), in relation to this project, prior to assignment of any such employee, subcontractor, or consultant to a hazardous waste site.

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#### 18. PRINTING

Unless otherwise specified in this contract, the Contractor shall not engage in, nor subcontract for, any printing (as that term is defined in Title I of the Government Printing and Binding Regulations in effect on the effective date of this contract) in connection with the performance of work under this contract. Provided, however, that performance of a requirement under this contract involving the duplication of less than 5,000 units of only one page, or less than 25,000 units in the aggregate of multiple pages, such pages not exceeding a maximum image size of 10 3/4 by 14 1/4 inches, will not be deemed to be printing.

#### 19. DISCLOSURE OF INFORMATION

The Contractor agrees to notify and obtain the written approval of the

Contracting Officer prior to releasing any information to any third parties including the news media regarding any work under this contract except as required by law. The Contractor shall immediately notify the Contracting Officer of the receipt of a demand by a third party for the disclosure of field test data generated under the contract. This requirement shall flow down to all subcontractors.

20. ADVERTISING AND NEWS RELEASES

The Contractor agrees not to refer to this contract and all resulting CTOs in commercial advertising in such a manner as to state or imply that the product or service provided is endorsed or preferred by the Federal Government, or considered by the Government to be superior to other products or services. News releases pertaining to this procurement will not be made without the concurrence of the Contracting Officer. After having notified the successful offeror, announcement of the contract award will be made in the Commerce Business Daily.

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21. CONTRACTOR ACCOUNTING SYSTEM

The contractor shall employ an accounting system for this contract to identify and record site specific costs on a site specific basis and by CTO. Site specific cost documentation for each CTO must be readily retrievable and sufficiently identifiable to enable cross-referencing with payment vouchers. The foregoing is in addition to and/or complementary to the CAS requirements.

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22. MODIFICATION PROPOSALS - COST BREAKDOWN

a. For modification for which an equitable adjustment is necessitated, the Contractor shall furnish a cost breakdown, itemized as required by the Contracting Officer within 30 days of effective date of said modification. Unless otherwise directed, the breakdown shall be in sufficient detail to permit an analysis of all material, labor, equipment, subcontract, and overhead costs, as well as fees, and shall cover all work involved in the modification, whether such work was deleted, added, or changed.

23. WORKING FILES

The Contractor shall maintain accurate working files on all work documentation including calculations, assumptions, interpretations of regulations, sources of information, and other raw data required in the performance of this contract. The Contractor shall retain these files for a minimum of seven years after completion of all work under this contract. The Contractor shall provide the information contained in its working files upon request of the Contracting Officer.

24. GOVERNMENT FURNISHED DATA

Government furnished data to be delivered to the Contractor shall be specifically set forth in the CTO as deliverables to the Contractor. Accordingly, it is the Contractor's responsibility to secure any other cited data; i.e., military specifications, regulatory citations, etc.

If the data to be delivered is (1) not suitable for its intended use and/or (2) not delivered or (3) not delivered in a timely manner and such untimely delivery impedes work, then the Contractor may request equitable adjustment pursuant to the Notification of Changes Clause FAR 52.243-7 (See Part VIII). Additionally,:

- 1) title to Government furnished data shall remain in the Government, and
- 2) the Contractor shall use the Government - furnished data only in connection with this contract.

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25. FABRICATION OR ACQUISITION OF NONEXPENDABLE PROPERTY

The Contractor shall not fabricate nor acquire under this contract, either directly or indirectly through a subcontract, any item of nonexpendable property without written approval from the Contracting Officer. The equipment is subject to the provisions of FAR 52.245-5, "Government Property" (JAN 1986).

26. DECONTAMINATION OF GOVERNMENT PROPERTY

In addition to the requirements of FAR 52.245-5, "Government Property" (JAN 1986), the Contractor shall certify in writing that any Government-furnished property or Contractor-acquired property is returned to the Government free from contamination by any hazardous or toxic substances.

#### 27. SECURITY REQUIREMENTS

a. The Contractor shall comply with all security requirements as set forth in each individual CTO as well as all Activity security requirements. Upon request, the Contractor shall submit the name and address of each employee hired for work on this contract and shall cause to be filled out questionnaires and other forms as may be required for security.

b. Neither the Contractor nor any of its employees shall disclose or cause to be disseminated any information concerning the operations of the activity which could result in or increase the likelihood of the possibility of a breach of the activity's security or interrupt the continuity of its operations.

c. Disclosure of information relating to the services hereunder to any person not entitled to receive it, or failure to safeguard any classified information that may come to the Contractor or any person under his control in connection with work under this contract, may subject the Contractor, his agents or employees to criminal liability under 18 U.S.C. Sec. 793 (Gathering, Transmitting, or Loosing Defense Information) and Sec. 798 (Disclosure of Classified Information).

d. All inquiries, comments or complaints arising from any matter observed, experienced, or learned as a result of or in connection with the performance of this contract, the resolution of which may require the dissemination of official information will be directed to the EIC.

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e. Deviations from or violations of any of the provisions of this paragraph will, in addition to all other criminal and civil remedies, provided by law subject the Contractor to immediate termination for default and/or the individuals involved to a withdrawal of the Government's acceptance and approval of employment.

#### 28. ACTIVITY REGULATIONS

The Contractor and his employees shall become acquainted with and obey all Government regulations as posted, or as requested by the EIC.

#### 29. FIRE PREVENTION

The Contractor shall insure that he and his employees shall know how to turn in a fire alarm. The Contractor shall observe all requirements for handling and storage of combustible supplies, materials, waste and trash. Contractor employees operating critical equipment shall be trained to properly respond during a fire alarm or fire in accordance with Activity instruction procedures.

#### 30. WILDLIFE PRESERVATION

Before commencing work which may disturb wildlife the Contractor shall obtain all necessary state, local or federal permits.

#### 31. SALVAGE

FAR Clause 52.245-5 is applicable as referenced in Part VII. In addition for the purpose of clarification, upon completion of work at each individual work site all material and equipment which are removed or disconnected, and which are sound and of value, but are not indicated or specified for reuse shall remain the property of the Government.

#### 32. DISPOSAL

a. All nonusable surplus material and debris resulting from work under this contract shall be removed from the site by the Contractor. The Contractor shall be responsible for transportation and disposal of nonhazardous debris, rubbish and nonusable material resulting from work under this contract. Nonhazardous waste must be disposed of by the contractor either off Government property or at a site on the Activity approved by the EIC and the Activity coordinator.

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b. The Contractor shall be responsible for assuring that all hazardous waste generated as a result of work under this contract is packaged, labeled, and stored in accordance with the Resource Conservation and Recovery Act and its associated state and local laws and regulations.

c. The Contractor may be tasked to properly dispose of hazardous waste generated as a result of work under this contract. Transportation of hazardous waste to Government designated disposal sites shall be the responsibility of the Contractor; however, manifests for the waste shall be signed by a Navy representative designated by the Commanding Officer of the Activity.

d. In connection with the disposal of hazardous or non-hazardous materials, the Contractor may be tasked to provide a list of recommended disposal sites.

### 33. UTILITY SERVICE INTERRUPTIONS

If any utility services must be disconnected (even temporarily) due to scheduled contract work, the Contractor shall notify the EIC and Activity, at least ten (10) working days in advance. If the discontinued service is due to any emergency breakdown, the Contractor shall notify the EIC and the Activity as soon as possible.

### 34. PASSES AND BADGES

a. All Contractor employees shall obtain the required employee and vehicle passes. The Contractor shall, prior to the start of each work assignment, submit to the EIC an estimate of the number of personnel expected to be utilized at any one time on a CTO. The Government will issue badges without charge.

b. No employee or representative of the Contractor will be admitted to the site of work unless he is a citizen of the United States, or, if an alien, his employment within the United States is legal.

### 35. CONTRACTOR EMPLOYEES

a. The Contractor shall provide to the Contracting Officer the name or names of the responsible supervisory person or persons authorized to act for the Contractor.

b. The Contractor shall furnish sufficient personnel to perform all work specified within the contract.

c. Contractor employees shall conduct themselves in a proper, efficient, courteous and businesslike manner.

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d. The Contractor shall remove from the site any individual whose continued employment is deemed by the EIC to be contrary to the public interest or inconsistent with the best interests of National Security.

### 36. REIMBURSEMENT OF TRAVEL

a. Area of Travel. Performance under this contract may require travel by Contractor personnel. If travel is required, the Contractor is responsible for making all needed arrangements for his personnel.

b. Travel policy. The Government will reimburse the Contractor for allowable travel costs incurred by the Contractor in performance of the contract and determined to be in accordance with FAR Subpart 31.2, subject to the following provisions:

Travel required for tasks assigned under this contract shall be governed in accordance with rules set forth for temporary duty travel in the Federal Travel Regulations.

c. Travel. Travel, subsistence, and associated labor charges for travel time are authorized for travel beyond a 50-mile radius of the local office, whenever a CTO requires work to be accomplished at a temporary alternate worksite. No subsistence for travel time shall be charged for work performed within a 50-mile radius of the Contractor's local office. Travel performed for personal convenience and daily travel to and from work at Contractor's facility will not be reimbursed.

d. Per Diem. Per Diem for travel on work under this contract will be reimbursed to employees consistent with company policy, but not to exceed the amount authorized in the Federal Travel Regulations.

NOTE: To the maximum extent practicable without the impairment of the effectiveness of the mission, transportation shall be tourist class. In the

event that only first class travel is available, it will be allowed, provided justification therefore is fully documented and warranted.

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e. Privately owned conveyance (POC). POC travel by owner or as a passenger shall not be directed, but the use of this travel should be encouraged when advantageous to the Government. The use of privately owned conveyance by the traveler will be reimbursed to the Contractor at the mileage rates allowed by Federal Travel Regulations. Authorization for the use of privately owned conveyance shall be indicated on the order.

f. Car Rental. The Contractor shall be entitled to reimbursement for car rental as authorized by each order, when the services are required to be performed outside the normal commuting distance from the Contractor's facilities.

#### 37. INDEMNIFICATION FOR PENALTIES, FINES AND/OR INTEREST DUE TO LATENESS

a. Contractor agrees to indemnify the Government for all fines or penalties (however characterized), including interest, incurred by the Government as the result of delays caused by the contractor's failure to successfully meet all schedules set forth in each Contract Task Order (CTO).

b. The amount of Indemnification due under this clause shall be limited to the amount of the Award Fee earned for the evaluation period in which the late performance occurred. The aggregate sum due under this clause for any single evaluation period, shall not exceed the amount of the Award Fee the Contractor actually earned in the affected evaluation period. Should late performance continue through two or more evaluation periods, the Contractor shall be liable up to an amount equal to the sum of the Award Fee earned in aggregate for the evaluation periods affected.

c. If delivery or performance is so delayed, the Government may terminate this contract in whole or in part under the Termination (Cost-Reimbursement) clause. Furthermore, any indemnification required pursuant to this clause will be due the Government in addition to excess costs under the Termination (Cost-Reimbursement) clause.

d. The Contractor shall not be charged for such costs as described above when the delay arises out of causes beyond the control and without the fault or negligence of the Contractor.

e. Where the delay is caused by both parties and results in the assessment of penalties, fines and/or interest, such assessment shall be apportioned between the parties of the same proportion their respective contribution of the delay.

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#### 38. INDEMNIFICATION

a. As of the date of contract execution, the official DOD position on indemnification is that contractors shall not be indemnified for third party liability. The issue of indemnification, as it applies to this contract, is predicated on the official DOD policy. If the DOD policy should change during the life of this contract, the Navy agrees to reconsider the issue of indemnification. If the Navy determines that it shall indemnify the Contractor for third party liability, an equitable adjustment shall be negotiated in exchange for the inclusion of such indemnification.

#### 39. AVAILABILITY OF FUNDS FOR THE NEXT FISCAL YEAR (APR 1984)

a. Funds are not presently available for performance under this contract beyond 30 September 1989. The Government's obligation for performance of this contract beyond that date is contingent upon the availability of appropriated funds from which payment for contract purposes can be made. No legal liability on the part of the Government for any payment may arise for performance under this contract beyond 30 September 1989, until funds are made available to the Contracting Officer for performance and until the Contractor receives notice of availability, to be confirmed in writing by the Contracting Officer.

#### 40. INSURANCE

a. Workers' compensation and employer's liability. Contractors are required to comply with applicable Federal and State workers' compensation and occupational disease statutes. If occupational diseases are not compensable

under those statutes, they shall be covered under the employer's liability section of the insurance policy, except when contract operations are so commingled with a contractor's commercial operations that it would not be practical to require this coverage. Employer's liability coverage of at least \$100,000 shall be required, except in States with exclusive or monopolistic funds that do not permit workers' compensation to be written by private carriers.

b. General liability. Bodily injury liability insurance coverage written on the comprehensive form of policy of at least \$500,000 per occurrence shall be required.

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c. Automobile liability. Automobile liability insurance written on the comprehensive form of policy shall be required. The policy shall provide for bodily injury and property damage liability covering the operation of all automobiles used in connection with performing the contract. Policies covering automobiles operated in the United States shall provide coverage of at least \$200,000 per person and \$500,000 per occurrence for bodily injury and \$20,000 per occurrence for property damage. The amount of liability coverage on other policies shall be commensurate with any legal requirements of the locality and sufficient to meet normal and customary claims.

d. Cost of Professional Liability Insurance and Pollution Liability Insurance may be allowed as a direct cost or in the Contractor's General & Administration (G&A) rate if the applicable requirements set for in FAR Part 31 are met.

#### 41. MEDICAL EXAM

a. Cost for annual medical examinations may be allowed as direct costs for only those key personnel assigned to the Program Management Office. If personnel are dedicated as full-time employees for this contract, the medical examinations costs will be reimbursed in full. If the employees are employed on a part-time basis for this contract, the allowed costs will be appropriately allocated.

#### 42. CONTRACTOR'S ACCESS TO RECORDS

a. Upon issuance of CTO, the Navy shall make available to the contractor any relevant records or documents, relating to work to be performed under this contract, which are necessary to reflect the existence, location, type, quality and quantity of hazard/toxic materials and chemicals at the site of the work.

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### PART VIII

#### CONTRACT CLAUSES

##### 1. CLAUSES INCORPORATED BY REFERENCE (FAR 52.252-2) (APR 1984)

This contract incorporates the following clauses by reference, with the same force and effect as if they were given in full text. Upon request, the Contracting Officer will make their full text available.

##### 1. FEDERAL ACQUISITION REGULATION (48 CFR CHAPTER 1) CLAUSES

<TABLE>  
<CAPTION>

CLAUSE NUMBER -----	DATE ----	TITLE -----
<S>	<C>	<C>
52.202-1	APR 1984	DEFINITIONS
52.203-1	APR 1984	OFFICIALS NOT TO BENEFIT
52.203-3	APR 1984	GRATUITIES
52.203-5	APR 1984	COVENANT AGAINST CONTINGENT FEES
52.203-6	JUL 1985	RESTRICTIONS ON SUBCONTRACTOR SALES TO THE GOVERNMENT
52.203.7	FEB 1987	ANTI-KICKBACK PROCEDURES
52.210-1	JUN 1988	AVAILABILITY OF SPECIFICATIONS LISTED IN THE INDEX OF FEDERAL SPECIFICATIONS AND STANDARDS
52.210-2	APR 1988	AVAILABILITY OF SPECIFICATIONS LISTED

		IN THE DOD INDEX OF SPECIFICATIONS AND STANDARDS (DOD ISS)
52.212.13	APR 1984	STOP WORK ORDER ALTERNATE I
52.215-1	APR 1984	EXAMINATION OF RECORDS BY COMPTROLLER GENERAL
52.215-2	APR 1988	AUDIT -- NEGOTIATION
52.215-22	APR 1988	PRICE REDUCTION FOR DEFECTIVE COST OR PRICING DATA
52.215-23	APR 1988	PRICE REDUCTION FOR DEFECTIVE COST OR PRICING DATA -- MODIFICATIONS
52.215-24	APR 1985	SUBCONTRACTOR COST OR PRICING DATA
52.215-25	APR 1984	SUBCONTRACTOR COST OR PRICING DATA -- MODIFICATIONS
52.215-30	SEP 1987	FACILITIES CAPITAL COST OF MONEY
52.215-31	APR 1987	WAIVER OF FACILITIES CAPITAL COST OF MONEY
52.215-33	JAN 1986	ORDER OF PRECEDENCE
52.216-7	APR 1984	ALLOWABLE COST AND PAYMENT
52.217-8	APR 1984	OPTION TO EXTEND SERVICES
52.219-8	JUN 1985	UTILIZATION OF SMALL BUSINESS CONCERNS AND SMALL DISADVANTAGED BUSINESS CONCERNS

</TABLE>

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<TABLE>

<CAPTION>

CLAUSE

NUMBER	DATE	TITLE
-----	----	-----
<S>	<C>	<C>
52.219-9	APR 1984	SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS SUBCONTRACTING PLAN
52.219-13	AUG 1986	UTILIZATION OF WOMEN-OWNED SMALL BUSINESSES
52.220-3	APR 1984	UTILIZATION OF LABOR SURPLUS AREA CONCERNS
52.220-4	APR 1984	LABOR SURPLUS AREA SUBCONTRACTING PROGRAM
52.222-1	APR 1984	NOTICE TO THE GOVERNMENT OF LABOR DISPUTES
52.222-2	APR 1984	PAYMENT FOR OVERTIME PREMIUMS (PARAGRAPH (a) - INSERT DOLLAR AMOUNT, TO BE NEGOTIATED)
52.222-3	APR 1984	CONVICT LABOR
52.222-4	MAR 1986	CONTRACT WORK HOURS AND SAFETY STANDARDS ACT-OVERTIME COMPENSATION
52.222-11	FEB 1988	SUBCONTRACTS (LABOR STANDARDS)
52.222-26	APR 1984	EQUAL OPPORTUNITY
52.222-28	APR 1984	EQUAL OPPORTUNITY PREAMWARD CLEARANCE OF SUBCONTRACTS
52.222-35	APR 1984	AFFIRMATIVE ACTION FOR SPECIAL DIS- ABLED AND VIETNAM ERA VETERANS
52.222-36	APR 1984	AFFIRMATIVE ACTION FOR HANDICAPPED WORKERS
52.222-37	JAN 1988	EMPLOYMENT REPORTS ON SPECIAL DISABLED VETERANS AND VETERANS OF THE VIETNAM ERA
52.223-2	APR 1984	CLEAN AIR AND WATER
52.223-3	AUG 1987	HAZARDOUS MATERIAL IDENTIFICATION
52.223-5	MAR 1989	CERTIFICATION REGARDING A DRUG-FREE WORKPLACE
52.227-1	APR 1984	AUTHORIZATION AND CONSENT
52.227-2	APR 1984	NOTICE AND ASSISTANCE REGARDING PATENT AND COPYRIGHT INFRINGEMENT
52.227-12	JUL 1981	PATENT RIGHTS - RETENTION BY THE CONTRACTOR (LONG FORM)
52.227-17	JUN 1987	RIGHTS AND DATA - SPECIAL WORKS
52.230-3	SEP 1987	COST ACCOUNTING STANDARDS
52.230-4	SEP 1987	ADMINISTRATION OF COST ACCOUNTING STANDARDS
52.230-5	SEP 1987	DISCLOSURE AND CONSISTENCY OF COST ACCOUNTING PRACTICES
52.232-17	APR 1984	INTEREST

</TABLE>

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CLAU SE NUM BER -----	DATE -----	TITLE -----
<S>	<C>	<C>
52.232-22	APR 1984	LIMITATION OF FUNDS
52.232-23	JAN 1986	ASSIGNMENT OF CLAIMS
52.232-25	FEB 1988	PROMPT PAYMENT II (FEB 1988)
52.233-1	APR 1984	DISPUTES ALTERNATE I (APR 1984)
52.233-3	JUN 1985	PROTEST AFTER AWARD ALTERNATE I (JUN 1985)
52.236-8	APR 1984	OTHER CONTRACTS
52.236-9	APR 1984	PROTECTION OF EXISTING VEGETATION, STRUCTURES, EQUIPMENT, UTILITIES AND IMPROVEMENTS
52.236-12	APR 1984	CLEANING UP
52.236-13	APR 1984	ACCIDENT PREVENTION
52.236-23	APR 1984	RESPONSIBILITY OF THE ARCHITECT- ENGINEER CONTRACTOR
52.236-25	APR 1984	REQUIREMENTS FOR REGISTRATION OF DESIGNERS
52.237-2	APR 1984	PROTECTION OF GOVERNMENT BUILDINGS, EQUIPMENT, AND VEGETATION
52.242-1	APR 1984	NOTICE OF INTENT TO DISALLOW COSTS
52.243-2	AUG 1987	CHANGES -- COST REIMBURSEMENT ALTERNATE I (APR 1984)
52.243-7	APR 1984	NOTIFICATION OF CHANGES (PARAGRAPHS (b) AND (d) - INSERT NUMBER OF CALENDAR DAYS TO BE NEGOTIATED)
52.244-2	JUL 1985	SUBCONTRACTS (COST-REIMBURSEMENT AND LETTER CONTRACTS) ALTERNATE I
52.244-5	APR 1984	COMPETITION IN SUBCONTRACTING
52.245-5	JAN 1986	GOVERNMENT PROPERTY (COST-REIMBURSE- MENT, TIME-AND-MATERIAL, OR LABOR- HOUR CONTRACTS)
52.246-5	APR 1984	INSPECTION OF SERVICES - COST REIMBURSEMENT
52.249-6	MAY 1986	TERMINATION (COST-REIMBURSEMENT)
52.249-14	APR 1984	EXCUSABLE DELAYS

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II. DEPARTMENT OF DEFENSE FEDERAL ACQUISITION REGULATION SUPPLEMENT (48 CFR  
CHAPTER 2) CLAUSES

CLAU SE NUM BER -----	DATE -----	TITLE -----
<S>	<C>	<C>
52.203-7001	APR 1987	SPECIAL PROHIBITION ON EMPLOYMENT
52.203-7003	OCT 1987	DISPLAY OF DOD HOTLINE POSTER
52.204-7005	AUG 1986	OVERSEAS DISTRIBUTION OF DEFENSE SUBCONTRACTS
2.205-7000	FEB 1988	RELEASE OF INFORMATION TO COOPERATIVE AGREEMENT HOLDERS
52.215-7000	APR 1985	AGGREGATE PRICING ADJUSTMENT
52.215-7003	FEB 1988	COST ESTIMATING SYSTEM REQUIREMENTS
52.219-7000	APR 1984	SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS SUBCONTRACTING PLAN (MASTER PLANS)
52.227-7022	MAR 1979	GOVERNMENT RIGHTS (UNLIMITED)
52.227-7024	APR 1984	NOTICE AND APPROVAL OF RESTRICTED DESIGNS
52.227-7030	JUL 1976	TECHNICAL DATA - WITHHOLDING OF PAYMENT
52.227-7036	MAY 1987	CERTIFICATION OF TECHNICAL DATA

52.227-7037	MAY 1987	CONFORMITY VALIDATION OF RESTRICTIVE MARKINGS ON TECHNICAL DATA
52.231-7000	APR 1984	SUPPLEMENTAL COST PRINCIPLES
52.233-7000	FEB 1980	CERTIFICATION OF REQUESTS FOR ADJUSTMENT OR RELIEF EXCEEDING \$100,000
52.251-7000	APR 1984	ORDERING FROM GOVERNMENT SUPPLY SOURCES

</TABLE>

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PART IX

LIST OF ATTACHMENTS

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<TABLE>

<CAPTION>

ATTACHMENTS

TITLE

<S>	<C>
A	Reports of Work
B	Guide for the Preparation of Contractors' Invoices
C	Award Fee Determination Plan
D	Certificate of Current Cost or Pricing Data
E	Subcontracting Plan
F	Program Management Office Functions Chargeable to Contract Task Orders
G	Estimated Rates for Use in Establishing "NOT TO EXCEED" Amounts on CTO's and Escalation Estimates for Options Years

</TABLE>

ATTACHMENT A - REPORTS OF WORK

REPORTS DESCRIPTION

-----

1. The Contractor shall be required to submit the reports listed in Table 1. Additional requirements may be imposed by the program's management information system. All documents (with the exception of monthly progress reports) must be approved by the cognizant Contracting Officer or Engineer-In-Charge before final publication.

2. The purpose of the reports is to provide Navy managers with an overall guide for tracking the progress of work, assisting with budgeting requirements, and evaluating contractor performance. The reports will also provide the primary vehicle for highlighting variations from the cost baseline plan, for projecting impacts of the variations, and for proposing actions to get back within the baseline.

TABLE 1

REPORTS AND OTHER DOCUMENTS REQUIRED (a)

<TABLE>

<CAPTION>

DOCUMENT	Versions (b)	Timing (c)	NO. OF COPIES (D)
<S>	<C>	<C>	<C>
Contract Management Plan	D/F	30/15	5
QC Management Plan	D/F	30/15	5
Project Work Plans	D/F	To be specified in individual CTOs.	
Project Completion Reports	D/F	30	6
Progress Reports			
- Summary (Technical, Financial and Sub-contracting)	F	Monthly	6
- Site-Specific	F	Monthly	6

(Technical and Financial)			
Analytical Services Reports	F	Annually	6
Special Patent Reporting	F	10	5

</TABLE>

NOTES:

(a) Certain activities require special reports noted in the statement of work.

A(2)

(b) D - draft, F - final

(c) The due date, indicated in terms of calendar days after the pertinent event (issuance of CTO, end of reporting period, completion of work), applies to the preliminary or draft versions. The final version is due usually within 15 days after receipt of Navy's comments by the Contractor.

(d) The number provided here is only an estimate. A more definitive number may be specified in the CTO.

3. CONTRACT MANAGEMENT PLAN

a. The Contractor shall prepare a Management Plan delineating the management strategy and cost plan for implementing the contract. The plan is to provide general policy and procedural guidance for all work to be performed.

b. The Contractor shall submit a draft version of the Management Plan to the Contracting Officer for review within thirty (30) calendar days after the effective date of the contract. This version shall reflect the management concept presented in the Contractor's successful proposal as augmented through negotiations and post-award consultations. The approved Contract Management Plan will be incorporated into the contract as Attachment\_\_\_\_\_.

c. In the event the Government delays review and return of the Draft Management Plan beyond the period specified, the Contractor shall immediately notify the Contracting Officer. The Contractor shall deliver the Final Management Plan within ninety (90) calendar days after the effective date of the contract.

d. The Contract Management Plan shall include but will not necessarily be limited to the following elements:

- Introduction
  - purpose and scope of the program
  - objectives and organization of the plan
- Project Organization
  - functional organization structure
  - key personnel assignments
  - flow of authority and responsibility staffing plans
- Management Process
  - initiating work assignment and progress controls
  - program and performance review
  - administrative procedures
  - scheduling
  - accounting and cost control procedures
  - management information system(s)
  - reporting requirements
  - document production and distribution

A(3)

- Subcontracting
  - subcontracting decision process
  - procurement process
  - flow of authority and responsibility
  - performance review and quality control
  - accounting and cost control procedures
- Property Management
  - existing in-house inventory
  - acquisition and disposition procedures
  - maintenance and calibration

- Technical Approach (technical policies and SOP's to be incorporated during life of project)
  - overview
  - planning activities
  - design and implementation
  - management support

#### 4. QUALITY CONTROL (QC) MANAGEMENT PLAN

a. The Contractor shall submit to the Contracting Officer a Draft Management Plan for QC within thirty (30) calendar days after the effective date of the contract.

b. The Contracting Officer will review and return the Draft QC Management Plan indicating approval or disapproval, and comments, if necessary, within forty-five (45) calendar days. In the event the Government delays review and return of the Draft QC Management Plan beyond the period specified, the Contractor shall immediately notify the Contracting Officer. The Contractor shall deliver the Final QC Management Plan within ninety (90) calendar days after the effective date of the contract.

c. The Contracting Officer will incorporate the approved QC Management Plan into the contract as part of the overall Contract Management Plan. (Attachment \_\_\_\_\_).

#### 5. PROJECT WORK PLANS

a. Project work plans shall be submitted for all CTOs and will serve as a baseline from which Contractor progress can be monitored. The project work plan shall include a detailed cost estimate prepared in accordance with Navy guidance, which will identify specific costs for completing the CTO. The estimate will include all major cost elements. Additional cost elements may be required depending on the specific activity being performed. For example, additional cost elements for construction activities such as equipment, materials, etc., may be required.

A(4)

b. The project work plan should address but will not necessarily be limited to the following elements:

- Objectives and scope of the proposed project and its relationship to other projects
- Technical approach, anticipated problems, proposed solutions
- Work to be performed under each task, including objectives and scope, information sources, and methods to be used
- Safety and contingency measures (if applicable)
- Schedule, including critical path and milestones, and staffing of each task
- Anticipated number of man-hours to complete the project and names of key personnel.
- Detailed cost-estimate for the project
- Cash flow scheduling and cost control procedures
- Subcontracting plan
- Document production and distribution.
- Quality Control Project Plan (if applicable)

#### 6. PROJECT COMPLETION REPORTS

a. The Contractor shall prepare completion reports for each project, or combination, as specified in the CTO. The purpose of these reports is to document the conduct of the work; present findings, conclusions and recommendations; account for the funds expended; and provide guidance for future efforts. Specific requirements for these reports will be identified in the CTOs.

b. Completion reports concerning remedy selection, i.e., the RI/FS Report and the Record of Decision, will become part of the Navy's Administrative Record for each site. The Remedial Design Plans and Specifications, the Remedial Action Report, and Operation and Maintenance Plan will be required for subsequent actions. All reports may be subject to public review. Additionally, less formal deliverables may be required at interim stages of a project. These may be in the form of concise technical direction memoranda, briefings or meetings that enable the transfer of information and facilitate decisions necessary to progress to the next stage of work. They are not intended to be formally reviewed nor delay site progress. For example, at the completion of the first phase of the RI, the Contractor would present a technical direction memorandum indicating results and recommended next steps. The EIC could then take whatever steps are necessary to approve the next phase of work with minimum delay.

c. Project completion reports should address but will not necessarily be

limited to the following elements:

- Executive summary
- Purpose, objectives and scope of the project and relationship to other projects
- Approach and techniques used
- Major problems encountered and solutions adopted
- Deviations from work plan

A(5)

- Detailed accomplishments and results of study
- Costs incurred and deviations from budget
- Recommendations.

d. The schedule for submitting draft and final project reports will be specified in each CTO.

## 7. PROGRESS REPORTS

a. The Contractor shall prepare monthly progress reports. The purpose of these reports will be to apprise the Navy of the status of the individual activities and the overall program and to call attention to any departures from the applicable management and work plans. The technical sections will provide baseline schedules for performing work and monitoring progress, and will document the work that has been accomplished at a site. The financial sections will provide a baseline for planned expenditures for the total project and for each site and CTO, and monitor actual expenditures against the baseline to assess the financial status of the project.

### (1) Summary Progress Report

The executive level summary progress report shall consist of the pertinent technical and financial information for the reporting period. Its focus shall be the Contractor's overall effort on all CTOs, highlighting key activities and any deviations from planned schedules and budgets.

#### - Technical

This section shall consist of a concise, executive level summary of all technical activities performed under the contract during the reporting period. The summary shall highlight the activities of the Program Management Office and progress achieved under each project. Specific areas of interest shall include difficulties encountered during the reporting period and corrective actions taken, a statement of activity anticipated during the subsequent reporting period, and a schedule showing accomplishments versus planned activities. The report shall include any changes of key personnel concerned with the project.

#### - Financial

This section shall begin with a narrative statement supplying the following information:

- Available estimated costs under the contract
- Total estimate required to complete ongoing CTOs
- Total contract variances and a plan for corrective actions, if applicable.

Next, this section shall clearly delineate, in spreadsheet format, cumulative and monthly expenditures of direct labor hours, direct labor costs, program management costs, indirect costs, sample analysis costs, and total costs for the total contract. The spreadsheet format will report monthly and cumulative expenditures for each cost element.

The graphic format will demonstrate the rate of planned expenditures versus cumulative actual expenditures. A separate graph will be prepared for each cost element. The graphs will be prepared as follows:

- Identification - contract #, reporting period, cost element or activity being reported
- Vertical Axis - dollars
- Horizontal Axis - time (contract period of performance in months)
- Solid line depicting the projected rate of expenditure of the cost element on a cumulative basis.
- Dotted line representing the actual cumulative cost incurred to date.

Additionally, an expenditures forecast for the next three (3) months shall be presented. If the need to reapportion budget estimates among the constituent elements of the budget exists, then a recommendation for a revised budget shall

be presented along with supporting rationale.

This section will also contain a copy of the project site-specific financial management reports. These provide financial statements for each CTOs in terms of standard tasks.

- Subcontracts

This section will list all subcontracts awarded monthly by title, contractor, and dollar value; percentage of small business subcontracts awarded, the percentage of small disadvantaged business subcontracts awarded, and how these percentages compare to the Subcontracting Plan percentages listed in Attachment \_\_\_\_\_.

(2) Site-Specific Progress Reports

The site-specific progress report shall contain technical and financial summaries for each CTO. The report shall be submitted to the responsible EIC within twenty (20) calendar days after the end of each reporting period.

- Technical

The reports will present a summary and highlights of progress and problems experienced during the reporting period and shall contain detailed activity progress reports for each active remedial project. A tabular summary showing planned and actual start and completion dates for each of the standard tasks, percent complete for each active task, and schedule variances also will be provided. Schedule variances will be highlighted in the narrative with options for correcting problems as appropriate. In addition, the report will identify the number of samples analyzed at laboratories for the site during the reporting period and where the analyses were performed.

A(7)

- Financial

Site-specific financial status reports shall contain detailed cost summaries for each active CTO. They will compare planned versus actual expenditures for all standard tasks. The reports will contain tabular and graphic summaries. In addition, the report shall contain six-month cost projections and explain any variances in a narrative summary.

8. ANALYTICAL SERVICES REPORT

The Contractor shall be required to maintain a data base of the following nine factors related to analytical services performed by laboratories in support of CTOs:

- Number of samples analyzed
- Where samples were sent for analysis, keyed to the source of the samples
- Cost
- Turnaround time for analysis
- QA/QC requirements
- Cost per sample
- Parameters measured and sample matrix
- Protocol used
- Acceptance rate of product.

In addition, the Contractor shall generate an annual report on all nine factors with an overall analysis of the effectiveness of the analytical programs/services used.

9. SPECIAL PATENT REPORTING REQUIREMENTS

In order to avoid, mitigate or neutralize an actual or potential conflict of interest, if the Contractor anticipates the use of corporate patents or other proprietary technologies unique to the Contractor for use in remedial design and/or remedial action, the Contractor shall notify the Contracting Officer in writing of the intent to use such patents or proprietary technologies within ten (10) days of the issuance of the CTO or before work commences.

ATTACHMENT B

GUIDE FOR THE PREPARATION OF CONTRACTOR'S INVOICES FOR REIMBURSEMENT

OF COST AND FEES UNDER COST-PLUS-AWARD FEE

(CPAF) TYPE CONTRACTS

GUIDE FOR THE PREPARATION OF CONTRACTOR'S INVOICES FOR REIMBURSEMENT

OF COST AND FEES UNDER COST-PLUS-AWARD FEE

1. Responsibility for Preparation

The Contractor is responsible for preparing and submitting reimbursement invoices according to the terms of the contract. Invoices should not contain any classified information and should not be submitted more than monthly, unless other arrangements are made with the Contracting Officer.

The contractor must prepare invoices on the prescribed Government forms (see next section) and submit them to the Contracting Officer.

2. Prescribed Government Forms

NAVCOMPT Form 2277, "Voucher for Disbursement and/or Collection," (original) must be used to show the amount claimed for reimbursement. The Contractor is not required to certify or otherwise sign the voucher.

SF 1035 and 1035A, "Public Voucher for Purchases and Services Other Than Personal - Continuation Sheet," will be used for additional information required by the Contracting Officer.

The voucher forms may be reproduced or obtained from the appropriate Administrative Contracting Officer or, at a nominal cost, from the Government Printing Office.

3. Preparing Vouchers

The information required to be submitted on the NAVCOMPT Form 7722 is explained below. The numbered items correspond to the block entries on Figure 1.

<TABLE>  
<CAPTION>

Block No.	Title/Description/Explanation
7	PAID BY - Provides space for the paying officer to affix stamp after payment, including the check number, when applicable.
8	TO - Name and address of payee, the contractor as shown on the dealer's bill or, in the case of reimbursable order billings, the name and address of the office or activity being billed.
9	ARTICLES, SERVICES OR ITEMS - Information to be entered under the various columns of this block will be the same as that presently being entered under the comparable columns of the NAVCOMPT FORM 2277. It should be noted that money amounts entered in Column F will always be gross. All deduction amounts will be entered in the appropriate column(s) under Block 12 below.

</TABLE>

<TABLE>  
<CAPTION>

Block No.	Title/Description/Explanation
10	TYPE OF PAYMENT OR BILL - An "X" will be entered in the appropriate box in accordance with the following:  COMPLETE - This block will be used when the voucher represents a complete payment or billing for all the items and/or work or services requested in the document cited in Block 3. Thus, such vouchers represent the first and only payment or bill that will be rendered against the document cited in Block 3.  PARTIAL - This block is to be used when the

voucher covers only a portion of the items and/or work or services requested in the document cited in Block 3.

FINAL - This block will be used only when the voucher represents the very last payment or bill to be rendered against the document cited in Block 3.

PROGRESS - This block is to be used when the voucher represents a payment or bill for costs incurred by a contractor or by a performing activity, chargeable to the document cited in Block 3, but for which delivery of the items or services requested has not yet been made.

ADVANCE - This block is to be used when the voucher represents a payment made to a Contractor or performing activity prior to incurring any costs.

11	ACCOUNTING CLASSIFICATION TO BE CREDITED ----- (COLLECTION) The accounting data, including ----- related ACRNs when applicable, and amount to be credited in connection with the collection of cash. This block will also be used in connection with reimbursable order billings for indicating the accounting data of the billing to be credited.
12	DEDUCTIONS - Provides for identifying the type ----- of deductions made by the paying officer; if any.
13	ACCOUNTING CLASSIFICATION TO BE CHARGED ----- (DISBURSEMENT) - The accounting data, including ----- related ACRNs, to be charged in connection with funds disbursed regardless of whether by cash, check or no-check transfer. It should be noted that the total net amount to be entered under Block 13L is the difference between Block 9H minus Block 12I.
14	INSPECTION REPORT NOS - Enter the related ----- inspection report numbers, when applicable.

</TABLE>

B(3)

<TABLE>  
<CAPTION>

Block No.	Title/Description/Explanation -----
<S> 15	<C> GOV'T B/L NOS. - Enter the related Government ----- bill of lading numbers when applicable.
16	APPROVED - The signature and title of the ----- official authorized to approve payment of the voucher as well as the date of such approval. If the ability to certify and authority to approve are combined in one person, that person shall sign in Block 17; otherwise the approving officer will sign in Block 16 over his official title.
17	CERTIFIED - The signature and title of the ----- official authorized to certify the voucher for payment as well as the date of such certification.

PAYMENT RECEIVED - Provides space for  
 -----  
 identifying the name of the individual, company  
 or corporation and the name and title of the  
 person signing for such company/corporation when  
 payment is made in cash.

</TABLE>

GUIDE FOR PREPARING SF 1035 OR CONTRACTOR'S EQUIVALENT ATTACHMENT (FIGURE 2)

a. Insert the name of the military department or agency which negotiated the contract.

b. Voucher No. - insert the appropriate serial number of the voucher as shown on NAVCOMPT Form 2277.

c. Schedule No. - leave blank.

d. Insert the sheet number in numerical sequence if more than one sheet is used. Use as many sheets as necessary to show the information required by the Contracting Officer.

e. Insert payee's name and address as shown on NAVCOMPT Form 2277.

f. Insert the contract number and the task order number when applicable.

g. Insert the latest: target or estimated costs, target or fixed-fee total contract value, and amount of fee payable.

h. Insert: "Analysis of Claimed Current and Cumulative Costs and Fee Earned."

i. Insert the major cost elements. Use additional SF 1035s if necessary to show the detail of direct transportation charges, the computations of overhead adjustments from provisional rates to negotiated rates or allowable actual rates.

j. Insert the amount billed by the major cost elements, contract reserves and adjustments, and adjusted amounts claimed for the current period.

B(4)

k. Insert the cumulative amounts billed by the major cost elements, contract reserves, and adjusted amounts claimed to date of this billing.

l. Insert the total costs for current and cumulative periods.

m. Insert the target for base-fee earned and due for the current and cumulative periods and the formula for the computation (percentage of completion).

n. Insert the total costs claimed and the base fee due for the current and cumulative periods.

o. Insert the details of the contract reserves withheld in the current period and for the cumulative period. The contractor is responsible for reducing its claims for contract reserves.

p. Show the status of all outstanding DCAA Form 1, "Notice of Contract Costs Suspended and/or Disapproved." The DCAA Form 1 is the form used to effect suspension and disapproval of costs or fees claimed for payment on contractor's reimbursement vouchers. In general, an item of cost, either direct or indirect which lacks adequate explanation or documentary support for definitive audit approval or disapproval will be suspended until the required data is received and a determination can be made as to the allowability of the item. Costs for which audit action has been completed and which are not considered allowable, will be disapproved. When amounts on an outstanding DCAA Form 1 are resubmitted they will be shown in the current period column, and the corresponding cumulative total of outstanding suspensions or disapprovals will be reduced to cover the resubmission so that the cumulative amounts will be "net."

q. Insert net reserves and adjustments.

r. Show the costs and fee subject to reimbursement for the current and cumulative periods.

s. Amount to be carried forward NAVCOMPT Form 2277.

This completes the requirements for preparing SF 1035

-----  
4. Contractor's Claim for the Reimbursement of Purchased Material and  
-----  
Subcontracted Items (Applicable to other than small business concerns)  
-----

Claims for Purchased Material and Subcontracted Items will be made on the basis of cash disbursed by the contractor. Where it is found that Purchased Material and Subcontracted Items costs are being billed to the Government before being paid in cash by the contractor, such portion of the claim, together with its associated costs, will be disallowed until payment is made.

B(5)

5. Withholding and Release of Contract Reserves  
-----

Contractual provisions covering Base Fee, patents royalties, etc., usually provide for the accumulation of a withholding reserve until certain contract requirements are met to the satisfaction of the Contracting Officer. It is the Contractor's responsibility to include appropriate adjustments in his reimbursement claims to cover the required accumulation and release of contract withholding reserves. The contractor should resolve with the Contracting Officer any questions regarding the amount of these reserves.

6. Contractor's Completion Voucher  
-----

The completion voucher is the last voucher to be submitted on a contract or task order. A separate completion voucher will be submitted for each CTO for which a separate series of public vouchers had been submitted.

FAR 52.216-7(h) requires the contractor to submit the completion voucher promptly (not later than 1 year) following completion of the work under the contract, unless approved by the contracting officer in writing.

However, prior to submitting the completion voucher, DCAA must have completed an audit of the contractor's operations and costs relating to the contract. FAR 52.216-7(d) provides for final overhead rates to be established by the appropriate Government representative. Refer to the clauses in the contract to determine the responsible agency. In all cases, an audit is performed by DCAA. Within 90 days after the end of each of its fiscal years for estimating, accumulating and reporting contract costs, the contractor should submit to the Contracting Officer or cognizant DCAA office, a proposed final overhead rate submission for the period. It should be based on the actual cost experienced during that period, and be submitted with supporting cost data, specifying the contracts and subcontracts to which the rates apply. (A sample format of this submission is contained in this package.)

After submission, the contractor's costs will be audited as soon as possible. Normally, a contract cannot be closed out unless the applicable costs have been audited. Therefore, the contractor should not prepare or submit the completion invoice, until the DCAA audit of the contractor's fiscal years during which costs have been incurred under the contract, has been completed.

Guides for preparing SF 1035 or Contractor's Equivalent Attachment (Figure  
-----

3) Completion Voucher  
-----

Note: The example of the SF 1035 for the completion voucher is separate and distinct from the preceding NAVCOMPT Form 2277 and SF 1035 examples.

a. Insert the name of the military department or agency which negotiated the contract.

b. Insert the sheet number in numerical sequence if more than one sheet is used. Use as many sheets as necessary to show the information required by the Contracting Officer or the auditor.

B(6)

c. Insert the voucher number, as shown on NAVCOMPT Form 2277 and mark "final" or "completion" after it.

d. Insert payee's name and address as shown on NAVCOMPT Form 2277.

e. Insert the contract number and the task order number when applicable.

f. Insert the latest: target or estimated costs, target or base-fee, and total contract value.

g. Insert: "Contractor's Cumulative Claim and Reconciliation Statement."

The final audit determined or negotiated fringe, overhead and G&A rates should be listed by contractor's fiscal year as shown. However, if the contract specifies ceiling rates, the rates shown cannot exceed the ceiling in the contract.

Insert the major cost elements. Use additional SF 1035s if necessary to show the detail of certain changes or computations. A separate column should be prepared for each of the contractor's fiscal years. The amounts shown for direct costs should always tie in to the costs shown on the submission prepared for audit as explained above under "COMPLETION INVOICE." Any direct costs questioned during our audit of costs should be excluded from the applicable contractor's fiscal year. Fringe, overhead and G&A should be computed using the rates as explained above. The total costs being billed cannot be claimed. Any amount in excess of the contract value should be subcontracted from the total.

Bill for any portion of the fee not previously billed. If the contract provides for an incentive fee, show the computations of the total fee claimed. Use separate sheets if necessary.

h. Insert the amount of total previous payments received on interim vouchers.

ADDITIONAL DOCUMENTS TO BE SUBMITTED ON COMPLETION VOUCHERS  
-----

In addition to the NAVCOMPT Form 2277s and the SF 1035s, the contractor is required to submit an original and four copies of the following documents to DCAA.

1. Contractor's release of claims, or Assignee's release of claims, if applicable. The amount listed on this form should be the total contract value, including fee. It should tie in to the total amount claimed on the SF 1035.

2. Contractor's assignment of refunds, rebates, credits and other amounts, or Assignee's assignment of refunds, rebates, credits and other amounts, if applicable.

3. Contractor's affidavit of waiver of lien, when required by the contract

B(7)

The following listing provides a breakdown of functions for each part-time position subject to charges to PMO or CTO's. (Only recurring costs are considered here.)

<TABLE>  
<CAPTION>

POSITION/FUNCTION -----	PMO ---	CTO ---
<S>	<C>	<C>
Quality Assurance Manager: -----		
Audit and subcontractor procedures	X	
Interface with Navy QA Officer	X	
Potential subcontractors that will work on more than one project or site	X	
Potential subcontractors to address special needs of individual site or project	X	
Maintain control of project documents, records, reports	X	
Technical or QA/QC review of PMO or CTO deliverables	X	

Quality Assurance Manager (continued):  
-----

Development of project- and site-specific QA/QC Plans		X
Development of general QA/QC procedures (exclusive of QC Management Plan)	X	
Preparation of annual Analytical Services Report	X	
QA/QC validation of project lab data		X
Provide input into monthly reports	X	
Attend meetings, non site-specific	X	
Attend meetings, site-specific		X
Staff training	X	

Health and Safety Manager:  
-----

Audit and subcontractor H&S procedures	X	
--	---	--





9. ARTICLES, SERVICES OR ITEMS

A. INVOICE OR ORDER NO.	B. DATE OF DELIVERY/SERVICE	C. DESCRIPTION !REMITTER, EXPLANATION, DETAILS, ETC!	D. QUANTITY	E. UNIT PRICE		F. AMOUNT
				COST	PER	
JO 695 Inv. 92602						\$1,767.00

G. DISCOUNT TERMS H. TOTAL \$1,767.00

10. TYPE OF PAYMENT OR BILL: COMPLETE [\_] PARTIAL [X] FINAL [\_] PROGRESS [\_] ADVANCE [\_]

11. ACCOUNTING CLASSIFICATION TO BE CREDITED (COLLECTION)

A. ACRN	B. APPROPRIATION	C. SUB-HEAD	D. OBJ. CLASS	E. BUREAU CONTROL	F. SA	G. AAA	H. TT	I. PAA	J. COST CODE	K. AMOUNT (U.S. CURRENCY ONLY)
---------	------------------	-------------	---------------	-------------------	-------	--------	-------	--------	--------------	-----------------------------------

12. DEDUCTIONS

A. ACRN	B. TRANSPORTATION	C. DISCOUNT	D. TAX	E. RESERVE	F. MISCELLANEOUS	G. TOTAL ???? ACRN (U.S. CURRENCY ONLY)
---------	-------------------	-------------	--------	------------	------------------	--

H. CURRENCY: EXCHANGE RATE = \$1.00 I. TOTAL DEDUCTIONS

13. ACCOUNTING CLASSIFICATION TO BE CHARGED (DISBURSEMENT)

A. ACRN	B. APPROPRIATION	C. SUB-HEAD	D. OBJ. CLASS	E. BUREAU CONTROL	F. SA	G. AAA	H. TT	I. PAA	J. COST CODE	K. AMOUNT (U.S. CURRENCY ONLY)
BE	1781810	81HR	025	01048	0	000129	2D	000000	0081980695DA	\$1,767.00

L. TOTAL NET AMOUNT TO BE PAID (BLOCK 9-H MINUS BLOCK 12-I) \$1,767.00

14. INSPECTION REPORT NOS: 15. GOV'T B/L NOS:

16. APPROVED BY Jane Doe  
 10-4-79 TITLE Fiscal Officer  
 (Date)

17. CERTIFIED BY John Doenut  
 1-25-80 TITLE Voucher Examiner  
 (Date)

18. PAYMENT RECEIVED:  
 PAYEE -  
 PER -  
 TITLE -

</TABLE> B(8)

<TABLE>  
 <CAPTION>

STANDARD FORM 1035 PUBLIC VOUCHER FOR PURCHASES AND VOUCHER NO  
 SEPTEMBER 1973 SERVICES OTHER THAN PERSONAL (b) 10  
 4 TREASURY FRM 2000 SCHEDULE NO  
 1035-116 (c)  
 CONTINUATION SHEET SHEET NO  
 (d)

U.S. DEPARTMENT, BUREAU OR ESTABLISHMENT (a)

ARTICLES OF SERVICES

NUMBER AND DATE OF ORDER	DATE OF DELIVERY OR SERVICE	(ENTER DESCRIPTION, ITEM # OF CONTRACTS, OR FEDERAL SUPPLY SCHEDULE, AND OTHER INFORMATION DEEMED NECESSARY)	QUANTITY	UNIT PRICE		AMOUNT
				COST	PER	
<S>	<C>		<C>	<C>	<C>	<C>
(e) ABC Corporation 100 Main Street Anywhere, USA	(f) Contract No. NOas 84-010c		(g) Target/Estimated Costs			\$250,000
			(g) Target/Fixed Fee			15,000
			(g) Total			\$265,000
			(g) 85% of Fixed Fee			\$ 12,000
	(h) Analysis of Claimed Current and Cumulative Costs and Fee Earned		(j) Amount for Current Period Billed		(k) Cumulative From Inception To Date of Current Billing	
(i) Major Cost Elements:						
Direct Materials			\$ 700		\$ 25,900	
Subcontracts (Cost & Redeterminable)			1,500		8,100	
Interplant Charges			200		1,200	
Special Tooling			200		3,700	
Direct Transportation Costs			175		500	
Direct Labor)			650		60,000	
Overhead )			925		90,000	
General & Administrative Expenses			435		18,800	
(l) Total Costs			\$ 4,785		\$ 207,500	
(m) Fixed Fee Earned (Formula)			287		12,400	
(n) Total Amounts Claimed			\$ 5,072		\$ 219,900	
Contract Reserves and Adjustments:						
(o) Contract Reserves Withheld			\$ (500)		\$ (15,000)	
(o) Contract Reserves Cleared			700		11,000	
(p) DCAA Form 1 - - Resubmitted (Voucher No.)			100		XXXXXXXXXX	
(p) DCAA Form 1 - - Conceded by Contractor					(1,600)	
(p) DCAA Form 1 - - Outstanding Suspensions					(1,700)	
(p) DCAA Form 1 - - Disapprovals Subject to Appeal					(2,000)	
(q) Net - Reserves and Adjustments			\$ 300		\$ (9,300)	
(r) Adjusted Amounts Claimed:						
Current and Cumulative Costs			\$ 5,085		\$ 198,220	
Fixed-Fee			287		12,450	
Total			(s) \$ 5,372		\$ 210,670	

</TABLE>

FIGURE 3

<TABLE>		<CAPTION>	
STANDARD FORM 1035 SEPTEMBER 1973 4 TREASURY FRM 2000 1035-116	PUBLIC VOUCHER FOR PURCHASES AND SERVICES OTHER THAN PERSONAL	(c)	VOUCHER NO 30 FINAL
			SCHEDULE NO
			SHEET NO (b)

U.S. DEPARTMENT, BUREAU OR ESTABLISHMENT  
(a) Department of the Army - Picatinny Arsenal

ARTICLES OF SERVICES						
NUMBER AND DATE OF ORDER	DATE OF DELIVERY OR SERVICE	(ENTER DESCRIPTION, ITEM # OF CONTRACTS, OR FEDERAL SUPPLY SCHEDULE, AND OTHER INFORMATION DEEMED NECESSARY)	QUANTITY	UNIT PRICE		AMOUNT
				COST	PER	

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
(d) XYZ Corporation		(e) Contract DAAA21-76-C-XXXX					
200 Main Street							
Anywhere, USA 20005							
	(g) Contractor's Cumulative Claim and Reconciliation Statment		(f) Established Cost		\$400,000		
			(f) Fixed Fee		36,000		
			(f) Total		\$436,000		
					=====		
Final Rates	FY 82	FY 83	FY 84		Total		
-----	----	----	----		----		
Fringe Benefit Rate	10.92%	12.15%	13.33%				
Overhead Rate	112.99	92.30	92.12				
G&A Rate	2.91	14.97	12.33				
Major Cost Elements							
-----							
Salaries	\$115,572.17	\$ 16,068.11	\$3,033.44		\$134,673.72		
Fringe Benefits	12,632.04	1,952.28	404.36		14,988.68		
	-----	-----	-----		-----		
Total Direct Labor	128,204.21	18,020.39	3,437.80		149,662.40		
Overhead	144,857.94	16,632.82	3,166.90		164,657.66		
Travel	4,193.94	297.76			4,491.70		
Consultants	1,071.76				1,071.76		
Other Direct Costs	770.10	8.34	9.00		787.44		
	-----	-----	-----		-----		
Subtotal	279,097.95	34,959.31	6,613.70		\$320,670.96		
Material	2,242.16				2,242.16		
Subcontract	62,351.00				62,351.00		
Subtotal	343,691.11	34,959.31	6,613.70		385,264.12		
G&A	10,001.41	5,233.41	815.47		16,050.29		
	-----	-----	-----		-----		
Total Cost Incurred	\$353,692.52	\$ 40,192.72	\$7,429.17		\$401,314.41		
Amount in Excess of Contract Amount					(1,314.41)		
					-----		
Total Costs Claimed					400,000.00		
Fixed Fee					36,000.00		
					-----		
Total					\$436,000.00		
Less Previous Payments (h)					433,871.23		
					-----		
Amount Due (i)					\$ 2,128.77		
					=====		

</TABLE>

ATTACHMENT "C"

AWARD FEE DETERMINATION PLAN

(AFDP)

I. INTRODUCTION

A. This plan covers the administration of the award fee provisions of Contract No. N62474-88-D-5086, dated \_\_\_\_\_ with \_\_\_\_\_ PRC Environmental Management, Inc.  
 -----

B. The following matters, among others, are covered in the contract:

1. The contractor is required to furnish Program Management and Technical Environmental Services in support of the Navy's Environmental Engineering Program at activities under the cognizance of Western Division, Naval Facilities Engineering Command.

2. The term of the contract is from 98 through \_\_\_\_\_ a base year with nine (9) one year options.

3. The estimated cost of performing the contract is \* .

4. The award fee pool for Year 1 is \* .  
 -----

C. The amount of the award fee pool as measured by the aggregate of CTO estimated costs.

D. When CTO's are not completed within an evaluation period, the Government shall develop a percentage of physical completion determination in order to establish the corresponding percentage of the negotiated estimated cost for each incomplete CTO against which the award fee rating shall be applied. For any CTO which is not 100% complete within an evaluation period, only 75% of the available award fee can be earned. Upon completion, the remaining award fee for the CTO is eligible. The percentage of completion will be a Government determination not subject to the disputes clause.

E. The award fee earned and payable will be determined 3 times annually. The estimated time for completion of the Government's evaluation is 60 days following the conclusion of each award fee period.

F. Award fee determinations are not subject to the Disputes clause of the contract.

G. The FDO may unilaterally change the criteria and weights set forth in this plan, Part IV, providing the contractor receives notice of the changes at least thirty (30) calendar days prior to the beginning of the evaluation period to which the changes apply.

H. Objectives of the Award Fee:

1. The objectives of the award fee provisions of the contract is to afford the contractor an opportunity to earn increased fee commensurate with the achievement of optimum performance in pursuit of contractual objectives and goals.

B. Performance Evaluation Categories:  
-----

The Contractor's performance will be evaluated on the basis of its ability to provide the necessary personnel, services, equipment, and material to support the program in various performance categories. The evaluation categories cover the two main organizational components of the contract - Program Management and Technical Performance of Work Assignments.

1. Program Management

Program Management constitutes technical, management, administrative and clerical activities performed by the contractor in order to assure quality control of all work performed under the CLEAN contract. The evaluation categories for program management are listed in Attachment C-2.

2. Technical Performance

An overall evaluation of the Contractor's technical performance on work assignments will be performed on a collective basis based on the individual evaluation provided by each EIC. The evaluation categories for technical performance are listed in Attachment C-3.

C. Rating Guidelines  
-----

1. Rating Guidelines for each of the performance evaluation criteria are provided in Attachment C-4. The guidelines are provided to establish a uniform system of evaluating performance for each of the evaluation criteria.

2. The average of the rating for each of the evaluation criteria will be used to determine the overall performance points. Attachment C-5, the Award Fee conversion chart, will be used to determine the percentage of available award fee earned.

IV. CHANGES IN PLAN COVERAGE

A. Right to Make Unilateral Changes  
-----

The Award Fee Plan may be changed unilaterally by the FDO 30 days prior to the beginning of an evaluation period by notice to the contractor in writing.

3. Award Fee - The award fee is an award amount that may be earned by the Contractor in whole or in part, based upon an evaluation by WESTNAVFACENCOM of the Contractor's performance. The Award Fee is to motivate the Contractor to provide excellence in performance of activities evaluated both collectively and individually, in areas of Program Management and Technical Services.

II. EVALUATION REQUIREMENTS

A. The applicable evaluation requirements are attached as indicated below:

<TABLE>  
<CAPTION>

Requirement -----	Attachment -----
<S> Performance Areas and Evaluation Criteria	<C> C-1
Evaluation Criteria for Performance Area No. 1	C-2
Evaluation Criteria for Performance Area No. 1	C-3
Rating Guidelines for Performance Evaluation Criteria	C-4
Award Fee Conversion Chart	C-5

</TABLE>

B. Once each four (4) months (each six (6) months for the first year) the  
-----  
PEB will submit a formal evaluation report to the FDO with a recommendation as to the numerical grade rating, which shall be a measure of the contractor's performance for that evaluation period.

C. The contractor shall submit a concise written self-evaluation of his/her performance, limited to 10 pages with no appended material, within 15 calendar days after each evaluation period. This report will be submitted to the FDO.

III. PERFORMANCE EVALUATION CATEGORIES, CRITERIA, AND RATING GUIDELINES

A. In order to evaluate the contractor's performance, two evaluation categories and a set of evaluation criteria have been developed. This section highlights these components of the plan by defining each of the performance evaluation categories and describing rating guidelines for scoring each of the criteria.

ATTACHMENT C-1 TO AFOP FOR

Contract No. \_\_\_\_\_ With \_\_\_\_\_

PERFORMANCE AREAS AND EVALUATION CRITERIA

The performance areas to be evaluated are identified below.  
The evaluation criteria for each area are attached, as indicated

<TABLE>  
<CAPTION>

Area No. ----	Brief Area Identification -----	Area Weight -----
<S> 1	<C> *	<C> *
2	*	*

</TABLE>

\* CONFIDENTIAL

C (6)

ATTACHMENT C-2 TO AFDP FOR

Contract No. \_\_\_\_\_ With \_\_\_\_\_

PROGRAM MANAGEMENT

-----

Area Weight \*

Description of Area:

-----

PROGRAM MANAGEMENT: All Contract Management, Planning, Monitoring, and Control of the CTO's issued under this contract.

CRITERIA ELEMENTS

-----

1. PROGRAM PLANNING

- Development of plans
- Development of cost estimates and schedules
- Screening for organizational conflicts of interest
- Elimination of duplicative efforts
- Scheduling and budgeting multiple projects within cost and priority

2. SCHEDULE AND COST CONTROL

- Maintenance of planned budgets and schedules (e.g., prompt reporting of projected cost and schedule variances)
- Adjustment of schedule and priority requirements (e.g., ability to expedite schedules)
- Ability to minimize costs

3. REPORTING

- Timeliness and deliverables
- Clarity and thoroughness of project documentation (e.g., identification of problem and recommended solution, discussion of alternatives)

4. RESOURCE UTILIZATION

- Responsiveness
- Suitability of staffing, recruiting and training of personnel
- Ability to obtain subcontractors and outside consultant (e.g., lead time minimization, quality)
- Attention to equipment maintenance and accounting, minimization of travel costs, etc.

\* CONFIDENTIAL

ATTACHMENT C-3 TO AFDP FOR

Contract No. \_\_\_\_\_ With \_\_\_\_\_

EVALUATION CRITERIA FOR PERFORMANCE AREA NO. 2.

TECHNICAL SERVICES

-----

Area Weight \*

Description of Area:

-----

TECHNICAL SERVICES: Provide necessary Technical Personnel and Consultant Labor Hours to accomplish the work identified in each CTO.

CRITERIA ELEMENTS

-----

1. PROJECT PLANNING

- Development of plans (e.g., work plans, management plans, etc.)
- Development of project cost estimates and schedules
- Screening for organizational conflicts of interest
- Elimination of duplicative efforts

2. TECHNICAL COMPETENCE AND INNOVATION

- Effectiveness and thoroughness of analyses
- Meet plan goals and objectives
- Development of alternatives and implementation of courses of

- action
- Adherence to federal, state and other regulations, procedures, and guidelines (e.g., health and safety, chain-of custody/document control, CERCLA and RCRA regulations, subcontracting, etc.)
- Provision of technical support
- Creativity and ingenuity in approach (e.g., cost-effective or technically innovative control/remedy schemes)

3. SCHEDULE AND COST CONTROL

- Maintenance of planned budgets and schedules (e.g., prompt reporting of projected cost and schedule variances)
- Adjustment of schedule and priority requirements (e.g., ability to expedite schedules)
- Ability to minimize costs

4. REPORTING

- Timeliness of deliverables (e.g., progress reports, project reports, work plans)
- Clarity and thoroughness of project documentation (e.g., identification of problem and recommended solution, discussion of alternatives)

C(8)

\* CONFIDENTIAL

EVALUATION CRITERIA FOR PERFORMANCE AREA NO. 2 (CONT'D)

5. RESOURCE UTILIZATION

- Capability of program managers
- Suitability of staffing, recruiting and training of personnel
- Ability to obtain subcontractors and outside consultants (e.g., lead-time minimization, quality)
- Attention to equipment maintenance and accounting, minimization of travel costs, etc.

6. EFFORT

- Responsiveness
- Preparedness and mobilization of resources for contract and assignments
- Regularity and effectiveness of day-to-day support/communication with WESTNAVFACENGCOM personnel and other organizations and individuals involved with site
- Performed in special situation (e.g., adverse/dangerous conditions or expedited time frames)
- Timely and effective coordination with activity personnel during field work

C(9)

<TABLE>  
<CAPTION>

ATTACHMENT C-4 (CONT'D)  
RATING GUIDELINES FOR PERFORMANCE EVALUATION CRITERIA

PERFORMANCE EVALUATION CRITERIA			
RATING	REPORTING	RESOURCE UTILIZATION	EFFORT
<S> 96 - 100 OUTSTANDING	<C> Reports provide such insight into key problems and potential solutions as to service ?? master plan for corrective action  No re-write of reports required by WESTNAVFACENGCOM personnel	<C> All of the contractor resources are applied to minimize costs and time, while enhancing overall work quality	<C> Contingency plans always developed  Response actions taken in extreme weather conditions ?? high risk areas  Personal effort well beyond contract requirements
86 - 95	All reports are of consistent high quality both in content and presentation	One or a few of the contractor resources are utilized efficiently, resulting in cost or time	Appropriate resource allocation to counter operational impediments

EXCEEDED EXPECTATIONS	No re-write of reports required by WESTNAVFACENCOM personnel	savings and providing specified quality of work	Responsive to minor changes in scope of work and priority adjustments
76 - 85 SATISFACTORY	All required reports were delivered on time and with contents as specified	Staffing, subcontracting, equipment, and other resources (e.g., travel adequately utilized to meet project and contract requirements)	Resource monitored in sufficient time to meet established budget/schedule  Regular communication and instruction with Navy personnel
61 - 75 MARGINAL	Required reports were delivered within 15 days after due date but without adequate justification or warning  Contents of reporting not as specified	One or a few of contractor resources are not used efficiently, resulting in cost overruns and time delays	Effort was below average of experience with similar type contractors over the last two years under similar circumstances
0 - 60 UNSATISFACTORY	Required reports delivered more than one week late without adequate justification or warning  Contents or reports inadequate to permit interpretation of problems or action	Consistent poor utilization of resources which hinders the implementation of the program	Ad hoc requests and operational impediments unaddressed, and adequate warning or justification was not provided or was unacceptable

</TABLE>

ATTACHMENT C-4 TO AFDP  
RATING GUIDELINES FOR PERFORMANCE EVALUATION CRITERIA

<TABLE> <CAPTION>			
RATING	PERFORMANCE EVALUATION CRITERIA		
	PLANNING	TECHNICAL COMPETENCE AND INNOVATION	SCHEDULE AND COST CONTROL
<S> 96 - 100 OUTSTANDING	<C> Ensures that cost/time is minimized to meet technical direction specification  "Fast tracking" or streamlined approaches implemented as necessary	<C> Innovative technical solution applied  Results may establish state of the art approach to address problems  Met original established remedial action goals and objectives	<C> Original schedule in spite of major operational impediments  Services completed ahead of schedule at a reduced cost to the Government than originally estimated
86 - 95 EXCEEDED EXPECTATIONS	Provides for a significant cost/time savings and contains adequate approaches to address requirements contain in WA	Quality was above average of experience with similar type contractors over past two years	Original schedule met in spite of minor operational impediments  Services completed on schedule at a reduced cost to the Government
76 - 85 SATISFACTORY	Adequate to meet requirements specified in Statement(s) of work, and goals and objectives of the program and/or contract requirements	Quality was average of experience with similar type contractors over past two years	Original schedule met  Cost was reasonable considering scope of effort
61 - 75 MARGINAL	Work assignment or contract specifications not completely addressed  Cost and/or time disproportionate to required level of effort	Quality was below average of experience with similar type contractors over past two years	Original schedule slipped without adequate warning or justification  Available cost savings not taken advantage of
0 - 60 UNSATISFACTORY	Incorrect identification of requirements needed to meet SOW  Inadequate schedule to provide quality product or service	Lack of technical competence in any of major technical or management areas addressed	Activities completed so late as to have resulted in loss of utility or negatively impacted program

</TABLE>

ATTACHMENT C-5  
AWARD FEE CONVERSION CHART ILLUSTRATION

<TABLE>



\* Identify the proposal, quotation, request for price adjustment, or other submission involved, giving the appropriate identifying number (e.g., RFP No.).

\*\* Insert the day, month, and year when price negotiations were concluded and price agreement was reached.

\*\*\* Insert the day, month, and year of signing, which should be as close as practicable to the date when the price negotiations were concluded and the contract price was agreed to.

[LETTERHEAD OF PLANNING RESEARCH CORPORATION]

May 8, 1989

Ms. Gail McKay  
Environmental Contracts Division (024 GM)  
Department of the Navy  
Western Division, Naval Facilities Engineering Command  
900 Commodore Way  
San Bruno, California 94066-0720

RE: Clarification and Addendum to Contract  
No. N62474-88-C-5086 Small and Small  
Disadvantaged Business Subcontracting Plan

Dear Ms. McKay:

In order to clarify several points in our Small and Small Disadvantaged Business Subcontracting Plan for the Navy CLEAN contract, please accept the following addendum to the indicated sections.

Section I.C.1 - Add the following as the last sentence of this section.  
"Overhead supplies and service items will not be included in the subcontracting goals as stated above."

Section I.D.3 - Add the following as the last sentence of this section.  
"All such subcontracts will require the adoption of similar goals as contained within this plan for the Navy CLEAN Contract."

Section II, item 11 - Add before SF295: "SF294 and ..."

I hope these changes clarify our intent. Please let me know if you require any additional information.

Sincerely,

Michael C. Richards  
Vice President

MCR:geo  
Enclosures  
cc: Bob Van Osten  
Glen Barwegen

POLICY, PLAN, AND PROCEDURES  
FOR SMALL BUSINESS AND SMALL  
DISADVANTAGED BUSINESS SUBCONTRACTING

February 1989

PRC ENVIRONMENTAL MANAGEMENT, INC.  
303 East Wacker Drive  
Chicago, Illinois 60601  
(312) 856-8700

W800256-EI  
Zone II

<TABLE>  
<CAPTION>

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</TABLE>

PRC ENVIRONMENTAL MANAGEMENT, INC.

SECTION I

POLICY AND PLAN  
FOR SMALL BUSINESS AND  
SMALL DISADVANTAGED BUSINESS  
SUBCONTRACTING

Prepared by:

Approved by:

/s/ Glen W. Barwegen

/s/ Robert J. Van Osten

-----  
Glen W. Barwegen  
Contracts Manager

-----  
Robert J. Van Osten  
Vice President

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I.A POLICY STATEMENT  
-----

This document reflects the formalization of PRC Environmental Management, Inc.'s (PRC EMI) commitment to afford the maximum consideration and opportunity for small business and small disadvantaged business concerns to participate in all PRC EMI contract work which must be supplied from outside sources.

I.B ORGANIZATION COMMITMENT  
-----

Each manager of PRC EMI listed hereunder affirms their commitment, and that of the organization, to assist in achieving the goals and objectives presented in this Subcontracting Plan. This evidences the strong commitment of the entire PRC EMI organization to an orderly and progressive program to implement the spirit and the letter of the Small Business Act of 1958, as amended by Public law 95-507, and this Plan consistent with the company's subcontracting policies.

PRC ENVIRONMENTAL MANAGEMENT, INC.

/s/ Thomas D. Brisbin

-----  
Thomas D. Brisbin  
President

/s/ Robert J. Van Osten

-----  
Robert J. Van Osten  
Vice President

I.C GOALS  
-----

1. PRC Environmental Management, Inc., herein establishes the following

- . \* to Small Business
- . \* to Small Disadvantaged Business

These percentages relate to the total amount subcontracted under this contract. The structure of the contract is by task order. Therefore, it is not possible to provide the equivalent dollar amount for these percentage goals. However, dollar amounts will be included in the reports submitted to the contracting agencies.

2. Subcontractor services shall be solicited from the current PRC EMI Subcontractor Source list and any other sources which may be reviewed. Since the Navy CLEAN contract is a task order contract, specific supplies and services to be subcontracted to small and small disadvantaged businesses cannot be identified. However, it is intended to subcontract the following areas of services and supplies from small and small disadvantaged firms:

- . Laboratory supplies
- . Field equipment
- . Well installation services
- . Computer hardware

- . Clerical services
- . Hauling services
- . Technological services
- . Office supplies

I.D. PROGRAM ADMINISTRATION  
-----

1. The following individual is designated as the Small and Disadvantaged Business Administrator.

Name: Glen W. Barwegen  
Address: PRC Environmental Management, Inc.  
303 East Wacker Drive, Suite 500  
Chicago, Illinois 60601

The duties of the Small and Disadvantaged Business Administrator are:

- . Participate in the preparation and advertisement of subcontract solicitations.
  - . Participate in the preparation and negotiation of subcontract instruments.
  - . Monitor small and disadvantaged business subcontract opportunities.
  - . Monitor PRC EMI's activities and accumulate the necessary data to assure all matters relative to subcontracting activities are performed in accordance with applicable regulations and PRC EMI subcontracting policies and procedures, and report pertinent information to appropriate government entities.
2. PRC EMI will undertake the following efforts to assure that small and disadvantaged business concerns have an equitable opportunity to participate in subcontracts:
    - . Disseminate PRC EMI subcontracting policies and procedures through distribution of SB/SDB Subcontracting Plan, policy statements at the Corporate, Company, and Division level, and all applicable documents such as internal and external memos and, bulletins.
    - . Furnish advice and assistance to division and project management personnel on methods to aid in developing and achieving small and disadvantaged business concern subcontracting goals.
    - . Consult with division and project management personnel regarding "make-or-buy" decisions to determine whether they could be converted into opportunities for small and/or disadvantaged business concern participation.
    - . Advise qualifying firms on how to improve their solicitation practices and assist them in developing company policies and

procedures that may enhance their opportunities in future procurement activities.

- . Contact the following organizations, when appropriate, for assistance and advise when establishing source lists for particular services:

- The National Minority Purchasing Council
- The Office of Minority Business Administration
- The Small Business Administration Procurement Automated Source System (PASS)
- The National Minority Business Directory

3. PRC EMI herein assures that the clause entitled Utilization of -----  
Small Business and Small Disadvantaged Business Concerns (FAR  
-----  
52.219-8) will be included in all subcontracts which offer further subcontracting possibilities in the United States, and will require all subcontractors (except small business concerns) who receive subcontracts in excess of \$500,000, or, in the case of a contract for the construction of any public facility, \$1,000,000 to adopt a plan in consonance with this clause.

I.E. REPORTING  
-----

PRC EMI will maintain those records listed below to demonstrate procedures which have been adopted to comply with the requirements and goals set forth in this plan:

- . Source lists, guides, and various data which identify small and disadvantaged business concerns
- . Organizations contracted for advice and assistance in developing source lists
- . Records on a contract-by-contract basis for all subcontract solicitations over \$100,000 indicating:
  - Whether small businesses were solicited and if not, why
  - Whether small disadvantaged businesses were solicited and if not, why
  - Reasons why responding small and disadvantaged businesses failed to receive the subcontract award
- . Records to support such efforts as:
  - Contacts with small and disadvantaged trade associations
  - Contacts with business development organizations
  - Attendance at a small and disadvantaged business procurement conferences and trade fairs

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- . Records to support internal activities, such as those listed below, which guide and encourage buyers
  - Workshops, seminars, and training programs
  - Monitoring activities to evaluate subcontractor compliance
- . Records to support award data submitted to the Government on a contract-by-contract basis including name, address, and size status of subcontractor.

PRC EMI herein assures that it will submit periodic reports and cooperate in any studies or surveys as may be required by the contracting agency and/or the Small Business Administration to determine the extent to which PRC EMI is in compliance with this Subcontracting Plan.

PRC ENVIRONMENTAL MANAGEMENT, INC.

PROCEDURES FOR SMALL BUSINESS AND  
SMALL DISADVANTAGED BUSINESS SUBCONTRACTING

II-I

The Small and Disadvantaged Business Administrator will perform the following:

1. Periodically review PRC EMI purchasing policies and procedures and amend them, as required, to reflect current SB/SDB program requirements and Company policy.
2. Establish annual PRC EMI goals for subcontracting to SB/SDB concerns and disseminate goals to all appropriate personnel.
3. Arrange Company participation in area trade fairs, procurement conferences, symposiums, and other business opportunity functions sponsored by local associations and councils and maintain record(s) of same.
4. Maintain source lists of SB/SDB concerns identified and qualified from both Government sources (SBA Procurement Automated Source System, Minority Purchasing Council Directories) and internally developed sources.
5. Supervise and assist subcontracting, procurement, and technical employees in counseling and assisting SB/SDB concerns referred by the customer or identified by Company outreach efforts.
6. Review subcontracting and procurement planning actions (make or buy) of \$100,000 or more to assure maximum solicitation from SB/SDB concerns.
7. Amend individual contract subcontracting plans as required to reflect appropriate changes.
8. Evaluate quarterly progress in attaining division and individual contract SB/SDB subcontracting goals.
9. Evaluate overall compliance with customer and division SB/SDB program requirements on a quarterly basis.
10. Prepare and distribute quarterly audit reports.
11. Prepare and distribute customer required forms (SF 295) pertaining to SB/SDB subcontracting as specified by the Customer on a quarterly basis.
12. Review each subcontract valued at \$500,000 or more planned for award to a large business supplier to ensure incorporation of the proper flow down clauses with regard to SB/SDB subcontracting.
13. Review and approve subcontracting plans and evaluate subcontractor compliance with subcontract plans as required.
14. Represent the Company in all required customer studies, surveys, and conferences pertaining to SB/SDB subcontracting plans and programs.
15. Coordinate PRC EMI employee training and motivation programs regarding use of SB/SDB concerns and maintain records of same.

II-2

To provide SB/SDB concerns with maximum opportunity to compete for subcontracts, Contract/Subcontract Administrators and Procurement personnel will:

1. Review the following source lists to identify potential SB/SDB concerns.
  - . PRC EMI Vendor Supplier List
  - . National Minority Purchasing Council
  - . The Small Business Administration Procurement Automated Source System (PASS)
  - . Local Minority (and WOB) Directories
2. For each competitive subcontract/purchase order, attempt to identify and solicit at least one SB or SDB concern for each item or service previously procured from a large business (single source).
3. Solicit at least one SDB and three SB sources for each procurement valued at \$10,000 or more and where adequate competition is known to exist.
4. Assure that each solicitation package (format/terms/wording, response time, SOW/specifications/drawings, quantities, delivery schedules, terms of

payment) is sufficiently simple and attainable to attract maximum SB/SDB response.

5. All things being equal, make awards in the following order of priority -(1) SDB, (2) SB, (3) Other.
6. Provide appropriate assistance (technical, financial, management) to SB/SDB suppliers as required and practicable.
7. Submit outstanding or unsatisfactory supplier performance data to the Small and Disadvantaged Business Administrator for inclusion in PRC EMI's Source list file.
8. Complete and distribute for each procurement the following records, as required and appropriate.
  - a. Purchase order request and memo to include narrative explanation of all efforts to identify and solicit SB/SDB concerns for all procurements awarded to a large business (single source).
  - b. Report of a SB/SDB award, either by memo or copy of letter to customer advising award.
  - c. Report organizations contacted for additional SB/SDB sources by such means as memo to file or copy of telephone contact.
  - d. Report contacts with, or attendance at, SB/SDB trade associations, business development organizations, and conference by way of memo to the Small and Disadvantaged Business Administrator.

## COMPUTATION OF NET INCOME PER COMMON SHARE

<TABLE>  
<CAPTION>

	Sept. 29, 1996	Oct. 1, 1995	Oct. 2, 1994
	-----	-----	-----
<S>	<C>	<C>	<C>
Primary:			
Common stock outstanding, beginning of year.....	13,235,309	13,140,044	12,922,618
Payment for fractional shares.....	(169)	(195)	(391)
Stock options exercised.....	101,626	109,896	63,632
Issuance of common stock.....	790,236		165,440
Treasury stock purchased-net.....			(11,255)
Stock purchased and retired.....		(14,436)	
	-----	-----	-----
Common stock outstanding, end of year.....	14,127,002	13,235,309	13,140,044
	=====	=====	=====
Weighted average shares outstanding during the period assuming the exercise of options and warrants.....	15,200,351	14,175,840	13,769,698
Shares assumed repurchased under the treasury stock method at an assumed fair market value per share of \$18.27, \$13.38, and \$6.80 at September 29, 1996, October 1, 1995 and October 2, 1994, respectively.....	(748,735)	(642,302)	(450,568)
	-----	-----	-----
Total.....	14,451,616	13,533,538	13,319,130
	=====	=====	=====
Net Income as reported in consolidated financial statements.....	\$10,105,000	\$ 7,553,000	\$ 5,709,000
	=====	=====	=====
Primary net income per common share.....	\$ 0.70	\$ 0.56	\$ 0.43
	=====	=====	=====
FULLY DILUTED:			
Weighted average shares outstanding during the period assuming the exercise of options and warrants.....	15,200,351	14,175,840	13,769,698
Shares assumed repurchased under the treasury stock method at an assumed fair market value per share of \$23.75, \$18.60 and \$12.24 at September 29, 1996, October 1, 1995 and October 2, 1994, respectively.....	(576,681)	(462,062)	(359,864)
	-----	-----	-----
Total.....	14,623,670	13,713,778	13,409,834
	=====	=====	=====
Net income as reported in consolidated			

financial statements.....	\$10,105,000 =====	\$ 7,553,000 =====	\$ 5,709,000 =====
Fully diluted net income per common..... share.....	\$0.69 =====	\$0.55 =====	\$0.43 =====

</TABLE>

## SELECTED CONSOLIDATED FINANCIAL DATA

(<TABLE> <CAPTION> (\$ in thousands, except per share data)	Fiscal Years Ended				
	Sept. 29, (2) 1996	Oct. 1, (3) 1995	Oct. 2, (4) 1994	Oct. 3, 1993	Sept. 27, 1992
<S>	<C>	<C>	<C>	<C>	<C>
STATEMENT OF OPERATIONS DATA					
Gross revenue	\$220,099	\$120,034	\$96,472	\$74,488	\$65,626
Subcontractor costs	59,062	32,160	28,653	23,323	22,087
Net revenue	161,037	87,874	67,819	51,165	43,539
Cost of net revenue	122,084	65,484	51,069	38,628	33,791
Gross profit	38,953	22,390	16,750	12,537	9,748
Selling, general and administrative expenses	21,218	10,634	7,589	5,696	4,609
Income from operations	17,735	11,756	9,161	6,841	5,139
Net interest income (expense)	(776)	833	354	290	(61)
Income before income taxes	16,959	12,589	9,515	7,131	5,078
Income tax expense	6,854	5,036	3,806	2,852	2,031
Net income	\$ 10,105	\$ 7,553	\$ 5,709	\$ 4,279	\$ 3,047
Net income per share(1)	\$ 0.70	\$ 0.56	\$ 0.43	\$ 0.33	\$ 0.25
Weighted average shares outstanding(1)	14,452	13,534	13,319	13,067	12,126
<CAPTION>					
(\$ in thousands)	Sept. 29, 1996	Oct. 1, 1995	Oct. 2, 1994	Oct. 3, 1993	Sept. 27, 1992
<S>	<C>	<C>	<C>	<C>	<C>
BALANCE SHEET DATA					
Working capital	\$ 32,739	\$ 39,872	\$24,833	\$23,722	\$19,335
Total assets	88,463	92,930	51,606	38,572	30,078
Long-term obligations, excluding current installments	--	19,045	--	--	--
Stockholders' equity	63,269	41,496	33,507	26,446	21,984

&lt;/TABLE&gt;

- (1) Reflects the effect, on a retroactive basis, of a 5-for-4 stock split, effected in the form of a 25% stock dividend, in June 1996.
- (2) Includes the results of operations and financial position of KCM, Inc. (acquired November 7, 1995).
- (3) Includes the results of operations and financial position of PRC Environmental Management, Inc. (acquired September 15, 1995).
- (4) Includes the results of operations and financial position of Simons, Li & Associates, Inc. (acquired October 4, 1993) and Hydro-Search, Inc. (acquired June 3, 1994).

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

## GENERAL

Tetra Tech, Inc. (the "Company"), in the course of providing its services, routinely subcontracts for services such as laboratory testing, soil cartage and other services and capabilities. These costs are passed through to clients and, in accordance with industry practice, are included in the Company's gross revenue. Because subcontractor services can change significantly from project to project, changes in gross revenue may not be indicative of business trends. Accordingly, the Company also reports net revenue, which is gross revenue less the cost of subcontractor services. One of the Company's business strategies is to serve as the prime contractor on contracts, which results in the use of subcontractors. The Company believes that in the early stages of establishing a new service capability, ongoing fixed expenses must be controlled by selectively utilizing qualified subcontractors to assist in providing such capability. Additionally, qualified subcontractors are utilized to provide services in areas

in which the Company does not intend to develop internal capabilities.

Net revenue includes the fees for services provided directly by the Company and fees charged by the Company for arranging subcontractor services. Cost of net revenue incorporates the expenses of the Company's 87 locations performing services under contracts, including professional salaries and certain direct and indirect overhead costs such as rents, utilities and travel.

Selling, general and administrative ("SG&A") expense is comprised primarily of corporate headquarters costs related to the executive offices, corporate accounting, data processing, marketing and bid and proposal costs. These costs are generally unrelated to specific client projects. In addition, amortization of certain intangible assets resulting from purchase accounting adjustments associated with acquisitions is included in SG&A expense.

The Company provides services to a diverse base of Federal, state and local government agencies, and private and international clients. The following table presents for the periods indicated the approximate percentage of the Company's net revenue attributable to Federal government, state and local government, and private and international clients:

Client	Percentage of Net Revenue		
	Fiscal 1996	Fiscal 1995	Fiscal 1994
Federal government	61.7%	54.8%	52.2%
State and local government	16.6	11.1	14.5
Private	20.1	34.1	33.3
International	1.6	--	--
Total	100.0%	100.0%	100.0%

</TABLE>

A significant portion of the Company's net revenue is derived from contracts with the Federal government which are subject to termination at any time by the client. Some of these contracts are subject to annual approval of funding. Accordingly, Federal budget allocation changes may have an effect on the future operations of the Company.

#### RESULTS OF OPERATIONS

The Results of Operations table presents for the periods indicated the percentage relationship which certain items in the Company's Consolidated Statements of Operations bear to net revenue and the percentage increase or (decrease) in the dollar amount of such items.

RESULTS OF OPERATIONS	Percentage Relationship to Net Revenue Fiscal Years Ended			Period to Period Change	
	Sept. 29, 1996	Oct. 1, 1995	Oct. 2, 1994	1996 vs. 1995	1995 vs. 1994
Net revenue	100.0%	100.0%	100.0%	83.3%	29.6%
Cost of net revenue	75.8	74.5	75.3	6.4	28.2
Gross profit	24.2	25.5	24.7	74.0	33.7
Selling, general and administrative expenses	13.2	12.1	11.2	99.5	40.1
Income from operations	11.0	13.4	13.5	51.0	28.3
Net interest income (expense)	(0.5)	0.9	0.5	(193.2)	135.3
Income before income taxes	10.5	14.3	14.0	34.7	32.3
Income tax expense	4.2	5.7	5.6	36.1	32.3
Net income	6.3%	8.6%	8.4%	33.8%	32.3%

</TABLE>

#### FISCAL 1996 COMPARED TO FISCAL 1995

Net Revenue. Net revenue increased from \$87,874,000 to \$161,037,000, or 83.3%, from fiscal 1995 to fiscal 1996. All four client sectors--Federal government, state and local government, and private and international--continued to show net revenue increases in actual dollars. The increase in net revenue associated with entities acquired in fiscal 1996 (see Note 2 to Consolidated Financial Statements) totalled \$77,678,000. Gross revenue increased from \$120,034,000 to \$220,099,000, or 83.4%, from fiscal 1995 to fiscal 1996. In both fiscal 1995 and fiscal 1996, subcontractor costs were 26.8% of gross revenue.

Cost of Net Revenue. Cost of net revenue increased from \$65,484,000 to \$122,084,000, or 86.4%, from fiscal 1995 to fiscal 1996. This increase was attributable to costs incurred in connection with the additional net revenue from the PRC Environmental Management, Inc. ("EMI") and KCM, Inc. acquisitions, and growth in project volume. The number of employees increased from 1,706 at the end of fiscal 1995 to 1,899 (118 from the fiscal 1996 acquisitions) at the end of fiscal 1996. As a percentage of net revenue, cost of net revenue increased from 74.5% in fiscal 1995 to 75.8% in fiscal 1996 due primarily to the acquisitions. Gross profit increased from \$22,390,000 to \$38,953,000, or 74.0%, from fiscal 1995 to fiscal 1996. However, as a percentage of net revenue, gross profit decreased from 25.5% in fiscal 1995 to 24.2% in fiscal 1996, primarily as a result of the amount of EMI's cost-type contracts.

Selling, General and Administrative Expenses. SG&A expenses increased from \$10,634,000 to \$21,218,000, or 99.5%, from fiscal 1995 to fiscal 1996. As a percentage of net revenue, SG&A expenses increased from 12.1% in fiscal 1995 to 13.2% in fiscal 1996. These increases were due principally to the entities acquired (see Note 2 to Consolidated Financial Statements), associated goodwill amortization and to the Company's continuing efforts to identify and secure new contracts by increasing its business development expenditures.

Net Interest Income/Expense. Net interest income decreased from \$833,000 in fiscal 1995 to \$776,000 of interest expense in fiscal 1996, or 193.2%, due to the cost of long-term obligations incurred for the purchase of EMI in September 1995.

Income Tax Expense. Income tax expense increased from \$5,036,000 to \$6,854,000, or 36.1%, from fiscal 1995 to fiscal 1996 as a result of an increase in income before taxes.

#### FISCAL 1995 COMPARED TO FISCAL 1994

Net Revenue. Net revenue increased from \$67,819,000 to \$87,874,000, or 29.6%, from fiscal 1994 to fiscal 1995. All three client sectors in those years--Federal government, state and local government, and private--continued to show net revenue increases in actual dollars. The increase in net revenue associated with entities acquired in fiscal 1994 and 1995 (see Note 2 to Consolidated Financial Statements) totalled \$10,409,000. Gross revenue increased from \$96,472,000 to \$120,034,000, or 24.4%, from fiscal 1994 to fiscal 1995. In fiscal 1995, subcontractor costs were 26.8% of gross revenue as compared to 29.7% in fiscal 1994.

Cost of Net Revenue. Cost of net revenue increased from \$51,069,000 to \$65,484,000, or 28.2%, from fiscal 1994 to fiscal 1995. This increase was attributable to costs incurred to support the growth in project volume. The number of employees increased from 893 at the end of fiscal 1994 to 1,706 (776 from the 1995 acquisition) at the end of fiscal 1995. As a percentage of net revenue, cost of net revenue decreased from 75.3% in fiscal 1994 to 74.5% in fiscal 1995. The percentage decline was a result of overall improved project management. As a result, gross profit increased from \$16,750,000 to \$22,390,000, or 33.7%, from fiscal 1994 to fiscal 1995.

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

Selling, General and Administrative Expenses. SG&A expenses increased from \$7,589,000 to \$10,634,000, or 40.1%, from fiscal 1994 to fiscal 1995. As a percentage of net revenue, SG&A expenses increased from 11.2% in fiscal 1994 to 12.1% in fiscal 1995. These increases were due principally to the entities acquired (see Note 2 to Consolidated Financial Statements) and to the Company's continuing efforts to identify and secure new contracts by increasing its business development expenditures.

Net Interest Income. Net interest income increased from \$354,000 in fiscal 1994 to \$833,000 in fiscal 1995, or 135.3%, due to the generation of interest income on invested funds throughout fiscal 1995.

Income Tax Expense. Income tax expense increased from \$3,806,000 to \$5,036,000, or 32.3%, from fiscal 1994 to fiscal 1995 as a result of an increase in income before taxes.

#### INFLATION

Management believes that the Company's operations have not been adversely affected by inflation or changing prices.

#### LIQUIDITY AND CAPITAL RESOURCES

The Company's working capital as of September 29, 1996 was \$32,739,000, a decrease of \$7,133,000 from October 1, 1995. Cash and cash equivalents as of September 29, 1996 totalled \$6,129,000. In fiscal 1995, the Company augmented cash generated from operations with a \$30,000,000 credit facility, while in fiscal 1996, the Company financed its operations through cash generated from operations. In fiscal 1996, the Company generated \$21,124,000 from operating activities and used \$8,755,000 for investing activities (\$6,441,000 of which

related to business acquisitions). In fiscal 1995, the Company generated \$13,578,000 in cash from operating activities and used \$36,729,000 for investing activities (\$35,462,000 of which related to business acquisitions). The increase in cash from operating activities in both fiscal 1996 and fiscal 1995 resulted primarily from the management of receivables and increase in net income.

The Company has a credit agreement (as amended, the "Credit Agreement") with a bank to support its working capital and acquisition needs. The Credit Agreement provided a revolving credit facility (the "Facility") of \$30,000,000, although the Company voluntarily reduced the Facility to \$15,000,000 at September 29, 1996. Interest on borrowings under the Facility is payable at the Company's option (a) at a base rate (Federal funds rate plus 0.50% or the bank's reference rate) as defined in the Credit Agreement or (b) at a eurodollar rate plus a margin which ranges from 1.25% to 1.75%. Borrowings under the Facility are secured by the Company's accounts receivable and the stock of four of the Company's subsidiaries. The Credit Agreement contains various covenants including, but not limited to, restrictions related to tangible net worth, net income, additional indebtedness, asset sales, mergers and acquisitions, creation of liens, and dividends on capital stock (other than stock dividends). The Facility matures on September 15, 1998 or earlier at the discretion of the Company upon payment in full of loans and other obligations. Throughout fiscal 1996, maximum borrowings under the Facility were \$20,000,000. At September 29, 1996 there were no borrowings under the Facility, however, standby letters of credit issued thereunder totalled \$1,815,000.

Capital expenditures during fiscal years 1996, 1995 and 1994 were approximately \$2,385,000, \$1,453,000 and \$1,433,000, respectively. The expenditures were principally for computer equipment, leasehold improvements and office expansion.

The Company expects that internally generated funds, its existing cash balances, and its available line of credit will be sufficient to meet the Company's capital requirements through the end of fiscal 1997.

#### CONSOLIDATED BALANCE SHEETS

Tetra Tech, Inc.

<TABLE>

<CAPTION>

	Sept. 29, 1996	Oct. 1, 1995
	-----	-----
<S>	<C>	<C>
<b>ASSETS</b>		
Current Assets:		
-----		
Cash and cash equivalents	\$ 6,129,000	\$ 13,130,000
Accounts receivable--net	22,306,000	22,886,000
Unbilled receivables--net	25,201,000	29,618,000
Prepaid and other current assets	1,939,000	1,869,000
Deferred income taxes	2,358,000	4,758,000
	-----	-----
Total Current Assets	57,933,000	72,261,000
	-----	-----
Property and Equipment:		
Equipment, furniture and fixtures	13,072,000	10,959,000
Leasehold improvements	733,000	433,000
	-----	-----
Total	13,805,000	11,392,000
Accumulated depreciation and amortization	(6,790,000)	(5,001,000)
	-----	-----
Property and Equipment--Net	7,015,000	6,391,000
	-----	-----
Intangible Assets--Net	22,047,000	14,044,000
Other Assets	1,468,000	234,000
	-----	-----
Total Assets	\$ 88,463,000	\$ 92,930,000
	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
-----		
Accounts payable	\$ 13,423,000	\$ 14,820,000
Accrued compensation	7,311,000	8,287,000
Other current liabilities	3,356,000	2,954,000
Purchase price payable	--	5,000,000
Income taxes payable	1,104,000	328,000
Current portion of long-term obligations	--	1,000,000
	-----	-----

Total Current Liabilities	25,194,000	32,389,000
Long-Term Obligations	--	19,045,000
Commitments and Contingencies (Notes 7 and 9)		
Stockholders' Equity:		
Preferred stock--authorized 2,000,000 shares; none issued and outstanding		
Common stock--authorized 15,000,000 shares of \$.01 par value; issued and outstanding 14,127,002 shares at September 29, 1996, and 13,235,309 shares at October 1, 1995	141,000	132,000
Additional paid-in capital	33,452,000	21,793,000
Retained earnings	29,676,000	19,571,000
Total Stockholders' Equity	63,269,000	41,496,000
Total Liabilities and Stockholders' Equity	\$ 88,463,000	\$ 92,930,000

</TABLE>  
See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

<TABLE> <CAPTION> Tetra Tech, Inc.	Fiscal Years Ended		
	Sept. 29, 1996	Oct. 1, 1995	Oct. 2, 1994
<S>	<C>	<C>	<C>
REVENUE:			
Gross revenue	\$ 220,099,000	\$ 120,034,000	\$ 96,472,000
Subcontractor costs	59,062,000	32,160,000	28,653,000
Net Revenue	161,037,000	87,874,000	67,819,000
Cost of Net Revenue	122,084,000	65,484,000	51,069,000
Gross Profit	38,953,000	22,390,000	16,750,000
Selling, General and Administrative Expenses	21,218,000	10,634,000	7,589,000
Income From Operations	17,735,000	11,756,000	9,161,000
Interest Expense	1,076,000	90,000	22,000
Interest Income	300,000	923,000	376,000
Income Before Income Taxes	16,959,000	12,589,000	9,515,000
Income Tax Expense	6,854,000	5,036,000	3,806,000
Net Income	\$ 10,105,000	\$ 7,553,000	\$ 5,709,000
Net Income Per Common and Common Equivalent Share	\$ 0.70	\$ 0.56	\$ 0.43
Weighted Average Shares Outstanding	14,451,616	13,533,538	13,319,130

See accompanying notes to consolidated financial statements.  
</TABLE>

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

<TABLE> <CAPTION> Tetra Tech, Inc.	Fiscal Years Ended September 29, 1996, October 1, 1995 and October 2, 1994					
	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE, OCTOBER 3, 1993						
as previously reported	10,338,094	\$104,000	\$20,123,000	\$6,309,000	\$ (90,000)	\$26,446,000
Five-for-four common stock split (Note 6)	2,584,523	26,000	(26,000)			0
BALANCE, OCTOBER 3, 1993						
as adjusted	12,922,617	130,000	20,097,000	6,309,000	(90,000)	26,446,000
Net income				5,709,000		5,709,000

Payment for fractional shares	(390)		(4,000)			(4,000)
Shares issued in Simons, Li & Associates, Inc. acquisition	136,891	1,000	1,112,000			1,113,000
Stock options exercised	63,633	1,000	150,000			151,000
Stock purchase plan	28,548		219,000			219,000
Treasury stock purchased	(11,255)				(127,000)	(127,000)
<b>BALANCE, OCTOBER 2, 1994</b>	<b>13,140,044</b>	<b>132,000</b>	<b>21,574,000</b>	<b>12,018,000</b>	<b>(217,000)</b>	<b>33,507,000</b>
Net income				7,553,000		7,553,000
Payment for fractional shares	(195)		(3,000)			(3,000)
Stock options exercised	109,896	1,000	628,000			629,000
Treasury stock retired			(217,000)		217,000	0
Stock purchased and retired	(14,436)	(1,000)	(189,000)			(190,000)
<b>BALANCE, OCTOBER 1, 1995</b>	<b>13,235,309</b>	<b>132,000</b>	<b>21,793,000</b>	<b>19,571,000</b>	<b>0</b>	<b>41,496,000</b>
Net income				10,105,000		10,105,000
Payment for fractional shares	(169)		(3,000)			(3,000)
Shares issued in KCM, Inc. acquisition	790,236	8,000	10,305,000			10,313,000
Stock options exercised	101,626	1,000	683,000			684,000
Tax benefit for disqualifying dispositions of stock options			674,000			674,000
<b>BALANCE, SEPTEMBER 29, 1996</b>	<b>14,127,002</b>	<b>\$141,000</b>	<b>\$33,452,000</b>	<b>\$29,676,000</b>	<b>\$ 0</b>	<b>\$63,269,000</b>

</TABLE>

See accompanying notes to consolidated financial statements.

#### CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>

<CAPTION>

Tetra Tech, Inc.

	Fiscal Years Ended		
	Sept. 29, 1996	Oct. 1, 1995	Oct. 2, 1994
<S>	<C>	<C>	<C>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income	\$ 10,105,000	\$ 7,553,000	\$ 5,709,000
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	3,613,000	1,894,000	1,372,000
Deferred income taxes	(519,000)	(278,000)	129,000
Changes in operating assets and liabilities, net of effects of acquisitions:			
Accounts receivable	18,043,000	4,335,000	465,000
Unbilled receivables	(5,916,000)	(1,581,000)	810,000
Prepaid and other assets	246,000	(226,000)	(428,000)
Accounts payable	(4,080,000)	446,000	1,276,000
Accrued compensation	(1,431,000)	1,165,000	1,234,000
Other current liabilities	(192,000)	716,000	142,000
Income taxes payable	1,255,000	(446,000)	406,000
<b>Net Cash Provided By Operating Activities</b>	<b>21,124,000</b>	<b>13,578,000</b>	<b>11,115,000</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Payments for short-term investments	--	(3,003,000)	--
Proceeds from short-term investments	--	3,173,000	--
Capital expenditures	(2,385,000)	(1,453,000)	(1,433,000)
Proceeds from sale of property and equipment	71,000	16,000	3,000
Payment for business acquisitions, net of cash acquired	(6,441,000)	(35,462,000)	(7,067,000)
<b>Net Cash Used In Investing Activities</b>	<b>(8,755,000)</b>	<b>(36,729,000)</b>	<b>(8,497,000)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Payments on long-term obligations	(25,048,000)	(2,045,000)	(335,000)
Proceeds from issuance of long-term obligations	5,003,000	22,000,000	--
Payments on obligations under capital leases	(6,000)	--	--
Proceeds from issuance of common stock	681,000	626,000	366,000

Payments to acquire common stock	--	(190,000)	(127,000)
Net Cash Provided By (Used In) Financing Activities	(19,370,000)	20,391,000	(96,000)
Net Increase (Decrease) in Cash and Cash Equivalents	(7,001,000)	(2,760,000)	2,522,000
Cash and Cash Equivalents at Beginning of Year	13,130,000	15,890,000	13,368,000
Cash and Cash Equivalents at End of Year	\$ 6,129,000	\$ 13,130,000	\$ 15,890,000

</TABLE>

<TABLE>  
<CAPTION>

	Fiscal Years Ended		
	Sept. 29, 1996	Oct. 1, 1995	Oct. 2, 1994
<S>	<C>	<C>	<C>
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid during the year for:			
Interest	\$ 1,149,000	\$ 18,000	\$ 24,000
Income taxes	\$ 6,123,000	\$ 5,879,000	\$ 3,270,000

SUPPLEMENTAL NON-CASH INVESTING AND FINANCING ACTIVITIES:

In fiscal 1996, the Company purchased all of the capital stock of KCM, Inc. In conjunction with this acquisition, liabilities were assumed as follows:

Fair value of assets acquired	\$ 20,393,000
Cash paid	(2,645,000)
Issuance of common stock	(10,313,000)
Other acquisition costs	(415,000)
Liabilities assumed	\$ 7,020,000

In fiscal 1995, the Company purchased all of the capital stock of PRC Environmental Management, Inc. In conjunction with this acquisition, liabilities were assumed as follows:

Fair value of assets acquired	\$ 47,377,000
Cash paid	(35,000,000)
Purchase price payable	(5,000,000)
Other acquisition costs	(600,000)
Liabilities assumed	\$ 6,777,000

In fiscal 1994, the Company purchased all of the capital stock of Simons, Li & Associates, Inc. and acquired substantially all of the assets and assumed certain liabilities of Simon Hydro-Search, Inc. In conjunction with these acquisitions, liabilities were assumed as follows:

Fair value of assets acquired	\$ 11,360,000
Cash paid	(7,194,000)
Issuance of common stock	(1,113,000)
Liabilities assumed	\$ 3,053,000

</TABLE>

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Tetra Tech, Inc.

Fiscal Years Ended September 29, 1996,  
October 1, 1995 and October 2, 1994

1. SIGNIFICANT ACCOUNTING POLICIES

Business--Tetra Tech, Inc. (the "Company") provides comprehensive environmental engineering and consulting services addressing complex water contamination and other environmental matters.

Principles of Consolidation--The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, GeoTrans, Inc. ("GeoTrans"), Simons, Li & Associates, Inc. ("SLA"), Hydro-Search, Inc. ("HSI"), PRC Environmental Management, Inc. ("EMI"), KCM, Inc. ("KCM"), and Tetra Tech Technical Services, Inc. ("TtTS"). All significant intercompany balances and transactions have been eliminated in consolidation.

Fiscal Year--The Company reports results of operations based on 52- or 53-week periods ending on the Sunday nearest to September 30. Fiscal years 1996, 1995 and 1994 each contained 52 weeks.

Contract Revenues and Costs--In the course of providing its services, the Company routinely subcontracts for services such as laboratory testing, soil cartage and other services and capabilities. These costs are passed through to clients and, in accordance with industry practice, are included in the Company's gross revenue. Because subcontractor services can change significantly from project to project, changes in gross revenue may not be indicative of business trends. Accordingly, the Company also reports net revenue, which is gross revenue less the cost of subcontractor services. Contract revenues and contract costs on both cost-type and fixed-price-type contracts are recorded using the percentage-of-completion (cost-to-cost) method. Under this method, contract revenues on long-term contracts are recognized in the ratio that contract costs incurred bear to total estimated costs. Costs and income on long-term contracts are subject to revision throughout the lives of the contracts and any required adjustments are made in the period in which the revisions become known. Losses on contracts are recorded in full as they are identified.

General and administrative costs are expensed in the period incurred.

Contract revenues under United States government contracts and subcontracts accounted for approximately 62%, 55% and 52% of net contract revenue for the years ended September 29, 1996, October 1, 1995 and October 2, 1994, respectively.

Cash and Cash Equivalents--Cash equivalents include all investments with initial maturities of 90 days or less.

Property and Equipment--Property and equipment are recorded at cost and are depreciated over their estimated useful lives using the straight-line method. Expenditures for maintenance and repairs are expensed as incurred.

Generally, estimated useful lives range from three to ten years for equipment, furniture and fixtures. Leasehold improvements are amortized on a straight-line basis over the shorter of their estimated useful lives or the remaining terms of the leases.

Intangible Assets--The Company reviews the recoverability of intangible assets to determine if there has been any impairment. This assessment is performed based on the estimated undiscounted cash flows compared with the carrying value of intangible assets. If the future cash flows (undiscounted and without interest charges) are less than the carrying value, a writedown would be recorded to reduce the related asset to its estimated fair value. Intangible assets as of September 29, 1996 and October 1, 1995 consists principally of goodwill resulting from business acquisitions which is being amortized over periods ranging from 15 to 40 years.

Income Taxes--The Company files a consolidated federal income tax return and combined California franchise tax reports, which include the Company and its subsidiaries. Income taxes are recognized for (a) the amount of taxes payable or refundable for the current period, and (b) deferred income tax assets and liabilities for the future tax consequences of events that have been recognized in the Company's financial statements or income tax returns. The effects of income taxes are measured based on enacted tax laws and rates.

Net Income Per Common Share--Per share information is computed using the weighted average number of shares of common stock outstanding and dilutive common equivalent shares from stock options and warrants (using the treasury stock method).

Fair Value of Financial Instruments--

Cash and Cash Equivalents, Accounts Receivable, Unbilled Receivables and Accounts Payable--The carrying amounts approximate fair value because of the short maturities of these instruments.

Revolving Credit Facility--The carrying amount approximates fair value because the interest rates are based upon variable reference rates.

Concentration of Credit Risk--Financial instruments which subject the Company to credit risk consist primarily of temporary cash investments and accounts receivable. The Company places its temporary cash investments with high credit qualified financial institutions and, by policy, limits the amount of investment exposure to any one financial institution. Approximately 70% of accounts receivable is due from various agencies of the Federal government. The remaining accounts receivable are generally diversified due to the large number of entities comprising the Company's customer base and their geographic dispersion. The Company performs ongoing credit evaluations of its customers and maintains an allowance for potential credit losses.

Use of Estimates--The preparation of financial statements in conformity with

generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounting Pronouncements--During the fiscal year ended September 29, 1996, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of. Among other provisions, the statement changed current accounting practices for the evaluation of impairment of long-lived assets. The adoption did not have a material effect on the Company's financial statements.

In 1995, the FASB issued SFAS No. 123, Accounting for Stock-Based Compensation, which will be effective for the Company beginning September 30, 1996. SFAS No. 123 requires expanded disclosures of stock-based compensation arrangements with employees and encourages (but does not require) compensation cost to be measured based on fair value of the equity instrument awarded. Companies are permitted, however, to continue to apply APB Opinion No. 25, which recognizes compensation cost based on the intrinsic value of the equity instrument awarded. The Company will continue to apply APB Opinion No. 25 to its stock-based compensation awards to employees and will disclose the required pro forma effect on net income and earnings per share upon adoption of SFAS No. 123.

## 2. ACQUISITIONS

In November 1995, the Company acquired 100% of the capital stock of KCM, Inc. ("KCM"), an engineering services firm specializing in areas of water quality, water and wastewater systems, surface water management, fisheries and facilities. The purchase price of \$12,958,000 consisted of cash and Company stock which was issued under Regulation D under the Securities Act of 1933, as amended, and had a value of \$10,313,000.

On September 15, 1995, the Company acquired 100% of the capital stock of PRC Environmental Management, Inc. ("EMI") from The Black & Decker Corporation. EMI provides a full range of environmental consulting and engineering services, including feasibility studies, remedial investigations and design, construction management, economic and financial analysis, environmental audits, risk management services and regulatory compliance assistance. EMI's customers include the U.S. Environmental Protection Agency, U.S. Department of Defense and other governmental and commercial entities. The purchase price was approximately \$40,000,000.

The acquisitions of EMI and KCM have been accounted for as purchases. The excess of the purchase cost of the acquisitions over the fair value of the net assets acquired was recorded as goodwill and is included in Intangible Assets--Net in the accompanying balance sheets. The results of operations of EMI and KCM have been included in the Company's financial statements from their respective acquisition dates.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Tetra Tech, Inc.

The following table presents summarized unaudited pro forma operating results assuming that the Company had acquired KCM and EMI on October 3, 1994:

<TABLE>  
<CAPTION>

	Fiscal Years Ended	
	Sept. 29, 1996	Oct. 1, 1995
(\$ in thousands, except per share data)		
<S>	<C>	<C>
Gross revenue	\$ 222,150	\$ 232,008
Income before income taxes	17,119	10,842
Net income	10,200	6,505
Net income per share	0.70	0.45
Weighted average shares outstanding	14,546	14,324

</TABLE>

## 3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at September 29, 1996 and October 1, 1995:

<TABLE>  
<CAPTION>

	1996	1995
<S>	<C>	<C>
Billed accounts receivable	\$ 23,338,000	\$ 24,782,000

Unbilled accounts receivable:		
Billable amounts not invoiced, amounts billable at stipulated stages of completion of contract work, and unbilled amounts pending negotiation or receipt of contract modifications	25,067,000	28,207,000
Costs and fee retention billable upon audit of total contract costs	10,203,000	10,668,000
Total unbilled accounts receivable	35,270,000	38,875,000
Allowance for uncollectible accounts and disallowed costs	(11,101,000)	(11,153,000)
Total	\$ 47,507,000	\$ 52,504,000

</TABLE>

The accounts receivable valuation allowance includes amounts to provide for doubtful accounts and for the potential disallowance of billed and unbilled costs. Disallowance of billed and unbilled costs is primarily associated with contracts with the U.S. government which contain clauses that subject contractors to many levels of audit. Payments made to EMI on U.S. government contracts are subject to proposed adjustments upon audit. Audits for the years 1986, 1987, 1992 and 1993 have been completed, and cost disallowances of approximately \$2.3 million have been proposed. Final negotiations between EMI and the U.S. government are in process, and EMI is vigorously contesting substantially all of the proposed disallowances. Audits for the years 1988, 1989, 1990, 1991, 1994 and 1995 and the period from January 1, 1996 to September 29, 1996 have yet to be completed. Allowances to provide for doubtful accounts have been determined through reviews of specific amounts determined to be uncollectible, plus a general allowance for other amounts for which some potential loss has been determined to be probable based on current events and circumstances. Given the above, management believes that resolution of these matters will not have a material adverse impact on the Company's financial position or results of operations.

The Company has approximately \$2,400,000 under retainage provisions of contracts. Accounts receivable include approximately \$4,748,891 that may not be realized within one year.

#### 4. INCOME TAXES

The provision for income taxes for the years ended September 29, 1996, October 1, 1995 and October 2, 1994 consisted of the following:

<TABLE>			
<CAPTION>			
	Sept. 29, 1996	Oct. 1, 1995	Oct. 2, 1994
<S>	<C>	<C>	<C>
Current:			
Federal	\$ 5,849,000	\$ 4,185,000	\$ 2,915,000
State	1,462,000	1,129,000	762,000
Deferred	(457,000)	(278,000)	129,000
Total provision	\$ 6,854,000	\$ 5,036,000	\$ 3,806,000

</TABLE>

Temporary differences comprising net deferred income taxes shown on the consolidated balance sheets were as follows:

<TABLE>		
<CAPTION>		
	Sept. 29, 1996	Oct. 1, 1995
<S>	<C>	<C>
Allowance for doubtful accounts	\$ 4,458,000	\$ 4,635,000
Cash to accrual	(2,265,000)	(211,000)
Accrued vacation	606,000	547,000
Prepaid expense	(584,000)	(324,000)
Depreciation	(399,000)	(157,000)
Other	542,000	268,000
Deferred income taxes	\$ 2,358,000	\$ 4,758,000

</TABLE>

Total tax expense was different than the amount computed by applying the

federal statutory rate as follows:

<TABLE>  
<CAPTION>

	Sept. 29, 1996		Oct. 1, 1995		Oct. 2, 1994	
	Amount	%	Amount	%	Amount	%
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Tax at federal statutory rate	\$ 5,936,000	35.0%	\$ 4,406,000	35.0%	\$ 3,330,000	35.0%
State taxes, net of federal benefit	933,000	5.5	692,000	5.5	528,000	5.5
Other	(15,000)	(0.1)	(62,000)	(0.5)	(52,000)	(0.5)
Total provision	\$ 6,854,000	40.4%	\$ 5,036,000	40.0%	\$ 3,806,000	40.0%

</TABLE>

#### 5. LONG-TERM OBLIGATIONS

In September 1995, the Company entered into a credit agreement (as amended, the "Credit Agreement") with a bank to support its working capital and acquisition needs. The Credit Agreement initially provided a revolving credit facility of \$30,000,000 which the Company voluntarily reduced to \$15,000,000 at September 29, 1996. Under the Credit Agreement, the Company may also request standby letters of credit up to the aggregate sum of \$5,000,000 outstanding at any one time.

Interest on borrowings under the Credit Agreement is payable at the Company's option (a) at a base rate (Federal funds rate plus 0.50% or the bank's reference rate) as defined in the Credit Agreement or (b) at a eurodollar rate plus a margin which ranges from 1.25% to 1.75%. The interest rate on outstanding borrowings at October 1, 1995 was 7.5625%.

Borrowings under the Credit Agreement are secured by the Company's accounts receivable and the stock of four of the Company's subsidiaries.

The Credit Agreement contains various covenants including, but not limited to, restrictions related to tangible net worth, net income, additional indebtedness, asset sales, mergers and acquisitions, creation of liens, and dividends on capital stock (other than stock dividends).

The Credit Agreement matures on September 15, 1998 or earlier at the discretion of the Company upon payment in full of loans and other obligations. As at September 29, 1996, there were no borrowings outstanding, however, standby letters of credit totalled \$1,815,000.

#### 6. STOCKHOLDERS' EQUITY

On May 23, 1996, the Board of Directors declared a five-for-four split of the Company's Common Stock, effected in the form of a 25% stock dividend, payable on June 21, 1996 to shareholders of record on June 7, 1996. All agreements concerning stock options and other commitments payable in shares of the Company's Common Stock are affected by the five-for-four split. All references to number of shares (except shares authorized), stock options and per share information in the consolidated financial statements have been adjusted to reflect the stock split on a retroactive basis.

Pursuant to the Company's 1989 Stock Option Plan, key employees may be granted options to purchase 610,351 shares of the Company's Common Stock at prices ranging from 85% to 100% of the market value on the date of grant. All options granted to date by the Company have been at 100% of the market value as determined by the Board of Directors at the date of grant. These options become exercisable beginning one year from date of grant, become fully vested in four years and terminate ten years from date of grant. Additionally, in connection with acquisitions in 1988 and 1990, the Company issued options to purchase 281,605 shares of the Company's Common Stock.

The Company also has a 1992 Incentive Stock Plan under which key employees may be granted options to purchase 2,156,250 shares of the Company's Common Stock at prices not less than the market value on the date of grant. From such date of grant, these options become exercisable after one year, are fully vested no later than five years after grant and terminate no later than ten years after grant.

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Tetra Tech, Inc.  
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Pursuant to the Company's 1992 Nonemployee Director Plan, nonemployee directors may be granted options to purchase 73,241 shares of the Company's Common Stock at prices not less than the market value on the date of grant. These options vest and become exercisable when, and only if, the optionee continues to serve as a director until the Annual Meeting following the year in which the options were granted.

The Company also has an Employee Stock Purchase Plan (the "Purchase Plan") which provides for the granting of Purchase Rights to purchase Common Stock to regular full-time and regular part-time employees and officers of the Company or any of its Subsidiaries, including directors who are also employees or officers of the Company and its Subsidiaries. Under the Purchase Plan, shares of Common Stock will be issued upon exercise of the Purchase Rights. Under the Purchase Plan, 562,500 shares may be issued pursuant to the exercise of Purchase Rights.

Each Purchase Right lasts for a period of 52 weeks ("Purchase Right Period"). The first Purchase Right Period began after the stockholders adopted the Purchase Plan at the Annual Meeting on February 8, 1996. However, the Committee may elect to suspend and/or recommence the Purchase Plan at anytime following the end of a Purchase Right Period.

Prior to the beginning of each Purchase Right Period, employees may elect to contribute fixed amounts to the Purchase Plan during that Purchase Right Period to purchase Common Stock. Employees can only commence participation in the Purchase Plan on the first day of a Purchase Right Period. The maximum amount that an employee can contribute during a Purchase Right Period is \$4,000, and the minimum contribution per payroll period is \$25.

Under the Purchase Plan, the exercise price of a Purchase Right will be the lesser of 100% of the fair market value of such shares on the first day of the Purchase Right Period or 85% of the fair market value on the last day of the Purchase Right Period. For this purpose, the fair market value of the stock is its closing price as reported on the Nasdaq Stock Market on the day in question.

The amounts that employees contribute to the Purchase Plan will automatically be used to purchase Common Stock on the last day of the Purchase Right Period, unless they elect to withdraw from the Purchase Plan or are terminated prior to that date. If the Company is sold, all Purchase Rights will become exercisable immediately preceding the sale. Employees who elect to suspend their contributions can elect either to withdraw their contributions or leave those amounts in the Purchase Plan to be used to purchase Common Stock at the end of the Purchase Right Period. No interest is credited on any amounts contributed to the Purchase Plan.

If the Common Stock is disposed of by a participant prior to the expiration of the holding periods required to qualify for long-term capital gains treatment, the participant is required to notify the Company in the event of such a premature disposition.

During the three years ended September 29, 1996, option activity was as follows:

<TABLE>  
<CAPTION>

	Number of Options	Option Price Per Share	Total
<S>	<C>	<C>	<C>
Balance, October 3, 1993	435,961	\$ 1.08 - \$ 7.98	\$ 1,992,000
Granted	512,158	\$ 8.06 - \$ 12.16	4,826,000
Exercised	(63,633)	\$ 1.08 - \$ 7.53	(151,000)
Cancelled	(41,026)	\$ 1.47 - \$ 9.22	(266,000)
Balance, October 2, 1994	843,460	\$ 1.08 - \$ 12.16	6,401,000
Granted	347,770	\$ 10.88 - \$ 17.30	4,038,000
Exercised	(109,896)	\$ 1.08 - \$ 10.24	(629,000)
Cancelled	(79,561)	\$ 1.47 - \$ 11.04	(690,000)
Balance, October 1, 1995	1,001,773	\$ 1.08 - \$ 17.30	9,120,000
Granted	412,587	\$ 16.00 - \$ 21.00	7,318,000
Exercised	(101,626)	\$ 1.08 - \$ 12.48	(684,000)
Cancelled	(52,417)	\$ 1.08 - \$ 17.60	(583,000)
Balance, September 29, 1996	1,260,317	\$ 1.08 - \$ 21.00	\$ 15,171,000

</TABLE>

At September 29, 1996, the status of each plan was as follows:

1989 Stock Option Plan: Options to purchase 114,674 shares were exercisable and no further options will be granted under this plan.

1992 Incentive Stock Plan: Options to purchase 293,283 shares were exercisable and options to purchase 954,111 shares were available for future grant.

1992 Nonemployee Director Plan: Options to purchase 9,764 shares were exercisable and options to purchase 56,154 shares were available for future grant.

#### 7. LEASES

The Company leases land, buildings and equipment under various operating leases. Rent expense under all operating leases was approximately \$9,462,000, \$5,332,000 and \$3,732,000 for the years ended September 29, 1996, October 1, 1995 and October 2, 1994, respectively. Amounts payable under noncancelable operating lease commitments are as follows during the fiscal years ending in:

<TABLE>

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1997	\$ 7,873,000
1998	6,065,000
1999	4,029,000
2000	3,083,000
2001	2,575,000
Thereafter	5,136,000
	-----
Total	\$ 28,761,000
	=====

</TABLE>

#### 8. RETIREMENT PLANS

The Company and its subsidiaries have established defined contribution plans and 401(k) plans. Generally, employees are eligible to participate in the defined contribution plans upon completion of one year of service and in the 401(k) plans upon commencement of employment. For the years ended September 29, 1996, October 1, 1995 and October 2, 1994 expenses relating to the plans were approximately \$4,002,000, \$1,971,000 and \$1,479,000, respectively.

#### 9. CONTINGENCIES

The Company is subject to certain claims and lawsuits typically filed against the engineering and consulting professions, primarily alleging professional errors or omissions. The Company carries professional liability insurance, subject to certain deductibles and policy limits against such claims. Management is of the opinion that the resolution of these claims will not have a material adverse effect on the Company's financial statements.

#### 10 QUARTERLY FINANCIAL INFORMATION--UNAUDITED

In the opinion of management, the following unaudited quarterly data for the years ended September 29, 1996 and October 1, 1995 reflect all adjustments necessary for a fair statement of the results of operations. All such adjustments are of a normal recurring nature. (In thousands, except per share data.)

<TABLE>

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	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Fiscal 1996				
Gross revenue	\$ 54,162	\$ 53,929	\$ 54,152	\$ 57,856
Net revenue	38,023	40,076	40,314	42,624
Gross profit	8,540	9,400	9,835	11,178
Income from operations	3,730	4,119	4,506	5,380
Net income	2,029	2,297	2,625	3,154
Net income per share	\$ 0.14	\$ 0.16	\$ 0.18	\$ 0.22
Weighted average shares outstanding	14,151	14,504	14,565	14,601
Fiscal 1995				
Gross revenue	\$ 27,646	\$ 27,852	\$ 29,150	\$ 35,386
Net revenue	19,947	21,151	21,499	25,277
Gross profit	4,897	5,244	5,277	6,972
Income from operations	2,403	2,613	2,919	3,821
Net income	1,551	1,688	1,907	2,407
Net income per share	\$ 0.12	\$ 0.13	\$ 0.14	\$ 0.18
Weighted average shares outstanding	13,439	13,449	13,551	13,670

</TABLE>

#### SECURITIES INFORMATION

Tetra Tech, Inc.

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Tetra Tech's Common Stock is traded on the Nasdaq Stock Market under the symbol

WATR. There were 337 stockholders of record as of December 2, 1996. Tetra Tech has not paid any cash dividends since its inception and does not intend to pay any cash dividends on its Common Stock in the foreseeable future. The high and low sales prices for the Common Stock for the last two fiscal years, as reported by the National Association of Securities Dealers, Inc., are set forth in the following tables. The prices have been adjusted to reflect the effect, on a retroactive basis, of a 5-for-4 stock split, effected in the form of a 25% stock dividend, in June 1996.

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Fiscal 1996	High	Low
<S>	<C>	<C>
First Quarter	\$ 19.00	\$ 16.40
Second Quarter	19.00	15.60
Third Quarter	22.40	15.80
Fourth Quarter	24.50	17.25

  

Fiscal 1995	High	Low
<S>	<C>	<C>
First Quarter	\$ 12.80	\$ 10.40
Second Quarter	12.96	10.24
Third Quarter	14.88	12.48
Fourth Quarter	19.00	14.00

</TABLE>

#### INDEPENDENT AUDITORS' REPORT

TETRA TECH, INC.:

We have audited the accompanying consolidated balance sheets of Tetra Tech, Inc. and its subsidiaries as of September 29, 1996 and October 1, 1995, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended September 29, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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, such consolidated financial statements present fairly, in all material respects, the financial position of Tetra Tech, Inc. and its subsidiaries as of September 29, 1996 and October 1, 1995, and the results of their operations and their cash flows for each of the three years in the period ended September 29, 1996 in conformity with generally accepted accounting principles.

Los Angeles, California  
November 12, 1996

SUBSIDIARIES OF TETRA TECH, INC.

GeoTrans, Inc., a Virginia corporation  
Simons, Li & Associates, a Colorado corporation  
Hydro-Search, Inc., a Delaware corporation  
PRC Environmental Management, Inc., a Delaware corporation  
KCM, Inc., a Washington corporation  
Tetra Tech Technical Services, Inc., a Delaware corporation  
IWA Engineers, a California corporation  
FLO Engineering, Inc., a Colorado corporation

All of such subsidiaries are wholly-owned by Tetra Tech, Inc.

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement Nos. 33-46240, 33-47533, 33-80606 and 33-94706 of Tetra Tech, Inc. on Form S-8 and 333-2766 of Tetra Tech, Inc. on Form S-3 of our reports dated November 12, 1996, appearing in, and incorporated by reference in, this Annual Report on Form 10-K for the year ended September 29, 1996.

Los Angeles, California  
December 26, 1996

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