UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 27, 2010

OR

o **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)

Delaware	**95-4148514**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

3475 East Foothill Boulevard, Pasadena, California 91107
(Address of principal executive offices) (Zip Code)

(626) 351-4664
(Registrant s telephone number, including area code)

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 ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ý No o

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No ý

As of July 26, 2010, 61,744,692 shares of the registrant s common stock were outstanding.

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TETRA TECH, INC.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Tetra Tech, Inc.

Condensed Consolidated Balance Sheets

(unaudited - in thousands, except par value)

ASSETS	June 27, 2010	September 27, 2009
CURRENT ASSETS:		
Cash and cash equivalents	$ 120,294	$ 89,185
Accounts receivable net	517,240	506,316
Prepaid expenses and other current assets	51,051	55,167
Income taxes receivable	7,613	5,222
Total current assets	696,198	655,890
PROPERTY AND EQUIPMENT:		
Land and buildings	11,711	10,555
Equipment, furniture and fixtures	137,051	126,249
Leasehold improvements	14,278	13,740
Total	163,040	150,544
Accumulated depreciation and amortization	(92,381)	(79,616)
Property and equipment - net	70,659	70,928
GOODWILL	342,502	319,685
INTANGIBLE ASSETS NET	29,806	33,769
OTHER ASSETS	16,491	17,633
TOTAL ASSETS	$ 1,155,656	$ 1,097,905
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 152,856	$ 149,352
Accrued compensation	72,616	88,793
Billings in excess of costs on uncompleted contracts	87,883	105,162
Deferred income taxes	17,471	9,645
Current portion of long-term debt	5,174	4,320
Other current liabilities	73,171	74,964
Total current liabilities	409,171	432,236
DEFERRED INCOME TAXES	8,816	4,615
LONG-TERM DEBT	4,297	6,530
OTHER LONG-TERM LIABILITIES	12,785	8,046
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS EQUITY:		
Preferred stock Authorized, 2,000 shares of $0.01 par value; no shares issued and outstanding as of June 27, 2010 and September 27, 2009		

Common stock Authorized, 150,000 shares of $0.01 par value; issued and outstanding, 61,743 and 61,257 shares as of June 27, 2010 and September 27, 2009, respectively		617		613
Additional paid-in capital		366,151		350,571
Accumulated other comprehensive income		17,073		12,226
Retained earnings		336,746		283,068
TOTAL STOCKHOLDERS EQUITY		720,587		646,478
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$	1,155,656	$	1,097,905

See accompanying Notes to Condensed Consolidated Financial Statements.

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Tetra Tech, Inc.

Condensed Consolidated Statements of Income

(unaudited in thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	June 27, 2010	June 28, 2009	June 27, 2010	June 28, 2009
Revenue	$ 562,365	$ 551,376	$ 1,573,850	$ 1,712,364
Subcontractor costs	(192,237)	(194,449)	(534,295)	(693,197)
Other costs of revenue	(297,730)	(282,258)	(833,869)	(813,835)
Selling, general and administrative expenses	(39,692)	(41,918)	(118,337)	(116,136)
Operating income	32,706	32,751	87,349	89,196
Interest expense net	(336)	(473)	(943)	(2,240)
Income before income tax expense	32,370	32,278	86,406	86,956
Income tax expense	(11,731)	(1,267)	(32,728)	(20,423)
Net income	$ 20,639	$ 31,011	$ 53,678	$ 66,533
Earnings per share:				
Basic	$ 0.34	$ 0.52	$ 0.87	$ 1.11
Diluted	$ 0.33	$ 0.51	$ 0.86	$ 1.10
Weighted-average common shares outstanding:				
Basic	61,560	60,123	61,380	59,947
Diluted	62,181	61,108	62,115	60,707

See accompanying Notes to Condensed Consolidated Financial Statements.

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Tetra Tech, Inc.

Condensed Consolidated Statements of Cash Flows

(unaudited in thousands)

	Nine Months Ended June 27, 2010	Nine Months Ended June 28, 2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 53,678	$ 66,533
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	24,113	19,400
Stock-based compensation	7,679	6,988
Excess tax benefits from stock-based compensation	(755)	(400)
Deferred income taxes	11,771	4,411
Provision for losses on contracts and related receivables	6,105	14,674
Exchange (gain) loss	(254)	32
Gain on disposal of property and equipment	(897)	(76)
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable	(14,503)	92,629
Prepaid expenses and other assets	6,487	(10,808)
Accounts payable	2,737	(76,759)
Accrued compensation	(16,166)	(27,157)
Billings in excess of costs on uncompleted contracts	(17,294)	(12,495)
Other liabilities	2,175	(531)
Income taxes receivable/payable	(341)	31,008
Net cash provided by operating activities	64,535	107,449
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(15,855)	(13,324)
Payments for business acquisitions, net of cash acquired	(23,444)	(102,828)
Proceeds from sale of discontinued operation		192
Proceeds from sale of property and equipment	2,189	324
Net cash used in investing activities	(37,110)	(115,636)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on long-term debt	(824)	(120,296)
Proceeds from borrowings		118,168
Excess tax benefits from stock-based compensation	755	400
Net proceeds from issuance of common stock	3,165	6,471
Net cash provided by financing activities	3,096	4,743
EFFECT OF EXCHANGE RATE CHANGES ON CASH	588	817
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	31,109	(2,627)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	89,185	50,902
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 120,294	$ 48,275
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid (received) during the period for:		
Interest	$ 1,078	$ 1,986
Income taxes, net of refunds received	$ 21,595	$ (14,816)

See accompanying Notes to Condensed Consolidated Financial Statements.

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TETRA TECH, INC.

Notes to Condensed Consolidated Financial Statements

1. Basis of Presentation

The accompanying condensed consolidated balance sheet as of June 27, 2010, the condensed consolidated statements of income for the three and nine months ended June 27, 2010 and June 28, 2009, and the condensed consolidated statements of cash flows for the nine months ended June 27, 2010 and June 28, 2009 of Tetra Tech, Inc. (we, us or our) are unaudited, and, in the opinion of management, include all adjustments necessary for a fair statement of the financial position, results of operations and cash flows for the periods presented. The condensed consolidated balance sheet as of September 27, 2009 has been derived from the audited financial statements at that date but does not include all the information and footnotes required by U.S. generally accepted accounting principles (GAAP) for complete financial statements.

The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended September 27, 2009. The results of operations for the three and nine months ended June 27, 2010 are not necessarily indicative of the results to be expected for the fiscal year ending October 3, 2010.

Beginning the second quarter of fiscal 2010, we discontinued reporting Revenue, net of subcontractor costs and Gross profit on our condensed consolidated statements of income. Additionally, Other contract costs have been relabeled as Other costs of revenue and Long-term obligations have been relabeled as Long-term debt .

2. Accounts Receivable Net

Net accounts receivable and billings in excess of costs on uncompleted contracts consisted of the following:

	June 27, 2010	September 27, 2009
	(in thousands)	
Billed	$ 266,576	$ 299,935
Unbilled	267,389	222,322
Contract retentions	13,904	14,952
Total accounts receivable gross	547,869	537,209
Allowance for doubtful accounts	(30,629)	(30,893)
Total accounts receivable net	$ 517,240	$ 506,316

Billings in excess of costs on uncompleted contracts	$ 87,883	$ 105,162

Billed accounts receivable represent amounts billed to clients that have not been collected. Unbilled accounts receivable represent revenue recognized but not yet billed pursuant to contract terms or billed after the period end date. Substantially all unbilled receivables as of June 27, 2010 are expected to be billed and collected within 12 months. Contract retentions represent amounts withheld by clients until certain conditions are met or the project is completed, which may be several months or years. The allowance for doubtful accounts was determined based on a review of client-specific accounts, bankruptcy filings by clients, and contract issues resulting from current events and economic circumstances. Billings in excess of costs on uncompleted contracts represent the amount of cash collected from clients and billings to clients on contracts in advance of revenue recognized. The majority of billings in excess of costs on uncompleted contracts will be earned within 12 months.

Billed accounts receivable related to U.S. federal government contracts were $92.6 million and $97.3 million as of June 27, 2010 and September 27, 2009, respectively. Federal government unbilled receivables, net of progress payments, were $109.7 million and $68.1 million as of June 27, 2010 and September 27, 2009, respectively. Other than the U.S. federal government, no single client accounted for more than 10% of our accounts receivable as of June 27, 2010 and September 27, 2009.

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3. Mergers and Acquisitions

During the first nine months of fiscal 2010, we acquired three companies that enhanced our service offerings and expanded our geographic presence in the environmental consulting services and remediation and construction management reportable segments. The purchase price for two of these acquisitions consisted of cash payments. The purchase price for the third acquisition consisted of an initial cash payment and contingent earn-out payments based upon achievement of specified financial objectives. As a result, we estimated the fair value of the contingent consideration and recorded a liability on our condensed consolidated balance sheet as of June 27, 2010.

During the first nine months of fiscal 2009, we acquired several companies, the largest of which was Wardrop Engineering, Inc. (Wardrop), a Canadian firm that specializes in resource management, energy and infrastructure design and is included in our environmental consulting services reportable segment. We acquired Wardrop on January 28, 2009, and it significantly expanded our worldwide presence with offices throughout Canada, and in the United Kingdom and India. The purchase price consisted of initial cash payments of $91.2 million. In addition, the former shareholders may receive over a three-year period from the acquisition date contingent earn-out payments up to an aggregate maximum of $19.3 million upon achievement of specified financial objectives. As of June 27, 2010, we had $81.5 million of goodwill, which represented the value paid for the assembled workforce, the international geographic presence, and engineering and consulting expertise.

No pro forma results are presented for the respective interim periods as the effect of the aforementioned acquisitions was not considered material to our condensed consolidated financial statements.

Subsequent Events. In the fourth quarter of fiscal 2010, we signed definitive agreements to purchase a U.S.-based international development consulting business and a Canadian-based consulting and engineering services firm. These potential acquisitions are expected to enhance our technical expertise and expand our geographic reach in the technical support services and environmental consulting services reportable segments. We plan to complete these acquisitions during the fourth quarter of fiscal 2010 using cash on hand.

4. Goodwill and Intangibles

The changes in the carrying value of goodwill by segment for the nine months ended June 27, 2010 were as follows:

	September 27, 2009	Additions	Currency Translation Adjustments (in thousands)	Other Adjustments	June 27, 2010
Environmental consulting services	$ 189,416	$ 3,867	$ 4,187	$ 5,693	$ 203,163
Technical support services	57,256			1,178	58,434
Engineering and architecture services	15,970			1,000	16,970
Remediation and construction management	57,043	3,892		3,000	63,935
Total	$ 319,685	$ 7,759	$ 4,187	$ 10,871	$ 342,502

The $7.8 million addition to goodwill was attributable to the aforementioned acquisitions in the current fiscal year, the majority of which is expected to be deductible for tax purposes. The foreign currency translation adjustments relate to our acquisition of Wardrop in fiscal 2009. Other adjustments consisted of earn-out accruals and payments related to prior-year acquisitions.

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The gross amount and accumulated amortization of the acquired identifiable intangible assets with finite useful lives as of June 27, 2010 and September 27, 2009, included in Intangible assets - net on the condensed consolidated balance sheets, were as follows:

	June 27, 2010		September 27, 2009	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
	(in thousands)			
Non-compete agreements	$ 4,045	$ (1,898)	$ 3,825	$ (1,118)
Client relations	28,856	(6,895)	24,791	(3,632)
Backlog	27,826	(22,128)	27,057	(17,154)
Total	$ 60,727	$ (30,921)	$ 55,673	$ (21,904)

For the nine months ended June 27, 2010, the gross amounts in the table above increased due to foreign currency translation adjustments and the acquisitions described above. For the three months ended June 27, 2010 and June 28, 2009, amortization expense for these intangible assets was $2.9 million and $2.7 million, respectively. For the nine months ended June 27, 2010 and June 28, 2009, amortization expense was $8.9 million and $6.8 million, respectively. Estimated amortization expense for the remainder of fiscal 2010 and the succeeding years is as follows:

	Amount (in thousands)
2010	$ 2,738
2011	9,174
2012	5,732
2013	3,903
2014	3,315
Beyond	4,944
Total	$ 29,806

5. Stockholders Equity and Stock Compensation Plans

We recognize the fair value of our stock-based compensation awards as compensation expense on a straight-line basis over the requisite service period in which the award vests. Stock-based compensation expense for the three and nine months ended June 27, 2010 was $2.3 million and $7.7 million, compared to $2.4 million and $7.0 million for the same periods last year, respectively. The majority of these amounts was included in Selling, general and administrative (SG&A) expenses on the condensed consolidated statements of income. No stock options were granted in the third quarter of fiscal 2010. For the nine months ended June 27, 2010, we granted 1,085,974 stock options with exercise prices ranging from $20.28 - $26.77 per share and an estimated weighted-average fair value of $10.09 per share. In the first quarter of fiscal 2010, we also granted 88,258 shares of restricted stock to certain directors and executive officers at the fair value of $25.55 per share on the grant date.

6. Earnings Per Share (EPS)

Basic EPS is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding, less unvested restricted stock for the period. Diluted EPS is computed by dividing net income by the weighted-average number of common shares outstanding and dilutive potential common shares for the period. Potential common shares include the weighted-average dilutive effects of outstanding stock options and unvested restricted stock using the treasury stock method.

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The following table sets forth the number of weighted-average shares used to compute basic and diluted EPS:

	Three Months Ended		Nine Months Ended	
	June 27, 2010	June 28, 2009	June 27, 2010	June 28, 2009
	(in thousands, except per share data)			
Net income	$ 20,639	$ 31,011	$ 53,678	$ 66,533
Weighted-average common shares outstanding	61,560	60,123	61,380	59,947
Effect of dilutive stock options and unvested restricted stock	621	985	735	760
Weighted-average common stock outstanding diluted	62,181	61,108	62,115	60,707
Earnings per share:				
Basic	$ 0.34	$ 0.52	$ 0.87	$ 1.11
Diluted	$ 0.33	$ 0.51	$ 0.86	$ 1.10

For the three and nine months ended June 27, 2010, 2.1 million and 2.3 million options were excluded from the calculation of dilutive potential common shares, compared to 0.9 million and 1.3 million options for the same periods last year, respectively. These options were not included in the computation of dilutive potential common shares because the assumed proceeds per share exceeded the average market price per share for that period. Therefore, the inclusion of those options would have been anti-dilutive.

7. Income Taxes

We remain in the appeals process with the Internal Revenue Service (IRS) for fiscal years 2002 through 2004 related to research and experimentation credits (R&E Credits) and our tax accounting method for revenue recognition. We are also under examination by the California Franchise Tax Board (FTB) for fiscal years 2001 through 2003 related to R&E Credits. Management believes that it is reasonably possible we will reach a resolution of these audits within the next 12 months. We have completed R&E Credit studies and analyses for the tax years subsequent to fiscal 2004 and are in the process of filing amended returns to claim federal and state R&E Credits for certain years. There is a high probability that claimed R&E Credits will be examined by the taxing authorities. If the resolution of these pending and anticipated examinations is more favorable than expected, the change in unrecognized tax benefits could be significant. However, if the resolution is less favorable than expected, there could be a material increase in our income tax expense in the period in which the determination is made. With few exceptions, we are no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations for fiscal years before 2001.

In the second quarter of fiscal 2009, we recorded a benefit of $3.3 million in income tax expense to reflect the IRS settlement for fiscal years 1997 through 2001 and the associated adjustments to certain unrecognized tax benefits.   In addition, during the third quarter of fiscal 2009 we recorded a benefit of approximately $9.7 million in our income tax expense to reflect the estimated amount of previously unclaimed R&E Credits for periods prior to fiscal 2009. Further, we revised our fiscal 2009 estimated annual effective tax rate to include R&E Credits for fiscal 2009. These adjustments reduced our effective tax rates to 3.9% and 23.5% for the three and nine months ended June 28, 2009, respectively.

On December 31, 2009, the federal R&E Credits provision expired. As such, we have only estimated a benefit from federal R&E Credits through the expiration date. Should the R&E Credits provision be retroactively extended during fiscal 2010, additional benefits will be reflected in our effective tax rate during the quarter reporting period of enactment.

8. Reportable Segments

Our reportable segments are as follows:

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Environmental Consulting Services (ECS). ECS provides front-end science and consulting services and project management in the areas of water resources, groundwater services, watershed management, mining and geotechnical sciences, environmental management, and information technology and modeling consulting.

Technical Support Services (TSS). TSS advises clients through the study, design and implementation of projects. TSS conducts research in the areas of remedial planning, disaster management, sustainable solutions including climate change and carbon management, technical government staffing services, and program management for complex U.S. federal government and international development projects.

Engineering and Architecture Services (EAS). EAS provides engineering and architecture design services, including Leadership in Energy and Environmental Design (LEED) services, together with technical and program administration services for projects related to water infrastructure, buildings and land development, and transportation.

Remediation and Construction Management (RCM). RCM provides a wide array of services, including program management, engineering, procurement and construction, construction management, and operations and maintenance. RCM is focused on federal construction, environmental remediation including unexploded ordinance (UXO) and wetland restoration, energy projects including wind, nuclear engineering and other alternative energies, and communications development and construction.

Management evaluates the performance of these reportable segments based upon their respective segment operating income before the effect of amortization expense related to acquisitions and other unallocated corporate expenses. Beginning the second quarter of fiscal 2010, we discontinued reporting Revenue, net of subcontractor costs and Gross profit to be consistent with the current presentation of our condensed consolidated statement of income and management s emphasis on segment operating income, which emphasis is unchanged from prior periods. We account for inter-segment sales and transfers as if the sales and transfers were to third parties; that is, by applying a negotiated fee onto the costs of the services performed. All intercompany balances and transactions are eliminated in consolidation. The following tables summarize financial information by reportable segment:

Reportable Segments

	ECS	TSS	EAS (in thousands)	RCM	Total
Three months ended June 27, 2010:					
Revenue	$ 184,635	$ 131,139	$ 76,688	$ 202,424	$ 594,886
Segment operating income	13,738	9,520	4,337	9,880	37,475
Depreciation expense	1,296	159	506	2,483	4,444
Three months ended June 28, 2009:					
Revenue	$ 157,680	$ 136,940	$ 69,800	$ 206,644	$ 571,064
Segment operating income	13,236	9,180	3,489	10,588	36,493
Depreciation expense	876	195	545	1,954	3,570
Nine months ended June 27, 2010:					
Revenue	$ 508,997	$ 381,533	$ 211,404	$ 545,206	$ 1,647,140
Segment operating income	38,671	29,906	7,454	24,753	100,784

Depreciation expense		4,089		471		1,608		6,691		12,859
Nine months ended June 28, 2009:										
Revenue	$	429,224	$	389,995	$	234,212	$	720,409	$	1,773,840
Segment operating income		31,300		27,911		11,784		28,569		99,564
Depreciation expense		2,544		548		1,646		5,756		10,494

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Total assets by segment were as follows:

	June 27, 2010	September 27, 2009
	(in thousands)	
ECS	$ 527,445	$ 486,002
TSS	274,583	223,177
EAS	94,242	91,646
RCM	337,476	351,247
Total assets	$ 1,233,746	$ 1,152,072

Reconciliations

	Three Months Ended		Nine Months Ended	
	June 27, 2010	June 28, 2009	June 27, 2010	June 28, 2009
	(in thousands)			
Revenue				
Revenue from reportable segments	$ 594,886	$ 571,064	$ 1,647,140	$ 1,773,840
Elimination of inter-segment revenue	(32,521)	(19,688)	(73,290)	(61,476)
Total consolidated revenue	$ 562,365	$ 551,376	$ 1,573,850	$ 1,712,364
Operating Income				
Segment operating income	$ 37,475	$ 36,493	$ 100,784	$ 99,564
Amortization of intangibles	(2,851)	(2,630)	(8,852)	(6,764)
Other expense (1)	(1,918)	(1,112)	(4,583)	(3,604)
Total consolidated operating income	$ 32,706	$ 32,751	$ 87,349	$ 89,196
Depreciation Expense				
Depreciation expense from reportable segments	$ 4,444	$ 3,570	$ 12,859	$ 10,494
Other (2)	759	612	2,099	1,839
Total consolidated depreciation expense	$ 5,203	$ 4,182	$ 14,958	$ 12,333

(1) Other expense includes corporate costs not allocable to segments.

(2) Other includes depreciation expense from corporate headquarters.

	June 27, 2010	September 27, 2009
	(in thousands)	
Assets		
Total assets of reportable segments	$ 1,233,746	$ 1,152,072
Assets not allocated to segments and intercompany eliminations	(78,090)	(54,167)
Total consolidated assets	$ 1,155,656	$ 1,097,905

Major Clients

Other than the U.S. federal government, we had no single client that accounted for more than 10% of our revenue. All of our segments generated revenue from all client sectors.

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The following table represents our revenue by client sector:

	Three Months Ended June 27, 2010	Three Months Ended June 28, 2009	Nine Months Ended June 27, 2010	Nine Months Ended June 28, 2009
	(in thousands)			
Client Sector				
Federal government	$ 296,566	$ 306,554	$ 845,800	$ 862,147
State and local government	81,929	66,713	234,634	204,605
Commercial	130,729	140,275	360,695	573,981
International (1)	53,141	37,834	132,721	71,631
Total	$ 562,365	$ 551,376	$ 1,573,850	$ 1,712,364

(1) Includes revenue generated from foreign operations, primarily in Canada, and revenue generated from non-U.S. clients.

9. Pension Plan

In connection with the acquisition of Wardrop, we assumed the assets and obligations under Wardrop s defined benefit pension plan, which primarily covered a group of active and inactive employees and a limited number of retirees. No new employees are eligible to participate in this plan. Pursuant to the Wardrop purchase agreement, Wardrop agreed to terminate this plan. Further, an escrow account was established under the purchase agreement to fully fund the defined benefit pension settlement liability and all post-acquisition expenses. We assumed the initial net liability of approximately $5.7 million (net of plan assets of approximately $11.3 million) as of the acquisition date. In fiscal 2009, Wardrop purchased insurance annuities for existing pensioners and inactive employees, and settled the obligations with these participants for approximately $12.4 million. In the second quarter of fiscal 2010, approval was obtained from the appropriate government agencies to terminate the plan and distribute all plan assets, and the remaining plan liability was settled with amounts in the escrow account. The net periodic benefit expense in fiscal 2009 and 2010 was immaterial.

10. Comprehensive Income

Comprehensive income is comprised of net income and other comprehensive income, which includes translation gains and losses from foreign subsidiaries with functional currencies different than our reporting currency, and unrealized gains and losses on hedging activities. The following summarizes the after-tax components of comprehensive income:

	Three Months Ended June 27, 2010	Three Months Ended June 28, 2009	Nine Months Ended June 27, 2010	Nine Months Ended June 28, 2009
	(in thousands)			
Net income	$ 20,639	$ 31,011	$ 53,678	$ 66,533
Other comprehensive income:				
Unrealized gain (loss) on hedging activities	112		(242)	
Foreign currency translation (loss) gain	(987)	6,734	5,089	6,977

Total comprehensive income	$	19,764	$	37,745	$	58,525	$	73,510

11. Fair Value of Derivative Instruments

In fiscal 2009, we entered into an intercompany promissory note with our wholly-owned Canadian subsidiary in connection with the acquisition of Wardrop. The intercompany note receivable is denominated in Canadian dollars and has a fixed rate of interest payable in Canadian dollars. In the first quarter of fiscal 2010, we entered into three foreign currency forward contracts to fix the U.S. dollar amount of interest income to be received over the next three annual periods. Each contract is for Canadian $4.2 million (equivalent to U.S. $4.0 million at date of inception) and one contract matures on each of January 27, 2010, January 27, 2011 and January 27, 2012. In the second quarter of fiscal 2010, we settled the first foreign currency forward contract for U.S. $3.9 million. We also entered into a new forward contract for Canadian $4.2 million (equivalent to U.S. $3.9 million at date of inception) that matures on January 28, 2013. Our objective was to eliminate variability of our cash flows on the amount of interest income we receive on the promissory note from changes in foreign currency exchange rates for a

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three-year period. These contracts were designated as cash flow hedges. Accordingly, changes in the fair value of the contracts are recorded in Other comprehensive income , and the fair value and the change in the fair value were not material for the three and nine months ended June 27, 2010. No gains or losses were recognized in earnings as these contracts were deemed to be effective hedges.

12. Commitments and Contingencies

We are subject to certain claims and lawsuits typically filed against the engineering, consulting and construction profession, alleging primarily professional errors or omissions. We carry professional liability insurance, subject to certain deductibles and policy limits, against such claims. However, in some actions, parties are seeking damages that exceed our insurance coverage or for which we are not insured. While management does not believe that the resolution of these claims will have a material adverse effect on our financial position, results of operations or cash flows, management acknowledges the uncertainty surrounding the ultimate resolution of these matters.

In May 2003, Innovative Technologies Corporation (ITC) filed a lawsuit in Montgomery County, Ohio against Advanced Management Technology, Inc. (AMT) and other defendants for misappropriation of trade secrets, among other claims. In June 2004, we purchased all the outstanding shares of AMT. As part of the purchase agreement, the former owners of AMT agreed to indemnify us for all costs and damages related to this lawsuit. In December 2007, the case went to trial and the jury awarded $5.8 million in compensatory damages against AMT. In addition, the jury awarded $17 million in punitive damages against AMT plus reasonable attorneys fees. In July 2008, the Common Pleas Court of Montgomery County denied AMT s motion for judgment notwithstanding the verdict and conditionally denied AMT s motion for a new trial. Further, the court remitted the verdict to $2.0 million in compensatory damages and $5.8 million in punitive damages. ITC accepted the remittitur, and AMT appealed. The appellate court remanded the matter to the trial court for ruling on ITC s motion for prejudgment interest and attorneys fees. In December 2009, the trial court awarded ITC $2.9 million in attorneys fees and costs, and denied ITC s motion for prejudgment interest. AMT appealed the trial court s decision awarding compensatory and punitive damages, and attorneys fees and costs. ITC cross-appealed the trial court s decision to remit the jury verdict and the trial court s denial of prejudgment interest. The final briefs have not yet been filed with the court of appeals. AMT has posted a bond, as required by the trial court, for $13.4 million. We believe that a reasonably possible range of exposure, including attorneys fees, is from $0 to approximately $14.5 million. As of June 27, 2010, we have recorded a liability representing our best estimate of a probable loss. Further, for the same amount, we have recorded a receivable from the former owners of AMT as we believe it is probable they will fully honor their indemnification agreement with us for any and all costs and damages related to this lawsuit.

13. Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued authoritative guidance on fair value measurements that defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This guidance was effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years except for all non-recurring fair value measurements of non-financial assets and liabilities, which is effective for financial statements issued for fiscal years beginning after November 15, 2008. In October 2008, the FASB clarified the application of its authoritative guidance related to a market that is not active and provided an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. Revisions resulting from a change in valuation technique or its application should be accounted for as a change in accounting estimate, and any effects on fair-value measurement would be recognized in the period of adoption. Our adoption of this guidance on September 29, 2008 was limited to financial assets and liabilities, and it had no impact on our consolidated financial statements in fiscal 2009. We adopted the remaining aspects of the fair value measurement standard on our non-financial assets and non-financial liabilities on September 28, 2009, and the adoption of the guidance did not have an effect on our consolidated financial statements.

In December 2007, the FASB issued authoritative guidance that establishes the principles and requirements for how an acquirer (i) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree; (ii) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and (iii) determines what information to

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disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. This guidance makes significant changes to existing accounting practices for acquisitions, including the requirement to expense transaction costs and to reflect the fair value of contingent considerations at the date of acquisition. In April 2009, the FASB issued an amendment to revise and clarify the guidance on business combinations, which requires that an acquirer recognize at fair value, at the acquisition date, an asset acquired or a liability assumed in a business combination that arises from a contingency if the acquisition-date fair value of that asset or liability can be determined during the measurement period. If the acquisition-date fair value of such an asset acquired or liability assumed cannot be determined, the acquirer should apply the provisions of the guidance on business combinations to determine whether the contingency should be recognized at the acquisition date or after it. The guidance is effective for business combinations for which the acquisition date is after the beginning of the first annual reporting period beginning after December 15, 2008. We adopted the guidance on September 28, 2009. For the first nine months of fiscal 2010, the adoption of the guidance did not have an impact on our consolidated financial statements; however, the magnitude of the impact of future acquisitions will depend upon the nature, terms and size of the acquisitions we consummate.

In December 2007, the FASB issued authoritative guidance that establishes accounting and reporting standards that require (i) noncontrolling interests to be reported as a component of equity; (ii) changes in a parent s ownership interest while the parent retains its controlling interest to be accounted for as equity transactions; and (iii) any retained noncontrolling equity investment upon the deconsolidation of a subsidiary to be initially measured at fair value. We do not currently have any less than wholly-owned consolidated subsidiaries. We adopted the guidance on September 28, 2009 and the adoption of the guidance did not have an effect on our consolidated financial statements as we do not currently have any noncontrolling interests.

In April 2008, the FASB issued authoritative guidance that revises the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under the guidance. We adopted the guidance on September 28, 2009 and the adoption of the guidance did not have a material effect on our consolidated financial statements.

Recent Accounting Guidance Not Yet Adopted

In June 2009, the FASB issued an accounting standard that requires us to perform an analysis to determine whether our variable interests give us a controlling financial interest in a variable interest entity. Such analysis requires us to assess whether we have the power to direct the activities of the variable interest entity and if we have the obligation to absorb losses or the right to receive benefits that could potentially be significant to the variable interest entity. This guidance eliminates the quantitative approach previously required for determining the primary beneficiary of a variable interest entity and significantly enhances disclosures. The guidance is effective for fiscal years beginning after November 15, 2009. We are currently evaluating the impact of this guidance, if any, on our consolidated financial statements.

In October 2009, the FASB issued an Accounting Standards Update that provides amendments to the criteria of Accounting Standards Codification Topic 605, Revenue Recognition , for separately recognizing consideration in multiple-deliverable arrangements. The amendments establish a selling price hierarchy for determining the selling price of a deliverable. This guidance is effective for financial statements issued for fiscal years beginning on or after June 15, 2010. We are currently evaluating the effect the adoption will have on our consolidated financial statements, but do not expect the adoption will have a material impact on our consolidated financial statements.

In January 2010, the FASB issued an Accounting Standards Update that amends the disclosure guidance with respect to fair value measurements. Specifically, the new guidance requires disclosure of amounts transferred in and out of Levels 1 and 2 fair value measurements, a reconciliation presented on a gross basis rather than a net basis of activity in Level 3 fair value measurements, greater disaggregation of the assets and liabilities for which fair value measurements are presented and more robust disclosure of the valuation techniques and inputs used to measure Level 2 and 3 fair value measurements. This guidance is effective for us, with the exception of the new guidance around the Level 3 activity reconciliations. The adoption of the effective portion of the guidance had no impact on our consolidated financial statements. Certain Level 3 activities disclosure requirements of this guidance will be effective for fiscal years beginning after December 15, 2010. As we do not currently have any significant Level 3 fair value measurements, we do not expect the adoption will have a material impact on our consolidated financial statements.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, including Management s Discussion and Analysis of Financial Condition and Results of Operations, contains forward-looking statements regarding future events and our future results that are subject to the safe harbor provisions created under the Securities Act of 1933 and the Securities Exchange Act of 1934. All statements other than statements of historical facts are statements that could be deemed forward-looking statements. These statements are based on current expectations, estimates, forecasts and projections about the industries in which we operate and the beliefs and assumptions of our management. Words such as expects, anticipates, targets, goals, projects intends, plans, believes, seeks, estimates, continues, may, variations of such words, and similar expressions are intended to identify su forward-looking statements. In addition, any statements that refer to projections of our future financial performance, our anticipated growth and trends in our businesses, and other characterizations of future events or circumstances are forward-looking statements. Readers are cautioned that these forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions that are difficult to predict, including those identified below, under Part II, Item 1A. Risk Factors and elsewhere herein. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. We undertake no obligation to revise or update any forward-looking statements for any reason.

GENERAL OVERVIEW

We are a leading provider of consulting, engineering, program management, construction and technical services focusing on resource management, infrastructure and the environment. We serve our clients by providing cost-effective and innovative solutions to fundamental needs for water, environmental and energy services. We typically begin at the earliest stage of a project by applying science to problems and developing solutions tailored to our clients needs and resources. Our solutions may span the entire life cycle of the project and include applied science, research and technology, engineering, design, construction management, construction, operations and maintenance, and information technology.

We are a full-service company with a global reach in the areas of water programs, environmental management and remediation, alternative energy and supporting infrastructure. Our focus is on expanding our geographic reach, diversifying our client base and increasing the breadth and depth of our service offerings to address existing and emerging markets. As of June 27, 2010, we had approximately 9,800 employees worldwide, located primarily in North America. We manage our business under the following four reportable segments:

Environmental Consulting Services. ECS provides front-end science and consulting services and project management in the areas of water resources, groundwater services, watershed management, mining and geotechnical sciences, environmental management, and information technology and modeling consulting.

Technical Support Services. TSS advises clients through the study, design and implementation of projects. TSS conducts research in the areas of remedial planning, disaster management, sustainable solutions including climate change and carbon management, technical government staffing services, and program management for complex U.S. federal government and international development projects.

Engineering and Architecture Services. EAS provides engineering and architecture design services, including LEED services, together with technical and program administration services for projects related to water infrastructure, buildings and land development, and transportation.

Remediation and Construction Management. RCM provides a wide array of services, including program management, engineering, procurement and construction, construction management, and operations and maintenance. RCM is focused on federal construction, environmental remediation including UXO and wetland restoration, energy projects including wind, nuclear engineering and other alternative energies, and communications development and construction.

We generate revenue by providing fee-based professional, technical and project management services and, to a lesser extent, by executing construction contracts. As primarily a service-based company, we are labor-intensive rather than capital-intensive. We provide services to a diverse base of federal and state and local

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government agencies, as well as commercial and international clients. The following table represents the percentage of revenue by client sector:

	Three Months Ended		Nine Months Ended	
	June 27, 2010	June 28, 2009	June 27, 2010	June 28, 2009
Client Sector				
Federal government	52.7%	55.6%	53.8%	50.3%
State and local government	14.6	12.1	14.9	12.0
Commercial	23.2	25.4	22.9	33.5
International (1)	9.5	6.9	8.4	4.2
Total	100.0%	100.0%	100.0%	100.0%

(1) Includes revenue generated from foreign operations, primarily in Canada, and revenue generated from non-U.S. clients.

We provide services under three principal types of contracts: fixed-price, time-and-materials and cost-plus. The following table represents the percentage of revenue by contract type:

	Three Months Ended		Nine Months Ended	
	June 27, 2010	June 28, 2009	June 27, 2010	June 28, 2009
Contract Type				
Fixed-price	43.7%	43.6%	42.7%	41.3%
Time-and-materials	31.6	35.1	33.5	37.2
Cost-plus	24.7	21.3	23.8	21.5
	100.0%	100.0%	100.0%	100.0%

We derive income from our ability to generate revenue and collect cash for work performed on client projects, and to effectively manage our costs. Our revenue is dependent upon our ability to attract and retain qualified and productive employees, identify business opportunities, allocate our labor resources to profitable markets, execute existing contracts, secure new contracts and renew existing client agreements. Further, maintaining the high quality of the work generated by our employees is integral to our revenue generation. Our costs are primarily comprised of the compensation we pay to our employees, including salaries and fringe benefits; the costs of hiring subcontractors, construction materials and other project-related expenses; and administrative, marketing, sales, bid and proposal, rental and other overhead costs.

We experience seasonal trends in our business. Our revenue is typically lower in the first half of our fiscal year, primarily due to the Thanksgiving, Christmas and New Year s holidays. Many of our clients   employees, as well as our own employees, take vacations during these holiday periods. Further, seasonal inclement weather conditions occasionally cause some of our offices to close temporarily or may hamper our project field work. These occurrences result in fewer billable hours worked on projects and, correspondingly, less revenue recognized. Our revenue is typically higher in the second half of the fiscal year, due to favorable weather conditions during spring and summer months that result in higher billable hours. In addition, our revenue is typically higher in the fourth fiscal quarter due to the U.S. federal government s fiscal year-end spending.

ACQUISITIONS AND DIVESTITURES

Acquisitions. We continuously evaluate the marketplace for strategic acquisition opportunities. Due to our reputation, size, financial resources, geographic presence and range of services, we have numerous opportunities to acquire both privately held companies and subsidiaries of publicly held companies. During our evaluation, we examine the effect an acquisition may have on our long-range business strategy and results of operations. Generally, we proceed with an acquisition if we believe that it would have a positive effect on future operations and could strategically expand our service offerings. As successful integration and implementation are essential to achieving favorable results, no assurance can be given that all acquisitions will provide accretive results. Our strategy is to position ourselves to address existing and emerging markets. We view acquisitions as a key component of our growth strategy, and we intend to use cash and debt, or may use securities as we deem appropriate, to fund acquisitions. We may acquire other businesses that we believe are synergistic and will ultimately increase our

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revenue and net income, strengthen our ability to achieve our strategic goals, provide critical mass with existing clients and further expand our lines of service. We typically pay a purchase price that results in the recognition of goodwill, generally representing the intangible value of a successful business with an assembled workforce with technical expertise in our areas of interest.

For analytical purposes only, we categorize our revenue into two types: acquisitive and organic. Acquisitive revenue consists of revenue derived from newly acquired companies that are reported individually as separate operating units during the first 12 months following their respective acquisition dates. Organic revenue consists of total revenue less any acquisitive revenue.

On January 28, 2009, we acquired Wardrop, a Canadian firm that specializes in resource management, energy and infrastructure design and is included in our ECS segment. This acquisition significantly expanded our worldwide presence with offices throughout Canada, and in the United Kingdom and India. In fiscal 2009, we made other acquisitions in the ECS, TSS and RCM segments. These acquisitions expanded our service offerings to broad-based clients, including U.S. Agency for International Development (USAID). During the first nine months of fiscal 2010, we acquired three companies, one of which enhanced our nuclear energy services offerings in the RCM segment, and two of which enhanced our environmental service offerings in the ECS segment. For more information, see Note 3 (Mergers and Acquisitions) of the Notes to Condensed Consolidated Financial Statements .

Divestitures. To complement our acquisition strategy and our focus on internal growth, we regularly review and evaluate our existing operations to determine whether our business model should change through the divestiture of certain businesses. Accordingly, from time to time, we may divest certain non-core businesses and reallocate our resources to businesses that better align with our long-term strategic direction. We had no divestitures in fiscal 2009 and 2010.

OVERVIEW OF RESULTS AND BUSINESS TRENDS

General. In the third quarter of fiscal 2010, our operating results were comparable to the same period last year, despite the continuing difficult economic conditions. We continued our focus on organic growth and the strategic acquisition of firms that enhance our service offerings and expand our geographic presence. Our revenue grew 2.0% compared to the same quarter last year, due to prior-year acquisitions and strength in international mining projects and certain state and local government projects, including a large transportation infrastructure project. This growth was partially offset by weakness in the federal construction management and commercial markets in the current year.

We foresee a continued period of weakness in the economy, with a slow and gradual economic recovery. Accordingly, we expect that our revenue will be lower in fiscal 2010 compared to fiscal 2009. Our forecasted revenue is lower than originally anticipated due to the delayed release of new opportunities in the construction management-related business. The U.S. federal government s stimulus plan contained in the American Recovery and Reinvestment Act of 2009 (ARRA) may provide us with additional business opportunities. However, to date, we have had significantly fewer and smaller-sized ARRA awards than anticipated. Because the timing and magnitude of any potential benefit to our business from the ARRA are uncertain, we cannot predict how meaningful such contributions may be in fiscal 2010. We also recognize that the economic conditions that have severely impacted both the domestic and international economies could adversely affect our future work for the U.S. federal government, state and local governments, and commercial and international clients, which constituted approximately 53%, 15%, 23% and 9% of revenue in the third quarter of fiscal 2010, respectively.

Federal Government. Our federal government business declined 3.3% in the third quarter of fiscal 2010 compared to the same quarter last year. The decline resulted primarily from the prior-year completion of Iraq-related projects for the Department of Defense (DoD) and reduced activity on certain USAID projects and on a large remediation project. The decline was partially offset by increased activity on Environmental Protection Agency (EPA), Department of Energy (DOE), and Federal Aviation Administration (FAA) projects, as well as increased activity on international development and infrastructure design projects in Afghanistan. During periods of economic volatility, our federal government business has historically been the most stable and predictable. However, we continue to experience delays on new awards for certain large construction management-related projects in Afghanistan and the U.S. Gulf Coast region. As a result, revenue from our federal government business is expected to decrease slightly in fiscal 2010 compared to fiscal 2009.

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State and Local Government. Our state and local government business grew 22.8% in the third quarter of fiscal 2010 compared to the same quarter last year. The growth was driven by a large transportation infrastructure project and from certain projects associated with a prior-year acquisition. Apart from these projects, we continue to experience difficult economic conditions across our state and local government markets. Many state and local government agencies continue to face economic challenges, including budget deficits, reduced tax revenues and difficult cost-cutting decisions. Simultaneously, states are facing major long-term infrastructure needs, including the need for maintenance, repair and upgrading of existing critical infrastructure and the need to build new facilities. The funding risks associated with our state and local government programs are partially mitigated by the regulatory requirements driving some of these programs, such as regulatory-mandated consent decrees, as well as demographic shifts and increasing demand for water and wastewater services. As a result, some programs will generally progress despite budget pressures. We expect ongoing economic challenges across most states and remain uncertain regarding the timing and magnitude of ARRA funds that may eventually benefit our state and local government business. In spite of these difficulties, due to the large transportation infrastructure project and anticipated contributions from a prior-year acquisition, we expect that our state and local government revenue will increase moderately in fiscal 2010 compared to fiscal 2009.

Commercial. Our commercial business declined 6.8% in the third quarter of fiscal 2010 compared to the same quarter last year. This decline was primarily attributable to the prior-year completion of several large wind energy projects, as well as reduced activity on certain environmental remediation and water projects. Additionally, we continue to experience project delays, cancellations and reduced workload in our real estate development and industrial sectors resulting from the current weak economic conditions. Overall, we expect our commercial business to decline in fiscal 2010 compared to fiscal 2009 due to the aforementioned revenue declines and the reduced backlog for wind energy projects.

International. Our international business grew 40.5% in the third quarter of fiscal 2010 compared to the same quarter last year, primarily due to strength in mining projects. To a lesser extent, this growth was driven by an increase in our engineering and design services overseas. We expect that our international business will continue to grow in fiscal 2010 compared to fiscal 2009. However, global economic weakness could result in lower revenue than anticipated if planned mining or energy projects are delayed or cancelled due to a decline in commodity and energy prices.

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RESULTS OF OPERATIONS

Consolidated Results of Operations

	Three Months Ended				Nine Months Ended			
	June 27, 2010	June 28, 2009	Change $	%	June 27, 2010	June 28, 2009	Change $	%
				($ in thousands)				
Revenue	$ 562,365	$ 551,376	$ 10,989	2.0%	$ 1,573,850	$ 1,712,364	$ (138,514)	(8.1)%
Subcontractor costs	(192,237)	(194,449)	2,212	1.1	(534,295)	(693,197)	158,902	22.9
Revenue, net of subcontractor costs (1)	370,128	356,927	13,201	3.7	1,039,555	1,019,167	20,388	2.0
Other costs of revenue	(297,730)	(282,258)	(15,472)	(5.5)	(833,869)	(813,835)	(20,034)	(2.5)
Selling, general and administrative expenses	(39,692)	(41,918)	2,226	5.3	(118,337)	(116,136)	(2,201)	(1.9)
Operating income	32,706	32,751	(45)	(0.1)	87,349	89,196	(1,847)	(2.1)
Interest expense net	(336)	(473)	137	29.0	(943)	(2,240)	1,297	57.9
Income before income tax expense	32,370	32,278	92	0.3	86,406	86,956	(550)	(0.6)
Income tax expense	(11,731)	(1,267)	(10,464)	(825.9)	(32,728)	(20,423)	(12,305)	(60.3)
Net income	$ 20,639	$ 31,011	$ (10,372)	(33.4)%	$ 53,678	$ 66,533	$ (12,855)	(19.3)%

(1) We believe that the presentation of Revenue, net of subcontractor costs , a non-GAAP financial measure, enhances investors ability to analyze our business trends and performance because it substantially measures the work performed by our employees. In the course of providing services, we routinely subcontract various services and, under certain USAID programs, issue grants. Generally, these subcontractor costs and grants are passed through to our clients and, in accordance with GAAP and industry practice, are included in our revenue when it is our contractual responsibility to procure or manage these activities. The grants are included as part of our subcontractor costs. Because subcontractor services can vary significantly from project to project and period to period, changes in revenue may not necessarily be indicative of our business trends. Accordingly, we segregate subcontractor costs from revenue to promote a better understanding of our business by evaluating revenue exclusive of costs associated with external service providers.

For the three and nine-month periods, prior-year acquisitions contributed approximately $19 million and $102 million to revenue growth, respectively. Excluding the effect of acquisitions, our revenue declined in both periods due to the prior-year completion of large wind energy and Iraq-related contracts and reduced activity on certain USAID, environmental remediation and water projects. Additionally, the decline was attributable to federal government delays in releasing new awards and reduced workload from many state and local government agencies and commercial clients due to the continuing weakness in the economy. The overall decline in both periods was partially offset by increased activity on EPA, DOE and FAA programs, as well as revenue growth from a large transportation infrastructure project and our international business. For the nine-month period, the revenue decline was partially offset by revenue growth on Base Realignment and Closure (BRAC) programs.

For the three and nine-month periods, excluding the effect of acquisitions, our revenue, net of subcontractor costs, grew 1.6% and declined 4.2% compared to the same periods last year, respectively. These percentage changes were more favorable than those for revenue due primarily to a significant decrease in subcontracting activity. This resulted from the completion of wind energy and Iraq-related projects, which were substantially subcontracted. However, our subcontracting activities remained relatively high due to USAID, BRAC and certain water programs. In addition, our program management activities on U.S. federal government contracts typically result in higher levels of subcontracting that are partially driven by government-mandated small business set-aside requirements.

For the three-month period, operating income remained flat despite the revenue growth. The lower margin was driven largely by increased overhead fringe benefit costs and amortization expense of intangible assets compared to the same period last year. For the nine-month period, operating income declined as a result of the revenue decrease. Additionally, our operating income was impacted by the $2.1 million of additional amortization expense of intangible assets related to recent business acquisitions. Further, for both periods, the prior-year operating income benefited from favorable claim settlements.

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For both periods, net interest expense decreased due to lower average borrowings. During the first nine months of fiscal 2010, we had no borrowings outstanding under our credit facility.

For both periods, income tax expense increased due to a higher effective tax rate. Our effective tax rates were 37.9% and 23.5% for the first nine months of fiscal years 2010 and 2009, respectively. The prior-year tax rate benefited from a $3.3 million adjustment in the second quarter of fiscal 2009 primarily from an appeals settlement with the IRS for fiscal years 1997 through 2001, and the recognition of $9.7 million in the third quarter of fiscal 2009 for previously unclaimed R&E Credits for periods prior to fiscal 2009.

For both periods, net income decreased due to reduced operating income and higher income tax expense, partially mitigated by lower net interest expense for the reasons described above.

Segment Results of Operations

In the second quarter of fiscal 2010, we began reporting Revenue , Subcontractor costs and Operating income , and discontinued reporting Gross profit and the percentage relationship of certain items to revenue, net of subcontractor costs.

Environmental Consulting Services

	Three Months Ended				Nine Months Ended			
	June 27, 2010	June 28, 2009	Change $	%	June 27, 2010	June 28, 2009	Change $	%
	($ in thousands)							
Revenue	$ 184,635	$ 157,680	$ 26,955	17.1%	$ 508,997	$ 429,224	$ 79,773	18.6%
Subcontractor costs	(49,508)	(36,468)	(13,040)	(35.8)	(132,386)	(114,145)	(18,241)	(16.0)
Revenue, net of subcontractor costs (1)	$ 135,127	$ 121,212	$ 13,915	11.5%	$ 376,611	$ 315,079	$ 61,532	19.5%
Operating income	$ 13,738	$ 13,236	$ 502	3.8%	$ 38,671	$ 31,300	$ 7,371	23.5%

(1) Represents a non-GAAP financial measure. For more information, see the Consolidated Results of Operations discussion above.

For the three and nine-month periods, revenue growth resulted from the effect of prior-year acquisitions, which accounted for approximately $14 million and $76 million for the three and nine-month periods, respectively. Excluding the effect of acquisitions, revenue grew 8.3% for the three-month period, primarily driven by demand for international mining services. For the nine-month period, revenue grew slightly due to demand for mining services, and increased workload on federal, state and local government programs, largely offset by a revenue decline resulting from funding and contract delays on a large environmental remediation project.

For the three and nine-month periods, the prior-year acquisitions contributed approximately $6 million and $57 million in revenue, net of subcontractor costs, respectively. Excluding the effect of acquisitions, revenue, net of subcontractor costs, grew for both periods for the reasons described above.

For both periods, operating income increased due primarily to revenue growth. Additionally, the increase resulted from reductions in overhead costs, labor and other employee-related expenses in certain low-activity business areas. Further, contract costs related to inclement weather, regulatory delays, subcontractor issues and provision for losses on contracts and related receivables were lower, particularly in the first half year. The overall increases were partially offset by reduced income from the aforementioned commercial project, which was highly profitable.

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Technical Support Services

	Three Months Ended				Nine Months Ended			
	June 27, 2010	June 28, 2009	Change $	%	June 27, 2010	June 28, 2009	Change $	%
	($ in thousands)							
Revenue	$ 131,139	$ 136,940	$ (5,801)	(4.2)%	$ 381,533	$ 389,995	$ (8,462)	(2.2)%
Subcontractor costs	(50,441)	(56,625)	6,184	10.9	(139,861)	(154,641)	14,780	9.6
Revenue, net of subcontractor costs (1)	$							