

BLACKROCK MUNIYIELD NEW JERSEY FUND, INC.
Form N-CSRS
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SECURITIES AND EXCHANGE COMMISSION

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FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-06570

Name of Fund: BlackRock MuniYield New Jersey Fund, Inc. (MYJ)

Fund Address: 100 Bellevue Parkway, Wilmington, DE 19809

Name and address of agent for service: John M. Perlowski, Chief Executive Officer, BlackRock MuniYield New Jersey Fund, Inc., 55 East 52nd Street, New York, NY 10055

Registrant's telephone number, including area code: (800) 882-0052, Option 4

Date of fiscal year end: 07/31/2014

Date of reporting period: 01/31/2014

Item 1 – Report to Stockholders

JANUARY 31, 2014

SEMI-ANNUAL REPORT (UNAUDITED)

BlackRock Muni New York Intermediate Duration Fund, Inc. (MNE)

BlackRock MuniYield Arizona Fund, Inc. (MZA)

BlackRock MuniYield California Fund, Inc. (MYC)

BlackRock MuniYield Investment Fund (MYF)

BlackRock MuniYield New Jersey Fund, Inc. (MYJ)

Not FDIC Insured May Lose Value No Bank Guarantee

Table of Contents

	Page
Dear Shareholder	3
Semi-Annual Report:	
Municipal Market Overview	4
The Benefits and Risks of Leveraging	5
Derivative Financial Instruments	5
Fund Summaries	6
Financial Statements:	
Schedules of Investments	16
Statements of Assets and Liabilities	35
Statements of Operations	36
Statements of Changes in Net Assets	37
Statements of Cash Flows	40
Financial Highlights	41
Notes to Financial Statements	46
Officers and Directors	54
Additional Information	55
2SEMI-ANNUAL REPORT JANUARY 31, 2014	

Dear Shareholder

One year ago, US financial markets were improving despite a sluggish global economy, as loose monetary policy beckoned investors to take on more risk in their portfolios. Slow but positive growth in the US was sufficient to support corporate earnings, while uncomfortably high unemployment reinforced expectations that the Federal Reserve would continue its aggressive monetary stimulus programs. International markets were not as fruitful in the earlier part of the year given uneven growth rates and more direct exposure to macro risks such as the resurgence of political instability in Italy, the banking crisis in Cyprus and a generally poor outlook for European economies. Additionally, emerging markets significantly lagged the rest of the world due to slowing growth and structural imbalances.

Global financial markets were rattled in May when Fed Chairman Bernanke mentioned the possibility of reducing (or tapering) the central bank's asset purchase programs' comments that were widely misinterpreted as signaling an end to the Fed's zero-interest-rate policy. US Treasury yields rose sharply, triggering a steep sell-off across fixed income markets. (Bond prices move in the opposite direction of yields.) Equity prices also suffered as investors feared the implications of a potential end of a program that had greatly supported the markets. Markets rebounded in late June, however, when the Fed's tone turned more dovish, and improving economic indicators and better corporate earnings helped extend gains through most of the summer.

The fall was a surprisingly positive period for most asset classes after the Fed defied market expectations with its decision to delay tapering. Higher volatility returned in late September when the US Treasury Department warned that the national debt would soon breach its statutory maximum. The ensuing political brinksmanship led to a partial government shutdown, roiling global financial markets through the first half of October, but equities and other so-called risk assets resumed their rally when politicians engineered a compromise to reopen the government and extend the debt ceiling, at least temporarily.

The remainder of 2013 was generally positive for stock markets in the developed world, although investors continued to grapple with uncertainty about when and how much the Fed would scale back on stimulus. When the long-awaited taper announcement ultimately came in mid-December, the Fed reduced the amount of its monthly asset purchases but at the same time extended its time horizon for maintaining low short-term interest rates. Markets reacted positively, as this move signaled the Fed's perception of real improvement in the economy and investors were finally relieved from the tenacious anxiety that had gripped them for quite some time.

Investors' risk appetite diminished in the new year. Heightened volatility in emerging markets and mixed US economic data caused global equities to weaken in January while bond markets found renewed strength. While tighter global liquidity was an ongoing headwind for developing countries, financial troubles in Argentina and Turkey launched a sharp sell-off in a number of emerging market currencies. Unexpectedly poor economic data out of China added to the turmoil. In the US, most indicators continued to signal a strengthening economy; however, stagnant wage growth raised concerns about the sustainability of the overall positive momentum. US stocks underperformed other developed equity markets as a number of disappointing corporate earnings reports prompted investors to take advantage of lower valuations abroad.

While accommodative monetary policy was the main driver behind positive market performance over the period, it was also the primary cause of volatility and uncertainty. Developed market stocks were the strongest performers for the six- and 12-month periods ended January 31. In contrast, emerging markets were weighed down by uneven growth, high debt levels and severe currency weakness. Rising interest rates pressured US Treasury bonds and other high-quality fixed income sectors, including tax-exempt municipals and investment grade corporate bonds. High yield bonds, to the contrary, benefited from income-oriented investors' search for yield in the low-rate environment. Short-term interest rates remained near zero, keeping yields on money market securities near historical lows.

At BlackRock, we believe investors need to think globally and extend their scope across a broader array of asset classes and be prepared to move freely as market conditions change over time. We encourage you to talk with your financial advisor and visit www.blackrock.com for further insight about investing in today's world.

Sincerely,

Rob Kapito

President, BlackRock Advisors, LLC

While accommodative monetary policy was the main driver behind positive market performance over the period, it was also the primary cause of volatility and uncertainty.

Rob Kapito

President, BlackRock Advisors, LLC

Total Returns as of January 31, 2014

	6-month	12-month
US large cap equities (S&P 500® Index)	6.85 %	21.52 %
US small cap equities (Russell 2000® Index)	8.88	27.03
International equities (MSCI Europe, Australasia, Far East Index)	7.51	11.93
Emerging market equities (MSCI Emerging Markets Index)	(0.33)	(10.17)
3-month Treasury bill (BofA Merrill Lynch 3-Month US Treasury Bill Index)	0.03	0.08
US Treasury securities (BofA Merrill Lynch 10-Year US Treasury Index)	0.77	(2.97)
US investment grade bonds (Barclays US Aggregate Bond Index)	1.78	0.12
Tax-exempt municipal bonds (S&P Municipal Bond Index)	3.13	(1.10)
US high yield bonds (Barclays US Corporate High Yield 2% Issuer Capped Index)	4.70	6.76

Past performance is no guarantee of future results. Index performance is shown for illustrative purposes only. You cannot invest directly in an index.

Municipal Market Overview
For the Reporting Period Ended January 31, 2014

Municipal Market Conditions

In the earlier months of 2013, municipal bond supply was met with robust demand as investors were starved for yield in the low-rate, low-return environment and seeking tax-exempt investments in light of higher US tax rates that became effective at the turn of the year. Investors moved into municipal bond mutual funds, favoring long-duration and high-yield funds as they tend to provide higher levels of income.

However, market conditions turned less favorable in May when the US Federal Reserve initially mentioned the eventual reduction of its bond-buying stimulus program (which ultimately took effect in January 2014). Further signals from the Fed alluding to a retrenchment of asset purchases led to rising interest rates and waning municipal bond performance in June. (Bond prices fall as rates rise.) Municipal bond mutual funds saw strong outflows in the last six months of 2013, before investors again sought the relative safety of the asset class in the New Year. For the 12-month period ended January 31, 2014, net outflows were approximately \$62.8 billion (based on data from the Investment Company Institute).

High levels of interest rate volatility resulted in a sharp curtailment of tax-exempt issuance in May through the end of the period. However, from a historical perspective, total new issuance for the 12 months ended January 31, 2014 remained relatively strong at \$322 billion (but meaningfully lower than the \$389 billion issued in the prior 12-month period). A significant portion of new supply during this period was attributable to refinancing activity (roughly 40%) as issuers took advantage of lower interest rates to reduce their borrowing costs. Total new supply was also supported by recent activity in the taxable market, where taxable municipal issuance was up approximately 15% year-over-year.

S&P Municipal Bond Index

Total Returns as of January 31, 2014

6 months: 3.13%

12 months: (1.10)%

A Closer Look at Yields

From January 31, 2013 to January 31, 2014, muni yields increased by 99 basis points (bps) from 2.86% to 3.85% on AAA-rated 30-year municipal bonds, while increasing 71 bps from 1.82% to 2.53% on 10-year bonds and rising another 31 bps from 0.79% to 1.10% on 5-year issues (as measured by Thomson Municipal Market Data). Overall, the municipal yield curve remained relatively steep over the 12-month period as the spread between 2- and 30-year maturities widened by 103 bps and the spread between 2- and 10-year maturities widened by 75 bps.

During the same time period, US Treasury rates rose by 43 bps on 30-year and 66 bps on 10-year bonds, while moving up 61 bps in 5-years. Accordingly, tax-exempt municipal bonds underperformed Treasuries on the long end of the yield curve as investors sought to reduce interest rate risk later in the period. On the short end of the curve, the outperformance of municipal bonds versus Treasuries was driven largely by a supply/demand imbalance within the municipal market and a rotation from long-duration assets (which are more sensitive to interest rate movements) into short- and intermediate-duration investments (which are less sensitive to interest rate movements). Additionally, municipal bonds benefited from the increased appeal of tax-exempt investing in the new higher tax rate environment. The asset class is known for its lower relative volatility and preservation of principal with an emphasis on income as tax rates rise. The municipal market continues to be an attractive avenue for investors seeking yield in today's environment, particularly as the recent correction has restored value in the market and placed yields at levels not obtainable since early 2011. However, opportunities have not been as broad-based as in 2011 and 2012, warranting a more tactical approach going forward.

Financial Conditions of Municipal Issuers Continue to Improve

Following an extended period of nation-wide austerity and de-leveraging as states sought to balance their budgets, 14 consecutive quarters of positive revenue growth coupled with the elimination of more than 750,000 jobs in recent years have put state and local governments in a better financial position. Many local municipalities, however, continue to face increased health care and pension costs passed down from the state level. BlackRock maintains the view that municipal bond defaults will be minimal and remain in

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the periphery, and that the overall market is fundamentally sound. We continue to recognize that careful credit research, appropriate structure and security selection remain imperative amid uncertainty in this tepid economic environment.

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4 SEMI-ANNUAL REPORT JANUARY 31, 2014

The Benefits and Risks of Leveraging

The Funds may utilize leverage to seek to enhance the yield and net asset value (NAV) of their common shares (Common Shares). However, these objectives cannot be achieved in all interest rate environments.

To obtain leverage, the Funds issue Variable Rate Demand Preferred Shares (VRDP Shares) (VRDP Shares are referred to as Preferred Shares). Preferred Shares pay dividends at prevailing short-term interest rates, and the Funds invest the proceeds in long-term municipal bonds. In general, the concept of leveraging is based on the premise that the financing cost of assets to be obtained from leverage, which will be based on short-term interest rates, will normally be lower than the income earned by each Fund on its longer-term portfolio investments. To the extent that the total assets of each Fund (including the assets obtained from leverage) are invested in higher-yielding portfolio investments, each Fund s shareholders will benefit from the incremental net income.

The interest earned on securities purchased with the proceeds from leverage is paid to shareholders in the form of dividends, and the value of these portfolio holdings is reflected in the per share NAV. However, in order to benefit shareholders, the yield curve must be positively sloped; that is, short-term interest rates must be lower than long-term interest rates. If the yield curve becomes negatively sloped, meaning short-term interest rates exceed long-term interest rates, income to shareholders will be lower than if the Funds had not used leverage.

To illustrate these concepts, assume a Fund s Common Shares capitalization is \$100 million and it issues Preferred Shares for an additional \$50 million, creating a total value of \$150 million available for investment in long-term municipal bonds. If prevailing short-term interest rates are 3% and long-term interest rates are 6%, the yield curve has a strongly positive slope. In this case, the Fund pays dividends on the \$50 million of Preferred Shares based on the lower short-term interest rates. At the same time, the securities purchased by the Fund with assets received from Preferred Shares issuance earn income based on long-term interest rates. In this case, the dividends paid to holders of Preferred Shares (Preferred Shareholders) are significantly lower than the income earned on the Fund s long-term investments, and therefore the holders of Common Shares (Common Shareholders) are the beneficiaries of the incremental net income.

If short-term interest rates rise, narrowing the differential between short-term and long-term interest rates, the incremental net income pickup will be reduced or eliminated completely. Furthermore, if prevailing short-term interest rates rise above long-term interest rates, the yield curve has a negative slope. In this case, the Fund pays higher short-term interest rates whereas the Fund s total portfolio earns income based on lower long-term interest rates.

Furthermore, the value of the Funds portfolio investments generally varies inversely with the direction of long-term interest rates, although other factors can influence the value of portfolio investments. In contrast, the redemption value of the Funds Preferred Shares does not fluctuate in relation to interest rates. As a result, changes in interest rates can influence the Funds NAVs positively or negatively in addition to the impact on Fund performance from leverage from Preferred Shares discussed above.

The Funds may also leverage their assets through the use of tender option bond trusts (TOBs), as described in Note 3 of the Notes to Financial Statements. TOB investments generally will provide the Funds with economic benefits in periods of declining short-term interest rates, but expose the Funds to risks during periods of rising short-term interest rates similar to those associated with Preferred Shares issued by the Funds, as described above. Additionally, fluctuations in the market value of municipal bonds deposited into the TOB trust may adversely affect each Fund s NAV per share.

The use of leverage may enhance opportunities for increased income to the Funds and Common Shareholders, but as described above, it also creates risks as short- or long-term interest rates fluctuate. Leverage also will generally cause greater changes in the Funds NAVs, market prices and dividend rates than comparable portfolios without leverage. If the income derived from securities purchased with assets received from leverage exceeds the cost of leverage, the Funds net income will be greater than if leverage had not been used. Conversely, if the income from the securities purchased is not sufficient to cover the cost of leverage, each Fund s net income will be less than if leverage had not been used, and therefore the amount available for distribution to Common Shareholders will be reduced. Each Fund may be required to sell portfolio securities at inopportune times or at distressed values in order to comply with regulatory requirements applicable to the use of leverage or as required by the terms of leverage instruments, which may cause a Fund to incur losses. The use of leverage may limit each Fund s ability to invest in certain types of securities or use certain types of hedging strategies, such as in the case of certain restrictions imposed by rating agencies that rate the Preferred Shares issued by the Funds. Each Fund will incur expenses in connection with the use of leverage, all of which are borne by Common Shareholders and may reduce income to the Common Shares.

Under the Investment Company Act of 1940, as amended (the 1940 Act), the Funds are permitted to issue senior securities in the form of equity securities (e.g. Preferred Shares) up to 50% of their total managed assets (each Fund s total assets less its total

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accrued liabilities). In addition, each Fund with VRDP Shares limits its economic leverage to 45% of its total managed assets. As of January 31, 2014, the Funds had economic leverage from Preferred Shares and/or TOBs as a percentage of their total managed assets as follows:

	Percent of Economic Leverage	
MNE	37	%
MZA	39	%
MYC	38	%
MYF	40	%
MYJ	39	%

Derivative Financial Instruments

The Funds may invest in various derivative financial instruments, including financial futures contracts, as specified in Note 4 of the Notes to Financial Statements, which may constitute forms of economic leverage. Such derivative financial instruments are used to obtain exposure to a security, index and/or market without owning or taking physical custody of securities or to hedge market and/or interest rate risks. Derivative financial instruments involve risks, including the imperfect correlation between the value of a derivative financial instrument and the underlying asset, possible default of the counterparty to the transaction or illiquidity of the derivative financial instrument. The Funds' ability to use a derivative financial instrument successfully depends on the investment advisor's ability to predict pertinent market movements accurately, which cannot be assured. The use of derivative financial instruments may result in losses greater than if they had not been used, may require a Fund to sell or purchase portfolio investments at inopportune times or for distressed values, may limit the amount of appreciation a Fund can realize on an investment, may result in lower dividends paid to shareholders and/or may cause a Fund to hold an investment that it might otherwise sell. The Funds' investments in these instruments are discussed in detail in the Notes to Financial Statements.

SEMI-ANNUAL REPORT JANUARY 31, 2014 5

Fund Summary as of January 31, 2014
Fund Overview

BlackRock Muni New York Intermediate Duration Fund, Inc.

BlackRock Muni New York Intermediate Duration Fund, Inc. s (MNE) (the Fund) investment objective is to provide shareholders with high current income exempt from federal income tax and New York State and New York City personal income taxes. The Fund seeks to achieve its investment objective by investing at least 80% of its assets in municipal obligations exempt from federal income tax (except that the interest may be subject to the federal alternative minimum tax) and New York State and New York City personal income taxes. Under normal market conditions, the Fund invests at least 75% of its assets in municipal obligations that are investment grade quality at the time of investment. Under normal market conditions, the Fund invests at least 80% of its assets in municipal obligations with a duration of three to ten years. The Fund may invest directly in such securities or synthetically through the use of derivatives.

No assurance can be given that the Fund s investment objective will be achieved.

Performance

For the six-month period ended January 31, 2014, the Fund returned 4.82% based on market price and 4.13% based on NAV. For the same period, the closed-end Lipper Intermediate Municipal Debt Funds category posted an average return of 5.89% based on market price and 4.25% based on NAV. All returns reflect reinvestment of dividends. The Fund s discount to NAV, which narrowed during the period, accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV.

Tax-exempt rates declined over the course of the period, with longer-duration bonds (those with higher sensitivity to interest rate movements) and bonds with maturities beyond 15 years tending to provide the largest returns. (Bond prices rise when rates fall.) In this environment, the Fund s holdings in health care, education and transportation were positive contributors to performance as these were the best performing sectors. Exposure to lower-coupon bonds also benefited returns as they had strong price performance due to their relatively long durations for their respective maturities. The Fund s significant exposure to high-quality issues had a positive impact on results as the market s strongest performance during the period was concentrated in high-quality issues. Additionally, the Fund benefited from income generated from coupon payments on its municipal bond holdings. The use of leverage allowed the Fund to enhance its income.

The Fund s exposure to Puerto Rico government-related credits, although limited, was a detractor from results as credit spreads on these bonds widened materially during the period due to investors lack of confidence and a weak local economy. The Fund s positions in Puerto Rico government-related securities were eliminated by the end of the period.

The views expressed reflect the opinions of BlackRock as of the date of this report and are subject to change based on changes in market, economic or other conditions. These views are not intended to be a forecast of future events and are no guarantee of future results.

Fund Information

Symbol on New York Stock Exchange (NYSE)	MNE
Initial Offering Date	August 1, 2003
Yield on Closing Market Price as of January 31, 2014 (\$13.31) ¹	5.50%
Tax Equivalent Yield ²	11.15%
Current Monthly Distribution per Common Share ³	\$0.061
Current Annualized Distribution per Common Share ³	\$0.732
Economic Leverage as of January 31, 2014 ⁴	37%

¹ Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. Past performance does not guarantee future results.

² Tax equivalent yield assumes the maximum marginal federal and state tax rate of 50.67%, which includes the 3.8% Medicare tax. Actual tax rates will vary based on income, exemptions and deductions. Lower taxes will result in lower tax equivalent yields.

³ The distribution rate is not constant and is subject to change.

⁴ Represents VRDP Shares and TOBs as a percentage of total managed assets, which is the total assets of the Fund, including any assets attributable to VRDP Shares and TOBs, minus the sum of accrued liabilities. For a discussion of leveraging techniques utilized by the Fund, please see The Benefits and Risks of Leveraging on page 5.

BlackRock Muni New York Intermediate Duration Fund, Inc.

Market Price and Net Asset Value Per Share Summary

	1/31/14	7/31/13	Change	High	Low
Market Price	\$13.31	\$13.06	1.91%	\$13.80	\$12.49
Net Asset Value	\$14.72	\$14.54	1.24%	\$14.79	\$13.95

Market Price and Net Asset Value History For the Past Five Years

Overview of the Fund's Long-Term Investments

Sector Allocation	1/31/14	7/31/13
County/City/Special District/School District	22%	17%
Transportation	18	20
Education	13	12
Utilities	12	12
Health	12	13
State	10	13
Corporate	7	7
Housing	6	6
Credit Quality Allocation ¹	1/31/14	7/31/13
AAA/Aaa	7%	6%
AA/Aa	48	47
A	30	32
BBB/Baa	8	8
BB/Ba	4	3
Not Rated ²	3	4

¹ Using the higher of Standard & Poor's (S&P) or Moody's Investors Service (Moody's) ratings.

² The investment advisor has deemed certain of these non-rated securities to be of investment grade quality. As of January 31, 2014 and July 31, 2013, the market value of these securities was \$1,317,449 and \$530,726, each representing 1%, respectively, of the Fund's long-term investments.

Call/Maturity Schedule³

Calendar Year Ended December 31,

2014	4%
2015	8
2016	11
2017	5
2018	10

³ Scheduled maturity dates and/or bonds that are subject to potential calls by issuers over the next five years.

Fund Summary as of January 31, 2014

BlackRock MuniYield Arizona Fund, Inc.

Fund Overview

BlackRock MuniYield Arizona Fund, Inc. s (MZA) (the Fund) investment objective is to provide shareholders with as high a level of current income exempt from federal and Arizona income taxes as is consistent with its investment policies and prudent investment management. The Fund seeks to achieve its investment objective by investing at least 80% of its assets in municipal obligations exempt from federal income taxes (except that the interest may be subject to the federal alternative minimum tax) and Arizona income taxes. Under normal market conditions, the Fund expects to invest at least 75% of its assets in municipal obligations that are investment grade quality at the time of investment. The Fund may invest directly in such securities or synthetically through the use of derivatives.

No assurance can be given that the Fund s investment objective will be achieved.

Performance

For the six-month period ended January 31, 2014, the Fund returned 5.53% based on market price and 6.02% based on NAV. For the same period, the closed-end Lipper Other States Municipal Debt Funds category posted an average return of 3.25% based on market price and 4.82% based on NAV. All returns reflect reinvestment of dividends. The Fund s discount to NAV, which widened during the period, accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV.

Contributing positively to performance was the Fund s income accrual generated from coupon payments on its portfolio of Arizona state tax-exempt municipal bonds. The Fund s duration exposure (sensitivity to interest rate movements) had a positive impact on returns as municipal interest rates declined during the period. (Bond prices rise when rates fall.) Exposure to longer-dated bonds added to returns as the municipal yield curve flattened (i.e., longer-term rates fell more than shorter-term rates).

The Fund s exposure to Puerto Rico government-related credits, although limited, was a detractor from results as credit spreads on these bonds widened materially during the period due to investors lack of confidence and a weak local economy. The Fund s positions in Puerto Rico government-related securities were eliminated by the end of the period.

The views expressed reflect the opinions of BlackRock as of the date of this report and are subject to change based on changes in market, economic or other conditions. These views are not intended to be a forecast of future events and are no guarantee of future results.

Fund Information

Symbol on NYSE MKT	MZA
Initial Offering Date	October 29, 1993
Yield on Closing Market Price as of January 31, 2014 (\$13.63) ¹	6.12%
Tax Equivalent Yield ²	11.33%
Current Monthly Distribution per Common Share ³	\$0.0695
Current Annualized Distribution per Common Share ³	\$0.8340
Economic Leverage as of January 31, 2014 ⁴	39%

¹ Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. Past performance does not guarantee future results.

² Tax equivalent yield assumes the maximum marginal federal and state tax rate of 45.97%, which includes the 3.8% Medicare tax. Actual tax rates will vary based on income, exemptions and deductions. Lower taxes will result in lower tax equivalent yields.

³ The distribution rate is not constant and is subject to change.

⁴ Represents VRDP Shares and TOBs as a percentage of total managed assets, which is the total assets of the Fund, including any assets attributable to VRDP Shares and TOBs, minus the sum of accrued liabilities. For a discussion of leveraging techniques utilized by the Fund, please see The Benefits and Risks of Leveraging on page 5.

8 SEMI-ANNUAL REPORT JANUARY 31, 2014

BlackRock MuniYield Arizona Fund, Inc.

Market Price and Net Asset Value Per Share Summary

	1/31/14	7/31/13	Change	High	Low
Market Price	\$13.63	\$13.33	2.25%	\$13.89	\$12.66
Net Asset Value	\$13.94	\$13.57	2.73%	\$13.95	\$12.92

Market Price and Net Asset Value History For the Past Five Years

Overview of the Fund's Long-Term Investments

Sector Allocation	1/31/14	7/31/13
County/City/Special District/School District	26%	29%
Utilities	20	20
State	14	17
Education	13	12
Health	13	11
Corporate	10	8
Transportation	3	2
Housing	1	1

Credit Quality Allocation¹

	1/31/14	7/31/13
AAA/Aaa	12%	13%
AA/Aa	45	41
A	32	34
BBB/Baa	7	8
B	1	1
Not Rated ²	3	3

¹ Using the higher of S&P's or Moody's ratings.

² The investment advisor has deemed certain of these non-rated securities to be of investment grade quality. As of January 31, 2014 and July 31, 2013, the market value of these securities was \$1,095,590 and \$1,120,000, each representing 1%, respectively, of the Fund's long-term investments.

Call/Maturity Schedule³

Calendar Year Ended December 31,

2014	6%
2015	7
2016	5
2017	2
2018	29

³ Scheduled maturity dates and/or bonds that are subject to potential calls by issuers over the next five years.

Fund Summary as of January 31, 2014

BlackRock MuniYield California Fund, Inc.

Fund Overview

BlackRock MuniYield California Fund, Inc. s (MYC) (the Fund) investment objective is to provide shareholders with as high a level of current income exempt from federal and California income taxes as is consistent with its investment policies and prudent investment management. The Fund seeks to achieve its investment objective by investing at least 80% of its assets in municipal obligations exempt from federal income taxes (except that the interest may be subject to the federal alternative minimum tax) and California income taxes. Under normal market conditions, the Fund invests primarily in long-term municipal obligations that are investment grade quality at the time of investment. The Fund may invest up to 20% of its total assets in securities rated below investment grade or deemed equivalent at the time of purchase. The Fund may invest directly in such securities or synthetically through the use of derivatives.

No assurance can be given that the Fund s investment objective will be achieved.

Performance

For the six-month period ended January 31, 2014, the Fund returned 7.65% based on market price and 8.12% based on NAV. For the same period, the closed-end Lipper California Municipal Debt Funds category posted an average return of 8.06% based on market price and 6.82% based on NAV. All returns reflect reinvestment of dividends. The Fund s discount to NAV, which widened during the period, accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV.

The Fund s exposure to bonds with longer maturities, which tend to have higher durations (greater sensitivity to interest rate movements), contributed positively to performance as tax-exempt rates declined during the period. (Bond prices rise when rates fall.) Security selection had a positive impact on returns as the Fund s holdings of high-quality school district issues performed well due to continued improvement in the State of California s finances. Holdings of securities in the education and utilities sectors also added to results. Leverage on the Fund s assets achieved through the use of tender option bonds amplified the positive effect of falling rates on performance.

While the Fund s cash reserves were generally maintained at a minimal level, to the extent reserves were held, the cash holdings added little in the form of additional yield and provided no price appreciation in a generally positive period for the municipal market.

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Fund Information

Symbol on NYSE	MYC
Initial Offering Date	February 28, 1992
Yield on Closing Market Price as of January 31, 2014 (\$14.51) ¹	6.53%
Tax Equivalent Yield ²	13.31%
Current Monthly Distribution per Common Share ³	\$0.079
Current Annualized Distribution per Common Share ³	\$0.948
Economic Leverage as of January 31, 2014 ⁴	38%

¹ Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. Past performance does not guarantee future results.

² Tax equivalent yield assumes the maximum marginal federal and state tax rate of 50.93%, which includes the 3.8% Medicare tax. Actual tax rates will vary based on income, exemptions and deductions. Lower taxes will result in lower tax equivalent yields.

³ The distribution rate is not constant and is subject to change.

⁴ Represents VRDP Shares and TOBs as a percentage of total managed assets, which is the total assets of the Fund, including any assets attributable to VRDP Shares and TOBs, minus the sum of accrued liabilities. For a discussion of leveraging techniques utilized by the Fund, please see The Benefits and Risks of Leveraging on page 5.

10SEMI-ANNUAL REPORT JANUARY 31, 2014

BlackRock MuniYield California Fund, Inc.

Market Price and Net Asset Value Per Share Summary

	1/31/14	7/31/13	Change	High	Low
Market Price	\$14.51	\$13.94	4.09%	\$15.18	\$13.16
Net Asset Value	\$15.64	\$14.96	4.55%	\$15.66	\$14.31

Market Price and Net Asset Value History For the Past Five Years

Overview of the Fund's Long-Term Investments

Sector Allocation	1/31/14	7/31/13
County/City/Special District/School District	40%	41%
Utilities	20	22
Education	12	10
Health	11	11
Transportation	7	6
State	7	8
Corporate	1	1
Housing	1	1
Tobacco	1	

Credit Quality Allocation ¹	1/31/14	7/31/13
AAA/Aaa	5 %	10%
AA/Aa	72	67
A	20	22
BBB/Baa	1	1
BB	2	

¹ Using the higher of S&P's or Moody's ratings.

Call/Maturity Schedule²

Calendar Year Ended December 31,

2014	2%
2015	2
2016	11
2017	8
2018	17

² Scheduled maturity dates and/or bonds that are subject to potential calls by issuers over the next five years.

SEMI-ANNUAL REPORT JANUARY 31, 2014 11

Fund Summary as of January 31, 2014
Fund Overview

BlackRock MuniYield Investment Fund

BlackRock MuniYield Investment Fund s (MYF) (the Fund) investment objective is to provide shareholders with as high a level of current income exempt from federal income taxes as is consistent with its investment policies and prudent investment management. The Fund seeks to achieve its investment objective by investing at least 80% of its assets in municipal obligations exempt from federal income taxes (except that the interest may be subject to the federal alternative minimum tax). Under normal market conditions, the Fund primarily invests in municipal bonds that are investment grade quality at the time of investment. The Fund may invest up to 20% of its total assets in securities rated below investment grade or deemed equivalent at the time of purchase. The Fund may invest directly in such securities or synthetically through the use of derivatives.

No assurance can be given that the Fund s investment objective will be achieved.

Performance

For the six-month period ended January 31, 2014, the Fund returned 8.22% based on market price and 6.61% based on NAV. For the same period, the closed-end Lipper General & Insured Municipal Debt Funds (Leveraged) category posted an average return of 7.76% based on market price and 5.69% based on NAV. All returns reflect reinvestment of dividends. The Fund s discount to NAV, which narrowed during the period, accounts for the difference between performance based on price and performance based on NAV. The following discussion relates to performance based on NAV.

The Fund benefited from its holdings in the State of California. The continued improvement in the State s economy was the catalyst for the price appreciation in these bonds. Additionally, as the municipal yield curve flattened during the period (i.e., rates on longer-dated bonds fell more than rates on shorter-dated securities), the Fund s longer-dated holdings in health care, education and transportation experienced the strongest price appreciation. (Bond prices rise when rates fall.)

The Fund s exposure to Puerto Rico government-related credits, although limited, was a detractor from results as credit spreads on these bonds widened materially during the period due to investors lack of confidence and a weak local economy. The Fund s positions in Puerto Rico government-related securities were eliminated by the end of the period.

The views expressed reflect the opinions of BlackRock as of the date of this report and are subject to change based on changes in market, economic or other conditions. These views are not intended to be a forecast of future events and are no guarantee of future results.

Fund Information

Symbol on NYSE	MYF
Initial Offering Date	February 28, 1992
Yield on Closing Market Price as of January 31, 2014 (\$14.16) ¹	6.69%
Tax Equivalent Yield ²	11.82%
Current Monthly Distribution per Common Share ³	\$0.079
Current Annualized Distribution per Common Share ³	\$0.948
Economic Leverage as of January 31, 2014 ⁴	40%

¹ Yield on closing market price is calculated by dividing the current annualized distribution per share by the closing market price. Past performance does not guarantee future results.

² Tax equivalent yield assumes the maximum marginal federal tax rate of 43.4%, which includes the 3.8% Medicare tax. Actual tax rates will vary based on income, exemptions and deductions. Lower taxes will result in lower tax equivalent yields.

³ The distribution rate is not constant and is subject to change.

⁴ Represents VRDP Shares and TOBs as a percentage of total managed assets, which is the total assets of the Fund, including any assets attributable to VRDP Shares and TOBs, minus the sum of accrued liabilities. For a discussion of leveraging techniques utilized by the Fund, please see The Benefits and Risks of Leveraging on page 5.

12SEMI-ANNUAL REPORT JANUARY 31, 2014

BlackRock MuniYield Investment Fund

Market Price and Net Asset Value Per Share Summary

	1/31/14	7/31/13	Change	High	Low
Market Price	\$14.16	\$13.55	4.50%	\$14.31	\$12.51
Net Asset Value	\$14.68	\$14.26	2.95%	\$14.70	\$13.61

the failure of the U.S. government to complete its budget and appropriations process before its fiscal year-end, which would result in the funding of government operations by means of a continuing resolution that authorizes agencies to continue to operate but does not authorize new spending initiatives. As a result, U.S. government agencies may delay the procurement of services;

changes in and delays or cancellations of government programs, requirements or appropriations;

budget constraints or policy changes resulting in delay or curtailment of expenditures related to the services we provide;

re-compete of government contracts;

the timing and amount of tax revenue received by federal, and state and local governments, and the overall level of government expenditures;

curtailment in the use of government contracting firms;

delays associated with insufficient numbers of government staff to oversee contracts;

the increasing preference by government agencies for contracting with small and disadvantaged businesses;

competing political priorities and changes in the political climate with regard to the funding or operation of the services we provide;

the adoption of new laws or regulations affecting our contracting relationships with the federal, state or local governments;

unsatisfactory performance on government contracts by us or one of our subcontractors, negative government audits or other events that may impair our relationship with federal, state or local governments;

a dispute with or improper activity by any of our subcontractors; and

general economic or political conditions.

Our inability to win or renew U.S. government contracts during regulated procurement processes could harm our operations and significantly reduce or eliminate our profits.

U.S. government contracts are awarded through a regulated procurement process. The U.S. federal government has increasingly relied upon multi-year contracts with pre-established terms and conditions, such as indefinite delivery/indefinite quantity ("IDIQ") contracts, which generally require those contractors who have previously been awarded the IDIQ to engage in an additional competitive bidding process before a task order is issued. As a result, new work awards tend to be smaller and of shorter duration, since the orders represent individual tasks rather than large, programmatic assignments. In addition, we believe that there has been an increase in the award of federal contracts based on a low-price, technically acceptable criteria emphasizing price over qualitative factors, such as past performance. As a result, pricing pressure may reduce our profit margins on future federal contracts. The increased competition and pricing pressure, in turn, may require us to make sustained efforts to reduce costs in order to realize revenue, and profits under government contracts. If we are not successful in reducing the amount of costs we incur, our profitability on government contracts will be negatively impacted. In addition, the U.S. federal government has scaled back outsourcing of services in favor of "insourcing" jobs to its employees, which could reduce our revenue. Moreover, even if we are qualified to work on a government contract, we may not be awarded the contract because of existing government policies designed to protect small businesses and under-represented minority contractors. Our inability to win or renew government contracts during regulated

procurement processes could harm our operations and significantly reduce or eliminate our profits.

Each year, client funding for some of our U.S. government contracts may rely on government appropriations or public-supported financing. If adequate public funding is delayed or is not available, then our profits and revenue could decline.

Each year, client funding for some of our U.S. government contracts may directly or indirectly rely on government appropriations or public-supported financing. Legislatures may appropriate funds for a given project on a year-by-year basis, even though the project may take more than one year to perform. In addition, public-supported financing such as U.S. state and local municipal bonds may be only partially raised to support existing projects. Similarly, an economic downturn may make it more difficult for U.S. state and local governments to fund projects. In addition to the state of the economy and competing political priorities, public funds and the timing of payment of these funds may be influenced by, among other things, curtailments in the use of government contracting firms, increases in raw material costs, delays associated with insufficient numbers of government staff to oversee contracts, budget constraints, the timing and amount of tax receipts, and the overall level of government expenditures. If adequate public funding is not available or is delayed, then our profits and revenue could decline.

Our U.S. federal government contracts may give government agencies the right to modify, delay, curtail, renegotiate, or terminate existing contracts at their convenience at any time prior to their completion, which may result in a decline in our profits and revenue.

U.S. federal government projects in which we participate as a contractor or subcontractor may extend for several years. Generally, government contracts include the right to modify, delay, curtail, renegotiate, or terminate contracts and subcontracts at the government's convenience any time prior to their completion. Any decision by a U.S. federal government client to modify, delay, curtail, renegotiate, or terminate our contracts at their convenience may result in a decline in our profits and revenue.

As a U.S. government contractor, we must comply with various procurement laws and regulations and are subject to regular government audits; a violation of any of these laws and regulations or the failure to pass a government audit could result in sanctions, contract termination, forfeiture of profit, harm to our reputation or loss of our status as an eligible government contractor and could reduce our profits and revenue.

We must comply with and are affected by U.S. federal, state, local, and foreign laws and regulations relating to the formation, administration and performance of government contracts. For example, we must comply with FAR, the Truth in Negotiations Act, CAS, the American Recovery and Reinvestment Act of 2009, the Services Contract Act, and the DoD security regulations, as well as many other rules and regulations. In addition, we must also comply with other government regulations related to employment practices, environmental protection, health and safety, tax, accounting, and anti-fraud measures, as well as many other regulations in order to maintain our government contractor status. These laws and regulations affect how we do business with our clients and, in some instances, impose additional costs on our business operations. Although we take precautions to prevent and deter fraud, misconduct, and non-compliance, we face the risk that our employees or outside partners may engage in misconduct, fraud, or other improper activities. U.S. government agencies, such as the DCAA, routinely audit and investigate government contractors. These government agencies review and audit a government contractor's performance under its contracts and cost structure, and evaluate compliance with applicable laws, regulations, and standards. In addition, during the course of its audits, the DCAA may question our incurred project costs. If the DCAA believes we have accounted for such costs in a manner inconsistent with the requirements for FAR or CAS, the DCAA auditor may recommend to our U.S. government corporate administrative contracting officer that such costs be disallowed. Historically, we have not experienced significant disallowed costs as a result of

government audits. However, we can provide no assurance that the DCAA or other government audits will not result in material disallowances for incurred costs in the future. In addition, U.S. government contracts are subject to various other requirements relating to the formation, administration, performance, and accounting for these contracts. We may also be subject to qui tam litigation brought by private individuals on behalf of the U.S. government under the Federal Civil False Claims Act, which could include claims for treble damages. For example, as discussed elsewhere in this report, on October 15, 2018, the Civil Division of the United States Attorney's Office filed a notice of election to intervene in three qui tam actions filed against our subsidiary, Tetra Tech EC, Inc. ("TtEC"), in the U.S. District Court for the Northern District of California. The complaints of the qui tam relators allege False Claims Act violations related to TtEC's contracts to perform environmental remediation services at the former Hunters Point Naval Shipyard in San Francisco, California. U.S. government contract violations could result in the imposition of civil and criminal penalties or sanctions, contract termination, forfeiture of profit, and/or suspension of payment, any of which could make us lose our status as an eligible government contractor. We could also suffer serious harm to our reputation. Any interruption or termination of our U.S. government contractor status could reduce our profits and revenue significantly.

If we extend a significant portion of our credit to clients in a specific geographic area or industry, we may experience disproportionately high levels of collection risk and nonpayment if those clients are adversely affected by factors particular to their geographic area or industry.

Our clients include public and private entities that have been, and may continue to be, negatively impacted by the changing landscape in the global economy. While outside of the U.S. federal government no one client accounted for over 10% of our revenue for fiscal 2018, we face collection risk as a normal part of our business where we perform services and subsequently bill our clients for such services. In the event that we have concentrated credit risk from clients in a specific geographic area or industry, continuing negative trends or a worsening in the financial condition of that specific geographic area or industry could make us susceptible to disproportionately high levels of default by those clients. Such defaults could materially adversely impact our revenues and our results of operations.

We have made and expect to continue to make acquisitions. Acquisitions could disrupt our operations and adversely impact our business and operating results. Our failure to conduct due diligence effectively, or our inability to successfully integrate acquisitions, could impede us from realizing all of the benefits of the acquisitions, which could weaken our results of operations.

A key part of our growth strategy is to acquire other companies that complement our lines of business or that broaden our technical capabilities and geographic presence. We expect to continue to acquire companies as an element of our growth strategy; however, our ability to make acquisitions is restricted under our credit agreement. Acquisitions involve certain known and unknown risks that could cause our actual growth or operating results to differ from our expectations or the expectations of securities analysts. For example:

- we may not be able to identify suitable acquisition candidates or to acquire additional companies on acceptable terms;
- we are pursuing international acquisitions, which inherently pose more risk than domestic acquisitions;
- we compete with others to acquire companies, which may result in decreased availability of, or increased price for, suitable acquisition candidates;
- we may not be able to obtain the necessary financing, on favorable terms or at all, to finance any of our potential acquisitions;
- we may ultimately fail to consummate an acquisition even if we announce that we plan to acquire a company; and
- acquired companies may not perform as we expect, and we may fail to realize anticipated revenue and profits.

In addition, our acquisition strategy may divert management's attention away from our existing businesses, resulting in the loss of key clients or key employees, and expose us to unanticipated problems or legal liabilities, including responsibility as a successor-in-interest for undisclosed or contingent liabilities of acquired businesses or assets.

If we fail to conduct due diligence on our potential targets effectively, we may, for example, not identify problems at target companies, or fail to recognize incompatibilities or other obstacles to successful integration. Our inability to successfully integrate future acquisitions could impede us from realizing all of the benefits of those acquisitions and could severely weaken our business operations. The integration process may disrupt our business and, if implemented ineffectively, may preclude realization of the full benefits expected by us and could harm our results of operations. In addition, the overall integration of the combining companies may result in unanticipated problems, expenses, liabilities, and competitive responses, and may cause our stock price to decline. The difficulties of integrating an acquisition include, among others:

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issues in integrating information, communications, and other systems;

- incompatibility of logistics, marketing, and administration methods;
- maintaining employee morale and retaining key employees;
- integrating the business cultures of both companies;
- preserving important strategic client relationships;
- consolidating corporate and administrative infrastructures, and eliminating duplicative operations; and
- coordinating and integrating geographically separate organizations.

In addition, even if the operations of an acquisition are integrated successfully, we may not realize the full benefits of the acquisition, including the synergies, cost savings or growth opportunities that we expect. These benefits may not be achieved within the anticipated time frame, or at all.

Further, acquisitions may cause us to:

- issue common stock that would dilute our current stockholders' ownership percentage;
- use a substantial portion of our cash resources;
- increase our interest expense, leverage, and debt service requirements (if we incur additional debt to fund an acquisition);

assume liabilities, including environmental liabilities, for which we do not have indemnification from the former owners. Further, indemnification obligations may be subject to dispute or concerns regarding the creditworthiness of the former owners;

- record goodwill and non-amortizable intangible assets that are subject to impairment testing and potential impairment charges;
- experience volatility in earnings due to changes in contingent consideration related to acquisition earn-out liability estimates;
- incur amortization expenses related to certain intangible assets;
- lose existing or potential contracts as a result of conflict of interest issues;
- incur large and immediate write-offs; or
- become subject to litigation.

Finally, acquired companies that derive a significant portion of their revenue from the U.S. federal government and do not follow the same cost accounting policies and billing practices that we follow may be subject to larger cost disallowances for greater periods than we typically encounter. If we fail to determine the existence of unallowable costs and do not establish appropriate reserves at acquisition, we may be exposed to material unanticipated liabilities, which could have a material adverse effect on our business.

If our goodwill or intangible assets become impaired, then our profits may be significantly reduced.

Because we have historically acquired a significant number of companies, goodwill and intangible assets represent a substantial portion of our assets. As of September 30, 2018, our goodwill was \$798.8 million and intangible assets were \$16.1 million. We are required to perform a goodwill impairment test for potential impairment at least on an annual basis. We also assess the recoverability of the unamortized balance of our intangible assets when indications of impairment are present based on expected future profitability and undiscounted expected cash flows and their contribution to our overall operations. The goodwill impairment test requires us to determine the fair value of our reporting units, which are the components one level below our reportable segments. In determining fair value, we make significant judgments and estimates, including assumptions about our strategic plans with regard to our operations. We also analyze current economic indicators and market valuations to help determine fair value. To the extent economic conditions that would impact the future operations of our reporting units change, our goodwill may be deemed to be impaired, and we would be required to record a non-cash charge that could result in a material adverse effect on our financial position or results of operations. We had no goodwill impairment in fiscal 2016, fiscal 2017, or fiscal 2018.

We could be adversely affected by violations of the FCPA and similar worldwide anti-bribery laws.

The FCPA and similar anti-bribery laws generally prohibit companies and their intermediaries from making improper payments to foreign government officials for the purpose of obtaining or retaining business. The U.K. Bribery Act of 2010 prohibits both domestic and international bribery, as well as bribery across both private and public sectors. In addition, an organization that “fails to prevent bribery” by anyone associated with the organization can be charged under the U.K. Bribery Act unless the organization can establish the defense of having implemented “adequate procedures” to prevent bribery. Improper payments are also prohibited under the Canadian Corruption of Foreign Public Officials Act and the Brazilian Clean Companies Act. Local business practices in many countries outside the United States create a greater risk of government corruption than that found in the United States and other more developed countries. Our policies mandate compliance with anti-bribery laws, and we have established policies and procedures designed to monitor compliance with anti-bribery law requirements; however, we cannot ensure that our policies and procedures will protect us from potential reckless or criminal acts committed by individual

employees or agents. If we are found to be liable for anti-bribery law violations, we could suffer from criminal or civil penalties or other sanctions that could have a material adverse effect on our business.

We could be adversely impacted if we fail to comply with domestic and international export laws.

To the extent we export technical services, data and products outside of the United States, we are subject to U.S. and international laws and regulations governing international trade and exports, including but not limited to the International Traffic in Arms Regulations, the Export Administration Regulations, and trade sanctions against embargoed countries. A failure to comply with these laws and regulations could result in civil or criminal sanctions, including the imposition of fines, the denial of export privileges, and suspension or debarment from participation in U.S. government contracts, which could have a material adverse effect on our business.

If we fail to complete a project in a timely manner, miss a required performance standard, or otherwise fail to adequately perform on a project, then we may incur a loss on that project, which may reduce or eliminate our overall profitability.

Our engagements often involve large-scale, complex projects. The quality of our performance on such projects depends in large part upon our ability to manage the relationship with our clients and our ability to effectively manage the project and deploy appropriate resources, including third-party contractors and our own personnel, in a timely manner. We may commit to a client that we will complete a project by a scheduled date. We may also commit that a project, when completed, will achieve specified performance standards. If the project is not completed by the scheduled date or fails to meet required performance standards, we may either incur significant additional costs or be held responsible for the costs incurred by the client to rectify damages due to late completion or failure to achieve the required performance standards. The uncertainty of the timing of a project can present difficulties in planning the amount of personnel needed for the project. If the project is delayed or canceled, we may bear the cost of an underutilized workforce that was dedicated to fulfilling the project. In addition, performance of projects can be affected by a number of factors beyond our control, including unavoidable delays from government inaction, public opposition, inability to obtain financing, weather conditions, unavailability of vendor materials, changes in the project scope of services requested by our clients, industrial accidents, environmental hazards, and labor disruptions. To the extent these events occur, the total costs of the project could exceed our estimates, and we could experience reduced profits or, in some cases, incur a loss on a project, which may reduce or eliminate our overall profitability. Further, any defects or errors, or failures to meet our clients' expectations, could result in claims for damages against us. Failure to meet performance standards or complete performance on a timely basis could also adversely affect our reputation.

The loss of key personnel or our inability to attract and retain qualified personnel could impair our ability to provide services to our clients and otherwise conduct our business effectively.

As primarily a professional and technical services company, we are labor-intensive and, therefore, our ability to attract, retain, and expand our senior management and our professional and technical staff is an important factor in determining our future success. The market for qualified scientists and engineers is competitive and, from time to time, it may be difficult to attract and retain qualified individuals with the required expertise within the timeframe demanded by our clients. For example, some of our U.S. government contracts may require us to employ only individuals who have particular government security clearance levels. In addition, we rely heavily upon the expertise and leadership of our senior management. If we are unable to retain executives and other key personnel, the roles and responsibilities of those employees will need to be filled, which may require that we devote time and resources to identify, hire, and integrate new employees. With limited exceptions, we do not have employment agreements with any of our key personnel. The loss of the services of any of these key personnel could adversely affect our business. Although we have obtained non-compete agreements from certain principals and stockholders of companies we have acquired, we generally do not have non-compete or employment agreements with key employees who were once equity holders of these companies. Further, many of our non-compete agreements have expired. We do not maintain key-man life insurance policies on any of our executive officers or senior managers. Our failure to attract and retain key individuals could impair our ability to provide services to our clients and conduct our business effectively.

Our revenue and growth prospects may be harmed if we or our employees are unable to obtain government granted eligibility or other qualifications we and they need to perform services for our customers.

A number of government programs require contractors to have certain kinds of government granted eligibility, such as security clearance credentials. Depending on the project, eligibility can be difficult and time-consuming to obtain. If we or our employees are unable to obtain or retain the necessary eligibility, we

may not be able to win new business, and our existing customers could terminate their contracts with us or decide not to renew them. To the extent we cannot obtain or maintain the required security clearances for our employees working on a particular contract, we may not derive the revenue or profit anticipated from such contract.

Our actual business and financial results could differ from the estimates and assumptions that we use to prepare our consolidated financial statements, which may significantly reduce or eliminate our profits.

To prepare consolidated financial statements in conformity with generally accepted accounting principles in the United States of America ("GAAP"), management is required to make estimates and assumptions as of the date of the consolidated financial statements. These estimates and assumptions affect the reported values of assets, liabilities, revenue and expenses, as well as disclosures of contingent assets and liabilities. For example, we typically recognize revenue over the life of a contract based on the proportion of costs incurred to date compared to the total costs estimated to be incurred for the entire project. Areas requiring significant estimates by our management include:

the application of the percentage-of-completion method of accounting and revenue recognition on contracts, change orders, and contract claims, including related unbilled accounts receivable;

unbilled accounts receivable, including amounts related to requests for equitable adjustment to contracts that provide for price redetermination, primarily with the U.S. federal government. These amounts are recorded only when they can be reliably estimated and realization is probable;

provisions for uncollectible receivables, client claims, and recoveries of costs from subcontractors, vendors, and others;

provisions for income taxes, research and development tax credits, valuation allowances, and unrecognized tax benefits;

value of goodwill and recoverability of intangible assets;

valuations of assets acquired and liabilities assumed in connection with business combinations;

valuation of contingent earn-out liabilities recorded in connection with business combinations;

- valuation of employee benefit plans;

valuation of stock-based compensation expense; and

accruals for estimated liabilities, including litigation and insurance reserves.

Our actual business and financial results could differ from those estimates, which may significantly reduce or eliminate our profits.

Our profitability could suffer if we are not able to maintain adequate utilization of our workforce.

The cost of providing our services, including the extent to which we utilize our workforce, affects our profitability. The rate at which we utilize our workforce is affected by a number of factors, including:

- our ability to transition employees from completed projects to new assignments and to hire and assimilate new employees;
- our ability to forecast demand for our services and thereby maintain an appropriate headcount in each of our geographies and operating units;
- our ability to manage attrition;
- our need to devote time and resources to training, business development, professional development, and other non-chargeable activities; and
- our ability to match the skill sets of our employees to the needs of the marketplace.

If we over-utilize our workforce, our employees may become disengaged, which could impact employee attrition. If we under-utilize our workforce, our profit margin and profitability could suffer.

Our use of the percentage-of-completion method of revenue recognition could result in a reduction or reversal of previously recorded revenue and profits.

We account for most of our contracts on the percentage-of-completion method of revenue recognition. Generally, our use of this method results in recognition of revenue and profit ratably over the life of the contract, based on the proportion of costs incurred to date to total costs expected to be incurred for the entire project. The effects of revisions to estimated revenue and costs, including the achievement of award fees and the impact of change orders and claims, are recorded when the amounts are known and can be reasonably estimated. Such revisions could occur in any period and their effects could be material. Although we have historically made reasonably reliable estimates of the progress towards completion of long-term contracts, the uncertainties inherent in the estimating process make it possible for actual costs to vary materially from estimates, including reductions or reversals of previously recorded revenue and profit.

If we are unable to accurately estimate and control our contract costs, then we may incur losses on our contracts, which could decrease our operating margins and reduce our profits. In particular, our fixed-price contracts could increase the unpredictability of our earnings.

It is important for us to accurately estimate and control our contract costs so that we can maintain positive operating margins and profitability. We generally enter into three principal types of contracts with our clients: fixed-price, time-and-materials and cost-plus.

The U.S. federal government and certain other clients have increased the use of fixed-priced contracts. Under fixed-price contracts, we receive a fixed price irrespective of the actual costs we incur and, consequently, we are exposed to a number of risks. We realize a profit on fixed-price contracts only if we can control our costs and prevent cost over-runs on our contracts. Fixed-price contracts require cost and scheduling estimates that are based on a number of assumptions, including those about future economic conditions, costs, and availability of labor, equipment and materials, and other exigencies. We could experience cost

over-runs if these estimates are originally inaccurate as a result of errors or ambiguities in the contract specifications, or become inaccurate as a result of a change in circumstances following the submission of the estimate due to, among other things, unanticipated technical problems, difficulties in obtaining permits or approvals, changes in local laws or labor conditions, weather delays, changes in the costs of raw materials, or the inability of our vendors or subcontractors to perform. If cost overruns occur, we could experience reduced profits or, in some cases, a loss for that project. If a project is significant, or if there are one or more common issues that impact multiple projects, costs overruns could increase the unpredictability of our earnings, as well as have a material adverse impact on our business and earnings.

Under our time-and-materials contracts, we are paid for labor at negotiated hourly billing rates and also paid for other expenses. Profitability on these contracts is driven by billable headcount and cost control. Many of our time-and-materials contracts are subject to maximum contract values and, accordingly, revenue relating to these contracts is recognized as if these contracts were fixed-price contracts. Under our cost-plus contracts, some of which are subject to contract ceiling amounts, we are reimbursed for allowable costs and fees, which may be fixed or performance-based. If our costs exceed the contract ceiling or are not allowable under the provisions of the contract or any applicable regulations, we may not be able to obtain reimbursement for all of the costs we incur.

Profitability on our contracts is driven by billable headcount and our ability to manage our subcontractors, vendors, and material suppliers. If we are unable to accurately estimate and manage our costs, we may incur losses on our contracts, which could decrease our operating margins and significantly reduce or eliminate our profits. Certain of our contracts require us to satisfy specific design, engineering, procurement, or construction milestones in order to receive payment for the work completed or equipment or supplies procured prior to achievement of the applicable milestone. As a result, under these types of arrangements, we may incur significant costs or perform significant amounts of services prior to receipt of payment. If a client determines not to proceed with the completion of the project or if the client defaults on its payment obligations, we may face difficulties in collecting payment of amounts due to us for the costs previously incurred or for the amounts previously expended to purchase equipment or supplies.

Accounting for a contract requires judgments relative to assessing the contract's estimated risks, revenue, costs, and other technical issues. Due to the size and nature of many of our contracts, the estimation of overall risk, revenue, and cost at completion is complicated and subject to many variables. Changes in underlying assumptions, circumstances, or estimates may also adversely affect future period financial performance. If we are unable to accurately estimate the overall revenue or costs on a contract, then we may experience a lower profit or incur a loss on the contract.

Our failure to adequately recover on claims brought by us against clients for additional contract costs could have a negative impact on our liquidity and profitability.

We have brought claims against clients for additional costs exceeding the contract price or for amounts not included in the original contract price. These types of claims occur due to matters such as client-caused delays or changes from the initial project scope, both of which may result in additional cost. Often, these claims can be the subject of lengthy arbitration or litigation proceedings, and it is difficult to accurately predict when these claims will be fully resolved. When these types of events occur and unresolved claims are pending, we have used working capital in projects to cover cost overruns pending the resolution of the relevant claims. A failure to promptly recover on these types of claims could have a negative impact on our liquidity and profitability. Total accounts receivable at September 30, 2018 included approximately \$74 million related to such claims.

Our failure to win new contracts and renew existing contracts with private and public sector clients could adversely affect our profitability.

Our business depends on our ability to win new contracts and renew existing contracts with private and public sector clients. Contract proposals and negotiations are complex and frequently involve a lengthy bidding and selection process, which is affected by a number of factors. These factors include market conditions, financing arrangements, and required governmental approvals. For example, a client may require us to provide a bond or letter of credit to protect the client should we fail to perform under the terms of the contract. If negative market conditions arise, or if we fail to secure adequate financial arrangements or the required government approval, we may not be able to pursue particular projects, which could adversely affect our profitability.

If we are not able to successfully manage our growth strategy, our business and results of operations may be adversely affected.

Our expected future growth presents numerous managerial, administrative, operational, and other challenges. Our ability to manage the growth of our operations will require us to continue to improve our management information systems and our other internal systems and controls. In addition, our growth will increase our need to attract, develop, motivate, and retain both our

management and professional employees. The inability to effectively manage our growth or the inability of our employees to achieve anticipated performance could have a material adverse effect on our business.

Our backlog is subject to cancellation, unexpected adjustments and changing economic conditions, and is an uncertain indicator of future operating results.

Our backlog at September 30, 2018 was \$2.7 billion, an increase of \$122.7 million, or 4.8%, compared to the end of fiscal 2017. We include in backlog only those contracts for which funding has been provided and work authorizations have been received. We cannot guarantee that the revenue projected in our backlog will be realized or, if realized, will result in profits. In addition, project cancellations or scope adjustments may occur, from time to time, with respect to contracts reflected in our backlog. For example, certain of our contracts with the U.S. federal government and other clients are terminable at the discretion of the client, with or without cause. These types of backlog reductions could adversely affect our revenue and margins. As a result of these factors, our backlog as of any particular date is an uncertain indicator of our future earnings.

Cyber security breaches of our systems and information technology could adversely impact our ability to operate.

We develop, install and maintain information technology systems for ourselves, as well as for customers. Client contracts for the performance of information technology services, as well as various privacy and securities laws, require us to manage and protect sensitive and confidential information, including federal and other government information, from disclosure. We also need to protect our own internal trade secrets and other business confidential information, as well as personal data of our employees and contractors, from disclosure. For example, the European's Union General Data Protection Regulation, which became effective in May 2018, extends the scope of the European Union data protection laws to all companies processing data of European Union residents, regardless of the company's location. We face the threat to our computer systems of unauthorized access, computer hackers, computer viruses, malicious code, organized cyber-attacks and other security problems and system disruptions, including possible unauthorized access to our and our clients' proprietary or classified information. We rely on industry-accepted security measures and technology to securely maintain all confidential and proprietary information on our information systems. In the ordinary course of business, we have been targeted by malicious cyber-attacks. We have devoted and will continue to devote significant resources to the security of our computer systems, but they may still be vulnerable to these threats. A user who circumvents security measures could misappropriate confidential or proprietary information, including information regarding us, our personnel and/or our clients, or cause interruptions or malfunctions in operations. As a result, we may be required to expend significant resources to protect against the threat of these system disruptions and security breaches or to alleviate problems caused by these disruptions and breaches. We also rely in part on third-party software and information technology vendors to run our critical accounting, project management and financial information systems. We depend on our software and information technology vendors to provide long-term software and hardware support for our information systems. Our software and information technology vendors may decide to discontinue further development, integration or long-term software and hardware support for our information systems, in which case we may need to abandon one or more of our current information systems and migrate some or all of our accounting, project management and financial information to other systems, thus increasing our operational expense, as well as disrupting the management of our business operations. Any of these events could damage our reputation and have a material adverse effect on our business, financial condition, results of operations and cash flows.

If our business partners fail to perform their contractual obligations on a project, we could be exposed to legal liability, loss of reputation and profit reduction or loss on the project.

We routinely enter into subcontracts and, occasionally, joint ventures, teaming arrangements, and other contractual arrangements so that we can jointly bid and perform on a particular project. Success under these arrangements depends in large part on whether our business partners fulfill their contractual obligations satisfactorily. In addition, when we operate through a joint venture in which we are a minority holder, we have limited control over many project decisions, including decisions related to the joint venture's internal controls, which may not be subject to the same internal control procedures that we employ. If these unaffiliated third parties do not fulfill their contract obligations, the partnerships or joint ventures may be unable to adequately perform and deliver their contracted services. Under these circumstances, we may be obligated to pay financial penalties, provide additional services to ensure the adequate performance and delivery of the contracted services, and may be jointly and severally liable for the other's actions or contract performance. These additional obligations could result in reduced profits and revenues or, in some cases, significant losses for us with respect to the joint venture, which could also affect our reputation in the industries we serve.

If our contractors and subcontractors fail to satisfy their obligations to us or other parties, or if we are unable to maintain these relationships, our revenue, profitability, and growth prospects could be adversely affected.

We depend on contractors and subcontractors in conducting our business. There is a risk that we may have disputes with our subcontractors arising from, among other things, the quality and timeliness of work performed by the subcontractor, client concerns about the subcontractor, or our failure to extend existing task orders or issue new task orders under a subcontract. In addition, if a subcontractor fails to deliver on a timely basis the agreed-upon supplies, fails to perform the agreed-upon services, or goes out of business, then we may be required to purchase the services or supplies from another source at a higher price, and our ability to fulfill our obligations as a prime contractor may be jeopardized. This may reduce the profit to be realized or result in a loss on a project for which the services or supplies are needed.

We also rely on relationships with other contractors when we act as their subcontractor or joint venture partner. The absence of qualified subcontractors with which we have a satisfactory relationship could adversely affect the quality of our service and our ability to perform under some of our contracts. Our future revenue and growth prospects could be adversely affected if other contractors eliminate or reduce their subcontracts or teaming arrangement relationships with us, or if a government agency terminates or reduces these other contractors' programs, does not award them new contracts, or refuses to pay under a contract.

Our failure to meet contractual schedule or performance requirements that we have guaranteed could adversely affect our operating results.

In certain circumstances, we can incur liquidated or other damages if we do not achieve project completion by a scheduled date. If we or an entity for which we have provided a guarantee subsequently fails to complete the project as scheduled and the matter cannot be satisfactorily resolved with the client, we may be responsible for cost impacts to the client resulting from any delay or the cost to complete the project. Our costs generally increase from schedule delays and/or could exceed our projections for a particular project. In addition, project performance can be affected by a number of factors beyond our control, including unavoidable delays from governmental inaction, public opposition, inability to obtain financing, weather conditions, unavailability of vendor materials, changes in the project scope of services requested by our clients, industrial accidents, environmental hazards, labor disruptions and other factors. As a result, material performance problems for existing and future contracts could cause actual results of operations to differ from those anticipated by us and also could cause us to suffer damage to our reputation within our industry and client base.

New legal requirements could adversely affect our operating results.

Our business and results of operations could be adversely affected by U.S. health care reform, climate change, defense, environmental and infrastructure industry specific and other legislation and regulations. We are continually assessing the impact that health care reform could have on our employer-sponsored medical plans. Growing concerns about climate change may result in the imposition of additional environmental regulations. For example, legislation, international protocols, regulation or other restrictions on emissions could increase the costs of projects for our clients or, in some cases, prevent a project from going forward, thereby potentially reducing the need for our services. In addition, relaxation or repeal of laws and regulations, or changes in governmental policies regarding environmental, defense, infrastructure or other industries we serve could result in a decline in demand for our services, which could in turn negatively impact our revenues. We cannot predict when or whether any of these various proposals may be enacted or what their effect will be on us or on our customers.

Changes in resource management, environmental, or infrastructure industry laws, regulations, and programs could directly or indirectly reduce the demand for our services, which could in turn negatively

impact our revenue.

Some of our services are directly or indirectly impacted by changes in U.S. federal, state, local or foreign laws and regulations pertaining to the resource management, environmental, and infrastructure industries. Accordingly, a relaxation or repeal of these laws and regulations, or changes in governmental policies regarding the funding, implementation or enforcement of these programs, could result in a decline in demand for our services, which could in turn negatively impact our revenue.

Changes in capital markets could adversely affect our access to capital and negatively impact our business.

Our results could be adversely affected by an inability to access the revolving credit facility under our credit agreement. Unfavorable financial or economic conditions could impact certain lenders' willingness or ability to fund our revolving credit facility. In addition, increases in interest rates or credit spreads, volatility in financial markets or the interest rate environment, significant political or economic events, defaults of significant issuers, and other market and economic factors, may negatively impact the general level of debt issuance, the debt issuance plans of certain categories of borrowers, the types of credit-sensitive products being offered, and/or a sustained period of market decline or weakness could have a material adverse effect on us.

Restrictive covenants in our credit agreement may restrict our ability to pursue certain business strategies.

Our credit agreement limits or restricts our ability to, among other things:

- incur additional indebtedness;
- create liens securing debt or other encumbrances on our assets;
- make loans or advances;
- pay dividends or make distributions to our stockholders;
- purchase or redeem our stock;
- repay indebtedness that is junior to indebtedness under our credit agreement;
- acquire the assets of, or merge or consolidate with, other companies; and
- sell, lease, or otherwise dispose of assets.

Our credit agreement also requires that we maintain certain financial ratios, which we may not be able to achieve. The covenants may impair our ability to finance future operations or capital needs or to engage in other favorable business activities.

Our industry is highly competitive and we may be unable to compete effectively, which could result in reduced revenue, profitability and market share.

We are engaged in a highly competitive business. The markets we serve are highly fragmented and we compete with a large number of regional, national and international companies. Certain of these competitors have greater financial and other resources than we do. Others are smaller and more specialized, and concentrate their resources in particular areas of expertise. The extent of our competition varies according to the particular markets and geographic area. In addition, the technical and professional aspects of some of our services generally do not require large upfront capital expenditures and provide limited barriers against new competitors. The degree and type of competition we face is also influenced by the type and scope of a particular project. Our clients make competitive determinations based upon qualifications, experience, performance, reputation, technology, customer relationships and ability to provide the relevant services in a timely, safe and cost-efficient manner. This competitive environment could force us to make price concessions or otherwise reduce prices for our services. If we are unable to maintain our competitiveness and win bids for future projects, our market share, revenue, and profits will decline.

Legal proceedings, investigations, and disputes could result in substantial monetary penalties and damages, especially if such penalties and damages exceed or are excluded from existing insurance coverage.

We engage in consulting, engineering, program management, construction management, construction, and technical services that can result in substantial injury or damages that may expose us to legal proceedings, investigations, and disputes. For example, in the ordinary course of our business, we may be involved in legal disputes regarding personal injury claims, employee or labor disputes, professional liability claims, and general commercial disputes involving project cost overruns and liquidated damages, as well as other claims. In addition, in the ordinary course of our business, we frequently make professional judgments and recommendations about environmental and engineering conditions of project sites for our clients, and we may be deemed to be responsible for these judgments and recommendations if they are later determined to be inaccurate. Any unfavorable legal ruling against us could result in substantial monetary damages or even criminal violations. We maintain insurance coverage as part of our overall legal and risk management strategy to minimize our potential liabilities; however, insurance coverage contains exclusions and other limitations that may not cover our potential liabilities. Generally, our insurance program covers workers' compensation and employer's liability, general liability, automobile liability, professional errors and

omissions liability, property, and contractor's pollution liability (in addition to other policies for specific projects). Our insurance program includes deductibles or self-insured retentions for each covered claim that may increase over time. In addition, our insurance policies contain exclusions that insurance providers may use to deny or restrict coverage. Excess liability and professional liability insurance policies provide for coverage on a "claims-made" basis, covering only claims actually made and reported during the policy period currently in effect. If we sustain liabilities that exceed or that are excluded from our insurance coverage, or for which we are not insured, it could have a material adverse impact on our financial condition, results of operations and cash flows.

Unavailability or cancellation of third-party insurance coverage would increase our overall risk exposure as well as disrupt the management of our business operations.

We maintain insurance coverage from third-party insurers as part of our overall risk management strategy and because some of our contracts require us to maintain specific insurance coverage limits. If any of our third-party insurers fail, suddenly cancel our coverage, or otherwise are unable to provide us with adequate insurance coverage, then our overall risk exposure and our operational expenses would increase and the management of our business operations would be disrupted. In addition, there can be no assurance that any of our existing insurance coverage will be renewable upon the expiration of the coverage period or that future coverage will be affordable at the required limits.

Our inability to obtain adequate bonding could have a material adverse effect on our future revenue and business prospects.

Certain clients require bid bonds, and performance and payment bonds. These bonds indemnify the client should we fail to perform our obligations under a contract. If a bond is required for a particular project and we are unable to obtain an appropriate bond, we cannot pursue that project. In some instances, we are required to co-venture with a small or disadvantaged business to pursue certain U.S. federal or state government contracts. In connection with these ventures, we are sometimes required to utilize our bonding capacity to cover all of the payment and performance obligations under the contract with the client. We have a bonding facility but, as is typically the case, the issuance of bonds under that facility is at the surety's sole discretion. Moreover, due to events that can negatively affect the insurance and bonding markets, bonding may be more difficult to obtain or may only be available at significant additional cost. There can be no assurance that bonds will continue to be available to us on reasonable terms. Our inability to obtain adequate bonding and, as a result, to bid on new work could have a material adverse effect on our future revenue and business prospects.

Employee, agent, or partner misconduct, or our failure to comply with anti-bribery and other laws or regulations, could harm our reputation, reduce our revenue and profits, and subject us to criminal and civil enforcement actions.

Misconduct, fraud, non-compliance with applicable laws and regulations, or other improper activities by one of our employees, agents, or partners could have a significant negative impact on our business and reputation. Such misconduct could include the failure to comply with government procurement regulations, regulations regarding the protection of classified information, regulations prohibiting bribery and other foreign corrupt practices, regulations regarding the pricing of labor and other costs in government contracts, regulations on lobbying or similar activities, regulations pertaining to the internal controls over financial reporting, environmental laws, and any other applicable laws or regulations. For example, as previously noted, the FCPA and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to non-U.S. officials for the purpose of obtaining or retaining business. Our policies mandate compliance with these regulations and laws, and we take precautions to prevent and detect misconduct. However, since our internal controls are subject to inherent limitations, including human error, it is possible that these controls could be intentionally circumvented or become inadequate because of changed conditions. As a result, we cannot assure that our controls will protect us from reckless or criminal acts committed by our employees or agents. Our failure to comply with applicable laws or regulations, or acts of misconduct could subject us to fines and penalties, loss of security clearances, and suspension or debarment from contracting, any or all of which could harm our reputation, reduce our revenue and profits, and subject us to criminal and civil enforcement actions.

Our business activities may require our employees to travel to and work in countries where there are high security risks, which may result in employee death or injury, repatriation costs or other unforeseen costs.

Certain of our contracts may require our employees travel to and work in high-risk countries that are undergoing political, social, and economic upheavals resulting from war, civil unrest, criminal activity, acts of terrorism, or public health crises. For example, we currently have employees working in high security risk countries such as Afghanistan and Iraq. As a result, we risk loss of or injury to our employees and may be subject to costs related to employee death or injury, repatriation, or other unforeseen circumstances. We may choose or be forced to leave a country with little or no warning due to physical security risks.

Our failure to implement and comply with our safety program could adversely affect our operating results or financial condition.

Our project sites often put our employees and others in close proximity with mechanized equipment, moving vehicles, chemical and manufacturing processes, and highly regulated materials. On some project sites, we may be responsible for safety, and, accordingly, we have an obligation to implement effective safety procedures. Our safety program is a fundamental element of our overall approach to risk management, and the implementation of the safety program is a significant issue in our dealings with our clients. We maintain an enterprise-wide group of health and safety professionals to help ensure that the services we provide are delivered safely and in accordance with standard work processes. Unsafe job sites and office environments have the potential to increase employee turnover, increase the cost of a project to our clients, expose us to types and levels of risk that are fundamentally unacceptable, and raise our operating costs. The implementation of our safety processes and procedures are monitored by various agencies, including the U.S. Mine Safety and Health Administration (“MSHA”), and rating bureaus, and may be evaluated by certain clients in cases in which safety requirements have been established in our contracts. Our failure to meet these requirements or our failure to properly implement and comply with our safety program could result in reduced profitability, the loss of projects or clients, or potential litigation, and could have a material adverse effect on our business, operating results, or financial condition.

We may be precluded from providing certain services due to conflict of interest issues.

Many of our clients are concerned about potential or actual conflicts of interest in retaining management consultants. U.S. 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 us from bidding for or performing government contracts resulting from or relating to certain work we have performed. In addition, services performed for a commercial or government client may create a conflict of interest that precludes or limits our ability to obtain work from other public or private organizations. We have, on occasion, declined to bid on projects due to conflict of interest issues.

If our reports and opinions are not in compliance with professional standards and other regulations, we could be subject to monetary damages and penalties.

We issue reports and opinions to clients based on our professional engineering expertise, as well as our other professional credentials. Our reports and opinions may need to comply with professional standards, licensing requirements, securities regulations, and other laws and rules governing the performance of professional services in the jurisdiction in which the services are performed. In addition, we could be liable to third parties who use or rely upon our reports or opinions even if we are not contractually bound to those third parties. For example, if we deliver an inaccurate report or one that is not in compliance with the relevant standards, and that report is made available to a third party, we could be subject to third-party liability, resulting in monetary damages and penalties.

We may be subject to liabilities under environmental laws and regulations.

Our services are subject to numerous U.S. and international environmental protection laws and regulations that are complex and stringent. For example, we must comply with a number of U.S. federal government laws that strictly regulate the handling, removal, treatment, transportation, and disposal of toxic and hazardous substances. Under the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended (“CERCLA”), and comparable state laws, we may be required to investigate and remediate regulated hazardous materials. CERCLA and comparable state laws typically impose strict, joint and several liabilities without regard to whether a company knew of or caused the release of hazardous substances. The liability for the entire cost of clean-up could be imposed upon any responsible party. Other principal U.S. federal environmental, health, and safety laws affecting us include, but are not limited to, the Resource Conservation and Recovery Act, National Environmental Policy Act, the Clean Air Act, the Occupational Safety and Health Act, the Federal Mine Safety and Health Act of 1977 (the “Mine Act”), the Toxic Substances Control Act, and the Superfund Amendments and Reauthorization Act. Our business operations may also be subject to similar state and international laws relating to environmental protection. Further, past business practices at companies that we have acquired may also expose us to future unknown environmental liabilities. Liabilities related to environmental contamination or human exposure to hazardous substances, or a failure to comply with applicable regulations, could result in substantial costs to us, including clean-up costs, fines, civil or criminal sanctions, and third-party claims for property damage or personal injury or cessation of remediation activities. Our continuing work in the areas governed by these laws and regulations exposes us to the risk of substantial liability.

Force majeure events, including natural disasters and terrorist actions, could negatively impact the economies in which we operate or disrupt our operations, which may affect our financial condition, results of operations, or cash flows.

Force majeure or extraordinary events beyond the control of the contracting parties, such as natural and man-made disasters, as well as terrorist actions, could negatively impact the economies in which we operate by causing the closure of offices, interrupting projects, and forcing the relocation of employees. We typically remain obligated to perform our services after a terrorist action or natural disaster unless the contract contains a force majeure clause that relieves us of our contractual obligations in such an extraordinary event. If we are not able to react quickly to force majeure, our operations may be affected significantly, which would have a negative impact on our financial condition, results of operations, or cash flows.

We have only a limited ability to protect our intellectual property rights, and our failure to protect our intellectual property rights could adversely affect our competitive position.

Our success depends, in part, upon our ability to protect our proprietary information and other intellectual property. We rely principally on trade secrets to protect much of our intellectual property where we do not believe that patent or copyright protection is appropriate or obtainable. However, trade secrets are difficult to protect. Although our employees are subject to confidentiality obligations, this protection may be inadequate to deter or prevent misappropriation of our confidential information. In addition, we may be unable to detect unauthorized use of our intellectual property or otherwise take appropriate steps to enforce our rights. Failure to obtain or maintain trade secret protection could adversely affect our competitive business position. In addition,

if we are unable to prevent third parties from infringing or misappropriating our trademarks or other proprietary information, our competitive position could be adversely affected.

Our stock price could become more volatile and stockholders' investments could lose value.

In addition to the macroeconomic factors that have affected the prices of many securities generally, all of the factors discussed in this section could affect our stock price. Our common stock has previously experienced substantial price volatility. In addition, the stock market has experienced extreme price and volume fluctuations that have affected the market price of many companies, and that have often been unrelated to the operating performance of these companies. The overall market and the price of our common stock may fluctuate greatly. The trading price of our common stock may be significantly affected by various factors, including quarter-to-quarter variations in our financial results, such as revenue, profits, days sales outstanding, backlog, and other measures of financial performance or financial condition (which factors may, themselves, be affected by the factors described below):

- loss of key employees;
- the number and significance of client contracts commenced and completed during a quarter;
- creditworthiness and solvency of clients;
- the ability of our clients to terminate contracts without penalties;
- general economic or political conditions;
- unanticipated changes in contract performance that may affect profitability, particularly with contracts that are fixed-price or have funding limits;
- contract negotiations on change orders, requests for equitable adjustment, and collections of related billed and unbilled accounts receivable;
- seasonality of the spending cycle of our public sector clients, notably the U.S. federal government, the spending patterns of our commercial sector clients, and weather conditions;
- budget constraints experienced by our U.S. federal, and state and local government clients;
- integration of acquired companies;
- changes in contingent consideration related to acquisition earn-outs;
 - divestiture or discontinuance of operating units;
- employee hiring, utilization and turnover rates;
- delays incurred in connection with a contract;
- the size, scope and payment terms of contracts;
- the timing of expenses incurred for corporate initiatives;
- reductions in the prices of services offered by our competitors;
- threatened or pending litigation;
- legislative and regulatory enforcement policy changes that may affect demand for our services;
- the impairment of goodwill or identifiable intangible assets;
- the fluctuation of a foreign currency exchange rate;
- stock-based compensation expense;
- actual events, circumstances, outcomes, and amounts differing from judgments, assumptions, and estimates used in determining the value of certain assets (including the amounts of related valuation allowances), liabilities, and other items reflected in our consolidated financial statements;
- success in executing our strategy and operating plans;
- changes in tax laws or regulations or accounting rules;
- results of income tax examinations;
- the timing of announcements in the public markets regarding new services or potential problems with the performance of services by us or our competitors, or any other material announcements;

speculation in the media and analyst community, changes in recommendations or earnings estimates by financial analysts, changes in investors' or analysts' valuation measures for our stock, and market trends unrelated to our stock;

our announcements concerning the payment of dividends or the repurchase of our shares;

resolution of threatened or pending litigation;

changes in investors' and analysts' perceptions of our business or any of our competitors' businesses;

changes in environmental legislation;

broader market fluctuations; and

general economic or political conditions.

A significant drop in the price of our stock could expose us to the risk of securities class action lawsuits, which could result in substantial costs and divert management's attention and resources, which could adversely affect our business. Additionally,

volatility or a lack of positive performance in our stock price may adversely affect our ability to retain key employees, many of whom are awarded equity securities, the value of which is dependent on the performance of our stock price.

Delaware law and our charter documents may impede or discourage a merger, takeover, or other business combination even if the business combination would have been in the short-term best interests of our stockholders.

We are a Delaware corporation and the anti-takeover provisions of Delaware law impose various impediments to the ability of a third party to acquire control of Tetra Tech, even if a change in control would be beneficial to our stockholders. In addition, our Board of Directors has the power, without stockholder approval, to designate the terms of one or more series of preferred stock and issue shares of preferred stock, which could be used defensively if a takeover is threatened. Our incorporation under Delaware law, the ability of our Board of Directors to create and issue a new series of preferred stock, and provisions in our certificate of incorporation and bylaws, such as those relating to advance notice of certain stockholder proposals and nominations, could impede a merger, takeover, or other business combination involving us, or discourage a potential acquirer from making a tender offer for our common stock, even if the business combination would have been in the best interests of our current stockholders.

Item 1B Unresolved Staff Comments

None.

Item 2. Properties

At fiscal 2018 year-end, we owned two facilities located in the United States and leased approximately 400 operating facilities in domestic and foreign locations. Our significant lease agreements expire at various dates through 2028. We believe that our current facilities are adequate for the operation of our business, and that suitable additional space in various local markets is available to accommodate any needs that may arise.

The following table summarizes our ten most significant leased properties by location based on annual rental expenses (listed alphabetically, except for our corporate headquarters):

Location	Description	Reportable Segment
Pasadena, CA	Corporate Headquarters	Corporate
Adelaide, South Australia, Australia	Office Building	CIG
Arlington, VA	Office Building	GSG / CIG
Irvine, CA	Office Building	GSG / CIG
London, United Kingdom	Office Building	GSG
New York, NY	Office Building	GSG
Pittsburgh, PA	Office Building	GSG / CIG
San Francisco, CA	Office Building	GSG
Sydney, New South Wales, Australia	Office Building	CIG
Vancouver, BC, Canada	Office Building	CIG

Item 3. Legal Proceedings

For a description of our material pending legal and regulatory proceedings and settlements, see Note 17, "Commitments and Contingencies" of the "Notes to Consolidated Financial Statements" included in Item 8.

Item 4. Mine Safety Disclosures

Section 1503 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") requires domestic mine operators to disclose violations and orders issued under the Mine Act by MSHA. We do not act as the owner of any mines, but we may act as a mining operator as defined under the Mine Act where we may be an independent contractor performing services or construction at such mine. Information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Act and Item 104 of Regulation S-K is included in Exhibit 95.

PART II

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

Market Information

Our common stock is traded on the NASDAQ Global Select Market under the symbol TTEK. There were approximately 1,400 stockholders of record at September 30, 2018. The high and low sales prices per share for the common stock for the last two fiscal years, as reported by the NASDAQ Global Select Market, are set forth in the following tables.

	Prices	
	High	Low
Fiscal 2018		
First quarter	\$50.90	\$46.05
Second quarter	53.40	44.65
Third quarter	58.85	46.30
Fourth quarter	72.20	58.00

Fiscal 2017		
First quarter	\$44.30	\$34.78
Second quarter	44.85	38.85
Third quarter	47.75	39.90
Fourth quarter	48.35	39.95

Dividends

The following table summarizes dividend declared and paid in fiscal 2018 and 2017:

Declare Date	Dividend Paid Per Share	Record Date	Payment Date	Dividend Paid
(in thousands, except per share data)				
November 6, 2017	\$ 0.10	November 30, 2017	December 15, 2017	5,589
January 29, 2018	\$ 0.10	February 14, 2018	March 2, 2018	5,583
April 30, 2018	\$ 0.12	May 16, 2018	June 1, 2018	6,664
July 30, 2018	\$ 0.12	August 16, 2018	August 31, 2018	6,641
Total dividend paid as of September 30, 2018				\$24,477

November 7, 2016	\$ 0.09	December 1, 2016	December 14, 2016	5,144
January 30, 2017	\$ 0.09	February 17, 2017	March 3, 2017	5,157
May 1, 2017	\$ 0.10	May 18, 2017	June 2, 2017	5,738
July 31, 2017	\$ 0.10	August 17, 2017	September 1, 2017	5,633
Total dividend paid as of October 1, 2017				\$21,672

We currently intend to continue paying dividends on a quarterly basis, although the declaration of any future dividends will be determined by our Board of Directors and will depend on available cash, estimated cash needs, earnings, and capital requirements, as well as limitations in our long-term debt agreements. Subsequent Event. On November 5, 2018, the Board of Directors declared a quarterly cash dividend of \$0.12 per share payable on December 14, 2018 to stockholders of record as of the close of business on November 30, 2018.

Stock-Based Compensation

For information regarding our stock-based compensation, see Note 11, "Stockholders' Equity and Stock Compensation Plans" of the "Notes to Consolidated Financial Statements" included in Item 8.

Performance Graph

The following graph shows a comparison of our cumulative total returns with those of the NASDAQ Market Index and the S&P 1500 Construction and Engineering ("C&E") Index. The graph assumes that the value of an investment in our common stock and in each such index was \$100 on September 30, 2012, and that all dividends have been reinvested. During fiscal 2018, we declared and paid dividends in the first and second quarters totaling \$0.20 per share (\$0.10 each quarter) on our common stock and paid dividends in the third and fourth quarters totaling \$0.24 per share (\$0.12 each quarter) on our common stock. We declared and paid dividends totaling \$0.38, \$0.34, \$0.30 and \$0.14 per share in fiscal 2017, 2016, 2015 and 2014, respectively. We did not pay any dividends prior to fiscal 2014. Our self-selected Peer Group Index is the S&P 1500 Construction and Engineering Index. The comparison in the graph below is based on historical data and is not intended to forecast the possible future performance of our common stock.

ASSUMES \$100 INVESTED ON SEPTEMBER 30, 2013

ASSUMES DIVIDEND REINVESTED

FISCAL YEAR ENDED SEPTEMBER 30, 2018

	2013	2014	2015	2016	2017	2018
Tetra Tech, Inc.	\$100.00	\$97.53	\$97.55	\$140.48	\$186.00	\$275.14
NASDAQ Market Index	100.00	120.77	126.88	145.65	180.15	225.49
S&P 1500 C&E Index	100.00	98.32	79.44	95.76	107.47	118.14

The performance graph above and related text are being furnished solely to accompany this annual report on Form 10-K pursuant to Item 201(e) of Regulation S-K, and are not being filed for purposes of Section 18 of the Exchange Act, and are not to be incorporated by reference into any of our filings with the SEC, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Stock Repurchase Program

On November 7, 2016, our Board of Directors authorized a stock repurchase program under which we could repurchase up to \$200 million of our common stock. As of September 30, 2018, we have repurchased through open market purchases a total of 3,757,966 shares at an average price of \$46.57 for a total cost of \$175.0 million under this program. These shares were repurchased during the period from November 14, 2016 through July 1, 2018.

Subsequent Event. On November 5, 2018, the Board of Directors authorized a new stock repurchase program under which we could repurchase up to \$200 million of our common stock in addition to the \$25 million remaining under the previous stock repurchase program.

A summary of the repurchase activity for the 12 months ended September 30, 2018 is as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value that May Yet be Purchased Under the Plans or Programs
October 2, 2017 - October 29, 2017	154,528	\$ 48.12	154,528	\$92,564,290
October 30, 2017 - November 26, 2017	161,251	48.67	161,251	84,716,836
November 27, 2017 - December 31, 2017	198,897	48.86	198,897	74,999,595
January 1, 2018 - January 28, 2018	139,239	49.06	139,239	68,167,968
January 29, 2018 - February 25, 2018	166,494	48.68	166,494	60,062,752
February 26, 2018 - April 1, 2018	199,624	50.41	199,624	49,999,603
April 2, 2018 - April 29, 2018	143,921	50.65	143,921	42,710,331
April 30, 2018 - May 27, 2018	157,676	51.37	157,676	34,611,231
May 28, 2018 - July 1, 2018	169,939	56.56	169,939	24,999,632

Item 6. Selected Financial Data

The following selected financial data was derived from our audited consolidated financial statements. The selected financial data presented below should be read in conjunction with the information contained in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and our consolidated financial statements and the notes thereto contained in Item 8, "Financial Statements and Supplementary Data," of this report.

	Fiscal Year Ended				
	September 30, 2018	October 1, 2017	October 2, 2016	September 27, 2015	September 28, 2014
(in thousands, except per share data)					
Statements of Operations Data					
Revenue	\$2,964,148	\$2,753,360	\$2,583,469	\$ 2,299,321	\$2,483,814
Income from operations	190,086	183,342	135,855	87,684	153,833
Net income attributable to Tetra Tech	136,883	117,874	83,783	39,074	108,266
Diluted net income attributable to Tetra Tech per share	2.42	2.04	1.42	0.64	1.66
Cash dividends paid per share	0.44	0.38	0.34	0.30	0.14
Balance Sheet Data					
Total assets	\$1,959,421	\$1,902,745	\$1,800,779	\$ 1,559,242	\$1,776,404
Long-term debt, net of current portion	264,712	341,283	331,501	180,972	192,842
Tetra Tech stockholders' equity	966,971	928,453	869,259	856,325	1,012,079

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

The following analysis of our financial condition and results of operations should be read in conjunction with Part I of this report, as well as our consolidated financial statements and accompanying notes in Item 8. The following analysis contains forward-looking statements about our future results of operations and expectations. Our actual results and the timing of events could differ materially from those described herein. See Part 1, Item 1A, "Risk Factors" for a discussion of the risks, assumptions, and uncertainties affecting these statements.

OVERVIEW OF RESULTS AND BUSINESS TRENDS

General. In fiscal 2018, our revenue increased 7.7% compared to fiscal 2017. This growth includes \$125.0 million of revenue from the acquisitions of Glumac and Norman Disney & Young ("NDY"), which were completed in fiscal 2018. In addition, in the third quarter of fiscal 2018, we divested our non-core utility field services operations in our CIG segment. Excluding the net contribution from these transactions, our revenue increased 3.8% in fiscal 2018 compared to fiscal 2017.

U.S. State and Local Government. Our U.S. state and local government revenue increased 32.9% in fiscal 2018 compared to last year. We experienced broad-based growth in our U.S. state and local government project-related infrastructure revenue with particularly increased revenue from municipal water infrastructure work in the metropolitan areas of California, Texas, and Florida. The increase also includes higher revenue from disaster recovery activities in fiscal 2018 compared to last year due to the unprecedented number of natural disasters in the United States during 2017. The level of our activities were particularly increased by the hurricanes in Florida and Texas, and the fires in California. We expect our U.S. state and local government business to continue to grow in fiscal 2019, although at a significantly lower rate than fiscal 2018 as the level of our emergency response activities moderates.

U.S. Federal Government. Our U.S. federal government revenue increased 8.1% in fiscal 2018 compared to fiscal 2017. This growth primarily reflects increased DoD and U.S. Department of State ("DOS") activities. During periods of economic volatility, our U.S. federal government clients have historically been the most stable and predictable. We anticipate continued growth in U.S. federal government revenue in fiscal 2019.

U.S. Commercial. Our U.S. commercial revenue increased 3.1% in fiscal 2018 compared to last year. Excluding the contribution from Glumac and the reduction from the divestiture of our non-core utility field services operations, our U.S. commercial business decreased 3.5% in fiscal 2018 compared to fiscal 2017. We expect our U.S. commercial revenue to grow in fiscal 2019, adjusted for the impact of the divestiture, primarily due to increased activities for industrial water treatment and environmental clean-up programs.

International. Our international revenue decreased 0.3% in fiscal 2018 compared to fiscal 2017. Excluding the contribution from NDY, our revenue declined 9.0% in fiscal 2018 compared to last year. The decline reflects our reduced oil and gas business, particularly in Western Canada. Excluding these activities and the contribution from NDY, our international revenue increased 1.5% due to an improvement in our local water and transportation infrastructure work in Australia, New Zealand, and Asia-Pacific, partially offset by weakness in our Canadian markets. We anticipate our total international revenue to grow in fiscal 2019.

RESULTS OF OPERATIONS

Fiscal 2018 Compared to Fiscal 2017

Consolidated Results of Operations

	Fiscal Year Ended		Change	
	September 30, 2018	October 1, 2017	\$	%
	(\$ in thousands)			
Revenue	\$2,964,148	\$2,753,360	\$210,788	7.7%
Subcontractor costs	(763,414)	(719,350)	(44,064)	(6.1)
Revenue, net of subcontractor costs ⁽¹⁾	2,200,734	2,034,010	166,724	8.2
Other costs of revenue	(1,816,276)	(1,680,372)	(135,904)	(8.1)
Gross profit	384,458	353,638	30,820	8.7
Selling, general and administrative expenses	(190,120)	(177,219)	(12,901)	(7.3)
Contingent consideration – fair value adjustments	(4,252)	6,923	(11,175)	NM
Income from operations	190,086	183,342	6,744	3.7
Interest expense – net	(15,524)	(11,581)	(3,943)	(34.0)
Income before income tax expense	174,562	171,761	2,801	1.6
Income tax expense	(37,605)	(53,844)	16,239	30.2
Net income	136,957	117,917	19,040	16.1
Net income attributable to noncontrolling interests	(74)	(43)	(31)	(72.1)
Net income attributable to Tetra Tech	\$136,883	\$117,874	\$19,009	16.1
Diluted earnings per share	\$2.42	\$2.04	\$0.38	18.6

We believe that the presentation of "Revenue, net of subcontractor costs", which is 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, ⁽¹⁾ 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. 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.

NM = not meaningful

The following table reconciles our reported results to non-GAAP ongoing results, which exclude the RCM results and certain non-operating accounting-related adjustments. Ongoing results also exclude losses from the divestitures of our non-core utility field services operations and other non-core assets in fiscal 2018. In addition, our ongoing results also exclude a reduction of revenue of \$10.6 million and a related charge to operating income of \$12.5 million from a claim settlement in the fourth quarter of fiscal 2018 for a fixed-price construction project that was completed in fiscal 2014. The effective tax rates applied to the adjustments to earnings per share ("EPS") to arrive at ongoing EPS averaged 28% and 33% in fiscal 2018 and 2017, respectively. We apply the relevant marginal statutory tax rate based on the nature of the adjustments and tax jurisdiction in which they occur. Both EPS and ongoing EPS were calculated using diluted weighted-average common shares outstanding for the respective periods as reflected in our consolidated statements of income.

	Fiscal Year Ended		Change	
	September 30, 2018	October 1, 2017		
Revenue	\$2,964,148	\$2,753,360	\$210,788	7.7%
RCM	(14,199)	(18,207)	4,008	NM
Claim settlement	10,576	—	10,576	NM
Ongoing revenue	\$2,960,525	\$2,735,153	\$225,372	8.2
Revenue, net of subcontractor costs	\$2,200,734	\$2,034,010	\$166,724	8.2
RCM	(2,648)	86	(2,734)	NM
Claim settlement	10,576	—	\$10,576	NM
Ongoing revenue, net of subcontractor costs	\$2,208,662	\$2,034,096	\$174,566	8.6
Income from operations	\$190,086	\$183,342	\$6,744	3.7
Contingent consideration – fair value adjustments	4,252	(6,923)	11,175	NM
Non-core divestitures	3,434	—	3,434	NM
Claim settlement	12,457	—	12,457	NM
Contingent consideration - compensation	1,501	—	1,501	NM
Subtotal	211,730	176,419	35,311	20.0
RCM	4,573	14,712	(10,139)	NM
Ongoing income from operations	\$216,303	\$191,131	\$25,172	13.2
EPS	\$2.42	\$2.04	\$0.38	18.6
Contingent consideration – fair value adjustments	0.06	(0.08)	0.14	NM
Contingent consideration - compensation	0.02	—	0.02	NM
RCM	0.06	0.17	(0.11)	NM
Revaluation of deferred taxes	(0.19)	—	(0.19)	NM
Non-core divestitures	0.11	—	0.11	NM
Claim settlement	0.16	—	0.16	NM
Ongoing EPS	\$2.64	\$2.13	\$0.51	23.9

NM = not meaningful

In fiscal 2018, revenue and revenue, net of subcontractor costs, increased \$210.8 million, or 7.7%, and \$166.7 million, or 8.2%, respectively, compared to fiscal 2017. Our ongoing revenue and revenue, net of subcontractor costs, increased \$225.4 million, or 8.2%, and \$174.6 million, or 8.6%, respectively, compared to last year. This growth includes contributions from the acquisitions of Glumac and NDY, partially offset by the divestiture of our non-core utility field services operations. Excluding the net impact from these

transactions, our revenue grew \$102.6 million, or 3.8%, in fiscal 2018 compared to fiscal 2017. The growth was due to increased state and local government activity led by our disaster recovery projects, as well as our U.S. federal government and international government business primarily in our GSG segment. These increases were partially offset by a decline in our international oil and gas activities in Western Canada in our CIG segment.

Our operating income increased \$6.7 million in fiscal 2018 compared to fiscal 2017. The loss from exited construction activities in our RCM segment was \$4.6 million in fiscal 2018 compared to \$14.7 million last year. Our RCM results are described below under "Remediation and Construction Management." Additionally, our operating income for fiscal 2018 reflects losses of \$4.3 million related to changes in the estimated fair value of contingent earn-out liabilities and a related compensation charge of \$1.5 million. Conversely, our operating income for fiscal 2017 reflects gains of \$6.9 million related to changes in the estimated fair value of contingent earn-out liabilities. These gains and losses/charges are described below under "Fiscal 2018 and 2017 Earn-Out Adjustments." Our operating income for fiscal 2018 also includes losses of \$3.4 million related to the divestitures of our non-core utility field services operations and other non-core assets. These losses are reported in selling, general and administrative expenses in our consolidated statements of income. Our fiscal 2018 results also include a reduction of revenue of \$10.6 million and a related charge to operating income of \$12.5 million related to the settlement of a claim in our CIG reportable segment for a fixed-price construction project that was completed in fiscal 2014 prior to our decision to exit similar activities in our RCM segment. Although this settlement resulted in a charge to operating income in the fourth quarter of fiscal 2018, we received cash proceeds of \$16.1 million for the related accounts receivable in the first quarter of fiscal 2019.

Excluding these items, ongoing operating income increased \$25.2 million, or 13.2%, in fiscal 2018 compared to fiscal 2017. The increase in our operating income reflects improved results in our GSG segment. GSG's operating income increased \$30.0 million in fiscal 2018 compared to last year. These results are described below under "Government Services Group."

Interest expense, net was \$15.5 million in fiscal 2018 compared to \$11.6 million last year. This increase reflects higher interest rates (primarily LIBOR) and additional borrowings to fund business growth, including the fiscal 2018 acquisitions, and other working capital needs.

The effective tax rates for fiscal 2018 and 2017 were 21.5% and 31.3%, respectively. The fiscal 2018 tax rate reflects the impact of the comprehensive tax legislation enacted by the U.S. government on December 22, 2017, which is commonly referred to as the TCJA. The TCJA significantly revised the U.S. corporate income tax regime by, among other things, lowering the U.S. corporate tax rate from 35% to 21% effective January 1, 2018, while also repealing the deduction for domestic production activities, limiting the deductibility of certain executive compensation, and implementing a modified territorial tax system. The TCJA also imposes a one-time transition tax on deemed repatriation of historical earnings of foreign subsidiaries. We analyzed this provision of the TCJA and our related foreign earnings accumulated under legacy tax laws during fiscal 2018. Based on our analysis of tax earnings and profits and tax deficits at the prescribed measurement dates, we have a cumulative net tax deficit and do not believe we have any tax liability related to this tax. As we have a September 30 fiscal year-end, our U.S. federal corporate income tax rate was blended in fiscal 2018, resulting in a statutory federal rate of approximately 24.5% (3 months at 35% and 9 months at 21%), and will be 21% for subsequent fiscal years.

GAAP requires that the impact of tax legislation be recognized in the period in which the tax law was enacted. As a result of the TCJA, we reduced our deferred tax liabilities and recorded a one-time deferred tax benefit of approximately \$14.7 million in fiscal 2018 to reflect our estimate of temporary differences in the United States that will be recovered or settled in fiscal 2018 based on the 24.5% blended corporate tax rate or based on the 21% tax rate in fiscal 2019 and beyond versus the previous enacted 35% corporate tax rate. In fiscal 2018, we recognized other non-recurring adjustments to our deferred tax assets and liabilities that resulted in a net deferred tax expense of \$3.6 million. Excluding these net deferred tax benefits, our effective tax rate in fiscal 2018 was 27.9%.

The fiscal 2018 divestitures of our non-core utility field services operations and other non-core assets resulted in a pre-tax loss of \$3.4 million and incremental tax expense of \$2.6 million due to a book/tax basis difference primarily related to the \$12.2 million of associated goodwill. In fiscal 2018 and fiscal 2017, the Internal Revenue Service concluded their examinations through fiscal 2016 and other state and international examinations were also completed. As a result, we recognized a net \$1.6 million tax expense in fiscal 2018 and a \$1.1 million tax expense in fiscal 2017. Excluding these discrete amounts from both periods and the one-time impacts of the TCJA, the effective tax rates for fiscal 2018 and 2017 were 25.1% and 30.7%, respectively.

Our EPS was \$2.42 in fiscal 2018, compared to \$2.04 in fiscal 2017. On the same basis as our ongoing operating income, EPS was \$2.64 in fiscal 2018, compared to \$2.13 last year.

Segment Results of Operations

Beginning in fiscal 2018, we aligned our operations to better serve our clients and markets, resulting in two renamed reportable segments. Our GSG reportable segment primarily includes activities with U.S. government clients (federal, state and local) and activities with development agencies worldwide. Our CIG reportable segment primarily includes activities with U.S. commercial clients and international activities other than work for development agencies. This alignment allows us to capitalize on our growing market opportunities and enhance the development of high-end consulting and technical solutions to meet our

growing client demand. We continue to report the results of the wind-down of our non-core construction activities in the RCM segment.

Government Services Group ("GSG")

	Fiscal Year Ended		Change	
	September 30, 2018	October 1, 2017	\$	%
	(\$ in thousands)			
Revenue	\$1,694,871	\$1,487,611	\$207,260	13.9%
Subcontractor costs	(482,537)	(420,453)	(62,084)	(14.8)
Revenue, net of subcontractor costs	\$1,212,334	\$1,067,158	\$145,176	13.6

Income from operations \$168,211 \$138,199 \$30,012 21.7

Revenue and revenue, net of subcontractor costs, increased \$207.3 million, or 13.9%, and \$145.2 million, or 13.6%, respectively, compared to fiscal 2017. These increases include the aforementioned contribution from our Glumac acquisition. Excluding this contribution, our revenue increased 9.8% in fiscal 2018 compared to fiscal 2017. This increase reflects broad-based revenue growth in our U.S. state and local government project-related infrastructure revenue with particularly increased revenue from municipal water infrastructure work in the metropolitan areas of California, Texas, and Florida. The increase also includes higher revenue from disaster recovery activities in fiscal 2018 compared to last year due to the unprecedented number of natural disasters in the United States during 2017. The level of our activities were particularly increased by the hurricanes in Florida and Texas, and the fires in California. Our U.S. state and local government revenue and revenue, net of subcontractor costs, increased \$114.9 million and \$68.7 million, respectively, in fiscal 2018 compared to last year. To a lesser extent, our U.S. federal business also improved compared to fiscal 2017, primarily due to an increase in environmental work for the DoD, and DOS. Operating income increased \$30.0 million in fiscal 2018 compared to fiscal 2017, reflecting the higher revenue. In addition, our operating margin, based on revenue, net of subcontractor costs, improved to 13.9% in fiscal 2018 from 13.0% in fiscal 2017. This increase in profitability primarily reflects increasing revenue and improved utilization of resources.

Commercial/International Services Group ("CIG")

	Fiscal Year Ended		Change	
	September 30, 2018	October 1, 2017	\$	%
	(\$ in thousands)			
Revenue	\$1,323,142	\$1,326,020	\$(2,878)	(0.2)%
Subcontractor costs	(337,390)	(359,082)	21,692	6.0
Revenue, net of subcontractor costs	\$985,752	\$966,938	\$18,814	1.9

Income from operations \$74,451 \$90,817 \$(16,366) (18.0)

Revenue and revenue, net of subcontractor costs, decreased \$2.9 million, or 0.2%, and increased \$18.8 million, or 1.9%, respectively, in fiscal 2018 compared to fiscal 2017. These amounts include the aforementioned contribution from our NDY acquisition. In addition, these year-over-year comparisons were impacted by the divestiture of our non-core utility field services operations in fiscal 2018 and the reduction of revenue of \$10.6 million from the settlement of the claim in the fourth quarter of fiscal 2018 for a fixed-price construction project that was completed in fiscal 2014. Excluding the net impact of the acquisition/divestiture and the claim adjustment, revenue and revenue, net of subcontractor costs decreased 3.1% and 2.4%, respectively, in fiscal 2018 compared to last year. These results primarily reflect lower oil and gas revenue in Western Canada, which declined \$75.6 million in fiscal 2018 compared to last

year. Operating income decreased \$16.4 million, or, 18.0%, in fiscal 2018 compared to fiscal 2017 primarily due to the \$12.5 million charge for the claim settlement in the fourth quarter of fiscal 2018 for the fixed-price construction project that was completed in fiscal 2014. Excluding this charge, operating income declined 4.3% in fiscal 2018 compared to last year reflecting the lower revenue. In addition, our operating margin, based on revenue, net of subcontractor costs, declined to 7.6% in fiscal 2018 from 9.4% in fiscal 2017 reflecting the claim settlement in the fourth quarter of fiscal 2018.

Remediation and Construction Management ("RCM")

	Fiscal Year Ended		Change	
	September 30, 2018	October 1, 2017	\$	%
	(\$ in thousands)			
Revenue	\$14,199	\$18,207	\$(4,008)	(22.0)%
Subcontractor costs	(11,551)	(18,293)	6,742	36.9
Revenue, net of subcontractor costs	\$2,648	\$(86)	\$2,734	NM
Loss from operations	\$(4,573)	\$(14,712)	\$10,139	68.9

NM = not meaningful

Revenue decreased \$4.0 million and revenue, net of subcontractor costs, increased \$2.7 million in fiscal 2018 compared to fiscal 2017. The operating loss in fiscal 2018 primarily reflects legal costs related to outstanding claims. In fiscal 2017, we updated our evaluation of unsettled claims and recognized a reduction in revenue of \$4.9 million and a related loss in operating income of \$3.6 million. We also recognized unfavorable operating income adjustments of \$5.7 million related to our updated estimate of the costs to complete fixed-price construction projects in fiscal 2017. The remaining loss in fiscal 2017 primarily reflect legal costs related to outstanding claims.

Fiscal 2018 and 2017 Earn-Out Adjustments

We review and re-assess the estimated fair value of contingent consideration on a quarterly basis, and the updated fair value could differ materially from the initial estimates. In fiscal 2018, we recorded adjustments to our contingent earn-out liabilities and reported related losses in operating income of \$4.3 million. These losses resulted from updated valuations of the contingent consideration liabilities for NDY, Eco Logical Australia ("ELA") and Cornerstone Environmental Group ("CEG"). These valuations included our updated projections of NDY's, ELA's, and CEG's financial performance during the earn-out periods, which exceeded our original estimates at their respective acquisition dates. In addition, in fiscal 2018 we recognized a charge of \$1.5 million that related to the earn-out for Glumac but was treated as compensation in selling, general and administrative expenses due to the terms of the arrangement, which included an on-going service requirement for a portion of the earn-out.

During fiscal 2017, we recorded updated valuations to our contingent earn-out liabilities and reported net gains in operating income totaling \$6.9 million. The fiscal 2017 gains primarily resulted from updated valuations of the contingent consideration liabilities for INDUS Corporation ("INDUS") and CEG, which are both part of our GSG segment.

At September 30, 2018, there was a total potential maximum of \$50.6 million of outstanding contingent consideration related to acquisitions. Of this amount, \$35.3 million was estimated as the fair value and accrued on our consolidated balance sheet.

Fiscal 2017 Compared to Fiscal 2016
Consolidated Results of Operations

	Fiscal Year Ended		Change	
	October 1, 2017	October 2, 2016	\$	%
	(\$ in thousands)			
Revenue	\$2,753,360	\$2,583,469	\$169,891	6.6%
Subcontractor costs	(719,350)	(654,264)	(65,086)	(9.9)
Revenue, net of subcontractor costs ⁽¹⁾	2,034,010	1,929,205	104,805	5.4
Other costs of revenue	(1,680,372)	(1,598,994)	(81,378)	(5.1)
Gross profit	353,638	330,211	23,427	7.1
Selling, general and administrative expenses	(177,219)	(171,985)	(5,234)	(3.0)
Acquisition and integration expenses	—	(19,548)	19,548	NM
Contingent consideration – fair value adjustments	6,923	(2,823)	9,746	NM
Income from operations	183,342	135,855	47,487	35.0
Interest expense – net	(11,581)	(11,389)	(192)	(1.7)
Income before income tax expense	171,761	124,466	47,295	38.0
Income tax expense	(53,844)	(40,613)	(13,231)	(32.6)
Net income	117,917	83,853	34,064	40.6
Net income attributable to noncontrolling interests	(43)	(70)	27	38.6
Net income attributable to Tetra Tech	\$117,874	\$83,783	\$34,091	40.7
Diluted earnings per share	\$2.04	\$1.42	\$0.62	43.7

We believe that the presentation of "Revenue, net of subcontractor costs", which is 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, ⁽¹⁾ 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. 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.

NM = not meaningful

The following table reconciles our reported results to non-GAAP ongoing results, which exclude the RCM results and certain purchase accounting-related adjustments. Ongoing results also exclude acquisition and integration expenses, and debt pre-payment fees in fiscal 2016. Additionally, ongoing EPS for fiscal 2016 excludes the benefit of the retroactive extension of the research and development ("R&D") credit described below. The effective tax rates applied to the adjustments to EPS to arrive at ongoing EPS averaged 33% and 25% in fiscal 2017 and 2016, respectively. We apply the relevant marginal statutory tax rate based on the nature of the adjustments and tax jurisdiction in which they occur. In fiscal 2016, this average rate was lower than our overall effective tax rate due to certain acquisition and integration expenses, which had no tax benefit. Both EPS and ongoing EPS were calculated using diluted weighted-average common shares outstanding for the respective years as reflected in our consolidated statements of income.

	Fiscal Year Ended			
	October 1, 2017	October 2, 2016	Change \$	%
Revenue	\$2,753,360	\$2,583,469	\$169,891	6.6%
RCM	(18,207)	(52,150)	33,943	NM
Ongoing revenue	\$2,735,153	\$2,531,319	\$203,834	8.1
Revenue, net of subcontractor costs	\$2,034,010	\$1,929,205	\$104,805	5.4
RCM	86	(17,267)	17,353	NM
Ongoing revenue, net of subcontractors costs	\$2,034,096	\$1,911,938	\$122,158	6.4
Income from operations	\$183,342	\$135,855	\$47,487	35.0
Acquisition and integration expenses	—	19,548	(19,548)	NM
Contingent consideration – fair value adjustments	(6,923)	2,823	(9,746)	NM
Subtotal	176,419	158,226	18,193	11.5
RCM	14,712	11,834	2,878	NM
Ongoing income from operations	\$191,131	\$170,060	\$21,071	12.4
EPS	\$2.04	\$1.42	\$0.62	43.7
Contingent consideration – fair value adjustments	(0.08)	0.03	(0.11)	NM
RCM	0.17	0.14	0.03	NM
Acquisition and integration expenses	—	0.29	(0.29)	NM
Coffey debt prepayment	—	0.03	(0.03)	NM
Retroactive R&D tax	—	(0.03)	0.03	NM
Ongoing EPS	\$2.13	\$1.88	\$0.25	13.3

NM = not meaningful

In fiscal 2017, revenue and revenue, net of subcontractor costs, increased \$169.9 million, or 6.6%, and \$104.8 million, or 5.4%, respectively, compared to fiscal 2016. The year-over-year comparisons reflect a reduction in certain construction activities resulting from our decision to exit from select fixed-price construction markets, which are reported in the RCM segment. Revenue and revenue, net of subcontractor costs, from these construction activities declined \$33.9 million and \$17.4 million, respectively, in fiscal 2017 compared to fiscal 2016. In fiscal 2017, our ongoing revenue and revenue, net of subcontractor costs, increased \$203.8 million, or 8.1%, and \$122.2 million, or 6.4%, compared to fiscal 2016. These increases include first half contributions from acquisitions of Coffey International Limited ("Coffey") and INDUS that were completed in the second quarter of fiscal 2016. Together, these acquisitions contributed revenue of \$213.4 million and revenue, net of subcontractor costs, of \$154.4 million in the first six months of fiscal 2017 compared to revenue of \$94.3 million and revenue, net of subcontractor costs, of \$71.0 million in the first six months of fiscal 2016. Excluding these first half contributions, our ongoing revenue and revenue,

net of subcontractor costs, increased 3.5% and 2.1%, respectively, in fiscal 2017 compared to the same period in fiscal 2016. These results reflect increased U.S. federal and U.S. state and local government activity partially offset by a decline in our oil and gas activities in North America, particularly in Canada.

Our operating income increased \$47.5 million in fiscal 2017 compared to fiscal 2016. The loss from exited construction activities in our RCM segment was \$14.7 million in fiscal 2017 compared to \$11.8 million in fiscal 2016. Our RCM results are described below under "Remediation and Construction Management." Additionally, our operating income in fiscal 2016 was

reduced by acquisition and integration expenses of \$19.5 million related to the acquisition of Coffey. For further detailed information regarding these expenses, see "Fiscal 2016 Acquisition and Integration Expenses" below. Also, our operating income for fiscal 2017 reflects gains of \$6.9 million related to changes in the estimated fair value of contingent earn-out liabilities. Conversely, our operating income for fiscal 2016 reflects losses of \$2.8 million related to changes in the estimated fair value of contingent earn-out liabilities. These gains and losses are described below under "Fiscal 2017 and 2016 Earn-Out Adjustments."

Excluding these items, ongoing operating income increased \$21.1 million, or 12.4%, in fiscal 2017 compared to fiscal 2016. The increase in our ongoing operating income primarily reflects improved results in our GSG segment. GSG operating income increased \$36.6 million in fiscal 2017 compared to fiscal 2016. These results are described below under "Government Services Group."

Interest expense, net was \$11.6 million in fiscal 2017, compared to \$11.4 million in fiscal 2016. Interest expense in the second quarter of fiscal 2016 included debt pre-payment fees of \$1.9 million related to the Coffey acquisition. Excluding this item, interest expense, net increased \$2.1 million in fiscal 2017 compared to fiscal 2016. This increase reflects higher interest rates (primarily LIBOR), and additional borrowings to fund the Coffey acquisition and other working capital needs.

The effective tax rates for fiscal 2017 and 2016 were 31.3% and 32.6%, respectively. During fiscal 2017, we adopted accounting guidance which requires excess tax benefits and deficiencies on share-based payments to be recorded as an income tax benefit or expense, respectively, in the statement of income rather than being recorded in additional paid-in capital on the balance sheet. As a result, we recognized an income tax benefit of \$4.9 million in fiscal 2017. Excluding this item, the effective tax rate for fiscal 2017 was 34.2%. In fiscal 2016, we incurred \$13.3 million of acquisition and integration expenses and debt pre-payment fees for which no tax benefit was recognized. Of this amount, \$6.4 million resulted from acquisition expenses that were not tax deductible and \$6.9 million resulted from integration expenses and debt pre-payment fees incurred in jurisdictions with current and historical net operating losses where the related deferred tax asset was fully reserved. Additionally, during the first quarter of fiscal 2016, the Protecting Americans from Tax Hikes Act of 2015 was signed into law which permanently extended the R&D credit retroactive to January 1, 2015. Our income tax expense for fiscal 2016 included an income tax benefit of \$2.0 million attributable to operating income during the last nine months of fiscal 2015, primarily related to the retroactive recognition of the R&D credit. Excluding these discrete items, the effective tax rate for fiscal 2016 was 30.9%.

EPS was \$2.04 in fiscal 2017, compared to \$1.42 in fiscal 2016. This increase includes the acquisition and integration expenses and debt pre-payment fees of \$21.5 million (\$19.0 million after tax) in fiscal 2016. These charges reduced EPS by \$0.32 per share in fiscal 2016. The other non-operating items described above (RCM segment results and earn-out gains/losses) also affected the year-over-year comparisons. On the same basis as our ongoing operating income, EPS was \$2.13 in fiscal 2017, compared to \$1.88 in fiscal 2016.

Fiscal 2016 Acquisition and Integration Expenses

In fiscal 2016, we incurred Coffey-related acquisition and integration expenses of \$19.5 million. The \$7.9 million of acquisition expenses were primarily for professional services, such as legal and investment banking, to support the transaction. Throughout the remainder of fiscal 2016 subsequent to the acquisition date, we incurred costs of \$11.6 million on integration activities, including the elimination of redundant general and administrative costs, real estate consolidation, and conversion of information technology

platforms. As of October 2, 2016, all of these activities were substantially complete and all of the related costs had been paid.

Fiscal 2017 and 2016 Earn-Out Adjustments

During fiscal 2017, we recorded updated valuations to our contingent earn-out liabilities and reported related net gains in operating income totaling \$6.9 million. The fiscal 2017 gains primarily resulted from updated valuations of the contingent consideration liabilities for INDUS and CEG, which are both part of our GSG segment.

INDUS' actual financial performance in the first earn-out period was profitable, but below our original expectations at the acquisition date. As a result, in the second quarter of fiscal 2017, we evaluated our estimate of INDUS' contingent consideration liability for both earn-out periods. This assessment included a review of INDUS' financial results in the first earn-out period, the status of ongoing projects in INDUS' backlog, and the inventory of prospective new contract awards. As a result of this assessment, we concluded that INDUS' operating income in both the first and second earn-out periods would be lower than the minimum requirements of \$3.2 million and \$3.6 million, respectively, to earn any contingent consideration. Accordingly, in the second quarter of fiscal 2017, we reduced INDUS' contingent earn-out liability to \$0, which resulted in a gain of \$5.0 million.

In the second quarter of fiscal 2016, we recorded an increase in our contingent earn-out liabilities and related losses in operating income of \$1.8 million, which primarily reflected our updated valuation of the contingent consideration liability for CEG.

Segment Results of Operations
Government Services Group ("GSG")

	Fiscal Year Ended		Change	
	October 1, 2017	October 2, 2016	\$	%
	(\$ in thousands)			
Revenue	\$1,487,611	\$1,289,506	\$198,105	15.4%
Subcontractor costs	(420,453)	(338,476)	(81,977)	(24.2)
Revenue, net of subcontractor costs	\$1,067,158	\$951,030	\$116,128	12.2

Income from operations \$138,199 \$101,595 \$36,604 36.0

Revenue and revenue, net of subcontractor costs, increased \$198.1 million, or 15.4%, and \$116.1 million, or 12.2%, in fiscal 2017 compared to fiscal 2016. These increases include contributions from Coffey's international development projects and INDUS' projects of \$144.9 million of revenue and \$94.8 million of revenue, net of subcontractor costs, in the first six months of fiscal 2017, compared to \$57.2 million and \$29.7 million, respectively, in the first half of fiscal 2016. Excluding the contributions from Coffey and INDUS, our revenue and revenue, net of subcontractor costs, increased \$98.8 million and \$62.7 million, respectively, in fiscal 2017 compared to the fiscal 2016. These increases reflect broad-based revenue growth in our U.S. state and local government project-related infrastructure business. Our U.S. state and local government revenue and revenue, net of subcontractor costs, increased \$66.1 million and \$46.1 million, respectively, in fiscal 2017 compared to fiscal 2016. Our U.S. federal business also improved compared to fiscal 2016, primarily due to an increase in work for DoD. Operating income increased \$36.6 million in fiscal 2017 compared to fiscal 2016, reflecting the higher revenue. In addition, our operating margin, based on revenue, net of subcontractor costs, improved to 13.0% in fiscal 2017 from 10.7% in fiscal 2016.

Commercial/International Services Group ("CIG")

	Fiscal Year Ended		Change	
	October 1, 2017	October 2, 2016	\$	%
	(\$ in thousands)			
Revenue	\$1,326,020	\$1,297,209	\$28,811	2.2%
Subcontractor costs	(359,082)	(336,301)	(22,781)	(6.8)
Revenue, net of subcontractor costs	\$966,938	\$960,908	\$6,030	0.6

Income from operations \$90,817 \$106,602 \$(15,785) (14.8)

Revenue and revenue, net of subcontractor costs, increased \$28.8 million and \$6.0 million, respectively, compared to fiscal 2016. These increases include Coffey contributions of \$68.6 million of revenue and \$59.7 million of revenue, net of subcontractor costs, in the first six months of fiscal 2017, compared to \$37.1 million and \$32.3 million, respectively, in the first half of fiscal 2016. Excluding the Coffey contributions, our revenue and revenue, net of subcontractor costs, increased \$7.0 million and decreased \$10.4 million, respectively, in fiscal 2017 compared to fiscal 2016. The reduction in revenue, net of subcontractor costs reflect a reduction in oil and gas activity in North America, particularly in Canada. Operating income decreased \$15.8 million in fiscal 2017 compared to fiscal 2016. This decrease also reflects the reduction in oil and gas activity.

Remediation and Construction Management ("RCM")

44

	Fiscal Year Ended		Change	
	October 1, 2017	October 2, 2016	\$	%
	(\$ in thousands)			
Revenue	\$18,207	\$52,150	\$(33,943)	(65.1)%
Subcontractor costs	(18,293)	(34,883)	16,590	47.6
Revenue, net of subcontractor costs	\$(86)	\$17,267	\$(17,353)	(100.5)
Loss from operations	\$(14,712)	\$(11,834)	\$(2,878)	(24.3)

Revenue and revenue, net of subcontractor costs, decreased \$33.9 million and \$17.4 million, respectively, in fiscal 2017 compared to fiscal 2016. These decreases primarily resulted from our decision at the end of fiscal 2014 to wind-down the RCM construction activities. In addition, in fiscal 2017, we updated our evaluation of unsettled claims and recognized a reduction in revenue of \$4.9 million and a related loss in operating income of \$3.6 million. In fiscal 2017, we also recognized unfavorable operating income adjustments of \$5.7 million related to our updated estimate of the costs to complete fixed-price construction projects. The remaining loss in fiscal 2017 primarily reflects legal costs related to outstanding claims. The operating loss in fiscal 2016 resulted from adverse changes in the estimated costs to complete several projects and legal expenses to resolve various outstanding project claims. In addition, the fiscal 2016 operating loss of \$11.8 million includes \$7.9 million of losses related to uncollectible accounts receivable, including claims. This loss was partially offset by a gain of \$4.6 million resulting from the settlement of a claim with a U.S. federal government client for work completed in fiscal 2013.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Capital Requirements. Our primary sources of liquidity are cash flows from operations and borrowings under our credit facilities. Our primary uses of cash are to fund working capital, capital expenditures, stock repurchases, cash dividends and repayment of debt, as well as to fund acquisitions and earn-out obligations from prior acquisitions. We believe that our existing cash and cash equivalents, operating cash flows and borrowing capacity under our credit agreement, as described below, will be sufficient to meet our capital requirements for at least the next 12 months. On November 7, 2016, the Board of Directors authorized a stock repurchase program under which we could repurchase up to \$200 million of our common stock, of which \$175 million has been repurchased as of September 30, 2018. We declared and paid common stock dividends totaling \$24.5 million, or \$0.44 per share, in fiscal 2018 compared to \$21.7 million, or \$0.38 per share, in fiscal 2017.

Subsequent Event. On November 5, 2018, the Board of Directors declared a quarterly cash dividend of \$0.12 per share payable on December 14, 2018 to stockholders of record as of the close of business on November 30, 2018. The Board also authorized a new stock repurchase program under which we could repurchase up to \$200 million of our common stock in addition to the \$25 million remaining under the previous stock repurchase program.

We use a variety of tax planning and financing strategies to manage our worldwide cash and deploy funds to locations where they are needed. Historically, we indefinitely reinvested our foreign earnings, and did not need to repatriate these earnings. However, in fiscal 2018, we evaluated our global tax planning and financing strategies as a result of the recent changes in U.S. tax law. As a result, we completed a one-time repatriation of a portion of our foreign earnings totaling approximately \$117 million in fiscal 2018. We paid down debt in the U.S. with most of these funds during the fourth quarter of fiscal 2018. This transaction resulted in an immaterial net repatriation tax on a global basis. At September 30, 2018, undistributed earnings of our foreign subsidiaries, primarily in Canada, amounting to approximately \$11.8 million, which are expected to be permanently reinvested. Accordingly, no provision for foreign withholding taxes has been made. Upon distribution of those earnings, we would be subject to foreign withholding taxes. Assuming the permanently reinvested foreign earnings were repatriated under the laws and rates applicable at September 30, 2018, the incremental foreign withholding taxes applicable to those earnings would be approximately \$1.0 million. We have no need or plans to repatriate additional foreign earnings in the foreseeable future.

Cash and Cash Equivalents. As of September 30, 2018, cash and cash equivalents were \$146.2 million, a decrease of \$43.8 million compared to the fiscal 2017 year-end. The decrease was due to payments for the acquisitions of Glumac and NDY, stock repurchases, dividends, net repayments on long-term debt and capital expenditures. The decrease was partially offset by cash generated from operating activities, proceeds from divestitures of non-core operations, and net proceeds from the issuance of common stock.

Operating Activities. For fiscal 2018, net cash provided by operating activities was \$176.9 million compared to \$138.0 million in fiscal 2017. The fiscal 2018 and 2017 amounts were lowered by payments to tax authorities related to completed examinations totaling \$7.6 million and \$21.5 million, respectively, which was accrued in prior years. Excluding these items, net cash provided by operating activities increased \$25.0 million in fiscal 2018 compared to fiscal 2017, primarily due to higher ongoing income from operations, as well as collections from projects with milestone payment schedules.

Investing Activities. Net cash used in investing activities was \$42.6 million in fiscal 2018, an increase of \$25.7 million compared to last year, primarily due to the acquisitions of Glumac and NDY, partially offset by the proceeds from the divestitures of our non-core utility field service operations.

Financing Activities. For fiscal 2018, net cash used in financing activities was \$173.1 million, an increase of \$78.3 million compared to fiscal 2017. The increase in cash used was primarily due to higher net

repayments of long-term debt of \$93.6 million, partially offset by a \$25.0 million reduction stock repurchases in fiscal 2018 compared to fiscal 2017.

Debt Financing. On July 30, 2018, we entered into a Second Amended and Restated Credit Agreement (“Amended Credit Agreement”) that will mature in July 2023 with a total borrowing capacity of \$1 billion. The Amended Credit Agreement is a \$700 million senior secured, five-year facility that provides for a \$250 million term loan facility (the “Amended Term Loan Facility”) and a \$450 million revolving credit facility (the “Amended Revolving Credit Facility”). In addition, the Amended Credit Agreement includes a \$300 million accordion feature that allows us to increase the Amended Credit Agreement to \$1 billion subject to lender approval. The Amended Credit Agreement allows us to, among other things, (i) refinance indebtedness under our Credit Agreement dated as of May 7, 2013; (ii) finance certain permitted open market repurchases of the our common stock, permitted acquisitions, and cash dividends and distributions; and (iii) utilize the proceeds for working capital, capital expenditures and other general corporate purposes. The Amended Revolving Credit Facility includes a \$100 million sublimit for the issuance of standby letters of credit, a \$20 million sublimit for swingline loans, and a \$200 million sublimit for multicurrency borrowings and letters of credit.

The entire Amended Term Loan Facility was drawn on July 30, 2018. The Amended Term Loan Facility is subject to quarterly amortization of principal at 5% annually beginning December 31, 2018. We may borrow on the Amended Revolving Credit Facility, at our option, at either (a) a Eurocurrency rate plus a margin that ranges from 1.00% to 1.75% per annum, or (b) a base rate for loans in U.S. dollars (the highest of the U.S. federal funds rate plus 0.50% per annum, the bank's prime rate or the Eurocurrency rate plus 1.00%) plus a margin that ranges from 0% to 0.75% per annum. In each case, the applicable margin is based on our Consolidated Leverage Ratio, calculated quarterly. The Amended Term Loan Facility is subject to the same interest rate provisions. The Amended Credit Agreement expires on July 30, 2023, or earlier at our discretion upon payment in full of loans and other obligations.

At September 30, 2018, we had \$277.1 million in outstanding borrowings under the Amended Credit Agreement, which was comprised of \$250 million under the Term Loan Facility and \$27.1 million under the Amended Revolving Credit Facility at a weighted-average interest rate of 3.27% per annum. In addition, we had \$0.9 million in standby letters of credit under the Amended Credit Agreement. Our average effective weighted-average interest rate on borrowings outstanding at September 30, 2018 under the Amended Credit Agreement, including the effects of interest rate swap agreements was 3.28%. At September 30, 2018, we had \$422.0 million of available credit under the Amended Revolving Credit Facility, all of which could be borrowed without a violation of our debt covenants. Commitment fees related to our revolving credit facilities were \$0.6 million, \$0.8 million, and \$0.9 million for fiscal 2018, 2017 and 2016, respectively.

The Amended Credit Agreement contains certain affirmative and restrictive covenants, and customary events of default. The financial covenants provide for a maximum Consolidated Leverage Ratio of 3.00 to 1.00 (total funded debt/EBITDA, as defined in the Amended Credit Agreement) and a minimum Consolidated Interest Coverage Ratio of 3.00 to 1.00 (EBITDA/Consolidated Interest Charges, as defined in the Amended Credit Agreement). Our obligations under the Amended Credit Agreement are guaranteed by certain of our domestic subsidiaries and are secured by first priority liens on (i) the equity interests of certain of our subsidiaries, including those subsidiaries that are guarantors or borrowers under the Amended Credit Agreement, and (ii) the accounts receivable, general intangibles and intercompany loans, and those of our subsidiaries that are guarantors or borrowers.

At September 30, 2018, we were in compliance with these covenants with a consolidated leverage ratio of 1.23x and a consolidated interest coverage ratio of 15.42x. Our obligations under the Amended Credit Agreement are guaranteed by certain of our subsidiaries and are secured by first priority liens on (i) the equity interests of certain of our subsidiaries, including those subsidiaries that are guarantors or borrowers under the Amended Credit Agreement, and (ii) our accounts receivable, general intangibles and intercompany loans, and those of our subsidiaries that are guarantors or borrowers.

In addition to the credit facility, we entered into agreements to issue standby letters of credit. The aggregate amount of standby letters of credit outstanding under these additional agreements and other bank guarantees was \$29.8 million, of which \$4.3 million was issued in currencies other than the U.S. dollar.

We maintain at our Australian subsidiary an AUD\$30 million credit facility, which may be used for bank overdrafts, short-term cash advances and bank guarantees. This facility expires in March 2019 and is secured by a parent guarantee. At September 30, 2018, there were no borrowings outstanding under this facility and bank guarantees outstanding of \$7.1 million, which were issued in currencies other than the U.S. dollar.

Inflation. We believe our operations have not been, and, in the foreseeable future, are not expected to be, materially adversely affected by inflation or changing prices due to the average duration of our projects and our ability to negotiate prices as contracts end and new contracts begin.

Dividends. Our Board of Directors has authorized the following dividends:

Declaration Date	Dividend Per Share (in thousands, except per share data)	Record Date	Total Maximum Payment	Payment Date
November 6, 2017	\$0.10	November 30, 2017	\$ 5,589	December 15, 2017
January 29, 2018	\$0.10	February 14, 2018	\$ 5,583	March 2, 2018
April 30, 2018	\$0.12	May 16, 2018	\$ 6,664	June 1, 2018
July 30, 2018	\$0.12	August 16, 2018	\$ 6,641	August 31, 2018
November 5, 2018	\$0.12	November 30, 2018	N/A	December 14, 2018

Contractual Obligations. The following sets forth our contractual obligations at September 30, 2018:

	Total	Year 1	Years 2 - 3	Years 4 - 5	Beyond
	(in thousands)				
Debt:					
Credit facility	\$277,127	\$12,500	\$25,000	\$239,627	\$—
Other debt	7	7	—	—	—
Interest ⁽¹⁾	44,569	10,062	18,885	15,622	—
Capital leases	177	92	85	—	—
Operating leases ⁽²⁾	262,741	84,442	111,122	48,924	18,253
Contingent earn-outs ⁽³⁾	35,290	13,633	21,657	—	—
Deferred compensation liability	30,210	—	—	—	30,210
Unrecognized tax benefits ⁽⁴⁾	9,427	3,577	4,120	1,730	—
Total	\$659,548	\$124,313	\$180,869	\$305,903	\$48,463

(1) Interest primarily related to the Term Loan Facility is based on a weighted-average interest rate at September 30, 2018, on borrowings that are presently outstanding.

(2) Predominantly represents real estate leases.

(3) Represents the estimated fair value recorded for contingent earn-out obligations for acquisitions. The remaining maximum contingent earn-out obligations for these acquisitions total \$50.6 million.

Represents liabilities for unrecognized tax benefits related to uncertain tax positions, excluding amounts related primarily to outstanding refund claims. We are unable to reasonably predict the timing of tax

(4) settlements, as tax audits can involve complex issues and the resolution of those issues may span multiple years, particularly if subject to negotiation or litigation. For more information, see Note 8, "Income Taxes" of the "Notes to Consolidated Financial Statements" included in Item 8.

Income Taxes

We evaluate the realizability of our deferred tax assets by assessing the valuation allowance and adjust the allowance, if necessary. The factors used to assess the likelihood of realization are our forecast of future taxable income and available tax planning strategies that could be implemented to realize the net deferred tax assets. The ability or failure to achieve the forecasted taxable income in the applicable taxing jurisdictions could affect the ultimate realization of deferred tax assets. Based on future operating results in certain jurisdictions, it is possible that the current valuation allowance positions of those jurisdictions could be adjusted in the next 12 months.

As of September 30, 2018 and October 1, 2017, the liability for income taxes associated with uncertain tax positions was \$9.4 million and \$6.0 million, respectively.

It is reasonably possible that the amount of the unrecognized benefit with respect to certain of our unrecognized tax positions may significantly decrease within the next 12 months. These changes would be the result of ongoing examinations.

Off-Balance Sheet Arrangements

In the ordinary course of business, we may use off-balance sheet arrangements if we believe that such arrangements would be an efficient way to lower our cost of capital or help us manage the overall risks of our business operations. We do not believe that such arrangements have had a material adverse effect on our financial position or our results of operations.

The following is a summary of our off-balance sheet arrangements:

Letters of credit and bank guarantees are used primarily to support project performance and insurance programs. We are required to reimburse the issuers of letters of credit and bank guarantees for any payments they make under the outstanding letters of credit or bank guarantees. Our Amended Credit

Agreement and additional letter of credit facilities cover the issuance of our standby letters of credit and bank guarantees and are critical for our normal operations. If we default on the Amended Credit Agreement or additional credit facilities, our inability to issue or renew standby letters of credit and bank guarantees would impair our ability to maintain normal operations. At September 30, 2018, we had \$0.9 million in standby letters of credit outstanding under our Amended Credit Agreement, \$29.8 million in standby letters of credit outstanding under our additional letter of credit facilities and \$7.1 million of bank guarantees under our Australian facility.

From time to time, we provide guarantees and indemnifications related to our services. If our services under a guaranteed or indemnified project are later determined to have resulted in a material defect or other material deficiency, then we may be responsible for monetary damages or other legal remedies. When sufficient information about claims on guaranteed or indemnified projects is available and monetary damages or other costs or losses are determined to be probable, we recognize such guaranteed losses. In the ordinary course of business, we enter into various agreements as part of certain unconsolidated subsidiaries, joint ventures, and other jointly executed contracts where we are jointly and severally liable. We enter into these agreements primarily to support the project execution commitments of these entities. The potential payment amount of an outstanding performance guarantee is typically the remaining cost of work to be performed by or on behalf of third parties under engineering and construction contracts. However, we are not able to estimate other amounts that may be required to be paid in excess of estimated costs to complete contracts and, accordingly, the total potential payment amount under our outstanding performance guarantees cannot be estimated. For cost-plus contracts, amounts that may become payable pursuant to guarantee provisions are normally recoverable from the client for work performed under the contract. For lump sum or fixed-price contracts, this amount is the cost to complete the contracted work less amounts remaining to be billed to the client under the contract. Remaining billable amounts could be greater or less than the cost to complete. In those cases where costs exceed the remaining amounts payable under the contract, we may have recourse to third parties, such as owners, co-venturers, subcontractors or vendors, for claims.

In the ordinary course of business, our clients may request that we obtain surety bonds in connection with contract performance obligations that are not required to be recorded in our consolidated balance sheets. We are obligated to reimburse the issuer of our surety bonds for any payments made thereunder. Each of our commitments under performance bonds generally ends concurrently with the expiration of our related contractual obligation.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of our financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions in the application of certain accounting policies that affect amounts reported in our consolidated financial statements and accompanying footnotes included in Item 8 of this report. In order to understand better the changes that may occur to our financial condition, results of operations and cash flows, readers should be aware of the critical accounting policies we apply and estimates we use in preparing our consolidated financial statements. Although such estimates and assumptions are based on management's best knowledge of current events and actions we may undertake in the future, actual results could differ materially from those estimates.

Our significant accounting policies are described in the "Notes to Consolidated Financial Statements" included in Item 8. Highlighted below are the accounting policies that management considers most critical to investors' understanding of our financial results and condition, and that require complex judgments by management.

Revenue Recognition and Contract Costs

We recognize revenue for most of our contracts using the percentage-of-completion method, primarily based on contract costs incurred to date compared to total estimated contract costs. We generally utilize the cost-to-cost approach to estimate the progress towards completion in order to determine the amount of revenue and profit to recognize. This method of revenue recognition requires us to prepare estimates of costs to complete contracts in progress. In making such estimates, judgments are required to evaluate contingencies such as potential variances in schedule; the cost of materials and labor productivity; and the impact of change orders, liability claims, contract disputes and achievement of contractual performance standards. Changes in total estimated contract cost and losses, if any, could materially impact our financial condition, results of operations or cash flows.

We recognize revenue for work performed under three major types of contracts: fixed-price, time-and-materials and cost-plus.

Fixed-Price. Under fixed-price contracts, our clients pay us an agreed fixed-amount negotiated in advance for a specified scope of work. We generally recognize revenue on fixed-price contracts using the percentage-of-completion method. If the nature or circumstances of the contract prevent us from preparing a reliable estimate at completion, we will delay profit recognition until adequate information about the contract's progress becomes available.

Time-and-Materials. Under time-and-materials contracts, we negotiate hourly billing rates and charge our clients based on the actual time that we spend on a project. In addition, clients reimburse us for our actual out-of-pocket costs of materials and other direct incidental expenditures that we incur in connection with our performance under the contract. The majority of our time-and-material contracts are subject to maximum contract values and, accordingly, revenue under these contracts is generally recognized under the percentage-of-completion method. However, time and materials contracts that are service-related contracts are accounted for utilizing the proportional performance method. Revenue on contracts that are not subject to maximum contract

values is recognized based on the actual number of hours we spend on the projects plus any actual out-of-pocket costs of materials and other direct incidental expenditures that we incur on the projects. Our time-and-materials contracts also generally include annual billing rate adjustment provisions.

Cost-Plus. Under cost-plus contracts, we are reimbursed for allowable or otherwise defined costs incurred plus a negotiated fee. The contracts may also include incentives for various performance criteria, including quality, timeliness, ingenuity, safety and cost-effectiveness. In addition, our costs are generally subject to review by our clients and regulatory audit agencies, and such reviews could result in costs being disputed as non-reimbursable under the terms of the contract. Revenue for cost-plus contracts is recognized at the time services are performed. Revenue is not recognized for non-recoverable costs. Performance incentives are included in our estimates of revenue when their realization is reasonably assured.

If estimated total costs on any contract indicate a loss, we recognize the entire estimated loss in the period the loss becomes known. The cumulative effect of revisions to revenue, estimated costs to complete contracts, including penalties, incentive awards, change orders, claims, anticipated losses and others are recorded in the period in which the revisions are identified and the loss can be reasonably estimated. Such revisions could occur in any reporting period and the effects may be material depending on the size of the project or the adjustment.

Once contract performance is underway, we may experience changes in conditions, client requirements, specifications, designs, materials and expectations regarding the period of performance. Such changes are "change orders" and may be initiated by us or by our clients. In many cases, agreement with the client as to the terms of change orders is reached prior to work commencing; however, sometimes circumstances require that work progress without obtaining client agreement. Revenue related to change orders is recognized as costs are incurred. Change orders that are unapproved as to both price and scope are evaluated as claims.

Claims are amounts in excess of agreed contract prices that we seek to collect from our clients or other third parties for delays, errors in specifications and designs, contract terminations, change orders in dispute or unapproved as to both scope and price or other causes of unanticipated additional costs. We regularly evaluate all unsettled claim amounts and record appropriate adjustments to operating earnings when it is probable that the claim will result in a different contract value than the amount previously estimated. Revenue on claims is recognized only to the extent that contract costs related to the claims have been incurred and when it is probable that the claim will result in a bona fide addition to contract value that can be reliably estimated. No profit is recognized on a claim until final settlement occurs. This can lead to a situation in which costs are recognized in one period and revenue is recognized in a subsequent period when a client agreement is obtained or a claim resolution occurs.

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers), which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 outlines a five-step process for revenue recognition that focuses on transfer of control, as opposed to transfer of risk and rewards, and also requires disclosures regarding the nature, amount, timing, and uncertainty of revenues and cash flows from contracts with customers. Major provisions include determining which goods and services are distinct and represent separate performance obligations, how variable consideration (which may include change orders and claims) is recognized, whether revenue should be recognized at a point in time or over a period of time, and ensuring the time value of money is considered in the transaction price.

We have a cross-functional implementation team which includes representatives from our two operating segments, corporate accounting, and information technology. The implementation team has evaluated the impact of adopting the new standard on our uncompleted contracts as of October 1, 2018 (the date of adoption). The evaluation included reviewing our accounting policies and practices to identify differences that would result from applying the requirements of the new standard. We have identified and made

changes to our processes and controls to support recognition and disclosure under the new standard. The implementation team has closely followed the conclusions of various industry groups on certain interpretive issues.

We continue to evaluate the impact of adopting ASU 2014-09 and all related amendments on our financial position, results of operations, and related disclosures. Under the new standard, we will continue to recognize fixed-price, time-and-materials, and cost-plus contract revenue over time on a percentage-of-completion basis because of the continuous transfer of control to the customer. However, in a limited number of circumstances, adoption of the new standard will affect the manner in which we determine the unit of account for our projects (i.e. performance obligation). In some cases, contracts treated as more than one unit of account (multiple performance obligations) for revenue and margin recognition under existing guidance will be combined into one unit of account upon adoption. Conversely, in fewer cases, contracts treated as one unit of account (a single performance obligation) under existing guidance will be segmented into two or more units of account upon adoption. Based on our most recent assessment of existing contracts, the adoption of ASU 2014-09 is expected to result in a cumulative effect adjustment to decrease retained earnings by less than two percent as of October 1, 2018.

Insurance Matters, Litigation and Contingencies

In the normal course of business, we are subject to certain contractual guarantees and litigation. Generally, such guarantees relate to project schedules and performance. Most of the litigation involves us as a defendant in contractual disagreements, workers' compensation, personal injury and other similar lawsuits. We maintain insurance coverage for various aspects of our business and operations. However, we have elected to retain a portion of losses that may occur through the use of various deductibles, limits and retentions under our insurance programs. This practice may subject us to some future liability for which we are only partially insured or are completely uninsured.

We record in our consolidated balance sheets amounts representing our estimated liability for self-insurance claims. We utilize actuarial analyses to assist in determining the level of accrued liabilities to establish for our employee medical and workers' compensation self-insurance claims that are known and have been asserted against us, as well as for self-insurance claims that are believed to have been incurred based on actuarial analyses but have not yet been reported to our claims administrators at the balance sheet date. We include any adjustments to such insurance reserves in our consolidated statements of income.

Except as described in Note 17, "Commitments and Contingencies" of the "Notes to Consolidated Financial Statements" included in Item 8, we do not have any litigation or other contingencies that have had, or are currently anticipated to have, a material impact on our results of operations or financial position. As additional information about current or future litigation or other contingencies becomes available, management will assess whether such information warrants the recording of additional expenses relating to those contingencies. Such additional expenses could potentially have a material impact on our results of operations and financial position.

Goodwill and Intangibles

The cost of an acquired company is assigned to the tangible and intangible assets purchased and the liabilities assumed on the basis of their fair values at the date of acquisition. The determination of fair values of assets and liabilities acquired requires us to make estimates and use valuation techniques when a market value is not readily available. Any excess of purchase price over the fair value of net tangible and intangible assets acquired is allocated to goodwill. Goodwill typically represents the value paid for the assembled workforce and enhancement of our service offerings.

Identifiable intangible assets include backlog, non-compete agreements, client relations, trade names, patents and other assets. The costs of these intangible assets are amortized over their contractual or economic lives, which range from one to ten years. We assess the recoverability of the unamortized balance of our intangible assets when indicators of impairment are present based on expected future profitability and undiscounted expected cash flows and their contribution to our overall operations. Should the review indicate that the carrying value is not fully recoverable, the excess of the carrying value over the fair value of the intangible assets would be recognized as an impairment loss.

We perform our annual goodwill impairment review at the beginning of our fiscal fourth quarter. In addition, we regularly evaluate whether events and circumstances have occurred that may indicate a potential change in recoverability of goodwill. We perform interim goodwill impairment reviews between our annual reviews if certain events and circumstances have occurred, including a deterioration in general economic conditions, an increased competitive environment, a change in management, key personnel, strategy or customers, negative or declining cash flows, or a decline in actual or planned revenue or earnings compared with actual and projected results of relevant prior periods (see Note 6, "Goodwill and Intangible Assets" of the "Notes to Consolidated Financial Statements" in Item 8 for further discussion).

We believe the methodology that we use to review impairment of goodwill, which includes a significant amount of judgment and estimates, provides us with a reasonable basis to determine whether impairment has occurred. However, many of the factors employed in determining whether our goodwill is impaired are outside of our control and it is reasonably likely that assumptions and estimates will change in future periods. These changes could result in future impairments.

The goodwill impairment review involves the determination of the fair value of our reporting units, which for us are the components one level below our reportable segments. This process requires us to make significant judgments and estimates, including assumptions about our strategic plans with regard to our operations as well as the interpretation of current economic indicators and market valuations. Furthermore, the development of the present value of future cash flow projections includes assumptions and estimates derived from a review of our expected revenue growth rates, profit margins, business plans, cost of capital and tax rates. We also make certain assumptions about future market conditions, market prices, interest rates and changes in business strategies. Changes in assumptions or estimates could materially affect the determination of the fair value of a reporting unit. This could eliminate the excess of fair value over carrying value of a reporting unit entirely and, in some cases, result in impairment. Such changes in assumptions could be caused by a loss of one or more significant contracts, reductions in government or commercial client spending, or a decline in the demand for our services due to changing economic conditions. In the event that we determine that our goodwill is impaired, we would be required to record a non-cash charge that could result in a material adverse effect on our results of operations or financial position.

We use two methods to determine the fair value of our reporting units: (i) the Income Approach and (ii) the Market Approach. While each of these approaches is initially considered in the valuation of the business enterprises, the nature and

characteristics of the reporting units indicate which approach is most applicable. The Income Approach utilizes the discounted cash flow method, which focuses on the expected cash flow of the reporting unit. In applying this approach, the cash flow available for distribution is calculated for a finite period of years. Cash flow available for distribution is defined, for purposes of this analysis, as the amount of cash that could be distributed as a dividend without impairing the future profitability or operations of the reporting unit. The cash flow available for distribution and the terminal value (the value of the reporting unit at the end of the estimation period) are then discounted to present value to derive an indication of the value of the business enterprise. The Market Approach is comprised of the guideline company method and the similar transactions method. The guideline company method focuses on comparing the reporting unit to select reasonably similar (or "guideline") publicly traded companies. Under this method, valuation multiples are (i) derived from the operating data of selected guideline companies; (ii) evaluated and adjusted based on the strengths and weaknesses of the reporting units relative to the selected guideline companies; and (iii) applied to the operating data of the reporting unit to arrive at an indication of value. In the similar transactions method, consideration is given to prices paid in recent transactions that have occurred in the reporting unit's industry or in related industries. For our annual impairment analysis, we weighted the Income Approach and the Market Approach at 70% and 30%, respectively. The Income Approach was given a higher weight because it has the most direct correlation to the specific economics of the reporting unit, as compared to the Market Approach, which is based on multiples of broad-based (i.e., less comparable) companies. Our last review at July 2, 2018 (i.e. the first day of our fourth quarter in fiscal 2018), indicated that we had no impairment of goodwill, and all of our reporting units had estimated fair values that were in excess of their carrying values, including goodwill. We had no reporting units that had estimated fair values that exceeded their carrying values by less than 30%.

Contingent Consideration

Certain of our acquisition agreements include contingent earn-out arrangements, which are generally based on the achievement of future operating income thresholds. The contingent earn-out arrangements are based upon our valuations of the acquired companies and reduce the risk of overpaying for acquisitions if the projected financial results are not achieved.

The fair values of these earn-out arrangements are included as part of the purchase price of the acquired companies on their respective acquisition dates. For each transaction, we estimate the fair value of contingent earn-out payments as part of the initial purchase price and record the estimated fair value of contingent consideration as a liability in "Estimated contingent earn-out liabilities" and "Long-term estimated contingent earn-out liabilities" on the consolidated balance sheets. We consider several factors when determining that contingent earn-out liabilities are part of the purchase price, including the following: (1) the valuation of our acquisitions is not supported solely by the initial consideration paid, and the contingent earn-out formula is a critical and material component of the valuation approach to determining the purchase price; and (2) the former shareholders of acquired companies that remain as key employees receive compensation other than contingent earn-out payments at a reasonable level compared with the compensation of our other key employees. The contingent earn-out payments are not affected by employment termination.

We measure our contingent earn-out liabilities at fair value on a recurring basis using significant unobservable inputs classified within Level 3 of the fair value hierarchy (See Note 2, "Basis of Presentation and Preparation – Fair Value of Financial Instruments" of the "Notes to Consolidated Financial Statements" included in Item 8). We use a probability weighted discounted income approach as a valuation technique to convert future estimated cash flows to a single present value amount. The significant unobservable inputs used in the fair value measurements are operating income projections over the earn-out period (generally two or three years), and the probability outcome percentages we assign to each scenario. Significant increases or decreases to either of these inputs in isolation would result in a significantly higher or lower liability with a higher liability capped by the contractual maximum of the contingent earn-out obligation. Ultimately, the liability will be equivalent to the amount paid, and the difference between the fair value

estimate and amount paid will be recorded in earnings. The amount paid that is less than or equal to the liability on the acquisition date is reflected as cash used in financing activities in our consolidated statements of cash flows. Any amount paid in excess of the liability on the acquisition date is reflected as cash used in operating activities in our consolidated statements of cash flows.

We review and re-assess the estimated fair value of contingent consideration on a quarterly basis, and the updated fair value could differ materially from the initial estimates. Changes in the estimated fair value of our contingent earn-out liabilities related to the time component of the present value calculation are reported in interest expense. Adjustments to the estimated fair value related to changes in all other unobservable inputs are reported in operating income.

Income Taxes

We file a consolidated U.S. federal income tax return. In addition, we file other returns that are required in the states, foreign jurisdictions and other jurisdictions in which we do business. We account for certain income and expense items differently for financial reporting and income tax purposes. Deferred tax assets and liabilities are computed for the differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to reverse. In determining the need for a valuation allowance on deferred tax assets, management reviews both positive and negative evidence, including current and

historical results of operations, future income projections and potential tax planning strategies. Based on our assessment, we have concluded that a portion of the deferred tax assets at September 30, 2018, primarily net operating losses and certain foreign intangibles, will not be realized, and we have reserved accordingly.

On December 22, 2017, the TCJA was enacted. The TCJA significantly revised the U.S. corporate income tax regime by, among other things, lowering the U.S. corporate tax rate from 35% to 21% effective January 1, 2018, while also repealing the deduction for domestic production activities, limiting the deductibility of certain executive compensation, and implementing a modified territorial tax system. The TCJA also imposes a one-time transition tax on deemed repatriation of historical earnings of foreign subsidiaries. We analyzed this provision of the TCJA and our related foreign earnings accumulated under legacy tax laws during fiscal 2018. Based on our analysis of tax earnings and profits and tax deficits at the prescribed measurement dates, we have a cumulative net tax deficit and do not believe we have any tax liability related to this tax. As we have a September 30 fiscal year-end, our U.S. federal corporate income tax rate will be blended in fiscal 2018, resulting in a statutory federal rate of 24.5% (3 months at 35% and 9 months at 21%), and will be 21% for subsequent fiscal years.

GAAP requires that the impact of tax legislation be recognized in the period in which the tax law was enacted. As a result of the TCJA, we reduced our deferred tax liabilities and recorded a one-time deferred tax benefit of approximately \$14.7 million in fiscal 2018 to reflect our estimate of temporary differences in the United States that will be recovered or settled in fiscal 2018 based on the 24.5% blended corporate tax rate or based on the 21% tax rate in fiscal 2019 and beyond versus the previous enacted 35% corporate tax rate. In fiscal 2018, we recognized other non-recurring adjustments to our deferred tax assets and liabilities that resulted in a net deferred tax expense of \$3.6 million. Excluding these net deferred tax benefits, our effective tax rate in fiscal 2018 was 27.9%.

The one-time revaluation of our deferred tax liabilities and our estimate of the one-time transition tax on foreign earnings are both preliminary and subject to adjustment as we refine the information necessary to record the final values. The provisional amounts incorporate assumptions made based on our current interpretation of the TCJA and may change as we receive additional clarification on the implementation guidance. Additionally, in order to complete the valuation of our deferred tax liabilities, additional information related to the timing of the recovery or settlement of our deferred tax assets and liabilities and the effective tax rates (including state tax rates) that will apply needs to be obtained and analyzed. Similarly, information related to the computation of our foreign earnings and profits subject to the one-time transition tax requires further analysis before we make a final determination that we have no related liability. The U.S. Securities and Exchange Commission ("SEC") has issued rules that would allow for a measurement period of up to one year after the enactment date of the TCJA to finalize the recording of the related tax impacts. We will finalize and record any resulting adjustments by the end of the first quarter of fiscal 2019.

According to the authoritative guidance on accounting for uncertainty in income taxes, we may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. For more information related to our unrecognized tax benefits, see Note 8, "Income Taxes" of the "Notes to Consolidated Financial Statements" included in Item 8.

RECENT ACCOUNTING PRONOUNCEMENTS

For a discussion of recent accounting standards and the effect they could have on the consolidated financial statements, see Note 2, "Basis of Presentation and Preparation" of the "Notes to Consolidated Financial Statements" included in Item 8.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

We do not enter into derivative financial instruments for trading or speculation purposes. In the normal course of business, we have exposure to both interest rate risk and foreign currency transaction and translation risk, primarily related to the Canadian and Australian dollar.

We are exposed to interest rate risk under our Amended Credit Agreement. We can borrow, at our option, under both the Amended Term Loan Facility and Amended Revolving Credit Facility. We may borrow on the Amended Revolving Credit Facility, at our option, at either (a) a Eurocurrency rate plus a margin that ranges from 1.00% to 1.75% per annum, or (b) a base rate for loans in U.S. dollars (the highest of the U.S. federal funds rate plus 0.50% per annum, the bank's prime rate or the Eurocurrency rate plus 1.00%) plus a margin that ranges from 0% to 0.75% per annum. Borrowings at the base rate have no designated term and may be repaid without penalty any time prior to the Facility's maturity date. Borrowings at a Eurodollar rate have a term no less than 30 days and no greater than 90 days and may be prepaid without penalty. Typically, at the end of such term, such borrowings may be rolled over at our discretion into either a borrowing at the base rate or a borrowing at a Eurodollar rate with similar terms, not to exceed the maturity date of the Facility. The Facility matures on July 30, 2023. At September 30, 2018, we had borrowings outstanding under the Credit Agreement of \$277.1 million at a weighted-average interest rate of 3.27% per annum.

In fiscal 2013, we entered into three interest rate swap agreements with three banks to fix the variable interest rate on \$153.8 million of our Term Loan Facility. In fiscal 2014, we entered into two interest rate swap agreements with two banks to fix the variable interest rate on \$51.3 million of our Term Loan Facility. These swap agreements expired in May 2018. In August 2018, we entered into five interest rate swaps with five banks to fix the variable interest rate on \$250 million of our Amended Term Loan Facility. The objective of these interest rate swaps was to eliminate the variability of our cash flows on the amount of interest expense we pay under our Credit Agreement. Our average effective interest rate on borrowings outstanding under the Credit Agreement, including the effects of interest rate swap agreements, at September 30, 2018, was 3.28%. For more information, see Note 14, "Derivative Financial Instruments" of the "Notes to Consolidated Financial Statements" in Item 8.

Most of our transactions are in U.S. dollars; however, some of our subsidiaries conduct business in foreign currencies, primarily the Canadian and Australian dollar. Therefore, we are subject to currency exposure and volatility because of currency fluctuations. We attempt to minimize our exposure to these fluctuations by matching revenue and expenses in the same currency for our contracts. Foreign currency gains and losses were immaterial for both fiscal 2018 and fiscal 2017. Foreign currency gains and losses are reported as part of "Selling, general and administrative expenses" in our consolidated statements of income.

We have foreign currency exchange rate exposure in our results of operations and equity primarily as a result of the currency translation related to our foreign subsidiaries where the local currency is the functional currency. To the extent the U.S. dollar strengthens against foreign currencies, the translation of these foreign currency denominated transactions will result in reduced revenue, operating expenses, assets and liabilities. Similarly, our revenue, operating expenses, assets and liabilities will increase if the U.S. dollar weakens against foreign currencies. For fiscal 2018 and 2017, 24.7% and 26.7% of our consolidated revenue, respectively, was generated by our international business. For fiscal 2018, the effect of foreign exchange rate translation on the consolidated balance sheets was a decrease in equity of \$29.7 million compared to an increase in equity of \$27.9 million in fiscal 2017. These amounts were recognized as an adjustment to equity through other comprehensive income.

Item 8. Financial Statements and Supplementary Data

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE

	Page
<u>Report of Independent Registered Public Accounting Firm</u>	<u>56</u>
<u>Consolidated Balance Sheets at September 30, 2018 and October 1, 2017</u>	<u>58</u>
<u>Consolidated Statements of Income for the fiscal years ended September 30, 2018, October 1, 2017 and October 2, 2016</u>	<u>59</u>
<u>Consolidated Statements of Comprehensive Income for the fiscal years ended September 30, 2018, October 1, 2017 and October 2, 2016</u>	<u>60</u>
<u>Consolidated Statements of Equity for the fiscal years ended September 30, 2018, October 1, 2017 and October 2, 2016</u>	<u>61</u>
<u>Consolidated Statements of Cash Flows for the fiscal years ended September 30, 2018, October 1, 2017 and October 2, 2016</u>	<u>62</u>
<u>Notes to Consolidated Financial Statements</u>	<u>63</u>
<u>Schedule II – Valuation and Qualifying Accounts and Reserves</u>	<u>92</u>

55

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Tetra Tech, Inc.

Opinions on the Financial Statements and Internal Controls over Financial Reporting

We have audited the accompanying consolidated balance sheets of Tetra Tech, Inc. and its subsidiaries as of September 30, 2018 and October 1, 2017, and the related consolidated statements of income, comprehensive income, equity and cash flows for each of the three years in the period ended September 30, 2018, including the related notes and financial statement schedule listed in the accompanying index (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of September 30, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the financial position of the Company as of September 30, 2018 and October 1, 2017, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2018 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, the effective internal control over financial reporting as of September 30, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting, appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, and well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the

assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PRICEWATERHOUSECOOPERS LLP

56

Los Angeles, California
November 16, 2018

We have served as the Company's auditor since 2004.

57

TETRA TECH, INC.

Consolidated Balance Sheets

(in thousands, except par value)

	September 30, 2018	October 1, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 146,185	\$ 189,975
Accounts receivable – net	837,103	788,767
Prepaid expenses and other current assets	56,003	49,969
Income taxes receivable	11,089	13,312
Total current assets	1,050,380	1,042,023
Property and equipment – net	43,278	56,835
Investments in unconsolidated joint ventures	3,370	2,700
Goodwill	798,820	740,886
Intangible assets – net	16,123	26,688
Deferred income taxes	8,607	1,763
Other long-term assets	38,843	31,850
Total assets	\$ 1,959,421	\$ 1,902,745
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 160,222	\$ 177,638
Accrued compensation	180,153	143,408
Billings in excess of costs on uncompleted contracts	143,270	117,499
Current portion of long-term debt	12,599	15,588
Current contingent earn-out liabilities	13,633	2,024
Other current liabilities	108,216	81,511
Total current liabilities	618,093	537,668
Deferred income taxes	30,166	43,781
Long-term debt	264,712	341,283
Long-term contingent earn-out liabilities	21,657	414
Other long-term liabilities	57,693	50,975
Commitments and contingencies (Note 17)		
Equity:		
Preferred stock – Authorized, 2,000 shares of \$0.01 par value; no shares issued and outstanding at September 30, 2018 and October 1, 2017	—	—
Common stock – Authorized, 150,000 shares of \$0.01 par value; issued and outstanding, 55,349 and 55,873 shares at September 30, 2018 and October 1, 2017, respectively	553	559
Additional paid-in capital	148,803	193,835
Accumulated other comprehensive loss	(127,350)	(98,500)
Retained earnings	944,965	832,559
Tetra Tech stockholders' equity	966,971	928,453
Noncontrolling interests	129	171
Total stockholders' equity	967,100	928,624
Total liabilities and stockholders' equity	\$ 1,959,421	\$ 1,902,745

See accompanying Notes to Consolidated Financial Statements.

TETRA TECH, INC.

Consolidated Statements of Income
(in thousands, except per share data)

	Fiscal Year Ended		
	September 30, 2018	October 1, 2017	October 2, 2016
Revenue	\$2,964,148	\$2,753,360	\$2,583,469
Subcontractor costs	(763,414)	(719,350)	(654,264)
Other costs of revenue	(1,816,276)	(1,680,372)	(1,598,994)
Gross profit	384,458	353,638	330,211
Selling, general and administrative expenses	(190,120)	(177,219)	(171,985)
Acquisition and integration expenses	—	—	(19,548)
Contingent consideration – fair value adjustments	(4,252)	6,923	(2,823)
Income from operations	190,086	183,342	135,855
Interest income	1,824	729	996
Interest expense	(17,348)	(12,310)	(12,385)
Income before income tax expense	174,562	171,761	124,466
Income tax expense	(37,605)	(53,844)	(40,613)
Net income	136,957	117,917	83,853
Net income attributable to noncontrolling interests	(74)	(43)	(70)
Net income attributable to Tetra Tech	\$136,883	\$117,874	\$83,783
Earnings per share attributable to Tetra Tech:			
Basic	\$2.46	\$2.07	\$1.44
Diluted	\$2.42	\$2.04	\$1.42
Weighted-average common shares outstanding:			
Basic	55,670	56,911	58,186
Diluted	56,598	57,913	58,966
Cash dividends paid per share	\$0.44	\$0.38	\$0.34

See accompanying Notes to Consolidated Financial Statements.

TETRA TECH, INC.

Consolidated Statements of Comprehensive Income
(in thousands)

	Fiscal Year Ended		
	September 30, 2018	October 1, 2017	October 2, 2016
Net income	\$136,957	\$117,917	\$83,853
Other comprehensive income (loss), net of tax			
Foreign currency translation adjustments	(29,656)	27,894	14,389
Gain on cash flow hedge valuations	806	1,614	774
Other comprehensive income (loss) attributable to Tetra Tech	(28,850)	29,508	15,163
Other comprehensive income (loss) attributable to noncontrolling interests	(64)	8	3
Comprehensive income	\$108,043	\$147,433	\$99,019
Comprehensive income attributable to Tetra Tech	\$108,033	\$147,382	\$98,946
Comprehensive income attributable to noncontrolling interests	10	51	73
Comprehensive income	\$108,043	\$147,433	\$99,019

See accompanying Notes to Consolidated Financial Statements.

TETRA TECH, INC.

Consolidated Statements of Equity

Fiscal Years Ended October 2, 2016, October 1, 2017, and September 30, 2018

(in thousands)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Tetra Tech Equity	Non-Controlling Interests	Total Equity
	Shares	Amount						
BALANCE AT SEPTEMBER 27, 2015	59,381	\$ 594	\$326,593	\$(143,171)	\$672,309	\$856,325	\$ 473	\$856,798
Comprehensive income, net of tax:								
Net income					83,783	83,783	70	83,853
Foreign currency translation adjustments				14,389		14,389	3	14,392
Gain on cash flow hedge valuations				774		774		774
Comprehensive income, net of tax						98,946	73	99,019
Distributions paid to noncontrolling interests							(402)	(402)
Cash dividends of \$0.34 per common share					(19,735)	(19,735)		(19,735)
Stock-based compensation			12,964			12,964		12,964
Stock options exercised	920	9	15,814			15,823		15,823
Shares issued for Employee Stock Purchase Plan	209	2	4,705			4,707		4,707
Stock repurchases	(3,468)	(35)	(99,465)			(99,500)		(99,500)
Tax benefit for stock options			(271)			(271)		(271)
BALANCE AT OCTOBER 2, 2016	57,042	570	260,340	(128,008)	736,357	869,259	144	869,403
Comprehensive income, net of tax:								
Net income					117,874	117,874	43	117,917
Foreign currency translation adjustments				27,894		27,894	8	27,902
Gain on cash flow hedge valuations				1,614		1,614		1,614
						147,382	51	147,433

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Comprehensive income, net of tax								
Distributions paid to noncontrolling interests						(24)	(24)	(24)
Cash dividends of \$0.38 per common share					(21,672)	(21,672)		(21,672)
Stock-based compensation			13,450			13,450		13,450
Stock options exercised	907	10	15,084			15,094		15,094
Shares issued for Employee Stock Purchase Plan	190	2	4,938			4,940		4,940
Stock repurchases	(2,266)	(23)	(99,977)			(100,000)		(100,000)
BALANCE AT OCTOBER 1, 2017	55,873	559	193,835	(98,500)	832,559	928,453	171	928,624
Comprehensive income, net of tax:								
Net income					136,883	136,883	74	136,957
Foreign currency translation adjustments				(29,656)		(29,656)	(64)	(29,720)
Gain on cash flow hedge valuations				806		806		806
Comprehensive income, net of tax						108,033	10	108,043
Distributions paid to noncontrolling interests							(52)	(52)
Cash dividends of \$0.44 per common share					(24,477)	(24,477)		(24,477)
Stock-based compensation			19,582			19,582		19,582
Restricted & performance shares released	277	3	(8,874)			(8,871)		(8,871)
Stock options exercised	549	5	13,506			13,511		13,511
Shares issued for Employee Stock Purchase Plan	142	1	5,739			5,740		5,740
Stock repurchases	(1,492)	(15)	(74,985)			(75,000)		(75,000)
BALANCE AT SEPTEMBER 30, 2018	55,349	\$ 553	\$ 148,803	\$ (127,350)	\$ 944,965	\$ 966,971	\$ 129	\$ 967,100

See accompanying Notes to Consolidated Financial Statements.

TETRA TECH, INC.

Consolidated Statements of Cash Flows
(in thousands)

	Fiscal Year Ended		
	September 30, 2018	October 1, 2017	October 2, 2016
Cash flows from operating activities:			
Net income	\$136,957	\$117,917	\$83,853
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	38,636	45,756	45,588
Equity in income of unconsolidated joint ventures, net of distributions	(568)	(647)	1,144
Non-cash stock compensation	19,582	13,450	12,964
Excess tax benefits from stock-based compensation	—	—	(918)
Deferred income taxes	(29,360)	(9,957)	6,051
Provision for doubtful accounts	7,167	2,847	8,082
Fair value adjustments to contingent consideration	4,252	(6,923)	2,823
Lease termination costs and related asset impairment	—	—	2,946
Loss (gain) on sale of assets and divested business	1,045	(103)	(537)
Changes in operating assets and liabilities, net of effects of business acquisitions and divestitures:			
Accounts receivable	(46,273)	(64,781)	9,062
Prepaid expenses and other assets	(12,638)	(8,317)	3,720
Accounts payable	(16,032)	18,597	(3,002)
Accrued compensation	27,492	13,413	8,434
Billings in excess of costs on uncompleted contracts	15,228	28,298	(13,874)
Other liabilities	16,127	2,167	(19,321)
Income taxes receivable/payable	17,596	(13,725)	(4,995)
Cash settled contingent earn-out liability	(2,349)	—	—
Net cash provided by operating activities	176,862	137,992	142,020
Cash flows from investing activities:			
Capital expenditures	(9,726)	(9,741)	(11,945)
Payments for business acquisitions, net of cash acquired	(68,256)	(8,039)	(81,259)
Changes in restricted cash	—	—	(2,519)
Investments in unconsolidated joint ventures	—	(85)	(1,368)
Proceeds from sale of assets and divested business, net	35,348	905	3,076
Net cash used in investing activities	(42,634)	(16,960)	(94,015)
Cash flows from financing activities:			
Payments on long-term debt	(485,946)	(233,889)	(148,887)
Proceeds from borrowings	401,965	243,553	229,049
Payments of contingent earn-out liabilities	(1,412)	(1,319)	(3,251)
Debt pre-payment costs	(1,737)	—	(1,935)
Excess tax benefits from stock-based compensation	—	—	918
Repurchases of common stock	(75,000)	(100,000)	(99,500)
Net proceeds from issuance of common stock	13,520	18,555	17,953
Dividends paid	(24,477)	(21,672)	(19,735)
Net cash used in financing activities	(173,087)	(94,772)	(25,388)
Effect of exchange rate changes on cash	(4,931)	3,256	2,516
Net increase (decrease) in cash and cash equivalents	(43,790)	29,516	25,133

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Cash and cash equivalents at beginning of year	189,975	160,459	135,326
Cash and cash equivalents at end of year	\$146,185	\$189,975	\$160,459
Supplemental information:			
Cash paid during the year for:			
Interest	\$15,570	\$11,504	\$12,575
Income taxes, net of refunds received of \$2.5 million, \$2.1 million and \$3.2 million	\$49,842	\$72,578	\$35,273
See accompanying Notes to Consolidated Financial Statements.			

TETRA TECH, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business

We are a leading global provider of consulting and engineering services that focuses on water, environment, infrastructure, resource management, energy, and international development. We are a global company that leads with science and is renowned for our expertise in providing water-related services for public and private clients. We typically begin at the earliest stage of a project by identifying technical solutions and developing execution plans tailored to our clients' needs and resources. Our solutions may span the entire life cycle of consulting and engineering projects and include applied science, data analysis, research, engineering, design, construction management, and operations and maintenance. Beginning in fiscal 2018, we aligned our operations to better serve our clients and markets, resulting in two renamed reportable segments. Our Government Services Group ("GSG") reportable segment primarily includes activities with U.S. government clients (federal, state and local) and activities with development agencies worldwide. Our Commercial/International Services Group ("CIG") reportable segment primarily includes activities with U.S. commercial clients and international activities other than work for development agencies. This alignment allows us to capitalize on our growing market opportunities and enhance the development of high-end consulting and technical solutions to meet our growing client demand. We continue to report the results of the wind-down of our non-core construction activities in the Remediation and Construction Management ("RCM") reportable segment. Prior year amounts for reportable segments have been revised to conform to the current-year presentation.

2. Basis of Presentation and Preparation

Principles of Consolidation and Presentation. The consolidated financial statements include our accounts and those of joint ventures of which we are the primary beneficiary. All significant intercompany balances and transactions have been eliminated in consolidation.

Fiscal Year. We report results of operations based on 52 or 53-week periods ending on the Sunday nearest September 30. Fiscal years 2018, 2017 and 2016 contained 52, 52 and 53 weeks, respectively.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires us to make estimates and assumptions. These estimates and assumptions affect the amounts reported in our consolidated financial statements and accompanying notes. Although such estimates and assumptions are based on management's best knowledge of current events and actions we may take in the future, actual results could differ materially from those estimates.

Revenue Recognition and Contract Costs. We recognize revenue from contracts using the percentage-of-completion method, primarily utilizing the cost-to-cost approach, to estimate the progress towards completion in order to determine the amount of revenue and profit to recognize. Changes in those estimates could result in the recognition of cumulative catch-up adjustments to the contract's inception-to-date revenue, costs and profit in the period in which such changes are made. On a quarterly basis, we review and assess our revenue and cost estimates for each significant contract. Changes in revenue and cost estimates could also result in a projected loss that would be recorded immediately in earnings.

We recognize revenue for work performed under three major types of contracts: fixed-price, time-and-materials, and cost-plus.

Fixed-Price. Under fixed-price contracts, our clients pay us an agreed fixed-amount negotiated in advance for a specified scope of work. We recognize revenue on fixed-price contracts using the percentage-of-completion method. If the nature or circumstances of the contract prevent us from preparing a reliable estimate at completion, we will delay profit recognition until adequate information about the contract's progress becomes available.

Time-and-Materials. Under time-and-materials contracts, we negotiate hourly billing rates and charge our clients based on the actual time that we spend on a project. In addition, clients reimburse us for our actual out-of-pocket costs for materials and other direct incidental expenditures that we incur in connection with

our performance under the contract. The majority of our time-and-material contracts are subject to maximum contract values and, accordingly, revenue under these contracts is recognized under the percentage-of-completion method. However, time and materials contracts that are service-related contracts are accounted for utilizing the proportional performance method. Revenue on contracts that are not subject to maximum contract values is recognized based on the actual number of hours we spend on the projects plus any actual out-of-pocket costs of materials and other direct incidental expenditures that we incur on the projects. Our time-and-materials contracts also generally include annual billing rate adjustment provisions.

Cost-Plus. Under cost-plus contracts, we are reimbursed for allowable or otherwise defined costs incurred plus a negotiated fee. These contracts may also include incentives for various performance criteria, including quality, timeliness, ingenuity,

safety and cost-effectiveness. In addition, our costs are generally subject to review by our clients and regulatory audit agencies, and such reviews could result in costs being disputed as non-reimbursable under the terms of the contract. Revenue for cost-plus contracts is recognized at the time services are performed. Revenue is not recognized for non-recoverable costs. Performance incentives are included in our estimates of revenue when their realization is reasonably assured.

If estimated total costs on any contract indicate a loss, we recognize the entire estimated loss in the period the loss becomes known. The cumulative effect of revisions to revenue, estimated costs to complete contracts, including penalties, incentive awards, change orders, claims, liquidated damages, anticipated losses, and other revisions are recorded in the period in which the revisions are identified and the loss can be reasonably estimated. Such revisions could occur in any reporting period and the effects may be material depending on the size of the project or the adjustment.

Once contract performance is underway, we may experience changes in conditions, client requirements, specifications, designs, materials, and expectations regarding the period of performance. Such changes are "change orders" and may be initiated by us or by our clients. In many cases, agreement with the client as to the terms of change orders is reached prior to work commencing; however, sometimes circumstances require that work progress without obtaining client agreement. Revenue related to change orders is recognized as costs are incurred. Change orders that are unapproved as to both price and scope are evaluated as claims.

Claims are amounts in excess of agreed contract prices that we seek to collect from our clients or other third parties for delays, errors in specifications and designs, contract terminations, change orders in dispute or unapproved as to both scope and price, or other causes of unanticipated additional costs. Revenue on claims is recognized only to the extent that contract costs related to the claims have been incurred and when it is probable that the claim will result in a bona fide addition to contract value that can be reliably estimated. No profit is recognized on a claim until final settlement occurs. This can lead to a situation in which costs are recognized in one period and revenue is recognized in a subsequent period when a client agreement is obtained or a claims resolution occurs.

Cash and Cash Equivalents. Cash and cash equivalents include highly liquid investments with maturities of 90 days or less at the date of purchase. We record cash and cash equivalents as restricted when we are unable to freely use such cash and cash equivalents for our general operating purposes. As of fiscal 2018 and fiscal 2017 year-ends, we had restricted cash of \$2.7 million on the consolidated balance sheet, and it was included in our "Prepaid expenses and other current assets".

Insurance Matters, Litigation and Contingencies. In the normal course of business, we are subject to certain contractual guarantees and litigation. In addition, we maintain insurance coverage for various aspects of our business and operations. We record in our consolidated balance sheets amounts representing our estimated liability for these legal and insurance obligations. Any adjustments to these liabilities are recorded in our consolidated statements of income.

Accounts Receivable – Net. Net accounts receivable is primarily comprised of billed and unbilled accounts receivable, contract retentions and allowances for doubtful accounts. 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. Most of our unbilled receivables at September 30, 2018 are expected to be billed and collected within 12 months. Unbilled accounts receivable also include amounts related to requests for equitable adjustment to contracts that provide for price redetermination. These amounts are recorded only when they can be reliably estimated and realization is probable. Contract retentions represent amounts withheld by clients until certain conditions are met or the project is completed, which may be several months or years. Allowances for doubtful accounts represent the amounts that may become uncollectible or unrealizable in the future. We determine an estimated allowance for uncollectible accounts based on management's consideration of trends in the actual and forecasted credit quality of our clients, including delinquency and payment history; type of client, such as a government agency or a commercial sector client; and general economic and particular industry conditions that may affect a client's ability to pay. 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 work performed and revenue recognized. The majority of these amounts will be earned within 12 months.

Property and Equipment. Property and equipment are recorded at cost and are depreciated over their estimated useful lives using the straight-line method. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from our consolidated balance sheets and any resulting gain or loss is reflected in our consolidated statements of income. Expenditures for maintenance and repairs are expensed as incurred. Generally, estimated useful lives range from three to ten years for equipment, furniture and fixtures. Buildings are depreciated over periods not exceeding 40 years. Leasehold improvements are amortized on a straight-line basis over the shorter of their estimated useful lives or the length of the lease.

Long-Lived Assets. Our policy regarding long-lived assets is to evaluate the recoverability of our assets when the facts and circumstances suggest that the assets may be impaired. This assessment is performed based on the estimated undiscounted cash flows compared to the carrying value of the assets. If the future cash flows (undiscounted and without interest charges) are less than the carrying value, a write-down would be recorded to reduce the related asset to its estimated fair value.

We recognize a liability for contract termination costs associated with an exit activity for costs that will continue to be incurred under a lease for its remaining term without economic benefit to us, initially measured at its fair value at the cease-use date. The fair value is determined based on the remaining lease rentals, adjusted for the effects of any prepaid or deferred items recognized under the lease, and reduced by estimated sublease rentals.

Business Combinations. The cost of an acquired company is assigned to the tangible and intangible assets purchased and the liabilities assumed on the basis of their fair values at the date of acquisition. The determination of fair values of assets and liabilities acquired requires us to make estimates and use valuation techniques when a market value is not readily available. Any excess of purchase price over the fair value of net tangible and intangible assets acquired is allocated to goodwill. Goodwill typically represents the value paid for the assembled workforce and enhancement of our service offerings. Transaction costs associated with business combinations are expensed as they are incurred.

Goodwill and Intangible Assets. Goodwill represents the excess of the aggregate purchase price over the fair value of the net assets acquired in a business acquisition. Following an acquisition, we perform an analysis to value the acquired company's tangible and identifiable intangible assets and liabilities. With respect to identifiable intangible assets, we consider backlog, non-compete agreements, client relations, trade names, patents and other assets. We amortize our intangible assets based on the period over which the contractual or economic benefits of the intangible assets are expected to be realized. We assess the recoverability of the unamortized balance of our intangible assets when indicators of impairment are present based on expected future profitability and undiscounted expected cash flows and their contribution to our overall operations. Should the review indicate that the carrying value is not fully recoverable, the excess of the carrying value over the fair value of the intangible assets would be recognized as an impairment loss.

We test our goodwill for impairment on an annual basis, and more frequently when an event occurs or circumstances indicate that the carrying value of the asset may not be recoverable. We believe the methodology that we use to review impairment of goodwill, which includes a significant amount of judgment and estimates, provides us with a reasonable basis to determine whether impairment has occurred. However, many of the factors employed in determining whether our goodwill is impaired are outside of our control and it is reasonably likely that assumptions and estimates will change in future periods. These changes could result in future impairments.

We perform our annual goodwill impairment review at the beginning of our fiscal fourth quarter. Our last annual review was performed at July 2, 2018 (i.e., the first day of our fiscal fourth quarter). In addition, we regularly evaluate whether events and circumstances have occurred that may indicate a potential change in recoverability of goodwill. We perform interim goodwill impairment reviews between our annual reviews if certain events and circumstances have occurred, including a deterioration in general economic conditions, an increased competitive environment, a change in management, key personnel, strategy or customers, negative or declining cash flows, or a decline in actual or planned revenue or earnings compared with actual and projected results of relevant prior periods. We assess goodwill for impairment at the reporting unit level, which is defined as an operating segment or one level below an operating segment, referred to as a component. Our operating segments are the same as our reportable segments and our reporting units for goodwill impairment testing are the components one level below our reportable segments. These components constitute a business for which discrete financial information is available and where segment management regularly reviews the operating results of that component. We aggregate components within an operating segment that have similar economic characteristics.

The impairment test for goodwill involves the comparison of the estimated fair value of each reporting unit to the reporting unit's carrying value, including goodwill. We estimate the fair value of reporting units based on a comparison and weighting of the income approach, specifically the discounted cash flow method and the market approach, which estimates the fair value of our reporting units based upon comparable market prices and recent transactions and also validates the reasonableness of the multiples from the income approach. If the fair value of a reporting unit exceeds its carrying amount, the goodwill of that reporting unit

is not considered impaired. However, if its carrying value exceeds its fair value, our goodwill is impaired, and we are required to record a non-cash charge that could have a material adverse effect on our consolidated financial statements. An impairment loss recognized, if any, should not exceed the total amount of goodwill allocated to the reporting unit.

Contingent Consideration. Most of our acquisition agreements include contingent earn-out arrangements, which are generally based on the achievement of future operating income thresholds. The contingent earn-out arrangements are based upon our valuations of the acquired companies and reduce the risk of overpaying for acquisitions if the projected financial results are not achieved.

The fair values of these earn-out arrangements are included as part of the purchase price of the acquired companies on their respective acquisition dates. For each transaction, we estimate the fair value of contingent earn-out payments as part of the initial purchase price and record the estimated fair value of contingent consideration as a liability in "Current contingent earn-out liabilities" and "Long-term contingent earn-out liabilities" on the consolidated balance sheets. We consider several factors when determining that contingent earn-out liabilities are part of the purchase price, including the following: (1) the valuation of our

acquisitions is not supported solely by the initial consideration paid, and the contingent earn-out formula is a critical and material component of the valuation approach to determining the purchase price; and (2) the former owners of acquired companies that remain as key employees receive compensation other than contingent earn-out payments at a reasonable level compared with the compensation of our other key employees. The contingent earn-out payments are not affected by employment termination.

We measure our contingent earn-out liabilities at fair value on a recurring basis using significant unobservable inputs classified within Level 3 of the fair value hierarchy. We use a probability weighted discounted income approach as a valuation technique to convert future estimated cash flows to a single present value amount. The significant unobservable inputs used in the fair value measurements are operating income projections over the earn-out period (generally two or three years), and the probability outcome percentages we assign to each scenario. Significant increases or decreases to either of these inputs in isolation would result in a significantly higher or lower liability with a higher liability capped by the contractual maximum of the contingent earn-out obligation. Ultimately, the liability will be equivalent to the amount paid, and the difference between the fair value estimate and amount paid will be recorded in earnings. The amount paid that is less than or equal to the liability on the acquisition date is reflected as cash used in financing activities in our consolidated statements of cash flows. Any amount paid in excess of the liability on the acquisition date is reflected as cash used in operating activities.

We review and re-assess the estimated fair value of contingent consideration on a quarterly basis, and the updated fair value could differ materially from the initial estimates. Changes in the estimated fair value of our contingent earn-out liabilities related to the time component of the present value calculation are reported in interest expense. Adjustments to the estimated fair value related to changes in all other unobservable inputs are reported in operating income.

Fair Value of Financial Instruments. We determine the fair values of our financial instruments, including short-term investments, debt instruments and derivative instruments based on inputs or assumptions that market participants would use in pricing an asset or a liability. We categorize our instruments using a valuation hierarchy for disclosure of the inputs used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument; and Level 3 inputs are unobservable inputs based on our own assumptions used to measure assets and liabilities at fair value. The classification of a financial asset or liability within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable approximate fair values based on their short-term nature. The carrying amounts of our revolving credit facility approximates fair value because the interest rates are based upon variable reference rates. Certain other assets and liabilities, such as contingent earn-out liabilities, assets held for sale and amounts related to cash-flow hedges, are required to be carried in our consolidated financial statements at fair value. Our fair value measurement methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Although we believe our valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions to determine fair value could result in a different fair value measurement at the reporting date.

Derivative Financial Instruments. We account for our derivative instruments as either assets or liabilities and carry them at fair value. For derivative instruments that hedge the exposure to variability in expected future cash flows that are designated as cash flow hedges, the effective portion of the gain or loss on the derivative instrument is reported as a component of accumulated other comprehensive income (loss) in stockholders' equity and reclassified into income in the same period or periods during which the hedged transaction affects earnings. The ineffective portion of the gain or loss on the derivative instrument, if any, is recognized in current income. To receive hedge accounting treatment, cash flow hedges must be highly

effective in offsetting changes to expected future cash flows on hedged transactions.

The net gain or loss on the effective portion of a derivative instrument that is designated as an economic hedge of the foreign currency translation exposure generated by the re-measurement of certain assets and liabilities denominated in a non-functional currency in a foreign operation is reported in the same manner as a foreign currency translation adjustment. Accordingly, any gains or losses related to these derivative instruments are recognized in current income. Derivatives that do not qualify as hedges are adjusted to fair value through current income.

Deferred Compensation. We maintain a non-qualified defined contribution supplemental retirement plan for certain key employees and non-employee directors that is accounted for in accordance with applicable authoritative guidance on accounting for deferred compensation arrangements where amounts earned are held in a rabbi trust and invested. Employee deferrals and our match are deposited into a rabbi trust, and the funds are generally invested in individual variable life insurance contracts that we own and are specifically designed to informally fund savings plans of this nature. Our consolidated balance sheets reflect our investment in variable life insurance contracts in "Other long-term assets." Our obligation to participating employees is reflected

in "Other long-term liabilities." All income and expenses related to the rabbi trust are reflected in our consolidated statements of income.

Income Taxes. We file a consolidated U.S. federal income tax return. In addition, we file other returns that are required in the states, foreign jurisdictions and other jurisdictions in which we do business. We account for certain income and expense items differently for financial reporting and income tax purposes. Deferred tax assets and liabilities are computed for the difference between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to reverse. In determining the need for a valuation allowance, management reviews both positive and negative evidence, including current and historical results of operations, future income projections and potential tax planning strategies. Based on our assessment, we have concluded that a portion of the deferred tax assets at September 30, 2018 will not be realized.

According to the authoritative guidance on accounting for uncertainty in income taxes, we may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. This guidance also addresses de-recognition, classification, interest and penalties on income taxes, accounting in interim periods and disclosure requirements for uncertain tax positions.

Concentration of Credit Risk. Financial instruments that subject us to credit risk consist primarily of cash and cash equivalents and net accounts receivable. In the event that we have surplus cash, we place our temporary cash investments with lower risk financial institutions and, by policy, limit the amount of investment exposure to any one financial institution. Approximately 26% of accounts receivable were due from various agencies of the U.S. federal government at fiscal 2018 year-end. The remaining accounts receivable are generally diversified due to the large number of organizations comprising our client base and their geographic dispersion. We perform ongoing credit evaluations of our clients and maintain an allowance for potential credit losses. Approximately 49%, 26% and 25% of our fiscal 2018 revenue was generated from our U.S. government, U.S. commercial and international clients, respectively.

Foreign Currency Translation. We determine the functional currency of our foreign operating units based upon the primary currency in which they operate. These operating units maintain their accounting records in their local currency, primarily Canadian and Australian dollars. Where the functional currency is not the U.S. dollar, translation of assets and liabilities to U.S. dollars is based on exchange rates at the balance sheet date. Translation of revenue and expenses to U.S. dollars is based on the average rate during the period. Translation gains or losses are reported as a component of other comprehensive income (loss). Gains or losses from foreign currency transactions are included in income from operations.

Recently Adopted and Pending Accounting Guidance. In January 2016, the Financial Accounting Standards Board ("FASB") issued guidance that generally requires companies to measure investments in other entities, except those accounted for under the equity method, at fair value and recognize any changes in fair value in net income. The guidance is effective for fiscal years and interim periods within those fiscal years, beginning after December 15, 2017 (first quarter of fiscal 2019 for us). We do not expect the adoption of this guidance to have an impact on our consolidated financial statements.

In February 2016, the FASB issued guidance that requires the rights and obligations associated with leasing arrangements be reflected on the balance sheet in order to increase transparency and comparability among organizations. Under the guidance, lessees will be required to recognize a right-of-use asset and a liability to make lease payments and disclose key information about leasing arrangements. The guidance is effective for fiscal years and interim periods within those fiscal years, beginning after December 15, 2018 (first quarter of fiscal 2020 for us). Early adoption is permitted. While we are currently evaluating the impact that this guidance will have on our consolidated financial statements, we currently expect that the adoption of the new guidance will result in a significant increase in the assets and liabilities on our consolidated balance sheets and will likely have an immaterial impact on our

consolidated statements of income and statements of cash flows.

In June 2016, the FASB issued updated guidance which requires entities to estimate all expected credit losses for certain types of financial instruments, including trade receivables, held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The updated guidance also expands the disclosure requirements to enable users of financial statements to understand the entity's assumptions, models and methods for estimating expected credit losses. This guidance is effective for fiscal years and interim periods within those fiscal years, beginning after December 15, 2019 (first quarter of fiscal 2021 for us). Early adoption is permitted. We are currently evaluating the impact that this guidance will have on our consolidated financial statements.

In August 2016, the FASB issued guidance to address eight specific cash flow issues to reduce the existing diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. This guidance is effective for fiscal years and interim periods within those fiscal years, beginning after December 15, 2017 (first quarter of fiscal

2019 for us). Early adoption is permitted. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

In October 2016, the FASB issued updated guidance which requires entities to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. This guidance is effective for fiscal reporting periods and interim reporting periods within those fiscal reporting periods, beginning after December 15, 2017 (first quarter of fiscal 2019 for us). Early adoption is permitted. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

In November 2016, the FASB issued updated guidance which provides amendments to address the classification and presentation of changes in restricted cash in the statement of cash flows. This guidance is effective for fiscal years and interim periods within those fiscal years, beginning after December 15, 2017 (first quarter of fiscal 2019 for us). We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

In January 2017, the FASB issued updated guidance to simplify the test for goodwill impairment. This guidance eliminates step two from the goodwill impairment test. Under the updated guidance, an entity should recognize an impairment charge for the amount by which the carrying amount of a reporting unit exceeds its fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to the reporting unit. This guidance is effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019 (first quarter of fiscal 2021 for us), on a prospective basis. Earlier adoption is permitted for goodwill impairment tests performed on testing dates after January 1, 2017. We adopted this guidance in the first quarter of our fiscal 2018, and the adoption of this guidance had no impact on our consolidated financial statements.

In May 2017, the FASB issued updated guidance to clarify when changes to the terms or conditions of a share-based payment award must be accounted for as modifications. Under the updated guidance, modification accounting is required only if the fair value, the vesting conditions, or the classification of the award changes as a result of a change in terms or conditions. This guidance is effective for fiscal years and interim periods within those fiscal years, beginning after December 15, 2017 (first quarter of fiscal 2019 for us), on a prospective basis. Early adoption is permitted. We do not expect the adoption of this guidance to have an impact on our consolidated financial statements.

In August 2017, the FASB issued accounting guidance on hedging activities. The amendment better aligns an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. This guidance is effective for fiscal years and interim periods within those fiscal years, beginning after December 15, 2018 (first quarter of fiscal 2020 for us). Early adoption is permitted. We are currently evaluating the impact that this guidance will have on our consolidated financial statements.

In February 2018, the FASB issued guidance on reclassification of certain tax effects from accumulated comprehensive income, which allows for a reclassification of stranded tax effects from the Tax Cuts and Jobs Act ("TCJA") from accumulated other comprehensive income to retained earnings. This guidance is effective for fiscal years beginning after December 15, 2018 (first quarter of fiscal 2020 for us). We are currently evaluating the impact that this guidance will have on our consolidated financial statements.

Revenue Recognition

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers", which outlines a single comprehensive model for entities to use in accounting for revenue

arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 outlines a five-step process for revenue recognition that focuses on transfer of control, as opposed to transfer of risk and rewards, and also requires disclosures regarding the nature, amount, timing, and uncertainty of revenues and cash flows from contracts with customers. Major provisions include determining which goods and services are distinct and represent separate performance obligations, how variable consideration (which may include change orders and claims) is recognized, whether revenue should be recognized at a point in time or over a period of time, and ensuring the time value of money is considered in the transaction price.

As a result of the deferral of the effective date in ASU 2015-14, "Revenue from Contracts with Customers - Deferral of the Effective Date," we will now be required to adopt ASU 2014-09 for interim and annual reporting periods beginning after December 15, 2017. ASU 2014-09 can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption.

In 2016, the FASB issued several amendments to ASU 2014-09. ASU 2016-08, "Principal versus Agent Considerations" contains amendments that clarify the implementation guidance on principal versus agent considerations. ASU 2016-10, "Identifying Performance Obligations and Licensing" clarifies the guidance on identifying performance obligations and licenses of intellectual property. The FASB also issued ASU 2016-12, "Narrow-Scope Improvements and Practical Expedients", which further clarifies accounting for collectability, non-cash consideration, presentation of sales tax, and transition. The FASB also issued ASU 2016-20, "Technical Corrections and Improvements to Topic 606", which provides numerous improvements related to ASU 2014-09. All amendments are effective with the same date ASU 2014-09. We will adopt ASU 2014-09 during the first quarter of fiscal 2019 using the modified retrospective method that will result in a cumulative effect adjustment as of the date of adoption.

We have a cross-functional implementation team which includes representatives from our two operating segments, corporate accounting, and information technology. The implementation team has evaluated the impact of adopting the new standard on our uncompleted contracts as of October 1, 2018 (the date of adoption). The evaluation included reviewing our accounting policies and practices to identify differences that would result from applying the requirements of the new standard. We have identified and made changes to our processes and controls to support recognition and disclosure under the new standard. The implementation team has closely followed the conclusions of various industry groups on certain interpretive issues.

We continue to evaluate the impact of adopting ASU 2014-09 and all related amendments on our financial position, results of operations, and related disclosures. Under the new standard, we will continue to recognize fixed-price, time-and-materials, and cost-plus contract revenue over time on a percentage-of-completion basis because of the continuous transfer of control to the customer. However, in a limited number of circumstances, adoption of the new standard will affect the manner in which we determine the unit of account for our projects (i.e. performance obligation). In some cases, contracts treated as more than one unit of account (multiple performance obligations) for revenue and margin recognition under existing guidance will be combined into one unit of account upon adoption. Conversely, in fewer cases, contracts treated as one unit of account (a single performance obligation) under existing guidance will be segmented into two or more units of account upon adoption. Based on our most recent assessment of existing contracts, the adoption of ASU 2014-09 is expected to result in a cumulative effect adjustment to decrease retained earnings by less than two percent as of October 1, 2018.

3. Stock Repurchase and Dividends

On November 7, 2016, the Board of Directors authorized a stock repurchase program under which we could repurchase up to \$200 million of our common stock. In fiscal 2017, we repurchased through open market purchases under this program a total of 2,266,397 shares at an average price of \$44.12 for a total cost of \$100.0 million. In fiscal 2018, we repurchased an additional 1,491,569 shares through an open market under this program at an average price of \$50.28 for a total cost of \$75.0 million.

The following table summarizes dividends declared and paid in fiscal 2018 and 2017:

Declaration Date	Dividend Paid Per Share	Record Date	Payment Date	Dividends Paid
(in thousands, except per share data)				
November 6, 2017	\$ 0.10	November 30, 2017	December 15, 2017	\$ 5,589
January 29, 2018	\$ 0.10	February 14, 2018	March 2, 2018	5,583
April 30, 2018	\$ 0.12	May 16, 2018	June 1, 2018	6,664
July 30, 2018	\$ 0.12	August 16, 2018	August 31, 2018	6,641
Total dividend paid as of September 30, 2018				\$ 24,477
November 7, 2016	\$ 0.09	December 1, 2016	December 14, 2016	\$ 5,144
January 30, 2017	\$ 0.09	February 17, 2017	March 3, 2017	5,157

May 1, 2017	\$ 0.10	May 18, 2017	June 2, 2017	5,738
July 31, 2017	\$ 0.10	August 17, 2017	September 1, 2017	5,633
Total dividend paid as of October 1, 2017				\$ 21,672

Subsequent Events. On November 5, 2018, the Board of Directors declared a quarterly cash dividend of \$0.12 per share payable on December 14, 2018 to stockholders of record as of the close of business on November 30, 2018. The Board also authorized a new stock repurchase program under which we could repurchase up to \$200 million of our common stock in addition to the \$25 million remaining under the previous stock repurchase program.

4. Accounts Receivable and Revenue Recognition

Net accounts receivable and billings in excess of costs on uncompleted contracts consisted of the following at September 30, 2018 and October 1, 2017:

	September 30, 2018	October 1, 2017
	(in thousands)	
Billed	\$464,062	\$376,287
Unbilled	397,200	404,899
Contract retentions	13,421	39,840
Total accounts receivable – gross	874,683	821,026
Allowance for doubtful accounts	(37,580)	(32,259)
Total accounts receivable – net	\$837,103	\$788,767

Billings in excess of costs on uncompleted contracts \$143,270 \$117,499

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. Except for amounts related to claims as discussed below, most of our unbilled receivables at September 30, 2018 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 represents amounts that are expected to become uncollectible or unrealizable in the future. We determine an estimated allowance for uncollectible accounts based on management's consideration of trends in the actual and forecasted credit quality of our clients, including delinquency and payment history; type of client, such as a government agency or a commercial sector client; and general economic and particular industry conditions that may affect a client's ability to pay. 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.

Once contract performance is underway, we may experience changes in conditions, client requirements, specifications, designs, materials and expectations regarding the period of performance. Such changes result in change orders and may be initiated by us or by our clients. In many cases, agreement with the client as to the terms of change orders is reached prior to work commencing; however, sometimes circumstances require that work progress without a definitive client agreement. Unapproved change orders constitute claims in excess of agreed contract prices that we seek to collect from our clients for delays, errors in specifications and designs, contract terminations, or other causes of unanticipated additional costs. Revenue on claims is recognized when contract costs related to claims have been incurred and when their addition to contract value can be reliably estimated. This can lead to a situation in which costs are recognized in one period and revenue is recognized in a subsequent period, such as when client agreement is obtained or a claims resolution occurs.

Total accounts receivable at September 30, 2018 and October 1, 2017 included approximately \$74 million and \$59 million, respectively, related to claims, including requests for equitable adjustment, on contracts that provide for price redetermination. We regularly evaluate all unsettled claim amounts and record appropriate adjustments to operating earnings when it is probable that the claim will result in a different contract value than the amount previously estimated. Our fiscal 2018 results include a reduction of revenue of \$10.6 million and a related charge to operating income of \$12.5 million related to the settlement of a claim in our CIG reportable segment for a fixed-price construction project that was completed in fiscal 2014 prior to our decision to exit similar activities in our RCM segment. In fiscal 2017, we recognized a reduction of revenue of \$4.9 million and related losses in operating income of \$3.6 million in our RCM segment. Billed accounts receivable related to U.S. federal government contracts were \$81.5 million and \$45.4 million at September 30, 2018 and October 1, 2017, respectively. U.S. federal government contracts unbilled receivables were \$102.7 million and \$109.7 million at September 30, 2018 and October 1, 2017,

respectively. Other than the U.S. federal government, no single client accounted for more than 10% of our accounts receivable at September 30, 2018 and October 1, 2017.

We recognize revenue from contracts using the percentage-of-completion method, primarily utilizing the cost-to-cost approach, to estimate the progress towards completion in order to determine the amount of revenue and profit to recognize. Changes in those estimates could result in the recognition of cumulative catch-up adjustments to the contract's inception-to-date revenue, costs and profit in the period in which such changes are made. As a result, we recognized net unfavorable operating income adjustments of \$11.2 million during fiscal 2018 in the CIG segment. We recognized net unfavorable operating income adjustments

during fiscal 2017 of \$8.0 million (\$2.3 million in the CIG segment and \$5.7 million in the RCM segment) and during fiscal 2016 of \$2.3 million. Changes in revenue and cost estimates could also result in a projected loss that would be recorded immediately in earnings. As of September 30, 2018 and October 1, 2017, our consolidated balance sheets included liabilities for anticipated losses of \$13.6 million and \$8.1 million, respectively. The estimated cost to complete the related contracts as of September 30, 2018 was \$16.4 million.

5. Acquisitions and Divestitures

In the fiscal 2016, we acquired control of Coffey International Limited ("Coffey"), headquartered in Sydney, Australia. Coffey had approximately 3,300 staff delivering technical and engineering solutions in international development and geoscience. Coffey significantly expands our geographic presence, particularly in Australia and Asia-Pacific. Coffey's international development operations are included in our GSG segment and the remainder of Coffey's activities are included in our CIG segment. In addition to Australia, Coffey's international development business has operations supporting federal government agencies in the U.S., Australia and the United Kingdom. The fair value of the purchase price for Coffey was \$76.1 million, in addition to \$65.1 million of assumed debt, which consisted of secured bank term debt of \$37.1 million and unsecured corporate bond obligations of \$28.0 million. All of this debt was paid in full in the second quarter of fiscal 2016 subsequent to the acquisition.

In fiscal 2016, we also acquired INDUS Corporation ("INDUS"), headquartered in Vienna, Virginia. INDUS is an information technology solutions firm focused on water data analytics, geospatial analysis, secure infrastructure, and software applications management for U.S. federal government customers, and is included in our GSG segment. The fair value of the purchase price for INDUS was \$18.7 million. Of this amount, \$14.0 million was paid to the sellers and \$4.7 million was the estimated fair value of contingent earn-out obligations, with a maximum of \$8.0 million, based upon the achievement of specified operating income targets in each of the two years following the acquisition.

In fiscal 2017, we completed the acquisition of Eco Logical Australia ("ELA"), headquartered in Sydney, Australia. ELA is a multi-disciplinary consulting firm with over 160 staff that provides innovative, high-end environmental and ecological services, and is part of our CIG segment. The fair value of the purchase price for ELA was \$9.9 million. Of this amount, \$8.3 million was paid to the sellers and \$1.6 million was the estimated fair value of contingent earn-out obligations, with a maximum of \$1.7 million, based upon the achievement of specified operating income targets in each of the two years following the acquisition.

In the first quarter of fiscal 2018, we acquired Glumac, headquartered in Portland, Oregon. Glumac is a leader in sustainable infrastructure design with more than 300 employees and is part of our GSG segment. The fair value of the purchase price for Glumac was \$38.4 million. This amount is comprised of \$20.0 million of initial cash payments made to the sellers and \$18.4 million for the estimated fair value of contingent earn-out obligations, with a maximum of \$20.0 million payable, based upon the achievement of specified operating income targets in each of the three years following the acquisition.

In the second quarter of fiscal 2018, we completed the acquisition of Norman Disney & Young ("NDY"), a leader in sustainable infrastructure engineering design. NDY is an Australian-based global engineering design firm with more than 700 professionals operating in offices throughout Australia, the Asia-Pacific region, the United Kingdom, and Canada and is part of our CIG segment. The fair value of the purchase price for NDY was \$56.1 million. This amount is comprised of \$46.9 million of initial cash payments made to the sellers, \$1.6 million held in escrow, and \$7.6 million for the estimated fair value of contingent earn-out obligations, with a maximum amount of \$20.2 million, based upon the achievement of specified operating income targets in each of the three years following the acquisition.

In the third quarter of fiscal 2018, we divested our non-core utility field services operations in the CIG reportable segment for net proceeds after transaction costs of \$30.2 million. This operation generated approximately \$70 million in annual revenue primarily from our U.S. commercial clients. We also divested

of other non-core assets during the third quarter of fiscal 2018 further described in Note 7, "Property and Equipment". These non-core divestitures resulted in a pre-tax loss of \$3.4 million, which is included in selling, general and administrative expenses for fiscal 2018.

Goodwill additions resulting from the above business combinations are primarily attributable to the existing workforce of the acquired companies and the synergies expected to arise after the acquisitions. The goodwill additions related to our fiscal 2018 acquisitions primarily represent the value of a workforce with distinct expertise in the sustainable infrastructure design market. The goodwill additions related to the fiscal 2017 acquisitions primarily represent the value of workforces with distinct expertise in the environmental and ecological markets. In addition, these acquired capabilities, when combined with our existing global consulting and engineering business, result in opportunities that allow us to provide services under contracts that could not have been pursued individually by either us or the acquired companies. The results of these acquisitions were included in the consolidated financial statements from their respective closing dates. These acquisitions and divestitures were not considered material to our consolidated financial statements. As a result, no pro forma information has been provided.

Backlog, client relations and trade name intangible assets include the fair value of existing contracts and the underlying customer relationships with lives ranging from 1 to 10 years, and trade names with lives ranging from 3 to 5 years.

Most of our acquisition agreements include contingent earn-out agreements, which are generally based on the achievement of future operating income thresholds. The contingent earn-out arrangements are based on our valuations of the acquired companies, and reduce the risk of overpaying for acquisitions if the projected financial results are not achieved. The fair values of any earn-out arrangements are included as part of the purchase price of the acquired companies on their respective acquisition dates. For each transaction, we estimate the fair value of contingent earn-out payments as part of the initial purchase price and record the estimated fair value of contingent consideration as a liability in "Current contingent earn-out liabilities" and "Long-term contingent earn-out liabilities" on the consolidated balance sheets. We consider several factors when determining that contingent earn-out liabilities are part of the purchase price, including the following: (1) the valuation of our acquisitions is not supported solely by the initial consideration paid, and the contingent earn-out formula is a critical and material component of the valuation approach to determining the purchase price; and (2) the former owners of acquired companies that remain as key employees receive compensation other than contingent earn-out payments at a reasonable level compared with the compensation of our other key employees. The contingent earn-out payments are not affected by employment termination.

We measure our contingent earn-out liabilities at fair value on a recurring basis using significant unobservable inputs classified within Level 3 of the fair value hierarchy. We use a probability-weighted discounted income approach as a valuation technique to convert future estimated cash flows to a single present value amount. The significant unobservable inputs used in the fair value measurements are operating income projections over the earn-out period (generally two or three years), and the probability outcome percentages we assign to each scenario. Significant increases or decreases to either of these inputs in isolation would result in a significantly higher or lower liability, with a higher liability capped by the contractual maximum of the contingent earn-out obligation. Ultimately, the liability will be equivalent to the amount paid, and the difference between the fair value estimate and amount paid will be recorded in earnings. The amount paid that is less than or equal to the contingent earn-out liability on the acquisition date is reflected as cash used in financing activities in our consolidated statements of cash flows. Any amount paid in excess of the contingent earn-out liability on the acquisition date is reflected as cash used in operating activities in our consolidated statements of cash flows.

We review and re-assess the estimated fair value of contingent consideration on a quarterly basis, and the updated fair value could differ materially from the initial estimates. Changes in the estimated fair value of our contingent earn-out liabilities related to the time component of the present value calculation are reported in interest expense. Adjustments to the estimated fair value related to changes in all other unobservable inputs are reported in operating income. In fiscal 2018, we recorded adjustments to our contingent earn-out liabilities and reported related losses in operating income of \$4.3 million. These losses resulted from updated valuations of the contingent consideration liabilities for NDY, ELA and Cornerstone Environmental Group ("CEG"). These valuations included our updated projections of NDY's, ELA's, and CEG's financial performance during the earn-out periods, which exceeded our original estimates at the acquisition dates. In addition, in fiscal 2018 we recognized a charge of \$1.5 million that related to the earn-out for Glumac but was treated as compensation in selling, general and administrative expenses due to the terms of the arrangement, which included an on-going service requirement for a portion of the earn-out.

During fiscal 2017, we recorded adjustments to our contingent earn-out liabilities and reported related net gains in operating income totaling \$6.9 million. These gains resulted from updated valuations of the contingent consideration liabilities for INDUS and CEG. During fiscal 2016, we increased our contingent earn-out liabilities and reported related losses in operating income of \$2.8 million. These losses include a \$1.8 million charge that reflected our updated valuation of the contingent consideration liability for CEG. The remaining \$1.0 million loss represented the final cash settlement of an earn-out liability that was valued

at \$0 at the end of fiscal 2015.

The acquisition agreement for INDUS included a contingent earn-out agreement based on the achievement of operating income thresholds in each of the first two years beginning on the acquisition date, which was in the second quarter of fiscal 2016. The maximum earn-out obligation over the two-year earn-out period was \$8.0 million (\$4.0 million in each year). These amounts could be earned on a pro-rata basis starting at 50% of the earn-out maximum for operating income within a predetermined range in each year. INDUS was required to meet a minimum operating income threshold in each year to earn any contingent consideration. These minimum thresholds were \$3.2 million and \$3.6 million in years one and two, respectively. In order to earn the maximum contingent consideration, INDUS needed to generate operating income of \$3.6 million in year one and \$4.0 million in year two.

The determination of the fair value of the purchase price for INDUS on the acquisition date included our estimate of the fair value of the related contingent earn-out obligation. The initial valuation was primarily based on probability-weighted internal estimates of INDUS' operating income during each earn-out period. As a result of these estimates, we calculated an initial fair value at the acquisition date of INDUS' contingent earn-out liability of \$4.7 million in the second quarter of fiscal 2016. This amount had increased to \$4.9 million at the end of fiscal 2016 due to the passage of time for the present value calculation. In determining that INDUS would earn 59% of the maximum potential earn-out, we considered several factors including INDUS'

recent historical revenue and operating income levels and growth rates. We also considered the recent trend in INDUS' backlog level.

INDUS' actual financial performance in the first earn-out period was below our original expectation at the acquisition date. As a result, in the second quarter of fiscal 2017, we evaluated our estimate of INDUS' contingent consideration liability for both earn-out periods. This assessment included a review of INDUS' financial results in the first earn-out period, the status of ongoing projects in INDUS' backlog, and the inventory of prospective new contract awards. As a result of this assessment, we concluded that INDUS' operating income in both the first and second earn-out periods would be lower than the minimum requirements of \$3.2 million and \$3.6 million, respectively, to earn any contingent consideration. Accordingly, in the second quarter of fiscal 2017, we reduced the INDUS contingent earn-out liability to \$0, which resulted in a gain of \$5.0 million.

During the second quarter of fiscal 2017, when we determined that INDUS' operating income would be lower than our previous estimates, including our original estimates at the acquisition dates, we also evaluated the related goodwill for potential impairment. We determined that the related reporting units' long-term performance was not materially impacted and there was no resulting goodwill impairment. At September 30, 2018, there was a total maximum of \$50.6 million of outstanding contingent consideration related to acquisitions. Of this amount, \$35.3 million was estimated as the fair value and accrued on our consolidated balance sheet.

The following table summarizes the changes in the carrying value of estimated contingent earn-out liabilities:

	Fiscal Year Ended		
	September 30, 2018	October 1, 2017	October 2, 2016
	(in thousands)		
Beginning balance (at fair value)	\$2,438	\$ 8,757	\$ 4,169
Estimated earn-out liabilities for acquisitions during the fiscal year	32,210	1,604	4,745
Increases due to re-measurement of fair value reported in interest expense	1,005	260	271
Net increase (decrease) due to re-measurement of fair value reported as losses (gains) in operating income	4,252	(6,923)	2,823
Foreign exchange impact	(854)	59	—
Earn-out payments:			
Reported as cash used in operating activities	(2,349)	—	—
Reported as cash used in financing activities	(1,412)	(1,319)	(3,251)
Ending balance (at fair value)	\$35,290	\$ 2,438	\$ 8,757

6. Goodwill and Intangible Assets

The following table summarizes the changes in the carrying value of goodwill:

	GSG	CIG	Total
	(in thousands)		
Balance at October 2, 2016	\$357,050	\$360,938	\$717,988
Acquisition activity	—	7,055	7,055
Translation and other	4,711	11,132	15,843
Balance at October 1, 2017	361,761	379,125	740,886
Acquisition activity	27,526	58,353	85,879
Divestiture activity	—	(12,160)	(12,160)
Translation and other	454	(16,239)	(15,785)
Balance at September 30, 2018	\$389,741	\$409,079	\$798,820

We perform our annual goodwill impairment review at the beginning of our fiscal fourth quarter. Our last review at July 2, 2018 (i.e. the first day of our fourth quarter in fiscal 2018), indicated that we had no impairment of goodwill, and all of our reporting units had estimated fair values that were in excess of their carrying values, including goodwill. All of our reporting units had estimated fair values that exceeded their carrying values by more than 30%. In addition, we regularly evaluate whether events and circumstances have occurred that may indicate a potential change in the recoverability of goodwill. We perform interim goodwill impairment reviews between our annual reviews if certain events and circumstances have occurred, such as a deterioration in general economic conditions; an increase in the competitive environment; a change in management, key personnel, strategy or customers; negative or declining cash flows; or a decline in actual or planned revenue or earnings compared with actual and projected results of relevant prior periods.

Our fourth quarter 2018 and 2017 goodwill impairment reviews indicated that we had no impairment of goodwill, and all of our other reporting units had estimated fair values that were in excess of their carrying values, including goodwill. Although we believe that our estimates of fair value for these reporting units are reasonable, if financial performance for these reporting units falls significantly below our expectations or market prices for similar business decline, the goodwill for these reporting units could become impaired. Foreign exchange translation relates to our foreign subsidiaries with functional currencies that are different than our reporting currency. The gross amounts of goodwill for GSG were \$407.4 million and \$379.5 million at September 30, 2018 and October 1, 2017, respectively, excluding \$17.7 million of accumulated impairment. The gross amounts of goodwill for CIG were \$507.0 million and \$477.0 million at September 30, 2018 and October 1, 2017, respectively, excluding \$97.9 million of accumulated impairment. The gross amount and accumulated amortization of our acquired identifiable intangible assets with finite useful lives included in "Intangible assets – net" on the consolidated balance sheets, were as follows:

	Fiscal Year Ended		Fiscal Year Ended		
	September 30, 2018		October 1, 2017		
	Weighted-Average Remaining Life (in years)	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
		(\$ in thousands)			
Non-compete agreements	0.0	\$83	\$ (83)	\$495	\$ (493)
Client relations	2.6	54,639	(46,449)	90,297	(75,074)
Backlog	0.5	23,371	(20,007)	21,518	(13,301)
Technology and trade names	3.2	8,144	(3,575)	6,685	(3,439)
Total		\$86,237	\$ (70,114)	\$118,995	\$ (92,307)

Foreign currency translation adjustments reduced net identifiable intangible assets by \$0.9 million and \$0.1 million in fiscal 2018 and 2017, respectively. Amortization expense for the identifiable intangible assets for fiscal 2018, 2017 and 2016 was \$18.2 million, \$22.8 million and \$22.1 million, respectively.

Estimated amortization expense for the succeeding five years and beyond is as follows:

Amount
(in thousands)

2019\$ 9,016
20203,366
20212,271
20221,037
2023433
Total\$ 16,123

7. Property and Equipment

74

Property and equipment consisted of the following:

	Fiscal Year Ended	
	September 30, 2018	October 1, 2017
	(in thousands)	
Equipment, furniture and fixtures	\$131,521	\$150,026
Leasehold improvements	31,430	27,689
Land and buildings	413	3,680
Total property and equipment	163,364	181,395
Accumulated depreciation	(120,086)	(124,560)
Property and equipment, net	\$43,278	\$56,835

The depreciation expense related to property and equipment was \$19.6 million, \$22.2 million and \$22.8 million for fiscal 2018, 2017 and 2016, respectively. Our property and equipment declined \$7.0 million (\$3.0 million of which was land and buildings) due to the divestitures of our non-core utility field services operations in the CIG reportable segment and certain non-core assets in the third quarter of fiscal 2018.

8. Income Taxes

The income before income taxes, by geographic area, was as follows:

	Fiscal Year Ended		
	September 30, 2018	October 1, 2017	October 2, 2016
	(in thousands)		
Income before income taxes:			
United States	\$180,034	\$166,074	\$113,576
Foreign	(5,472)	5,687	10,890
Total income before income taxes	\$174,562	\$171,761	\$124,466

Income tax expense consisted of the following:

	Fiscal Year Ended		
	September 30, 2018	October 1, 2017	October 2, 2016
	(in thousands)		
Current:			
Federal	\$46,840	\$45,604	\$22,277
State	9,228	8,860	5,634
Foreign	10,897	9,337	6,651
Total current income tax expense	66,965	63,801	34,562
Deferred:			
Federal	(22,072)	(4,251)	6,231
State	(1,471)	(945)	(16)
Foreign	(5,817)	(4,761)	(164)
Total deferred income tax expense	(29,360)	(9,957)	6,051
Total income tax expense	\$37,605	\$53,844	\$40,613

Total income tax expense was different from the amount computed by applying the U.S. federal statutory rate to pre-tax income as follows:

	Fiscal Year Ended		
	September 30, 2018	October 1, 2017	October 2, 2016
Tax at federal statutory rate	24.5%	35.0%	35.0%
State taxes, net of federal benefit	4.2	3.4	3.1
Research and Development ("R&D") credit	(1.4)	(1.8)	(3.4)
Domestic production deduction	(0.2)	(0.7)	(0.7)
Tax differential on foreign earnings	0.5	—	(1.6)
Non-taxable foreign interest income	(2.0)	(2.9)	(3.9)
Non-deductible executive compensation	—	—	2.0
Goodwill	1.7	—	—
Stock compensation	(2.7)	(2.8)	0.3
Valuation allowance	(0.5)	(0.5)	2.4
Change in uncertain tax positions	1.9	1.8	(2.0)
Revaluation of deferred taxes	(8.4)	—	—
Deferred tax adjustments	2.1	—	—
Other	1.8	(0.2)	1.4
Total income tax expense	21.5%	31.3%	32.6%

The effective tax rates for fiscal 2018 and 2017 were 21.5% and 31.3%, respectively. The fiscal 2018 tax rate reflects the impact of the comprehensive tax legislation enacted by the U.S. government on December 22, 2017, which is commonly referred to as the Tax Cuts and Jobs Act ("TCJA"). The TCJA significantly revised the U.S. corporate income tax regime by, among other things, lowering the U.S. corporate tax rate from 35% to 21% effective January 1, 2018, while also repealing the deduction for domestic production activities, limiting the deductibility of certain executive compensation, and implementing a modified territorial tax system. The TCJA also imposes a one-time transition tax on deemed repatriation of historical earnings of foreign subsidiaries. We analyzed this provision of the TCJA and our related foreign earnings accumulated under legacy tax laws during fiscal 2018. Based on our analysis of tax earnings and profits and tax deficits at the prescribed measurement dates, we have a cumulative net tax deficit and do not believe we have any tax liability related to this tax. As we have a September 30 fiscal year-end, our U.S. federal corporate income tax rate was blended in fiscal 2018, resulting in a statutory federal rate of approximately 24.5% (3 months at 35% and 9 months at 21%), and will be 21% for subsequent fiscal years.

GAAP requires that the impact of tax legislation be recognized in the period in which the tax law was enacted. As a result of the TCJA, we reduced our deferred tax liabilities and recorded a one-time deferred tax benefit of approximately \$14.7 million in fiscal 2018 to reflect our estimate of temporary differences in the United States that will be recovered or settled in fiscal 2018 based on the 24.5% blended corporate tax rate or based on the 21% tax rate in fiscal 2019 and beyond versus the previous enacted 35% corporate tax rate. In fiscal 2018, we recognized other non-recurring adjustments to our deferred tax assets and liabilities that resulted in a net deferred tax expense of \$3.6 million. Excluding these net deferred tax benefits, our effective tax rate in fiscal 2018 was 27.9%.

The one-time revaluation of our deferred tax liabilities and our estimate of the one-time transition tax on foreign earnings are both preliminary and subject to adjustment as we refine the information necessary to record the final values. The provisional amounts incorporate assumptions made based on our current interpretation of the TCJA and may change as we receive additional clarification on the implementation guidance. Additionally, in order to complete the valuation of our deferred tax liabilities, additional information related to the timing of the recovery or settlement of our deferred tax assets and liabilities and the effective tax rates (including state tax rates) that will apply needs to be obtained and analyzed.

Similarly, information related to the computation of our foreign earnings and profits subject to the one-time transition tax requires further analysis before we make a final determination that we have no related liability. The U.S. Securities and Exchange Commission (“SEC”) has issued rules that would allow for a measurement period of up to one year after the enactment date of the TCJA to finalize the recording of the related tax impacts. We will finalize and record any resulting adjustments by the end of the first quarter of fiscal 2019.

The fiscal 2018 divestitures of our non-core utility field services operations and other non-core assets resulted in a pre-tax loss of \$3.4 million and incremental tax expense of \$2.6 million due to a book/tax basis difference primarily related to the \$12.2 million of associated goodwill. In fiscal 2018, the Internal Revenue Service ("IRS") concluded their examination for fiscal years 2014 through 2016 and other state examinations were also completed. As a result, we recognized a net \$1.6 million tax expense in fiscal 2018, and we made payments to the IRS of approximately \$7.6 million. In fiscal 2017, the IRS concluded their examination for fiscal years 2010 through 2013. As a result, we recognized a \$1.2 million tax benefit in and we made payments to the IRS of approximately \$21.5 million in fiscal 2017 that represented the acceleration of a deferred tax liability. In fiscal 2017, we also recognized a tax expense of \$2.3 million to establish a reserve for an international tax position that is under examination. Excluding these discrete amounts from both periods and the one-time impacts of the TCJA, the effective tax rates for fiscal 2018 and 2017 were 25.1% and 30.7%, respectively.

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

	Fiscal Year Ended	
	September 30,	October 1,
	2018	2017
	(in thousands)	
Deferred Tax Assets:		
State taxes	\$1,220	\$598
Reserves and contingent liabilities	2,646	2,941
Allowance for doubtful accounts	4,259	4,273
Accrued liabilities	19,611	22,466
Stock-based compensation	6,338	10,069
Loss carry-forwards	23,492	28,261
Valuation allowance	(21,479)	(25,326)
Total deferred tax assets	36,087	43,282
Deferred Tax Liabilities:		
Unbilled revenue	(25,819)	(46,408)
Prepaid expense	(3,524)	(6,253)
Intangibles	(23,319)	(24,328)
Property and equipment	(4,984)	(8,311)
Total deferred tax liability	(57,646)	(85,300)
Net deferred tax liabilities	\$(21,559)	\$(42,018)

At September 30, 2018, undistributed earnings of our foreign subsidiaries, primarily in Canada, amounting to approximately \$11.8 million are expected to be permanently reinvested. Accordingly, no provision for foreign withholding taxes has been made. Upon distribution of those earnings, we would be subject to foreign withholding taxes. Assuming the permanently reinvested foreign earnings were repatriated under the laws and rates applicable at September 30, 2018, the incremental foreign withholding taxes applicable to those earnings would be approximately \$1.0 million.

At September 30, 2018, we had available unused state net operating loss ("NOL") carry forwards of \$43.7 million that expire at various dates from 2023 to 2036; and available foreign NOL carry forwards of \$72.4 million, of which \$31.4 million expire at various dates from 2023 to 2038, and \$41.0 million have no expiration date. We have performed an assessment of positive and negative evidence regarding the realization of the deferred tax assets. This assessment included the evaluation of scheduled reversals of deferred tax liabilities, availability of carrybacks, cumulative losses in recent years, and estimates of projected future taxable income. Although realization is not assured, based on our assessment, we have

concluded that it is more likely than not that the assets will be realized except for the assets related to the loss carry-forwards and certain foreign intangibles for which a valuation allowance of \$21.5 million has been provided.

At September 30, 2018, we had \$9.4 million of unrecognized tax benefits, all of which, if recognized, would affect our effective tax rate. It is not expected that there will be a significant change in the unrecognized tax benefits in the next 12 months. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	Fiscal Year Ended		
	September 30, 2018	October 1, 2017	October 2, 2016
	(in thousands)		
Beginning balance	\$9,337	\$22,786	\$21,618
Additions for current year tax positions	1,108	1,060	2,802
Additions for prior year tax positions	3,478	2,365	1,466
Reductions for prior year tax positions	—	(6,875)	(3,100)
Settlements	(4,496)	(9,999)	—
Ending balance	\$9,427	\$9,337	\$22,786

We recognize potential interest and penalties related to unrecognized tax benefits in income tax expense. During fiscal years 2018 and 2017, we accrued additional interest expense of \$0.6 million \$0.4 million, respectively, and recorded reductions in accrued interest of \$0.3 million and \$0.9 million, respectively, as a result of audit settlements and other prior-year adjustments. The amount of interest and penalties accrued at September 30, 2018 and October 1, 2017 was \$1.2 million and \$1.1 million, respectively.

9. Long-Term Debt

Long-term debt consisted of the following:

	Fiscal Year Ended	
	September 30, 2018	October 1, 2017
	(in thousands)	
Credit facilities	\$277,127	\$356,438
Other	184	433
Total long-term debt	277,311	356,871
Less: Current portion of long-term debt	(12,599)	(15,588)
Long-term debt, less current portion	\$264,712	\$341,283

On July 30, 2018, we entered into a Second Amended and Restated Credit Agreement (“Amended Credit Agreement”) that will mature in July 2023 with a total borrowing capacity of \$1 billion. The Amended Credit Agreement is a \$700 million senior secured, five-year facility that provides for a \$250 million term loan facility (the “Amended Term Loan Facility”) and a \$450 million revolving credit facility (the “Amended Revolving Credit Facility”). In addition, the Amended Credit Agreement includes a \$300 million accordion feature that allows us to increase the Amended Credit Agreement to \$1 billion subject to lender approval. The Amended Credit Agreement allows us to, among other things, (i) refinance indebtedness under our Credit Agreement dated as of May 7, 2013; (ii) finance certain permitted open market repurchases of the our common stock, permitted acquisitions, and cash dividends and distributions; and (iii) utilize the proceeds for working capital, capital expenditures and other general corporate purposes. The Amended Revolving Credit Facility includes a \$100 million sublimit for the issuance of standby letters of credit, a \$20 million sublimit for swingline loans, and a \$200 million sublimit for multicurrency borrowings and letters of credit.

The entire Amended Term Loan Facility was drawn on July 30, 2018. The Amended Term Loan Facility is subject to quarterly amortization of principal at 5% annually beginning December 31, 2018. We may borrow on the Amended Revolving Credit Facility, at our option, at either (a) a Eurocurrency rate plus a margin that ranges from 1.00% to 1.75% per annum, or (b) a base rate for loans in U.S. dollars (the highest of the U.S. federal funds rate plus 0.50% per annum, the bank’s prime rate or the Eurocurrency rate plus 1.00%) plus a margin that ranges from 0% to 0.75% per annum. In each case, the applicable margin is based on our

Consolidated Leverage Ratio, calculated quarterly. The Amended Term Loan Facility is subject to the same interest

78

rate provisions. The Amended Credit Agreement expires on July 30, 2023, or earlier at our discretion upon payment in full of loans and other obligations.

As of September 30, 2018, we had \$277.1 million in outstanding borrowings under the Amended Credit Agreement, which was comprised of \$250 million under the Amended Term Loan Facility and \$27.1 million under the Amended Revolving Credit Facility at a weighted-average interest rate of 3.27% per annum. In addition, we had \$0.9 million in standby letters of credit under the Amended Credit Agreement. Our average effective weighted-average interest rate on borrowings outstanding at September 30, 2018 under the Amended Credit Agreement, including the effects of interest rate swap agreements described in Note 14, "Derivative Financial Instruments", was 3.28%. At September 30, 2018, we had \$422.0 million of available credit under the Amended Revolving Credit Facility, all of which could be borrowed without a violation of our debt covenants.

The Amended Credit Agreement contains certain affirmative and restrictive covenants, and customary events of default. The financial covenants provide for a maximum Consolidated Leverage Ratio of 3.00 to 1.00 (total funded debt/EBITDA, as defined in the Amended Credit Agreement) and a minimum Consolidated Interest Coverage Ratio of 3.00 to 1.00 (EBITDA/Consolidated Interest Charges, as defined in the Amended Credit Agreement). Our obligations under the Amended Credit Agreement are guaranteed by certain of our domestic subsidiaries and are secured by first priority liens on (i) the equity interests of certain of our subsidiaries, including those subsidiaries that are guarantors or borrowers under the Amended Credit Agreement, and (ii) the accounts receivable, general intangibles and intercompany loans, and those of our subsidiaries that are guarantors or borrowers.

At September 30, 2018, we were in compliance with these covenants with a consolidated leverage ratio of 1.23x and a consolidated interest coverage ratio of 15.42x. Our obligations under the Credit Agreement are guaranteed by certain of our subsidiaries and are secured by first priority liens on (i) the equity interests of certain of our subsidiaries, including those subsidiaries that are guarantors or borrowers under the Credit Agreement, and (ii) our accounts receivable, general intangibles and intercompany loans, and those of our subsidiaries that are guarantors or borrowers.

In addition to the credit facility, we entered into agreements to issue standby letters of credit. The aggregate amount of standby letters of credit outstanding under these additional agreements and other bank guarantees was \$29.8 million, of which \$4.3 million was issued in currencies other than the U.S. dollar. We maintain at our Australian subsidiary an AUD\$30 million credit facility, which may be used for bank overdrafts, short-term cash advances and bank guarantees. This facility expires in March 2019 and is secured by a parent guarantee. At September 30, 2018, there were no borrowings outstanding under this facility and bank guarantees outstanding of \$7.1 million, which were issued in currencies other than the U.S. dollar.

The following table presents scheduled maturities of our long-term debt:

	Amount (in thousands)
2019	\$ 12,599
2020	12,585
2021	12,500
2022	12,500
2023	227,127
Total	\$ 277,311

10. Leases

We lease office and field equipment, vehicles and buildings under various operating leases. In fiscal 2018, 2017 and 2016, we recognized \$77.8 million, \$71.3 million and \$75.0 million of expense associated with operating leases, respectively. The following are amounts payable under non-cancelable operating and capital lease commitments for the next five fiscal years and beyond:

	Operating	Capital
	(in thousands)	
2019	\$84,442	\$ 92
2020	65,119	85
2021	46,003	—
2022	29,846	—
2023	19,078	—
Beyond	18,253	—
Total	\$262,741	\$ 177

Net present value \$ 177

We vacated certain facilities under long-term non-cancelable leases and recorded contract termination costs of \$2.9 million in fiscal 2016. These amounts were initially measured at the fair value of the portion of the lease payments associated with the vacated facilities, reduced by estimated sublease rentals, less the write off of a prorated portion of existing deferred items previously recognized on these leases. We expect the remaining lease payments to be paid through the various lease expiration dates that continue until 2022.

We initially measured the lease contract termination liability at the fair value of the prorated portion of the lease payments associated with the vacated facilities, reduced by estimated sublease rentals and other costs. If the actual timing and potential termination costs or realization of sublease income differ from our estimates, the resulting liabilities could vary from recorded amounts. These liabilities are reviewed periodically and adjusted when necessary.

The following is a reconciliation of the beginning and ending balances of these liabilities related to lease contract termination costs:

	GSG	CIG	RCM	Total
	(in thousands)			
Balance at October 2, 2016	\$674	\$2,391	\$39	\$3,104
Adjustments ⁽¹⁾	(415)	(959)	(36)	(1,410)
Balance at October 1, 2017	259	1,432	3	1,694
Adjustments ⁽¹⁾	(259)	(512)	(3)	(774)
Balance at September 30, 2018	\$—	\$920	\$—	\$920

⁽¹⁾ Adjustments of the actual timing and potential termination costs or realization of sublease income.

11. Stockholders' Equity and Stock Compensation Plans

At September 30, 2018, we had the following stock-based compensation plans:

Employee Stock Purchase Plan ("ESPP"). Purchase rights to purchase common stock are granted to our eligible full and part-time employees, and shares of common stock are issued upon exercise of the purchase rights. An aggregate of 2,373,290 shares may be issued pursuant to such exercise. The maximum amount that an employee can contribute during a purchase right period is \$5,000. The exercise price of a purchase right is the lesser of 100% of the fair market value of a share of common stock 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 (December 15, or the business day preceding December 15 if December 15 is not a business day).

2005 Equity Incentive Plan ("2005 EIP"). Key employees and non-employee directors may be granted equity awards, including stock options, restricted stock and restricted stock units ("RSUs"). Options granted before March 6, 2006 vested at 25% on the first anniversary of the grant date, and the balance vests monthly thereafter, such that these options become fully vested no later than four years from the date of grant. These options expire no later than ten years from the date of grant. Options granted on and after March 6, 2006 vest at 25% on each anniversary of the grant date. These options expire no later than eight years from the grant date. RSUs granted to date vest at 25% on each anniversary of the grant date. Our Compensation Committee has also awarded restricted stock to executive officers and non-employee directors under the 2005 EIP. Restricted stock grants generally vest over a minimum three-year period, and may be performance-based, determined by EPS growth, or service-based. No awards have made under the 2005 EIP since the adoption of the 2018 Equity Incentive Plan described below.

2015 Equity Incentive Plan ("2015 EIP"). Key employees and non-employee directors may be granted equity awards, including stock options, performance share units ("PSUs") and RSUs. Shares issued with respect to awards granted under the 2015 EIP other than stock options or stock appreciation rights, which are referred to as "full value awards", are counted against the 2015 EIP's aggregate share limit as three shares for every share or unit actually issued. No awards have made under the 2015 Equity Incentive Plan since the adoption of the 2018 Equity Incentive Plan on March 8, 2018 described below.

2018 Equity Incentive Plan ("2018 EIP"). Key employees and non-employee directors may be granted equity awards, including stock options, performance share units ("PSUs") and RSUs.

Shares issued with respect to awards granted under the 2018 EIP other than stock options or stock appreciation rights, which are referred to as "full value awards", are counted against the 2018 EIP's aggregate share limit as one share for every share or unit issued. At September 30, 2018, there were 3.0 million shares available for future awards pursuant to the 2018 EIP.

The stock-based compensation and related income tax benefits were as follows:

	Fiscal Year Ended		
	September 30, 2018	October 1, 2017	October 2, 2016
	(in thousands)		
Total stock-based compensation	\$19,582	\$13,450	\$12,964
Income tax benefit related to stock-based compensation	(5,288)	(4,715)	(4,656)
Stock-based compensation, net of tax benefit	\$14,294	\$8,735	\$8,308

Stock Options

Stock option activity for the fiscal year ended September 30, 2018 was as follows:

	Number of Options (in thousands)	Weighted-Average Exercise Price per Share	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding on October 1, 2017	1,753	\$ 27.18		
Granted	171	48.01		
Exercised	(549)	50.85		
Forfeited	(20)	26.90		
Outstanding at September 30, 2018	1,355	30.87	5.17	\$ 50,689
Vested or expected to vest at September 30, 2018	1,330	30.94	5.13	49,694
Exercisable on September 30, 2018	929	27.21	3.93	38,152

The aggregate intrinsic value in the table above represents the total intrinsic value (the difference between our closing stock price on the last trading day of fiscal 2018 and the exercise price, times the number of shares) that would have been received

by the in-the-money option holders if they had exercised their options on September 30, 2018. This amount will change based on the fair market value of our stock. At September 30, 2018, we expect to recognize \$3.8 million of unrecognized compensation cost related to stock option grants over a weighted-average period of 2 years.

The weighted-average fair value of stock options granted during fiscal 2018, 2017 and 2016 was \$14.82, \$12.35 and \$8.05, respectively. The aggregate intrinsic value of options exercised during fiscal 2018, 2017 and 2016 was \$14.4 million, \$16.4 million and \$7.3 million, respectively.

The fair value of our stock options was estimated on the date of grant using the Black-Scholes option pricing model. The following assumptions were used in the calculation:

	Fiscal Year Ended		
	September 30, 2018	October 1, 2017	October 2, 2016
Dividend yield	1.0%	1.0%	1.2%
Expected stock price volatility	36.1% - 38.8%	36.1% - 38.8%	36.1% - 38.8%
Risk-free rate of return, annual	1.7% - 2.9%	1.7% - 1.9%	1.6% - 1.8%

For purposes of the Black-Scholes model, forfeitures were estimated based on historical experience. For the fiscal 2018, 2017 and 2016 year-ends, we based our expected stock price volatility on historical volatility behavior and current implied volatility behavior. Our risk-free rate of return was based on constant maturity rates provided by the U.S. Treasury. The expected life was based on historical experience. Net cash proceeds from the exercise of stock options were \$13.5 million, \$18.6 million and \$18.0 million for fiscal 2018, 2017 and 2016, respectively. Our policy is to issue shares from our authorized shares upon the exercise of stock options. The actual income tax benefit realized from exercises of nonqualified stock options and disqualifying dispositions of qualified options for fiscal 2018, 2017 and 2016 was \$5.1 million, \$4.9 million and \$5.3 million, respectively.

RSU and PSU

RSU awards are granted to our key employee and non-employee directors. The fair value of the RSU was determined at the date of grant using the market price of the underlying common stock as of the date of grant. All of the RSUs have time-based vesting over a four-year period, except that RSUs awarded to directors vest after one year. The total compensation cost of the awards is then amortized over their applicable vesting period on a straight-line basis.

PSU awards are granted to our executive officers and non-employee directors. All of the PSUs are performance-based and vest, if at all, after the conclusion of the three-year performance period. The number of PSUs that ultimately vest is based on 50% on the growth in our EPS and 50% on our relative total shareholder return over the vesting period. For the performance-based awards, our expected performance is reviewed to estimate the percentage of shares that will vest. The total compensation cost of the awards is then amortized over their applicable vesting period on a straight-line basis.

A summary of the RSU and PSU activity under our stock plans is as follows:

	RSU		PSU	
	Number of Shares (in thousands)	Weighted-Average Grant Date Fair Value per Share	Number of Shares (in thousands)	Weighted-Average Grant Date Fair Value per Share
Nonvested balance at September 27, 2015	483	\$ 26.75	139	\$ 31.66
Granted	217	27.14	138	31.63
Vested	(180)	26.03	—	—
Forfeited	(21)	27.11	—	—
Nonvested balance at October 2, 2016	499	27.16	277	31.65
Granted	226	41.00	99	48.36
Vested	(186)	26.98	—	—
Forfeited	(28)	30.15	—	—
Nonvested balance at October 1, 2017	511	33.19	376	36.05
Granted	199	48.16	99	57.40
Vested	(184)	31.85	(139)	31.66
Forfeited	(38)	36.39	(13)	41.80
Nonvested balance at September 30, 2018	488	39.56	323	44.27

During fiscal 2018, 2017 and 2016, we awarded 198,960, 226,241 and 216,539 shares of RSUs, respectively, to our key employees and non-employee directors. The weighted-average grant-date fair value of RSUs granted during fiscal 2018, 2017 and 2016 was \$48.16, \$41.00 and \$27.14, respectively. At September 30, 2018, there were 488,139 RSUs outstanding. RSU forfeitures result from employment terminations prior to vesting. Forfeited shares return to the pool of authorized shares available for award.

During fiscal 2018, 2017 and 2016, we awarded 99,217, 99,180 and 137,777 shares of PSUs, respectively, to our executive officers and non-employee directors. The weighted-average grant-date fair value of PSUs granted during fiscal 2018, 2017 and 2016 was \$57.40, \$48.36 and \$31.63, respectively.

The stock-based compensation expense related to RSUs and PSUs for fiscal 2018, 2017 and 2016 was \$15.5 million, \$10.6 million and \$10.3 million, respectively, and was included in total stock-based compensation expense. At September 30, 2018, there was \$18.1 million of unrecognized stock-based compensation costs related to nonvested RSUs and PSUs that will be substantially recognized by the end of fiscal 2020.

ESPP

The following table summarizes shares purchased, weighted-average purchase price, cash received and the aggregate intrinsic value for shares purchased under the ESPP:

	Fiscal Year Ended		
	September 30, 2018	October 1, 2017	October 2, 2016
	(in thousands, except for purchase price)		
Shares purchased	141	190	209
Weighted-average purchase price	\$40.38	\$ 26.02	\$ 22.54
Cash received from exercise of purchase rights	\$5,727	\$ 4,940	\$ 4,707
Aggregate intrinsic value	\$337	\$ —	\$ 710

The grant date fair value of each award granted under the ESPP was estimated using the Black-Scholes option pricing model with the following assumptions:

	Fiscal Year Ended		
	September 30, 2018	October 1, 2017	October 2, 2016
Dividend yield	1.0%	1.0%	1.3%
Expected stock price volatility	24.0%	22.4%	23.7%
Risk-free rate of return, annual	1.8%	0.9%	0.2%
Expected life (in years)	1	1	1

For fiscal 2018, 2017 and 2016, we based our expected stock price volatility on historical volatility behavior and current implied volatility behavior. The risk-free rate of return was based on constant maturity rates provided by the U.S. Treasury. The expected life was based on the ESPP terms and conditions.

Stock-based compensation expense for fiscal 2018, 2017 and 2016 included \$0.6 million, \$0.5 million and \$0.4 million, respectively, related to the ESPP. The unrecognized stock-based compensation costs for awards granted under the ESPP at September 30, 2018 and October 1, 2017 were \$0.2 million and \$0.1 million, respectively. At September 30, 2018, ESPP participants had accumulated \$3.5 million to purchase our common stock.

12. Retirement Plans

We have established defined contribution plans including 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 fiscal 2018, 2017 and 2016, employer contributions to the plans were \$22.4 million, \$11.4 million and \$10.7 million, respectively.

We have established a non-qualified deferred compensation plan for certain key employees and non-employee directors. Eligible employees and non-employee directors may elect to defer the receipt of salary, incentive payments, restricted stock, PSU and RSU awards, and non-employee director fees, which are generally invested by us in individual variable life insurance contracts we own that are designed to informally fund savings plans of this nature. At September 30, 2018 and October 1, 2017, the consolidated balance sheets reflect assets of \$29.4 million and \$25.0 million, respectively, related to the deferred compensation plan in "Other long-term assets," and liabilities of \$30.2 million and \$25.2 million, respectively, related to the deferred compensation plan in "Other long-term liabilities."

13. Earnings per Share

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

	Fiscal Year Ended		
	September 30, 2018	October 1, 2017	October 2, 2016
	(in thousands, except per share data)		
Net income attributable to Tetra Tech	\$136,883	\$117,874	\$83,783
Weighted-average common shares outstanding – basic	55,670	56,911	58,186
Effect of diluted stock options and unvested restricted stock	928	1,002	780
Weighted-average common stock outstanding – diluted	56,598	57,913	58,966

Earnings per share attributable to Tetra Tech:

Basic	\$2.46	\$2.07	\$1.44
Diluted	\$2.42	\$2.04	\$1.42

For fiscal 2018, 0.1 million options were excluded from the calculation of dilutive potential common shares. For fiscal 2017 and 2016, no options were excluded from the calculation of dilutive potential common shares. 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, their inclusion would have been anti-dilutive.

14. Derivative Financial Instruments

We use certain interest rate derivative contracts to hedge interest rate exposures on our variable rate debt. We enter into foreign currency derivative contracts with financial institutions to reduce the risk that cash flows and earnings will be adversely affected by foreign currency exchange rate fluctuations. Our hedging program is not designated for trading or speculative purposes.

We recognize derivative instruments as either assets or liabilities on the accompanying consolidated balance sheets at fair value. We record changes in the fair value (i.e., gains or losses) of the derivatives that have been designated as cash flow hedges in our consolidated balance sheets as accumulated other comprehensive income (loss), and in our consolidated statements of income for those derivatives designated as fair value hedges.

In fiscal 2013, we entered into three interest rate swap agreements that we designated as cash flow hedges to fix the variable interest rates on a portion of borrowings under our term loan facility. In the first quarter of fiscal 2014, we entered into two interest rate swap agreements that we designated as cash flow hedges to fix the variable interest rates on the borrowings under our term loan facility. All of these interest rate swap agreements expired in May 2018. In the fourth quarter of fiscal 2018, we entered into five interest rate swap agreements that we designated as cash flow hedges to fix the variable interest rates on the borrowings under our Amended Term Loan Facility. The interest rate swaps expire in July 2023. At September 30, 2018 and October 1, 2017, the effective portion of our interest rate swap agreements designated as cash flow hedges before tax effect was \$(1.3) million and \$(0.05) million, respectively, all of which we expect to be reclassified from accumulated other comprehensive income (loss) to interest expense within the next 12 months.

As of September 30, 2018, the notional principal, fixed rates and related expiration dates of our outstanding interest rate swap agreements are as follows:

Notional Amount (in thousands)	Fixed Rate	Expiration Date
\$50,000	2.79%	July 2023
50,000	2.79%	July 2023
50,000	2.79%	July 2023
50,000	2.79%	July 2023
50,000	2.79%	July 2023

The fair values of our outstanding derivatives designated as hedging instruments were as follows:

Balance Sheet Location	Fair Value of Derivative Instruments as of	
	September 30, 2018	October 1, 2017
Interest rate swap agreements	\$ 1,244	\$ 49

The impact of the effective portions of derivative instruments in cash flow hedging relationships and fair value relationships on income and other comprehensive income was immaterial for the fiscal years ended September 30, 2018 and October 1, 2017. Additionally, there were no ineffective portions of derivative instruments. Accordingly, no amounts were excluded from effectiveness testing for our interest rate swap agreements. We had no other derivative instruments that were not designated as hedging instruments for fiscal 2018, 2017 and 2016.

15. Reclassifications Out of Accumulated Other Comprehensive Income (Loss)

The accumulated balances and reporting period activities for fiscal 2018 and 2017 related to reclassifications out of accumulated other comprehensive income (loss) are summarized as follows:

	Foreign Currency Translation Adjustments (in thousands)	Gain (Loss) on Derivative Instruments	Accumulated Other Comprehensive Income (Loss)
Balances at October 2, 2016	\$ (126,840)	\$ (1,168)	\$ (128,008)
Other comprehensive income before reclassifications	27,894	2,363	30,257
Amounts reclassified from accumulated other comprehensive income			
Interest rate contracts, net of tax ⁽¹⁾	—	(749)	(749)
Net current-period other comprehensive income	27,894	1,614	29,508
Balances at October 1, 2017	\$ (98,946)	\$ 446	\$ (98,500)
Other comprehensive income (loss) before reclassifications	(29,656)	1,215	(28,441)
Amounts reclassified from accumulated other comprehensive income			
Interest rate contracts, net of tax ⁽¹⁾	—	(409)	(409)
Net current-period other comprehensive income (loss)	(29,656)	806	(28,850)
Balances at September 30, 2018	\$ (128,602)	\$ 1,252	\$ (127,350)

⁽¹⁾ This accumulated other comprehensive component is reclassified to "Interest expense" in our consolidated statements of income.

16. Fair Value Measurements

Derivative Instruments. For additional information about our derivative financial instruments (see Note 2, "Basis of Presentation and Preparation" and Note 14, "Derivative Financial Instruments").

Contingent Consideration. We measure our contingent earn-out liabilities at fair value on a recurring basis (see Note 2, "Basis of Presentation and Preparation" and Note 5, "Acquisitions and Divestitures" for further information).

Debt. The fair value of long-term debt was determined using the present value of future cash flows based on the borrowing rates currently available for debt with similar terms and maturities (Level 2 measurement). The carrying value of our long-term debt approximated fair value at September 30, 2018 and October 1, 2017. At September 30, 2018, we had borrowings of \$277.1 million outstanding under our Amended Credit Agreement, which were used to fund our business acquisitions, working capital needs, stock repurchases, dividends, capital expenditures and contingent earn-outs.

17. 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, individually or in aggregate, on our financial position, results of operations or cash flows, management acknowledges the uncertainty surrounding the ultimate resolution of these matters.

On October 15, 2018, the Civil Division of the United States Attorney's Office ("USAO") filed a notice of election to intervene in three qui tam actions filed against our subsidiary, Tetra Tech EC, Inc. ("TtEC"), in the U.S. District Court for the Northern District of California. The complaints of the qui tam relators allege False Claims Act violations related to TtEC's contracts to perform environmental remediation services at the former Hunters Point Naval Shipyard in San Francisco, California. The court has ordered the USAO to

file a complaint in intervention on or before January 14, 2019. We are currently unable to determine the probability of the outcome of this matter or the range of a reasonably possible loss, if any.

18. Reportable Segments

86

Beginning in fiscal 2018, we aligned our operations to better serve our clients and markets, resulting in two renamed reportable segments. Our GSG reportable segment primarily includes activities with U.S. government clients (federal, state and local) and all activities with development agencies worldwide. Our CIG reportable segment primarily includes activities with U.S. commercial clients and international clients other than development agencies. This alignment allows us to capitalize on our growing market opportunities and enhance the development of high-end consulting and technical solutions to meet our growing client demand. We continue to report the results of the wind-down of our non-core construction activities in the RCM segment. Prior year amounts for reportable segments have been revised to conform to the current-year presentation.

Our reportable segments are described as follows:

GSG: GSG provides consulting and engineering services primarily to U.S. government clients (federal, state and local) and development agencies worldwide. GSG supports U.S. government civilian and defense agencies with services in water, environment, infrastructure, information technology, and emergency management services. GSG also provides engineering design services for municipal and commercial clients, especially in water infrastructure, solid waste, and high-end sustainable infrastructure designs. GSG also leads our support for development agencies worldwide, especially in the U.S., United Kingdom, and Australia.

CIG: CIG provides consulting and engineering services primarily to U.S. commercial clients and international clients, both commercial and government. CIG supports commercial clients across the Fortune 500, oil and gas, energy utilities, manufacturing, aerospace, and mining markets. CIG also provides infrastructure and related environmental and geotechnical services, testing, engineering and project management services to commercial and local government clients across Canada, in Asia-Pacific (primarily Australia and New Zealand), as well as Brazil and Chile. CIG also provides field construction management activities in the United States and Western Canada.

RCM: We report the results of the wind-down of our non-core construction activities in the RCM reportable segment. The remaining backlog for RCM as of September 30, 2018 was immaterial as the related projects are substantially complete.

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. We account for inter-segment revenues and transfers as if they were to third parties; that is, by applying a negotiated fee onto the costs of the services performed. All significant intercompany balances and transactions are eliminated in consolidation. In fiscal 2016, the corporate segment operating losses included \$19.5 million of acquisition and integration expenses.

The following tables set forth summarized financial information concerning our reportable segments:

Reportable Segments

	Fiscal Year Ended		
	September 30, 2018	October 1, 2017	October 2, 2016
	(in thousands)		
Revenue			
GSG	\$1,694,871	\$1,487,611	\$1,289,506
CIG	1,323,142	1,326,020	1,297,209
RCM	14,199	18,207	52,150
Elimination of inter-segment revenue	(68,064)	(78,478)	(55,396)
Total revenue	\$2,964,148	\$2,753,360	\$2,583,469
Income from operations			
GSG	\$168,211	\$138,199	\$101,595
CIG	74,451	90,817	106,602
RCM	(4,573)	(14,712)	(11,834)
Corporate ⁽¹⁾	(48,003)	(30,962)	(60,508)

Total operating income	\$190,086	\$183,342	\$135,855
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(1) Includes goodwill and intangible assets impairment charges, amortization of intangibles, other costs and other income not allocable to segments. The intangible asset amortization expense for fiscal 2018, 2017 and 2016 was \$18.2 million, \$22.8 million and \$22.1 million, respectively. Corporate results also included income (loss) for fair value adjustments to contingent consideration liabilities of \$(4.3) million,

87

\$6.9 million and \$(2.8) million for fiscal 2018, 2017 and 2016, respectively. Fiscal 2016 also included \$19.5 million of acquisition and integration related expenses recorded at Corporate.

September 30, 2018
October 1, 2017
(in thousands)

Total Assets		
GSG	\$468,010	\$378,839
CIG	478,197	518,697
RCM	25,683	33,620
Corporate ⁽¹⁾	987,531	971,589
Total assets	\$1,959,421	\$1,902,745

(1) Corporate assets consist of intercompany eliminations and assets not allocated to reportable segments including goodwill, intangible assets, deferred income taxes and certain other assets.

Geographic Information

	Fiscal Year Ended					
	September 30, 2018		October 1, 2017		October 2, 2016	
	Revenue	Long-Lived Assets ⁽²⁾	Revenue	Long-Lived Assets ⁽²⁾	Revenue	Long-Lived Assets ⁽²⁾
United States	\$2,232,013	\$ 59,164	\$2,018,841	\$ 58,965	\$1,858,551	\$ 59,334
Foreign countries ⁽¹⁾	732,135	34,934	734,519	34,183	724,918	39,067

Includes revenue generated from our foreign operations, primarily in Canada and Australia, and revenue generated from non-U.S. clients. Long-lived assets consist primarily of amounts from our Canadian operations.

(2) Excludes goodwill and intangible assets.

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.

The following table presents our revenue by client sector:

Client Sector	Fiscal Year Ended		
	September 30, 2018	October 1, 2017	October 2, 2016
U.S. state and local government	\$469,231	\$353,062	\$310,740
U.S. federal government ⁽¹⁾	974,384	901,136	784,368
U.S commercial	788,398	764,643	763,443
International ⁽²⁾	732,135	734,519	724,918
Total	\$2,964,148	\$2,753,360	\$2,583,469

(1) Includes revenue generated under U.S. federal government contracts performed outside the United States.

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

19. Quarterly Financial Information – Unaudited

In the opinion of management, the following unaudited quarterly data for the fiscal years ended September 30, 2018 and October 1, 2017 reflect all adjustments necessary for a fair statement of the results of operations.

As a result of the TCJA, we reduced our deferred tax liabilities and recorded a one-time deferred tax benefit of approximately \$14.7 million in the first quarter of fiscal 2018. In the third quarter of fiscal 2018, we recognized losses of \$3.4 million related to the divestiture of our non-core utility field services operations and other non-core assets. We settled a claim related to a fixed-price construction project completed in fiscal 2014 and recognized a reduction in revenue of \$10.6 million and a related loss in operating income of \$12.5 million in the fourth quarter of fiscal 2018.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(in thousands, except per share data)			
Fiscal Year 2018				
Revenue	\$759,749	\$700,262	\$764,795	\$739,343
Income from operations	48,589	42,716	55,496	43,285
Net income attributable to Tetra Tech	46,034	28,725	33,322	28,802
Earnings per share attributable to Tetra Tech:				
Basic	\$0.82	\$0.51	\$0.60	\$0.52
Diluted	\$0.81	\$0.51	\$0.59	\$0.51
Weighted-average common shares outstanding:				
Basic	55,855	55,841	55,537	55,341
Diluted	56,875	56,673	56,390	56,349
Fiscal Year 2017				
Revenue	\$668,851	\$663,781	\$685,539	\$735,188
Income from operations	39,855	42,956	45,884	54,647
Net income attributable to Tetra Tech	26,562	26,862	29,983	34,467
Earnings per share attributable to Tetra Tech:				
Basic	\$0.47	\$0.47	\$0.52	\$0.61
Diluted	\$0.46	\$0.46	\$0.52	\$0.60
Weighted-average common shares outstanding:				
Basic	57,099	57,270	57,184	56,338
Diluted	58,145	58,270	58,161	57,326

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure
None.

Item 9A. Controls and Procedures

Evaluation of disclosure controls and procedures and changes in internal control over financial reporting

At September 30, 2018, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures. Based on our management's evaluation (with the participation of our principal executive officer and principal financial officer), our principal executive officer and principal financial officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), were effective.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. As defined in Exchange Act Rule 13a-15(f), internal control over financial reporting is a process designed by, or under the supervision of, our principal executive and principal financial officer and effected by our Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with U.S. GAAP. Internal controls include those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our consolidated financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Accordingly, even effective internal control over financial reporting can only provide reasonable assurance of achieving their control objectives.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we assessed the effectiveness of our internal control over financial reporting at September 30, 2018, based on the criteria in Internal Control – Integrated Framework (2013) issued by the COSO. Based upon this assessment, management has concluded that our internal control over financial reporting was effective at September 30, 2018, at a reasonable assurance level.

PricewaterhouseCoopers LLP, the independent registered public accounting firm that audited the consolidated financial statements included in this Form 10-K, has issued a report on our internal control over financial reporting. This report, dated November 16, 2018, appears on page 56 of this Form 10-K.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the three months ended September 30, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item relating to our directors and nominees, regarding compliance with Section 16(a) of the Exchange Act, and regarding our Audit Committee is included under the captions "Item No. 1 – Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance" in our Proxy

Statement related to the 2019 Annual Meeting of Stockholders and is incorporated by reference. Pursuant to General Instruction G(3) of Form 10-K, the information required by this item relating to our executive officers is included under the caption "Executive Officers of the Registrant" in Part I of this Report.

We have adopted a code of ethics that applies to our principal executive officer and all members of our finance department, including our principal financial officer and principal accounting officer. This code of ethics, entitled "Finance Code of Professional

Conduct," is posted on our website. The Internet address for our website is www.tetrattech.com, and the code of ethics may be found through a link to the Investor Relations section of our website.

We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K for any amendment to, or waiver from, a provision of this code of ethics by posting any such information on our website, at the address and location specified above.

Item 11. Executive Compensation

The information required by this item is included under the captions "Item No. 1 – Election of Directors" and "Executive Compensation Tables" in our Proxy Statement related to the 2019 Annual Meeting of Stockholders and is incorporated by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item relating to security ownership of certain beneficial owners and management, and securities authorized for issuance under equity compensation plans, is included under the caption "Security Ownership of Management and Significant Stockholders" in our Proxy Statement related to the 2019 Annual Meeting of Stockholders and is incorporated by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item relating to review, approval or ratification of transactions with related persons is included under the caption "Related Person Transactions," and the information required by this item relating to director independence is included under the caption "Item No. 1 – Election of Directors," in each case in our Proxy Statement related to the 2019 Annual Meeting of Stockholders and is incorporated by reference.

Item 14. Principal Accounting Fees and Services

The information required by this item is included under the caption "Item No. 4 – Ratification of Independent Registered Public Accounting Firm" in our Proxy Statement related to the 2019 Annual Meeting of Stockholders and is incorporated by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules

- (a.)
1. **Financial Statements**
The Index to Financial Statements and Financial Statement Schedule on page 55 is incorporated by reference as the list of financial statements required as part of this Report.
 2. **Financial Statement Schedule**
The Index to Financial Statements and Financial Statement Schedule on page 55 is incorporated by reference as the list of financial statement schedules required as part of this Report.
 3. **Exhibits**
The exhibit list in the Index to Exhibits on pages 93 is incorporated by reference as the list of exhibits required as part of this Report.

TETRA TECH, INC.

SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

For the Fiscal Years Ended

October 2, 2016, October 1, 2017 and September 30, 2018

(in thousands)

	Balance at Beginning of Period	Charged to Costs, Expenses and Revenue	Deductions ⁽¹⁾	Other ⁽²⁾	Balance at End of Period
Allowance for doubtful accounts:					
Fiscal 2016	\$ 31,490	\$ 8,082	\$ (12,191) 7,852	\$35,233
Fiscal 2017	35,233	2,848	(6,233) 411	32,259
Fiscal 2018	32,259	7,167	(4,485) 2,639	37,580
Income tax valuation allowance:					
Fiscal 2016	\$ 7,791	\$ 3,856	\$ —	\$13,800	\$25,447
Fiscal 2017	25,447	(121) —	—	25,326
Fiscal 2018	25,326	900		(4,747)	21,479

(1) Primarily represents uncollectible accounts written off, net of recoveries.

(2) Includes allowances from new business acquisitions, loss in foreign jurisdictions, currency adjustments, and valuation allowance adjustments related to net operating loss carry-forwards.

INDEX TO EXHIBITS

- 3.1 Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated February 26, 2009).
- 3.2 Bylaws of the Company (amended and restated as of April 2009) (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated April 24, 2009), and amended as of November 7, 2016 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated November 9, 2016).
- 10.1 Second Amended and Restated Credit Agreement dated as of July 30, 2018 among Tetra Tech, Inc., Tetra Tech Canada Holdaing Corporation, Coffey UK Limited, Coffey Services Australia Pty. Ltd., the lenders party thereto and Bank of America, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated August 1, 2018).
- 10.2 Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.2 to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2012).
- 10.3 2005 Equity Incentive Plan (as amended through November 7, 2011) (incorporated by reference to the Company's Proxy Statement for its 2012 Annual Meeting of Stockholders held on February 28, 2012).*
- 10.4 First Amendment to the 2005 Equity Incentive Plan (as amended through November 7, 2011) (incorporated by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-K for the fiscal year ended September 29, 2013).*
- 10.5 2015 Equity Incentive Plan (incorporated by reference to the Company's Proxy Statement for its 2015 Annual Meeting of Stockholders held on March 5, 2015).*
- 10.6 2018 Equity Incentive Plan (incorporated by reference to the Company's Proxy Statement for its 2018 Annual Meeting of Stockholders held on March 8, 2018).*
- 10.7 Form of Indemnity Agreement entered into between the Company and each of its directors and executive officers (incorporated by reference to Exhibit 10.20 to the Company's Annual Report on Form 10-K for the fiscal year ended October 3, 2004).*
- 10.8 Deferred Compensation Plan (incorporated by reference to Exhibit 10.17 to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2007).*
- 10.9 Amendment to Deferred Compensation Plan dated November 14, 2013 (incorporated by reference to Exhibit 10.20 to the Company's Annual Report on Form 10-K for the fiscal year ended September 29, 2013).*
- 10.10 Change of Control Severance Plan effective March 26, 2018 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated March 9, 2018).*
- 10.11 Executive Compensation Plan (as amended and restated November 14, 2013) (incorporated by reference to Exhibit 10.23 to the Company's Annual Report on Form 10-K for the fiscal year ended September 29, 2013).*
- 21 Subsidiaries of the Company.+
- 23 Consent of Independent Registered Public Accounting Firm (PricewaterhouseCoopers LLP).+
- 24 Power of Attorney (included on page 97 of this Annual Report on Form 10-K).
- 31.1 Chief Executive Officer Certification pursuant to Rule 13a-14(a)/15d-14(a).+
- 31.2 Chief Financial Officer Certification pursuant to Rule 13a-14(a)/15d-14(a).+
- 32.1 Certification of Chief Executive Officer pursuant to Section 1350.+
- 32.2 Certification of Chief Financial Officer pursuant to Section 1350.+

95 Mine Safety Disclosures.⁺

The following financial information from our Company's Annual Report on Form 10-K, for the period ended September 30, 2018, formatted in eXtensible Business Reporting Language: (i) Consolidated
101 Balance Sheets, (ii) Consolidated Statements of Income, (iii) Consolidated Statement of Comprehensive Income (Loss), (iv) Consolidated Statements of Equity, (v) Consolidated Statements of Cash Flows, (vi) Notes to Consolidated Financial Statements.⁺⁽¹⁾

* Indicates a management contract or compensatory arrangement.

+ Filed herewith.

Pursuant to Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Annual Report on Form 10-K shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act (1) or otherwise subject to the liability of the section, and shall not be deemed part of a registration statement, prospectus or other document filed under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filings.

94

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 on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

TETRA TECH, INC.

By:

/s/ DAN L. BATRACK

Dan L. Batrack

Chairman, Chief Executive Officer and

President

Date: November 14, 2018

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Dan L. Batrack and Steven M. Burdick, jointly and severally, his attorney-in-fact, each with the full power of substitution, for such person, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might do or could do in person, hereby ratifying and confirming all that each of said attorneys-in-fact and agents, or his substitute, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report on Form 10-K has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ DAN L. BATRACK Dan L. Batrack	Chairman, Chief Executive Officer and President (Principal Executive Officer)	November 14, 2018
/s/ STEVEN M. BURDICK Steven M. Burdick	Executive Vice President, Chief Financial Officer (Principal Financial Officer)	November 14, 2018
/s/ BRIAN N. CARTER Brian N. Carter	Senior Vice President, Corporate Controller (Principal Accounting Officer)	November 14, 2018
/s/ ALBERT E. SMITH Albert E. Smith	Director	November 14, 2018
/s/ GARY R. BIRKENBEUEL Gary R. Birkenbeuel	Director	November 14, 2018
/s/ HUGH M. GRANT Hugh M. Grant	Director	November 14, 2018
/s/ PATRICK C. HADEN Patrick C. Haden	Director	November 14, 2018
/s/ J. CHRISTOPHER LEWIS J. Christopher Lewis	Director	November 14, 2018
	Director	November 14, 2018

/s/ JOANNE M. MAGUIRE
Joanne M. Maguire

/s/ KIMBERLY E. RITRIEVI Director
Kimberly E. Ritrievi

November 14, 2018

/s/ J. KENNETH THOMPSON Director
J. Kenneth Thompson

November 14, 2018

/s/ KIRSTEN M. VOLPI Director
Kirsten M. Volpi

November 14, 2018