Colorado Springs Airport

Business Park Concept Plan/ Master Development Drainage Plan (MDDP)/ Environmental Assessment

For the
Colorado Springs Airport
(COSA)

By

CH2MHILL

in association with

NES, Inc.

June 20, 2003

Solicitation Number: R03-072DS

CH2M HILL
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Suite 500
Colorado Springs, CO 80903-1505
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CH2MHILL

June 20, 2003

Denise Schrock, CPPB
Procurement Analyst for Purchasing & Contracts
30 S. Nevada Avenue, Suite 201
Colorado Springs, CO 80903

Subject: Solicitation Number: R03-072DS - Colorado Springs Airport Business Park Concept/Master Development Drainage Plan (MDDP)/Environmental Assessment (EA)

Dear Ms. Schrock:

The development of the proposed business park at the Colorado Springs Airport represents a major economic development activity that will pay dividends to the City for decades to come. Local endorsement of the proposed business park concept depends upon the Airport's demonstrated stewardship of resources by preserving open space, views, and water while minimizing overall impacts to the site and the surrounding area.

CH2M HILL and NES, Inc. have assembled an outstanding team of professionals whose knowledge of the business park project is complete—our firms have been working on a variety of planning tasks for the proposed Airport business park since 1996—most recently completing the FAA Environmental Checklist and Biological Diversity Study in 2002. We have also successfully worked within the local community to develop locally endorsed solutions and legally defensible environmental documentation. In addition to a proven management approach and personnel, the integration of potentially complex property development activities requires the following:

Flexibility—The resulting Concept Plan must be flexible to meet the changing needs of business tenants in a dynamic economic environment. Parcel distribution, size, and land use within the business park must reflect current and future needs. Our carefully crafted project approach maximizes development flexibility by studying each concept plan alternative variable, integrating these findings with the Airport's goals, and then optimizing their financial feasibility. For example, the North and West (old terminal) properties may allow immediate development opportunities and broker listings upon completion of Concept Plan guidelines. Development guidelines incorporating low-impact sustainable design concepts to blend the business park with the prairie environment will benefit all sites.

Compatibility—The message should be clear—this project will attract businesses to the City and the public and private sector wills both benefit from the planned business park. Opportunities for additional development will complement—not compete with—one another by offering a variety of

choices for each business and their employees. The findings of the EA will be integrated into the Concept Plan to retain site aesthetics. Sustainable design concepts will ensure the responsible stewardship of site resources—water, wetlands, prairie, and views.

Trusted Performance and Experience—Our team has developed an intimate knowledge of the Airport programs, goals, staff, and the City through our work on tasks directly related to this project. Our seasoned professionals will demystify and clarify the FAA environmental documentation process, and keep Airport staff fully informed of each step toward a legally defensible, approved document. Timely completion of the Concept Plan, EA, and MDDP will speed tenant occupancy and revenue generation within your schedule.

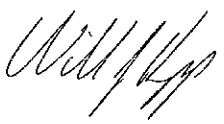
Customer Service—Changing projects needs require responsive service with access to local support and all firm resources. Changes will be efficiently enacted to reduce time and cost to the City throughout the project duration.

These key elements—**Flexibility, Compatibility, Trusted Performance, and Customer Service**—are essential elements of project success. No other consultant can bring the institutional knowledge, intimate Airport familiarity, project specific background, and established trust with the City of Colorado Springs that the CH2M HILL team possesses.

We are excited to continue our work with the City and Airport staff to make this plan a reality. If there are any questions about this proposal, please contact our Project Manager, Bill Knapp, at (719) 227-8727 ext. 4927, and at bill.knapp@ch2m.com. We acknowledge the receipt of Addendum 1, dated June 3, 2003.

Sincerely,

CH2M HILL



William J. Knapp, PE
Vice President, Project Manager

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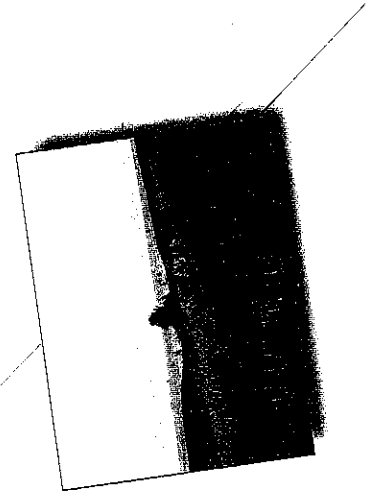
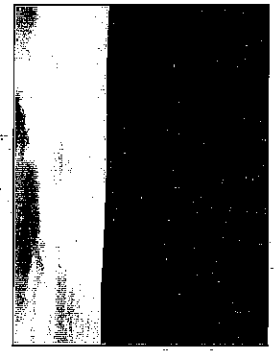
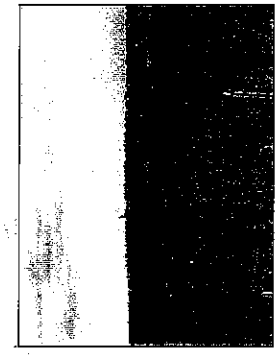
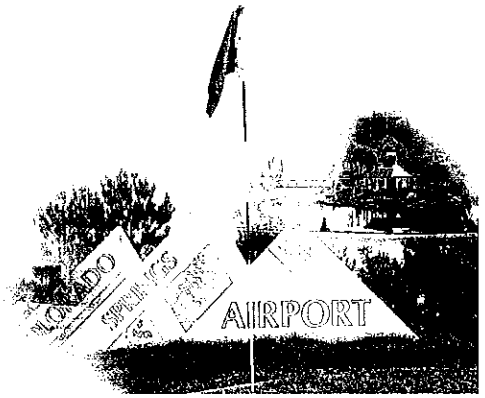






Organizational Background and Qualifications



The Colorado Springs Airport (COSA) requires an environmental planning and engineering team with the depth of experience and breadth of resources to complete a legally defensible environmental assessment (EA) with a finding of no significant impact (FONSI), an endorsed and economically feasible business park concept plan, and a comprehensive Master Development Drainage Plan (MDDP). Timely completion of these essential project elements will allow tenant occupancy and revenue generation within the project schedule. Selecting the CH2M HILL team assures COSA access to the technical resources necessary to complete this project and meet changing conditions that may require a schedule acceleration or more detailed analysis. The CH2M HILL team meets all of these criteria to achieve successful completion of the COSA Business Park Concept Plan, MDDP, and EA.

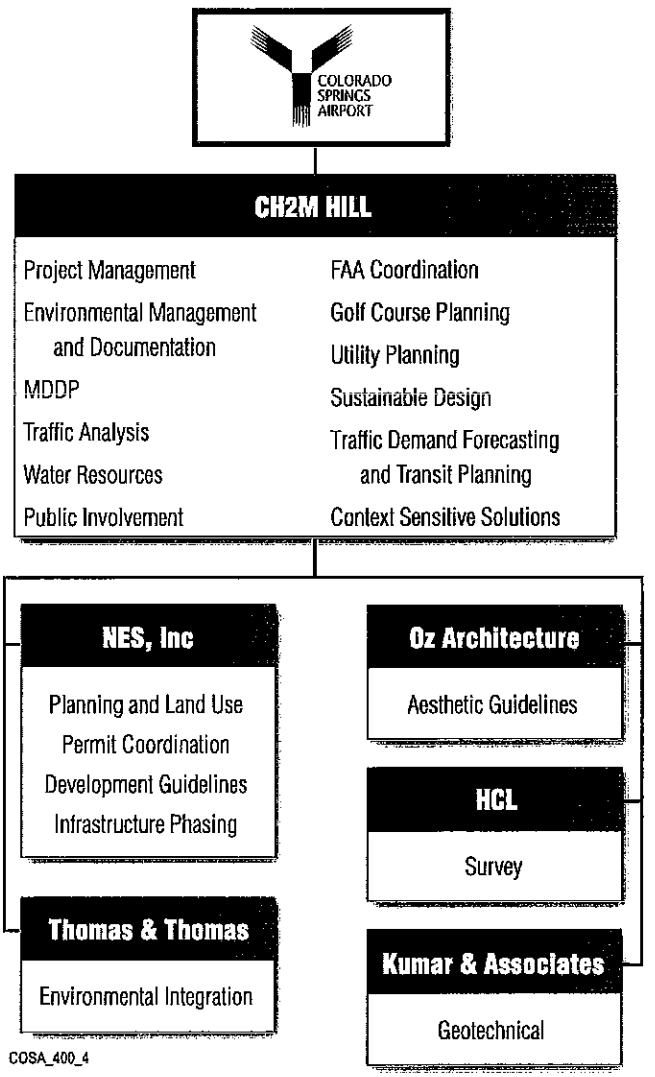
The successful consultant must provide drainage planning, mitigation, and implementation, innovative project delivery approaches to meeting the City of Colorado Springs' requirements, and a strong commitment to partner with COSA staff and marketing study consultants.

Organizational Structure

CH2M HILL has assembled a highly qualified team to provide environmental planning, concept planning, and water resources planning services to COSA. Our selected subconsultants include NES, Inc., HCL Engineering & Surveying, LLC (DBE), Oz Architecture, Kumar & Associates, and Thomas and Thomas. This group combines local COSA experience and success with nationwide expertise in the required disciplines. We will combine our outstanding knowledge of local, Colorado Springs approval processes with our positive, long-term relationship with COSA—built on continued excellent performance and established trust since the 1980s—and the FAA, to complete a legally defensible EA and a concept plan/master development drainage plan that meets all COSA objectives and requirements. The team organization and distribution of project tasks is shown in Exhibit 1.1 and discussed in the following pages.

The project team organization is presented in Section 6, Personnel, of this proposal.

Exhibit 1.1
Team Firm Responsibilities
Prime consultant CH2M HILL will manage the team. The responsibilities of each team member are shown below.



CH2MHILL

As Prime Consultant, CH2M HILL will manage the contract, coordinate with COSA, and provide performance oversight of all subconsultants. As a full-service consulting firm, CH2M HILL specializes in aviation planning, engineering, and construction services. Our staff will provide a full suite of master planning and development planning services to COSA, supported by planners, engineers, and environmental scientists in all of the necessary technical disciplines. In addition, we bring a strong capability to support stakeholder involvement and public information.

From our office in the Hibbard Building at 19 South Tejon, CH2M HILL has provided services to the City of Colorado Springs and COSA since 1986. We look forward to assisting you with this project and continuing our successful working relationship.

NES

Colorado Springs-based planning specialist, NES, Inc. (NES) will lead the development of the Concept Plan. They have extensive knowledge of the project gained through their past work, culminating in their contributions to the 2001 Airport Business Park Master Plan.

In addition, NES has an extremely strong track record guiding development plans through the planning approval process within the City of Colorado Springs and El Paso County, including:

- City Planning
- Traffic Engineering
- Financial Feasibility
- City Engineering
- Public Utilities
- CDOT
- Fire/Police
- Colorado Springs Utilities

Their pragmatic approach to project permitting and land use planning have consistently gained approval and local endorsement of their client's projects. NES will leverage their established working relationships with the key decision makers to speed the approval process.

HCL Engineering & Surveying, LLC

HCL Engineering & Surveying, LLC (HCL) is a certified Disadvantaged Business enterprise (DBE) providing civil engineering and surveying services. HCL provides special experience with other business park planning projects. For example, HCL currently provides on-call services to the Meridian International Business Center for various infrastructure improvements. Meridian, a 1,200-acre business park located along the I-25 corridor, has recently begun to develop at a rapid rate. HCL successfully accelerated the design schedules for these projects at the owner's request to provide infrastructure for impending development. Surveying services have included preparing plat maps, route surveys, right-of-way mapping, ground control for aerial design, horizontal and vertical control using GPS, construction staking, legal descriptions, and design, boundary, topographic, and ALTA surveys. They will serve a similar function for this project.

For 36 years, Oz Architecture has provided a full range of architectural and planning services. In conjunction with NES and COSA, Oz will establish the architectural and aesthetic guidelines for the Concept Plan that will guide the use of construction materials, methods, and finishes for new buildings within the business park. These guidelines will create a sense of place through a select palette of materials, colors, and forms combined with a diverse land use mix of commercial, workplaces, and parks.

Capabilities in this service area are demonstrated by Oz's master plan for the CirclePoint Business Park in Westminster, Colorado. This plan augments the Westminster Promenade and provides entertainment, shopping, dining, park/recreation, and lodging in the city center. Design guidelines created for Cherry Creek Centre, Centennial, Colorado, will create a 140-acre community that meets the needs of residents and workers and enhances natural features.

K+A

Kumar is a Colorado-based consulting firm with offices in Colorado Springs, Pueblo, Denver, and Fort Collins. They specialize in geotechnical engineering, geologic engineering, materials testing, and environmental services.

CH2M HILL will continue our working relationship with Kumar that started with the Union Boulevard Interchange project. Kumar will provide geotechnical investigation, materials testing, and field services necessary to complete the geologic hazards report component of the Concept Plan. Their local experience in the Colorado Springs area makes them especially well suited to complete these tasks.

THOMAS THOMAS Local Colorado Springs planning and landscape architecture firm Thomas and Thomas will integrate the EA findings into the Concept Plan. This special role will marry the City's expressed desire for an environmentally-friendly development that is rich in sustainable design elements with the reality of economic development. Their role will be to accommodate or mitigate impacts to the most sensitive environmental features identified in the EA. Thomas and Thomas will work closely with NES to determine which features optimize cost efficiency, wise development, and environmental stewardship.

Background and Experience

Our team brings the City extensive experience working at airports and for commercial and mix-use development along the Colorado Front Range, throughout the Rocky Mountain Region, and across the United States. CH2M HILL and NES also have an outstanding knowledge of COSA staff and vision, gained from a variety of significant projects completed over the past several years. CH2M HILL and NES have a comprehensive project history. Each has been involved in every element of previous work associated with the business park development, from the original concept to the supporting studies, leading to this RFP, as shown in Exhibit 1.2.

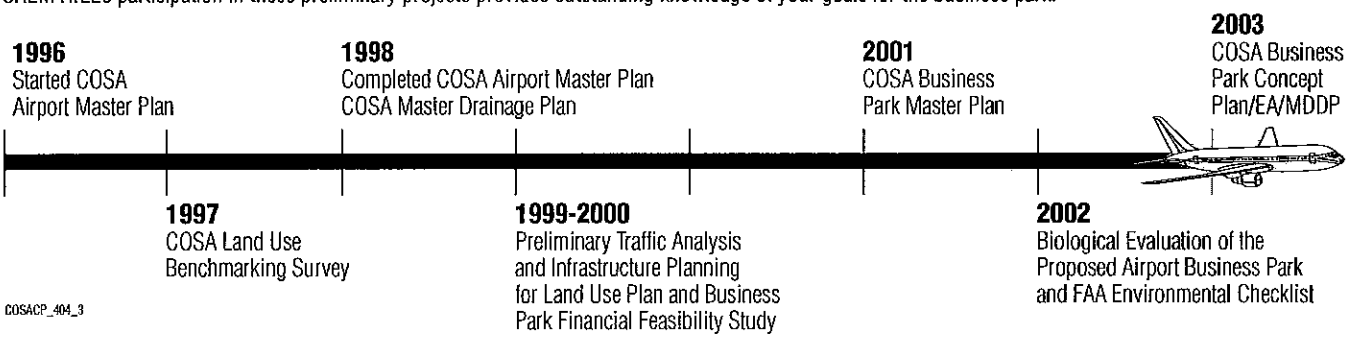
This team brings knowledge of every element of previous work on the business park.

In addition to our discussions with you over the past year concerning this opportunity, CH2M HILL has worked to support the business park development initiative since our early involvement producing the *Benchmarking Survey of Airport Land Use Development* in 1997. Our work to move the business park closer to reality continued with our involvement in the business park master plan, working with NES, and completed in 2001. More recently, we conducted the FAA Environmental Checklist and Biologic Diversity Study in 2002. In addition, CH2M HILL provided annual updates to COSA's stormwater drainage plans from 1988 to 1998. As the business park development idea took root, the impacts of this development on area drainage quantities were incorporated into this plan. Through all of our work with COSA, we continue to track the progress of the business park development and provide assistance wherever possible.

The CH2M HILL team's project knowledge is further enhanced by the inclusion of team member NES, the primary author of the existing business park Concept Plan that is the basis of this RFP. Since that document was published in 2001, many factors have affected the national and local economies, causing a general slowdown that could impact the financial assumptions of the original business park plan. Current conditions require a flexible development concept that meets the needs of future tenants and COSA.

Other COSA projects completed by CH2M HILL include fast-track parking facilities planning, design

Exhibit 1.2
Timeline of COSA Project Involvement
CH2M HILL's participation in these preliminary projects provides outstanding knowledge of your goals for the business park.



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and construction; a new toll plaza building; and terminal roadway and curbside expansion to meet passenger demands from Western Pacific Airlines. Our team also provided detailed landscaping improvements to the access roadways and surface parking lots. Our current work for COSA includes engineering and construction management services for the rehabilitation of Runway 17R-35L and Taxiway C.

The following highlights a few of our many successfully completed projects:

Colorado Springs Airport Master Plan, CO.

CH2M HILL and NES both made major contributions to the 2001 COSA Concept Master Plan and associated studies that supported this report. CH2M HILL reviewed access; utility assessments and planning; land use trends, regulations, and zoning; prepared development alternatives, traffic and transportation studies, and modeling; prepared the drainage master plan; and related infrastructure engineering services.

Benchmark Survey of Colorado Springs Airport Development Master Plan, CO.

CH2M HILL assisted COSA in developing a new business plan for airport land development. As part of the business plan development, CH2M HILL determined the need to examine activities at other airports to promote land development on their sites.

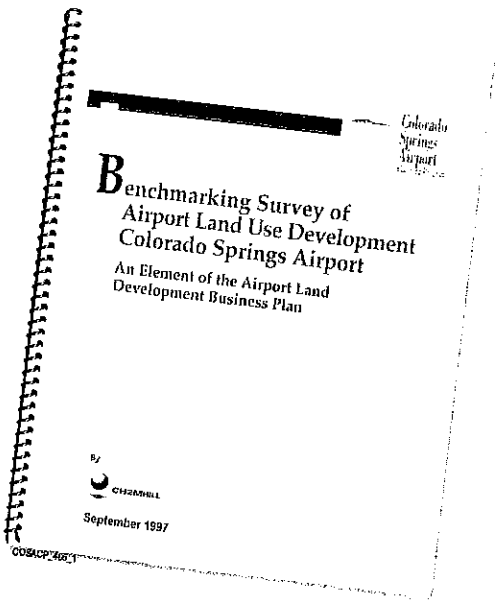
The objective of the benchmarking survey was to develop an understanding of the approaches other airports used in developing and promoting use of their property for both aeronautical and non-aeronautical purposes. CH2M HILL gathered information from other airports regarding the specific plans and programs used to successfully promote airport development and the pitfalls in attempting to meet these objectives. We determined the use of innovative approaches, financial structures and incentives, affects of off-site competition, development limitations, and other elements of airport land use programs through discussions with staff from airports of comparable size to COSA. These included:

- Austin-Bergstrom International Airport, TX
- Boise Air Terminal, ID
- El Paso International Airport, TX
- Reno-Tahoe International Airport, NV
- Tulsa International Airport, OK

The study findings were summarized in the report shown in Exhibit 1.3.

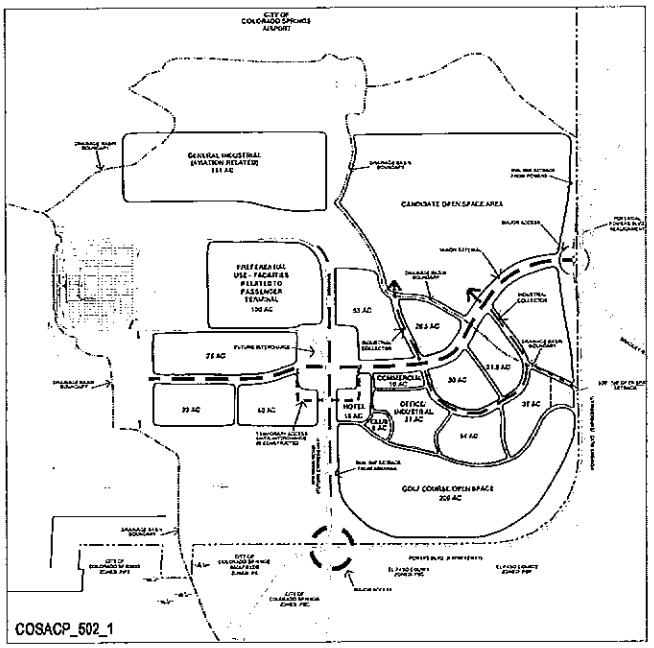
Colorado Springs Airport Business Park Concept Master Plan, CO.

Exhibit 1.3
CH2M HILL's Benchmarking Survey Report
This study evaluated the land development experiences of other similar-sized airports and compared their economic results.



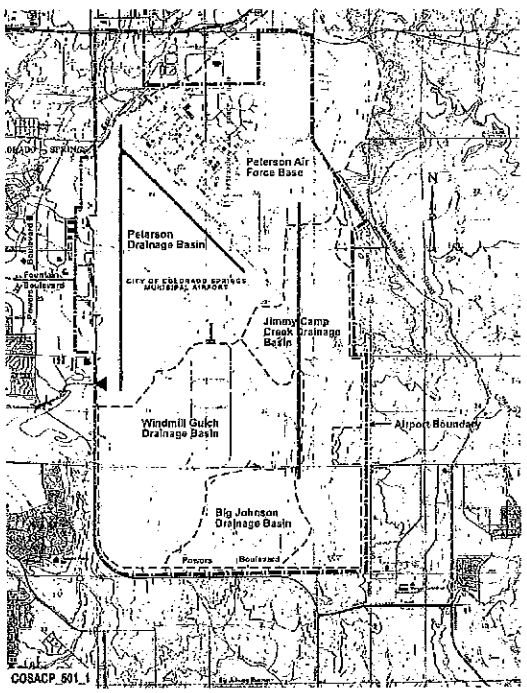
NES developed a general land use plan for the non-aviation areas identified by the COSA Master Plan. NES was responsible for the land suitability analysis, the preliminary concept plan, as well as the public participation process. This preliminary business park concept formed the basis of the scope of work included in this proposal.

The proposed land use plan was developed to reflect the regional character and the City's special sense of place. The concept plan delineated general locations of buildings and parking areas, points of access, and internal circulation. The plan established land use balance to enhance the airport area as a gateway to Colorado Springs. It provided the optimal integration of natural site amenities with proposed land uses. The mix of activities and land uses are the basis of a major employment center, and support COSA's primary aviation mission.



Colorado Springs Airport Master Drainage Plan, CO.

The City of Colorado Springs identified the need to analyze the drainage basins conveying storm runoff within the boundaries of the Colorado Springs Airport. CH2M HILL performed this work in conjunction with the Airport Master Plan to identify the drainage needs associated with future airport development. The watersheds affected by the airport include 565 acres of the Big Johnson Basin, 1,380 acres of the Jimmy Camp Creek Basin, 1,480 acres of the Peterson Basin, and 1,735 acres of the Windmill Gulch Basin.



Using guidelines from the City of Colorado Springs, CH2M HILL developed alternatives to ensure that the runoff from the airport property, when fully developed, does not exceed the flow from the airport under existing conditions. An analysis of the existing storm conveyance system based on ultimate development in the Peterson Drainage Basin was also performed. CH2M HILL then used this analysis to study existing drainage problems in the Peterson Basin and to develop alternative solutions to mitigate these problems.

Biological Diversity Study and FAA Environmental Checklist, Colorado Springs Airport, CO

CH2M HILL conducted a biological diversity study and FAA Environmental Checklist for the proposed business park development. The checklist was required by the NW Mountain Region FAA to determine whether the COSA business park could be categorically excluded (CATEX) from the requirements of conducting a formal National Environmental Policy Act (NEPA) EA prior to beginning development. The City also required the sponsor to conduct a biological evaluation to identify and map vegetation of the study area by dominant species/communities, to determine the extent and importance of biological resources within the project area. Existing data for the site and a broad site survey was reviewed to determine and verify general boundaries for vegetative communities as well as potential habitat and occurrence of wildlife species. The two studies were run concurrently so that the information from each could be used for the other.

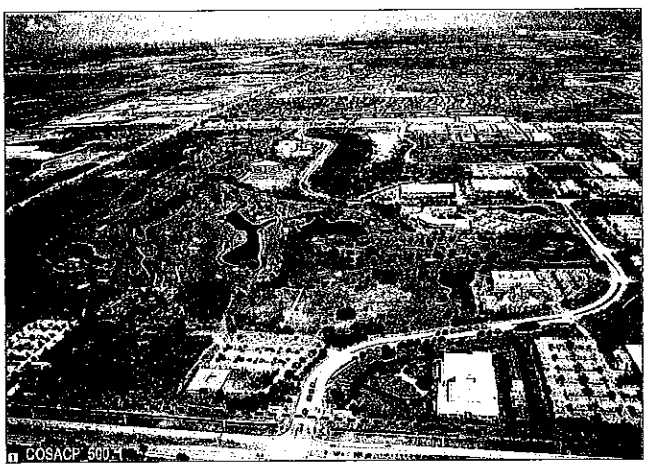
The studies were completed on time and within budget. The FAA has since determined that an EA, subject of this proposal, must be completed to more fully assess the impact of the business park development.

Trump International Golf Course, Palm Beach International Airport, FL

In a project that is very similar in scope to the COSA project, Gee & Jenson, a CH2M HILL subsidiary, assisted the development, permitting, and execution of the Trump International Golf Course (TIGC) on unused Palm Beach International Airport (PBIA) property. CH2M HILL coordinated discussions between PBIA and TIGC to transfer land ownership, and later coordinated land use approvals with PBIA with FAA documentation for final approval. We also gained regulatory approvals and permits from the State of Florida, the U.S. Army Corps of Engineers, and the Palm Beach County Department of Environmental Resource Management to allow golf course construction. Each of these regulatory bodies and commenting agencies required a full accounting of environmental issues, such as endangered and threatened species, wetlands and potential impacts to wildlife habitat. Restoring impacted wetlands to their historic function, revitalizing the ecosystem, and attracting wildlife back to the area had to be reconciled with the increased bird strike hazards resulting from this enhanced habitat, located just off the departure end of Runway 13. The final design moved the wetlands as far from the flight paths as possible while retaining the benefits of improved nesting and foraging habitat. Surface water management ponds that remained near flight paths were built with steep slopes to minimize littoral shelf species growth and bird foraging.

Arvida Park of Commerce, Boca Raton, FL

The Arvida Park of Commerce (APOC) in Boca Raton, Florida, is an 800-acre business park with similar land use as that proposed for COSA, including a hotel and an 18-hole golf course that is fully integrated into the parcels. CH2M HILL's subsidiary, Gee & Jenson, prepared the master development drainage plan, master road and utility plans, and acquired the Master Plan approval from the City for the developer. Gee & Jenson acquired all the necessary regulatory permits that allowed the development to flourish. We continue to serve APOC as expansion and modification issues arise.



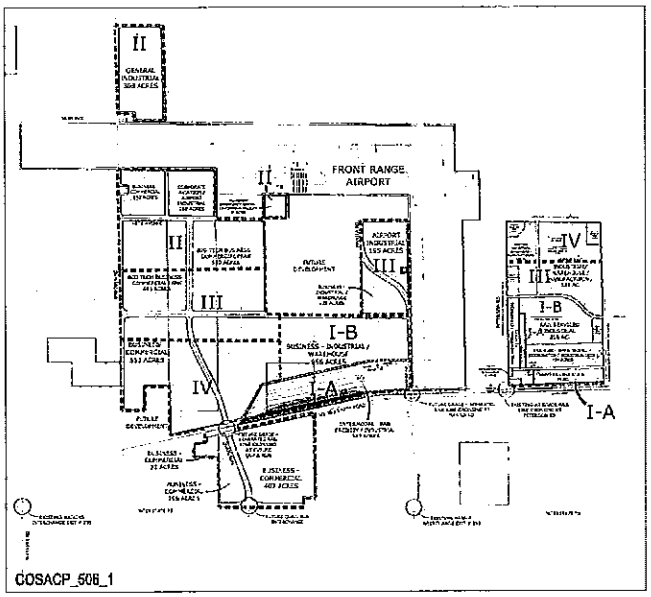
Briargate Master Plan, Colorado Springs, CO.

NES provided concept level design and planning services, including coordination and processing of approvals for the Briargate Business Campus, a 475-acre planned business community in Colorado Springs, Colorado. NES also worked on the design and preparation of streetscape, entryway, trails, and park detailed construction plans; processed all zone changes and individual development plans; represented Briargate at citizens' meetings; provided project design of various commercial developments; and completed visual analysis relative to high-rise development within the Briargate Business Campus.

TransPort, Planning and Landscape Architecture Services, Aurora, CO

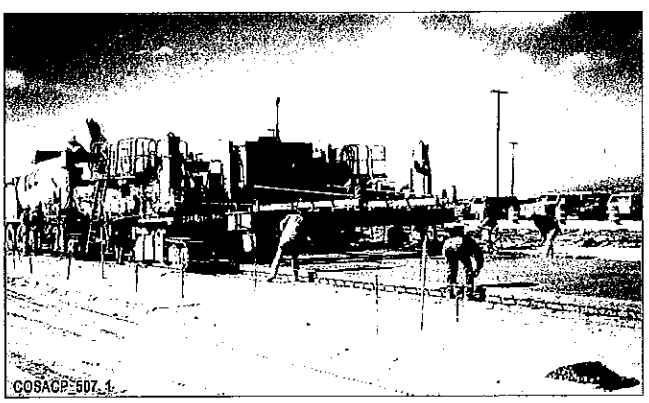
TransPort is a 6,000-acre office, industrial, and business park located in Aurora, Colorado, directly adjacent to Front Range Airport. The emphasis for the development is utilization of the several modes of transportation available to the property.

NES prepared the site analysis, land use master plan, and detailed site alternatives for several potential property users. NES is also preparing development guidelines for the project addressing site planning, landscape standards, architecture, recreation areas, signage and other physical aspects.



Runway 17R-35L Rehabilitation andTaxiway C Reconstruction, Colorado Springs Airport, CO.

CH2M HILL is currently providing construction management services to rehabilitate Runway 17R-35L. The rehabilitation project includes asphalt milling and overlay, new shoulder construction, surface sensor system installation, and pavement marking and grooving. CH2M HILL's project duties include value engineering, construction administration and inspection, quality assurance testing and acceptance, stakeholder coordination, and public notification through the airport website. This project also includes a detailed construction phasing plan with multiple milestones. The phasing plan allows use of the crosswind runway for the west side general aviation and cargo tenants for the majority of the project. Temporarily relocating thresholds and nighttime construction also minimize runway and airfield operations downtime.



CH2M HILL is also providing construction management services for the construction of a new Taxiway C from Taxiway D to Taxiway C2. Work includes concrete taxiway pavement and shoulders, as well as a new edge lighting system.

Core Strengths

As one of Colorado's leading aviation master planning and environmental engineering firms, CH2M HILL is uniquely qualified to deliver this project:

- We possess in-house capabilities in each required scope of work area.
- Our proven staff is expert in all aspects of planning, permitting, and design needed to successfully complete the EA, Concept Plan, and MDDP.
- Our locally based team of planners, designers, and engineers provides comprehensive technical expertise and project knowledge to COSA and the City.

Specifically, we offer the following strengths relevant to this project:

Environmental Planning and Documentation

CH2M HILL is a pioneer in land use planning and environmental studies for airport clients. We have worked closely with airport sponsors, the FAA, and other agencies to assess environmental effects, minimize the need for mitigation, identify appropriate mitigation when needed, and facilitate project approval. Our work currently includes direct work with COSA and FAA, major EAs, EISs, and planning studies for airports worldwide, bringing national experience through a local office presence.

Strong working relationships with federal, state, and local agencies ensure efficient completion of environmental reviews.

CH2M HILL offers services for every phase of an airport's environmental and strategic planning, design, construction, and operation, including:

- FAA Order 5050.4A Airport Environmental Handbook and NEPA compliance
- Land use planning
- Council on Environmental Quality regulations
- Environmental management and compliance

- Noise and air quality analyses
- Natural and cultural resource studies
- Wetlands mitigation
- Transportation planning
- Water quality assessments

Transportation Design

CH2M HILL engineers, transportation planners, environmental scientists, and construction managers provide the most comprehensive engineering program services. Our aviation project services include program and design management, airport planning and design, and airport offsite planning. CH2M HILL also provides strength in transportation-related services for highway, bridge, intermodal, and light rail transit projects. This expertise will be key to this project due to the traffic study required at Drennan Road. Other areas of expertise include design, corridor location studies, major investment studies, and value engineering. These complementary services ensure that our clients' projects benefit from a "macro" view that can integrate the airport project into the overall local or regional transportation network, while meeting environmental and other regulatory requirements.

Water Resources and Utilities Planning and Design

CH2M HILL's expertise in water resources and utilities planning encompasses water and wastewater infrastructure, civil engineering, environmental services, potable and non-potable water, gas, electric, communications, and drainage. Our experience includes effective solutions for water and stormwater management for airports and commercial developments. We have specific expertise designing water reclamation and re-use facilities, pretreatment systems for stormwater drainage systems, and pioneered the use of wetlands treatment systems for stormwater drainage systems.

CH2M HILL has prepared water and stormwater management plans and implemented stormwater control projects for airports and commercial development projects across the country. We also have provided water quality services to nearly all types of aviation industry and public sector clients. Our services range from studies and analyses to facility design, construction management, and operation and maintenance.

In addition, we can provide complete services to evaluate the need for treatment of stormwater runoff to meet environmental permit requirements. When treatment is required, our services include investigation and design of filtration, biological, and oil treatment systems to protect wetland resources that may be impacted by commercial development on the COSA property.

Design-Build Expertise

Another unique feature is the added capability to integrate and offer design-build assistance. This expertise allows complete flexibility and the immediate response necessary to meet rapidly changing business park infrastructure needs by combining the design and construction tasks into a single project entity, CH2M HILL.

If desired by COSA, CH2M HILL will assume full responsibility for designing and constructing the infrastructure needed to support the business park, from the first tenant to the final build-out. This capability provides COSA the ability to quickly respond to dynamic market opportunities without the lost time (and possibly, lost opportunities) needed to procure a contractor to provide these services.

NES, Inc.

CH2M HILL brought NES to our team for their strengths and abilities in concept planning, master planning, and their established working relationship with the City and COSA. Further strengths include neighborhood facilitation, creative site design, public processing of development and landscape plans, and innovative planting designs. They will also bring to this project:

- Proven ability to complete concept planning projects and develop unique, innovative approval processes
- Landscape design and planning experience, and a proven, successful relationship with COSA
- An innovative, developer's approach to public-private ventures, to provide a win-win situation for the City, COSA, and the community

Skills and Abilities

No other team brings the unique features of:

- Complete project knowledge
- All necessary technical expertise in one firm
- Design-build and construction support to immediately respond to any tenant need
- Trust of COSA to complete time-critical projects

CH2M HILL's full scope of environmental and infrastructure capability enables us to provide our clients with "one-stop shopping" to meet their needs on the simplest or most complex projects—and the ability to respond effectively to unexpected events, accelerated schedules, or expanded scopes.

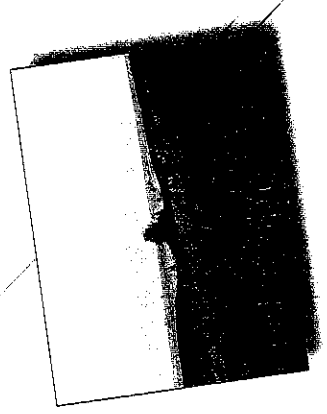
CH2M HILL's range of environmental, aviation, and transportation planning services available to COSA includes:

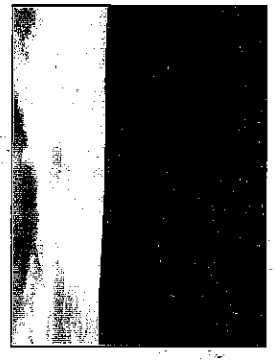
- Program management
- Environmental documentation and management
- Wetlands habitat and mitigation studies
- Air quality/Noise impacts
- Land acquisition assessments
- Stormwater management
- Design management — design plans and specifications
- Aviation planning and design
- Construction services/construction management
- Pavement evaluation and design
- Airport access
- Survey and mapping
- Materials testing
- Utility coordination/design
- Alternative project delivery

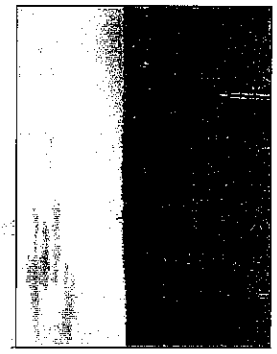
Significance of COSA Project

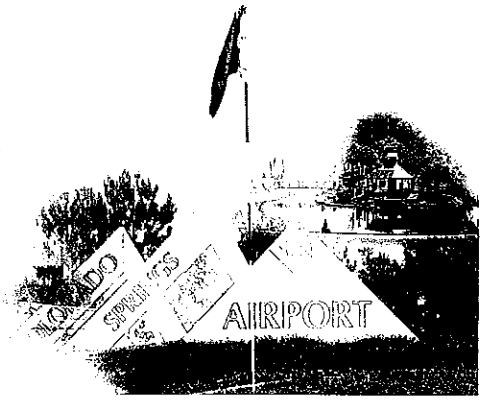
This project is extremely significant to the firms comprising our team. We pledge to commit the necessary resources to complete all identified capital improvement projects with in COSA's program. Our project manager, Bill Knapp, our deputy project manager, Ryan Martin, and our lead and technical staff identified in this proposal are committed to providing a successful EA/Concept Plan/Master Development Drainage Plan for the City of Colorado Springs and the Airport, to provide a successful commercial and mixed-use development.

As residents and frequent users of this Airport, we especially value the wise development of our City's infrastructure. The individuals who are leading our team take pride in, and actively participate in our community through non-profit organizations—such as the Rotary Club and the El Pomar Foundation—to make our City the best it can be. Our Airport, and specifically this project, is a key to our City's future betterment and long-term viability. We commit ourselves to the successful opening of a world class Airport business park.









CH2M HILL will provide the resources COSA needs to cost-effectively complete this project when they are needed and for the project duration—just as we have on our previous and ongoing projects with the Airport and the City. We bring the necessary resources to assure the COSA staff flexibility to meet changing project needs and conditions. We also commit to maintaining stable project teams for the duration of project, to eliminate time lost to the learning curve of new staff gaining knowledge of the project process and history.

Availability and Team Commitment

All of the technical personnel identified in this proposal, as detailed in Section 6, Personnel, are immediately available to start work on your project. Both CH2M HILL and our prime subconsultant, NES, have identified COSA, the City, and this project as their highest priority.

In addition, the technical resources identified in this proposal are committed to this project's ultimate completion. Time after time, our past work has shown the importance of maintaining a stable project team. This ensures that the corporate project history pertaining to discussions, decisions, rationale, and intent is retained along with the project personnel. This eliminates the need to re-visit past decisions and educate new team members as to the what and why of task activities, and keeps the team on schedule with a common project vision. CH2M HILL brings the Airport a comprehensive understanding of your project's history from our participation in numerous aspects since its inception. We are very excited to continue with this project and complete a project that COSA and the stakeholders will look on with pride.

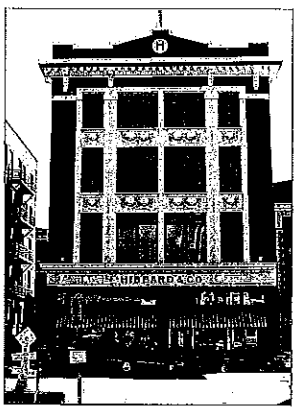
Technical and Financial Resources

Selecting the CH2M HILL team assures the City access to the technical resources necessary to complete this project and meet any changing conditions that may require an acceleration of schedule or more detailed analysis. In addition to our Colorado Springs office staff of 48, located in the historic Hibbard Department Store building (Exhibit 2.1), we can draw upon other technical resources in Colorado numbering more than 300, and regional resources of nearly 2,000. CH2M HILL is committed to providing whatever resources are needed to maintain highly responsive service and meet your project needs.

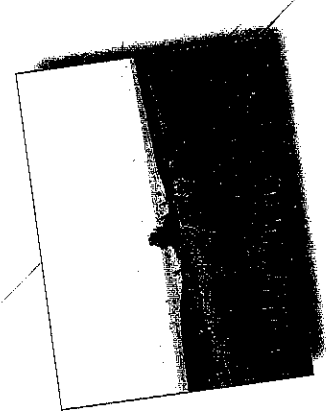
CH2M HILL also provides outstanding financial stability. In addition to revenues of nearly $2 billion in 2002, the firm finished the year in the strongest financial position in its history, with $29.7 million reported as earnings after tax. This financial strength gives the City of Colorado Springs an unprecedented level of assurance that we are here for the long haul and committed to meeting your project needs.

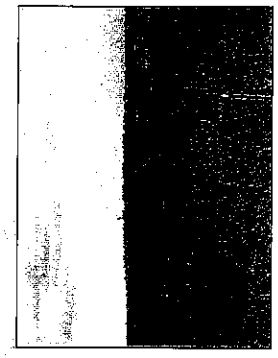
Additional detailed financial information is provided in the CH2M HILL 10-K report, included under Section 8, Financial Stability.

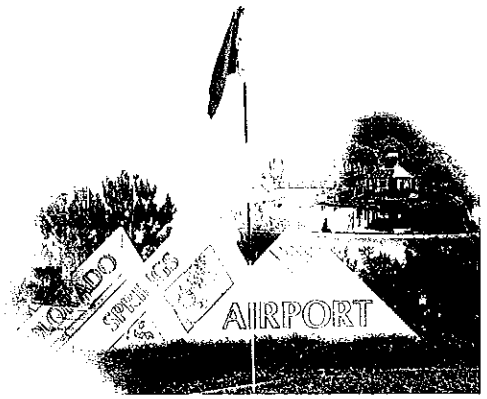
Exhibit 2.1
CH2M HILL's Colorado Springs Office



Our office is conveniently located in the historic Hibbard Department Store building, across from the City Contracting Offices and a short drive from the Airport.







The timely completion of the business park Concept Plan, the Master Development Drainage Plan (MDDP), and the Environmental Assessment (EA) will allow tenant occupancy and revenue generation within the Colorado Springs Airport's (COSA's) project schedule. The CH2M HILL team understands COSA's requirement for a flexible development concept plan that accommodates shifting market conditions while also providing a business park concept and layout that meets the needs of future tenants and COSA. To meet these objectives, we have carefully crafted a project approach that maximizes the flexibility of development options, includes the North and West properties to the Airport by fully studying each component and variable of the conceptual plan alternatives, integrates these findings with COSA's goals, and then optimizes their economic feasibility. Our seasoned professionals will demystify the environmental documentation process, and keep COSA fully informed of each step toward a legally defensible, approved document. We will integrate the findings of that work into the concept plan to retain the environmental and scenic characteristics of the area. We will also introduce sustainable design concepts to ensure the responsible stewardship of the site resources—water, wetlands, prairie, and views—as well as maintain the quality of stormwater runoff.

Project Understanding

The CH2M HILL team has a clear understanding of the project goals and objectives COSA and the Colorado Springs City Council have established for the proposed COSA business park, including:

- Establish COSA and the surrounding area as a major employment center.
- Provide commercial, office, and industrial development to support COSA's primary aviation mission.
- Create land use plan to complement rather than compete with private sector.
- Preserve land for aviation uses on or adjacent to COSA.
- Establish development and design standards.
- Ensure that COSA and this development is financially self-sufficient and does not impose a financial burden on the general fund.
- Include recreational and open space uses consistent with airport and city development.

Changing economic conditions and community interest require a development concept that meets the needs of the local market, COSA, and local stakeholders. To meet these outlined goals, the team you select must bring an extensive base of knowledge, established relationships with local community leaders, and an understanding of the Colorado Springs development community. CH2M HILL and NES are especially well suited in this role as we bring unmatched involvement and history of the project—from early planning through to the most recent completion of the FAA Environmental Checklist and Biological Diversity Study.

The development of the Airport as a local economic generator is a keystone of Mayor Rivera's long-term city plan. As such, this project will have a very high profile in the City administration and the local community. CH2M HILL and NES both have demonstrated success in leading highly visible projects in the Colorado Springs area to locally endorsed solutions that have gained stakeholder support.

Understanding the project critical issues, and applying innovative planning and design approaches will provide solutions that:

- Blend with the environment
- Offer a broader range of options to potential business park tenants seeking to relocate
- Do not impact the local community
- Offer enhanced long-term value to the COSA

CH2M HILL's team is flexible and capable to evaluate and address the potential development of land north of Drennan Road as well as the Western Property, should the Airport need to accelerate planning and clearance for these sites. The specific issues affecting this project are shown in Exhibit 3.1.

Project Approach

Proven program management staff and technical experts are needed to integrate and coordinate the numerous and overlapping task elements to maintain COSA's schedule. Each of the tasks under this contract scope—the EA, Concept Plan, and MDDP—is a potentially significant and complex undertaking in their own right. When taken together and applied to a property characterized by open space, stunning views of Pikes Peak and the Rocky Mountains, and an involved community, this complexity is compounded. The need to perform each task in association with the others requires outstanding management and coordination skills. Decision points in one task will drive the concepts developed and decisions made in another. Delay in one area can impact the progress of multiple tasks.

Our approach and detailed process plan and schedule outline each step in the process and delineate the necessary steps and coordination that will be required. The interrelationships of the various project elements are summarized in Exhibit 3.2. This exhibit provides our road map for successful completion. In fact, as we were developing this process plan we noted that there is a critical path element that requires immediate attention to keep the environmental process moving. One of the skipper species butterfly emerges in June, about a month earlier than the other species, which requires surveys to be done immediately. We have already explored this with Airport staff and are in the process of planning this necessary work task.

CH2M HILL's team of proven program management staff and experts ensure integrated coordination of the numerous and overlapping task elements to maintain COSA's schedule.

Proactive evaluation of each task and its associated interdependencies will avoid delays. As noted for the skipper butterfly, each task outlined in our schedule and process plan has been matched to the other tasks to identify which can be performed concurrently, which are on the critical path (such as plant and wildlife surveys that can only be performed seasonally), and where proactive management will avoid later delay.

The EA will require completion of a skipper butterfly survey, which is only possible during a limited time in June and July.

Performing three major tasks– the EA, the Concept Plan, and the MDDP, all with significant levels of concurrent activities and interaction of team members, agencies, and the public– requires focused and efficient management to maintain schedule to a successful completion. The following pages describe how the CH2M HILL team will complete each of these critical task items.

Concurrent Task Implementation and Integration Achieves Schedule

In the process plan, the market analysis to be completed by others is a key precursor of many tasks for this contract. This analysis will determine market needs and preferences for business park development in the Colorado Springs area. This study will offer guidance on the most financially feasible development scenario for the business park with respect to parcel size, amenities, and prospective business types to target.

This information will in turn influence the development of the ultimate Concept Plan. Study findings will be analyzed and discussed with COSA to determine possible constraints that would prevent the project from fully meeting its stated objectives. CH2M HILL also suggests that the market analysis consultant be retained to provide iterative updates as the project concept plan progresses.

Exhibit 3.1 Issues Map
Local Issues Affecting the COSA Business Park EA, Concept Plan, and MDDP
This map shows the variety of issues that must be overcome for project success. CH2M HILL and NES have the proven approaches and personnel to ensure timely project delivery.

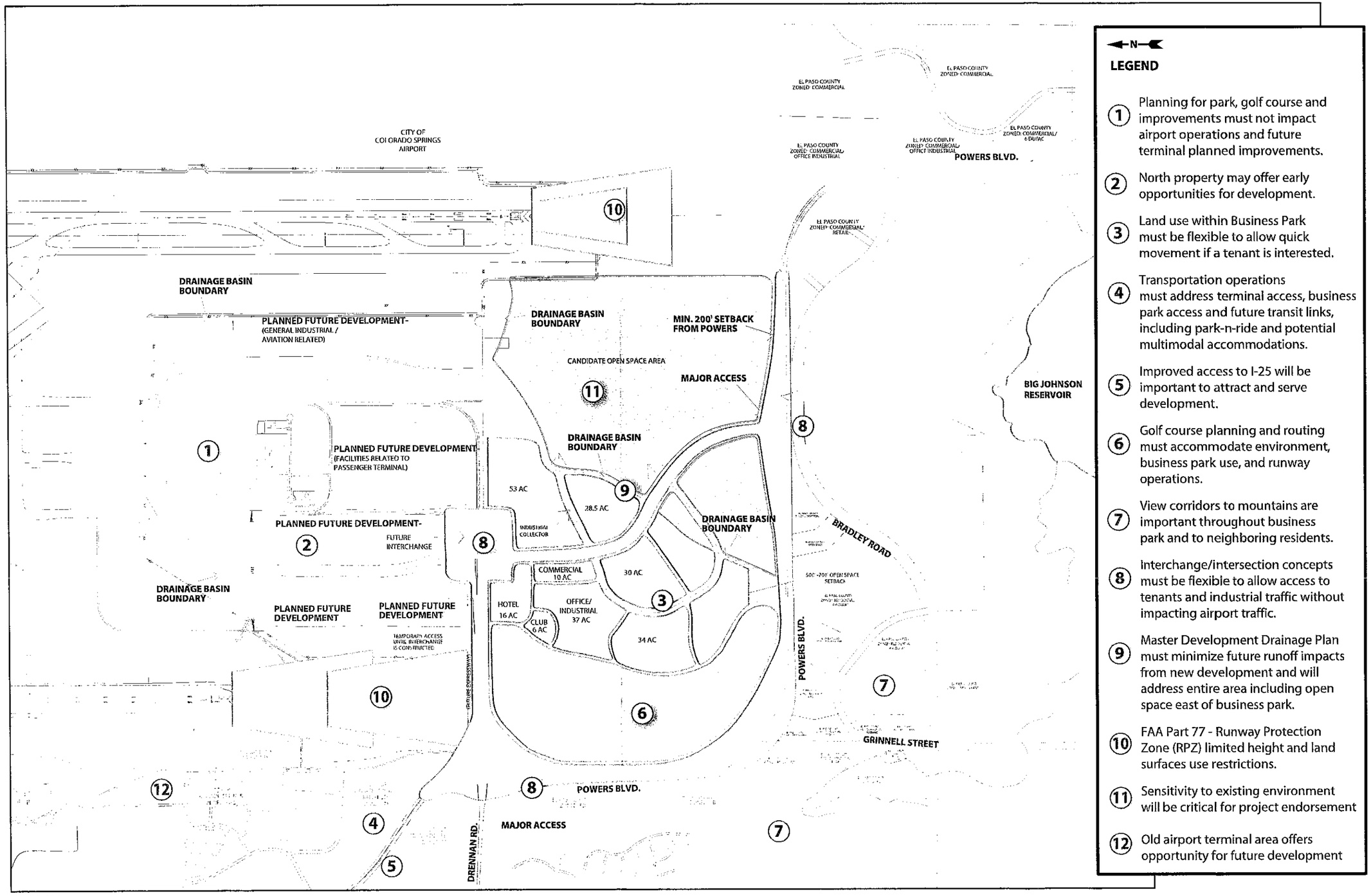


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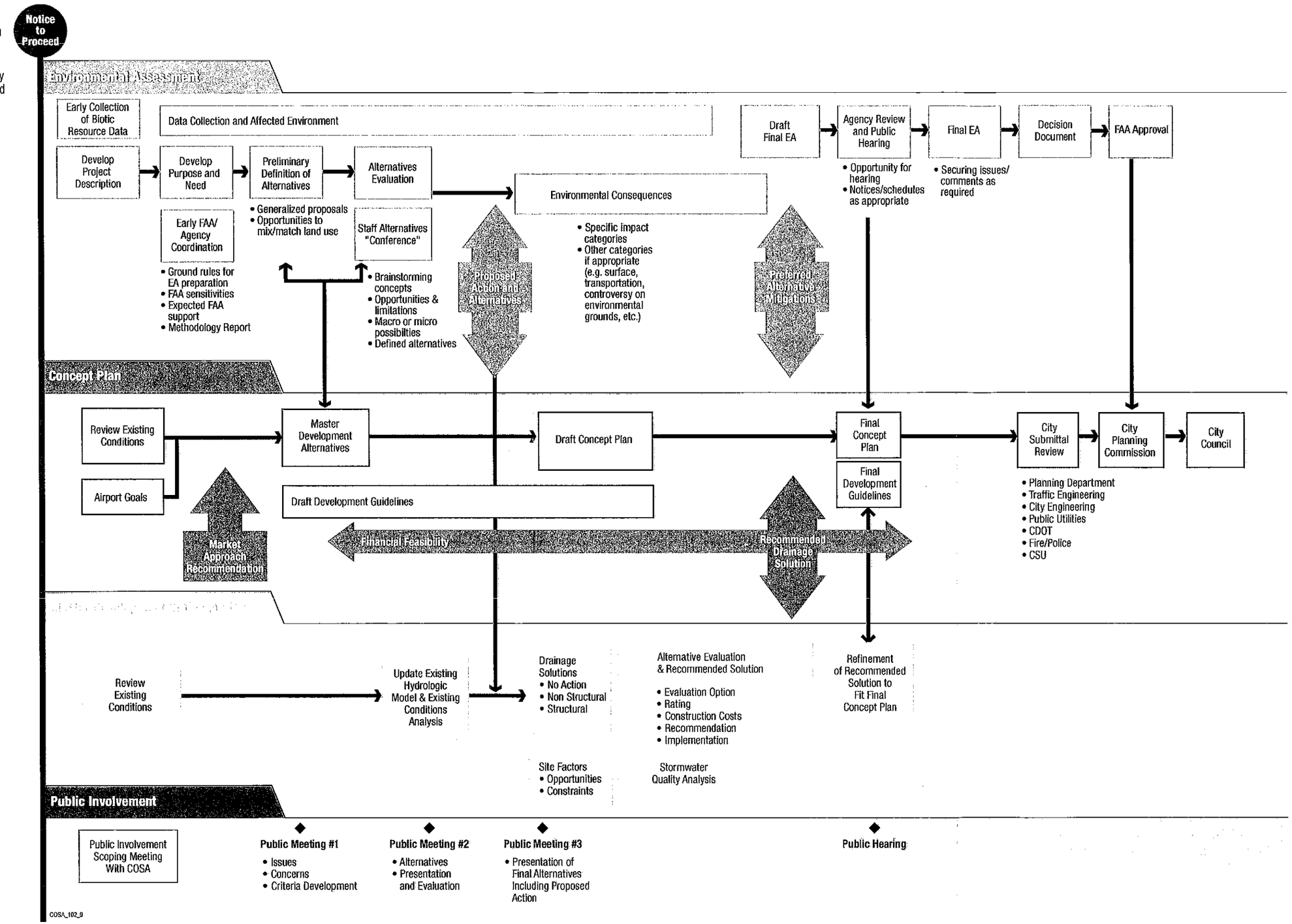
Exhibit 3.2
Steps Necessary for the Simultaneous Execution of the EA, Concept Plan, and MDDP Processes.
This project process flow shows how task sequencing for each of the three tasks influence or are influenced by the others, and demonstrate the importance of open and continuous communication between the project team.



Intimate familiarity with the National Environmental Policy Act (NEPA), Council on Environmental Quality (CEQ) regulations, and the FAA EA process as described in their *Airport Environmental Handbook, FAA Order 5050.4A*, ensures that the subtle differences between these guidance documents and regulations are accounted for to allow quick review. This understanding has come through our past work on numerous similar EA assignments performed under FAA guidance. The CH2M HILL team, including NES, also understands how interrelated each of the projects tasks is with the others:

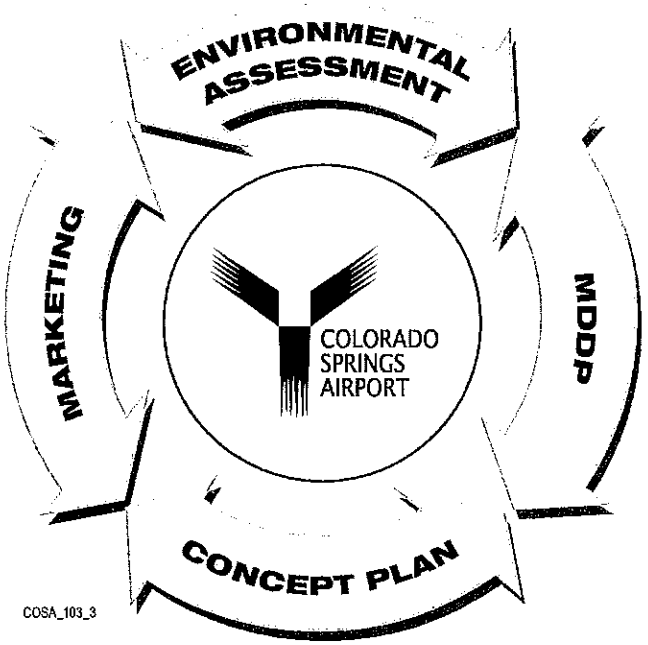
- The findings of the EA and the Concept Plan development each influence the other.
- The MDDP is influenced by the concept plan, yet contributes to the EA.

This complex array of interactions must all be managed while fully considering and addressing each project element, along with the City objectives for the COSA property.

The interdependencies of the various project elements are summarized in Exhibit 3.3.

Environmental Integration and Context Sensitive Approaches

Exhibit 3.3
Interrelation of Proposed Task Elements
CH2M HILL will concurrently perform the three individually complex tasks, recognizing their interdependency. Each major task element—the EA, the Concept Plan, and the MDDP—is also dependent upon the results of the market analysis (done by others) and the City's project objectives.



Ensuring that the known environmental issues, further identified during the EA, are integrated into the Concept Plan will improve the likelihood of stakeholder buy-in to the EA and Concept Plan process. When local residents and stakeholders see an objective evaluation process and an honest attempt to address their stated concerns, they are much more likely to accept the final proposed alternative. To accomplish this, the team will identify issues of local importance, such as maintaining open space on the business park parcel, linking this open space to external trails, parks, and open spaces, and providing access to Big Johnson Reservoir.

Sustainable development principles will be infused throughout the process to ensure a business park plan that reflects the sensitivity and forethought regarding our limited resources such as water, views, and open space. Non-potable and potable water needs and availability will be addressed for the businesses and landscaping, and be included in the final concept plan. This is such an important element in the project that we have defined a role on the team to ensure that environmental concerns and context-sensitive solutions are carried through every task and function. Chris Proud will lead this function, as shown on the project organization presented in Section 6, Personnel.

The review of existing information will include a Land Suitability Analysis as an early activity during the conceptual planning tasks to develop basic information about the site's physical characteristics and features. The team will analytically evaluate the impact and viability of any proposed development. Factors considered during this early work, that must be considered when developing the Concept Plan, include:

- Views between the business park site and scenic features
- Topography, slopes and orientation
- Constraints to development, such as geologic instability, bluestem grass, drainages, and floodplains

Detailed Breakdown of Task Elements

The market analysis (performed by others) guides the Concept Plan development; the Concept Plan guides the execution of the EA and influences the MDDP by identifying a general footprint of the proposed

development and associated impervious areas; and the MDDP can influence the EA through the stormwater runoff impacts on the natural environment. The key unknown is the marketing analysis, and its completion will offer a better understanding of the schedule for implementation.

The receipt of a positive draft market analysis from the City's consultant is a milestone event that allows detailed environmental studies and concept planning to commence. The MDDP and environmental data collection can also start earlier due to the amount of initial research that is necessary to form the basis of later work.

Project Schedule

The project schedule, presented in Exhibit 3.4, shows the interrelationships between the EA, the Concept Plan, and the MDDP. It simplifies the complex interdependencies and clearly defines the path forward to project success.

As shown, the project team will immediately begin collecting data focusing on field activities that must be completed during the growing season. Our Project Manager, Bill Knapp, has effectively managed major planning and design efforts involving numerous, complex interdependent tasks and disciplines. This schedule forms the basis for achieving the COSA's goals. Each of the three major tasks is described in more detail in the following sections.

Environmental Assessment

Since the site of the proposed business park was purchased with federal aviation funds and is part of COSA, the EA is necessary to gain FAA endorsement and approval of the development. CH2M HILL's long-standing relationships with the FAA, COSA, and other resource agencies will support a win-win process with the emphasis on analysis, participation, negotiation, and agreement. These essential components of the EA process will address the needs and sensitivities of the project stakeholders. Active involvement of COSA staff during each step of the EA program will demystify the process and ensure an enlightened project team that can respond to challenges quickly and efficiently.

Our long-standing relationships with the FAA, COSA, and other resource agencies will support a win-win process with the emphasis on analysis, participation, negotiation, and agreement.

Our completion of the FAA Environmental Checklist in the past year, a study comprising many of the same elements required of an EA, allows us to move quickly into the EA process. Much of the data is fresh, requiring only minor updates to address seasonal and climate variations resulting from the drought conditions prevalent in Colorado during this 2002 study. Especially critical is the completion of a skipper butterfly survey, which is only possible during a limited time in June and July.

EA Methodology

CH2M HILL's EA approach, shown in Exhibit 3.5, is comprehensive and efficient, using a proven structured process that includes proactive identification of issues, stakeholder buy-in to the process, and ultimately, an endorsed alternative. It will provide COSA with a solution that is embraced by the public, and a document that is endorsed by the FAA. CH2M HILL will work jointly with COSA and FAA throughout the EA to maintain COSA control of the process and provide information as environmental clearance is obtained.

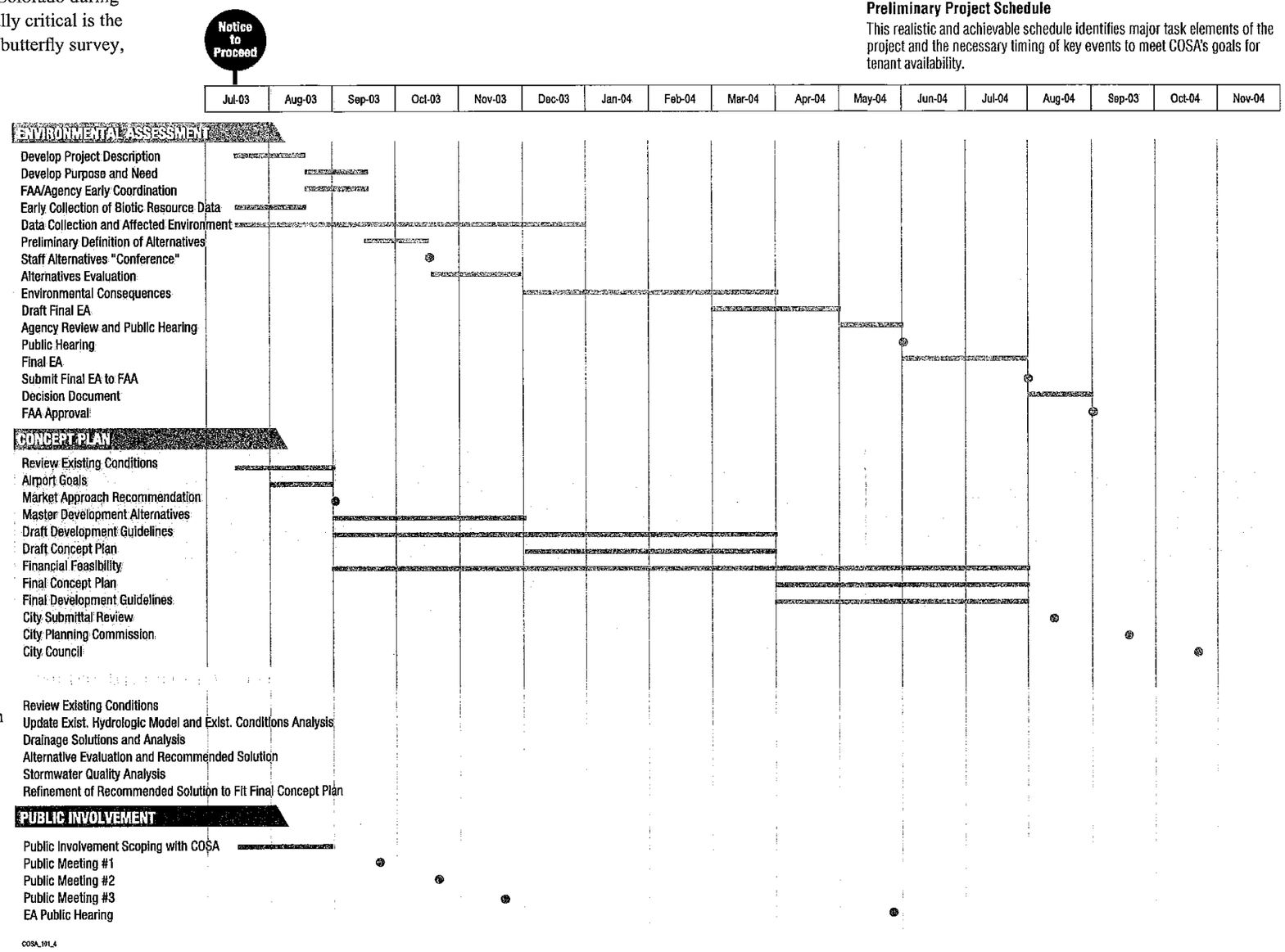
We propose to prepare an environmental Methodology Report that will guide the conduct of all environmental studies for the project. This document will outline specific techniques and methods that will be used during the environmental clearance process. This document will be reviewed with COSA and FAA staff prior to starting NEPA studies. This approach will ensure that the critical step of gaining agency endorsement of our approach is completed, which will streamline the review and approval process. This document will also help COSA staff understand and demystify the EA process.

Objectives

CH2M HILL's environmental clearance plan will accomplish three primary objectives:

- Provide the project's FAA environmental framework by documenting its "purpose and need," identifying logical boundaries, and evaluating alternatives.

Exhibit 3.4
Preliminary Project Schedule
This realistic and achievable schedule identifies major task elements of the project and the necessary timing of key events to meet COSA's goals for tenant availability.



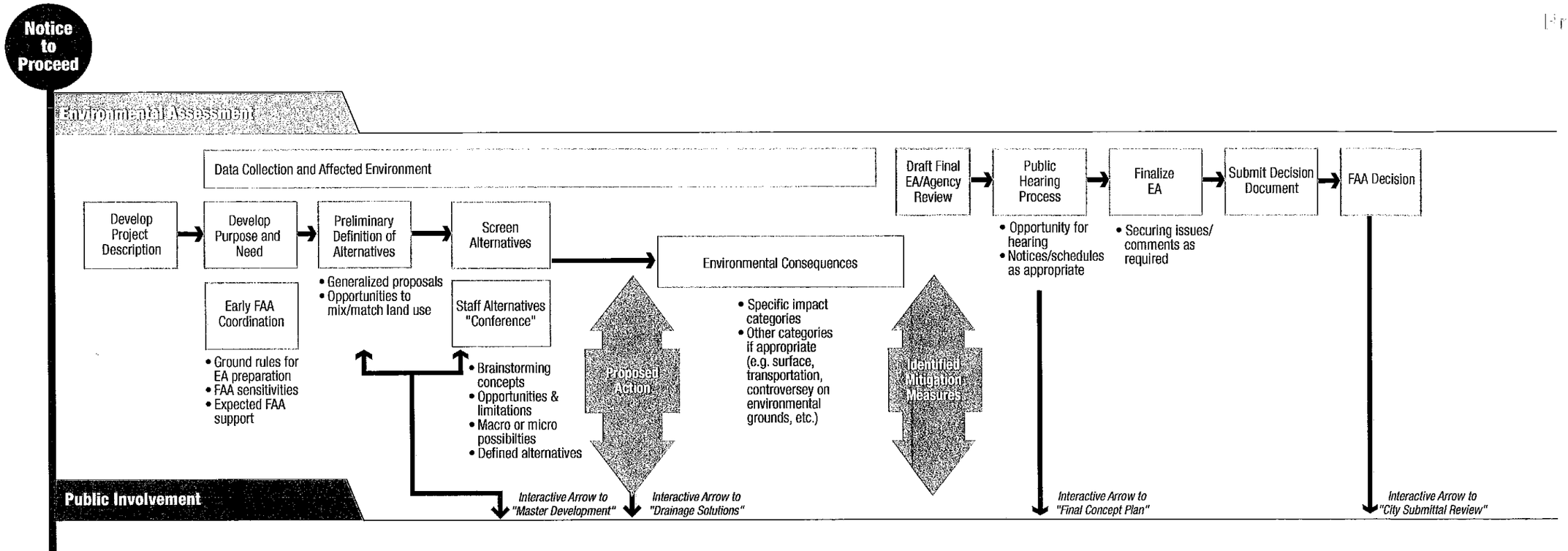


Exhibit 3.5
The EA Process
Completing each of the elements shown in this process will provide a legally defensible EA decision document.

- Conduct comprehensive environmental analysis to identify and evaluate the significance of potential environmental constraints while embracing the philosophy to "design to avoid mitigation versus designing mitigation measures."
- Document the project conditions, elements, and conclusions accurately and concisely to gain approval of a legally defensible EA and decision document.

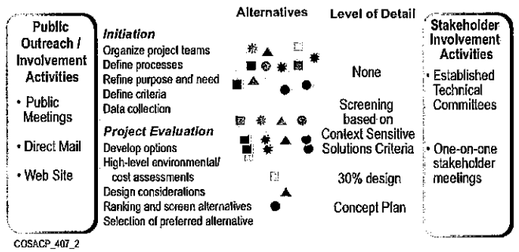
Environmental Documentation Framework

CH2M HILL team members will work with COSA's staff and stakeholders, led by David Bird, to describe the project "Purpose and Need"—the basis for all subsequent EA activities. This statement will address the City Council's seven objectives for the development, COSA's current goals and objectives, and will serve as the "theme" during the EA process.

CH2M HILL's environmental scientists and planners will provide preliminary environmental screening of alternatives by identifying areas that are ecologically sensitive, such as wetlands and limits of prairie grass communities. We will conduct an initial inventory of the project site and create a Geographic Information System (GIS) base map with layers that outline sensitive features. This early information will shape the development of alternatives by avoiding impacts rather than mitigating them.

The process of developing and comparing alternatives is progressive in detail and systematic in function—flowing from development through screening and refinement to selection of a preferred alternative, as shown in Exhibit 3.6.

Exhibit 3.6.
Public Involvement and Alternatives Development
This graphic depicts the evolution and refinement of alternatives developed through the EA process and the resulting deliverables to COSA and FAA.



CH2M HILL will brainstorm alternative concepts with the concept planning team to identify and map environmental constraints and evaluate alternatives for cost, operational characteristics, marketability, and environmental considerations, with those found to be not reasonable or feasible eliminated from further consideration.

Comprehensive Environmental Analysis

Environmental information will be gathered and evaluated for all natural and social resources identified in FAA's *Airport Environmental Handbook 5050.4A*. Environmental data will be collected first from public agencies, published documents, and electronic sources. CH2M HILL specialists will conduct initial field surveys to verify the accuracy of this secondary information, and our natural and social scientists will gather supplemental data as needed to define the existing environment at the site and characterize the environmental consequences of the proposed business park build-out.

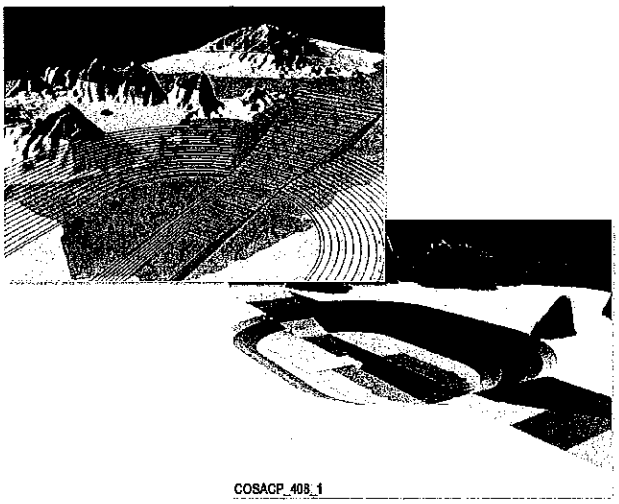
A critical first step in the EA process will be to conduct a field survey for the skipper butterfly, which was not conducted in the previous Environmental Checklist as the dry conditions of 2002 did not allow the emergence of the species. The tall bluestem prairie grasses prevalent over much of the site is prime habitat for this species.

The large geographic study area and the potentially large number of complex alternatives to be studied magnify the analysis required for a uniform and consistent evaluation of alternatives. CH2M HILL will overcome this challenge by using GIS to map data and conditions during in the study. GIS provides a systematic, structured, and quality-controlled tool for mapping important features and issues. Development plans can be objectively evaluated and compared on such elements as the length of city streets added or wetland features potentially impacted by various alternatives. GIS also provides high quality maps and reports for use in agency and public meetings, as shown in Exhibit 3.7.

Public Involvement

The environmental analysis will incorporate meaningful opportunities for involvement by agency and community stakeholders and members of the public. Engaging stakeholders may be particularly important, following the concerns raised by citizen-led groups regarding potential impacts to the bluestem grass prairie that arose during completion of the Environmental Checklist. Respect for the context and character of the project site is vital to community acceptance and the project's success.

Exhibit 3.7
GIS Is a Powerful Tool to Present Complex Project Information
This series of computer screen images depicts the results of an airspace obstruction analysis. GIS can also depict topographic models, land use, ecosystems, noise impacts, population distribution, and other important data.



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The CH2M HILL team will work with COSA to specifically define the public involvement methods and dates. We have included a work session with COSA staff and management as the initial public involvement task in the Process Plan to clarify the level of public outreach. Our initial approach for public outreach recommends conducting public informational meetings at key milestones to report findings, progress, and accept public comment/ concerns. This results in four public information open houses. The basic directions for each one of these meetings are generally defined as:

Concerns and Criteria Meeting—This meeting includes active listening and identifying stakeholder concerns. In this meeting we will also present criteria based upon concerns that were brought up at the meeting and ones that we have learned through our execution of the Environmental Checklist.

Alternatives Development and Evaluation Meeting—This meeting occurs during the process of alternatives development and will offer input into the process and offer insight into the evaluation process.

Detailed Screening and the Recommended Alternative Meeting—This meeting will focus on the recommended alternative and the screening that has taken place to get to the recommendation of the preferred alternative concept.

Public Hearing—This is the last required meeting that defines the basis for the legal sufficiency of the public process and allows the ultimate endorsement of the project by the public.

In addition to the milestone public meetings, we recommend maintaining an active project website as a repository of project information, status, background, and progress to date. The team has found that this method is more productive than newsletters, and is often less costly.

Environmental Documents

To obtain FAA approval, CH2M HILL will produce a complete and accurate EA and decision document that meets the requirements of FAA, FHWA, the City, and the CEQ. CH2M HILL knows the EA document must be concise, well written, and make liberal use of maps and photographs, tables and charts, highlights and inset boxes to effectively convey conclusions to agency decision makers, stakeholders, and the public. The CH2M HILL EA team features experienced specialists in key roles to deliver high-quality, legally defensible documentation for COSA business park development.

The team's EA will must be concise, well written, and make liberal use of maps and photographs, tables and charts, highlights and inset boxes to effectively convey conclusions to agency decision makers, stakeholders, and the public.

To assure FAA that alternatives have been objectively developed and evaluated, CH2MHILL will produce a reasonable set of development alternatives, including the "No Action" alternative. We will bring COSA staff along with each step of the EA process, explaining the significance and rational of each resource. This ensures an engaged and proactive project team that can respond to challenges quickly and efficiently.

Concept Plan

The Concept Plan development approach will begin with the conclusions developed from the market analysis and merge environmental conditions of the property. The project team will shape a plan that incorporates the many facets of a successful

development and a healthy community. Using the basic structure approved in the Airport Business Park Master Plan, the updated market analysis, and the recently prepared Biological Diversity Study will provide a more detailed Concept Plan that responds to the needs of the environment while creating a dynamic model for employment and business investment for the southeast portion of the City.

Objectives

The Concept Plan will:

- Create a highly flexible plan to guide business park development despite economic uncertainty.
- Blend the objectives of economic development and preservation by integrating environmental considerations within the plan.
- Incorporate the highest levels of sustainable design concepts to reduce the environmental impacts of development.

Concept Plan Methodology

The methodology that will guide the Concept Plan development is shown in Exhibit 3.8. This graphic shows that the market study performed by others is the starting point of most project activities, except for early data review. This study will identify what is economically feasible and attractive to investment in the area. This information will be integrated with the EA study to create multiple development alternatives for review by COSA. These alternatives will emphasize all of the goals established by the City Council, and emphasize environmentally sustainable and economically feasible development.

A golf course routing plan to enhance the business park appeal will be developed with the project. Additional areas of COSA may also be included in the Concept Plan, particularly areas north of Drennan Road and the old terminal building area at Fountain Boulevard east of Powers Boulevard. Once a preferred alternative is selected, the final Concept Plan will be created and submitted to the City for review.

The Concept Plan will be prepared with active interaction with COSA and City decision makers. Discussing various development scenarios under consideration will provide familiarity with the Plan and ultimately speed the approval process. The Plan will meet and/or exceed all City of Colorado Springs development standards and will be submitted, along with the MDDP, Traffic Report, and Geologic Hazard Investigation, to the City Planning Department, which will distribute it to all the necessary reviewing agencies. After the review period, the City Planner assigned to the project will issue a letter identifying issues that must be addressed in order to gain support for approval and move the project to the next approval stage, the City Planning Commission. The City Planning Commission will hold a public hearing on the project and make a recommendation to City Council. Once forwarded to the City Council, a final approval will be sought for the Concept Plan.

Compatible Land Use

The blending of development and the existing site conditions must avoid conflicts between various land uses. The development of the business park parcel to serve as an employment hub in southeast Colorado Springs is compatible with the future development of vacant land in the area for residential use.

Onsite development amenities must accommodate the existing land use at the airport property. For example, a lake is a desirable feature within a golf course, but water bodies attract birds, which are incompatible with flight operations. Flight path clearance zones, height restrictions, and viewshed preservation will constrain the areas available to business park development.

A potential conflict exists between the developed areas and the preserved natural areas. Light, noise, and altered drainage patterns can adversely affect indigenous species. CH2M HILL will draw upon the collective team experience in master planning and environmental protection to develop a project that blends into and nurtures the local environment.

Land use within the business park will also be considered and integrated with the building layouts to avoid potential conflicts. Careful location and spacing of golf amenities and business park facilities is an important consideration—golf balls are not compatible with plate glass windows. Proper building and course alignment and landscaping will minimize these types of conflict. While there is no "safe" place to always locate and use golf courses, understanding where to place facilities relative to certain parts of the course is critical. For example, golf balls are usually more controlled and predictable around greens than they are off a tee box, and buildings located in these areas have a reduced risk.

Development and Architectural Guidelines

Development guidelines will be prepared for the business park as a part of the Concept Plan. These guidelines will be based upon the conceptual vision created for the development. Particular points of emphasis include the relationship of the business park to the existing terminal and commitment to preserve viewsheds from the property, especially the peak to plains vistas prevailing over the area, that

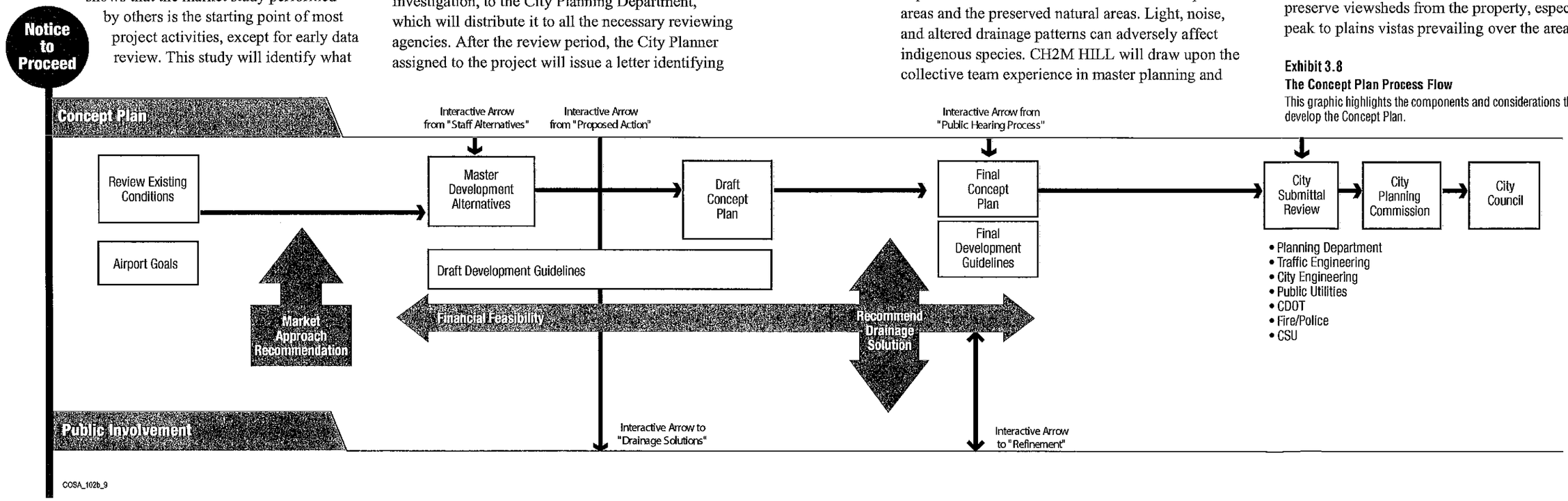


Exhibit 3.8
The Concept Plan Process Flow
This graphic highlights the components and considerations that help develop the Concept Plan.

will establish the development as one of the scenic gateways into Colorado Springs. The development guidelines will include sections on site planning, building design (to be completed in partnership with Oz Architecture), landscape design, project trails and open space, and relationships with the airport and surrounding development.

Oz Architecture will develop architectural guidelines establishing acceptable building styles and appearance within the development. This guidance will establish and define architectural character of the development, including acceptable styles and finishes, building methods, and height restrictions. In addition, desirable sustainable features such as reduced energy and water consumption, high efficiency heating, cooling, and glazing systems, water reuse and recycling, reduced stormwater runoff, and recommendations for high recycled-content building materials will also be defined. Building limits for those areas containing large concentrations of bluestem prairie grass will be established to control surface runoff and promote stormwater infiltration.

Transportation Issues

Access and traffic operations play an important role in the development and access needs of the business park. Maintaining a high level-of-service for Airport terminal traffic once the business park is operational is the ultimate goal of traffic studies, but they will also support the infrastructure planning required to serve the build-out of the proposed business park. The traffic study and planning tasks must carefully consider the interaction between and traffic accessing the Airport and the business park.

Today, Drennan Road and Powers Boulevard experience a very high percentage of heavy vehicles, with volumes likely to increase with business park development. To minimize conflicts between potential business park-related freight or trade traffic and passenger cars traveling to the Airport, separate access to each of these destinations must be investigated to avoid increased congestion along primary Airport access roadways resulting from the poor performance characteristics of heavy vehicles along the same roadways.

Since the traffic generated by the business park could be substantial, the traffic study will analyze the near- and long-term impacts to the surrounding local and regional roadway networks. The study will also identify the opportunities for transit and land preservation to serve that function. CH2M HILL has intimate knowledge of the transportation issues in the area, particularly with our involvement in the development of landside access roads and parking facilities at COSA and the planning of an improved direct connection linking the Airport and Interstate 25 and continuing west to SH 115, known as the South Metro Accessibility Study. The I-25 linkage has been identified as a critical item necessary for the success of the business park. Through this project and others, CH2M HILL has worked closely with the Pikes Peak Area Council of Governments, CDOT, and COSA staff, and has extensive knowledge of the regional travel demand model and its use to assess regional traffic impacts.

Finally, the traffic study is a requirement of the City's Concept Plan approval process, similar to that of the MDDP. Elements of these approval processes include:

- Traffic study describing existing and projected traffic volumes and operations.
- Existing and recommended access locations and configurations.
- Existing and proposed traffic control for each access.

The traffic analysis will also supply input to regional air quality analyses required by the EA. CH2M HILL's strong working relationship with the Pikes Peak Area Council of Governments and understanding of the significance of regional air quality conformity will promote efficient agency coordination and approval.

Golf Course Development

A golf course is a critical component to maximize the economic viability of the business park development. While some may suggest that this is a chicken or the egg argument, early construction of the golf course will provide an anchor to the entire park, providing an important differentiator in attracting businesses that may be considering other locations. Even so, it is important to meet the City's needs in selecting the designer that provides the best match of design style to vision for the development.

To accomplish this, we have contacted two noted golf course architects who have expressed their interest in working with COSA to develop a golf course plan. Niebur Golf of Colorado Springs, and Hurdzan-Fry, Columbus, Ohio, have both submitted letters expressing their interest in working with CH2M HILL and the COSA to develop a world-class sustainable golf facility within the proposed business park. We will work with COSA to identify the criteria by which a golf course designer will be selected, then assist in selecting the golf design firm that best typifies the COSA business park vision documented in the Conceptual Plan.

The ultimate design of the golf course will incorporate the natural environment and minimize grading and reseeding to provide a sustainable, low impact, and water-efficient facility. We have selected the initial list of golf course designers based on this criteria and their demonstrated capabilities. Some of notable examples of golf courses opened in Colorado over the past few years that follow this same vision of environmentally responsive stormwater management, habitat retention and enhancement, and preservation include Green Valley Golf Course in Denver and the Heritage Golf Course at Westmoor in Westminster.

We will perform a golf course routing study early in the conceptual plan process to optimize the distribution of tenant structures, access roads, and golf course features and amenities, such as views and a clubhouse. This study will take into account the site topography, the needs of the MDDP for onsite water storage of non-potable irrigation water, and the FAA clear zone requirements to address potential bird strike hazards.

Sustainable Golf Course Planning and Operation Seminar

Niebur Golf, Inc., a Colorado Springs-based planner, constructor, and operator of premier low impact, sustainable golf facilities—including the renowned Buffalo Run in Commerce City, Sanctuary and Green Valley Ranch, the home of the 2003 Denver Open—is currently working with team member NES at the Meridian Ranch development in Colorado Springs. They have agreed to come as a guest of our team to meet with Airport managers and discuss the issues associated with golf course management within a business park environment. They will explore some of the sustainable features that could be applied to the business park site. They will also help the team and the City identify guidelines and criteria for selecting a golf course architect that best meets the City objectives for this facility.

Master Development Drainage Plan

The MDDP is an essential component of the overall master planning effort for the business park. The 457-acre site lies within the Windmill Gulch Drainage Basin, as does a significant portion of the airport site north of Drennan Road and south of the main terminal. CH2M HILL's previous studies of the Windmill Gulch Basin lay the groundwork for understanding current drainage patterns and potential increases in runoff from future development.

The most recent of these studies, completed by CH2M HILL in 1998, concluded that new stormwater detention facilities will be needed to attenuate storm runoff from three of the eight identified subbasins along the western edge of the Windmill Gulch Basin (including the business park site), prior to leaving the Airport site through the culvert beneath Powers Boulevard. Existing detention facilities north of Drennan Road were shown to have sufficient size and location such that only minor improvements would be necessary to successfully handle future (fully developed) storm runoff volumes.

However, the study also recognized that the pattern of future development north of Drennan Road may force relocation of some of these existing detention facilities to locations south of Drennan Road. It will be critical for the MDDP to consider the implications of future development north of Drennan Road to optimize drainage solutions for the entire site and to properly design conveyance and detention facilities within the 457-acre business park area.

The proposed business park location south of runway 17R-35L places much of the site directly beneath the runway flight path. In developing solutions to stormwater management issues, the MDDP must consider the potential for attracting birds to stormwater facilities. While normally a benefit from a wildlife perspective, bird attractants pose risks to aviation safety. Creative solutions to minimize this concern while still achieving detention and water quality goals will be actively developed during the MDDP process.

Objectives

The MDDP will offer specific drainage and stormwater quality solutions for the conceptual site layout presented in the Concept Plan for the Airport

business park. The MDDP will identify major infrastructure improvements that will be required during the phased development, and will present guidelines for site and drainage design of individual parcels within the proposed park. A successful MDDP accomplishes the following specific objectives:

- Develops a master drainage plan that accommodates the recommendations of the Windmill Gulch Drainage Basin Planning Study and that meets the criteria stipulated in the City's Drainage Criteria Manual (Volumes I and II), the City's Municipal Stormwater Permit, and the Airport's Heavy Industrial Stormwater Permit (Exhibit 3.9).
- Supports the overall Concept Plan by balancing and integrating natural amenities with constructed improvements and by preserving environmentally sensitive areas while mitigating unavoidable environmental impacts.
- Identifies new drainage facilities necessary for safe conveyance of peak stormwater flows through the site to protect public safety and public/private property.
- Provides for offsite release of stormwater at rates equal to or less than historical release rates from the site.

Exhibit 3.9
Applicable Drainage Design Guidance Documents
All drainage design work will comply with the requirements outlined in these manuals.

- Proposes specific best management practices to achieve a stormwater quality that complies with the requirements of the City's stormwater permit prior to release from the site.
- Optimizes use of existing facilities to minimize land disturbances and control infrastructure costs, while achieving all of the aforementioned objectives.

Drainage Methodology

MDDP development will proceed in close coordination with the site planning effort and golf course conceptual design, as previously depicted in Exhibit 3.2, on page 4, to develop specific, integrated alternative solutions. Activities specific to the MDDP are shown in Exhibit 3.10. Previous studies will be carefully reviewed and evaluated for relevancy to current development plans and current City standards and criteria. Field surveys will verify existing drainage facilities and their condition, and will document existing drainage patterns. Hydrologic models, using software applications acceptable to the City and appropriate for the site, will be developed for both existing and future conditions. As mentioned, computer models will likely need to include watershed areas upstream of the business park in order to quantify impacts to the business park site from future development north of Drennan Road.

The CH2M HILL team will develop drainage improvement alternatives in close association with alternative concepts for the business park site plan. Assessment of downstream impacts and incorporation of features to minimize or eliminate those impacts will be a necessary step. Alternatives that preserve and/or enhance existing environmentally sensitive areas of wetlands and tallgrass will be emphasized and may include the construction of wetlands treatment systems to control stormwater runoff quality. These systems calm fast moving runoff to reduce erosion and filter particulates and oil and grease that may be present. Subsurface wetland treatment, shown in Exhibit 3.11, will also reduce the bird strike hazards that arise with standing water systems. Similarly, priority will be given to those alternatives that successfully integrate existing drainage features as golf course or business park amenities. Future condition hydrologic results will be incorporated into hydraulic evaluations of improvement alternatives to determine the type, size, and cost of drainage structures needed to safely convey and attenuate flood events.

Alternative development and evaluation will be a coordinated, iterative process with the conceptual site planning and environmental assessment efforts. Once formulated, alternatives will be evaluated against a set of evaluation criteria developed jointly by the CH2M HILL project team, designated COSA and City staff, and other key stakeholders. The preferred alternative will be furthered developed to ensure its feasibility, and to determine construction costs and phased implementation strategy.

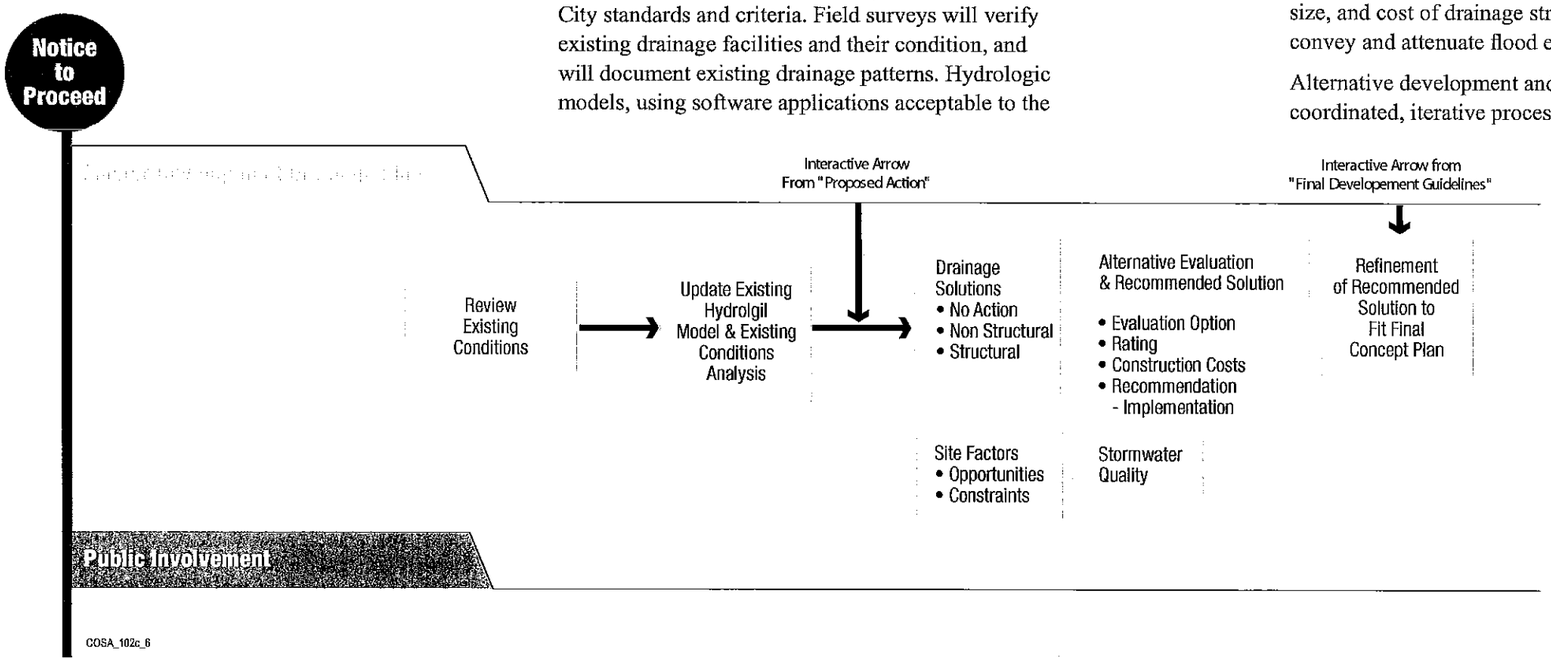
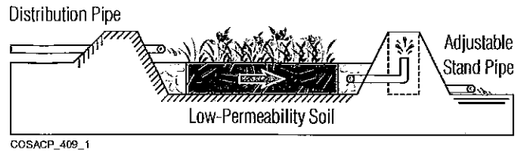


Exhibit 3.10
MDDP-Specific Process Flow
This graphic depicts the activities comprising the development of the MDDP for the Airport Business Park.

Exhibit 3.11
Schematice of a Subsurface Wetlands Treatment Cell
This graphic depicts the activities comprising the development of the MDDP for the Airport Business Park.



Key Success Factors

The success of the MDDP process and recommended alternative will be measured by the degree to which the plan meets the project objectives. A successful MDDP will be one in which existing environmental areas are preserved and used to achieve stormwater management objectives. Constructed improvements should strive to seamlessly mesh with the natural site features, and should serve multi-use functions as golf course or open-space amenities.

Utilities and Infrastructure

Utilities planning will follow logical and cost-effective patterns, considering topography, expected land use, and long-term operations and maintenance issues. The project team includes numerous experts in the areas of utility planning, design, and construction.

These professionals provide COSA with active relationships and insights into the primary utility provider and their long-term plans. Experience gained from the Southern Delivery System, non-potable water supply planning, and water line construction offers unique insights into the availability and impacts associated with the increased infrastructure needs for the business park.

The CH2M HILL team's utility staff will be actively involved in developing and reviewing the alternative concept plans, including the development of the following deliverables:

Master Sanitary Sewer Collection Plan

COSA wastewater is conveyed to the Las Vegas Wastewater Treatment Plant via a combination of lift

stations, force mains, and gravity sewers, including the Sand Creek Lift Station and the 30-inch force main linking the lift station to the plant. The expected increase in wastewater from this area due to future development of the Banning-Lewis Ranch, the business park, and other vacant parcels will eventually overwhelm the existing sanitary infrastructure. Colorado Springs Utilities (CSU) is already planning a new regional wastewater treatment facility, probably along Williams Creek near Fountain, to serve this developing eastern area of the City. While the existing infrastructure will serve the business park development initially, wastewater will ultimately be conveyed to the new regional facility.

To develop the Sanitary Sewer Collection Plan, we will use Concept Plan information to develop estimates of wastewater flow and will review these projections with CSU planning staff to verify existing system capacity and required improvements.

Pipe sizes, lift station locations, and connection to local collection/transmission system will be considered during the alternatives development and analysis. These plans will incorporate flexibility into the basic trunk system. Individual service lines will not be finalized until specific land use or tenants are identified to minimize the potential for rework.

We will prepare a master Sanitary Sewer Collection Plan outlining the locations and sizes for each facility suggested by the concept plan.

Master Water Distribution System

Potable Water System Plan

Southeastern Colorado Springs will see significant growth over the next few decades with the development of the Banning-Lewis Ranch and other properties near the business park site. The Banning-Lewis Ranch covers many square miles and will become home of thousands of new residents and commercial developments. To meet the expected water demand resulting from this growth, CSU has begun the planning and design of the 50-mgd Southern Delivery System to access a new water supply from the Arkansas River in Pueblo. This system of pipeline and pump stations will convey the raw water to a new reservoir and treatment plant to be located on Jimmy Camp Creek, just north and east of COSA. By 2007, this system will be operating and providing water to the Business Park and surrounding areas. Until that time, potable water will be supplied from the existing water distribution system which is expected to be improved soon with the completion of a new water main loop along Marksheffel Road.

The CH2M HILL team will prepare a potable water distribution system plan including pipe sizes and connections to local water transmission lines. We will verify the capacity of the local system to meet water demand needs of the Business Park.

Emphasis during project planning will be placed on linking citywide strategies of water conservation. CSU promotes a multi-faceted conservation program based on public education and carefully planned maintenance. Our plans and ultimate water infrastructure will integrate these strategies.

Master Irrigation Plan/Non-Potable Water Supply

An economically feasible supply and delivery system for non-potable water is a critical element for the sustainability of the Business Park and its associated golf course. Golf course irrigation will be the primary use for non-potable water at the Business Park, but the non-potable system will extend to provide irrigation supply for all landscaped areas of the park. The sustainability of the golf course is dependent upon access to reliable non-potable water supply, since such supplies are less impacted during times of drought.

CSU completed a Non-Potable Master Plan in December 2001 that documented existing supplies, users, demands, delivery system components, and capacities. It identified future potential users and demands, additional non-potable supplies, and offered a number of development and delivery alternatives to supply customers. The business park development and the Airport were identified as potential future customers with an irrigation season demand of 1.63 mgd and 0.42 mgd, respectively. The plan also presented a preferred alternative for supplying and delivering non-potable water to the Airport and the Adult Sports Complex west of the Airport. This alternative, 12A, uses the Big Johnson Reservoir as a non-potable source for the Airport properties. Big Johnson Reservoir is supplied water through the Farmers Mutual Irrigation Ditch which diverts water from Fountain Creek at the Las Vegas WWTP. The WWTP discharges its effluent into the ditch for

conveyance to the Reservoir. CSU has the right to reuse the effluent and that right is the basis for their withdrawal from the reservoir. This option would require building a pump station at the reservoir and 17,500 lineal feet of 16-inch to 20-inch pipeline. Capital costs are estimated at $3.7 million, and present worth value of the delivered non-potable water is $287/AF.

During Concept Plan development, this alternative will be further explored. Cost savings may be realized by constructing a turnout structure on the Farmers Mutual Irrigation Ditch which passes close by the Business Park site on its way to the Big Johnson Reservoir. This could save on both capital costs for constructing the pipeline and pump station, as well as lowered operating costs by reducing or eliminating pumping costs. Water features associated with the golf course could provide onsite storage facilities for the diverted water to equalize demands and optimize conveyance facilities, while providing an amenity to the golf course. Placement of these features must address the flight operational constraints and associated bird strike hazards.

The large irrigation demands of the golf course are one of the largest potential uses of non-potable water identified in the Non-Potable Master Plan. CH2M HILL will discuss with COSA and CSU partnering opportunities to share the cost of developing the non-potable water system to supply business park and golf course development needs.

Master Wire Utility Plan

The CH2M HILL team, working with the results of the market analysis, alternatives development/ analysis, and preliminary concept plans, will estimate the electrical and communications requirements and associated loads for each. We will study the existing infrastructure systems to determine the availability and capacity of utility services in the business park area and what improvements are needed to meet the estimated utility demand at the business park. Our technical experts will also identify the optimal utility connection points to serve the concept plan for the following services:

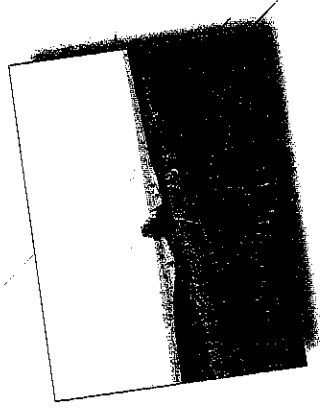
- Electrical
- Cable TV
- Telephone
- Fiber Optic

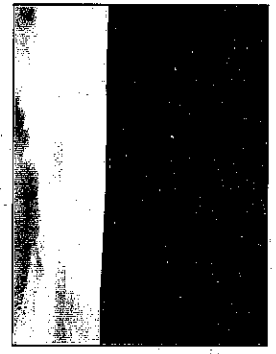
In addition, we will develop concepts for utility corridors along street rights-of-way and dedicated easements that will standardize utility locations within the corridors, and which will efficiently deliver the required services to minimize infrastructure costs.

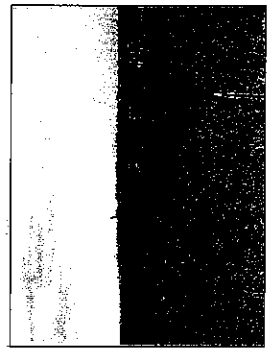
Infrastructure Phasing Plan

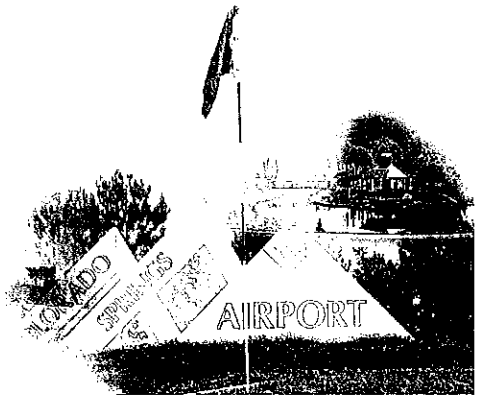
Based upon the results of the utility studies describe above, and the availability of desired utility services, the project team will develop a recommended phasing plan and associated funding stream to allow for the cost-effective incremental construction of business park infrastructure. This phasing plan will recognize and reflect the need for flexibility to meet changing market conditions and the needs of potential tenants and COSA.

From our research in preparing this proposal, it is likely that COSA will benefit by avoiding extensive up-front infrastructure development until the initial tenant is identified. Using the first tenant as a spring board for the build out of utility infrastructure will allow COSA to minimize initial investment and maintain the maximum flexibility to attract and respond to prospective business tenants.









In this section you will find detailed project descriptions portraying selected examples of our team's performance of concept and master planning, drainage plans, and environmental documentation completed under FAA guidance. These projects are all highly relevant and directly applicable to the scope of work required in completing the Concept Plan, EA, and MDDP for the proposed business park. Each of the following projects demonstrates the Team's expertise in working with clients and regulatory agencies to develop win-win solutions that meet the needs for development while addressing environmental concerns.

Amendment to Colorado Springs Airport Master Plan/Airport Business Park

A. Customer Name/Type/Location:

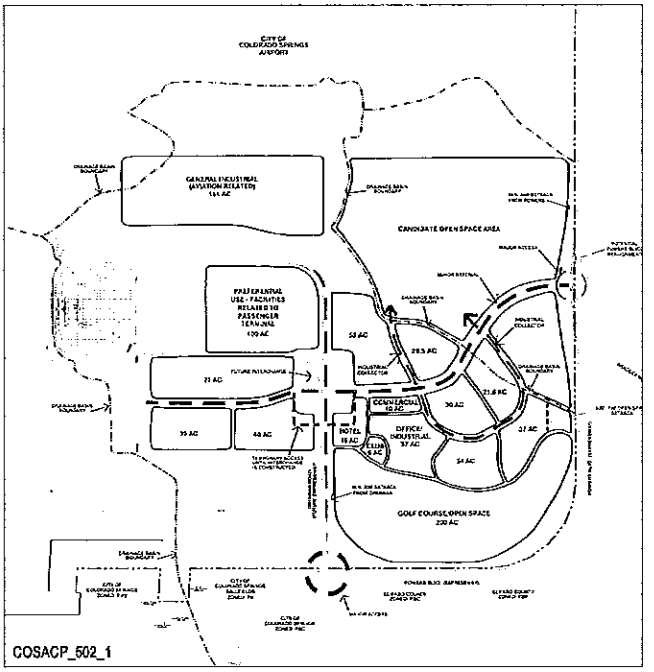
City of Colorado Springs Airport, Colorado Springs, Colorado

B. Scope of Work Performed:

Include detail that explains how we did the work, technical issues and resolutions, steps taken from concept to design and construction.

NES Inc. (NES) developed a general land use plan for the non-aviation areas identified by the Colorado Springs Airport Master Plan. NES was responsible for the land suitability analysis, the preliminary concept plan, as well as the public participation process.

The concept plan developed by NES delineated general locations of buildings and parking areas, points of access, and internal circulation. The land use plan created a land use balance to enhance the airport



area as a gateway to Colorado Springs, providing an optimum integration of the natural amenities of the site with proposed land uses. The mix of activities and land uses will be oriented toward the creation of a major employment center, as well as providing activates which support the Airport's primary aviation mission. The proposed land use plan was developed to reflect the character of the City and the region.

NES also completed a land suitability analysis for the site, which identified potential natural and physical constraints on the property. Features analyzed included slope, soils, vegetation, wildlife, and views. A composite analysis was prepared which identified areas suitable for development.

What public involvement occurred?

NES developed and implemented a public participation process for the airport's concept plan, which involved coordination with the Business Park Steering Committee, facilitation of numerous neighborhood meetings, and meetings with the area's environmental stakeholders.

Process used, types of programs, procedures?

NES developed the master plan amendment and concept plan using a traditional process of inventory analysis and land suitability; development of goals and objectives; identification of recommended land use alternatives; and finally, refinement of land use alternatives and implementation.

How did we manage subcontractors, if any were used?

N/A

C. Estimated Project Cost:

To be determined

D. Personnel Assigned to the Project:

Name/Position/Role or Responsibilities

Nolan Schriner, President, Planner
Tim Seibert, ASLA, Principal, Landscape Architect, Planner

E. Challenges and Problems:

What unique aspects of the project challenged the design, concept, plan, or environment?

The original direction and much of the early opposition was with private landowners and developers in the Colorado Springs community that did not want to have the City compete with them on development projects. This involved working with a Master Plan Steering Committee for many months to arrive at a compromise to this envisioned conflict. Another challenge was balancing the environmental and open space advocates who believed that city had already designated the area open space in the Comprehensive Plan, and arriving at a workable alternative to both the development and open space perspectives. Another issue was the lack of right-of-way from adjoining property owners for the long anticipated southern interchange at Powers Boulevard.

F. Creative/Innovative Solutions:

What new technologies were implemented?

Many of the challenges and problems that were known or arose during the development and entitlement portion of the project needed a rational approach and a willingness to compromise or think outside the box. NES worked with the private development interests to arrive at a reasonable approach to allow COSA to develop and market the property to very specific end users that may not be attracted to private sector development. Working with the environmental interests was also a balancing act to determine how certain elements would be preserved while allowing future development.

G. Include a Sample Work Plan, with a Clear Description of the Scope of Work Accomplished:

NES was responsible for the land suitability analysis, the preliminary concept plan, as well as the public participation process. The discussion of the scope is presented in Item B, above.

H. Reference Contact Information:

David Bird, Colorado Springs Airport
719-550-1905

Mike Masciola, Colorado Springs
Economic Development
719-385-5558

Colorado Springs Airport Master Development Drainage Plan

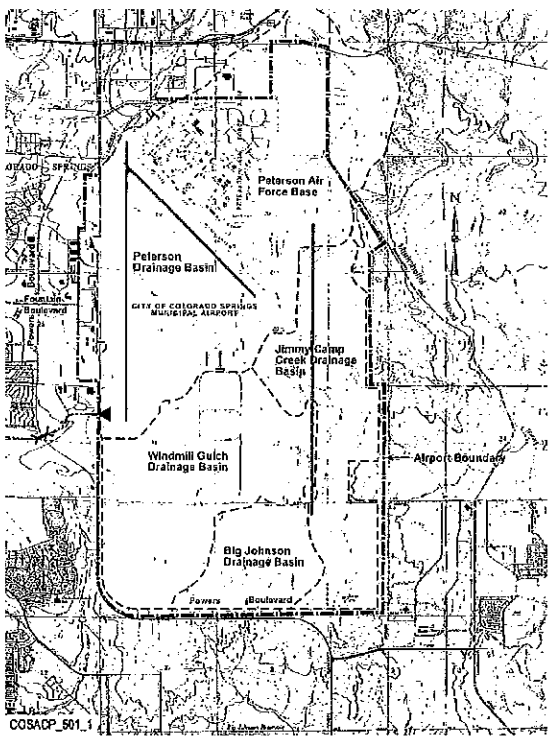
A. Customer Name/Type/Location:

City of Colorado Springs, Colorado

B. Scope of Work Performed:

Include detail that explains how we did the work, technical issues and resolutions, steps taken from concept to design and construction.

The City of Colorado Springs identified the need to analyze the drainage basins conveying storm runoff within the boundaries of the Colorado Springs Airport (COSA). This work was conducted in conjunction with the Airport Master Plan to identify drainage needs associated with future airport development. The watersheds affecting the airport include 565 acres of the Big Johnson Basin, 1,380 acres of the Jimmy Camp Creek Basin, 1,480 acres of the Peterson Basin, and 1,735 acres of the Windmill Gulch Basin.



Using guidelines from the City of Colorado Springs, CH2M HILL developed alternatives to ensure that the runoff from the airport property under fully developed conditions does not exceed the flow from the airport under existing conditions. An analysis of the existing storm conveyance system based on ultimate development in the Peterson Drainage Basin was also performed. CH2M HILL then used this analysis to study existing drainage problems in the Peterson Basin and to develop alternative solutions to mitigate these problems.

What public involvement occurred?

N/A

Process used, types of programs, procedures?

Development of the Master Development Drainage Plan proceeded in close coordination with the business park site planning effort and golf course conceptual design to develop specific, integrated alternative solutions. Previous studies were carefully reviewed and evaluated for relevancy to current development plans and current City standards and criteria.

Drainage improvement alternatives were developed in close association with alternative concepts for the Business Park site plan. Alternative development and evaluation was a coordinated, iterative process with the conceptual site planning and environmental assessment efforts. Once formulated, alternatives were evaluated against a set of evaluation criteria developed jointly by the CH2M HILL project team, designated staff from the Airport and the City, and other key stakeholders. The preferred alternative was further developed to ensure its feasibility, and to determine construction costs and phased implementation strategy.

How did we manage subcontractors, if any were used?

N/A

C. Estimated Project Cost:

$200,000 (fee)

D. Personnel Assigned to the Project:

Name/Position/Role or Responsibilities

Guy Geerdts, Project Manager
Terry Ruhl, Project Engineer
Joe Stuber, Water Quality Engineer
Mark Rosser, Project Engineer

E. Challenges and Problems:

What unique aspects of the project challenged the design, concept, plan, or environment?

CH2M HILL had to ensure that the alternative developed to mitigate drainage problems in the area's numerous basins met the following criteria:

- Ensure that the developed 100-year discharge does not exceed the existing 100-year flows
- Develop concepts that are economically feasible
- Develop concepts that are feasible from an engineering standpoint
- Minimize or avoid major utility relocations
- Minimize the effects of alternative construction on existing airport operations

F. Creative/Innovative Solutions:

What new technologies were implemented?

A number of structural and nonstructural alternatives were considered to convey the existing and future discharges and to alleviate flooding problems in the study area. These alternatives included changes to existing detention ponds or the construction of new ponds, modifications to existing bridges and culverts, and the construction of storm sewers. The recommendations will allow for the continued development of the airport watersheds.

G. Include a Sample Work Plan, with a Clear Description of the Scope of Work Accomplished:

CH2M HILL developed a Master Drainage Development Plan to offer specific drainage and stormwater quality solutions for the conceptual site layout presented in the Concept Plan for the Airport Business Park. In addition, CH2M HILL:

- Developed a master drainage plan that accommodated the recommendations of the Windmill Gulch Drainage Basin Planning Study, and which met the criteria stipulated in the City's Drainage Criteria Manual (Volumes I and II), the City's Municipal Stormwater Permit, and the Airport's Heavy Industrial Stormwater Permit.
- Supported overall Concept Plan objectives by balancing and integrating natural amenities with constructed improvements, and by preserving environmentally sensitive areas while mitigating unavoidable environmental impacts.

- Identified new drainage facilities necessary for safe conveyance of peak stormwater flows through the site to protect public safety and public/private property.
- Proposed specific best management practices to achieve a stormwater quality that complies with the requirements of the City's stormwater permit prior to release from the site.
- Optimized use of existing facilities to minimize land disturbances and control infrastructure costs.

H. Reference Contact Information:

Gary Campbell, Director of Operations
Colorado Springs Airport
Colorado Springs, Colorado
719-550-1936

Arvida Park of Commerce Master Plan and Master Drainage Plan

A. Customer Name/Type/Location:

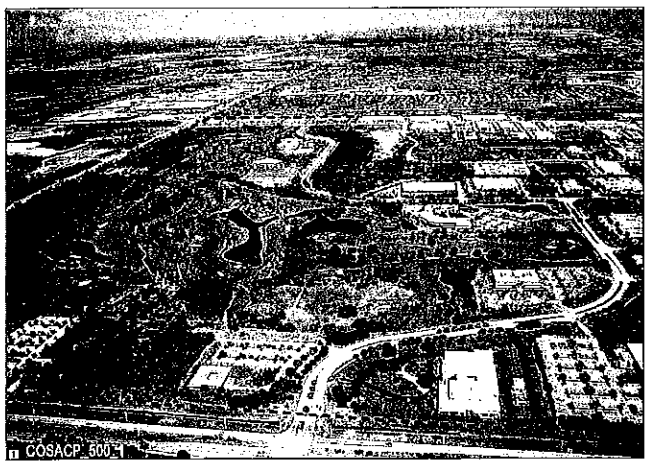
Arvida, Boca Raton, Florida

B. Scope of Work Performed:

Include detail that explains how we did the work, technical issues and resolutions, steps taken from concept to design and construction.

Arvida Park of Commerce, an 800-acre research/industrial park located in southern Palm Beach County, has been acclaimed as one of the premier developments of its type—in Florida and across the country. First developed in the late 1970s, the park provides a high quality environment for research, light industrial, and related office uses.

CH2M HILL's subsidiary, Gee & Jenson, is providing ongoing master plan and master drainage plan services for the site, incorporating utilitarian and esthetic features in the site development, including lakes, detention ponds, landscaped roadways, and pedestrian walkways, with bench equipped rest areas.



What public involvement occurred?

The firm is participating in the public presentations and hearings to gain approval of the overall project. Gee & Jenson is also providing client representation during public hearings for plat and site plan approvals.

Process used, types of programs, procedures?

We are designing, processing approvals, and preparing construction plans and procedures for all elements of land development, including utilities, main roadways, and drainage systems.

How did we manage subcontractors, if any were used?

N/A

C. Estimated Project Cost:

$800,000 (fee)

D. Personnel Assigned to the Project:

Name/Position/Role or Responsibilities

Russell C. Devick, PE, Project Manager

E. Challenges and Problems:

What unique aspects of the project challenged the design, concept, plan, or environment?

The firm is working with the client to develop solutions to several project challenges, as well as to keep the project on schedule and on budget. These challenges include:

- Several ongoing changes to the master plan to address additions to the project
- Limited involvement during golf course construction
- Environmentally sensitive areas that require preservation area set asides
- Requirement to maintain water surface elevations in spite of low ground water elevations
- Organic soils requiring removal and replacement.
- Changing client project management team

F. Creative/Innovative Solutions:

What new technologies were implemented?

CH2M HILL subsidiary Gee & Jenson is developing an innovative master plan that incorporates native trees and shrubs, and uses groundcover in creative designs and landscapes.

G. Include a Sample Work Plan, with a Clear Description of the Scope of Work Accomplished:

Services provided for this 800-acre research industrial park include:

- Preparation of master drainage plans
- Preparation of master road and utility plans
- Regulatory and stakeholder approvals, including City of Boca Raton and South Florida Water Management District for master plan

H. Reference Contact Information

Jan Reese, Project Manager, Arvida
Landauer Capital Markets Group, Inc.
2385 Executive Center Drive, Suite 150
Boca Raton, FL 33431
561-893-6290

Terminal 5/6 Environmental Assessment, JFK International Airport

A. Customer Name/Type/Location:

Port Authority of New York and New Jersey (PANYNJ) and JetBlue Airways Corporation

B. Scope of Work Performed:

Include detail that explains how we did the work, technical issues and resolutions, steps taken from concept to design and construction.

CH2M HILL performed an Environmental Assessment (EA) for JetBlue Airways and PANYNJ, which analyzed the potential environmental effects of a Proposed Action by the Federal Aviation Administration (FAA) that involved changes to the Airport Layout Plan at John F. Kennedy International Airport (JFK). The Proposed Action would permit PANYNJ to construct a new airline terminal and undertake proposed improvements needed for operations by JetBlue Airways Corporation and its other airline tenants at Terminals 5 and 6, while preserving the historic Saarinen-designed main TWA Terminal building and its connecting tubes.

We discovered that the Proposed Action adversely affected the Flight Wings of the TWA building at Terminal 5, which is a significant part of this project. The Saarinen-designed main TWA Terminal building including the connector tubes and Flight Wing 2 were identified as eligible for listing on both the National Register of Historic Places and the State Register of Historic Places.

The Proposed Action to redevelop Terminals 5 and 6 into a single Terminal 5/6 will provide improved facilities and services for air passengers traveling through Terminals 5 and 6 at JFK, and eliminate deficiencies in terminal passenger facilities and services, security, non-compliance with federal Americans with Disabilities Act, and other terminal area restrictions and shortcomings. Adjusted forecasts of air passenger growth still indicate substantial increases in demand in the coming years at JFK that the present facilities cannot satisfy with an acceptable level of passenger service, safety, and convenience.

The EA conducted by CH2M HILL evaluated the potential effects and possible environmental consequences of implementing the Proposed Action. Highlighted below are categories potentially affected by the Proposed Action:

Air Quality. The Proposed Action would not create any new violation, nor increase the frequency or severity of any existing violations of the national standards.

Energy Supply and Natural Resources. As aviation activity increases, aircraft and support operations would generate an increased demand for energy in the form of jet fuel, diesel fuel, compressed natural gas, liquid propane gas, or electricity. Expected electricity demand would be small compared to the amount of power the Kennedy International Airport Cogeneration (KIAC) facility produces.

Historic, Architectural, Archaeological, and Cultural Resources. The only property associated with the Proposed Action that has been determined eligible for listing on the State and National Register of Historic Places (NRHP) is the TWA Terminal.

Mitigation measures have been established to preserve and minimize harm to this facility

Induced Socioeconomic Impacts. The Proposed Action would induce some positive socioeconomic impacts in the project vicinity, both during construction and during the project's operational phase.

Noise. The Proposed Action is not expected to have a significant impact on noise quality.

United States Department of Transportation Act, Section 4(f). In order for the terminal redevelopment to be realized, the main TWA Terminal building and the connector tubes will be preserved.

Solid Waste Impact. No significant impacts from solid waste generated by the Proposed Action are expected.

Surface Transportation. Since there would be no changes in aircraft operations between the Proposed and No Action alternatives, no additional surface traffic would be generated by the Proposed Action.

Construction Impacts. The Proposed Action is not anticipated to cause any significant impact related to construction.

Summary of Cumulative Impacts. The cumulative impact of the Proposed Action, when added to the other past, present, and reasonable foreseeable future actions described above, is collectively insignificant given the history of intense urbanization that has occurred in the NYC metropolitan area.

What public involvement occurred?

CH2M HILL worked closely with the FAA and the PANYNJ in facilitating a public hearing, interacting with consulting parties, and responding to comments on the EA. All comments were related to the historic significance of the TWA Terminal.

Process used, types of programs, procedures?

The following regulations and processes were complied with: National Environmental Policy Act (NEPA); National Historic Preservation Act, including Section 106; and USDOT Act, Section 4(f).

How did we manage subcontractors, if any were used?

CH2M HILL successfully incorporated analyses and text from two separate firms who were hired by others to participate in the project. We performed quality review of their work.

C. Estimated Project Cost:

$358,000 (fee)

D. Personnel Assigned to the Project:

Name/Position/Role or Responsibilities

Theresa Gerrish, Project Manager, onsite management and oversight

Stephen Wanders, Project Delivery Manager, reporting and delivery oversight

E. Challenges and Problems:

What unique aspects of the project challenged the design, concept, plan, or environment?

The historic resource has been compromised over the years by structural additions; even with these modifications, or additional modifications, it cannot meet the project purpose and need. In the interest of preserving the historic resource, the proposed new terminal design was modified and numerous mitigation measures were developed to minimize harm to the historic resource. The proposed project will enhance the aesthetic beauty of the historic resource and allow for its adaptive reuse and restoration.

F. Creative/Innovative Solutions:

What new technologies were implemented?

The adaptive reuse and restoration measures were developed with consultation and input from various entities and organizations, and in accordance with applicable regulatory processes.

G. Include a Sample Work Plan, with a Clear Description of the Scope of Work Accomplished:

CH2M HILL's scope of work included the following:

- Drafting the EA
- Meeting with the FAA and consulting parties to obtain input on the project and incorporating comments
- Updating the EA to incorporate changes in the aviation industry that affected the forecasts
- Updating the EA to evaluate a 12th alternative submitted by a consulting party

H. Reference Contact Information

Edward Knoesel, Manager
Environmental Services
Aviation Department
Port Authority of New York and New Jersey (PANYNJ)
233 Park Avenue South
New York, NY 212-435-3825

Minneapolis-St. Paul International Airport Federal Environmental Impact Statement

A. Customer Name/Type/Location:

Metropolitan Airports Commission, Minneapolis, Minnesota

B. Scope of Work Performed:

Include detail that explains how we did the work, technical issues and resolutions, steps taken from concept to design and construction.

Through legislation enacted in 1989, the Minnesota State Legislature established the Metropolitan Airport Planning Act. The purpose of this Act was to determine whether the long term transportation needs of the Minneapolis-St. Paul metropolitan area and the State of Minnesota are best met by enhancing capacity at the existing Minneapolis-St. Paul Airport (MSP) or by developing a new airport site. To respond to those issues, the Metropolitan Airports Commission (MAC) initiated a study to determine the feasibility of expanding or relocating MSP. CH2M HILL reviewed the state draft environmental impact statement (EIS) and prepared the final federal EIS. In accordance with procedures mandated by the Minnesota State Legislature, the study is called the "Dual Track Airport Planning Process." The Dual Track Process was designed to give federal, state, and local officials an equal analysis of the two principal airport development alternatives, as well as a no-build scenario.

The project required the review of existing MAC environmental studies and documents which evaluate the proposed expansion or replacement of MSP. CH2M HILL reviewed and contributed to the MAC/FAA joint draft EIS and prepared the final federal EIS separately from the state's final EIS.

What public involvement occurred?

CH2M HILL developed the process for, and facilitated several public hearings on the findings of the EIS.

Process used, types of programs, procedures?

CH2M HILL was responsible for the official project record, which tracked the entire 10-year Dual Track Process. In addition to serving as reference material, the filing system serves as a key tool for processing Freedom of Information Act requests and for the preparation of administrative legal filings. CH2M HILL developed and customized an electronic database which supplies primary information about each record in the file as well as its location in the archive.

How did we manage subcontractors, if any were used?

CH2M HILL used in-house management tools, such as project delivery systems, management information systems, and project cost controls to ensure quality, on time completion of work assignments from our subcontractors.

C. Estimated Project Cost:

$950,000 (fee)

D. Personnel Assigned to the Project:

Name/Position/Role or Responsibilities

Doug Abere, Project Manager
Richard Veazey, Senior Reviewer, Technical Advisor

E. Challenges and Problems:

What unique aspects of the project challenged the design, concept, plan, or environment?

CH2M HILL worked under tight schedule constraints to review key information and assist with completion of the Joint Draft EIS in time to help MAC meet a deadline mandated by the State Legislature. CH2M HILL provided extensive technical support, including review of activity forecasts, airport development and operations, environmental documents, airport noise and air quality analyses,

surface transportation issues, water quality, cultural resources, and Section 4(f) impacts.

F. Creative/Innovative Solutions:

What new technologies were implemented?

N/A

G. Include a Sample Work Plan, with a Clear Description of the Scope of Work Accomplished:

CH2M HILL prepared an EIS as part of the overall MSP 2010 Comprehensive Plan, which included the new Runway 17/35, new taxiways, and associated facilities to be constructed at the airport. CH2M HILL's specific project responsibilities included:

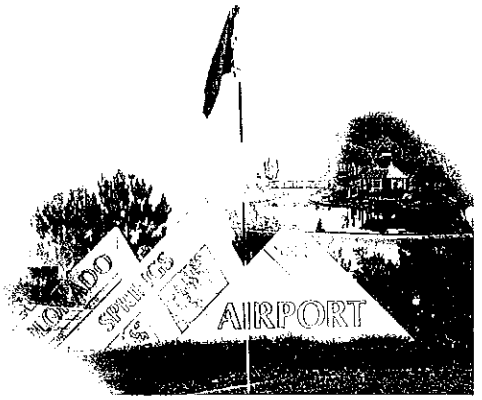
- Review and preparation of a joint federal-state Environmental Impact Statement considering alternatives for existing airport expansion or a new Twin Cities airport
- Overall FAA project assistance and task management
- Technical/quality reviews of the environmental studies being conducted by the Metropolitan Airports Commission and its consultants
- Development of the FAA's official document filing system, including an electronic index
- Development of the project's federal Record of Decision
- Special assistance to consider Section 4(f) noise impacts on a neighboring wildlife refuge
- Agency consultations with Minnesota DOT, FHWA, the Metropolitan Council, MAC, and FAA to prioritize more than $150 million in airport-related road improvements.

In September 1998, CH2M HILL completed work as the lead consultant in the task of developing the FAA's Record of Decision. This Record of Decision, signed on September 23, 1998, concluded a major regional planning and environmental review process that took more than 10 years to complete and considered an extremely wide range of alternatives. This FAA's authorization to construct the project was not subject to any direct legal challenges.

H. Reference Contact Information:

Mr. Nigel Finney, Deputy Executive Director—Planning and Environment
Metropolitan Airports Commission
6040 28th Avenue South
Minneapolis, MN 55450
612-726-8187

References



CH2M HILL provides COSA with the following list of professional references. We encourage you to contact each of the individuals listed below to hear firsthand about the quality services CH2M HILL and NES have provided on their past projects.

David Bird
Assistant Aviation Director
Colorado Springs Airport
(719) 550-1905
CH2M HILL and NES

Gary Campbell
Director of Operations
Colorado Springs Airport
(719) 550-1948
CH2M HILL and NES

Don O'Brien
Civil Engineer Project Manager
Federal Aviation Administration
(303) 342-1257
CH2M HILL

Mike Masciola
City of Colorado Springs
Economic Development Office
(719) 385-5558
NES

Gary Haynes
City Engineer
City of Colorado Springs
(719) 385-5403
CH2M HILL

Robin Kidder
Project Manager
City of Colorado Springs
(719) 385-5058
CH2M HILL

Bob Torres
Transportation Director Region 2
Colorado DOT
(719) 546-5452
CH2M HILL

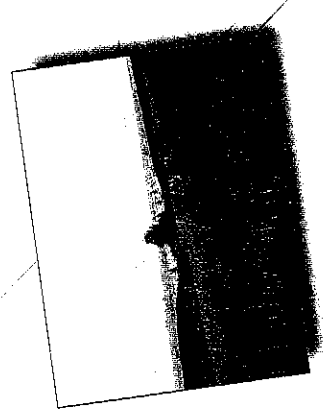
David Miller
Project Manager Region 2
Colorado DOT
(719) 546-5404

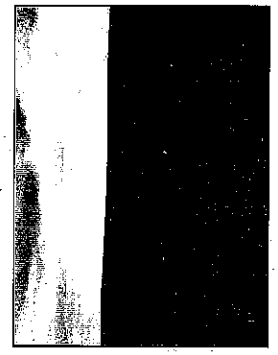
"I would also like to thank you for your continued outstanding work on the project."

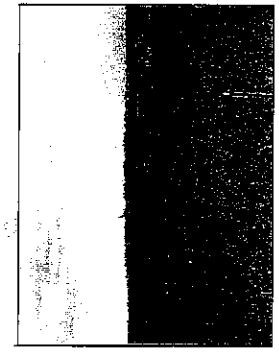
BOB TORRES
REGIONAL TRANSPORTATION DIRECTOR
COLORADO DEPARTMENT OF TRANSPORTATION

"CH2M HILL, under the guidance of Bill Knapp, has done an excellent job working with CDOT, City of Pueblo, FHWA, and other state and federal agencies. Their public information/ relations process and personnel are excellent..."

DAVID MILLER, CDOT REGION 2







The project staff assembled by the CH2M HILL team to undertake the COSA Business Park Concept Plan/Master Development Drainage Plan (MDDP), and Environmental Assessment (EA) bring outstanding technical skills and project knowledge to start work immediately. They bring technical expertise and experience completing similar scopes of work both in the Colorado Springs area and across the nation. Our team, presented in the following pages, understands the objectives of COSA and City leaders for this initiative, as well as the concerns stated from local stakeholders that may arise from local community stakeholders. Our knowledge of local decision makers, stakeholders, and their personal interests will prove critical to this project's endorsement and acceptance. Since the great majority of our team lives and works in the Colorado Springs community, all are personally committed to its success.

The project team is characterized by local presence, knowledge, and commitment to the Airport's success. All of the personnel discussed below have past work experience with the Airport, the City, or similar development concept plans.

The project organization, shown in Exhibit 6.1, will be led by Project Manager Bill Knapp. He is CH2M HILL's most experienced project manager in Colorado Springs, and one of the firm's finest overall. Bill has an established career working with the City of Colorado Springs on a number of successful projects, and will bring his proven management and consensus building skills to bear on this project.

The team is organized along the disciplines and scope elements associated with completing the major contract tasks: EA, Concept Plan, and MDDP. Bill will manage each discipline-specific team as they work together, maintaining open communication to fully integrate the findings of each task element with the other. The professional qualifications of each assigned staff member are discussed below.

Project Manager

Bill Knapp, PE (CH2M HILL)

Project Manager

BS/Civil Engineering
Years of Experience: 18

Basis for Selection:

- Skilled and accomplished project manager and public information facilitator for the Union Boulevard Interchange at Austin Bluffs Parkway, Drennan Road Corridor, Powers Boulevard Extension for the City of Colorado Springs, and the I-25 New Pueblo Freeway for CDOT
- Expert in schedule, budget, and quality control of complex, multi-disciplinary tasks

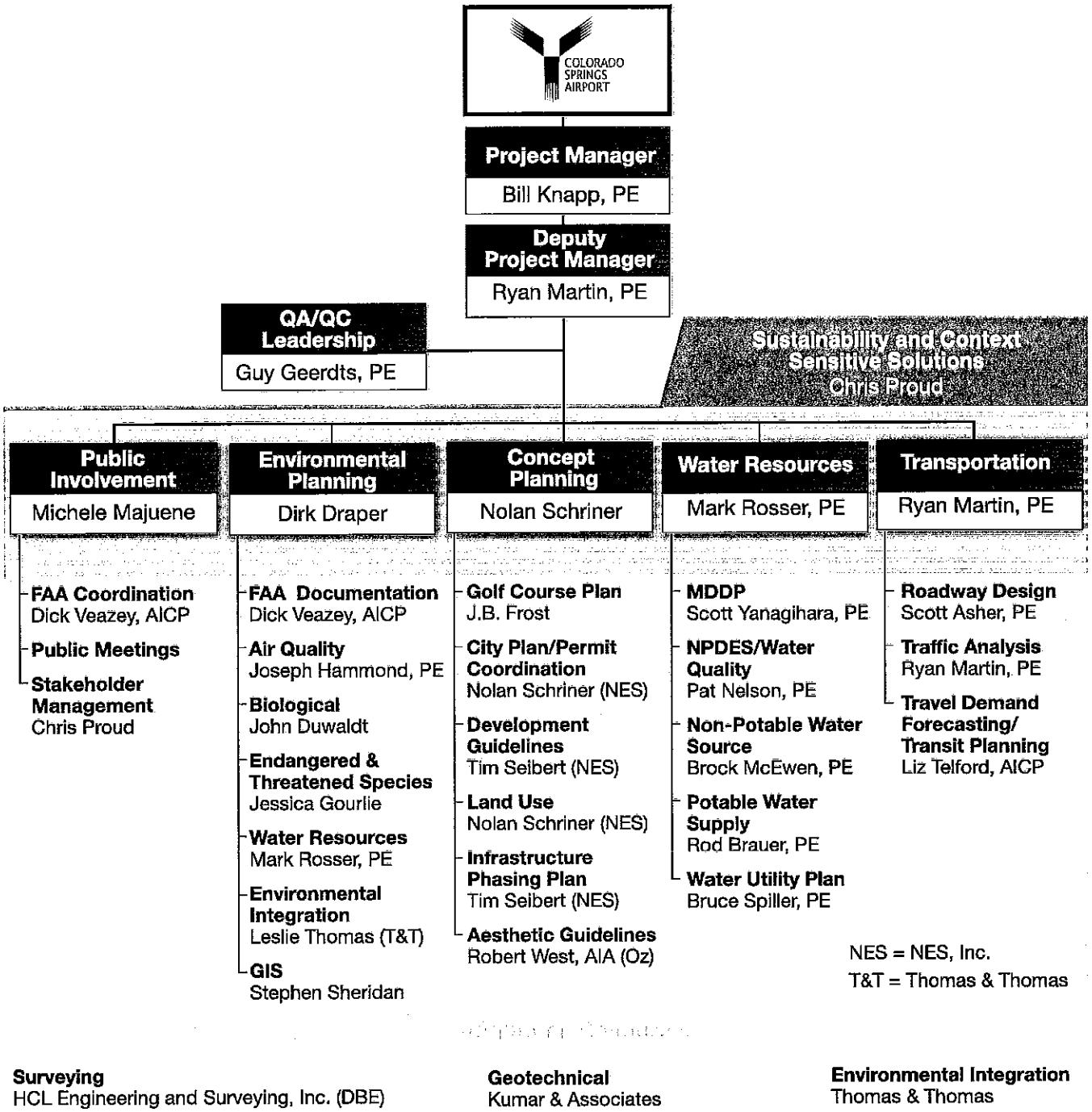
Bill Knapp is a program manager with more than 18 years of experience in planning, feasibility studies, environmental clearances, design, and public involvement of major transportation projects in the Rocky Mountain region. He is known to the City of Colorado Springs for his work as project manager of the Drennan Road Corridor and Powers Boulevard Extension projects, the Union Boulevard Interchange at Austin Bluffs public process and design, and as the principle-in-charge for the Austin Bluffs Parkway Improvements project.

Bill's experience includes extensive site and drainage design with grading plans, detention/retention facilities, and culvert and storm sewer design for various facilities, a strong background in traffic operations, and experience managing EAs and environmental documentation for transportation projects, all highly relevant to this project. He is an expert in coordinating the needs of various agencies on projects, including the City of Colorado Springs Colorado Department of Transportation (CDOT), Pikes Peak Regional Council of Governments, Federal

Exhibit 6.1

Project Organization for the Colorado Springs Airport Business Park Development

The CH2M HILL team organization features many professionals with past experience working on the Airport business park plan and other projects.



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Highway Administration, and municipalities. As the CH2M HILL area manager and vice president for the Colorado Springs office, Bill provides the City the highest level of corporate commitment to COSA's success.

Personnel Resumes

Ryan Martin, PE (CH2M HILL)

Deputy Project Manager and Transportation Lead, and Traffic Analysis

BS/Civil Engineering
Years of Experience: 5

Basis for Selection:

- Experienced airport and transportation planner
- Experienced in CORSIM modeling, traffic operations analysis, regional travel demand modeling, transportation planning, and traffic and aircraft noise analysis

Ryan Martin will assist Bill with the day-to-day management of project task activities. He specializes in airport landside planning and traffic engineering, two disciplines which are highly relevant to all aspects of this project. His recent planning experience includes providing vehicle trip generation estimates, and traffic operations analysis. He has also developed conceptual designs and landside facility requirements for similar developments. He is experienced with the latest landside planning methodologies, computer analysis software, and traffic simulation tools. Ryan has played a key role in several airport planning projects, including:

- Colorado Springs Airport, Colorado
- San Diego International Airport, California
- San Antonio International Airport, Texas
- Anchorage International Airport, Alaska
- Pittsburgh International Airport, Pennsylvania
- Northwest Arkansas Regional Airport, Arkansas

Guy Geerdts, PE (CH2M HILL)

Quality Assurance/Quality Control (QA/QC) Leader

MBA, BS/Civil Engineering
Years of Experience: 20

Basis for Selection:

- Experienced in all phases of airport design and construction at major airports throughout the United States
- Current project manager for the Runway 17R-35L Rehabilitation Project at Colorado Springs Airport

Guy Geerdts is well known to Colorado Springs Airport personnel from his long relationship providing services for a variety of projects, including the airport access and parking facility design and construction management, ongoing construction management of the 17R 35L runway, and others. His knowledge of the Airport operations, staff, and FAA procedures make him highly qualified to lead the QA/QC function for the EA, Concept Plan, and the MDDP.

Guy has also managed airside and landside projects at Denver International, Fort Collins-Loveland, Durango-LaPlata County, Gunnison County, Eagle County Regional, and other international airports.

Additional experience in road and airport design and construction has included runways, taxiways, and aprons for military and civil aviation facilities along with roadways, parking lots, and utility infrastructure. Past design, quality assurance, and complete FAA coordination and compliance make him well suited for this position.

Chris Proud, AICP (CH2M HILL)

Sustainability and Context Sensitive Solutions and Stakeholder Management

MCRP/Community and Regional Planning
BA/International Relations
Years of Experience: 8

Basis for Selection:

- Extensive experience as an environmental and public involvement planner
- Fully incorporates Context Sensitive Solutions (CSS) process into his projects

Chris Proud is a project planner who develops, manages, and leads environmental planning tasks for high-profile projects. Chris is a strong advocate of integrating elements of sustainability into all facets of planning projects. He plans and considers equity, economy, and environment in his pursuit to sustain a high quality of life for ourselves, future generations, and for the natural systems on which we depend.

As a key member of the New Pueblo Freeway Environmental Impact Statement (EIS) project Chris performs environmental evaluation and supports the CSS process. Both he and the project team are working to bring all project stakeholders and the public together in the earliest design phases of the EIS alternatives. The CSS process has been successful in achieving a joint understanding and support for the project, while building momentum for a collaborative process resulting in time savings and efficiency for the subsequent project stages. The New Pueblo Freeway

CSS process is equally addressing safety, mobility and the preservation of scenic, aesthetic, historic, environmental and other community values in the project alternatives and characteristics of the highway. FHWA asked CH2M HILL to lead their CSS training program, which featured the I-25 New Pueblo Freeway project and Chris Proud.

Public Involvement

Michele Majeune (CH2M HILL)

Public Involvement

MPA, BA/Liberal Arts
Years of Experience: 15

Basis for Selection:

- Public involvement specialist on the Union Boulevard Interchange and the Austin Bluffs Parkway Improvements projects in Colorado Springs
- Coordinates decision making and successful public information processes on numerous transportation planning projects

Michele Majeune is an experienced public involvement specialist with more than 15 years of experience in developing communication strategies, public outreach, interagency coordination, and alternative analysis/decision processes. Michele is currently leading the public involvement and information function for the Austin Bluffs Parkway corridor; the Union Boulevard Interchange and the parkway improvements for the City. This experience, as well as her performance as the public information coordinator for the Drennan Road project, has given her strong visibility in the Colorado Springs community. She has extensive experience working in Colorado Springs and understands the importance of gaining the public's buy-in to this development initiative in their community.

Michele's duties will include managing public meetings related to the discipline-specific elements of the project, managing community stakeholders, and coordinating project team activities with the FAA. She will inform, interact with, and address the concerns of the community, stakeholders, and others that may be impacted by the project just as she has on her other local project assignments.

Environmental Planning

Dirk Draper (CH2M HILL)

Environmental Planning

MS/Agriculture and Resource Economics
BS/Agricultural Economics
Years of Experience: 6

Basis for Selection:

- Expert in NEPA documentation and environmental planning
- Experienced manager of environmental studies for major infrastructure projects.

Dirk Draper is an environmental planner and project manager with 6 years of experience with transportation projects and resource management policies in Colorado. Mr. Draper specializes in impact assessments and environmental documentation to comply with state and federal environmental regulations. He has managed the environmental analysis and documentation of transportation projects and the impact analysis of endangered species protection.

Mr. Draper has a broad background in NEPA, and has directed environmental studies for new construction, ranging from university research campuses, to federal courthouses in urban downtowns, to reconstruction of border stations in remote rural settings. He has directed alternatives analysis and site selection studies, written technical reports and permit applications, and coordinated public participation elements of diverse environmental projects.

Dick Veazey, AICP (CH2M HILL)

FAA Coordination and FAA Documentation

Master of Architecture/Urban Design
BA/Architecture
Years of Experience: 40

Basis for Selection:

- Outstanding knowledge of applicable FAA orders, regulations, and criteria, and the ability to apply this information to the business park project
- Experienced in extensive coordination at all levels on a variety of aviation topics and regulations
- Broad involvement in airport environmental studies, environmental documentation, and noise analysis

Dick Veazey manages all aspects of major airport studies and planning activities, including design standards analysis and runway safety, aviation noise matters, airfield lighting, siting and dimensioning pads, airport ground access, and terminal plans. He served as the aviation planning resource for the Interstate 70 Mountain Corridor Major Investment Study, and was responsible for investigations of opportunities that aviation might provide as an alternative to the increased use of surface transportation and addition roadway congestion. Dick has extensive experience in airport environmental studies, environmental statement preparation, and noise analysis. He served as the airport planner and manager of airport planning for Denver International Airport, which involved a number of noise mitigation and FAR Part 150 studies. In addition, he was involved with site selection and environmental documentation of this new aviation facility.

Joseph Hammond, PE (CH2M HILL)

Air Quality

BS/Engineering
Years of Experience: 23

Basis for Selection:

- Proven experience with air quality studies and permitting issues in Colorado Springs.
- Proven strengths include air permitting.

Mr. Hammond is a professional engineer with more than 23 years of environmental engineering experience. He is a senior technologist in CH2M HILL's Colorado Springs office, where he specializes in air permitting for large electrical generation and other utility projects. A former environmental manager for electric operations at Colorado Springs Utilities, he managed the planning, PSD permitting, and construction of the 480-MW, combined-cycle turbine project for Front Range Power, L.L.C., and two 33-MW, simple-cycle turbines for Colorado Springs Utilities. He also developed the Title IV Acid Rain permitting program for Colorado Springs Utilities, setting up the utility's sulfur dioxide allowance system, preparing permit applications, supervising the installation of four Part 75 CEM systems, and operation, maintenance, and reporting staff.

John Duwaldt (CH2M HILL)

Biological

Master of Forest Design
BA/Environmental Studies
Years of Experience: 15

Basis for Selection:

- Grassland Specialist with past work on the COSA business park site

John Duwaldt is a specialist in grassland habitat and has provided over 15 years of ecological support for baseline biological evaluations. His vegetation mapping of a 1,000-acre parcel adjacent to COSA encompasses the same environmental conditions expected at the business park site and provides a strong starting point for additional biological surveys required for the EA.

He is trained in terrestrial ecology and hazardous waste management, and has participated in multiple NEPA environmental impact studies across the U.S. Local experience includes several comprehensive surveys for the Integrated Natural Resources Management Plan for Cheyenne Mountain Air Station, and an installation-wide endangered species survey to identify protected and sensitive habitats and provide species-specific ecological requirements that would not jeopardize the environment.

Jessica Gourlie (CH2M HILL)

Endangered and Threatened Species

MS/Environmental Science
BA/Psychology
Years of Experience: 21

Basis for Selection:

- Environmental planning specialist in site and resource assessment and impact analysis
- Extensive work in rural areas, including highways, electric transmission lines, pipelines and similar facilities

Jessica Gourlie has more than 21 years of environmental experience in project assessment and permitting for wetlands and endangered and threatened species for the FAA Environmental Checklist and Biological Diversity Study at COSA, as well as for transportation, and ecological projects nationwide. She managed wetlands and threatened and endangered species evaluations for several CDOT transportation projects and also managed development of 25 Endangered Species Management Plans for all

federally- and state-listed threatened and endangered wildlife species within a U.S. Army National Guard training site in Florida. Each plan included documentation of current species status, habitat requirements, species ecology, resource conservation goals, management strategies, identification of data needs, and recommendations for monitoring. In addition to endangered and threatened species evaluations, Jessica has extensive experience in permitting, wetland delineation, Phase I and II site assessments, and environmental compliance audits.

Leslie McIntyre Thomas, RLA (Thomas & Thomas)

Environmental Integration

Bachelor of Landscape Architecture
Urban and Physical Geography
Years of Experience: 20

Basis for Selection:

- Extensive landscape architecture experience in Colorado Springs
- Strong understanding of community issues surrounding the business park

Mrs. Thomas has more than 20 years of experience in landscape architecture. She offers extensive project experience in community wide landscape master planning, environmental assessments, and design implementation, specializing in the ecological aspect of landscape architecture. Ms. Thomas most recently completed landscape architecture and site design work at COSA, as well as Shriever Air Force Base facilities, the United States Air Force and the Penrose Center, which was a National Design Competition winner for landscape redevelopment renovations.

Stephen Sheridan (CH2M HILL)

GIS

BA/Geography and Environmental Resource Management
Years of Experience: 11

Basis for Selection:

- Responsible for GIS database development, mapping standards specifications, and cartographic production to creatively facilitate analysis
- Coordinated GIS activities to study transportation alternatives for the highly used I-25 corridor through Colorado Springs

Stephen Sheridan has more than 11 years of GIS experience, and is proficient in applying GIS technologies to telecommunications, transportation, planning, and multidisciplinary projects using various software programs. Recently, he coordinated GIS activities to study transportation alternatives for the highly used corridor through Colorado Springs and Pueblo. This involved the development of a GIS database, integration of data from several counties and local agencies, mapping of sensitive environmental features, evaluation of alternatives, and preparation of maps and reports to support public meetings.

Concept Planning

Nolan Schriner (NES)

City Plan/Permit Coordination

MA/Regional and City Planning
BS/Urban Geography
Years of Experience: 35

Basis for Selection:

- Original participant on the COSA Business Park Master Plan
- Outstanding permitting expertise in Colorado Springs
- Extensive land development master planning experience

Mr. Schriner provides the team outstanding large-scale community design and public involvement facilitation. He supervised land use development of the 9,200-acre Briargate Development since its conception 22 years ago, and planned and designed Mountain Shadows, Nor'wood, Northgate, InterQuest, Kissing Camels, and other local large-scale developments. Mr. Schriner has served as co-chairman of the Colorado Springs Partnership for Community Design, a volunteer non-profit organization of public and private individuals working toward a more livable Colorado Springs. Nolan received the 2002 John Venezia Award from the Partnership for Community Design, given to those individuals who have made longstanding and significant contributions to the community in Planning and Urban Design. His strengths include negotiation, mediation, and community consensus building.

J.B. Frost (CH2M HILL)

Golf Course Plan

BS/Zoology
Years of Experience: 11

Basis for Selection:

- Experienced with golf course permitting and operations at airport sites
- Business park development experience with golf course amenities

J.B. Frost has more than 11 years of experience in land development, drainage, and environmental projects. He continues his involvement with the Arvida Business Park development in Boca Raton, Florida, one of our featured projects that involves the mix of economic development and a golf facility. He is also responsible for application preparation, negotiations concerning wetland mitigation and restoration, determining habitat, and resolution of remedial action between public and private clients and the regulatory agencies. J.B. routinely works on wetland design and implementation programs, wildlife habitat restoration design, and water quality test and evaluation programs. For example, he managed the design and implementation of a 100-acre, manmade wetland system within a large residential and golf community in Florida.

Timothy Seibert, RLA (NES)

Development Guidelines and Infrastructure Phasing Plan

MA/Regional and City Planning
BA/Landscape Architecture
Years of Experience: 11

Basis for Selection:

- Original participant on the COSA Business Park Master Plan
- Outstanding permitting expertise in Colorado Springs
- Extensive land development master planning experience

Mr. Seibert's professional experience and education provide a wide range of skills from large-scale community planning to landscape architectural construction documentation and observation. He specializes in urban design and neighborhood planning and has experience in Traditional Neighborhood Development, sometimes referred to as "New Urbanism." Mr. Seibert's background in landscape architecture provides him with a firm understanding of natural systems and environment analysis that are incorporated into the planning process. Mr. Seibert's recent relevant experience includes his work on the COSA Business Park Master Plan, InterQuest Concept Plan and Design Guidelines, TransPort, a 6,000-acre Multi-Modal Office and Industrial Park in Aurora, Colorado, Gold Hill Mesa Mixed-Use Concept Plan, and Meridian Ranch, a 2,400-acre Golf Course-oriented Master Planned Community in Falcon, Colorado.

Robert West, AIA (OZ)

Aesthetic Guidelines

Bachelor of Architecture
Years of Experience: 21

Basis for Selection:

- Outstanding architectural success in the Colorado Springs area
- Demonstrated excellence creating highly aesthetic guidelines for architectural finish and styles

Bob West has more than 21 years of experience in architecture, designing corporate office buildings, medical office buildings, high tech production/office/warehouse, mixed-use retail/residential, multifamily housing, and retail projects. Bob is adept at build-to-suit and fast track projects and has a well-deserved reputation for excellence in adding value to projects by aesthetic enhancement within limited budgets.

Selected relevant experience includes the following:

Design Guidelines

- City of Louisville Industrial Design Guidelines
- COBE Laboratories Campus Design Guidelines, Lakewood
- Amgen Campus Design Guidelines, Longmont

Buildings

T. Rowe Price, Colorado Springs

Space Mark, Colorado Springs

Briargate Office Building, Colorado Springs

- Celestial Seasonings, Boulder

Master Planning

- Colorado Technical Center, Louisville; 53 acres master planned for high tech flex buildings and office

- Varra Property, Louisville, CO; planning of mixed-use of office, retail, housing, 44-acre site

Water Resources

Mark Rosser, PE (CH2M HILL)

Water Resources

MS/Mechanical Engineering
BA/Geology
Years of Experience: 23

Basis for Selection:

- Extensive experience in stormwater modeling and design of conveyance, water quality treatment, and detention facilities

Mark Rosser, lead drainage manager for the Austin Bluffs/Union Boulevard Interchange, led all tasks associated with developing the hydrology, hydraulic analysis, and concept design of the proposed drainage channel improvements, to ensure that flood depths were not increased by project improvements. He will coordinate drainage issues for the MDDP and monitor drainage design work for conformance to budget, scope, and schedule. Mark also managed an $11.5-million drainage improvement project for the City of Colorado Springs along an 8,400-foot reach of Fountain Creek through an urbanized area of the City.

Scott Yanagihara, PE (CH2M HILL)

MDDP

BS/Civil Engineering
Years of Experience: 13

Basis for Selection:

- Conducted various studies investigating the impact of development on drainage systems
- Prepared sanitary sewer, water distribution, and storm drainage plans for several municipal water districts

Scott Yanagihara has 13 years of engineering experience, including 5 years with the U.S. Army Corps of Engineers. He recently served as a task manager for CDOT Water Quality and NPDES Services Project and prepared new development planning procedures as part of the Phase 1 stormwater permit. He is assisting with updating the CDOT drainage criteria manual and erosion control guide. Mr. Yanagihara prepared a storm drainage master plan for Bromley Park Metro District, in Brighton. For the Town of Parker, he reviewed development proposal to verify drainage design compliance with Town criteria.

Patricia Nelson, PE (CH2M HILL)

National Pollutant Discharge Elimination System (NPDES)/Water Quality

BS/Civil Engineering
Years of Experience: 20

Basis for Selection:

- Expert in obtaining and negotiating NPDES permits

Patricia Nelson is a water quality and resources specialist with more than 20 years of diverse experience. She is actively involved with watershed management programs throughout the western United States, and developed Colorado's Stormwater Permitting Program. This work included evaluation of regulatory authorities, and development of an implementation strategy for the program, staffing, and of a funding mechanism and necessary regulations. Patricia has extensive experience in developing and negotiating water quality-based permit requirements for NPDES permits needed by industries and municipalities. She has regulatory experience in water quality standards, nonpoint source management, stormwater, and water quality assessment programs in Colorado. Patricia also has expertise in watershed management, total maximum daily loads, and assessment/analysis of water quality.

Brock McEwen, PE (CH2M HILL)

Non-Potable Water Supply

MS/Civil Engineering
BS/Chemical Engineering
Years of Experience: 19

Basis for Selection:

- Experienced in planning and designing both non-potable and indirect potable reuse systems throughout the United States
- Participated in the Potable Reuse Feasibility Study and Martin Drake Power Plant Alternative Water Sources study for the City of Colorado Springs.

Brock McEwen has 19 years of professional experience in the municipal water supply industry. He specializes in research and design of water treatment and wastewater reclamation facilities. He has conceived, studied, designed, and assisted with the startup of drinking water facilities deriving their source water from groundwater, surface waters of varying disposition, and from wastewater treatment plant secondary effluents. These drinking water

facilities span the U.S. and range in size from a few mgd to over 100 mgd. Brock served in a leadership role in the Denver Water Department potable reuse demonstration project, and the City of Colorado Springs potable reuse feasibility study for the reclamation of 30 mgd of denitrified secondary effluent.

Rodney Brauer, PE (CH2M HILL)

Potable Water Source

MS/BS/Civil Engineering
Years of Experience: 20

Basis for Selection:

- Experienced in conceptual studies, planning, and design of water treatment facilities
- Expert in large water treatment plant process evaluation, design, and Safe Drinking Water Act (SDWA) standards.

Rodney Brauer has more than 20 years of experience in water treatment and has delivered over a dozen major water treatment plans in the past 10 years. He has extensive experience in planning and implementing pilot studies for large water treatment plans. He has served as a senior consultant for the process selection of Wemlinger Wastewater Treatment Plant in Aurora, and is currently managing the $25-million design-build expansion of this plant. Rodney has expertise in large water treatment plant process evaluation, design, construction management and training. He is familiar with SDWA standards and other regulatory requirements, and has vast knowledge of Front Range water characteristics and treatment options.

Bruce Spiller, PE (CH2M HILL)

Water Utility Plan

MS/Sanitary Engineering
BCE/Civil Engineering
Years of Experience: 22

Basis for Selection:

- Extensive experience in the evaluation and design of conveyance systems and water and wastewater treatment facilities
- Experienced in public involvement techniques to implement projects in the public sector

Bruce Spiller has participated in all phases of water resource projects, including planning, predesign, design, and construction. He has performed project management and lead engineering duties on water and wastewater projects, participating in hydraulic analyses and treatment system component design. Currently, Bruce is the project manager for the Twin Rock Pumping Station for Colorado Springs Utilities. He coordinates hydraulics, control systems, and physical interfaces between the Lower Homestake delivery system and the Twin Rock Pumping Station. He has also worked on the Lower Homestake Parallel Pipeline, Fountain Valley Pipeline Relocation, and the Clear Spring Ranch pipelines.

Transportation

Scott Asher, PE (CH2M HILL)

Roadway Design

BS/Civil Engineering
Years of Experience: 9

Basis for Selection:

- Roadway design, geometric design, and roadway lighting design expertise
- Managed roadway design teams for the Austin Bluffs/Union Boulevard Interchange projects, and developed roadway and interchange alternatives for Drennan Road Extensions

Scott Asher will support Transportation Lead Ryan Martin in developing roadway solutions to meet projected traffic demands for the business park. With more than 9 years of experience in and around the Colorado Springs area, Scott has extensive experience working with the City's engineers and staff, and has developed a thorough knowledge of local planning issues and public concerns. He served as lead roadway designer/assistant project manager for the Union Boulevard Interchange and Austin Bluffs and the Drennan Road Project in Colorado Springs and is managing the Austin Bluffs Parkway Improvement Project. Scott was also the lead roadway designer for the highly successful
I-25/US 50/SH 47 design project in Pueblo. Scott coordinated all design efforts that resulted in significant improvements to capacity and mobility for this roadway network.

Elizabeth Telford, AICP (CH2M HILL)

Travel Demand Forecasting and Transit Planning

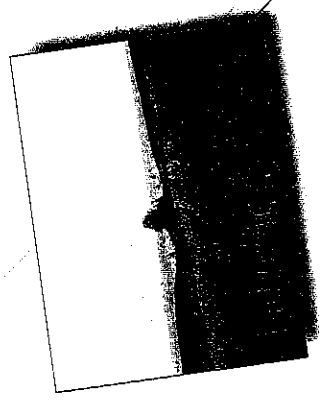
MS/Urban and Regional Planning
BS/Sociology
Years of Experience: 7

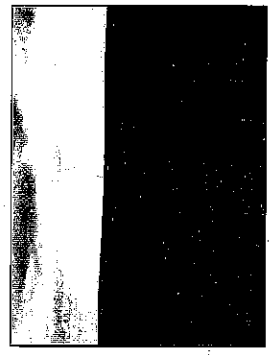
Basis for Selection:

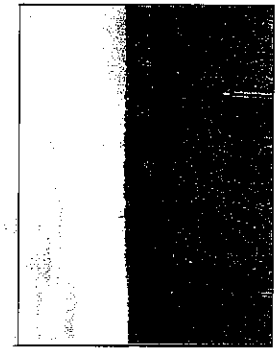
- Experienced in multimodal travel demand forecasting, traffic analysis, and the land use transportation planning interface
- Analyzed alternative roadway alignments to improve safety and traffic flow for the Drennan Road/Academy Boulevard project in Colorado Springs

As a planner and a travel demand forecaster, Elizabeth is aware of the land use and transportation planning interface and understands the multiple stakeholders in the planning process. She has communicated highly technical information to project stakeholders, other technical staff, and the public. She has served on planning projects with the City of Colorado Springs, and has developed travel demand forecasts and analysis for a number of planning projects, including:

- Drennan Road Improvement Project—City of Colorado Springs
- U.S. 287 at Lamar—CDOT
- Central Connector and SW Extension Projects—RTD
- I-70/SH 58 EA—CDOT
- I-25:New Pueblo Freeway Project—CDOT
- Four MISs for RTD, including the I-70 Denver to Golden MIS, the North Metro MIS, the U.S. 36 MIS and the I-225 MIS







Team Fee Schedules

The CH2M HILL team provides the consolidated billing rates for named staff in this proposal in the table below. Per the RFP, the project team will be reimbursed for the following direct costs at actual costs with no markup: Subcontractors, airfares, meals, hotel, car rental, parking, mileage, printing, repro, telephone, and communications as direct costs. CH2M HILL will not charge the City for clerical or administrative time. We assume that charges for a project assistant dedicated to day-to-day project-related tasks, not administrative overhead, is acceptable.

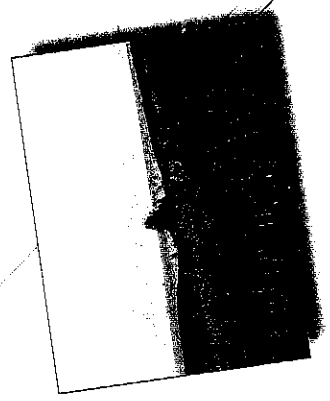
Team member firms without named personnel are on call; classifications and rates are attached.

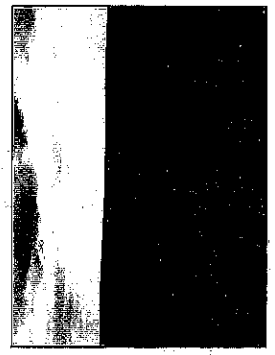
CH2M HILL		Labor Rate
Bill Knapp	Senior Project Manager	$149
Ryan Martin	Task Manager/Project Engineer/Deputy Project Manager	$116
Scott Asher	Task Manager/Project Engineer/Deputy Project Manager	$116
Guy Geerdts	Principal/Senior Consultant	$165
Chris Proud	Task Manager/Project Engineer/Deputy Project Manager	$116
Michele Majuene	Task Manager/Project Engineer/Deputy Project Manager	$116
Dirk Draper	Task Manager/Project Engineer/Deputy Project Manager	$116
Nolan Schriner	Senior Planner	$145
Mark Rosser	Senior Engineer/Scientist	$137
Dick Veazey	Principal/Senior Consultant	$165
Joseph Hammond	Senior Engineer/Scientist	$137
John Duwaldt	Senior Engineer/Scientist	$50
Jessie Gourlie	Senior Engineer/Scientist	$137
Leslie Thomas	Landscape Architect	$110
Stephen Sheridan	Associate Engineer/Scientist/Planner	$100
JB Frost	Principal/Senior Consultant	$165
Tim Selbert	Planner	$130
Robert West	Senior Architect	$180
Scott Yanagihara	Associate Engineer/Scientist/Planner	$100
Pat Nelson	Senior Engineer/Scientist	$137
Bruce Spiller	Principal/Senior Consultant	$165
Rod Brauer	Principal/Senior Consultant	$165
Brock McEwen	Principal/Senior Consultant	$165
Liz Telford	Associate Engineer/Scientist/Planner	$100

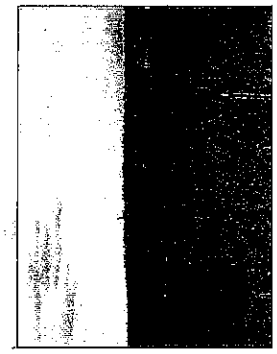
Additional Team Rates

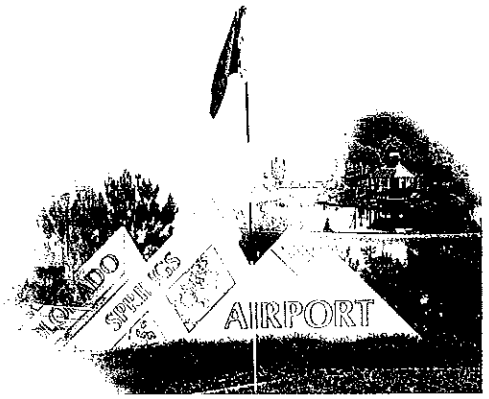
Kumar and Associates	Hourly Rate
Bruce Berends, PE , Project Manager	$120
Duane Craft, PE, Project Engineer	$75
Phil Kangas, CPG, Environmental Manager	$100
Justin Sieberg, Project Geologist/Scientist	$55

HCL	Hourly Rate
Principal	$110
Project Manager	$90
Project Engineer	$75
Senior Designer	$65
CAD Operator	$60
Licensed Surveyor	$90
Survey Technician	$70
Survey Crew (2)	$115









To simplify the selection committee's review of CH2M HILL's financial stability, we provide our Annual 10-K report, starting on the following page.

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

Form 10-K

(Mark One)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

OR

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

FOR THE TRANSITION PERIOD FROM TO

Commission File Number 000-27261

CH2M HILL Companies, Ltd.

(Exact name of registrant as specified in its charter)

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

(303) 771-0900

(Registrant's telephone number, including area code)

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

Securities registered pursuant to Section 12(g) of the Act:
CH2M HILL common stock, Par Value $0.01 per share

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

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

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes ☒ No ☐

As of June 30, 2002, the aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant was $326 million. For purposes of this calculation, it is assumed that the registrant's affiliates include the registrant's Board of Directors and certain of the employee benefit plans of the registrant. The registrant disclaims the existence of any control relationship between it and such employee benefit plans.

As of March 14, 2003, there were 31,393,611 shares of the registrant's stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the 2003 Annual Meeting of Shareholders are incorporated by reference in Part III of this Form 10-K Report.

CH2M HILL COMPANIES, LTD.

ANNUAL REPORT ON FORM 10-K

TABLE OF CONTENTS

PART I

Item 1. *Business*

Overview

CH2M HILL Companies, Ltd. (CH2M HILL) is a project delivery firm founded in 1946. We provide engineering, consulting, design, construction, procurement, operations and maintenance, and program and project management services to clients in the private and public sector in the U.S. and abroad. We are an employee-owned Oregon corporation with approximately 10,600 employees working in 136 offices throughout the U.S. and 60 offices abroad.

For additional information regarding CH2M HILL, including free copies of filings with the Securities and Exchange Commission, please visit our web site at *www.ch2m.com*. The SEC filings, which include our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to such filings, are located in the Careers/Benefits/Ownership section of the web site and are made available as soon as practicable after they are filed with the SEC.

Business Strategy

Our business strategy is to grow domestically and internationally by increasing market share in each of our operating segments. The key elements of this strategy are:

- Increasing the number and the dollar value of our contracts
- Expanding and diversifying our client base by attracting new private and public sector clients and developing a diversified mix of projects
- Increasing the number of large, longer-term projects with the potential for higher profit margins
- Allowing ownership in CH2M HILL across a greater proportion of our workforce

Operating Segments

We provide services to our clients through three operating segments:

- Environmental, Energy and Infrastructure
- Water
- Industrial

Financial information for each operating segment covering each of the last three fiscal years is included in Note 17 of the Notes to Consolidated Financial Statements contained in this Form 10-K.

Environmental, Energy and Infrastructure

Our Environmental, Energy and Infrastructure (EE&I) operating segment consists of two businesses: Energy, Environment & Systems (EE&S) and Transportation. These two businesses are described below.

EE&I's business strategy is to grow by increasing market share in each of its businesses, expanding its client base and obtaining large, longer-term, full-service projects with the potential for higher profit margins. While maintaining its focus on its traditional services, EE&I is expanding its expertise into related industries such as telecommunications, and into related business concepts such as "sustainable development." Sustainable development is a design approach that addresses environmental issues throughout the life of a project, from design and construction to decommissioning and seeks to minimize total environmental impact.

EE&S. EE&S provides integrated energy and power, environmental and waste management, telecommunications infrastructure, nuclear systems and privatization engineering, construction, procurement and operations services for a variety of public and private clients on a worldwide scale.

1. ***Energy & Industrial Systems.*** Our Energy & Industrial Systems group provides full life cycle service for the Energy and Power; Air and Industrial Water and Wastewater Processes; and Facilities and Infrastructure Services market segments for federal and municipal governments, utility and industrial clients. These services include the evaluation and analysis of cost effective integrated systems using advanced conventional and renewable energy technologies and distributed resources to meet premium and clean energy applications. Representative Energy & Industrial Systems project experience includes:

- Coal fired power plant permitting and licensing
- Design and construction management of new combined heat and power generation facilities
- Energy efficiency upgrades
- Feasibility studies, licensing and design of renewable energy, distributed generation and premium power projects
- Industrial water and wastewater facilities design and construction
- Security and vulnerability analysis and infrastructure upgrades of industrial treatment facilities
- Indoor air quality services
- High performance building design, commissioning and energy efficiency

2. ***Environmental Services.*** Our Environmental Services group provides program management, compliance, and environmental consulting for remediation projects, ecological and natural resource damage assessments, strategic environmental management and permitting services, environmental liability management services, site investigations, remedial design, implementation and construction services, treatment systems for hazardous, toxic and radioactive waste contaminated properties, and sustainable development planning, design and construction services. Representative Environmental Services project experience for public and private sector clients includes:

- Program management, environmental compliance and remedial services for national and multinational oil and gas, chemical, petrochemical, manufacturing and other industrial companies
- Environmental consulting, engineering and related activities for the U.S. Department of Defense, U.S. Department of Energy, and other federal government agencies as well as for numerous private sector companies and state and municipal agencies
- Remediation of contaminated sites on U.S. Navy installations in 26 states and several foreign countries
- Ordnance and explosive/unexploded ordnance support for U.S. Department of Defense customers, the U.S. Environmental Protection Agency, and several European national governments

3. ***Nuclear Services.*** Our Nuclear Services group provides program management, integration, engineering, design, construction, management, and a broad array of technical services for U.S. commercial nuclear utility customers, the U.S. Department of Energy and nuclear research, development and demonstration facilities. We manage decommissioning (characterization, decontamination, dismantling, demolition) and closure of weapons production facilities and research

reactors and design nuclear waste treatment and handling facilities. Representative Nuclear Services project experience includes:

- Environmental restoration and remediation support associated with decommissioning of the Maine Yankee Atomic Power Company nuclear facility and termination of its Nuclear Regulatory Committee operating license
- Early site permitting for Exelon Generation Company, LLC for a new generation of nuclear power plants in the U.S.
- Management and integration of decontamination, decommissioning and closure of the nuclear weapons production facility at Rocky Flats in Golden, Colorado, on behalf of the U.S. Department of Energy
- Operation of the Hanford Tank Farm in Richland, Washington, and retrieval/disposition of the nuclear waste contained in its tanks on behalf of the U.S. Department of Energy
- Engineering, design and technical services to support decontamination, decommissioning and remedial activities at the U.S. Department of Energy Hanford Reservation in Richland, Washington
- Management and integration of decontamination, decommissioning and closure of the nuclear weapons production facility in Miamisburg, Ohio, and transfer of selected property to the City of Miamisburg
- Design and construction of engineered near-surface waste disposal facilities for low level and mixed level radioactive wastes at the Idaho Environmental Engineering Laboratory in Idaho Falls, Idaho, and Oak Ridge, Tennessee
- Decontamination and decommission planning and engineering for university research centers in Atlanta, Georgia; Charlottesville, Virginia and Ann Arbor, Michigan

4. ***Communications.*** Our Communications group provides program management, planning, design and construction management of local and regional wireless, fiber optic and hybrid fiber/coaxial systems for voice, video and data communications. We also provide network security, operational support system consulting and systems integration, and managed services to the communications market. Representative Communications project experience includes:

- Program management, design and construction management of voice, video and data networks for a large telecommunications operator in Europe
- Project management, construction management and project controls for a 1,000 cell site build out for a wireless network operator in Asia
- Program management for the upgrade of a hybrid fiber/coaxial network for voice, video and high-speed data services in several U.S. cities
- Project management and integration of multiple legacy inventory management systems for a large network operator in Europe

5. ***Federal Outsourcing & Privatization.*** This group provides operations and maintenance and privatization services to federal government customers. Services include outsourcing of facilities maintenance and management, utilities operations and maintenance, environmental support and minor capital construction projects. Representative Federal Outsourcing & Privatization project experience includes:

- Regional Base Operations Services for the U.S. Navy's facilities in Jacksonville, Florida

- Health, safety, and environmental support for four U.S. Air Force and Navy ranges in the Southwestern U.S.
- Environmental support for the Naval Air Station in Pensacola, Florida
- Due diligence of water and wastewater utility systems at three U.S. Army and U.S. Navy facilities in California and Kentucky, leading to privatization contracts

Transportation. Transportation provides consulting and construction services for airports, highways, bridges, marine terminals, railroads, and transit systems. These services include intermodal transportation planning, environmental planning, project siting, permitting, design, construction/program management, and management consulting and design-build construction. Representative Transportation projects include:

- Corridor planning, environmental planning, design and construction management of interstate highways across the country, such as the I-580 extension near Reno, Nevada and the Marquette Interchange reconstruction in Milwaukee, Wisconsin
- Master planning, design and program management services for international airports including design of new runways at Denver, St. Louis and Dulles airports, program management for major expansion of Seattle-Tacoma airport, and airspace analysis for U.S. Air Force facilities around the world
- Assessment, planning and programming of security systems for airports and seaports in the U.S., including Los Angeles World Airports and marine terminals throughout the Gulf Coast
- Environmental planning, design and program management for light rail transit systems, such as Seattle, Washington and Hampton Roads, Virginia
- Planning, design and project management services for cruise ship terminals in Florida, California, Texas and the Caribbean
- Design-build services for interstate highway bridge projects in Oregon and Florida, a new freeway interchange in Alaska, a light rail transit system in Salt Lake City, Utah, and a cruise ship terminal in Galveston, Texas
- Engineering and construction management for 18 miles of new freeway for Route 288, near Richmond, Virginia

Water

Our Water operating segment consists of two businesses: Water & Wastewater and Operations & Maintenance. The business strategy of the Water operating segment is to grow through increasing market share in each of its businesses, both domestically and internationally, to diversify its client base, and to pursue larger projects. We seek to attract new clients by leveraging our reputation for providing quality services and by taking advantage of the current trends for outsourcing operations and maintenance activities to specialized service providers.

Water & Wastewater. Our Water & Wastewater business focuses on the planning, design, construction and implementation of water supply systems and wastewater treatment facilities. Representative Water & Wastewater projects include:

- Design, construction and commissioning of a water treatment plant in Seattle, Washington
- Design and construction of a membrane bioreactor in Traverse City, Michigan
- Design and construction of a wastewater treatment plant in the Republic of Singapore

- Design, construction and commissioning of a wastewater treatment facility in Manukau, New Zealand
- Program management for design and construction of a deep tunnel sewage project in the Republic of Singapore
- Design and construction of a network of water pumping stations in Sydney, Australia

Operations & Maintenance. Our Operations & Maintenance business provides water, wastewater and public works operations and maintenance services to water and wastewater facility operators, including startup and performance testing, consulting, facility operations, on-going maintenance and management. The facility management services include water and wastewater treatment, collection and distribution, equipment and process maintenance, and site grounds maintenance. Representative Operations & Maintenance projects include:

- Operations and maintenance of a water reclamation center in Fairfield, California
- Operations of the wastewater facilities in Hoboken, New Jersey
- Operations of the wastewater plant plus full public works services in Hinesville, Georgia

Industrial

Our Industrial operating segment provides design, construction, specialized precision manufacturing support, products and sustained facility services support to a variety of clients involved in science and technology. These include "life technologies" companies involved in biosciences research and manufacturing, pharmaceuticals, food and beverage businesses, and fine chemical manufacturers.

The business strategy of the Industrial operating segment is to continue diversification of its client base beyond the microelectronics industry, capitalizing on a strong professional reputation in project delivery of complex manufacturing facilities and leadership in the area of single-source design, engineering and construction of industrial manufacturing facilities.

The Industrial operating segment built its reputation primarily in the microelectronics industry, where it offers a single source for a broad range of integrated design and construction services. The Industrial segment's clients typically require design and installation services for complex systems that comprise many of their facilities, including cleanrooms, ultrapure water and wastewater treatment systems, chemical and gas systems, and production tools. The Industrial segment delivers such complex systems, including entire cleanrooms, on a turnkey design-build basis. The Industrial segment also provides specialized consulting services to optimize the operating efficiency, cost of ownership and return on investment for science and technology enterprises. Representative Industrial projects include:

- Design and construction services for the development of multiple U.S. and foreign production facilities for major microelectronics manufacturers
- Design and construction services for a Mexican food processing manufacturer in the U.S.
- Complete engineering and construction services for multi-national pharmaceutical manufacturers in Europe and the U.S.
- Continuous facility engineering, maintenance and operations support services under multi-year contracts for manufacturers of microelectronics, aviation, pharmaceutical, telecommunications, solar products, and food and consumer products
- The sale of advanced emissions abatement products to electronics manufacturers and mining operations
- Design and installation of complete cleanrooms in Asia, Europe and the U.S.

Clients

Our clients include:

- Companies in the energy, transportation, chemical, steel, aluminum, mining, forest products, electronics, food, pharmaceuticals and manufacturing industries in the U.S. and approximately 40 foreign countries
- The U.S. Agency for International Development, U.S. Department of Defense, U.S. Department of Energy and U.S. Environmental Protection Agency
- A variety of state and local government agencies in the U.S. and abroad

Kaiser-Hill

Kaiser-Hill Company, LLC (Kaiser-Hill) is a joint venture with Kaiser Group International, Inc. CH2M HILL holds a 50 percent interest in the joint venture. In 1995, Kaiser-Hill was awarded the U.S. Department of Energy's Performance Based Integrating Management Contract for the Rocky Flats Closure Project in Golden, Colorado. Rocky Flats is a former U.S. Department of Energy nuclear weapons production facility. Under the contract, Kaiser-Hill oversees plutonium stabilization and storage, environmental restoration, waste management, decontamination and decommissioning, site safety and security.

Under the initial performance-based contract signed by Kaiser-Hill, a concept that was developed in the U.S. Department of Energy's 1994 Contract Reform Initiative, 85 percent of Kaiser-Hill's fees were based on performance, while only 15 percent were fixed. Kaiser-Hill's contract committed it to dealing with urgent risks first. Achievement of measurable results in the following "urgent risk" areas determined Kaiser-Hill's incentive fee: stabilize plutonium and plutonium residues for specific time frames, consolidate plutonium in a single building, and cleanup and remove all high-risk "hot spot" contamination.

Effective February 1, 2000, the U.S. Department of Energy awarded Kaiser-Hill a new contract for the closure of Rocky Flats. Although the new contract is a closure contract and does not have a defined term, Kaiser-Hill anticipates that closure of the site will be in 2006. Under the contract, Kaiser-Hill is compensated through a fee affected, up or down, by its performance against the agreed site target closure costs. Outside a negotiated range, for every dollar that the U.S. Department of Energy saves with earlier clean up, Kaiser-Hill receives a 30 cent increase in fee. At the same time, for every dollar the clean-up is over budget, the fee is reduced by 30 cents up to an agreed minimum. The ultimate fee will also be impacted by the schedule to achieve site closure and the safety of our performance.

Backlog

At December 31, 2002, our backlog was approximately $4,235 million, compared to a backlog of approximately $3,838 million at December 31, 2001. We define backlog as contracted task orders less previously recognized revenue on such task orders. U.S. government agencies operate under annual fiscal appropriations by Congress and fund various federal contracts only on an incremental basis. The same is true of many state, local and foreign contracts. Our ability to earn revenues from our backlog depends on the availability of funding for various U.S. federal, state, local and foreign government agencies.

Government Contracting

Overall, we received 36 percent of our revenues in 2002 from U.S. federal government contracts. Contracts with the federal government and its prime contractors usually contain standard provisions for

termination at the convenience of the government or such prime contractors. Upon such a termination, we are generally entitled to recover costs incurred, settlement expenses and profit on work completed prior to termination. Terminations of federal contracts may occur and such terminations could adversely affect our business and prospects.

Federal contract payments we receive in excess of allowable direct and indirect costs are subject to adjustment and repayment after audit by government auditors. The U.S. government has completed audits on our incurred contract costs through December 31, 2000, and audits are continuing for subsequent periods.

As a U.S. government contractor, we are subject to federal regulations under which our right to receive future awards of new federal contracts, or extensions of existing federal contracts, may be unilaterally suspended or barred if CH2M HILL is convicted of a crime or indicted based on allegations of a violation of specific federal statutes. Suspensions or debarment actions, even if temporary, can result in the loss of valuable contract awards for which we would otherwise be eligible. While suspension and debarment actions may be limited to that division or subsidiary of a company engaged in the improper activity, government agencies have authority to impose debarment and suspension on affiliated entities that were not involved in the improper activity.

Many similar regulations are also applicable to our contracts with state, local and foreign governments.

Our Environmental Activities and Potential Liabilities

A substantial portion of our business has been generated either directly or indirectly as a result of federal, state, local and foreign laws and programs related to the protection of the environment. Our environmental activities are conducted in the context of a rapidly developing and changing statutory and regulatory framework. Such activities are subject to regulation by a number of federal agencies, including the U.S. Environmental Protection Agency (EPA), the U.S. Nuclear Regulatory Commission and the U.S. Occupational Safety and Health Administration, as well as similar state, local and foreign regulatory agencies.

Several federal statutes govern our environmental activities. The Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) established the "superfund" program to clean up hazardous waste sites, and provides for penalties and punitive damages for noncompliance with EPA orders. CERCLA may impose strict liability (joint and several as well as individual) on hazardous substance waste owners, operators, disposal arrangers, transporters and disposal facility owners and operators (collectively, Potentially Responsible Parties or PRPs). Liabilities under CERCLA may include payment of the costs of removal or remedial action, for other necessary response costs, for damages for injury, destruction or loss of natural resources, and for the cost of health effects studies.

Although the liabilities imposed by environmental legislation are generally intended to remedy and prohibit pollution by industrial companies, we could face liability under environmental laws in some circumstances. Increasingly, there are efforts to expand the reach of CERCLA to make environmental contractors responsible for cleanup costs by claiming that environmental contractors are owners or operators of hazardous waste facilities or that they arranged for treatment, transportation or disposal of hazardous substances. Should we be held responsible under CERCLA for damages caused while performing services or for simply working at the site, CH2M HILL could be forced to bear such liability by itself, if contribution or indemnification is not available from other parties. The Resources Conservation and Recovery Act (RCRA) governs hazardous waste generation, treatment, transportation, storage and disposal. RCRA, and similar EPA-approved state programs govern waste-handling activities involving wastes classified as "hazardous." Substantial fees and penalties may be imposed under RCRA and similar state statutes for any violation.

In addition to civil and criminal liabilities under environmental laws, we could face liabilities to clients and other private parties for property damage, personal injury and other claims. Such claims could arise in a number of ways, including:

- An accidental release of pollutants during our performance of services
- The inability of one of our remedial plans to contain or correct an ongoing seepage or release of pollutants
- The inadvertent exacerbation by us of an existing contamination problem
- Reliance by others on reports or recommendations we prepare that turn out to be incorrect

In the environmental field, personal injury claims may arise in connection with our work while it is being done or long after completion of the project. In addition, claimants may assert that we should be strictly liable for performing environmental remediation services—that is, liable for damages even though our services may have been performed using reasonable care—on the grounds that such services involve "abnormally dangerous activities."

Our Contractual Obligations and Potential Liabilities

We operate under a number of different types of contracts with our private and public sector clients, including cost reimbursement contracts, time-and-materials contracts, and fixed price contracts. Fixed price contracts accounted for approximately 24 percent of our revenues in 2002. Under fixed price contracts, we are paid a predetermined amount for all services provided as determined at the project's inception. Under time-and-materials contracts, we are paid at a specified fixed hourly rate for direct labor hours worked. Under cost reimbursement contracts, our costs are reimbursed, often with a negotiated cost ceiling and also with an incentive fee to provide inducement for effective project management. We assume the greatest financial risk on fixed price contracts because we assume the risk of performing those contracts at the stipulated prices regardless of actual costs incurred. We also incur financial risks under time-and-materials contracts because we contract to complete the work at negotiated hourly rates. The failure to accurately estimate ultimate costs or to control costs during performance of the work could result in losses or reduced anticipated profits.

When we perform services for our clients, we can become liable for breach of contract, personal injury, property damage, negligence or other similar liabilities. Such claims could include improper or negligent performance or design, failure to meet specifications, and breaches of express or implied warranties. Because our projects are typically large enough to affect the lives of many people, the damages available to a client or third parties are potentially large and could include punitive and consequential damages. For example, our transportation projects and manufacturing facility projects involve services and products that affect not only our client, but also the many end users of those services and products. In addition, our clients often require us to be responsible for liabilities through contractual indemnities. Such provisions typically require us to assume liabilities for damage or personal injury to the client, third parties and their property, and also for fines and penalties.

We seek to protect CH2M HILL from potential liabilities that may arise from actions by others or from circumstances we cannot control by obtaining indemnification where possible from our private or public sector clients. Such indemnifications are not always available, however. Furthermore, such indemnification generally provides limited protection if we fail to satisfy specified standards of care in performing our services or if the indemnifying party has insufficient assets to cover the liability.

We also try to obtain available indemnities from our public sector clients. For example, some of our clients, including some U.S. government agencies, are Potentially Responsible Parties under CERCLA. Under our contracts with these clients, we usually try to seek contribution from the client for liability imposed on us in connection with our work at these clients' CERCLA sites. In addition,

when we perform superfund related work for our U.S. government clients, CERCLA generally permits us to limit our potential liabilities. However, the EPA recently has significantly narrowed the circumstances under which it will indemnify contractors against liabilities incurred in connection with CERCLA projects. There are also proposals both in Congress and at various regulatory agencies to further restrict indemnification of contractors from third-party claims. In connection with services at the Rocky Flats closure project, Kaiser-Hill is indemnified by its U.S. government client against liability claims arising out of contractual activities involving a nuclear incident.

International Operations Pose Risks and Complexities

We routinely conduct operations outside of the U.S. Overall, we derived $196.5 million or 10 percent of our service revenues in 2002 from such operations. International operations entail additional business risks and complexities such as foreign currency exchange fluctuations, different taxation methods, restrictions on financial and business practices and political instability. Our international clients include both private sector firms and foreign government agencies in approximately 40 countries, with significant projects in Ireland, Spain, Singapore, Germany and China.

Our Industry is Highly Competitive

The market for the design, consulting, engineering and construction services that we offer is highly competitive. We compete with many firms, including large multinational firms having substantially greater financial, management and marketing resources. Some of the competitors are small firms with lower cost structures enabling them to offer lower prices for particular services. We also compete with government agencies, including our own clients, that can utilize their internal resources to perform services that we might otherwise perform.

Most contracts between public sector clients and our EE&I and Industrial operating segments are awarded through a competitive bidding process that places no limit on the number or type of potential service providers. The process usually begins with a government agency request for proposal that delineates the size and scope of the proposed contract. The government agency evaluates the proposals on the basis of technical merit and cost. For the Water operating segment, most contracts are awarded through qualification selection processes that vary among projects.

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

Conflicts of Interest May Limit Opportunities

Many of our clients, potential clients and partners are concerned about actual or possible conflicts of interest in retaining professional services consultants. Government agencies and some private sector clients have contracting policies that may, from time to time, prevent us from seeking or performing contracts for other clients if there is a conflict of interest. We have, on occasion, declined to bid on particular projects because of actual or perceived conflicts of interest, and we are likely to continue encountering such conflicts of interest in the future.

Item 2. ***Properties***

During 2002, our corporate headquarters relocated to a new 155,000 square foot facility at 9191 South Jamaica Street, Englewood, Colorado 80112. In addition, our Denver, Colorado area operations relocated to two 107,000 square foot facilities adjacent to the corporate headquarters at 9189 and 9193

South Jamaica Street. These facilities are utilized by our EE&I and Water operating segments. All of our significant facilities, including approximately 136 domestic and 60 foreign office locations, are under many separate leases. We believe that comparable facilities are available for lease and therefore the loss of any such leases would not have a material adverse impact on our operations. We believe that our current and planned facilities are adequate for the present needs of our business.

Item 3. ***Legal Proceedings***

CH2M HILL is party to various legal actions arising in the normal course of its business, including occasional actions by governmental authorities, some of which involve claims of substantial amounts. Damages assessed in connection with and the cost of defending any such actions could be substantial. CH2M HILL's management believes that the levels of insurance coverage are generally adequate to cover CH2M HILL's liabilities, if any, with regard to such claims. CH2M HILL generally accrues amounts for retentions and deductibles when it is probable that a loss will be incurred and such loss is estimable. Gain contingencies or recoveries are rare and are usually recorded when the cash is collected and the contingencies are removed.

Item 4. ***Submission of Matters to a Vote of Security Holders***

No items were submitted to a vote of security holders during the fourth quarter of 2002.

PART II

Item 5. ***Market for Registrant's Common Equity and Related Shareholder Matters***

CH2M HILL is employee owned. As a result, CH2M HILL stock is only available to certain employees, directors, consultants and benefit plans of CH2M HILL. There is no market for CH2M HILL stock with the general public. In order to provide liquidity for its shareholders, however, an internal market (Internal Market) is maintained through an independent broker, currently Neidiger, Tucker and Bruner, Inc. (NTB).

The Internal Market permits existing shareholders to offer for sale shares of CH2M HILL common stock on predetermined days (each, a Trade Date). Generally, there are four Trade Dates each year which typically occur approximately four weeks after the quarterly meetings of CH2M HILL's Board of Directors which are currently scheduled for February, May, August and November. All sales of CH2M HILL common stock are made at the price determined by the Board of Directors pursuant to the valuation methodology described below.

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

- Employees, directors and consultants of CH2M HILL
- Trustees of the benefit plans
- Administrator of the Payroll Deduction Stock Purchase Plan

CH2M HILL may impose limitations on the number of shares that an individual may purchase when there are more buy orders than sell orders for a particular trade date. After the Board of Directors determines the stock price for use on the next trade date, which is approximately 30 days prior to such trade date, all shareholders, employees, directors and eligible consultants will be advised as to the new stock price and the next trade date.

Our internal market is managed through an independent broker which acts upon instructions from the buyers and sellers to effect trades at the stock price set by the CH2M HILL Board of Directors and in accordance with the Internal Market rules. The broker does not play a role in determining the

price of CH2M HILL common stock. NTB is not affiliated with CH2M HILL. Individual stock ownership account records are currently maintained by the transfer agent.

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

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

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

CH2M HILL may sell shares if the Internal Market is over-subscribed. To the extent that the aggregate number of shares sought to be purchased exceeds the aggregate number of shares offered for sale, CH2M HILL may, but is not obligated to, sell authorized but unissued shares of common stock on the Internal Market at the price in effect on that trade date to satisfy purchase demands. The decision as to whether or not CH2M HILL will sell shares in the Internal Market if the Internal Market is over-subscribed is solely within CH2M HILL's discretion and CH2M HILL will not notify investors whether or not it will participate prior to the trade date. Investors should understand that there can be no assurance that they will be able to buy as many shares as they would like on a given trade date. CH2M HILL will consider a variety of factors including CH2M HILL's cash position, financial performance and number of shares outstanding in making the determination as to whether to participate in an over-subscribed market. The terms of CH2M HILL's revolving line of credit do not play a role in the decision whether to buy or sell shares in the Internal Market. To date, no other factors have been considered by CH2M HILL in its decisions as to whether or not to participate in the over-subscribed market.

If the aggregate purchase orders exceed the number of shares available for sale, the following prospective purchasers will have priority to purchase shares, in the order listed:

- Administrator of the Payroll Deduction Stock Purchase Plan
- Trustees of the 401(k) Plan
- Individual employees, directors and consultants on a pro-rata basis which includes participants purchasing through the pre-tax and after-tax deferred compensation plans

All sellers on the Internal Market, other than CH2M HILL and the trustees of the 401(k) Plan, will pay the broker, currently NTB, a commission equal to two percent of the proceeds from such sales. Employees who sell their common stock upon retirement from CH2M HILL will have the option to sell the common stock they own on the Internal Market and pay a commission on the sale or to sell to CH2M HILL without paying a commission. In the latter case, the employee will sell their common stock to CH2M HILL at the price in effect on the date of their termination in exchange for a four-year note at a market interest rate determined biannually. No commission is paid by buyers on the Internal Market.

Price of CH2M HILL Common Stock

The Board of Directors will determine the price, which is intended to be the fair market value, of the shares of CH2M HILL common stock that will be in effect on each Trade Date pursuant to the valuation methodology described below. The price per share of CH2M HILL common stock generally is set as follows:

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

In order to determine the fair market value of the stock in the absence of a public trading market, the Board of Directors felt it appropriate to develop a formula to use as a tool to determine a price that would be a valid approximation of the fair market value. In determining the fair market value stock price, the Board of Directors believes that the use of a going concern component (i.e., net income, which we call profit after tax, as adjusted by the market factor) and a book value component (i.e., total shareholders' equity) is important. The Board of Directors believes that the process CH2M HILL has developed reflects modern equity valuation techniques and is based on those factors that are generally used in the valuation of equity securities.

Market Factor ("M"). "M" is the market factor, which is subjectively determined in the sole discretion of the Board of Directors. In determining the market factor, the Board of Directors will take into account factors the directors consider to be relevant in determining the fair market value of the CH2M HILL common stock, including:

- The market for publicly traded equity securities of companies comparable to CH2M HILL
- The merger and acquisition market for companies comparable to CH2M HILL
- The prospects for CH2M HILL's future performance
- General economic conditions
- General capital market conditions
- Other factors the Board of Directors deems appropriate

As part of the total mix of information that the Board of Directors considers in determining the "M" factor, the Board of Directors also may take into account company appraisal information prepared by The Environmental Financial Consulting Group, Inc. (EFCG), an independent appraiser engaged by the trustees of CH2M HILL's benefit plans. In setting the stock price, the Board of Directors compares the sum total of the going concern and book value components used in the valuation methodology to the company enterprise appraisal provided by EFCG. If, after such comparison, the Board of Directors concludes that its initial determination of the "M" factor should be re-examined, the Board of Directors may review, and if appropriate adjust, the "M" factor. Since the inception of the program in January 2000, the sum total of the going concern and book value components used by the Board of Directors in setting the price for CH2M HILL stock has always been within the company appraisal range developed by EFCG.

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

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

In its discretion, the Board of Directors may change, from time to time, the market factor used in the valuation process. The Board of Directors could change the market factor, for example, following a change in general market conditions that either increased or decreased stock market equity values for companies comparable to CH2M HILL, if the Board of Directors felt that the market change were applicable to CH2M HILL's common stock as well. The Board of Directors will not make any other changes in the method of determining the price per share of CH2M HILL common stock unless in the good faith exercise of its fiduciary duties and, if appropriate, after consultation with its professional advisors, the Board of Directors determines that the method for determining the price per share of CH2M HILL common stock no longer results in a stock price that reasonably reflects the fair market value of CH2M HILL on a per share basis.

Since the inception of the program on January 1, 2000, the "M" factor has not deviated from 1.0. In deciding that the "M" factor should remain unchanged, the Board of Directors has considered CH2M HILL's performance, the performance of the engineering and construction industry as a whole, and CH2M HILL's perception of its future prospects. CH2M HILL's Board of Directors believes that its industry, on the average, has out-performed the market. We believe that one reason for the favorable performance of this industry segment is that the revenues and earnings of the engineering and construction industry have faired better in the recent economic slowdown than those of many other industries, especially industries connected with technology and the Internet. There can be no assurance that this industry of CH2M HILL will continue to have such favorable results in the future.

Profit After Tax ("P"). "P" is profit after tax, otherwise referred to as net income, for the four fiscal quarters immediately preceding the Trade Date. The Board of Directors at its discretion may exclude from the calculation nonrecurring or unusual transactions. Nonrecurring or unusual transactions are developments that the market would not generally take into account in valuing an equity security. A change in accounting rules, for example, could increase or decrease net income without changing the fair market value of the CH2M HILL common stock. Similarly, such a change could fail to have an immediate impact on the value of the CH2M HILL common stock, but still have an impact on the value of the CH2M HILL common stock over time. As a result, the Board of Directors of Directors believes that in order to determine the fair market value of the CH2M HILL common stock, it needs the ability to review unusual events that affect net income.

Total Shareholders' Equity ("SE"). "SE" is total shareholders' equity, which includes intangible items, set forth on CH2M HILL's most recently available quarterly or annual financial statements. Nonrecurring or unusual transactions could be excluded from the calculation at the discretion of the Board of Directors.

Common Stock Outstanding ("CS"). "CS" is the weighted average number of shares of CH2M HILL common stock outstanding during the four fiscal quarters immediately preceding the Trade Date, calculated on a fully-diluted basis. By "fully-diluted" we mean that the calculations are made as if all outstanding options to purchase CH2M HILL common stock had been exercised and other "dilutive" securities were converted into shares of CH2M HILL common stock. In addition, an estimate of the number of shares that CH2M HILL reasonably anticipates will be issued in the next twelve months under CH2M HILL's stock based compensation programs is included in this calculation.

The "CS" calculation is done on a fully-diluted basis since CH2M HILL believes that taking into account the issuance of all securities which will affect the per share value is a better representation of the share value over time. CH2M HILL has more than a 30-year history in making annual grants of stock based compensation. Therefore, CH2M HILL believes that it has sufficient information to reasonably estimate the number of such "to be issued" shares and accrue for them during the year. This approach avoids an artificial variance in share value during the first calendar quarter of each year when the bulk of shares of common stock are issued by CH2M HILL pursuant to the stock based compensation programs.

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

Effective Date	CS	YTD Weighted Average Number of Shares as reflected in Diluted EPS calculation
	(in thousands)	(in thousands)
February 18, 2000	32,066	29,737
May 11, 2000	32,625	30,200
August 4, 2000	32,968	30,023
November 10, 2000	32,974	30,022
February 16, 2001	33,354	30,033
May 10, 2001	33,666	30,601
August 10, 2001	33,932	31,126
November 9, 2001	34,175	31,111
February 15, 2002	34,321	31,000
May 9, 2002	34,244	31,192
August 9, 2002	34,053	31,507
November 8, 2002	33,941	31,601
February 14, 2003	33,800	31,544

Constant 7.8. In the course of developing this valuation methodology, it became apparent to the Board of Directors that a multiple would be required in order for the stock price derived by this methodology to approximate CH2M HILL's historical, pre-Internal Market stock price. Another objective of the Board of Directors when developing the valuation methodology was to establish the fair market value of CH2M HILL common stock using a market factor of 1.0. CH2M HILL believes that it was important to begin the Internal Market program with an "M" factor equal to 1.0 in order to make it easier for shareholders to understand future changes, if any, to the market factor.

Therefore, the constant 7.8 was introduced into the formula. The constant 7.8 is the multiple that the Board of Directors determined is necessary (i) for the new stock price to approximate CH2M HILL's historical stock price derived using the pre-Internal Market formula as well as (ii) to allow the use of the market factor of 1.0 at the beginning of the Internal Market program.

We intend to announce the new stock price and the Trade Date approximately 30 days prior to each Trade Date. The information will be delivered by the broker to all employees, consultants and eligible participants in the internal market. In addition, we will file a Current Report on Form 8-K disclosing the new stock price and all components used by the Board in determining such price in accordance with the valuation methodology described above. Trade Dates are expected to occur approximately 75 days after the end of each fiscal quarter.

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

Current Price of Common Stock

Starting in 2000, with the introduction of the Internal Market and its quarterly trades, the Board of Directors reviews the common stock price quarterly using the valuation methodology described above to set the price for the common stock. The prices of CH2M HILL common stock, along with the various factors and values used by the Board of Directors to determine such stock prices on each date, are as follows:

Effective Date	M	P	SE	CS	Price Per Share	Percentage Price Increase
		(in thousands)	(in thousands)	(in thousands)		
February 18, 2000	1.0	$13,626	$ 97,092	32,066	$ 6.34	—
May 11, 2000	1.0	16,932	98,233	32,625	7.06	11.4%
August 4, 2000	1.0	18,286	109,290	32,968	7.64	8.2%
November 10, 2000	1.0	20,113	120,090	32,974	8.40	9.9%
February 16, 2001	1.0	24,531	133,992	33,354	9.75	16.1%
May 10, 2001	1.0	25,442	141,692	33,666	10.10	3.6%
August 10, 2001	1.0	26,894	147,003	33,932	10.51	4.1%
November 9, 2001	1.0	27,332	159,264	34,175	10.90	3.7%
February 15, 2002	1.0	27,917	166,886	34,321	11.21	2.8%
May 9, 2002	1.0	27,735	168,297	34,244	11.23	0.2%
August 9, 2002	1.0	28,277	172,122	34,053	11.53	2.7%
November 8, 2002	1.0	27,630	177,541	33,941	11.58	0.4%
February 14, 2003	1.0	26,547	194,954	33,800	11.89	2.7%

Holders of CH2M HILL Common Stock

As of March 14, 2003, there were 4,343 holders of record of CH2M HILL common stock. As of such date, all of the CH2M HILL common stock was owned of record by current employees of CH2M HILL and by various employee benefit plans of CH2M HILL and its subsidiaries.

Dividend Policy

CH2M HILL has never declared or paid any cash dividends on its capital stock and no cash dividends are contemplated in the foreseeable future. We intend to retain any future earnings to finance the growth and development of our business. Under our existing unsecured credit facility, which expires in June 2005, payment of dividends would represent a violation of our covenants.

Item 6. *Selected Financial Data*

The following data has been derived from the Consolidated Financial Statements of CH2M HILL. In 2002, the data was reported on by KPMG LLP, independent public accountants. Previously, the data was reported on by other independent auditors who have ceased operations. During the periods presented, CH2M HILL paid no cash dividends on its CH2M HILL common stock. The following information should be read in conjunction with "Management's Discussion and Analysis of Financial

Condition and Results of Operations" and the consolidated financial statements and related notes thereto, included elsewhere in this Form 10-K.

	Years Ended December 31				
	2002	2001	2000	1999	1998
	(dollars in thousands except per share data)				
Statement of Operations Data:					
Revenues	$1,998,983	$1,940,520	$1,706,738	$1,184,528	$935,030
Operating income	51,305	47,299	47,138	25,987	14,802
Net income	29,655	27,917	24,531	13,626	5,812
Net income per common share					
Basic	0.97	0.93	0.83	0.46	0.21
Diluted	0.94	0.90	0.82	0.46	0.21
Balance Sheet Data:					
Total assets	$ 620,887	$ 567,095	$ 515,415	$ 360,229	$298,325
Long-term debt including current maturities	12,045	10,411	14,467	21,296	27,388
Total shareholders' equity	180,301	166,886	133,992	97,092	75,132

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

The following discussion and analysis explains our general financial condition, changes in financial condition and results of operations for CH2M HILL as a whole and each of our operating segments including:

- Factors affecting our business
- Our revenues and profits
- The source of our revenues and profits
- Why those revenues and profits were different from year to year
- Where our cash came from and how it was used
- How all of this affects our overall financial condition

The following discussion contains, in addition to historical information, forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from the results discussed in the forward-looking statements. As you read this section, you should also refer to our consolidated financial statements and the accompanying notes. These consolidated financial statements provide additional information regarding our financial activities and condition. This analysis may be important to you in making decisions about your investment in CH2M HILL.

Introduction

The engineering and construction industry has been undergoing substantial change as public and private clients privatize and outsource many of the services that were formerly provided internally. Numerous mergers and acquisitions in the industry have resulted in a group of larger firms that offer a full complement of single-source services including studies, designs, construction, operations, and in some instances, facility ownership. Included in the current trend is the movement towards longer-term contracts for the expanded array of services, e.g., 5 to 20 year contracts for facility operations. These larger, longer, more full-service contracts require us to have substantially greater financial capital to remain competitive. We believe we provide our clients with innovative project delivery using

cost-effective approaches and advanced technologies. We continuously monitor acquisition and investment opportunities that will expand our portfolio of services, add value to the projects undertaken for clients, or enhance capital strength. We believe that we are well positioned geographically, technically and financially to compete worldwide in the markets we have elected to pursue and clients we serve.

	2002			2001			2000		
	Revenues		Pre-tax Profit	Revenues		Pre-tax Profit	Revenues		Pre-tax Profit
	(dollars in millions)								
Environmental, Energy and Infrastructure	$1,155.8	58%	$33.4	$1,083.3	56%	$ 30.6	$ 886.4	52%	$27.5
Water	617.4	31%	24.8	578.8	30%	19.6	503.5	30%	19.3
Industrial	225.8	11%	2.4	278.4	14%	11.8	316.8	18%	10.1
Corporate	—	—	(8.3)	—	—	(11.4)	—	—	(7.9)
Total	$1,999.0	100%	$52.3	$1,940.5	100%	$ 50.6	$1,706.7	100%	$49.0

Results of Operations for the Year Ended December 31, 2002 Compared to 2001

Revenues for the year ended December 31, 2002 were $1,999.0 million compared to $1,940.5 million for the same period in 2001, an increase of $58.5 million or 3.0%. The EE&I segment reported increased revenues of $72.5 million or 6.7%. For the same period, the Water segment reported increased revenues of $38.6 million or 6.7% and the Industrial segment reported decreased revenues of $52.6 million or 18.9%.

Pre-tax profit for the year ended December 31, 2002 was $52.3 million compared to $50.6 million in the same period of 2001. The increase of $1.7 million was comprised of increases in the EE&I segment of $2.8 million, the Water segment of $5.2 million and a decrease in the Industrial segment of $9.4 million. Corporate expenses decreased by $3.1 million.

Environmental, Energy and Infrastructure

Revenues in the EE&I segment for the year ended December 31, 2002 were $1,155.8 million compared to $1,083.3 million for the same period in 2001. This $72.5 million increase was due to improvements in the environmental, nuclear and transportation businesses, offset by declines in the energy and telecommunications businesses, as described below:

- The environmental business reported increased revenues of $46.2 million compared to 2001. This increase was due to work scope expansion on certain large federal programs and a continuation of strong performance in the private sector.
- The nuclear business reported increased revenues of $53.7 million compared to 2001. This increase occurred primarily due to the timing of certain delivery efforts at the U.S. Department of Energy's Hanford River Protection Project and due to earnings from Kaiser-Hill. The EE&I operating segment recorded $16.95 million of additional earnings ($6.7 million net of incentive accruals and related tax expense) from Kaiser-Hill as a result of favorable performance on the Rocky Flats project for the U.S. Department of Energy. Effectively, excellent performance and innovative technology solutions have increased the likelihood of receiving a larger performance fee upon completion, and therefore we have adjusted the contract-to-date results to reflect this positive performance.

- The transportation business also reported an increase in revenues of $19.3 million in 2002 compared to 2001 due primarily to the acquisition of Gee & Jensen, an engineering and consulting firm in the ports industry, in January 2002. Excluding the revenues from the acquisition, the transportation business reported a slight increase in revenues. While the transportation business has experienced strong growth in recent years from federal legislation such as the Transportation Equity Act for the 21st Century (TEA-21) and the Aviation Investment and Reform Act for the 21st Century (AIR-21), the expectations are that an extended economic downturn in the U.S. will result in less funding at the state and local agencies, which will affect future growth.
- These revenue increases were offset by the completion or termination of several large projects in the energy and telecommunications businesses, both of which are experiencing significant downturns. The telecommunications industry still shows no sign of recovery on the capital expenditure side, where much of our historical work has been. However, we continue to invest in this business in order to be positioned to compete for work in other sectors of the telecommunications industry.

For the year ended December 31, 2002, pre-tax profit was $33.4 million compared to $30.6 million in the same period of 2001, an increase of $2.8 million. Pre-tax profit as a percentage of revenues was 2.9% for 2002 compared to 2.8% for the same period of 2001. Excluding the write-off of the investment in CAI Investments, LLC (CAI) that was reported in the second quarter of 2002 as discussed below and the additional earnings recognized from Kaiser-Hill, pre-tax profit for 2002 would have been $27.5 million or 2.4% of revenues.

This decline was primarily attributable to the telecommunications business. In addition to a severe downturn and project terminations, management made the decision to record an allowance for uncollectible accounts of $3.0 million related to an international telecommunications client as a result of information available about the client's inability to pay. As reported in the second quarter of 2002, we recorded an asset impairment charge of $10.0 million (which is estimated to be $3.6 million, net of incentive accrual reductions and related tax benefits) for an investment that represented a minority interest in an international telecommunications investment company. Pre-tax profit was also negatively impacted by increased business development outlays in the international and design-build markets related to all businesses in the EE&I segment.

Water

The Water segment reported revenues of $617.4 million for the year ended December 31, 2002 compared to revenues of $578.8 million in the same period of 2001. The increase of $38.6 million or 6.7% was attributable to significant growth in the water and wastewater business as well as the operations and maintenance business. The increases were achieved primarily from the strong performance of both our traditional and design-build North America operations. Market conditions domestically and abroad remain favorable as utilities invest in water related facilities. These investments are driven by population and economic growth in certain regions, and capacity shortfalls and regulatory requirements in other regions.

The Water segment reported $24.8 million of pre-tax profit for the year ended December 31, 2002 compared to $19.6 million of pre-tax profit for the same period of 2001. Pre-tax profit as a percent of revenues for 2002 was 4.0% compared to 3.4% for 2001. The improvement of $5.2 million in pre-tax profit is attributable to increased revenues and service delivery improvements, combined with additional efficiencies in business development and leveraged overhead costs.

Industrial

The Industrial segment reported revenues of $225.8 million for the year ended December 31, 2002, of which $103.6 million was generated from the microelectronics industry. The revenues for 2001 were $278.4 million, of which $181.1 million was generated from the microelectronics industry. The decrease of $52.6 million was comprised of a $77.5 million decrease in revenues from the microelectronics industry, offset by an increase in revenues of $24.9 million from other industries, including food, pharmaceutical and facility services. The primary contributor to this overall decline in revenue was due to the economic decline in the microelectronics industry. Some of the earlier indications of a microelectronics industry recovery have turned out to be premature, particularly in the flat panel sector of that industry. We anticipate that the economic downturn in the microelectronics industry may also negatively impact the Industrial segment's results in 2003.

The Industrial segment reported $2.4 million of pre-tax profit for the year ended December 31, 2002 compared to $11.8 million for the year ended December 31, 2001. Pre-tax profit as a percent of revenues for 2002 was 1.1% and 4.2% for 2001. The decrease in pre-tax profit was due to a decline in the volume of services sold during 2002 as compared to 2001. Direct project costs, as a percentage of revenues, was comparable in the periods ended 2002 compared to 2001. Indirect labor costs, which consist of salaries and benefits of all administrative personnel, plus salaries and benefits of technical personnel for hours not spent working on billable client services, increased as a percent of the services portion of revenues. This increase is directly related to the lower demand for services in the microelectronics industry. General and administrative costs have also increased due to maintaining certain staffing levels in order to be positioned for a recovery in the microelectronics industry.

Results of Operations for the Year Ended December 31, 2001 Compared to 2000

Revenues for the year ended December 31, 2001 were $1,940.5 million compared to $1,706.7 million for the same period in 2000, an increase of $233.8 million or 13.7%. The EE&I segment reported increased revenues of $196.9 million or 22.2%. For the same period, the Water segment reported increased revenues of $75.3 million or 15.0% and the Industrial segment reported decreased revenues of $38.4 million or 12.1%.

Pre-tax profit for the year ended December 31, 2001 was $50.6 million compared to $49.0 million in the same period of 2000. The increase of $1.6 million was comprised of increases in the EE&I segment of $3.1 million, the Water segment of $0.3 million and the Industrial segment of $1.7 million. Corporate expenses increased by $3.5 million.

Environmental, Energy and Infrastructure

Revenues in the EE&I segment for the year ended December 31, 2001 were $1,083.3 million compared to $886.4 million for the same period in 2000. This $196.9 million increase was due to improvements in all businesses within this segment. The nuclear and energy sectors contributed a significant portion with an increase in revenues of $130.4 million compared to 2000. This increase was attributable to the U.S. Department of Energy's Hanford River Protection Project in Richland, Washington and to the upsurge in the energy business stemming from the energy crisis on the West Coast of the U.S. Revenues from the Hanford River Protection Project for the year ended December 31, 2001 continue to be higher compared to the same periods in 2000 due to the expansion of the work scope. The increase in revenues in the energy sector is a direct result of significant demand for power plant permitting by independent power producers and utilities, as they push for quick implementation of power generation projects.

The environmental, telecommunications and transportation businesses also contributed to the increase in revenues. Environmental revenues increased $26.4 million due to an increase in subcontractor revenues on several large federal programs. Telecommunications revenues increased

$11.1 million due to growth internationally as clients build or upgrade new infrastructure to keep pace with advances in technology. Furthermore, we collected $6.8 million for a three-year old receivable in Asia that we previously provided an allowance for.

The remainder of the increase was generated by the transportation business as a result of market-driven demand and added delivery capacity. The market demand is primarily the result of TEA-21 which was adopted by Congress in 1998. TEA-21 provides federal funding to various states for transportation infrastructure improvement projects for highways, highway safety and transit through 2003. Because of the current economic slowdown and wartime activities, it is unknown at this time what impact on funding from these factors there will be at the federal and state government levels for future transportation projects. In order to expand the scope of services we offer to our clients, we broadened our business by acquiring Gee & Jensen, an engineering and consulting firm in the ports industry, in early 2002 for which we spent $4.4 million.

Water

The Water segment reported revenues of $578.8 million for the year ended December 31, 2001 compared to revenues of $503.5 million in the same period of 2000. The increase of $75.3 million or 15.0% was attributable to significant growth in the water and wastewater business as well as the operations and maintenance business. Revenues from traditional engineering consulting services were $62.1 million higher than the same period of 2000, propelled by prior business development investment in the U.S. and abroad, especially Asia. Much of this growth was achieved from design-build projects as we continue to grow this area of our operations in order to meet market demands. Additionally, revenues from operations and maintenance services increased by $13.2 million primarily due to new contracts, scope increases and shorter term consulting services on existing contracts.

The Water segment reported $19.6 million of pre-tax profit for the year ended December 31, 2001 compared to $19.3 million of pre-tax profit for the same period of 2000. Pre-tax profit as a percent of revenues for 2001 was 3.4% compared to 3.8% for 2000. The increase of $0.3 million in profit is attributable to the revenue growth within all of our Water businesses offset by higher start-up costs on newly acquired operations and maintenance projects, as well as a charge in the first quarter of 2001 on a global water project where we were experiencing project delivery issues.

Industrial

The Industrial segment reported revenues of $278.4 million for the year ended December 31, 2001, of which $181.1 million was generated from the microelectronics industry. The revenues for 2000 were $316.8 million, of which $194.8 million was generated from the microelectronics industry. The decrease of $38.4 million was comprised of a $13.7 million decrease in revenues from the microelectronics industry and a decrease in revenues of $24.7 million from other industries, including food, biopharmaceutical, fine chemical and facility services. The mix of the revenues between construction costs versus services for engineering and construction management also changed significantly from 2001 as compared to 2000. The construction cost component of revenues decreased from $142.5 million, which was 45.0% of 2000 revenues, to $82.6 million, which was 29.7% of 2001 revenues. The construction revenue decrease was due to construction projects that completed during 2000. This decrease in construction revenues of $59.9 million was offset in part by an increase of $21.5 million in revenues from services, which increased to $195.8 million in 2001. The services revenue increase was due to a significant recovery in the microelectronics industry during the first half of 2001. However, during the second half of 2001 the industry began to show signs of weakness because of soft demand for its products.

The Industrial segment reported $11.8 million of pre-tax profit for the year ended December 31, 2001 compared to $10.1 million for the year ended December 31, 2000. Pre-tax profit as a percent of

revenues for 2001 was 4.2% and 3.2% for 2000. The increase in pre-tax profit was due to an increase in the volume of services sold during 2001 as compared to 2000 and an increase in project margins. Direct project costs, as a percentage of revenues, decreased 8% in 2001 as compared to 2000. This decrease is due to a reduction in construction related costs directly associated with the decrease in construction revenues. This resulted in higher project margins due to the change in mix of revenues, where the construction revenue component decreased considerably over the service revenue component during 2001. Indirect labor costs, which are made up of salaries and benefits of all administrative personnel, plus salaries and benefits of technical personnel for hours not working on billable client services, increased, as a percent of the services portion of gross revenues, from 20.9% in 2000 to 25.4% in 2001. This increase is due to the significant decrease in the number and size of projects performed for the microelectronics industry during the last two quarters of the year. Other overhead, general and administrative costs remain relatively unchanged as a percentage of the service portion of revenues.

Joint Ventures

We routinely enter into joint ventures to service the needs of our clients. Such arrangements are customary in the engineering and construction industry and generally are project specific. Our largest joint venture is Kaiser-Hill, in which we own a 50% interest. This joint venture is included in our EE&I operating segment. In 2000, the U.S. Department of Energy awarded Kaiser-Hill a new contract for the closure of Rocky Flats. Although the new contract is a closure contract and does not have a defined term, we anticipate closure of the site in 2006. Under the new contract, Kaiser-Hill is compensated through a fee affected, up or down, by its performance against the agreed site target closure costs. Outside of a negotiated range, for every dollar that the U.S. Department of Energy saves with earlier clean-up, Kaiser-Hill receives a 30-cent increase in fee. At the same time, for every dollar the clean-up is over budget, the fee is reduced by 30 cents down to an agreed minimum. The ultimate fee will also be impacted by the schedule to achieve site closure and the safety of our performance. Due to the timing of specific work scopes and the completion of activities, earnings may not be comparable from period to period.

The earnings from Kaiser-Hill are reported as equity in earnings of joint ventures and affiliated companies, along with other joint ventures that are individually insignificant. For the years ended December 31, 2002, 2001, and 2000, we reported equity in earnings of joint ventures and affiliated companies of $44.0 million, $17.1 million and $13.4 million, respectively. The earnings from Kaiser-Hill for the same periods were $36.8 million, $15.1 million and $10.2 million, respectively. The increase in earnings for 2002 and 2001 is attributable primarily to the portion of the fee that is impacted by cost estimate reductions as a result of favorable performance on the Rocky Flats project for the U.S. Department of Energy. Effectively, excellent performance and innovative technology solutions have increased the likelihood of receiving a larger performance fee upon completion. Therefore, we have adjusted the contract-to-date results to reflect this positive performance and recorded $16.95 million of additional revenue ($6.7 million of profit after tax) from Kaiser-Hill.

Corporate Expenses

Corporate expenses for the year ended December 31, 2002 were $8.3 million compared to $11.4 million in 2001 and $7.9 million in 2000. The decrease of $3.1 million from 2001 to 2002 relates primarily to overhead spending controls put in place in 2002. The increase of $3.5 million from 2000 to 2001 relates primarily to an increase in general infrastructure to support our Internal Market and the growth in our operations. Corporate expenses represent centralized management costs that are not allocable to individual operating segments and primarily include expenses associated with administrative compliance functions such as legal, treasury, accounting, tax and general business development efforts.

Income Taxes

Date	Income Tax Provision	Effective Tax Rate
	(in millions)	
2002	$22.6	43.3%
2001	$22.7	44.8%
2000	$24.4	49.9%

The decrease in the effective tax rate is primarily due to a net reduction of permanently disallowed expenses. Our effective tax rate continues to be higher than the U.S. statutory income tax rate of 35.0% due to state taxes and the disallowed portions of meals and entertainment expenses and non-deductible foreign net operating losses.

Liquidity and Capital Resources

Cash Flows from Operating Activities

For the year ended December 31, 2002, operations provided $66.5 million of cash compared to $41.6 million in 2001 and $115.1 million in 2000. For 2002, the cash provided by operations was due primarily to earnings, adjusted for other non-cash items and by a change in working capital. The non-cash items for the period included stock-based compensation, the $10.0 million write-off of our investment in CAI, $21.1 million of undistributed earnings from Kaiser-Hill, and a $3.0 million allowance for an uncollectible receivable related to an international telecommunications client. Working capital changes primarily relate to a decrease in billings in excess of revenue of $25.3 million and an increase in other current liabilities of $38.3 million. The decrease in billings in excess of revenue is generally the result of the downturn in the telecommunications and microelectronics industries.

In 2001, we invested $10.0 million for a minority interest in CAI, an international telecommunications investment company, which holds minority interests in various cable and wireless companies. During the quarter ended June 30, 2002, we concluded that the fair market value of our investment had declined materially and that this decline was not temporary because the value of CAI's holdings was impaired by rapidly deteriorating market conditions in the telecommunications industry and because of CAI's inability to secure timely financing for projects. Therefore, we recorded an asset impairment charge in the amount of the entire investment value of $10.0 million (which is estimated to be $3.6 million, net of incentive accrual reductions and related tax benefits).

During 2002 and 2001, we recognized undistributed earnings from Kaiser-Hill of approximately $21.1 million and $7.2 million, respectively. Kaiser-Hill's ability to distribute cash is based on pre-negotiated payment terms in accordance with its contract with the U.S. Department of Energy and can be different from the earnings recognized for accounting purposes. As the cleanup of the site progresses toward the targeted closure date of 2006, undistributed earnings could continue to increase if Kaiser-Hill continues to perform at better than cost and schedule targets.

During the quarter ended September 30, 2002, management made the decision to record an allowance for an uncollectible account of $3.0 million as a result of information available about the client's inability to pay. We will continue to monitor the status of these receivables and make appropriate adjustments, if necessary.

For the years ended December 31, 2001, operations provided $41.6 million of cash compared to $115.1 million in 2000. Both of these years reflect an increase in our receivables and billings in excess of revenues due to growth in operations in the EE&I and the Water operating segments. The fluctuation in accounts payable for 2000 and 2001 is primarily related to the Industrial segment which experienced growth in 2000 coupled with an increase in the pass-through of revenues and expenses related to large construction projects followed by a slowdown of operations in 2001.

Cash Flows from Investing Activities

Our business does not normally require significant capital expenditures. The capital expenditures are generally for purchases of office equipment and leasehold improvements. We spent $5.9 million in 2002, $7.7 million in 2001 and $7.9 million in 2000 on such expenditures. We have a formal operating lease program under which most of our computing and related equipment is procured on an ongoing basis.

In order to expand the scope of services we offer to our clients, we broadened our transportation business in January 2002 by acquiring Gee & Jensen, an engineering and consulting firm in the ports industry, for a cash outlay of $4.4 million. In addition, during the quarter ended September 30, 2002, we acquired a company that handles unexploded ordnances for a cash outlay of $6.3 million.

During 2001, we signed a new five-year contract with the U.S. Department of Energy that extended our contract at the Hanford River Protection Program through September 2006, for which we paid Lockheed Martin Corporation an additional $5.0 million. We also invested $10.0 million for an equity interest in CAI that was established by a client for the purpose of acquiring, holding, managing and selling investments in telecommunications properties. This investment was written off in 2002.

Cash Flows from Financing Activities

In 2002, 2001 and 2000, we used $33.0 million, $24.7 million and $20.4 million of cash in financing activities, of which $29.1 million, $20.6 million and $13.7 million were used to purchase stock presented on the internal market in 2002, 2001 and 2000, respectively. These transactions were funded by cash flows from operations.

Another source of liquidity is our unsecured credit facility of $125.0 million, which we have not borrowed on since early 2000. The facility may be used for general corporate purposes, permitted acquisitions and support of letters of credit. In the ordinary course of business, letters of credit are provided to clients for performance or completion guarantees on engineering and construction contracts. Primarily as a result of CH2M HILL's strong credit standing, we have access to substantial bonding capacity, which is often used for the issuance of surety bonds to guarantee our performance on contracts.

We believe that we have adequate financial resources to fund our operations in 2003 and beyond, including working capital requirements, capital expenditures and potential future acquisitions or strategic investments.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

During 2001, CH2M HILL and a trust (Trust) entered into an agreement whereby the Trust acquired land in Englewood, Colorado for the purpose of constructing and owning CH2M HILL's new corporate headquarters and another building. The construction of these two buildings was completed in October 2002. The Trust was formed to fund the construction, own the land and the two buildings and subsequently lease the facilities to CH2M HILL. The Trust was funded by equity and debt investments from independent third parties. The lease agreement was effective upon completion of construction. The lease agreement calls for monthly lease payments of approximately $0.4 million for ten years and

requires that CH2M HILL guarantee a residual value of the facilities for approximately $42.0 million. Upon completion of the lease term, subject to certain limitations, CH2M HILL has the option to purchase the facilities from the Trust at fair market value, which is currently estimated to be $53.0 million.

In March 2002, a second trust (2002 Trust) was formed to fund the construction of an additional building adjacent to those owned by the Trust and subsequently lease the building to CH2M HILL. The construction was completed in December 2002. The 2002 Trust was also funded by equity and debt investments from independent third parties. The lease agreement was effective upon completion of construction. The lease agreement calls for monthly lease payments at a variable interest rate, estimated to be approximately $0.1 million per month for up to ten years, based on current interest rates. In addition, the lease agreement requires that CH2M HILL guarantee a residual value of the additional building of approximately $17.6 million. Upon completion of the lease term, subject to certain limitations, CH2M HILL has the option to purchase the additional building from the 2002 Trust at fair market value, which is currently estimated to be $20.8 million.

At December 31, 2002, CH2M HILL had the following contractual obligations:

	Payments due by period				
Contractual Obligations	**Less than 1 Year**	**1-3 Years**	**3-5 Years**	**Over 5 Years**	**Total**
			(in millions)		
Long-term debt	$ 2.8	$ 5.0	$ 2.2	$ 2.1	$ 12.1
Operating lease obligations	49.4	78.3	47.0	26.2	200.9
Total	$52.2	$83.3	$49.2	$28.3	$213.0

CH2M HILL maintains a variety of commercial commitments that are generally made available to provide support for various provisions in its engineering and construction contracts. Letters of credit are provided to clients in the ordinary course of the contracting business in lieu of retention or for performance and completion guarantees on engineering and construction contracts. CH2M HILL also posts surety bonds, which are contractual agreements issued by a surety, for the purpose of guaranteeing our performance on contracts. Bid bonds are also issued by a surety to protect owners and are subject to full or partial forfeiture for failure to perform obligations arising from a successful bid.

Commercial commitments outstanding as of December 31, 2002 are summarized below:

	Amount of Commitment Expiration Per Period				
Commercial Commitment	**Less than 1 Year**	**1-3 Years**	**4-5 Years**	**Over 5 Years**	**Total Amount Committed**
			(in millions)		
Letters of credit	$ 13.6	$ —	$ —	$ —	$ 13.6
Residual value guarantees	—	—	—	59.6	59.6
Surety bonds	269.4	187.3	.1	3.7	460.5
Total	$283.0	$187.3	$ .1	$63.3	$533.7

Insurance

CH2M HILL carries professional liability and general casualty insurance, including general liability, property, automobile, fiduciary, workman's compensation, directors' and officers', contractor's pollution liability and other coverages which are customary in the industry. As of the date of this filing, CH2M HILL has maintained continuity of coverage for insurance and capacity for surety bonds. The tragic events of September 11, 2001 and recent highly publicized corporate bankruptcies have had an impact

on the financial status of a number of insurance and surety providers. This may cause an increase in the cost and a decrease in the availability of insurance and surety coverages. CH2M HILL enjoys long term relationships with our insurance and surety providers and management believes that we will be able to continue to have access to professional liability and general casualty insurance, as well as surety bonds, with sufficient coverage limits and on acceptable financial terms necessary to support our business. The cost of such coverage has increased and is expected to continue to increase in the short term. Such cost increases are expected to range annually between 15% and 40% for various insurance policies and surety bonds. Such increases should not have a material impact on our business.

CH2M HILL's current insurance policies include coverage for terrorist acts, except for acts of war. In the future, terrorist act coverage may be limited or expensive to obtain. While we will attempt to renew our insurance policies without losing the terrorism coverage, we do not believe that lack of such coverage would have a material impact on our business. We also believe that we will be able to supplement our current insurance program with terrorism coverage on an as needed basis to support specific business requirements through required terrorism insurance offerings under the Terrorism Risk Insurance Act of 2002.

Our risk management personnel continuously monitor the developments in the insurance market. The financial stability of the insurance and surety providers is one of the major factors that we take into account when buying our insurance coverage. Currently our insurance and bonds are purchased from several of the world's leading and financially stable providers. As a contingency, we also have relationships with alternative insurance and surety companies that can step in and replace any one of our current providers, if we have reasons to believe that they are no longer stable financially.

Critical Accounting Policies

CH2M HILL's discussion and analysis of its financial condition and results of operations are based upon its consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the U.S. The preparation of these financial statements requires CH2M HILL to make estimates and judgments that affect both the results of operations as well as the carrying values of our assets and liabilities. Some of our accounting policies require us to make difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. CH2M HILL bases estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities as of the date of the financial statements that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Although our significant accounting policies are described in Note 1 of the Notes to Consolidated Financial Statements, below is a summary of our most critical accounting policies.

- CH2M HILL's revenue is primarily attributable to engineering and construction contracts wherein the contract revenue is recognized primarily on the percentage-of-completion method by relating the actual cost of work performed to date to the current estimated total cost of the respective contracts. In making such estimates, judgments are required to evaluate contingencies such as potential variances in schedule and the cost of materials and labor, liability claims, contract disputes, or achievement of contractual performance standards. Changes in total estimated contract costs and losses, if any, are recognized in the period they become known.

- In determining net income for financial statement purposes, we must make estimates and judgments in the calculation of tax assets and liabilities and in the determination of the recoverability of the deferred tax assets. The tax assets and liabilities arise from temporary differences between the tax return and the financial statement recognition of revenues and expenses.

  We must assess the likelihood that we will be able to recover our deferred tax assets. If recovery is not likely, we must increase our tax provision by recording a valuation allowance for the deferred tax assets that we estimate will not ultimately be recoverable. As of December 31, 2002 and 2001, we reported a valuation allowance of $3.6 million.

  In addition, the calculation of our tax assets and liabilities involves dealing with uncertainties in the application of complex tax regulations. We may recognize a tax asset or reduce taxes payable for anticipated state or federal tax credits, such as those relating to the research and development tax credit.

- CH2M HILL has two frozen and one active noncontributory defined benefit pension plans. Our earnings and shareholders' equity may be impacted by these qualified defined benefit plans because Financial Accounting Standards Board (FASB) Statement No. 87, "Employers' Accounting for Pensions," requires that the amounts we record be computed using actuarial valuations. These valuations include many assumptions, but the two most critical assumptions are the discount rate and the expected long-term rate of return on plan assets. We use judgment in selecting these assumptions each year because we have to consider not only current market conditions, but also make judgments about future market trends, changes in the interest rates and equity market performance. We also have to consider factors like the timing and amounts of expected contributions to the plans and benefit payments to plan participants.

  An actual example of how changes in these assumptions can affect our financial statements occurred in 2002. Based on our review of market trends and other factors, we lowered the discount rate assumption to 6.95% for 2002, versus 7.25% for 2001. This change, together with other factors such as the effects of the actual return on plan assets, resulted in an adjustment in the shareholders' equity section of our balance sheet to reflect a minimum pension liability. This adjustment is determined by comparing the accumulated benefit obligation (ABO) to the fair value of plan assets. The amount by which the ABO exceeds the fair value of plan assets, after adjusting for previously recorded accrued or prepaid pension cost for the plan, must be recorded as a minimum pension liability, with a corresponding increase in an intangible asset, if appropriate, and a reduction to shareholders' equity. The noncash after-tax adjustment related to our recording of a minimum pension liability in 2002 did not impact earnings, but reduces our shareholders' equity by $14.7 million. This adjustment is computed at each year-end and could potentially reverse in the future if financial markets improve and interest rates increase, or could potentially increase if financial market performance and interest rates continue to decline.

Derivatives and Financial Instruments

Statement of Financial Accounting Standard (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," establishes fair value accounting and reporting standards for derivative instruments and hedging activities. CH2M HILL adopted SFAS No. 133 on January 1, 2002. SFAS No. 133 requires all derivative instruments to be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS No. 133 requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset the related results on the hedged item in the income statement, and requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting treatment.

CH2M HILL may utilize certain derivative financial instruments to manage its market risk associated with fluctuations in interest rates or foreign currencies. CH2M HILL intends to designate the contracts as hedges and record derivative assets and liabilities on its balance sheet based on the fair value of the contracts, if such contracts are highly effective in hedging risks. The fair values of derivative instruments will fluctuate over time due to changes in the underlying contract prices. At December 31, 2002, CH2M HILL did not have any derivative instruments outstanding.

New Accounting Standards

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," which addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred as opposed to an entity's commitment to an exit plan as prescribed under EITF No. 94-3. SFAS No. 146 also establishes that the initial liability be measured at fair value. SFAS No. 146 is effective for activities that are initiated after December 31, 2002.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure," which amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method for accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. SFAS No. 148 is effective for fiscal years ending after December 15, 2002. The provisions relating to interim periods are effective for interim periods beginning after December 15, 2002. CH2M HILL plans to continue to account for stock-based compensation under the intrinsic value method and to provide proforma disclosure of the impact of the fair value method on reported net income.

In November 2002, the FASB issued Interpretation (FIN) No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," which addresses the disclosure to be made by a guarantor in its interim and annual financial statements about its obligations under guarantees. FIN 45 requires the guarantor to recognize a liability at the inception of certain guarantees for the non-contingent component of the guarantee, which is the obligation to stand ready to perform in the event that specified triggering events or conditions occur. The initial measurement of this liability is the fair value of the guarantee at inception. The recognition of the liability is required even if it is not probable that payments will be required under the guarantee or if the guarantee was issued with a premium payment or as part of a transaction with multiple elements. CH2M HILL has adopted the disclosure requirements of FIN 45 and will apply the recognition and measurement provisions for guarantees entered into or modified after December 31, 2002.

In January 2003, the FASB issued FIN 46, "Consolidation of Variable Interest Entities," which provides guidance on when to consolidate variable interest entities. FIN 46 requires certain disclosures regarding variable interest entities in financial statements issued after January 31, 2003. The provisions of FIN 46 are applicable to structures created after January 31, 2003. For structures created before February 1, 2003, CH2M HILL will adopt FIN 46 in the first quarter of 2004. FIN 46 may require CH2M HILL to consolidate certain variable interest entities such as the Trust, the 2002 Trust and CH2M HILL Canada, Ltd. in which we could be considered the primary beneficiary. However, management is currently assessing what impact FIN 46 may have on its financial position or results of operations.

In November 2002, the EITF reached consensus on EITF No. 00-21, "Revenue Arrangements with Multiple Deliverables," which established guidance to determine whether an entity should divide an arrangement with multiple deliverables into separate units of accounting. EITF No. 00-21 is required to be adopted for fiscal periods beginning after June 15, 2003. EITF No. 00-21 can be applied prospectively to new arrangements initiated after the date of adoption or as a cumulative catch-up adjustment. Management has not yet determined what impact EITF No. 00-21 will have on CH2M HILL's financial position or results of operations.

Special Note Regarding Forward-Looking Statements

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward looking statements involve risks and uncertainties. Our actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include, but are not limited to:

- The continuance of and funding for certain governmental regulation and enforcement programs which create demand for our services
- Our ability to attract, finance and perform large, longer-term projects
- Our ability to insure against or otherwise cover the liability risks inherent in our business, including environmental liabilities and professional engineering liabilities
- Our ability to manage the risks inherent in the government contracting business
- Our ability to manage the costs associated with our fixed-price contracts
- Our ability to attract and retain professional personnel
- General economic conditions

Item 7A. ***Quantitative and Qualitative Disclosures About Market Risk***

CH2M HILL is exposed to market risk from changes in interest rates and foreign exchange rates. This risk is monitored and managed to limit the effect of interest rate and foreign exchange rate fluctuations on earnings and cash flows. CH2M HILL's interest rate exposure is generally limited to its unsecured revolving credit agreement and to its notes payable to former shareholders. Historically, we have used short-term variable rate borrowings under the revolving credit agreement on a limited basis. At December 31, 2002, there were no borrowings outstanding against the credit facility which has a maturity date of June 17, 2005. The interest rate on the notes payable to former shareholders is variable and fluctuates annually based on the U.S. Federal Reserve Discount Rate. These notes have varying maturities through 2009. CH2M HILL has two notes payable related to an acquisition in 2002, which have fixed interest rates of 9.4% and 5.0%, respectively and maturity dates in 2010 and 2005, respectively. CH2M HILL has assessed the market risk exposure on these financial instruments and determined that any significant changes to the fair value of these instruments would not have a material impact on the financial position of CH2M HILL. CH2M HILL is also exposed to interest rate risk related to the 2002 Trust, as our monthly lease payment is based on a variable interest rate. A 10% increase or decrease in interest rates related to our variable rate commitments would not have a material impact on the earnings of CH2M HILL.

CH2M HILL is exposed to foreign exchange risks in the normal course of its international business operations. Our investments in foreign subsidiaries with a functional currency other than the U.S. dollar are generally considered long-term. Accordingly, we do not hedge these net investments. CH2M HILL may engage in forward foreign exchange contracts to reduce its economic exposure to changes in exchange rates on a limited basis. Generally, any forward contracts are entered into to hedge specific

commitments and anticipated transactions but not for speculative or trading purposes. We do not currently have any derivative financial instruments outstanding.

Item 8. ***Financial Statements and Supplementary Data***

Reference is made to the information set forth on pages F-1 through F-27.

Item 9. ***Changes in and Disagreements With Accountants on Accounting and Financial Disclosure***

On June 14, 2002, CH2M HILL filed a Form 8-K to announce its decision to terminate Arthur Andersen LLP (Andersen) as CH2M HILL's independent public accountants and to engage the services of KPMG LLP (KPMG) to serve as our independent public accountants for the fiscal year ending December 31, 2002. The decision to change our independent public accountants and to engage KPMG was made by the Audit Subcommittee of the Audit and Finance Committee of CH2M HILL's Board of Directors. The change became effective immediately.

Andersen's reports on CH2M HILL's consolidated financial statements for the years ended December 31, 2000 and 2001 did not contain an adverse opinion, or disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope or accounting principles. During the years ended December 31, 2000 and 2001 and the interim period prior to the termination, there were no disagreements with Andersen on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which, if not resolved to Andersen's satisfaction, would have caused Andersen to make reference to the subject matter in connection with its report for such years. During this same period there were no reportable events as defined in Item 304(a)(1)(v) of Regulation S-K.

During its two most recent fiscal years and during the subsequent interim period, CH2M HILL did not consult with KPMG regarding any of the matters or events set forth in Item 304(a)(2)(i) and (ii) of Regulation S-K.

PART III

Item 10. ***Directors and Executive Officers of the Registrant***

Directors

See the information set forth in the section of the Proxy Statement entitled "Election of Directors," which is incorporated herein by reference.

Executive Officers

See the information set forth in the sections of the Proxy Statement entitled "Continuing Directors" and "Other Executive Officers" which is incorporated herein by reference.

Item 11. ***Executive Compensation***

See the information set forth in the section of the Proxy Statement entitled "Executive Compensation," which is incorporated herein by reference.

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

See the information set forth under "Security Ownership of Certain Shareholders and Management" and "Equity Compensation Plan Information" in the Proxy Statement which is incorporated herein by reference.

Item 13. *Certain Relationships and Related Transactions*

None.

PART IV

Item 14. *Controls and Procedures*

Quarterly Evaluation of CH2M HILL's Disclosure Controls and Internal Controls

Within the 90 days prior to the date of this Annual Report on Form 10-K, CH2M HILL evaluated the effectiveness of the design and operation of its "disclosure controls and procedures" (Disclosure Controls), and its "internal controls and procedures over financial reporting" (Internal Controls). This evaluation (the Controls Evaluation) was performed under the supervision and with the participation of management, including our Chief Executive Officer (CEO) and Chief Financial Officer (CFO).

Disclosure Controls and Internal Controls

Disclosure Controls are procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act, such as this Annual Report, is recorded, processed, summarized and reported within the time periods specified in the U.S. Securities and Exchange Commission's rules and forms. Disclosure Controls are also designed to ensure that such information is accumulated and communicated to our management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. Internal Controls are procedures designed to provide reasonable assurance that (1) our transactions are properly authorized; (2) our assets are safeguarded against unauthorized or improper use; and (3) our transactions are properly recorded and reported, all to permit the preparation of our financial statements in conformity with generally accepted accounting principles.

Limitations on the Effectiveness of Controls

CH2M HILL's management, including the CEO and CFO, does not expect that our Disclosure Controls or our Internal Controls will prevent all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within CH2M HILL have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with its policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Scope of the Controls Evaluation

The evaluation of our Disclosure Controls and our Internal Controls included a review of the controls' objectives and design, CH2M HILL's implementation of the controls and the effect of the controls on the information generated for use in this Annual Report. In the course of the Controls Evaluation, we sought to identify data errors, controls problems or acts of fraud and confirm that appropriate corrective actions, including process improvements, were being undertaken. This type of evaluation is performed on a quarterly basis so that the conclusions of management, including the CEO and CFO, concerning controls effectiveness can be reported in our Quarterly Reports on Form 10-Q and Annual Report on Form 10-K. Our Internal Controls are also evaluated on an ongoing basis by our internal audit functions and by other personnel in our Finance organization, as well as our independent auditors who evaluate them in connection with determining their auditing procedures related to their report on our annual financial statements and not to provide assurance on our Internal Controls. The overall goals of these various evaluation activities are to monitor our Disclosure Controls and our Internal Controls, and to modify them as necessary; our intent is to maintain the Disclosure Controls and the Internal Controls as dynamic systems that change as conditions warrant.

Among other matters, we sought in our evaluation to determine whether there were any "significant deficiencies" or "material weaknesses" in CH2M HILL's Internal Controls, and whether the company had identified any acts of fraud involving personnel with a significant role in CH2M HILL's Internal Controls. This information was important both for the Controls Evaluation generally, and because items 5 and 6 in the Rule 13a-14 Certifications of the CEO and CFO require that the CEO and CFO disclose that information to our Board's Audit Committee and our independent auditors, and report on related matters in this section of the Annual Report. In professional auditing literature, "significant deficiencies" are referred to as "reportable conditions," which are control issues that could have a significant adverse effect on the ability to record, process, summarize and report financial data in the financial statements. Auditing literature defines "material weakness" as a particularly serious reportable condition where the internal control does not reduce to a relatively low level the risk that misstatements caused by error or fraud may occur in amounts that would be material in relation to the financial statements and the risk that such misstatements would not be detected within a timely period by employees in the normal course of performing their assigned functions. We also sought to deal with other controls matters in the Controls Evaluation, and in each case if a problem was identified, we considered what revision, improvement and/or correction to make in accordance with our ongoing procedures.

From the date of the Controls Evaluation to the date of this Annual Report, there have been no significant changes in Internal Controls or in other factors that could significantly affect Internal Controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

Conclusions

Based upon the Controls Evaluation, our CEO and CFO have concluded that, subject to the limitations noted above, our Disclosure Controls are effective to ensure that material information relating to CH2M HILL is made known to management, including the CEO and CFO, particularly during the period when our periodic reports are being prepared, and that our Internal Controls are effective to provide reasonable assurance that our financial statements are fairly presented in conformity with generally accepted accounting principles.

Item 15. ***Exhibits, Financial Statement Schedules and Reports on Form 8-K***

(a) Documents Filed as Part of this Report

1. Financial Statements

2. Financial Statement Schedules

Financial Statements of Kaiser-Hill Company, LLC as of December 31, 2002 and 2001 and for the three years ended December 31, 2002, 2001 and 2000.

All financial statement schedules except the one listed above have been omitted because the required information is included in the consolidated financial statements or notes thereto, or because such schedules are not applicable.

3. Exhibits

The following exhibits are filed as part of this annual report:

Exhibit Number	Description
2.1	Stock Purchase Agreement, dated as of November 29, 1999, by and between CH2M HILL Companies, Ltd. and Lockheed Martin Corporation [certain portions of the Stock Purchase Agreement have been omitted pursuant to a request for confidential treatment filed separately with the Securities and Exchange Commission] filed as Exhibit 2.1 on Form 8-K, on January 5, 2000 (File No. 000-27261)
3.1	Restated Articles of Incorporation of CH2M HILL Companies, Ltd. filed as Exhibit 3.1 on Amendment No. 2 on Form S-1 to Registration Statement on Form S-3 on August 3, 2001 (File No. 333-60700)
3.2	Restated Bylaws of CH2M HILL Companies, Ltd. filed as Exhibit 3.2 on Amendment No. 2 on Form S-1 to Registration Statement on Form S-3 on August 3, 2001 (File No. 333-60700)
10.1†	CH2M HILL Retirement and Tax-Deferred Savings Plan, as amended and restated effective June 1, 2000 filed as Exhibit 10.1 on Form 10-K, on March 29, 2000
10.3†	CH2M HILL Companies, Ltd. 1999 Stock Option Plan, as amended and restated on November 12, 1999 filed as Exhibit 10.3 on Form 10-K, on March 29, 2000
10.4†	CH2M HILL Companies, Ltd. Payroll Deduction Stock Purchase Plan as amended and restated effective January 1, 2002 filed as Exhibit 10.4 on Form 10-K, on March 29, 2002
10.5†	CH2M HILL Companies, Ltd. Pre-Tax Deferred Compensation Plan effective November 12, 1999 filed as Exhibit 10.5 on Form 10-K, on March 29, 2000
10.7†	CH2M HILL Companies, Ltd. After-Tax Deferred Compensation Plan effective November 12, 1999 filed as Exhibit 10.7 on Form 10-K, on March 29, 2000

Exhibit Number	Description
10.9	Contract with Neidiger, Tucker, Bruner, Inc., filed as Exhibit 99.1 on Form 8-K, on June 24, 2002
10.11	Contract between Kaiser-Hill Company, LLC, a subsidiary of the Corporation, and the U.S. Department of Energy dated January 24, 2000 filed as Exhibit 10.11 on Form 10-K for the fiscal year ended December 31, 1999 filed with the SEC on March 29, 2000
10.12	$100,000,000 Senior Unsecured Revolving Credit Agreement dated as of June 18, 1999, Wells Fargo Bank, National Association, as Agent, filed as Exhibit 10.11 to Registration Statement on Form S-1, Amendment No. 2, on July 8, 1999 (File No. 333-74427)
10.13†	Deferred Compensation Retirement Program Arrangement effective December 1, 1995 filed as Exhibit 10.13 on Form 10-K, on March 29, 2000
10.14†	Executive Deferred Compensation Program Arrangement effective January 1, 1997 filed as Exhibit 10.14 on Form 10-K, on March 29, 2000
10.15	First Amendment to $100,000,000 Senior Unsecured Revolving Credit Agreement dated as of June 18, 1999, Wells Fargo Bank, National Association as Agent filed as Exhibit 10.15 on Form 10-K, on March 20, 2001
10.16	Assignment and Acceptance of $100,000,000 Senior Unsecured Revolving Credit Agreement filed as Exhibit 10.16 on Form 10-K, on March 20, 2001
10.17†	CH2M HILL Companies, Ltd. 2002 Pre-Tax Deferred Compensation Plan effective November 10, 2000 filed as Exhibit 10.17 on Form 10-K, on March 20, 2001
10.19†	CH2M HILL Companies, Ltd. 2002 After-Tax Deferred Compensation Plan effective November 10, 2000 filed as Exhibit 10.19 on Form 10-K, on March 20, 2001
10.21†	CH2M HILL Companies, Ltd. Deferred Compensation Retirement Plan effective January 1, 2000 filed as Exhibit 10.21 on Form 10-K, on March 20, 2001
10.22†	CH2M HILL Companies, Ltd. Executive Deferred Compensation Plan effective January 1, 2000 filed as Exhibit 10.22 on Form 10-K, on March 20, 2001
10.23†	CH2M HILL Companies, Ltd. Deferred Compensation Plan effective January 1, 2001 filed as Exhibit 10.23 on Form 10-K, on March 20, 2001
10.25†	CH2M HILL Companies, Ltd. Restricted Stock Policy and Administration Plan effective January 1, 2000 filed as Exhibit 10.25 on Form 10-K, on March 20, 2001
10.26†	CH2M HILL Companies, Ltd. Short Term Incentive Plan effective January 1, 2000 filed as Exhibit 10.26 on Form 10-K, on March 20, 2001
10.27†	CH2M HILL Companies, Ltd. 2002 Pre-Tax Deferred Compensation Plan effective November 9, 2001 filed as Exhibit 10.27 on Form 10-K, on March 29, 2002
10.29†	CH2M HILL Companies, Ltd. 2002 After-Tax Deferred Compensation Plan effective November 9, 2001 filed as Exhibit 10.29 on Form 10-K, on March 29, 2002
10.31	Second Amendment to $100,000,000 Senior Unsecured Revolving Credit Agreement dated as of July 12, 2001, Wells Fargo Bank, National Association as Agent filed as Exhibit 10.31 on Form 10-K, on March 29, 2002
10.32†	CH2M HILL Companies, Ltd. Long Term Incentive (LTI) Plan effective January 1, 1999 filed as Exhibit 10.32 on Form 10-K, on March 29, 2002

Exhibit Number	Description
*10.33†	CH2M HILL Companies, Ltd. 2003 Pre-Tax Deferred Compensation Plan effective November 8, 2002
*10.35†	CH2M HILL Companies, Ltd. 2003 After-Tax Deferred Compensation Plan effective November 8, 2002
*10.37†	CH2M HILL Companies, Ltd. Executive Officers Long Term Incentive Plan effective January 1, 2003 subject to shareholder approval at the 2003 Annual Shareholder meeting
*10.38	Third Amendment to $100,000,000 Senior Unsecured Revolving Credit Agreement dated as of March 22, 2002, Wells Fargo Bank, National Association as Agent
*10.39	Fourth Amendment to $100,000,000 Senior Unsecured Revolving Credit Agreement dated as of March 28, 2002, Wells Fargo Bank, National Association as Agent
*10.40	Fifth Amendment to $100,000,000 Senior Unsecured Revolving Credit Agreement dated as of July 19, 2002, Wells Fargo Bank, National Association as Agent
21	Subsidiaries of CH2M HILL Companies, Ltd. filed as Exhibit 21 on Form 10-K, on March 29, 2000
*23.1	Consent of KPMG LLP
*24	Power of Attorney authorizing signature
99.1	Internal Market Rules, filed as Exhibit 99 to Registration Statement on Form S-1 on March 15, 1999 (File No. 333-74427)
*99.2	Written Statement of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)
*99.3	Written Statement of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)

* Filed herewith

† Management agreements, compensatory plans or arrangements.

(b) Reports on Form 8-K:

On November 8, 2002, we filed a Form 8-K under Item 5. Other Events to communicate to our shareholders a new price for our common stock and the trade date on which this stock price would be effective. This stock price was established by the Board of Directors at its November 8, 2002 meeting.

INDEPENDENT AUDITORS REPORT

The Board of Directors of CH2M HILL Companies, Ltd.:

We have audited the accompanying consolidated balance sheet of CH2M HILL Companies, Ltd. (an Oregon corporation) and subsidiaries as of December 31, 2002, and the related consolidated statements of income, shareholders' equity and comprehensive income, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express on opinion on these consolidated financial statements based on our audit. The accompanying consolidated financial statements of the Company as of December 31, 2001, and for the two years in the period then ended were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those financial statements in their report dated February 15, 2002.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2002 financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2002, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Denver, Colorado
February 21, 2003

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To CH2M HILL Companies, Ltd.:

We have audited the accompanying consolidated balance sheets of CH2M HILL Companies, Ltd. (an Oregon corporation) and subsidiaries as of December 31, 2001 and 2000 and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of CH2M HILL's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of CH2M HILL Industrial Design Corporation (currently known as CH2M HILL Industrial Design and Construction, Inc.) for the year ended December 31, 1999, which statements reflect total assets and total revenues of 21 percent and 21 percent in 1999, respectively, of the related consolidated totals. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for this entity, is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of CH2M HILL Companies, Ltd. and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

Denver, Colorado,
February 15, 2002.

The report of Arthur Andersen LLP (Andersen) is a copy of the report previously issued by Andersen on February 15, 2002. We have not been able to obtain a re-issued report from Andersen. Andersen has not consented to the inclusion of its report in this Annual Report on Form 10-K. The report of Andersen refers to the consolidated balance sheets as of December 31, 2000 and statements of income, shareholders' equity and cash flows for the year ended December 31, 1999 not included herein. Because Andersen has not consented to the inclusion of its report in this Annual Report, it may be more difficult for you to seek remedies against Andersen and your ability to seek relief against Andersen may be impaired.

CH2M HILL COMPANIES, LTD.

Consolidated Balance Sheets
(Dollars in thousands)

	December 31, 2002	December 31, 2001
ASSETS		
Current assets:		
Cash and cash equivalents	$106,438	$ 89,233
Receivables, net—		
Client accounts	231,777	232,814
Unbilled revenue	111,542	112,931
Other	10,189	7,690
Prepaid expenses and other	11,180	9,210
Total current assets	471,126	451,878
Property, plant and equipment, net (Note 3)	22,944	16,786
Employee benefit plan assets	20,171	30,400
Intangible assets, net	22,972	18,164
Investments in unconsolidated affiliates	45,852	31,721
Other assets, net	5,573	7,124
Deferred income taxes	32,249	11,022
Total assets	$620,887	$567,095
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 2,781	$ 3,538
Accounts payable	74,362	62,815
Billings in excess of revenues	61,267	86,485
Accrued incentive compensation	35,830	34,948
Employee related liabilities	77,515	70,695
Accrued project costs	43,243	29,766
Current taxes payable	24,495	13,749
Other accrued liabilities	28,679	25,641
Current deferred income taxes	25,319	18,605
Total current liabilities	373,491	346,242
Other long-term liabilities	57,831	47,094
Long-term debt	9,264	6,873
Total liabilities	440,586	400,209
Commitments and contingencies (Notes 10, 12 and 18)		
Shareholders' equity:		
Preferred stock, Class A $0.02 par value, 50,000,000 shares authorized; no shares issued	—	—
Common stock, $0.01 par value, 100,000,000 shares authorized; 30,259,587 and 29,329,519 issued and outstanding at December 31, 2002 and 2001, respectively	303	293
Additional paid-in capital	45,472	49,461
Retained earnings	151,877	122,222
Accumulated other comprehensive loss	(17,351)	(5,090)
Total shareholders' equity	180,301	166,886
Total liabilities and shareholders' equity	$620,887	$567,095

The accompanying notes are an integral part of these consolidated financial statements.

CH2M HILL COMPANIES, LTD.

Consolidated Statements of Income
(Dollars in thousands except per share)

	December 31, 2002	December 31, 2001	December 31, 2000
Gross revenue	$ 1,954,943	$ 1,923,436	$ 1,693,346
Equity in earnings of joint ventures and affiliated companies	44,040	17,084	13,392
Total revenues	1,998,983	1,940,520	1,706,738
Operating expenses:			
Direct cost of services and overhead	(1,496,429)	(1,458,395)	(1,302,159)
General and administrative	(451,249)	(434,826)	(357,441)
Operating income	51,305	47,299	47,138
Other income (expense):			
Interest income	1,622	4,021	2,762
Interest expense	(625)	(746)	(935)
Income before provision for income taxes	52,302	50,574	48,965
Provision for income taxes	(22,647)	(22,657)	(24,434)
Net income	$ 29,655	$ 27,917	$ 24,531
Net income per common share:			
Basic	$ 0.97	$ 0.93	$ 0.83
Diluted	$ 0.94	$ 0.90	$ 0.82
Weighted average number of common shares:			
Basic	30,494,990	30,002,883	29,448,939
Diluted	31,543,927	31,000,335	30,033,449

The accompanying notes are an integral part of these consolidated financial statements.

CH2M HILL COMPANIES, LTD.

Consolidated Statements of Shareholders' Equity and Comprehensive Income
(Dollars in thousands)

	Class A Preferred Stock		Common Stock		Total Class A Preferred and Common Shares	Additional Paid-in Capital	Comprehensive Income	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
	Shares	Amount	Shares	Amount						
Balances, December 31, 1999	12,095,220	$ 242	17,234,170	$172	29,329,390	$ 29,234		$ 69,774	$ (2,330)	$ 97,092
Shares issued in connection with stock based compensation and employee benefit plans	—	—	1,839,613	18	1,839,613	26,020		—	—	26,038
Shares purchased and retired	—	—	(1,970,305)	(20)	(1,970,305)	(13,647)		—	—	(13,667)
Conversion of preferred stock into common stock	(12,095,220)	(242)	12,095,220	121	—	121		—	—	—
Comprehensive income:										
Net income	—	—	—	—	—	—	$ 24,531	24,531	—	24,531
Other comprehensive income:										
Foreign currency translation adjustments	—	—	—	—	—	—	(2)	—	(2)	(2)
Comprehensive income	—	—	—	—	—	—	$ 24,529	—	—	—
Balances, December 31, 2000	—	—	29,198,698	291	29,198,698	41,728		94,305	(2,332)	133,992
Shares issued in connection with stock based compensation and employee benefit plans	—	—	2,081,703	21	2,081,703	28,734		—	—	28,755
Shares purchased and retired	—	—	(1,950,882)	(19)	(1,950,882)	(21,001)		—	—	(21,020)
Comprehensive income:										
Net income	—	—	—	—	—	—	$ 27,917	27,917	—	27,917
Other comprehensive income:										
Foreign currency translation adjustments	—	—	—	—	—	—	(2,758)	—	(2,758)	(2,758)
Comprehensive income	—	—	—	—	—	—	$ 25,159	—	—	—
Balances, December 31, 2001	—	—	29,329,519	293	29,329,519	49,461		122,222	(5,090)	166,886
Shares issued in connection with stock based compensation and employee benefit plans	—	—	2,186,888	22	2,186,888	18,102		—	—	18,124
Shares purchased and retired	—	—	(1,256,820)	(12)	(1,256,820)	(22,091)		—	—	(22,103)
Comprehensive income:										
Net income	—	—	—	—	—	—	$ 29,655	29,655		29,655
Other comprehensive income:										
Foreign currency translation adjustments	—	—	—	—	—	—	2,392	—	2,392	2,392
Minimum pension liability adjustments	—	—	—	—	—	—	(14,653)	—	(14,653)	(14,653)
Comprehensive income	—	—	—	—	—	—	$ 17,394			
Balances, December 31, 2002	—	$ —	30,259,587	$303	30,259,587	$ 45,472		$151,877	$(17,351)	$180,301

The accompanying notes are an integral part of these consolidated financial statements.

CH2M HILL COMPANIES, LTD.

Consolidated Statements of Cash Flows
(Dollars in thousands)

	December 31, 2002	December 31, 2001	December 31, 2000
Cash flows from operating activities:			
Net income	$ 29,655	$ 27,917	$ 24,531
Adjustments to reconcile net income to net cash provided by operating activities—			
Depreciation and amortization	12,571	11,859	9,705
Write-off of equity investment	10,000	—	—
Stock based compensation for employees and employee benefit plans	23,959	28,053	25,258
Allowance for uncollectible accounts	6,723	1,703	2,157
Deferred income taxes and other	(6,216)	4,464	(15,877)
Equity in undistributed earnings of Kaiser-Hill	(21,100)	(7,150)	3,082
Loss on sale of assets	537	556	47
Change in—			
Receivables and unbilled revenue	(4,339)	(30,963)	(60,260)
Prepaid expenses and other	(8,451)	(8,964)	(8,629)
Accounts payable	10,215	(18,804)	28,259
Billings in excess of revenues	(25,343)	10,342	27,000
Other current liabilities	38,304	22,563	79,820
Net cash provided by operating activities	66,515	41,576	115,093
Cash flows from investing activities:			
Capital expenditures	(5,941)	(7,749)	(7,920)
Investments and acquisitions, net of cash received	(11,945)	(16,000)	(2,250)
Net cash used in investing activities	(17,886)	(23,749)	(10,170)
Cash flows from financing activities:			
Borrowing on long-term debt	—	44	4,998
Payments on long-term debt	(3,823)	(4,100)	(11,751)
Purchases and retirements of stock	(29,131)	(20,629)	(13,653)
Net cash used in financing activities	(32,954)	(24,685)	(20,406)
Effect on cash of cumulative translation adjustment	1,530	(983)	—
Increase (decrease) in cash and cash equivalents	17,205	(7,841)	84,517
Cash and Cash equivalents, beginning of year	89,233	97,074	12,557
Cash and Cash equivalents, end of year	$106,438	$ 89,233	$ 97,074

(1) Summary of business and significant accounting policies

CH2M HILL Companies, Ltd. (CH2M HILL) is a project delivery firm founded in 1946. We provide engineering, consulting, design, construction, procurement, operations and maintenance, and program and project management services to federal, state, municipal and local government entities and federal government agencies, as well as private industry, in the U.S. and abroad. We are an employee-owned Oregon corporation. A substantial portion of professional fees arises from projects that are funded directly or indirectly by government entities.

On November 6, 1998, the Board of Directors approved a new ownership program for CH2M HILL and adopted certain resolutions that were subsequently ratified by a vote of the shareholders on December 18, 1998. Such resolutions were effective January 1, 2000 and included, but were not limited to, adopting amendments to the Restated Bylaws and Articles of Incorporation which provide for the:

- Authorization to convert all outstanding Class A preferred stock into shares of common stock on a one-for-one basis
- Increase in the authorized shares of common stock to 100,000,000, par value $0.01 per share, and Class A preferred stock to 50,000,000, par value $0.02 per share
- Authorization of a ten-for-one stock split on CH2M HILL's common stock and Class A preferred stock
- Imposition of certain restrictions on the stock including, but not limited to, the right but not the obligation to repurchase shares upon termination of employment or affiliation, the right of first refusal and ownership limits

As a result of the above changes, common and preferred stock amounts, equivalent share amounts and per share amounts have been adjusted retroactively to give effect to the stock split.

Principles of Consolidation

The consolidated financial statements include the accounts of CH2M HILL and all of its wholly owned subsidiaries after elimination of all intercompany accounts and transactions. Investments in non-controlled affiliates which are 50% or less owned are reported using the equity method. Certain amounts in prior years have been reclassified to conform with the current year presentation.

Pervasiveness of Estimates

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

Currency Translation

All assets and liabilities of CH2M HILL's foreign subsidiaries are translated into U.S. dollars at the period-end exchange rate. Revenues and expenses are translated at the average exchange rate for the year. Translation gains and losses are reflected in shareholders' equity as part of accumulated other comprehensive loss. Taxes are not provided on the translation gains and losses as deferred taxes are not

provided on the unremitted earnings of the foreign subsidiaries to which they relate. Gains and losses on foreign currency transactions are not significant.

Accounting for Revenue

Contract revenue is recognized primarily on a percentage-of-completion basis by relating the actual cost of work performed to date to the current estimated total cost of the respective contracts. Unbilled revenue represents the excess of contract revenue recognized over billings to date. Billings in excess of revenues represent the excess of billings to date over revenue recognized. Losses on contracts in process are recognized in their entirety when the loss becomes evident and the amount of loss can be reasonably estimated.

Cash and Cash Equivalents

CH2M HILL maintains a cash management system which provides for cash in the bank sufficient to pay checks as they are submitted for payment and invests cash in excess of this amount in interest bearing short-term investments such as certificates of deposit, commercial paper and repurchase agreements. These investments have original short-term maturities of less than three months and are considered cash equivalents in the consolidated balance sheets and statements of cash flows.

Property, Plant and Equipment

All additions, including betterments to existing facilities, are recorded at cost. Maintenance and repairs are charged to expense as incurred. When assets are retired or otherwise disposed of, the cost of the assets and the related accumulated depreciation are removed from the accounts. Any gain or loss on retirements is reflected in income in the year of disposition.

Depreciation for owned property is based on the estimated useful lives of the assets using both straight-line and accelerated methods for financial statement purposes. Useful lives for buildings and land improvements range from 15 to 30 years with an average life of 25 years. Leasehold improvements are depreciated over the shorter of its estimated useful life or the remaining term of the associated lease. Useful lives on other assets range from 2 to 10 years with an average of approximately 5 years.

Intangible Assets

Intangible assets are stated at fair value as of the date acquired in a business acquisition accounted for as a purchase, less accumulated amortization. CH2M HILL reviews intangible assets for impairment on an annual basis or whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable or that the useful lives of these assets are no longer appropriate.

Other Assets

Other assets primarily includes capitalized software costs. The related amortization reflected in the statements of income totaled $1,210 in 2002, $2,524 in 2001 and $1,046 in 2000.

Asset Impairment

CH2M HILL reviews its assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Assets which are held and used in operations are considered impaired if the undiscounted future cash flows from the asset do not exceed the net book value. If impaired, the assets are written down to their estimated fair value.

Stock-Based Compensation Plans

At December 31, 2002, CH2M HILL has several stock-based employee compensation plans, which are described in Note 15. CH2M HILL accounts for these plans using the intrinsic value method under the recognition and measurement principles of Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. The following table illustrates the proforma effect on net income and earnings per share if CH2M HILL had applied the fair value recognition provisions of Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standard (SFAS) No. 123, "Accounting for Stock-Based Compensation," to stock-based employee compensation.

	2002	2001	2000
Net income, as reported	$ 29,655	$ 27,917	$ 24,531
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	10,472	12,892	12,633
Deduct: Stock-based employee compensation expense determined under fair value method for all awards, net of related tax effects	(11,683)	(14,096)	(13,434)
Pro forma net income	$ 28,444	$ 26,713	$ 23,730
Earnings per share:			
Basic—as reported	$ 0.97	$ 0.93	$ 0.83
Basic—pro forma	$ 0.93	$ 0.89	$ 0.81
Diluted—as reported	$ 0.94	$ 0.90	$ 0.82
Diluted—pro forma	$ 0.90	$ 0.86	$ 0.79

New Accounting Standards

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," which addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred as opposed to an entity's commitment to an exit plan as prescribed under EITF No. 94-3. SFAS No. 146 also establishes that the initial liability be measured at fair value. SFAS No. 146 is effective for activities that are initiated after December 31, 2002.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure," which amends SFAS No. 123 to provide alternative methods of transition for a voluntary change to the fair value based method for accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. SFAS No. 148 is effective for fiscal years ending after December 15, 2002. The provisions relating to interim periods are effective for interim periods beginning after December 15, 2002. CH2M HILL plans to continue to account for stock-based compensation under the intrinsic value method and to provide proforma disclosure of the impact of the fair value method on reported net income.

In November 2002, the FASB issued Interpretation (FIN) No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others,"

which addresses the disclosure to be made by a guarantor in its interim and annual financial statements about its obligations under guarantees. FIN 45 requires the guarantor to recognize a liability at the inception of certain guarantees for the non-contingent component of the guarantee, which is the obligation to stand ready to perform in the event that specified triggering events or conditions occur. The initial measurement of this liability is the fair value of the guarantee at inception. The recognition of the liability is required even if it is not probable that payments will be required under the guarantee or if the guarantee was issued with a premium payment or as part of a transaction with multiple elements. CH2M HILL has adopted the disclosure requirements of FIN 45 and will apply the recognition and measurement provisions for guarantees entered into or modified after December 31, 2002.

In January 2003, the FASB issued FIN 46, "Consolidation of Variable Interest Entities," which provides guidance on when to consolidate variable interest entities. FIN 46 requires certain disclosures regarding variable interest entities in financial statements issued after January 31, 2003. The provisions of FIN 46 are applicable to structures created after January 31, 2003. For structures created before February 1, 2003, CH2M HILL will adopt FIN 46 in the first quarter of 2004. FIN 46 may require CH2M HILL to consolidate certain variable interest entities such as the Trust, the 2002 Trust and CH2M HILL Canada, Ltd. in which we could be considered the primary beneficiary. However, management is currently assessing what impact FIN 46 may have on its financial position or results of operations.

In November 2002, the EITF reached consensus on EITF No. 00-21, "Revenue Arrangements with Multiple Deliverables," which established guidance to determine whether an entity should divide an arrangement with multiple deliverables into separate units of accounting. EITF No. 00-21 is required to be adopted for fiscal periods beginning after June 15, 2003. EITF No. 00-21 can be applied prospectively to new arrangements initiated after the date of adoption or as a cumulative catch-up adjustment. Management has not yet determined what impact EITF No. 00-21 will have on CH2M HILL's financial position or results of operations.

(2) Accounts receivable

The U.S. federal government accounted for 12.6% and 13.8% of our net receivables at December 31, 2002 and 2001, respectively. Receivables are stated at net realizable values. The changes in the allowance for uncollectible accounts consisted of the following:

	2002	2001	2000
Balance at beginning of year	$ 3,633	$ 8,820	$ 7,805
Provision charged to expense	6,723	1,703	2,157
Accounts written off	(3,239)	(2,564)	(1,142)
Account allowed for in prior years recovered in current year	—	(4,326)	—
Balance at end of year	$ 7,117	$ 3,633	$ 8,820

(3) Property, plant and equipment

Property, plant and equipment consist of the following:

	2002	2001
Land	$ 1,375	$ —
Building and land improvements	4,029	1,037
Furniture, fixtures and equipment	35,875	35,812
Leaschold improvements	9,637	9,718
	50,916	46,567
Less: Accumulated depreciation	(27,972)	(29,781)
Net property, plant and equipment	$ 22,944	$ 16,786

(4) Employee benefit plan assets

Employee benefit plan assets consist of the following:

	2002	2001
Prepaid pension costs	$ 1,907	$13,946
Cash surrender value of life insurance policies	14,818	11,329
Other	3,446	5,125
Total employee benefit plan assets	$20,171	$30,400

(5) Intangible Assets

Intangible assets consist of the following:

	2002	2001
Contract-in-place	$ 24,081	$24,081
Patents and trademarks	5,196	—
Contracted backlog	2,513	—
Non-compete agreements and other	1,626	—
	33,416	24,081
Less: Accumulated amortization	(10,444)	(5,917)
Net intangible assets	$ 22,972	$18,164

The contract-in-place is being amortized on a straight-line basis over the total life of the contract of seven years. The other intangible assets are being amortized over their expected useful lives of three to six years. The amortization expense reflected in the statements of income totaled $4,527 in 2002, $3,082 in 2001 and $4,155 in 2000.

(6) Investments in unconsolidated affiliates

CH2M HILL has the following material investments in affiliated unconsolidated companies which are accounted for under the equity method:

	% Ownership
Domestic:	
Kaiser-Hill Company, LLC	50%
CCI-RSCI	50%
Milwaukee Transportation Partners, LLC	50%
Pizzagalli/CCI Joint Venture	50%
MK/IDC (PSI)	50%
Holm II, Inc./CH2M HILL Constructors, Inc.	50%
CH2M HILL & Tucker, Young, Jackson, Tull, Inc.	50%
Jones/Hill Joint Venture	49%
Kakivik Asset Management	33%
Johnson Controls-Hill, LLC	25%
JAJMS/CH2M HILL	10%
Foreign:	
CH2M HILL BECA, Ltd.	50%
CH2M PB JV Pte Ltd	50%
Bondi & Cronulla Wastewater Group	50%
NLCG&S	50%
CH2M HILL Odour Services	50%
CH2M HILL Canada, Ltd.	49%
BTC Group	33%

CH2M HILL routinely enters into joint ventures to service the needs of our clients. Such arrangements are customary in the engineering and construction industry and generally are project specific. Our largest joint venture is Kaiser-Hill Company, LLC (Kaiser-Hill). Kaiser-Hill's revenues are derived from the U.S. Department of Energy's Performance Based Integrating Management Contract for the Rocky Flats Closure Project in Golden, Colorado. Kaiser-Hill is compensated through a base fee affected, up or down, by its performance against the agreed site target closure costs. The ultimate fee will also be impacted by the schedule to achieve site closure and the safety of our performance. During the years ended December 31, 2002 and 2001, CH2M HILL received distributions from Kaiser-Hill of $15,650 and $7,900, respectively.

In 2001, we invested $10.0 million for a minority interest in CAI Investments, LLC (CAI), an international telecommunications investment company, which holds minority interests in various cable and wireless companies. During the quarter ended June 30, 2002, we concluded that the fair market value of our investment had declined materially and that this decline was not temporary because the value of CAI's holdings was impaired by rapidly deteriorating market conditions in the telecommunications industry and because of CAI's inability to secure timely financing for projects. Therefore, we recorded an asset impairment charge in the amount of the entire investment value of $10.0 million (which is estimated to be $3.6 million, net of incentive accrual reductions and related tax benefits).

Summarized financial information for these affiliates is as follows:

	December 31,	
	2002	2001
FINANCIAL POSITION:		
Current assets	$169,635	$249,316
Noncurrent assets	87,317	49,667
	$256,952	$298,983
Current liabilities	$142,440	$215,930
Noncurrent liabilities	33,618	3,198
Owners' equity	80,894	79,855
	$256,952	$298,983

	Year Ended December 31,		
	2002	2001	2000
RESULTS OF OPERATIONS:			
Revenues	$964,647	$825,679	$801,784
Direct costs	851,542	759,719	755,000
Gross margin	113,105	65,960	46,784
General and administrative expenses	23,102	31,694	19,898
Operating income	90,003	34,266	26,886
Other income (expense), net	92	536	(2,155)
Net income	$ 90,095	$ 34,802	$ 24,731

(7) Supplemental cash flow information

	2002	2001	2000
Cash paid during the year for:			
Interest	$ 711	$ 732	$ 1,030
Taxes	$ 18,629	$ 31,696	$ 16,526
Details of Acquisitions:			
Fair value of assets	$ 21,404	$ 5,000	$ 2,250
Liabilities	9,103	—	—
Cash paid	12,301	5,000	2,250
Less cash acquired	706	—	—
Net cash paid for acquisitions	$ 11,595	$ 5,000	$ 2,250
Other non-cash items:			
Minimum pension liability adjustment	$ 14,653	$ —	$ —

(8) Acquisitions

In 2002, CH2M HILL acquired interests in the following entities for a total cost of $21,404, which was paid for by a combination of cash and the issuance and assumption of notes payable as follows:

- Gee & Jensen Engineers-Architects-Planners, Inc. (Gee & Jensen), a ports industry business based in Florida
- DeMil International, Inc., an unexploded ordnance business based in Illinois and Alabama
- Equador PLC, an operational support systems business based in the United Kingdom
- Facilities West, Inc., a facilities management business based in Arizona
- EHS Consultants Limited, an environmental services firm based in Hong Kong

Intangible assets recognized in these transactions amounted to $9,204, of which $8,414 was recognized in the EE&I operating segment, while $790 was recognized in the Industrial operating segment. There are no contingent payments related to these acquisitions.

Effective December 22, 1999, CH2M HILL acquired the outstanding common stock of Lockheed Martin Hanford Corporation (Hanford), a wholly-owned subsidiary of Lockheed Martin Corporation. Hanford is an environmental management contractor that provides tank waste remediation services to the U.S. Department of Energy. The acquisition was accounted for under the purchase method of accounting. The total consideration paid through December 31, 2000 was $19,400 and resulted in $19,081 of a contract-in-place intangible asset. In 2001, CH2M HILL signed a new five-year contract with the U.S. Department of Energy that extended our contract through September 2006, for which we paid Lockheed Martin Corporation an additional $5,000. We are now committed to specific milestones for the duration of the contract. Fees are earned based on specific negotiated performance incentives. The original acquisition and the contract extension result in a total contract-in-place intangible asset of $24,081 that is being amortized over the life of the contract of seven years.

(9) Fair Value of Financial Instruments

The estimated fair value of CH2M HILL's financial instruments are as follows:

	2002		2001	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Cash and cash equivalents	$106,438	$106,438	$89,233	$89,233
Liabilities:				
Long-term debt, including current portion	12,045	11,601	10,411	9,447
Other financial instruments:				
Standby letters of credit	—	136	—	124
Line of credit	—	313	—	250

The carrying amounts of cash and cash equivalents approximate fair value due to the short-term maturities of these instruments.

The fair value of long-term debt, including the current portion, is estimated based on quoted market prices for the same or similar issues or on the current rates offered to CH2M HILL for debt of the same maturities. The fair value of notes payable to former shareholders is based on a discount rate equal to the prime rate at the end of the year.

Standby letters of credit and line of credit fair values are based on fees currently charged for similar agreements.

(10) Line of credit

CH2M HILL has an unsecured revolving credit agreement, as amended, with a maximum borrowing capacity of $125,000, which expires on June 17, 2005. The facility may be used for general corporate purposes, permitted acquisitions and to support letters of credit.

At the option of CH2M HILL, the facility bears interest at a rate equal to either the LIBOR plus 1.0% to 2.0%, the lender's prime rate, or 0.5% plus the federal funds rate, if greater than the lender's prime rate. A commitment fee of approximately 0.25% per year is payable based on our ratio of funded debt to earnings before interest, taxes, depreciation and amortization.

The agreement requires CH2M HILL to maintain minimum levels of net worth, a minimum coverage ratio of certain fixed charges, and a minimum leverage ratio of earnings before interest, taxes, depreciation and amortization to funded debt (all as defined in the agreement). The agreement also restricts the payment of dividends.

CH2M HILL did not borrow on the credit facility during 2002 or 2001, and therefore no amounts were outstanding at December 31, 2002 and 2001. However, the agreement allows CH2M HILL to issue letters of credit to support various trade activities. Issued letters of credit are reserved against the borrowing base of the line of credit. At December 31, 2002 and 2001, there were $13,648 and $12,400 issued and outstanding letters of credit, respectively.

(11) Long-term debt

CH2M HILL may repurchase shares from shareholders upon termination of employment or affiliation by issuing interest-bearing notes. The total amount outstanding for notes payable to former shareholders at December 31, 2002 and 2001 was $6,746 and $10,206, respectively. The interest rate on the notes is adjusted annually (on the anniversary dates of the notes) to ¾ of the U.S. Federal Reserve Discount Rate on the first business day of each calendar year. At January 1, 2002, the interest rate on the notes was 0.94%. The notes are unsecured and payable in varying annual installments through 2009.

As part of the Gee & Jensen acquisition, CH2M HILL issued a $1,000 note payable to a former shareholder, which matures in 2005 and bears interest at a fixed rate of 5.0%. In addition, CH2M HILL assumed a mortgage note on a building, which matures in 2010 and bears interest at a fixed rate of 9.4%. The principal balance of the mortgage note as of December 31, 2002 is $3,782.

Future minimum principal payments on notes payable are as follows:

Year Ending	
2003	$ 2,781
2004	2,200
2005	2,806
2006	1,289
2007	905
Thereafter	2,064
	$12,045

(12) Operating lease obligations

CH2M HILL has entered into certain noncancelable leases, which are being accounted for as operating leases. At December 31, 2002, future minimum operating lease payments are as follows:

Year Ending	
2003	$ 49,439
2004	42,343
2005	35,952
2006	25,918
2007	21,105
Thereafter	26,232
	$200,989

During 2001, CH2M HILL and a trust (Trust) entered into an agreement whereby the Trust acquired land in Englewood, Colorado for the purpose of constructing and owning CH2M HILL's new corporate headquarters and another building. The construction of these two buildings was completed in October 2002. The Trust was formed to fund the construction, own the land and the two buildings and subsequently lease the facilities to CH2M HILL. The Trust was funded by equity and debt investments from independent third parties. The lease agreement was effective upon completion of construction. The lease agreement calls for monthly lease payments of approximately $350 for ten years and requires that CH2M HILL guarantee a residual value of the facilities of approximately $42,000. Upon completion of the lease term, subject to certain limitations, CH2M HILL has the option to purchase the facilities from the Trust at fair market value, which is currently estimated to be $53,000.

In March 2002, a second trust (2002 Trust) was formed to fund the construction of an additional building adjacent to those owned by the Trust and subsequently lease the building to CH2M HILL. The construction was completed in December 2002. The 2002 Trust was also funded by equity and debt investments from independent third parties. The lease agreement was effective upon completion of construction. The lease agreement calls for monthly lease payments at a variable interest rate, estimated to be approximately $52 per month for up to ten years, based on current interest rates. In addition, the lease agreement requires that CH2M HILL guarantee a residual value of the additional building of approximately $17,600. Upon completion of the lease term, subject to certain limitations, CH2M HILL has the option to purchase the additional building from the 2002 Trust at fair market value, which is currently estimated to be $20,800.

Rental expense charged to operations was $56,949, $53,000 and $46,130 during 2002, 2001 and 2000, respectively. Certain of CH2M HILL's operating leases contain provisions for a specific rent-free period. CH2M HILL accrues rental expense during the rent-free period based on total expected rent payments to be made over the life of the related lease.

(13) Income taxes

CH2M HILL accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes." SFAS No. 109 uses an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax effects of events that have been recognized in the financial statements or tax returns. In estimating future tax consequences, CH2M HILL generally considers all expected future events other than enactment of changes in the tax laws or rates.

Income from continuing operations before income taxes includes the following:

	2002	2001	2000
U.S. income	$58,897	$21,160	$40,242
Foreign income (loss)	(6,595)	29,414	8,723
Income before taxes	$52,302	$50,574	$48,965

The provision for income taxes for the years ended December 31 is comprised of the following:

	2002	2001	2000
Current income tax expense:			
Federal	$23,252	$ 4,446	$ 33,424
Foreign	1,357	12,789	5,640
State and local	4,254	958	7,198
Total current taxes	28,863	18,193	46,262
Deferred tax (benefit) expense:			
Federal	(5,263)	3,673	(17,960)
State	(953)	791	(3,868)
Total deferred tax (benefit)	(6,216)	4,464	(21,828)
Total tax expense	$22,647	$22,657	$ 24,434

The reconciliation of income tax computed at the U.S. federal statutory tax rate to CH2M HILL's effective income tax rate for the years ended December 31 were as follows:

	2002	2001	2000
Pretax income	$52,302	$50,574	$48,965
Federal statutory rate	35%	35%	35%
Expected tax expense	18,306	17,701	17,138
Reconciling items:			
State income taxes	2,765	623	4,679
Disallowed expenses and exclusions	1,598	1,693	1,570
Foreign operating losses	1,656	1,636	1,906
Other	(1,678)	1,004	(859)
Provision for income taxes	$22,647	$22,657	$24,434

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31 were as follows:

	2002	2001
Deferred tax assets:		
Foreign net operating losses	$ 3,551	$ 3,600
Accrued employee benefits	37,134	18,877
Investments in affiliates	—	2,639
Total deferred tax assets	40,685	25,116
Valuation allowance	(3,551)	(3,600)
Net deferred tax assets	37,134	21,516
Deferred tax liabilities:		
Deferred recognition of income until collection occurs	23,801	23,899
Investments in affiliates	2,246	—
Depreciation and amortization	4,157	5,200
Total deferred tax liabilities	30,204	29,099
Net deferred tax asset (liability)	$ 6,930	$(7,583)

A valuation allowance is required to be established for those deferred tax assets that it is more likely than not that they will not be realized based upon certain estimated circumstances. The above valuation allowances relate to foreign net operating losses of $10,248 and $9,600 for the years ended December 31, 2002 and 2001, respectively, which will require taxable income within the applicable foreign subsidiary in order for the deferred tax asset to be realized. The foreign net operating losses generally may be carried forward indefinitely.

Undistributed earnings of CH2M HILL's foreign subsidiaries amounted to approximately $36,434 at December 31, 2002. Those earnings are considered to be indefinitely reinvested and accordingly, no provision for U.S. federal and state income taxes or foreign withholding taxes has been made. Upon distribution of those earnings, CH2M HILL would be subject to U.S. income taxes (subject to a reduction for foreign tax credits) and withholding taxes payable to the various foreign countries. Determination of the amount of unrecognized deferred U.S. income tax liability is not practicable; however, the potential foreign tax credit associated with the deferred U.S. income would be available to reduce most of the resulting U.S. tax liabilities.

(14) Earnings per share

The computation of basic earnings per share is based on the weighted average number of common shares outstanding during the period. Diluted earnings per share is based on the weighted average number of common shares outstanding during the period and, to the extent dilutive, common stock equivalents consisting of stock options. The differences between the basic and diluted shares at December 31, 2002, 2001 and 2000 are attributable to the dilutive effect of stock options outstanding at the end of the periods.

(15) Employee benefit plans

Retirement and Tax-Deferred Savings Plan

The Retirement and Tax-Deferred Savings Plan (401(k) Plan) is a profit sharing plan that includes a cash or deferred arrangement that is intended to qualify under Sections 401(a) and 401(k) of the Internal Revenue Code. Employees are eligible to participate in the 401(k) Plan on the first date of hire with respect to employee contributions and matching contributions. Each eligible employee begins

to participate in the 401(k) Plan with respect to defined contributions as of the first day of the first month that begins on or after the eligible employee completes a twelve-month period of service during which the employee is credited with at least 1,000 hours of service.

The 401(k) Plan allows for both matching cash and stock contributions. Matching contributions may be made in an amount that is based on a percentage of the employee's contributions for the calendar quarter up to 4% of the employee's base compensation. The amount of the employer's contribution, if any, is determined by the Board of Directors of CH2M HILL.

Expenses related to contributions made in common stock for the 401(k) Plan for 2002, 2001 and 2000 were $6,405, $6,858 and $4,450, respectively.

Deferred Compensation Plans

CH2M HILL has several nonqualified deferred compensation programs that provide benefits payable to officers and certain highly compensated employees at specified future dates, upon retirement, or death. Both the Deferred Compensation Plan (DCP) and the Executive Deferred Compensation Plan utilize a rabbi trust arrangement. During the years ended December 31, 2002 and 2001, a total of 762,444 shares and 310,096 shares, respectively, were contributed to the deferred compensation plans. The DCP provides for participants to defer their base bay and incentive pay, in cash or common stock, on a pre-tax basis. The deferred compensation plans have several hypothetical investment options that a participant may choose to invest the cash portion of their deferred compensation. Each hypothetical investment option is based on an investment fund that is similar to the 401(k) Plan. All deferrals of common stock must remain invested in common stock and are distributed in common stock.

The Deferred Compensation Retirement Plan (DCRP) provides for CH2M HILL to pay the "Account Value" to a participant, if the participant retires from CH2M HILL on or after age 65. The Account Value is equal to (a) the present value of the "Calculated Benefit" at age 65 minus (b) the cash surrender value of the split dollar life insurance policies used to fund this plan (after return of premiums paid by CH2M HILL). The benefits of the DCRP are funded by the offsetting benefit plans and the cash surrender value of the split dollar life insurance policies. To the extent that the offsetting benefit plans and the split dollar life insurance policies do not cover the cost of the benefit, the Account Values will be paid from CH2M HILL general assets.

At December 31, 2002 and 2001, the liability under the deferred compensation plans amounted to $8,045 and $3,326, respectively, and is included in other long-term liabilities. To assist in funding the deferred compensation liabilities, CH2M HILL has invested in corporate-owned life insurance policies. The cash surrender value of these policies included in employee benefit plan assets was $14,818 and $11,329 at December 31, 2002 and 2001, respectively.

1999 Stock Option Plan

CH2M HILL's 1999 Stock Option Plan was approved by the Board of Directors on November 6, 1998 to reserve 8,000,000 shares of CH2M HILL common stock for issuance upon exercise of stock options granted under this plan. Stock options are granted at an exercise price equal to the fair market value of CH2M HILL's common stock at the date of grant. Stock options granted generally become exercisable 25%, 25% and 50% after one, two and three years, respectively, and have a term of five years from date of grant.

The following table summarizes the activity relating to stock options:

	Stock Options	Weighted Average Exercise Price
Stock Options:		
Options outstanding, December 31, 1999	2,567,198	$ 4.31
Granted	1,190,172	6.78
Exercised	(31,640)	4.31
Forfeited	(242,316)	4.83
Options outstanding, December 31, 2000	3,483,414	5.12
Granted	892,260	9.81
Exercised	(138,839)	4.61
Forfeited	(182,296)	5.87
Options outstanding, December 31, 2001	4,054,539	6.13
Granted	1,069,135	11.22
Exercised	(410,774)	4.76
Forfeited	(109,857)	8.29
Options outstanding, December 31, 2002	4,603,043	7.39

The weighted average fair values of stock options granted during 2002, 2001 and 2000 were $988, $875 and $1,089, respectively, and were estimated using the minimum value method with the following weighted average assumptions:

	2002	2001	2000
Risk-free interest rate	2.23%	3.59%	5.17%
Expected dividend yield	0.00%	0.00%	0.00%
Expected lives	3.87 Years	3.00 Years	3.00 Years
Expected volatility	0.001%	0.001%	0.001%

The following table summarizes information about stock options outstanding at December 31, 2002:

	Options Outstanding			Options Exercisable	
Range of Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$4.31	1,753,272	1.18 Years	$ 4.31	1,751,772	$ 4.31
$6.34-$9.75	1,733,816	2.65 Years	8.07	653,470	7.61
$10.10-$11.58	1,115,955	4.11 Years	11.16	20,115	10.41
	4,603,043	2.45 Years	7.39	2,425,357	5.25

Payroll Deduction Stock Purchase Plan

In November 1999, CH2M HILL established the Payroll Deduction Stock Purchase Plan (PDSPP) which provides for the purchase of common stock at 90% of the market value as of the date of purchase through payroll deductions by participating employees. CH2M HILL has reserved 3,000,000 shares of common stock to be issued under the PDSPP. Eligible employees may purchase common stock totaling up to 15% of an employee's compensation through payroll deductions. An employee cannot purchase more than $25 of common stock under the PDSPP in any calendar year. The PDSPP is intended to qualify under Section 423 of the Internal Revenue Code.

During the years ended December 31, 2002, 2001 and 2000, a total of 870,531 shares, 822,164 shares and 639,567 shares, respectively, were issued under the PDSPP, for total proceeds of $8,921, $7,624 and $4,329, respectively.

The weighted average fair values of purchase options attributable to the PDSPP during 2002, 2001 and 2000 were $1,023, $887 and $518, respectively, and were estimated using the minimum value method with the following weighted average assumptions:

	2002	2001	2000
Risk-free interest rate	1.45%	2.17%	5.60%
Expected dividend yield	0.00%	0.00%	0.00%
Expected lives	0.25 Years	0.25 Years	0.25 Years
Expected volatility	0.001%	0.001%	0.001%

Phantom Stock Plan

In January 2000, CH2M HILL established the Phantom Stock Plan, which provides eligible individuals with added incentives to continue in the long-term service of CH2M HILL. Eligible individuals are generally individuals who are not residents of the U.S. Phantom Stock grants are 100% vested on the grant date and may be redeemed after six months from the grant date. The value of phantom stock is equal to the fair market value of CH2M HILL's common stock. All amounts granted under the Phantom Stock Plan are payable in cash only and are generally granted in connection with the Short and Long Term Incentive Plans. Compensation expense is measured by the value of the units on the grant date.

During the years ended December 31, 2002, 2001 and 2000, a total of 148,894, 95,827 and 59,430 phantom stock units, respectively, were granted under the Phantom Stock Plan. At December 31, 2002, there were 165,234 units that remained outstanding.

The fair values of the units granted under the Phantom Stock Plan during 2002, 2001 and 2000 were $11.21, $9.75 and $6.34, respectively.

Stock Appreciation Rights Plan

In February 1999, CH2M HILL established the Stock Appreciation Rights (SARs) Plan. Eligible individuals are generally individuals who are not residents of the U.S. SARs are granted at an exercise price equal to the fair market value of CH2M HILL's common stock and generally become exercisable 25%, 25% and 50% after one, two and three years, respectively, and have a term of five years from date of grant. All amounts granted under the SARs Plan are payable in cash only. Compensation expense under this plan is based on the vesting provisions and the fair market value of CH2M HILL's common stock.

During the years ended December 31, 2002, 2001 and 2000, a total of 113,100, 83,940 and 92,749 SARs, respectively, were granted. At December 31, 2002, there were 332,852 SARs that remained outstanding.

The weighted fair values of SARs granted during 2002, 2001 and 2000 were $11.27, $9.82 and $6.75, respectively.

Short Term Incentive Plan

In January 2000, CH2M HILL established the Short Term Incentive Plan (STIP) to aid in the motivation, recruitment, retention and reward of employees. Management determines which employees, directors, and consultants participate in the STIP. A participant must be employed on the grant date of

the award in order to be eligible to receive the award and on the date of the award payout in order to be eligible to receive the actual payout.

During the years ended December 31, 2002, 2001 and 2000, a total of 1,170,676 shares, 1,333,058 shares and 1,058,058 shares, respectively, were granted under the STIP.

The fair values of the shares granted under the STIP during 2002, 2001 and 2000 were $11.21, $9.75 and $6.34, respectively.

Expenses related to common stock awards under the STIP amounted to $11,613, $13,755 and $14,765 in 2002, 2001 and 2000, respectively.

Long Term Incentive Plan

In January 1999, CH2M HILL established the Long Term Incentive Plan (LTIP) to reward certain executives, project managers, and technologists for the creation of value in the organization through the achievement of specific long-term goals of earnings growth and strategic imperatives for CH2M HILL as well as individual goals. The Board of Directors of CH2M HILL determines which employees are eligible to participate in the LTIP in any program year. The LTIP consists of a new 3-year program each year.

During the year ended December 31, 2002, a total of 553,335 shares were issued under the LTIP at a fair value of $11.21.

Expenses related to common stock awards under the LTIP amounted to $5,332, $7,440 and $6,043 in 2002, 2001 and 2000, respectively.

(16) Other employee benefits

Pension and Other Postretirement Benefits

CH2M HILL has three noncontributory defined benefit pension plans. Plan benefits in two of the plans were frozen while one plan remains active. Benefits are based on years of service and compensation during the span of employment. Funding for these plans is provided through contributions based on recommendations from the plans' independent actuaries. Plan assets consist primarily of corporate debt instruments and U.S. government securities.

CH2M HILL sponsors a medical benefit plan for retired employees of three subsidiaries. The plan is contributory, with retiree premiums based on service at retirement. The benefits contain limitations and a cap on future cost increases. CH2M HILL funds postretirement medical benefits on a pay-as-you-go basis.

	Pension Benefits		Other Benefits	
	2002	2001	2002	2001
Plan assets in excess of benefit obligations:				
Benefit obligation at December 31	$ —	$ (64,737)		
Fair value of plan assets at December 31	—	70,946		
Funded status	$ —	$ 6,209		
Benefit obligations in excess of plan assets:				
Benefit obligation at December 31	$(101,312)	$ (21,803)	$(14,315)	$(13,812)
Fair value of plan assets at December 31	80,783	14,852	—	—
Unfunded status	$ (20,529)	$ (6,951)	$(14,315)	$(13,812)
Amounts recognized in the balance sheet:				
Prepaid (accrued) benefit cost	$ (12,358)	$ 13,946	$(12,261)	$(10,901)
Intangible asset	1,907	—	—	—
Deferred income taxes	9,289	—	—	—
Accumulated other comprehensive income	14,653	—	—	—
Net amount recognized	$ 13,491	$ 13,946	$(12,261)	$(10,901)
Weighted average assumptions at December 31:				
Discount rate	6.95%	7.25%	6.95%	7.25%
Expected return on plan assets	8.00-9.25%	8.00-9.25%	—	—
Rate of compensation increase	5.00%	5.00%	—	—

For measurement purposes, a 9.35% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2002. The rate was assumed to decrease gradually to 5.2% for 2011 and to remain at that level thereafter.

	Pension Benefits		Other Benefits	
	2002	2001	2002	2001
Net periodic benefit cost	$ 2,791	$ 1,990	$ 1,808	$ 1,860
Employer contributions	2,337	5,003	—	—
Participant contributions	—	—	326	221
Benefit payments	(3,648)	(3,181)	(774)	(524)

CH2M HILL recorded a minimum pension liability adjustment of $14,653, net of taxes of $9,289, at December 31, 2002, as required by FASB Statement No. 87. The adjustment is reflected in other comprehensive income and is prescribed when the accumulated benefit obligation exceeds the fair value of the underlying pension plan assets. This non-cash charge to shareholders' equity will be reviewed next year in connection with the annual actuarial valuation of the pension plans and is subject to adjustment at that time.

(17) Segment information

CH2M HILL operates in three reportable segments that offer different services to different customers. The segments are managed separately because each business requires different business and marketing strategies. Environmental, Energy, and Infrastructure (EE&I) includes management, consulting, design, construction and procurement services to the environmental, nuclear, energy, systems and transportation industries. Water focuses on the planning, design and implementation of water supply systems and wastewater treatment facilities as well as providing operations and maintenance services to water and wastewater facility operators. Industrial provides design, construction, specialized manufacturing support and sustained facility services support to high-technology manufacturing companies, food and beverage processing businesses, and fine chemical and pharmaceutical manufacturers.

CH2M HILL evaluates performance based on several factors, of which the primary financial measure is profit before tax. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Inter-segment sales are accounted for at fair value as if the sales were to third parties. Other includes the elimination of inter-segment sales and unallocable corporate expenses.

Certain financial information for each segment is provided below:

2002	EE&I	Water	Industrial	Other	Financial Statement Balances
Revenues from external customers	$1,116,562	$612,700	$225,681	$ —	$1,954,943
Inter-segment sales	6,096	13,664	1,914	(21,674)	—
Equity in earnings of joint ventures and affiliated companies	39,192	4,679	169	—	44,040
Depreciation and amortization	7,231	4,694	646	—	12,571
Interest income	584	768	270	—	1,622
Interest expense	248	277	100	—	625
Segment profit	33,412	24,768	2,368	(8,246)	52,302
Segment assets	320,136	222,219	78,532	—	620,887

2001	EE&I	Water	Industrial	Other	Financial Statement Balances
Revenues from external customers	$1,067,906	$577,364	$278,166	$ —	$1,923,436
Inter-segment sales	15,791	11,442	1,225	(28,458)	—
Equity in earnings of joint ventures and affiliated companies	15,424	1,427	233	—	17,084
Depreciation and amortization	6,572	4,548	739	—	11,859
Interest income	1,604	1,645	772	—	4,021
Interest expense	289	207	250	—	746
Segment profit	30,556	19,589	11,830	(11,401)	50,574
Segment assets	292,900	200,396	73,799	—	567,095

2000	EE&I	Water	Industrial	Other	Financial Statement Balances
Revenues from external customers	$876,282	$501,430	$315,634	$ —	$1,693,346
Inter-segment sales	10,874	8,138	—	(19,012)	—
Equity in earnings of joint ventures and affiliated companies	10,127	2,099	1,166	—	13,392
Depreciation and amortization	5,467	3,757	481	—	9,705
Interest income	730	1,010	1,022	—	2,762
Interest expense	396	282	257	—	935
Segment profit	27,519	19,270	10,066	(7,890)	48,965
Segment assets	236,811	114,084	164,520	—	515,415

CH2M HILL derived approximately 36% in 2002, 36% in 2001 and 31% in 2000, of its total revenues from contracts with federal government agencies.

Revenues are attributed to the country in which the services are performed. Although CH2M HILL provides services in numerous countries, no single country outside of the U.S. accounted for a significant portion of the total consolidated revenues.

	2002	2001	2000
U.S.	$1,802,463	$1,687,624	$1,445,741
International	196,520	252,896	260,997
Total	$1,998,983	$1,940,520	$1,706,738

(18) Contingencies

CH2M HILL maintains a variety of commercial commitments that are generally made available to provide support for various provisions in its engineering and construction contracts. Letters of credit are provided to clients in the ordinary course of the contracting business in lieu of retention or for performance and completion guarantees on engineering and construction contracts. CH2M HILL also posts surety bonds, which are contractual agreements issued by a surety, for the purpose of guaranteeing our performance on contracts. Bid bonds are also issued by a surety to protect owners and are subject to full or partial forfeiture for failure to perform obligations arising from a successful bid.

Commercial commitments outstanding as of December 31, 2002 are summarized below:

	Amount of Commitment Expiration Per Period				
Commercial Commitment	Less than 1 Year	1-3 Years	4-5 Years	Over 5 Years	Total Amount Committed
Letters of credit	$ 13,638	$ 10	$ —	$ —	$ 13,648
Residual value guarantees	—	—	—	59,600	59,600
Surety bonds	269,442	187,309	105	3,658	460,514
Total	$283,080	$187,319	$105	$63,258	$533,762

Legal

CH2M HILL is party to various legal actions arising in the normal course of its business, some of which involve claims of substantial amounts. Damages assessed in connection with and the cost of defending any such actions could be substantial. CH2M HILL's management believes that the levels of insurance coverage are generally adequate to cover CH2M HILL's liabilities, if any, with regard to such claims. CH2M HILL generally accrues amounts for retentions and deductibles when it is probable that a loss will be incurred and such loss is estimable. Gain contingencies or recoveries are rare and are usually recorded when the cash is collected and the contingencies are removed.

CH2M HILL Companies, Ltd.
Quarterly Financial Data
(Unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	For the Year Ended
	(In thousands except per share amounts)				
2002					
Revenues	$472,736	$475,760	$512,720	$537,767	$1,998,983
Operating income	10,079	6,005	12,312	22,909	51,305
Net income	5,914	3,284	7,170	13,287	29,655
Net income per common share					
Basic	0.20	0.11	0.23	0.44	0.97
Diluted	0.19	0.10	0.23	0.42	0.94
2001					
Revenues	$491,726	$484,863	$481,676	$482,255	$1,940,520
Operating income	10,048	11,141	13,927	12,183	47,299
Net income	6,096	6,342	7,817	7,662	27,917
Net income per common share					
Basic	0.21	0.21	0.26	0.26	0.93
Diluted	0.20	0.20	0.25	0.25	0.90

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Englewood, Arapahoe County, State of Colorado, on the 18th day of March, 2003.

CH2M HILL Companies, Ltd.

By: /s/ RALPH R. PETERSON
Ralph R. Peterson
President and Chief Executive Officer

In accordance with the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, this report has been signed by the following persons in the capacities and on the dates stated, through their attorney-in-fact as appointed in the power of attorney of February 14, 2003.

Signature	Title	Date
/s/ RALPH R. PETERSON Ralph R. Peterson	Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)	March 18, 2003
/s/ SAMUEL H. IAPALUCCI Samuel H. Iapalucci	Chief Financial Officer (Principal Financial and Principal Accounting Officer)	March 18, 2003
* Kenneth F. Durant	Director	March 18, 2003
* Donald S. Evans	Director	March 18, 2003
* James J. Ferris	Director	March 18, 2003
* Jerry D. Geist	Director	March 18, 2003
* Steven D. Guttenplan	Director	March 18, 2003
* Michael D. Kennedy	Director	March 18, 2003
* Susan D. King	Director	March 18, 2003

Signature	Title	Date
*		
Gregory T. McIntyre	Director	March 18, 2003
*		
David B. Price	Director	March 18, 2003
*		
Nancy R. Tuor	Director	March 18, 2003
*		
Barry L. Williams	Director	March 18, 2003

By: */s/ SAMUEL H. IAPALUCCI
Samuel H. Iapalucci, as attorney-in-fact

CERTIFICATION

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Ralph R. Peterson, Chief Executive Officer of CH2M HILL Companies, Ltd., certify that:

1. I have reviewed this annual report on Form 10-K of CH2M HILL Companies, Ltd.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

   c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 18, 2003

/c/ Ralph R. Peterson

Ralph R. Peterson
Chief Executive Officer

CERTIFICATION

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Samuel H. Iapalucci, Chief Financial Officer of CH2M HILL Companies, Ltd., certify that:

1. I have reviewed this annual report on Form 10-K of CH2M HILL Companies, Ltd.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

   c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 18, 2003

/c/ Samuel H. Iapalucci

Samuel H. Iapalucci
Chief Financial Officer

KAISER-HILL COMPANY, LLC AND SUBSIDIARY

Consolidated Financial Statements

December 31, 2002 and 2001

(With Independent Auditors' Report Thereon)

Independent Auditors' Report

The Members
Kaiser-Hill Company, LLC:

We have audited the accompanying consolidated balance sheet of Kaiser-Hill Company, LLC (the Company) and Subsidiary as of December 31, 2002, and the related consolidated statements of income, members' equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and supplementary consolidating information based on our audit. The 2001 and 2000 consolidated financial statements of Kaiser-Hill Company, LLC, were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those consolidated financial statements in their report dated January 25, 2002.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2002 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Kaiser-Hill Company, LLC and Subsidiary as of December 31 2002, and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Denver, Colorado
February 4, 2003

Report of Independent Public Accountants

To the Members of
Kaiser-Hill Company, LLC:

We have audited the accompanying consolidated balance sheets of Kaiser-Hill Company, LLC (a Colorado limited liability company) (the "Company") and Subsidiary as of December 31, 2001 and 2000, and the related consolidated statements of income, members' equity and cash flows for each of the three years in the period ended December 31, 2001. These consolidated financial statements and the supplementary consolidating information referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and supplementary consolidating information based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Kaiser-Hill Company, LLC and Subsidiary as of December 31, 2001 and 2000, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information contained in Schedules I and II is presented for purposes of additional analysis of the consolidated financial statements, rather than to present the financial position and the results of operations and cash flows of the individual companies. This information has been subjected to the auditing procedures applied in our audits of the consolidated financial statements and in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Denver, Colorado
January 25, 2002

The report of Arthur Andersen LLP (Andersen) is a copy of the report previously issued by Andersen on January 25, 2002. We have not been able to obtain a re-issued report from Andersen. Andersen has not consented to the inclusion of its report in this Annual Report on Form 10-K. The report of Andersen refers to the consolidated balance sheets as of December 31, 2000 and statements of income, members' equity and cash flows for the year ended December 31, 1999 not included herein. Because Andersen has not consented to the inclusion of its report in this Annual Report, it may be more difficult for you to seek remedies against Andersen and your ability to seek relief against Andersen may be impaired.

KAISER-HILL COMPANY, LLC

AND SUBSIDIARY

Consolidated Balance Sheets

December 31, 2002 and 2001

(Amounts in thousands of dollars)

	2002	2001
Assets		
Current assets:		
Cash and cash equivalents	$ 16,071	19,448
Current portion of unbilled contract receivables	98,458	114,380
Due from employees	51	114
Prepaid expenses and other current assets	450	2,114
Total current assets	115,030	136,056
Unbilled contract receivables, net of current portion	77,352	17,099
Prepaid expenses, long-term	1,128	—
Deferred financing costs, net of accumulated amortization of $271 and $183, respectively	254	342
	$193,764	153,497
Liabilities and Members' Equity		
Current liabilities:		
Accounts payable and payables to subcontractors	$ 74,916	94,708
Current portion of employee incentive plan	10,594	9,300
Accrued vacation	11,485	11,581
Accrued salaries and employee benefits	9,724	8,780
Payable to Members	867	1,008
Total current liabilities	107,586	125,377
Employee incentive plan, net of current portion	28,644	12,800
	136,230	138,177
Contingencies (note 7)		
Members' equity	57,534	15,320
	$193,764	153,497

See accompanying notes to consolidated financial statements.

KAISER-HILL COMPANY, LLC

AND SUBSIDIARY

Consolidated Statements of Income

Years ended December 31, 2002, 2001, and 2000

(Amounts in thousands of dollars)

	2002	2001	2000
Gross revenue	$732,718	718,788	673,751
Subcontractor costs and direct material costs	(367,355)	(417,180)	(417,203)
Service revenue	365,363	301,608	256,548
Direct cost of service and overhead	(291,986)	(271,977)	(236,671)
Operating income	73,377	29,631	19,877
Other income (expense):			
Interest income	232	569	669
Interest expense	(95)	(116)	(110)
Net income	$ 73,514	30,084	20,436

See accompanying notes to consolidated financial statements.

KAISER-HILL COMPANY, LLC

AND SUBSIDIARY

Consolidated Statements of Members' Equity

Years ended December 31, 2002, 2001, and 2000

(Amounts in thousands of dollars)

	Kaiser KH Holdings, Inc.	CH2M HILL Constructors, Inc.	Total
Members' equity, December 31, 1999	$ 3,600	3,600	7,200
Net income	10,218	10,218	20,436
Distributions	(13,300)	(13,300)	(26,600)
Members' equity, December 31, 2000	518	518	1,036
Net income	15,042	15,042	30,084
Distributions	(7,900)	(7,900)	(15,800)
Members' equity, December 31, 2001	7,660	7,660	15,320
Net income	36,757	36,757	73,514
Distributions	(15,650)	(15,650)	(31,300)
Members' equity, December 31, 2002	$ 28,767	28,767	57,534

See accompanying notes to consolidated financial statements.

KAISER-HILL COMPANY, LLC

AND SUBSIDIARY

Consolidated Statements of Cash Flows

Years ended December 31, 2002, 2001, and 2000

(Amounts in thousands of dollars)

	2002	2001	2000
Cash flows from operating activities:			
Net income	$73,514	30,084	20,436
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization	88	88	88
Changes in assets and liabilities:			
Increase in contract receivables	(44,331)	(6,548)	(17,664)
Decrease (increase) in due from employees	63	(92)	(22)
Decrease (increase) in prepaids and other current assets	1,664	(1,759)	(355)
(Increase) in long-term prepaids	(1,128)	—	—
(Decrease) increase in accounts payable and payables to subcontractors	(19,792)	(6,736)	10,972
Increase in employee incentive plan	17,138	22,100	—
Increase (decrease) in other accrued expenses	848	(3,558)	9,202
(Decrease) increase in payable to Members	(141)	492	(216)
Net cash provided by operating activities	27,923	34,071	22,441
Cash flows from financing activities:			
Distributions to Members	(31,300)	(15,800)	(26,600)
Proceeds from credit facility	37,700	29,900	42,000
Payments on credit facility	(37,700)	(35,900)	(36,000)
Net cash used in financing activities	(31,300)	(21,800)	(20,600)
Net (decrease) increase in cash and cash equivalents	(3,377)	12,271	1,841
Cash and cash equivalents, beginning of year	19,448	7,177	5,336
Cash and cash equivalents, end of year	$16,071	19,448	7,177
Supplemental cash flow information:			
Cash paid for interest	$ 7	28	22

See accompanying notes to consolidated financial statements.

KAISER HILL COMPANY, LLC

AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2002 and 2001

(1) Organization

Kaiser-Hill Company, LLC was formed on October 24, 1994. The principal business of the Company is to procure, execute, deliver, and perform under a contract with the Department of Energy (DOE) to manage the programs and operate the DOE facilities at Rocky Flats Environmental Technology Site (RFETS) in Golden, Colorado. The mission of the RFETS is directed toward cleanup, deactivation, and preparation for decontamination and disposition of these DOE facilities.

The Company is a limited liability company owned equally by Kaiser KH Holdings, Inc., a wholly owned subsidiary of Kaiser Group Holdings, Inc. (formerly known as Kaiser Group International, Inc.) (Kaiser), and CH2M HILL Constructors, Inc., an indirect wholly owned subsidiary of CH2M HILL Companies, Ltd. (CH2M HILL) (collectively the Members). Net profits and/or losses and distributions thereof are allocated equally to the Members.

At December 31, 2002, the Company employed approximately 1,480 hourly workers and approximately 500 salaried workers. Approximately 84% of the hourly employees are represented by United Steel Workers of America under a collective bargaining agreement which expires on January 15, 2007.

On January 24, 2000, the Company and the DOE entered into a new contract effective February 1, 2000. The new contract is in effect under the physical completion of the Rocky Flats Closure Project including closure, disposal of nuclear material, demolition of facilities, environmental remediation, waste disposal, infrastructure and general site operations. Under the new contract, the Company has the opportunity to earn an additional fee if the total costs incurred are below the contract target cost or the completion of the site closure is before March 31, 2007. In addition, the Company can lose a portion of its fee if the costs exceed an amount equal to $200 million above the contract target cost or the site closure is after March 31, 2007. The modified maximum and minimum fee available to be earned by the Company through the date of closure is $463 million and $151 million, respectively.

(2) Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements include the Company and its wholly owned subsidiary Kaiser-Hill Funding Company, LLC. All intercompany accounts and transactions have been eliminated in the consolidated financial statements.

(b) Revenue Recognition

Under the contract (the Contract), revenue is recognized using the percentage of completion method whereby revenue is accrued in an amount equal to cost plus management's best estimate of incentive fees. Incentive fees are estimated based on projected total contract costs and site closure date. The Company continually monitors its progress towards the completion dates and its estimated costs at completion and will modify its estimates of fees to be earned as needed. Changes in these estimates could have a significant effect on future earnings of the Company. During 2002, management revised its estimate of projected cost at completion based upon the Company's current progress under the Contract. The change in estimate results in approximately $20,400,000 of additional incentive fees to be recognized over the life of the Contract. The Company recognized approximately $14,900,000 in additional revenue during the year ended December 31, 2002 due to the change in estimate.

(2) **Significant Accounting Policies (Continued)**

(c) Statements of Cash Flows

For purposes of the statements of cash flows, the Company considers cash in checking and short-term investments with original maturities of three months or less to be cash and cash equivalents.

The Company maintains its cash accounts primarily with banks located in Colorado, New York, and Washington D.C. Cash balances are insured by the FDIC up to $100,000 per bank and cash equivalents are not insured by the FDIC. As of December 31, 2002, the majority of the cash balance was made up of cash equivalents.

(d) Income Taxes

No provision for the payment of income taxes has been made in the accompanying consolidated financial statements related to the activities of the Company since the Members each report their share of the Company's taxable income in their respective individual income tax return.

(e) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

As discussed in Note 2(b), revenue under the Contract is recognized using the percentage of completion method whereby revenue is accrued in an amount equal to cost plus management's best estimate of incentive fees. Incentive fees are estimated based on projected total contract costs and site closure date. Changes in these estimates could have a significant effect on the future earnings of the Company.

(f) New Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 143, *Accounting for Asset Retirement Obligations*, which establishes accounting standards for recognition and measurement of a liability for an asset retirement obligation and the associated asset retirement cost. This Statement is effective for financial statements issued for fiscal years beginning after June 15, 2002. Management does not believe its adoption will effect the financial statements of the Company.

In June 2002, the FASB issued SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*, which addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity* (including Certain Costs Incurred in a Restructuring). SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred as opposed to when an entity commitment to an exit plan as prescribed under EITF No. 94-3. SFAS No. 146 also establishes that the initial liability be measured at fair value. SFAS No. 146 is effective for activities that are initiated after December 31, 2002 and management does not believe its adoption will effect the financial statements of the Company.

(2) **Significant Accounting Policies (Continued)**

(g) Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

(3) **Related Party Transactions**

In 2002 and 2001, the Members were subcontracted by the Company to perform certain tasks under the Contract. The "Payable to Members" in the accompanying balance sheets as of December 31, 2002 and 2001 consists of $250,000 and $118,000 respectively, to Kaiser and $617,000 and $890,000, respectively, to CH2M HILL for these subcontracted tasks. These payables are non-interest bearing.

In addition, costs incurred related to work performed by CH2M HILL, the majority of which are reimbursable and billed under the Contract, were approximately $473,000 in 2002, $851,000 in 2001, and $799,000 in 2000.

(4) **Contract Receivables**

Contract receivables as of December 31, 2002 and 2001 primarily represent unbilled receivables due under the Contract. Unbilled receivables result from revenue and estimated fee that have been earned by the Company but not billed to the DOE as of the end of the period. Unbilled receivables can be invoiced at contractually defined intervals and milestones. Management anticipates that the current portion of unbilled receivables will be billed and collected in less than one year. Current unbilled receivables primarily represent allowable costs, including subcontractor costs, that have not been submitted to the DOE for payment. These costs cannot be invoiced to the DOE until payment has been made by the Company to the vendor. In addition, under the terms of the Contract, the Company receives a cash payment of 50% of the incentive fee due on a quarterly basis. The remainder of the incentive fee, based on projected costs at completion and closure date, will be paid by the DOE upon the completion of the contract currently estimated to be December 31, 2006. As such, these amounts are classified as noncurrent in the accompanying consolidated balance sheets. As discussed above, any modifications or changes in the cost estimates or the site closure date will impact these outstanding amounts. The impact could increase or decrease such amounts depending upon the estimated charges.

As of December 31, 2002 and 2001, the Company has $77.4 million and $17.1 million, respectively, of long-term unbilled receivables that represent incentive fee under the Contract. These can be billed at the completion of the Contract, currently estimated to be December 31, 2006. In addition, the Company has current unbilled receivables of $98.5 million and $114.4 million as of December 31, 2002 and 2001, respectively. This is comprised of $7.1 million and $8.2 million, respectively, of incentive fees and $91.4 million and $106.2 million, respectively, of direct reimbursable costs under the Contract that have all been billed since year end.

The Company's contract receivables result primarily from its long-term contract with the DOE. As a consequence, management believes that credit risk is minimal.

(5) **Employee Incentive Plan**

In connection with the closure contract with the DOE, the Company implemented an employee incentive plan. There are two components to the plan. The first component represents a cash bonus

(5) Employee Incentive Plan (Continued)

which is earned and paid annually. The second component represents the issuance of performance units. These units are allocated to employees on an annual basis. The value of these units ultimately depend on the actual cost achieved and the closure date and range from $0 to $1 per unit. Employees remain eligible for these units as long as they are employed by the Company or left in good standing, as defined. Payments made for performance units will be paid in cash at the end of the Contract.

As of December 31, 2002, the Company has issued approximately 34,708,750 performance units and the estimated value to be paid is accrued as employer incentive plan liability. The payments of the unit bonus will take place upon closure of the Contract and therefore the associated accrual is classified as a long-term employee incentive plan liability in the accompanying consolidated balance sheets.

(6) Business Loan and Security Agreement

The Company currently has a Business Loan and Security Agreement (the Agreement) with a bank. The term of the Agreement is through December 31, 2005. The Company, Kaiser and CH2M HILL granted a first lien security interest to the bank in all of the ownership and equity interest of the Company. As of December 31, 2002 and 2001, the Company had no amounts outstanding under the Agreement.

Under the Agreement, the Company has available temporary financing for the payment of the Company's costs incurred under the Contract. This financing is utilized throughout the year for periods of less than one month as, under the terms of the Contract, the DOE must pay the Company's invoices within three business days of receipt. The funding level under the Agreement can not exceed a Maximum Borrowing Base calculated on the lesser of eligible billed and unbilled government accounts receivable, as defined, or $35,000,000. Under the terms of the Agreement, interest on the advances is calculated either under a rate based upon LIBOR or a rate based upon the higher of the Federal Funds Rate or the Prime Rate.

In connection with the Agreement, the Company incurred $525,000 in loan origination fees, which are capitalized as deferred financing costs and are being amortized to interest expense over the life of the Agreement.

The Agreement also contains various financial covenants, including tangible net worth, fixed charge ratio, and minimum cash balances requirements, among other restrictions. Management believes the Company was in compliance with all restrictive covenants throughout the year.

(7) Contingencies

The Company's reimbursable costs are subject to audit in the ordinary course of business by various U.S. Government agencies. Management is not presently aware of any significant costs, which have been, or may be, disallowed by any of these agencies.

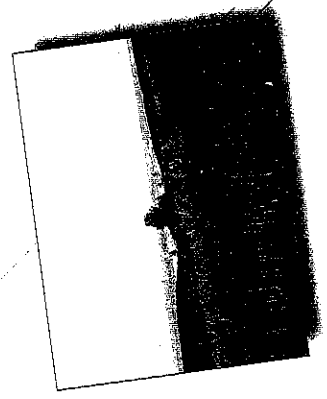
(8) Employee Benefit Plans

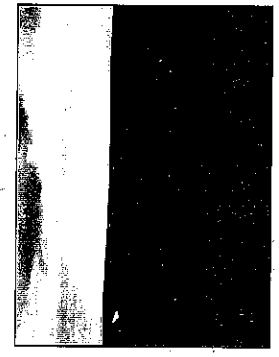
In accordance with the Contract, the Company participates in several multi-employer benefit plans covering substantially all employees who meet length of service requirements. These plans include a defined benefit pension plan and two defined contribution plans, the latter of which provide for Company matching. The Company contribution amounts for the defined contribution plans were

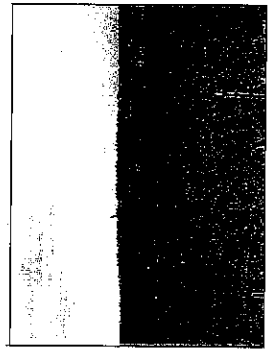
(8) Employee Benefit Plans (Continued)

approximately $1,916,000, $1,343,000, and $608,000 for 2002, 2001, and 2000, respectively. No amounts were contributed to the defined pension benefit plans during 2002, 2001, and 2000 because current levels of funding did not require contributions to be made.

The Company administers these benefit plans with benefits equivalent to the RFETS contractor benefit plans maintained by the contractor that preceded the Company at RFETS. Under the Contract, the Company recognizes the cost of benefit plans when paid, and such costs are reimbursed by the DOE. Any excess pension plan assets or unfunded pension plan liability which may currently exist or is remaining at the end of the DOE contract accrues to or is the responsibility of the DOE.







6.2 APPENDIX C - MINIMUM INSURANCE REQUIREMENTS

Contract No._____

The following listed minimum insurance requirements shall be carried by all contractors and consultants unless otherwise specified in the City's solicitation package, Special Provisions or Standard Specifications.

1. __X__ Workers' Compensation and Employers Liability as required by statute. Employers Liability coverage is to be carried for a minimum limit of $100,000.

2. __X__ Automobile Liability for limits not less than $500,000 combined single limit for bodily injury and property damage for each occurrence. Coverage shall include owned, non-owned and hired automobiles.

3. __X__ Commercial General Liability for limits not less than $500,000 combined single limit for bodily injury and property damage for each occurrence. Coverage shall include blanket contractual, broad form property damage, products and completed operations and contractors protective endorsements.

4. __X__ Excess Liability for limits not less than $5,000,000 if airside construction and/or $1,000,000 for regular construction combined single limit for bodily injury and property damage for each occurrence.

5. _____ Builders Risk or Installation Floater Insurance will be provided by the Owner (excluding earthquake or flood). This insurance shall insure and protect from all insurable risks of physical loss or damage. Contractors and subcontractors will be covered, excluding their own machinery, tools and equipment. The deductible under The Builders Risk or Installation Floater shall be sustained and borne by the Contractor. Losses will be adjusted with and made payable to the Owner and others as their interests may appear.

6. __X__ Professional Liability Insurance providing coverage for acts, errors or omissions committed or alleged to have been committed by architects and engineers arising out of the conduct of their professional practice. The coverage shall carry a project limit of $500,000. The coverage shall have an extended reporting period of 2 years following the date of substantial completion of the project for reporting of claims.

7. _____ Pollution Legal Liability Insurance for limits not less than $1,000,000 for sudden and accidental incidents including on-site clean-up for new conditions, third party liability for bodily injury and property damage at on-site and off-site locations, and third party clean-up for new and pre-existing conditions.

8. _____ Except for workers compensation and employer's liability insurance, City of Colorado must be named as an additional insured and the contractor's insurance shall be primary. Any insurance held by the City of Colorado Springs or Colorado Springs Airport is excess and non-contributory. Certificates of Insurance must be submitted before commencing the work and provide 30 days notice prior to any cancellation.

The undersigned certifies and agrees to carry and maintain the insurance requirements indicated above throughout the contract Period of Performance.

CH2M HILL, Inc.
(Name of Company)

(Signature) June 18, 2003 (Date)

CITY OF COLORADO SPRINGS

ADDENDUM #1
June 3, 2003

NAME OF PROJECT: R03-072DS "AIPORT BUSINESS PARK CONCEPT PLAN / MASTER DEVELOPMENT DRAINAGE PLAN (MDDP)/ ENVIRONMENTAL ASSESSMENT"

BID SUBMITTAL DATE: FRIDAY, June 20, 2003 BY 5:00 P.M.

This document shall become as fully a part of the above named Bidding and Contract Documents as if included and shall take full and complete precedence over anything stated or shown to the contrary in them.

Acknowledgment: Each bidder shall indicate in the place provided on the Bid Form acknowledgment of receipt of this Addendum.

Each and every Bidder, subcontractor, and material supplier shall be responsible for reading each and every item in this Addendum to ascertain the extent and manner it affects the work in which he is interested.

CHANGES TO THE PUBLICATION NOTICE

1. Pre-Proposal Meeting: A pre-proposal meeting was held for this project on Wednesday, May 28, 2003 at 9:00 am at the Colorado Springs Airport, located at 7770 Drennan Rd., in the third floor conference room. Attached are the minutes with the attendees listed.

2. Question: Will the scope of the EA study require a Hazardous Materials (phase I) screen? Answer: "No Phase I Environmental Assessment is required since the property has been under the City's ownership and has never been developed."

Receipt of this Addendum No. one (1) should be acknowledged at the time proposals are received. Bidder shall acknowledge receipt of this addendum by signing below, and this addendum shall be returned as part of the proposal.

Any questions pertaining to this notice should be directed to Denise Schrock at (719) 385-5275.

June 19, 2003
Signature Date

CH2M HILL
Firm

719-633-8805/FAX: 719-633-2352
Phone / Fax

6.1 APPENDIX B - EXCEPTIONS

EXCEPTIONS:
Print the words "no exceptions"(here) No Exceptions if there are no exceptions taken to any of the terms, conditions, or specifications of these proposal documents or contract.

If there are exceptions taken to any of the terms, conditions, or specifications of the proposal document or contract, they must be clearly stated on a separate sheet of paper attached to this sheet and returned with your proposal.

Note: All potential proposers are hereby advised that exceptions taken may be considered during the evaluation phase which may effect the final scoring of proposals. Proposers stipulating that the City must use their contract or agreement may be determined non-responsive and their Proposal determined unacceptable.

Company Name: CH2M HILL

Address: 19 S. Tejon Street, Suite 500, Colorado Springs, CO 80903
(City, State and Zip Code)

FIN#: 93-0549963

PHONE: 719-633-8805

FAX: 719-633-2352

INTERNET ADDRESS: Bill.Knapp@ch2m.com

Authorized Signature: _____ Date: June 19, 2003

Printed Name/Title: William J. Knapp, PE, Vice President