BANK OF NOVA SCOTIA
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Pricing Supplement dated March 31, 2016 to the

Prospectus dated December 1, 2014

Prospectus Supplement dated December 1, 2014 and Product Prospectus Supplement (Equity Securities Linked Notes and Exchange Traded Fund Linked Notes Series A), dated December 1, 2014

The Bank of Nova Scotia

$1,631,000

Market Linked Securities Leveraged Upside Participation to a Cap and Fixed Percentage Buffered Downside, Principal at Risk Securities, Series A

Linked to the iShares® MSCI EAFE ETF

Due April 5, 2019

The Market Linked Securities Leveraged Upside Participation to a Cap and Fixed Percentage Buffered Downside, Principal at Risk Securities, Series A, Linked to the iShares® MSCI EAFE ETF Due April 5, 2019 (the Securities) offered hereunder are unsecured obligations of The Bank of Nova Scotia (the Bank) and are subject to investment risks including possible loss of the Principal Amount invested due to the negative performance of the Reference Asset and the credit risk of The Bank of Nova Scotia. As used in this pricing supplement, the Bank, we, us or our refers to The Bank of Nova Scotia.

The Securities will not be listed on any U.S. securities exchange or automated quotation system.

The Securities will not bear interest. The amount that you will be paid on your Securities at maturity will be based on the performance of the iShares® MSCI EAFE ETF (which we refer to as the Reference Asset or Fund) as measured from the Pricing Date to and including the Calculation Day. **If the Percentage Change (defined below) of the Reference Asset is negative and is below -15.00% (the Ending Price is less than the Starting Price by more than 15.00%), you will lose a portion of your investment in the Securities and may lose up to 85% of your investment depending on the performance of the Reference Asset. Additionally, the amount you may receive for each $1,000 Principal Amount of your Securities at maturity is subject to a Capped Value of $1,300.00 per $1,000 Principal Amount of your Securities. In addition, any payment on your Securities is subject to the creditworthiness of The Bank of Nova Scotia.**

To determine your payment at maturity, we will first calculate the percentage increase or decrease in the Ending Price (determined on the Calculation Day, subject to adjustment) from the Starting Price (which is the closing price of the Reference Asset on the Pricing Date), which we

refer to as the Percentage Change. The Percentage Change may reflect a positive return (based on any increase in the price of the Reference Asset over the life of the Securities) or a negative return (based on any decrease in the price of the Reference Asset over the life of the Securities). At maturity, for each $1,000 Principal Amount of your Securities:

- if the Ending Price is *greater than* the Starting Price (the Percentage Change is *positive*), you will receive an amount in cash equal to the *sum* of (i) $1,000 *plus* (ii) the *product* of $1,000 *times* the Percentage Change, times the Participation Rate of 175%, subject to the Capped Value;

- if the Ending Price is *equal to* or *less than* the Starting Price but not by more than 15.00% (the Percentage Change is *zero* or *negative* but not below -15.00%), you will receive an amount in cash equal to $1,000; or

- if the Ending Price is *less than* the Starting Price by more than 15.00% (the Percentage Change is *negative* and below -15.00%), you will receive less than $1,000 and have a 1-to-1 downside exposure to the portion of such decrease in the Reference Asset that exceeds 15.00%. In this case, you will receive an amount in cash *equal to* the *sum of:* (1) $1,000 *plus* (2) the *product of* (i) $1,000 *times* (ii) the *sum* of the Percentage Change *plus* 15.00%.

Following the determination of the Starting Price, the amount you will be paid on your Securities at maturity will not be affected by the closing price of the Reference Asset on any day other than the Calculation Day. You could lose up to 85% of your investment in the Securities. A percentage decrease of more than 15.00% between the Starting Price and the Ending Price will reduce the payment you will receive at maturity below the Principal Amount of your Securities. Further, the Capped Value that you could receive at maturity with respect to each $1,000 Principal Amount of your Securities (the minimum denomination) is limited to $1,300.00 per $1,000 Principal Amount of your Securities. In addition, the Securities will not bear interest, and no other payments on your Securities will be made prior to maturity.

The difference between the estimated value of your Securities and the Original Offering Price reflects costs that the Bank or its affiliates expect to incur and profits that the Bank or its affiliates expect to realize in connection with hedging activities related to the Securities. These costs and profits will likely reduce the secondary market price, if any, at which the Underwriters are willing to purchase the Securities. The Underwriters may, but are not obligated to, purchase any Securities. As a result, you may experience an immediate and substantial decline in the market value of your Securities on the Trade Date and you may lose a substantial portion of your initial investment. The Bank s profit in relation to the Securities will vary based on the difference between (i) the amounts received by the Bank in connection with the issuance and the reinvestment return received by the Bank in connection with such amounts and (ii) the costs incurred by the Bank in connection with the issuance of the Securities and the hedging transactions it enters into with its affiliates. The Bank s affiliates will also realize a profit that will be based on (i) the payments received on the hedging transactions minus (ii) the cost of creating and maintaining the hedging transactions.

The return on your Securities will relate to the price return of the Reference Asset and will not include a total return or dividend component. The Securities are derivative products based on the performance of the Reference Asset. The Securities do not constitute a direct investment in any of the shares, units or other securities represented by the Reference Asset. By acquiring Securities, you will not have any direct economic or other interest in, claim or entitlement to, or any legal or beneficial ownership of any such share, unit or security and will not have any rights as a shareholder, unitholder or other security holder of any of the issuers including, without limitation, any voting rights or rights to receive dividends or other distributions.

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (SEC), NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE SECURITIES OR PASSED UPON THE ACCURACY OR THE ADEQUACY OF THIS DOCUMENT, THE ACCOMPANYING PROSPECTUS, PROSPECTUS SUPPLEMENT OR PRODUCT PROSPECTUS SUPPLEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THE SECURITIES ARE NOT INSURED BY THE CANADA DEPOSIT INSURANCE CORPORATION PURSUANT TO THE CANADA DEPOSIT INSURANCE CORPORATION ACT OR THE U.S. FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY OF CANADA, THE UNITED STATES OR ANY OTHER JURISDICTION.

Scotia Capital (USA) Inc., our affiliate, will purchase the Securities from us for distribution to other registered broker dealers including Wells Fargo Securities, LLC. (WFS) or will offer the Securities directly to investors. Scotia Capital (USA) Inc. or any of its affiliates or agents may use this pricing supplement in market-making transactions in Securities after their initial sale. If you are buying Securities from Scotia Capital (USA) Inc. or another of its affiliates or agents, this pricing supplement may be used in a market-making transaction. See Supplemental Plan of Distribution (Conflicts of Interest) in this pricing supplement and Supplemental Plan of Distribution on page PS-44 of the accompanying product prospectus supplement.

	Per Security	Total
Price to public[1]	100.00%	$1,631,000.00
Underwriting commissions[2]	2.04%	$33,272.40
Proceeds to The Bank of Nova Scotia[3]	97.96%	$1,597,727.60

The Securities have complex features and investment in the Securities involves certain risks. You should refer to Additional Risks beginning on page P-15 in this pricing supplement and Additional Risk Factors Specific to the Notes beginning on page PS-5 of the accompanying product prospectus supplement and Risk Factors beginning on page S-2 of the accompanying prospectus supplement and on page 6 of the accompanying prospectus.

We will deliver the Securities in book-entry form through the facilities of The Depository Trust Company (DTC) on or about April 5, 2016 against payment in immediately available funds.

Scotia Capital (USA) Inc. **Wells Fargo Securities, LLC.**

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1 The estimated value of the Securities as determined by the Bank as of the Pricing Date is $962.80 (96.28%) per $1,000 Principal Amount of the Securities. See The Bank s Estimated Value of the Securities in this pricing supplement for additional information.

2 Scotia Capital (USA) Inc. or one of our affiliates will purchase the aggregate Principal Amount of the Securities and as part of the distribution, will sell the Securities to Wells Fargo Securities LLC at a discount of $20.40 (2.04%) per $1,000 Principal Amount of the Securities. Wells Fargo Securities, LLC will provide selected dealers, which may include Wells Fargo Advisors, LLC (WFA), with a selling concession of $12.50 (1.25%) per $1,000 Principal Amount of the Securities, and WFA will receive a distribution expense fee of $0.75 (0.075%) per $1,000 Principal Amount of the Securities for Securities sold by WFA. See Supplemental Plan of Distribution (Conflicts of Interest) in this pricing supplement.

3 Excludes profits from hedging. For additional considerations relating to hedging activities see Additional Risks The Inclusion of Dealer Spread and Projected Profit from Hedging in the Original Offering Price is Likely to Adversely Affect Secondary Market Prices in this pricing supplement.

Summary

The information in this Summary section is qualified by the more detailed information set forth in this pricing supplement, and the accompanying prospectus, prospectus supplement, and product prospectus supplement. See Additional Terms of the Securities in this pricing supplement.

Issuer:	The Bank of Nova Scotia (the Bank)
CUSIP/ISIN:	CUSIP 064159HL3 / ISIN US064159HL37
Type of Securities:	Market Linked Securities Leveraged Upside Participation to a Cap and Fixed Percentage Buffered Downside, Principal at Risk Securities, Series A
Reference Asset:	The iShares® MSCI EAFE ETF (Bloomberg ticker symbol: <EFA UP Equity>)
Minimum Investment and Denominations:	$1,000 and integral multiples of $1,000 in excess thereof
Principal Amount:	$1,000 per Security
Original Offering Price:	100% of the Principal Amount of each Security
Currency:	U.S. Dollars.
Pricing Date:	March 31, 2016
Trade Date:	March 31, 2016
Original Issue Date:	April 5, 2016
Maturity Date:	April 5, 2019. If the scheduled Calculation Day is not a trading day or if a market disruption event occurs or is continuing on the day that would otherwise be the Calculation Day so that the Calculation Day as postponed falls less than two Business Days prior to the scheduled Maturity Date, the Maturity Date will be postponed to the second Business Day following the Calculation Day as postponed.
Principal at Risk:	You may lose a substantial portion of your initial investment at maturity if there is a percentage decrease from the Starting Price to the Ending Price of more than 15.00%.
Fees and Expenses:	Scotia Capital (USA) Inc. or one of our affiliates will purchase the aggregate Principal Amount of the Securities and as part of the distribution, will sell the Securities to Wells Fargo Securities LLC at a discount of $20.40 (2.04%) per $1,000 Principal Amount of the Securities. Wells Fargo Securities, LLC will provide selected dealers, which may include Wells Fargo Advisors, LLC (WFA), with a selling concession of $12.50 (1.25%) per $1,000

Principal Amount of the Securities, and WFA will receive a distribution expense fee of $0.75 (0.075%) per $1,000 Principal Amount of the Securities for Securities sold by WFA.

The price at which you purchase the Securities includes costs that the Bank, the Underwriters or their respective affiliates expect to incur and profits that the Bank, the Underwriters or their respective affiliates expect to realize in connection with hedging activities related to the Securities, as set forth above. These costs and profits will likely reduce the secondary market price, if any secondary market develops, for the Securities. As a result, you may experience an immediate and substantial decline in the market value of your Securities on the Pricing Date. See Additional Risks The Inclusion of Dealer

Spread and Projected Profit from Hedging in the Original Offering Price is Likely to Adversely Affect Secondary Market Prices in this pricing supplement.

Redemption Amount at Maturity:

The Redemption Amount at Maturity will be based on the performance of the Reference Asset and will be calculated as follows:

If the Ending Price is greater than the Starting Price, then the Redemption Amount at Maturity will equal:

the lesser of (a) the Principal Amount + (Principal Amount x Participation Rate x Percentage Change) and (b) the Capped Value

If the Ending Price is greater than or equal to the Threshold Level, but less than or equal to the Starting Price, then the Redemption Amount at Maturity will equal the Principal Amount

If the Ending Price is less than the Threshold Level, then the Redemption Amount at Maturity will equal:

Principal Amount + [Principal Amount × (Percentage Change + Threshold Percentage)]

In this case you will have a 1-to-1 downside exposure to the portion of such decrease in the Reference Asset that exceeds 15%. Accordingly, you could lose up to 85% of your initial investment.

Starting Price:

$57.13

Ending Price:

The Ending Price of the Reference Asset will be determined based upon the closing price of the Reference Asset published on the Bloomberg Professional® page EFA UP<Equity> or any successor page on Bloomberg Professional® or any successor service, as applicable, on the Calculation Day. In certain special circumstances, the Ending Price will be determined by the Calculation Agent, in its discretion, and such determination will, under certain circumstances, be confirmed by an independent calculation expert. See General Terms of the Securities Unavailability of the Level of the Reference Asset on a Valuation Date on page PS-24, General Terms of the Securities Market Disruption Events beginning on page PS-25, and Appointment of Independent Calculation Experts on page PS-33, in the accompanying product prospectus supplement.

Percentage Change: The Percentage Change, expressed as a percentage, with respect to the Redemption Amount at Maturity, is calculated as follows:

$$\frac{\text{Ending Price} \quad \text{Starting Price}}{\text{Starting Price}}$$

For the avoidance of doubt, the Percentage Change may be a negative value.

Threshold Level: $48.5605 (equal to the Starting Level multiplied by the difference of 100% minus the Threshold Percentage).

Threshold Percentage: 15.00%

Capped Value: $1,300.00 per $1,000 Principal Amount of the Securities, which equals the Principal Amount per Security x 130%. The Capped Value sets a cap on participation in any

	appreciation of the Reference Asset of 30.00%, taking into account the effect of the Participation Rate.
Participation Rate:	175%
Calculation Day:	March 29, 2019 or, if such day is not a trading day, the next succeeding trading day.
	The Calculation Day could also be delayed by the occurrence of a market disruption event. If a market disruption event occurs or is continuing on the day that would otherwise be the Calculation Day, the Ending Price will equal the closing price of the Reference Asset on the first trading day following the day that would otherwise be the Calculation Day on which the Calculation Agent determines that a market disruption event has not occurred and is not continuing. If a market disruption event occurs or is continuing on each trading day to and including the seventh trading day following the originally scheduled Calculation Day, the Ending Price will be determined (or, if not determinable, estimated by the Calculation Agent in a manner which is considered commercially reasonable under the circumstances) by the Calculation Agent on that seventh trading day, regardless of the occurrence or continuance of the market disruption event on that day. In such an event, the Calculation Agent will make a good faith estimate in its sole discretion of the Ending Price that would have prevailed in the absence of the market disruption event.
Trading Day:	A trading day with respect to the Reference Asset means a day, as determined by the Calculation Agent, on which (i) the Sponsor is scheduled to publish the price of the Reference Asset and (ii) each Related Exchange is scheduled to be open for trading for its regular trading session.
Market Disruption Event:	For purposes of the Securities, the definition of market disruption event set forth in the product prospectus supplement is superseded. For purposes of the Securities, a market disruption event means any of the following events as determined by the Calculation Agent in its sole discretion:
	(A) The occurrence or existence of a material suspension of or limitation imposed on trading by the relevant exchanges or otherwise relating to securities which (together with any securities affected by an event described in (C) or (E) below) then comprise 20 percent or more of the price of the Reference Asset at any time for each affected security during the one-hour period that ends at the Scheduled Closing Time for the relevant exchange for such security on that day, whether by reason of movements in price exceeding limits permitted by those relevant exchanges or otherwise.
	(B) The occurrence or existence of a material suspension of or limitation imposed on trading by any related exchange or otherwise in futures or options contracts relating to the

Reference Asset on any related exchange at any time during the one-hour period that ends at the Scheduled Closing Time for the related exchange on that day, whether by reason of movements in price exceeding limits permitted by the related exchange or otherwise.

(C) The occurrence or existence of any event, other than an early closure, that materially disrupts or impairs the ability of market participants in general to effect transactions in, or obtain market values on the relevant exchanges for, securities that (together with any securities affected by an event described in (A) above or (E) below) then comprise 20 percent or more of the price of the Reference Asset at any time for each affected security during the one-hour period that ends at the Scheduled Closing Time for the relevant exchange

for such security on that day.

(D) The occurrence or existence of any event, other than an early closure, that materially disrupts or impairs the ability of market participants in general to effect transactions in, or obtain market values for, futures or options contracts relating to the Reference Asset on any related exchange at any time during the one-hour period that ends at the Scheduled Closing Time on such related exchange on that day.

(E) The closure on any Exchange Business Day of the relevant exchanges on which securities that (together with any securities affected by an event described in (A) or (C) above) then comprise 20 percent or more of the price of the Reference Asset are traded or any related exchange prior to its Scheduled Closing Time unless the earlier closing time is announced by the relevant exchange or related exchange, as applicable, at least one hour prior to the earlier of (1) the actual closing time for the regular trading session on such relevant exchange or related exchange, as applicable, and (2) the submission deadline for orders to be entered into the relevant exchange or related exchange, as applicable, system for execution at the Scheduled Closing Time for such relevant exchange or related exchange, as applicable, on that day.

(F) The Sponsor fails to publish the price of the Reference Asset or any successor fund (other than as a result of the Sponsor having discontinued publication of such Reference Asset or successor fund and no successor fund being available).

(G) Any related exchange fails to open for trading during its regular trading session.

For purposes of determining whether a market disruption event has occurred:

1) the relevant percentage contribution of a security to the price of the Reference Asset will be based on a comparison of (x) the portion of the price of the Reference Asset attributable to that security and (y) the overall price of the Reference Asset, in each case using the official opening weightings as published by the Sponsor as part of the market

opening data;

2) the Scheduled Closing Time of (i) any relevant exchange on any trading day means the scheduled weekday closing time of such relevant exchange on such trading day, without regard to after hours or any other trading outside the regular trading session hours and (ii) of any related exchange on any trading day means the close of trading on such related exchange on such trading day; and

3) an Exchange Business Day means any trading day on which (i) the Sponsor publishes the price of the Reference Asset and (ii) each related exchange is open for trading during its regular trading session, notwithstanding any related exchange closing prior to its Scheduled Closing Time.

Relevant Exchange:	The relevant exchange for any security then underlying the Reference Asset means the primary exchange or quotation system on which such security is traded, as determined by the Calculation Agent.

Related Exchange:	The related exchange means an exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to the Reference Asset.
Form of Securities:	Book-entry
Calculation Agent:	Scotia Capital Inc., an affiliate of the Bank
Underwriters:	Scotia Capital (USA) Inc. and Wells Fargo Securities, LLC.
Status:	The Securities will constitute direct, unsubordinated and unsecured obligations of the Bank ranking *pari passu* with all other direct, unsecured and unsubordinated indebtedness of the Bank from time to time outstanding (except as otherwise prescribed by law). Holders will not have the benefit of any insurance under the provisions of the *Canada Deposit Insurance Corporation Act*, the U.S. *Federal Deposit Insurance Act* or under any other deposit insurance regime.
Tax Redemption:	The Bank (or its successor) may redeem the Securities, in whole but not in part, at a redemption price determined by the Calculation Agent in a manner reasonably calculated to preserve your and our relative economic position, if it is determined that changes in tax laws or their interpretation will result in the Bank (or its successor) becoming obligated to pay additional amounts with respect to the Securities. See Tax Redemption below.
Listing:	The Securities will not be listed on any securities exchange or quotation system.
Use of Proceeds:	General corporate purposes
Clearance and Settlement:	The Depository Trust Company
Business Day:	New York and Toronto

INVESTING IN THE SECURITIES INVOLVES SIGNIFICANT RISKS. YOU MAY LOSE UP TO 85% OF YOUR PRINCIPAL AMOUNT. THE DOWNSIDE MARKET EXPOSURE TO THE REFERENCE ASSET IS BUFFERED ONLY AT MATURITY. ANY PAYMENT ON THE SECURITIES, INCLUDING ANY REPAYMENT OF PRINCIPAL, IS SUBJECT TO THE CREDITWORTHINESS OF THE BANK. IF THE BANK WERE TO DEFAULT ON ITS PAYMENT OBLIGATIONS YOU MAY NOT RECEIVE ANY AMOUNTS OWED TO YOU UNDER THE SECURITIES AND YOU COULD LOSE MOST OF YOUR INVESTMENT.

ADDITIONAL TERMS OF THE SECURITIES

You should read this pricing supplement together with the prospectus dated December 1, 2014, as supplemented by the prospectus supplement dated December 1, 2014 and the product prospectus supplement (Equity Securities Linked Notes and Exchange Traded Fund Linked Notes, Series A) dated December 1, 2014 relating to our Senior Note Program, Series A, of which these Securities are a part. Certain terms used but not defined in this pricing supplement will have the meanings given to them in the product prospectus supplement. In the event of any conflict, this pricing supplement will control. ***The Securities may vary from the terms described in the accompanying prospectus, prospectus supplement, and product prospectus supplement in several important ways. You should read this pricing supplement, including the documents incorporated herein, carefully.***

This pricing supplement, together with the documents listed below, contains the terms of the Securities and supersedes all prior or contemporaneous oral statements as well as any other written materials including preliminary or indicative pricing terms, correspondence, trade ideas, structures for implementation, sample structures, brochures or other educational materials of ours. You should carefully consider, among other things, the matters set forth in Additional Risk Factors Specific to the Notes in the accompanying product prospectus supplement, as the Securities involve risks not associated with conventional debt securities. We urge you to consult your investment, legal, tax, accounting and other advisors before you invest in the Securities. You may access these documents on the SEC website at www.sec.gov as follows (or if that address has changed, by reviewing our filings for the relevant date on the SEC website at http://www.sec.gov/cgi-bin/browse-edgar?action=getcompany&CIK=0000009631):

Prospectus dated December 1, 2014:

http://www.sec.gov/Archives/edgar/data/9631/000089109214008992/e61582_424b3.htm

Prospectus Supplement dated December 1, 2014:

http://www.sec.gov/Archives/edgar/data/9631/000089109214008993/e61583-424b3.htm

Product Prospectus Supplement (Equity Securities Linked Notes and Exchange Traded Fund Linked Notes Series A), dated December 1, 2014:

http://www.sec.gov/Archives/edgar/data/9631/000089109214008995/e61585-424b5.htm

The Bank of Nova Scotia has filed a registration statement (including a prospectus, a prospectus supplement, and a product prospectus supplement) with the SEC for the offering to which this pricing supplement relates. Before you invest, you should read those documents and the other documents relating to this offering that we have filed with the SEC for more complete information about us and this offering. You may obtain these documents without cost by visiting EDGAR on the SEC Website at www.sec.gov. Alternatively, The Bank of Nova Scotia, any agent or any dealer participating in this offering will arrange to send you the prospectus, the prospectus supplement and the product prospectus supplement if you so request by calling 1-416-866-3672.

INVESTOR SUITABILITY

The Securities may be suitable for you if:

- You fully understand the risks inherent in an investment in the Securities, including the risk of losing most of your initial investment.

- You can tolerate a loss of up to 85% of your initial investment.

- You believe that the Reference Asset will appreciate over the term of the Securities and that the appreciation is unlikely to exceed the cap on appreciation provided by the Capped Value.

- You understand and accept that your potential return is limited to the Capped Value and you would be willing to invest in the Securities based on the Capped Value.

- You can tolerate fluctuations in the price of the Securities prior to maturity that may be similar to or exceed the downside fluctuations in the price of the Reference Asset.

- You do not seek current income from your investment.

- You are willing to hold the Securities to maturity, a term of approximately 36 months, and accept that there may be little or no secondary market for the Securities.

- You are willing to accept the risk of exposure to the Eurozone, Australian, Asian and the Far East equity markets.

- You are willing to assume the credit risk of the Bank for all payments under the Securities, and understand that if the Bank defaults on its obligations you may not receive any amounts due to you, including any repayment of principal.

The Securities may not be suitable for you if:

- You do not fully understand the risks inherent in an investment in the Securities, including the risk of losing most of your initial investment.

- You require an investment designed to guarantee a full return of principal at maturity.

- You cannot tolerate a loss of up to 85% of your initial investment.

- You believe that the price of the Reference Asset will decline during the term of the Securities and the Ending Price will likely decline below the Starting Price by a percentage that is greater than the Threshold Percentage, or you believe the Reference Asset will appreciate over the term of the Securities and that the appreciation, after giving effect to the Participation Rate, is likely to equal or exceed

the Capped Value.

- You seek an investment that has unlimited return potential without a cap on appreciation and you would be unwilling to invest in the Securities with the Capped Value.

- You cannot tolerate fluctuations in the price of the Securities prior to maturity that may be similar to or exceed the downside fluctuations in the price of the Reference Asset.

- You seek current income from your investment or prefer to receive dividends paid on the stocks included in the Reference Asset.

- You are unwilling to hold the Securities to maturity, a term of approximately 36 months, or you seek an investment for which there will be a secondary market.

- You are not willing to assume the credit risk of the Bank for all payments under the Securities.

- You are not willing to purchase securities with an estimated value that is lower than the Original Offering Price.

- You are not willing to accept the risk of exposure to the Eurozone, Australian, Asian and the Far East equity markets.

- You prefer the lower risk of fixed income investments with comparable maturities issued by companies with comparable credit ratings.

The investor suitability considerations identified above are not exhaustive. Whether or not the Securities are a suitable investment for you will depend on your individual circumstances and you should reach an investment decision only after you and your investment, legal, tax, accounting and other advisors have carefully considered the suitability of an investment in the Securities in light of your particular circumstances. You should also review Additional Risks beginning on page P-17 of this pricing supplement and the Additional Risk Factors Specific to the Notes beginning on page PS-5 of the Product Prospectus Supplement for Equity Linked Index Notes, Series A for risks related to an investment in the Securities.

EVENTS OF DEFAULT AND ACCELERATION

If the Securities have become immediately due and payable following an event of default (as defined in the accompanying prospectus) with respect to the Securities, the Calculation Agent will determine the default amount as described below.

Default Amount

The default amount for your Securities on any day (except as provided in the last sentence under Default Quotation Period below) will be an amount, in the specified currency for the principal of your Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to your Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to your Securities. That cost will equal:

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, plus

- the reasonable expenses, including reasonable attorneys fees, incurred by the trustees of your Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for your Securities, described below, the trustees and/or the Bank may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest or, if there is only one, the only quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

Default Quotation Period

The default quotation period is the period beginning on the day the default amount first becomes due (the due date) and ending on the third Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or

- every quotation of that kind obtained is objected to within five Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Business Day after the first Business Day on which prompt notice of an objection is given as described above. If that quotation is objected to as described above within five Business Days after that first Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

Qualified Financial Institutions

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and that is, or whose notes are, rated either:

- A-1 or higher by Standard & Poor s Ratings Services, or any successor, or any other comparable rating then used by that rating agency, or

- P-1 or higher by Moody s Investors Service or any successor, or any other comparable rating then used by that rating agency.

If the Securities have become immediately due and payable following an event of default, you will not be entitled to any additional payments with respect to the Securities. For more information, see Description of the Debt Securities We May Offer Events of Default beginning on page 21 of the accompanying prospectus.

TAX REDEMPTION

The Bank (or its successor) may redeem the Securities, in whole but not in part, at a redemption price determined by the Calculation Agent in a manner reasonably calculated to preserve your and our relative economic position, upon the giving of a notice as described below, if:

- as a result of any change (including any announced prospective change) in or amendment to the laws (or any regulations or rulings promulgated thereunder) of Canada (or the jurisdiction of organization of the successor to the Bank) or of any political subdivision or taxing authority thereof or therein affecting taxation, or any change in official position regarding the application or interpretation of such laws, regulations or rulings (including a holding by a court of competent jurisdiction), which change or amendment is announced or becomes effective on or after the Pricing Date (or, in the case of a successor to the Bank, after the date of succession), and which in the written opinion to the Bank (or its successor) of legal counsel of recognized standing has resulted or will result (assuming, in the case of any announced prospective change, that such announced change will become effective as of the date specified in such announcement and in the form announced) in the Bank (or its successor) becoming obligated to pay, on the next succeeding date on which a payment is due, additional amounts with respect to the Securities; or

- on or after the Pricing Date (or, in the case of a successor to the Bank, after the date of succession), any action has been taken by any taxing authority of, or any decision has been rendered by a court of competent jurisdiction in, Canada (or the jurisdiction of organization of the successor to the Bank) or any political subdivision or taxing authority thereof or therein, including any of those actions specified in the paragraph immediately above, whether or not such action was taken or decision was rendered with respect to the Bank (or its successor), or any change, amendment, application or interpretation shall be officially proposed, which, in any such case, in the written opinion to the Bank (or its successor) of legal counsel of recognized standing, will result (assuming, that such change, amendment or action is applied to the Securities by the taxing authority and that, in the case of any announced prospective change, that such announced change will become effective as of the date specified in such announcement and in the form announced) in the Bank (or its successor) becoming obligated to pay, on the next succeeding date on which a payment is due, additional amounts with respect to the Securities;

and, in any such case, the Bank (or its successor), in its business judgment, determines that such obligation cannot be avoided by the use of reasonable measures available to it (or its successor).

The redemption price will be determined by the Calculation Agent, in its discretion, and such determination will, under certain circumstances, be confirmed by an independent calculation expert. See Appointment of Independent Calculation Experts on page PS-33, in the accompanying product prospectus supplement.

In the event the Bank elects to redeem the Securities pursuant to the provisions set forth in the preceding paragraph, it shall deliver to the trustees a certificate, signed by an authorized officer, stating that the Bank is entitled to redeem such Securities pursuant to their terms in whole only.

The Bank will give notice of intention to redeem such Securities to holders of the Securities not more than 45 nor less than 30 days prior to the date fixed for redemption specifying, among other things, the date fixed for redemption, and on or promptly after the redemption date, it will give notice of the redemption price.

Other than as described above, the Securities are not redeemable prior to their maturity.

HYPOTHETICAL PAYMENTS AT MATURITY ON THE SECURITIES

The examples set out below are included for illustration purposes only. The hypothetical Percentage Changes of the Reference Asset used to illustrate the calculation of the Redemption Amount at Maturity (rounded to two decimal places) are not estimates or forecasts of the Starting Price, the Ending Price or the price of the Reference Asset on the Calculation Day or on any trading day prior to the Maturity Date. All examples are based on an an aggregate Principal Amount of $1,000.00, a Threshold Percentage of 15.00% (the Threshold Level is 85.00% of the Starting Price), a Capped Value of $1,300.00 per $1,000 Principal Amount of the Securities (130.00% of the Principal Amount), and that no market disruption event occurs on the Calculation Day. Amounts below may have been rounded for ease of analysis.

Example 1 Calculation of the Redemption Amount at Maturity where the Percentage Change is positive.

Percentage Change:	5.00%
Redemption Amount at Maturity:	$1,000.00 + ($1,000.00 x 175.00% x 5.00%) = $1,000.00 + $87.50 = $1,087.50

On a $1,000.00 investment, a 5.00% Percentage Change results in a Redemption Amount at Maturity of $1,087.50.

Example 2 Calculation of the Redemption Amount at Maturity where the Percentage Change is positive (and the Redemption Amount at Maturity is limited by the Capped Value).

Percentage Change:	40.00%
Redemption Amount at Maturity:	$1,000.00 + ($1,000.00 x 175.00% x 40.00%) = $1,000.00 + $700.00 = $1,700.00 however, since the Capped Value is $1,300.00, the Redemption Amount at Maturity would be $1,300.00

On a $1,000.00 investment, a 40.00% Percentage Change results in a Redemption Amount at Maturity of $1,300.00.

In addition to limiting your return on the Securities, the Capped Value limits the positive effect of the Participation Rate. If the Ending Price is greater than the Starting Price, you will participate in the performance of the Reference Asset at a rate of 175% up to the Capped Value.

Example 3 Calculation of the Redemption Amount at Maturity where the Percentage Change is negative (but not by more than the Threshold Percentage).

Percentage Change:	-4.00%
Redemption Amount at Maturity:	$1,000.00 (at maturity, if the Percentage Change is negative BUT the decrease is not more than the Threshold Percentage, then the Redemption Amount at Maturity will equal the Principal Amount)

On a $1,000.00 investment, a -4.00% Percentage Change results in a Redemption Amount at Maturity of $1,000.00.

Example 4

Calculation of the Redemption Amount at Maturity where the Percentage Change is negative (and the decrease is more than the Threshold Percentage).

Percentage Change:	-50.00%
Redemption Amount at Maturity:	$1,000.00 + [$1,000.00 x (-50.00% + 15.00%)] = $1,000.00 - $350.00 = $650.00

On a $1,000.00 investment, a -50.00% Percentage Change results in a Redemption Amount at Maturity of $650.00.

Accordingly, if the Percentage Change is negative by more than -15.00%, meaning the percentage decline from the Starting Price to the Ending Price is greater than 15.00%, the Bank will pay you less than the full Principal Amount, resulting in a loss on your investment that is equal to the Percentage Change in excess of the Threshold Percentage. You may lose up to 85% of your principal.

Any payment on the Securities, including any repayment of principal, is subject to the creditworthiness of the Bank. If the Bank were to default on its payment obligations, you may not receive any amounts owed to you under the Securities and you could lose your entire investment.

The following graph represents hypothetical returns only and is not indicative of actual results. The graph demonstrates the hypothetical return on the Securities at maturity for the set of Percentage Changes of the Reference Asset from -100.00% to 100.00% using the same assumptions as set forth above. Your investment may result in a loss of up to 85% of your principal at maturity.

Hypothetical Returns on the Securities

Hypothetical Ending Price	Hypothetical Percentage Change from the Starting Price to the hypothetical Ending Price	Hypothetical Redemption Amount at Maturity per Security	Hypothetical pre-tax total rate of return	Hypothetical pre-tax annualized rate of return(1)
$114.26	100.00%	$1,300.00	30.00%	8.94%
$85.70	50.00%	$1,300.00	30.00%	8.94%
$74.27	30.00%	$1,300.00	30.00%	8.94%
$68.56	20.00%	$1,300.00	30.00%	8.94%
$62.84	10.00%	$1,175.00	17.50%	5.45%
$59.99	5.00%	$1,087.50	8.75%	2.82%
$57.13 (2)	0.00%	$1,000.00	0.00%	0.00%
$54.27	-5.00%	$1,000.00	0.00%	0.00%
$51.42	-10.00%	$1,000.00	0.00%	0.00%
$48.56	-15.00%	$1,000.00	0.00%	0.00%
$45.70	-20.00%	$950.00	-5.00%	-1.70%
$45.13	-21.00%	$940.00	-6.00%	-2.05%
$42.85	-25.00%	$900.00	-10.00%	-3.48%
$28.57	-50.00%	$650.00	-35.00%	-13.86%
$14.28	-75.00%	$400.00	-60.00%	-28.33%
$0.00	-100.00%	$150.00	-85.00%	-54.22%

Each Security has a Principal Amount of $1,000.

(1) The annualized rates of return are calculated on a semi-annual bond equivalent basis with compounding.

(2) The Starting Price.

The above figures are for purposes of illustration only and may have been rounded for ease of analysis. The actual amount you receive at stated maturity and the resulting pre-tax rates of return will depend on the actual Ending Price.

ADDITIONAL RISKS

An investment in the Securities involves significant risks. In addition to the following risks included in this pricing supplement, we urge you to read Additional Risk Factors Specific to the Notes beginning on page PS-5 of the accompanying product prospectus supplement and Risk Factors beginning on page S-2 of the accompanying prospectus supplement and page 6 of the accompanying prospectus.

You should understand the risks of investing in the Securities and should reach an investment decision only after careful consideration, with your advisors, of the suitability of the Securities in light of your particular financial circumstances and the information set forth in this pricing supplement and the accompanying prospectus, prospectus supplement and product prospectus supplement.

Risk of Loss at Maturity

Any payment on the Securities at maturity depends on the Percentage Change of the Reference Asset. The Bank will only repay you the full Principal Amount of your Securities if the Percentage Change does not reflect a decrease in the Reference Asset of more than 15.00%. If the Percentage Change is negative by more than 15.00%, meaning the percentage decline from the Starting Price to the Ending Price is greater than the 15.00% Threshold Percentage, you will lose a significant portion of your initial investment in an amount equal to the negative Percentage Change in excess of the Threshold Percentage. ***Accordingly, you may lose up to 85% of your investment in the Securities if the percentage decline from the Starting Price to the Ending Price is greater than 15.00%.***

The Inclusion of Dealer Spread and Projected Profit from Hedging in the Original Offering Price is Likely to Adversely Affect Secondary Market Prices

Assuming no change in market conditions or any other relevant factors, the price, if any, at which Scotia Capital (USA) Inc. or any other party is willing to purchase the Securities at any time in secondary market transactions will likely be significantly lower than the Original Offering Price, since secondary market prices are likely to exclude discounts and underwriting commissions paid with respect to the Securities and the cost of hedging our obligations under the Securities that are included in the Original Offering Price. The cost of hedging includes the projected profit that we and/or our subsidiaries may realize in consideration for assuming the risks inherent in managing the hedging transactions. These secondary market prices are also likely to be reduced by the costs of unwinding the related hedging transactions. In addition, any secondary market prices may differ from values determined by pricing models used by Scotia Capital (USA) Inc. as a result of dealer discounts, mark-ups or other transaction costs.

The Downside Market Exposure to the Reference Asset is Buffered Only at Maturity

You should be willing to hold your Securities to maturity. If you are able to sell your Securities prior to maturity in the secondary market, you may have to sell them at a loss relative to your initial investment even if the price of the Reference Asset at such time is not below the Starting Price by a percentage greater than the Threshold Percentage.

Your Potential Redemption Amount at Maturity Is Limited by the Capped Value

The Redemption Amount at Maturity will not exceed the Capped Value. Therefore, if the appreciation of the Reference Asset, after taking into account the effect of the Participation Rate, exceeds the cap on appreciation provided by the Capped Value, the Securities will provide less opportunity to participate in the appreciation of the Reference Asset than an investment in a security linked to the Reference Asset providing full participation in the appreciation. Accordingly, the return on the Securities may be less than the return would be if you made an investment in a security directly linked to the positive performance of the Reference Asset.

The Bank s Estimated Value of the Securities is Lower than the Original Offering Price of the Securities

The Bank s estimated value is only an estimate using several factors. The Original Offering Price of the Securities exceeds the Bank s estimated value because costs associated with selling and structuring the Securities, as well as hedging the Securities through a third party hedge provider, are included in the Original Offering Price of the Securities. These costs include the selling commissions and the estimated cost of using a third party hedge provider to hedge our obligations under the Securities. See The Bank s Estimated Value of the Securities in this pricing supplement.

The Bank s Estimated Value Does Not Represent Future Values of the Securities and may Differ from Others Estimates

The Bank s estimated value of the Securities is determined by reference to the Bank s and third party hedge provider s internal pricing models when the terms of the Securities were set. This estimated value is based on market conditions and other relevant factors existing at that time and the Bank s and third party hedge providers assumptions about market parameters, which can include volatility, dividend rates, interest rates and other factors. Different pricing models and assumptions could provide valuations for Securities that are greater than or less than the Bank s estimated value. In addition, market conditions and other relevant factors in the future may change, and any assumptions may prove to be incorrect. On future dates, the value of the Securities could change significantly based on, among other things, changes in market conditions, our creditworthiness, interest rate movements and other relevant factors, which may impact the price, if any, at which the Bank would be willing to buy Securities from you in secondary market transactions. See The Bank s Estimated Value of the Securities in this pricing supplement.

The Bank s Estimated Value is not Determined by Reference to Credit Spreads for our Conventional Fixed-Rate Debt

The internal funding rate used in the determination of the Bank s estimated value generally represents a discount from the credit spreads for our conventional fixed-rate debt. If the Bank were to use the interest rate implied by our conventional fixed-rate credit spreads, we would expect the economic terms of the Securities to be more favorable to you. Consequently, our use of an internal funding rate would have an adverse effect on the terms of the Securities and any secondary market prices of the Securities. See The Bank s Estimated Value of the Securities in this pricing supplement.

The Securities Differ from Conventional Debt Instruments

The Securities are not conventional notes or debt instruments. The Securities do not provide you with interest payments prior to maturity as a conventional fixed-rate or floating-rate debt security with the same maturity would. The return that you will receive on the Securities, which could be negative, may be less than the return you could earn on other investments. Even if your return is positive, your return may be less than the return you would earn if you bought a conventional senior interest bearing debt security of the Bank.

No Interest

The Securities will not bear interest and, accordingly, you will not receive any interest payments on the Securities.

Your Investment is Subject to the Credit Risk of The Bank of Nova Scotia

The Securities are senior unsecured debt obligations of the Bank, and are not, either directly or indirectly, an obligation of any third party. As further described in the accompanying prospectus, prospectus supplement and product prospectus supplement, the Securities will rank on a parity with all of the other unsecured and unsubordinated debt obligations of the Bank, except such obligations as may be preferred by operation of law. Any payment to be made on the Securities, including the Redemption Amount at Maturity, depends on the ability of the Bank to satisfy its obligations as they come due. As a result, the actual and perceived creditworthiness of the Bank may affect the market value of the Securities and, in the event the Bank were to default on its obligations, you may not receive the amounts owed to you under the terms of the Securities. If you sell the Securities prior to maturity, you may receive substantially less than the Principal Amount of your Securities.

The Securities are Subject to Market Risk

The return on the Securities is directly linked to the performance of the Reference Asset and indirectly linked to the value of the Reference Asset constituent stocks, and the extent to which the Percentage Change is positive or negative. The price of the Reference Asset can rise or fall sharply due to factors specific to the Reference Asset constituent stocks, as well as general market factors, such as general market volatility and prices, interest rates and economic and political conditions.

An Investment in the Securities Is Subject to Risks Associated with Foreign Securities

The stocks included in the Reference Asset may be listed on a foreign stock exchange. A foreign stock exchange may impose trading limitations intended to prevent extreme fluctuations in individual security prices and may suspend trading in certain circumstances. These actions could limit variations in the closing price of the Reference Asset which could, in turn, adversely affect the value of the Securities.

Investments in securities linked to the value of foreign equity securities involve particular risks. The foreign securities markets whose stocks comprise the Reference Asset may have less liquidity and may be more volatile than U.S. or other securities markets and market developments may affect foreign markets differently from U.S. or other securities markets. Direct or indirect government intervention to stabilize the foreign securities markets, as well as cross-shareholdings in foreign companies, may affect trading prices and volumes in those markets. Also, there is generally less publicly available information about foreign companies than about those U.S. companies that are subject to the reporting requirements of the U.S. Securities and Exchange Commission, and foreign companies are subject to accounting, auditing and financial reporting standards and requirements that differ from those applicable to U.S. reporting companies.

Securities prices in foreign countries are subject to political, economic, financial and social factors that apply in those geographical regions. These factors, which could negatively affect those securities markets, include the possibility of recent or future changes in a foreign government s economic and fiscal policies, the possible imposition of, or changes in, currency exchange laws or other laws or restrictions applicable to foreign companies or investments in foreign equity securities and the possibility of fluctuations in the rate of exchange between currencies, the possibility of outbreaks of hostility and political instability and the possibility of natural disaster or adverse public health development in the region. Moreover, foreign economies may differ favorably or unfavorably from the U.S. economy in important respects such as growth of gross national product, rate of inflation, capital reinvestment, resources and self-sufficiency.

The Participation Rate Applies Only at Maturity

You should be willing to hold your Securities to maturity. If you are able to sell your Securities prior to maturity in the secondary market, the price you receive will likely not reflect the full economic value of the Participation Rate or the Securities themselves, and the return you realize may be less than the Percentage Change even if such return is positive. You will receive the full benefit of the Participation Rate, if any, only if you hold your Securities to maturity.

The Redemption Amount at Maturity Is Not Linked to the Price of the Reference Asset at Any Time Other Than the Calculation Day

The Redemption Amount at Maturity will be based on the Ending Price (subject to adjustments as described herein). Therefore, for example, if the closing price of the Reference Asset declined substantially as of the Calculation Day compared to the Pricing Date, the Redemption Amount at Maturity may be significantly less than it would otherwise have been had the Redemption Amount at Maturity been linked to the closing price of the Reference Asset prior to the Calculation Day. Although the actual price of the Reference Asset at maturity or at other times during the term of the Securities may be higher than the Ending Price, you will not benefit from the closing price of the Reference Asset at any time other than the Calculation Day.

If the Prices of the Reference Asset or the Reference Asset Constituent Stocks Change, the Market Value of Your Securities May Not Change in the Same Manner

Your Securities may trade quite differently from the performance of the Reference Asset or the Reference Asset constituent stocks. Changes in the prices of the Reference Asset or the Reference Asset constituent stocks may not result in a comparable change in the market value of your Securities. We discuss some of the reasons for this disparity under The

Price at Which the Securities may be Sold prior to Maturity will Depend on a Number of Factors and May Be Substantially Less Than the Amount for Which They Were Originally Purchased below.

Holding the Securities is Not the Same as Holding the Reference Asset Constituent Stocks

Holding the Securities is not the same as you holding the Reference Asset or Reference Asset constituent stocks. As a holder of the Securities, you will not be entitled to the voting rights or rights to receive dividends or other distributions or other rights that holders of the Reference Asset or the Reference Asset constituent stocks would enjoy.

No Assurance that the Investment View Implicit in the Securities Will Be Successful

It is impossible to predict with certainty whether and the extent to which the price of the Reference Asset will rise or fall. There can be no assurance that the price of the Reference Asset will rise above the Starting Price or that the percentage decline from the Starting Price to the Ending Price will not be greater than the Threshold Percentage. The Ending Price may be influenced by complex and interrelated political, economic, financial and other factors that affect the Reference Asset constituent stocks. You should be willing to accept the risks of the price performance of equity securities in general and the Reference Asset constituent stocks in particular, and the risk of losing some or most of your initial investment.

Furthermore, we cannot give you any assurance that the future performance of the Reference Asset or the Reference Asset constituent stocks will result in your receiving an amount greater than or equal to the Principal Amount of your Securities. Certain periods of historical performance of the Reference Asset or the Reference Asset constituent stocks would have resulted in you receiving less than the Principal Amount of your Securities if you had owned notes with terms similar to these Securities in the past. See Information Regarding The Reference Asset in this pricing supplement for further information regarding the historical performance of the Reference Asset.

Past Performance is Not Indicative of Future Performance

The actual performance of the Reference Asset over the life of the Securities, as well as the amount payable at maturity, may bear little relation to the historical performance of the Reference Asset or to the hypothetical return examples set forth elsewhere in this

pricing supplement. We cannot predict the future performance of the Reference Asset.

We May Sell an Additional Aggregate Principal Amount of the Securities at a Different Issue Price

We may decide to sell an additional aggregate Principal Amount of the Securities subsequent to the date of this pricing supplement. The issue price of the Securities in the subsequent sale may differ substantially (higher or lower) from the Original Offering Price you paid as provided on the cover of this pricing supplement.

The Securities are Subject to Currency Exchange Rate Risk

The Reference Asset invests in securities that are traded and quoted in foreign currencies on non-U.S. markets. Therefore, holders of the Securities will be exposed to currency exchange rate risk with respect to the currencies in which such securities trade. The values of the currencies of the countries in which the Reference Asset may invest may be subject to a high degree of fluctuation due to changes in interest rates, the effects of monetary policies issued by the United States, foreign governments, central banks or supranational entities, the imposition of currency controls or other national or global political or economic developments. An investor s net exposure will depend on the extent to which the relevant non-U.S. currencies strengthen or weaken against the U.S. dollar and the relative weight of each non-U.S. security in the portfolio of Reference Asset. If, taking into account such weighting, the U.S. dollar strengthens against the relevant non-U.S. currencies, the value of securities in which the Reference Asset invests will be adversely affected and the value of the Securities may decrease.

Changes Affecting the Reference Asset Could Have an Adverse Effect on the Value of the Securities

The policies of MSCI Inc., the Fund sponsor (the Sponsor) concerning additions, deletions and substitutions of the Reference Asset constituent stocks and the manner in which the Sponsor takes account of certain changes affecting those

Reference Asset constituent stocks may adversely affect the price of the Reference Asset. The policies of the Sponsor with respect to the calculation of the Reference Asset could also adversely affect the price of the Reference Asset. The Sponsor may discontinue or suspend calculation or dissemination of the Reference Asset. Any such actions could have a material adverse effect on the value of the Securities.

The Bank Cannot Control Actions by the Sponsor and the Sponsor Has No Obligation to Consider Your Interests

The Bank and its affiliates are not affiliated with the Sponsor and have no ability to control or predict its actions, including any errors in or discontinuation of public disclosure regarding methods or policies relating to the calculation of the Reference Asset. The Sponsor is not involved in the Securities offering in any way and has no obligation to consider your interest as an owner of the Securities in taking any actions that might negatively affect the market value of your Securities.

The Bank Cannot Control Actions by the Investment Advisor of the Reference Asset that May Adjust the Reference Asset in a Way that Could Adversely Affect the Payments on the Securities and Their Market Value, and the Investment Advisor Has No Obligation to Consider Your Interests

The investment advisor, BlackRock Fund Advisors (BFA), may from time to time be called upon to make certain policy decisions or judgments with respect to the implementation of policies of the investment advisor concerning the calculation of the net asset value of the Reference Asset, additions, deletions or substitutions of securities in the underlying index for the Reference Asset and the manner in which changes affecting the underlying index are reflected in the Reference Asset that could affect the market price of the shares of the Reference Asset, and therefore, the amount payable on your Securities on the Maturity Date. The amount payable on your Securities and their market value could also be affected if the investment advisor changes these policies, for example, by changing the manner in which it calculates the net asset value of the Reference Asset, or if the investment advisor discontinues or suspends calculation or publication of the net asset value of the Reference Asset, in which case it may become difficult or inappropriate to determine the market value of your Securities. If events such as these occur, the Calculation Agent may determine the closing price of the Reference Asset on the Valuation Date and thus the amount payable on the Maturity Date, if any in a manner, in its sole discretion, it considers appropriate.

The Eurozone Financial Crisis Could Negatively Impact Investors in the Securities

A number of countries in the eurozone are undergoing a financial crisis affecting their economies, their ability to meet their sovereign financial obligations, and their financial institutions. Countries in the eurozone that are not currently experiencing a financial crisis may do so in the future as a result of developments in other eurozone countries. The economic, political, legal and

regulatory ramifications of this financial crisis, including any legal or regulatory changes made in response to the crisis, are impossible to predict. During the crisis, the USD/EUR exchange rate may be significantly more volatile than it has been in the past (as may the exchange rate between the euro and other currencies). In response to this crisis, governments and regulatory bodies have taken, and may in the future take, extraordinary measures to intervene in the currency markets for the euro and the economies and financial institutions of the eurozone. Increased volatility caused by the crisis and any economic, political, legal or regulatory changes made to address, or otherwise resulting from, the crisis and any intervention in the currency markets or eurozone economies could have an adverse effect on the USD/EUR exchange rate or the exchange rate between the euro and other currencies. There is also a possibility that one or more eurozone countries may cease to use the euro, which could also adversely affect the exchange rate between the euro and other currencies and potentially the convertibility of the euro in such countries. There is also the possibility that the euro may cease to exist or the USD/EUR exchange rate may otherwise become unavailable. If these events were to happen, the closing price of the Reference Asset, and the value of the Securities, could be adversely affected.

There Are Risks Associated with The Reference Asset

Although the Reference Asset s shares are listed for trading on NYSE Arca, Inc. (the NYSE Arca) and a number of similar products have been traded on the NYSE Arca or other securities exchanges for varying periods of time, there is no assurance that an active trading market will continue for the shares of the Reference Asset or that there will be liquidity in the trading market. In addition, the Reference Asset is subject to management risk, which is the risk that the investment advisor s investment strategy, the implementation of which is subject to a number of constraints, may not produce the intended results. For example, the investment advisor may select up to 10% of the Reference Asset s assets to be invested in shares of equity

securities that are not included in the underlying index. The Reference Asset is also not actively managed and may be affected by a general decline in market segments relating to the underlying index. The investment advisor invests in securities included in, or representative of, the underlying index regardless of their investment merits. The investment advisor does not attempt to take defensive positions in declining markets. In addition, the Reference Asset is subject to custody risk, which refers to the risks in the process of clearing and settling trades and to the holding of securities by local banks, agent and depositories. Low trading volumes and volatile prices in less developed markets make trades harder to complete and settle, and governments or trade groups may compel local agents to hold securities in designated depositories that are not subject to independent evaluation. The less developed a country s securities market is, the greater the likelihood of custody problems.

The Reference Asset and The Underlying Index are Different and the Performance of the Reference Asset May Not Correlate with the Performance of the Underlying Index

The Reference Asset uses a representative sampling strategy (more fully described under Information Regarding the Reference Asset) to attempt to track the performance of the underlying index. The Reference Asset may not hold all or substantially all of the equity securities included in the underlying index and may hold securities or assets not included in the underlying index. Therefore, while the performance of the Reference Asset is generally linked to the performance of the underlying index, the performance of the Reference Asset is also linked in part to shares of equity securities not included in the underlying index and to the performance of other assets, such as futures contracts, options and swaps, as well as cash and cash equivalents, including shares of money market funds affiliated with the investment advisor. Imperfect correlation between the Reference Asset s portfolio securities and those in the underlying index, rounding of prices, changes to the underlying index and regulatory requirements may cause tracking error, the divergence of the Reference Asset s performance from that of the underlying index.

In addition, the performance of the Reference Asset will reflect additional transaction costs and fees that are not included in the calculation of the underlying index and this may increase the tracking error of the Reference Asset. Also, corporate actions with respect to the sample of equity securities (such as mergers and spin-offs) may impact the performance differential between the Reference Asset and the underlying index. Finally, because the shares of the Reference Asset are traded on the NYSE Arca and are subject to market supply and investor demand, the market value of one share of the Reference Asset may differ from the net asset value per share of the Reference Asset.

For all of the foregoing reasons, the performance of the Reference Asset may not correlate with the performance of the underlying index. Consequently, the return on the Securities will not be the same as investing directly in the Reference Asset or in the underlying index or in Reference Asset stocks or in the Reference Asset s underlying assets, and will not be the same as investing in a debt security with payments linked to the performance of the underlying index.

Time Zone Differences Between the Cities Where the Underlying Assets of the Reference Asset and the Reference Asset Trade May Create Discrepancies in Trading Prices

As a result of the time zone difference between the cities where the underlying assets comprising the Reference Asset trade and where the shares of the Reference Asset trade, there may be discrepancies between the values of the underlying assets and the market value of the Securities. In addition, there may be periods when the foreign securities markets are closed for trading (for example, during holidays in a country other than the United States) that may result in the values of the underlying assets remaining unchanged for multiple trading days in the city where the shares of the Reference Asset trade. Conversely, there may be periods in which the applicable foreign securities markets are open, but the securities market on which the Reference Asset trades is closed.

The Price at Which the Securities May Be Sold Prior to Maturity will Depend on a Number of Factors and May Be Substantially Less Than the Amount for Which They Were Originally Purchased

The price at which the Securities may be sold prior to maturity will depend on a number of factors. Some of these factors include, but are not limited to: (i) actual or anticipated changes in the price of the Reference Asset over the full term of the Security, (ii) volatility of the price of the Reference Asset and the market s perception of future volatility of the price of the

Reference Asset, (iii) changes in interest rates generally, (iv) any actual or anticipated changes in our credit ratings or credit spreads, (v) dividend yields on the securities included in the Reference Asset, and (vi) time remaining to maturity. In particular, because the provisions of the Security relating to the Redemption Amount at Maturity and the Capped Value behave like options, the value of the Security will vary in ways which are non-linear and may not be intuitive.

Depending on the actual or anticipated price of the Reference Asset and other relevant factors, the market value of the Securities may decrease and you may receive substantially less than 100% of the Original Offering Price if you sell your Securities prior to maturity. We anticipate that the value of the Securities will always be at a discount to the Capped Value.

The Securities Lack Liquidity

The Securities will not be listed on any securities exchange or automated quotation system. Therefore, there may be little or no secondary market for the Securities. Scotia Capital (USA) Inc. may, but is not obligated to, make a market in the Securities. Even if there is a secondary market, it may not provide enough liquidity to allow you to trade or sell the Securities easily. Because we do not expect that other broker-dealers will participate significantly in the secondary market for the Securities, the price at which you may be able to trade your Securities is likely to depend on the price, if any, at which Scotia Capital (USA) Inc. is willing to purchase the Securities from you. If at any time Scotia Capital (USA) Inc. was not to make a market in the Securities, it is likely that there would be no secondary market for the Securities. Accordingly, you should be willing to hold your Securities to maturity.

Hedging Activities by the Bank and/or the Underwriters May Negatively Impact Investors in the Securities and Cause Our Respective Interests and Those of Our Clients and Counterparties to Be Contrary to Those of Investors in the Securities

The Bank or one or more of our respective affiliates **and/or the Underwriters** has hedged or expects to hedge the obligations under the Securities by purchasing futures and/or other instruments linked to the Reference Asset. The Bank or one or more of our respective affiliates **and/or the Underwriters** also expects to adjust the hedge by, among other things, purchasing or selling any of the foregoing, and perhaps other instruments linked to the Reference Asset or one or more of the Reference Asset constituent stocks, at any time and from time to time, and to unwind the hedge by selling any of the foregoing on or before the Calculation Day.

The Bank or one or more of our respective affiliates **and/or the Underwriters** may also enter into, adjust and unwind hedging transactions relating to other basket- or equity-linked Securities whose returns are linked to changes in the price or price of the Reference Asset or the Reference Asset constituent stocks. Any of these hedging activities may adversely affect the price of the Reference Asset directly or indirectly by affecting the price of the Reference Asset constituent stocks and therefore the market value of the Securities and the amount you will receive, if any, on the Securities. In addition, you should expect that these transactions will cause the Bank, our respective affiliates, **and/or the Underwriters** or our respective clients or counterparties, to have

economic interests and incentives that do not align with, and that may be directly contrary to, those of an investor in the Securities. The Bank, our respective affiliates **and/or the Underwriters** will have no obligation to take, refrain from taking or cease taking any action with respect to these transactions based on the potential effect on an investor in the Securities, and may receive substantial returns with respect to these hedging activities while the value of the Securities may decline.

Market Activities by the Bank or the Underwriters for Their Own Respective Accounts or for Their Respective Clients Could Negatively Impact Investors in the Securities

The Bank, the Underwriters and their respective affiliates provide a wide range of financial services to a substantial and diversified client base. As such, each of the Bank, the Underwriters and their respective affiliates may act as an investor, investment banker, research provider, investment manager, investment advisor, market maker, trader, prime broker or lender. In those and other capacities, we and/or our affiliates and the Underwriters and/or their respective affiliates purchase, sell or hold a broad array of investments, actively trade securities (including the Securities or other securities that we have issued), the Reference Asset constituent stocks, derivatives, loans, credit default swaps, indices, baskets and other financial instruments and products for our own accounts or for the accounts of our customers, and we and the Underwriters will have other direct or indirect interests in those securities and in other markets that may be not be consistent with your interests and may adversely affect the price of the Reference Asset and/or the value of the Securities. Any of these financial market

activities may, individually or in the aggregate, have an adverse effect on the price of the Reference Asset and the market for your Securities, and you should expect that our interests and those of our affiliates and those of the Underwriters and/or of their respective affiliates, or our or their clients or counterparties, will at times be adverse to those of investors in the Securities.

The Bank, the Underwriters and their respective affiliates regularly offer a wide array of securities, financial instruments and other products into the marketplace, including existing or new products that are similar to the Securities or other securities that we may issue, the Reference Asset constituent stocks or other securities or instruments similar to or linked to the foregoing. Investors in the Securities should expect that the Bank, the Underwriters and their respective affiliates will offer securities, financial instruments, and other products that may compete with the Securities for liquidity or otherwise.

In addition, our and their affiliates or any dealer participating in the offering of the Securities or its affiliates may, at present or in the future, publish research reports on the Reference Asset or the Reference Asset constituent stocks. This research is modified from time to time without notice and may, at present or in the future, express opinions or provide recommendations that are inconsistent with purchasing or holding the Securities. Any research reports on the Reference Asset or the Reference Asset constituent stocks could adversely affect the price of the Reference Asset and, therefore, adversely affect the value of and your return on the Securities. You are encouraged to derive information concerning the Reference Asset from multiple sources and should not rely on the views expressed by us, the Underwriters or our or their affiliates or any participating dealer or its affiliates.

The Bank, the Underwriters and Their Respective Affiliates Regularly Provide Services to, or Otherwise Have Business Relationships with, a Broad Client Base, Which Has Included and May Include the Issuers of the Reference Asset Constituent Stocks

The Bank, the Underwriters and their respective affiliates regularly provide financial advisory, investment advisory and transactional services to a substantial and diversified client base. You should assume that the Bank or the Underwriters will, at present or in the future, provide such services or otherwise engage in transactions with, among others, the issuers of the Reference Asset constituent stocks, or transact in securities or instruments or with parties that are directly or indirectly related to these entities. These services could include making loans to or equity investments in those companies, providing financial advisory or other investment banking services, or issuing research reports. You should expect that the Bank, the Underwriters and their respective affiliates, in providing these services, engaging in such transactions, or acting for their own accounts, may take actions that have direct or indirect effects on the Securities or other securities that the Bank may issue, the Reference Asset constituent stocks or other securities or instruments similar to or linked to the foregoing, and that such actions could be adverse to the interests of investors in the Securities. In addition, in connection with these activities, certain personnel within the Bank or the Underwriters and their respective affiliates may have access to confidential material non-public information about these parties that would not be disclosed to investors in the Securities.

Other Investors in the Securities May Not Have the Same Interests as You

The interests of other investors may, in some circumstances, be adverse to your interests. Other investors may make requests or recommendations to us regarding the establishment of transactions on terms that are adverse to your interests, and investors in the Securities are not required to take into account the interests of any other investor in exercising remedies, voting or other rights in their capacity as noteholders. Further, other investors may enter into market transactions with respect to the Securities, assets that are the same or similar to the Securities, assets referenced by the Securities (such as stocks or stock indices) or other similar assets or securities which may adversely impact the market for or value of your Securities. For example, an investor could take a short position (directly or indirectly through derivative transactions) in respect of securities similar to your Securities or in respect of the Reference Asset.

The Calculation Agent Can Postpone the Calculation Day for the Securities if a Market Disruption Event with Respect to the Reference Asset Occurs

If the Calculation Agent determines, in its sole discretion, that, on a day that would otherwise be the Calculation Day, a market disruption event with respect to the Reference Asset has occurred or is continuing for the Reference Asset, the Calculation Day will be postponed until the first following trading day on which no market disruption event occurs or is continuing, although the Calculation Day will not be postponed by more than seven scheduled trading days. Moreover, if the

Calculation Day is postponed to the last possible day, but a market disruption event occurs or is continuing on that day, that day will nevertheless be the Calculation Day, and the Calculation Agent will determine the applicable Ending Price that must be used to determine the Redemption Amount at Maturity. Under certain circumstances, the determinations of the Calculation Agent will be confirmed by an independent expert. See General Terms of the Notes Unavailability of the Level of the Reference Asset on a Valuation Date on page PS-24 and General Terms of the Notes Market Disruption Events beginning on page PS-25 and Appointment of Independent Calculation Experts on page PS-33, in the accompanying product prospectus supplement.

The Calculation Agent can make anti-dilution and reorganization adjustments that affect the Redemption Amount at Maturity

For anti-dilution and reorganization events affecting the Reference Asset, the Calculation Agent may make adjustments to the Starting Price, Threshold Level and/or the Ending Price, as applicable, and any other term of the Securities. However, the Calculation Agent will not make an adjustment in response to every corporate event that could affect the Reference Asset. If an event occurs that does not require the Calculation Agent to make an adjustment, the value of the Securities and your Redemption Amount at Maturity may be materially and adversely affected. In addition, determinations and calculations concerning any such adjustments will be made by the Calculation Agent and such determination will, under certain circumstances, be confirmed by an independent calculation expert as described further under Appointment of Independent Calculation Experts in the product prospectus supplement. You should be aware that the Calculation Agent may make any such adjustment, determination or calculation in a manner that differs from that discussed in the product prospectus supplement or herein as necessary to achieve an equitable result. The occurrence of any anti-dilution or reorganization event and the consequent adjustments may materially and adversely affect the value of the Securities and your Redemption Amount at Maturity, if any. See General Terms of the Notes Anti-Dilution Adjustments Relating to Equity Securities or a Reference Asset that is an ETF in the product prospectus supplement.

Following a de-listing, liquidation or termination of the ETF, the Redemption Amount at Maturity may be based on a share of another ETF or calculated by a computation methodology that the Calculation Agent determines will as closely as reasonably possible replicate the ETF. See General Terms of the Notes Adjustments to an ETF in the product prospectus supplement.

There Is No Affiliation Between Any Constituent Stock Issuers or the Sponsor and Us and We Are Not Responsible for Any Disclosure by Any of the Other Reference Asset Constituent Stock Issuers or the Sponsor

The Bank, the Underwriters and their respective affiliates may currently, or from time to time in the future, engage in business with the issuers of the Reference Asset constituent stocks. Wells Fargo & Company, an affiliate of Wells Fargo Securities, LLC, one of the Underwriters, is one of the companies currently included in the Reference Asset. Nevertheless, none of us, the Underwriters or our or their affiliates assumes any responsibility for the accuracy or the completeness of any information about the Reference Asset

or any of the other Reference Asset constituent stocks. Before investing in the Securities you should make your own investigation into the Reference Asset and the issuers of the Reference Asset constituent stocks. See the section below entitled Information Regarding the Reference Asset in this pricing supplement for additional information about the Reference Asset.

A Participating Dealer or its Affiliates May Realize Hedging Profits Projected by its Proprietary Pricing Models in Addition to any Selling Concession, Creating a Further Incentive for the Participating Dealer to Sell the Securities to You.

If any dealer participating in the distribution of the Securities (referred to as a participating dealer) or any of its affiliates conducts hedging activities for us in connection with the Securities, that participating dealer or its affiliate will expect to realize a projected profit from such hedging activities. If a participating dealer receives a concession for the sale of the Securities to you, this projected profit will be in addition to the concession, creating a further incentive for the participating dealer to sell the Securities to you.

Uncertain Tax Treatment

Significant aspects of the tax treatment of the Securities are uncertain. You should consult your tax advisor about your own tax situation. See Certain Canadian Income Tax Consequences and U.S. Federal Income Tax Consequences in this pricing supplement.

INFORMATION REGARDING THE REFERENCE ASSET

All disclosures contained in this pricing supplement regarding the Reference Asset, including, without limitation, its make up, method of calculation, and changes in its components, have been derived from publicly available sources or from Bloomberg Financial Markets. We make no representation or warranty as to the accuracy or completeness of the information derived from these sources.

iShares® MSCI EAFE ETF

The shares of the iShares® MSCI EAFE ETF (EFA Fund) are issued by iShares, Inc., a registered investment company. The EFA Fund seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of the MSCI EAFE Index. The EFA Fund trades on the NYSE Arca under the ticker symbol EFA . BlackRock Fund Advisors (BFA) serves as the investment advisor to the EFA Fund.

BFA, as the investment advisor to the EFA Fund, employs a technique known as representative sampling to track the EFA Fund. The EFA Fund generally invests at least 90% of its assets in the securities of the MSCI EAFE Index and in American Depositary Receipts or Global Depositary Receipts based on the securities of the MSCI EAFE Index. The EFA Fund may invest the remainder of its assets in securities not included in the MSCI EAFE Index, but which BFA believes will help the EFA Fund track the MSCI EAFE Index, or in futures contracts, options on futures contracts, other types of options and swaps related to the MSCI EAFE Index, as well as cash and cash equivalents, including shares of money market funds affiliated with BFA or its affiliates.

We obtained the following fee information from the EFA Fund website, without independent verification. The EFA Fund investment advisor is entitled to receive a management fee from the EFA Fund based on the EFA Fund s allocable portion of the aggregate of the average daily net assets of the EFA Fund as follows: 0.73% per annum of the aggregate net assets less than or equal to $30.0 billion, plus 0.32% per annum of the aggregate net assets over $30.0 billion, up to and including $60.0 billion, plus 0.28% per

annum of the aggregate net assets over $60.0 billion, plus 0.28% per annum of the aggregate net assets over $60.0 billion up to and including $90.0 billion, plus 0.252% per annum aggregate net assets in excess of $90.0 billion. As of December 1, 2015 the expense ratio of the EFA Fund as of the most recent quarter end was 0.33% per annum.

Information regarding the EFA Fund, including its top portfolio holdings, may be obtained from other sources including, but not limited to, press releases, newspaper articles, other publicly available documents, and the iShares® website at www.ishares.com. We are not incorporating by reference the website or any material it includes into this pricing supplement, or the accompanying product prospectus supplement.

On May 30, 2008, the MSCI Global Standard Indices (which included the EFA Fund) transitioned to the MSCI Global Investable Market Indices, which as well as MSCI Global Standard Indices are part of MSCI International Equity Indices. Information about this new methodology can be found at:

https://www.msci.com/eqb/methodology/meth_docs/MSCI_Nov2015_GIMIMethodology.pdf.

We are not incorporating by reference the website or any material it includes into this pricing supplement, or the accompanying product prospectus supplement.

Investment Objective and Strategy

The EFA Fund seeks to provide investment results that correspond generally to the price and yield performance, before fees and expenses, of publicly traded securities, as represented by the index. The EFA Fund s investment objective and the index

may be changed at any time. The return on your Securities is linked to the performance of the EFA Fund, and not to the performance of the MSCI EAFE Index on which the EFA Fund is based. Although the EFA Fund seeks results that correspond generally to the performance of the index, the EFA Fund follows a strategy of representative sampling, which means the EFA Fund s holdings do not identically correspond to the holdings and weightings of the index, and may significantly diverge from the index. Although the EFA Fund generally invests at least 90% of its assets in some of the same securities as those contained in the index and in depositary receipts representing the same securities as those contained in the index, it does not hold all of the securities underlying the index and may invest the remainder in securities that are not contained in the index, or in other types of investments. Additionally, when the EFA Fund purchases securities not held by the index, the EFA Fund may be exposed to additional risks, such as counterparty credit risk or liquidity risk, to which the index components are not exposed. Therefore, your investment in the EFA Fund will not directly track the performance of the underlying index and there may be significant variation between the performance of the EFA Fund and the index on which it is based.

The following tables display the top holdings and weighting by sector and country of the EFA Fund as of March 30, 2016.

Country:	Percentage (%)*
Australia	6.96%
Belgium	1.45%
Denmark	1.96%
Finland	1.01%
France	9.91%
Germany	9.08%
Hong Kong	3.26%
Italy	2.17%
Japan	22.24%
Netherlands	3.07%
Singapore	1.35%
Spain	3.14%
Sweden	2.91%
Switzerland	8.98%
United Kingdom	19.17%
Other	2.28%

Sector**	Percentage (%)*
Consumer Discretionary	13.05%
Consumer Staples	12.58%
Energy	4.66%
Financials	23.44%

Health Care	11.33%
Industrials	13.18%
Information Technology	5.17%
Materials	6.62%
Telecommunications	5.09%
Utilities	3.84%
Other	1.06%

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*Information obtained from http://us.ishares.com/product_info/fund/overview/EFAEFA.htm without independent verification. A complete list of component stocks may be found at http://us.ishares.com/product_info/fund/holdings/EFA.htm. Percentages may not sum to 100% due to rounding.

**Sector designations are determined by the EFA Fund investment advisor using criteria it has selected or developed. Fund advisors or index sponsors may use very different standards for determining sector designations. In addition, many

companies operate in a number of sectors, but are listed in only one sector and the basis on which that sector is selected may also differ. As a result, sector comparisons between funds or indices with different fund advisors or index sponsors, respectively, may reflect differences in methodology as well as actual differences in the sector composition of the indices

Representative Sampling

BFA uses a representative sampling strategy to track the MSCI EAFE Index. Representative sampling is an indexing strategy that involves investing in a representative sample of securities that collectively has an investment profile similar to the underlying index. The securities selected are expected to have, in the aggregate, investment characteristics (based on factors such as market capitalization and industry weightings), fundamental characteristics (such as return variability and yield) and liquidity measures similar to those of the underlying index. The EFA Fund may or may not hold all of the securities that are included in the underlying index.

Correlation

The index is a financial calculation, based on a grouping of financial instruments, that is not an investment product, while the EFA Fund is an actual investment portfolio. The performance of the EFA Fund and the index will vary somewhat due to transaction costs, foreign currency valuations, asset valuations, corporate actions (such as mergers and spin-offs), timing variances and differences between the EFA Fund s portfolio and the index resulting from legal restrictions (such as diversification requirements that apply to the EFA Fund but not to the index) or representative sampling. A figure of 100% would indicate perfect correlation. Any correlation of less than 100% is called tracking error. The EFA Fund, using representative sampling, can be expected to have a greater tracking error than an index fund using a replication indexing strategy. Replication is a strategy in which a fund invests in substantially all of the securities in its underlying index in approximately the same proportions as in the underlying index. The annualized performance difference between the EFA Fund and the index measured over a period of ten years ending December 31, 2014 is 0.10%.

Industry Concentration Policy

The EFA Fund will concentrate its investments (i.e., hold 25% or more of its total assets in the stocks of a particular industry or group of industries), approximately the same extent that the MSCI EAFE Index is concentrated.

Creation Units

The EFA Fund issues and redeems shares at its net asset value per share only in blocks of 600,000 shares or multiples thereof (Creation Units). As a practical matter, only institutions or large investors purchase or redeem Creation Units. These transactions are usually effected in exchange for a basket of securities similar to the EFA Fund s portfolio and an amount of cash. Except when aggregated in Creation Units, shares of the EFA Fund are not redeemable securities. Redemptions of Creation Units may cause temporary dislocations in tracking errors.

Share Prices

The approximate value of one share of the EFA Fund is disseminated every fifteen seconds throughout the trading day by the national securities exchange on which the EFA Fund is listed or by other information providers or market data vendors. This approximate value should not be viewed as a real-time update of the net asset value, because the approximate value may not be calculated in the same manner as the net asset value, which is computed once a day. The approximate value generally is determined by using current market quotations and/or price quotations obtained from broker-dealers and other market intermediaries that may trade in the portfolio securities held by the EFA Fund. The EFA Fund is not involved in, or responsible for, the calculation or dissemination of the approximate value and makes no warranty as to its accuracy.

The MSCI EAFE Index

The information below is included only to give insight to the underlying index, the performance of which the EFA Fund attempts to mirror. Your Securities are linked to the performance of the index and not to the underlying index and the EFA Fund may not hold the same securities as the index, and the holdings may diverge substantially.

The MSCI EAFE Index is a stock index calculated, published and disseminated daily by MSCI Inc., which we refer to as MSCI , through numerous data vendors, on the MSCI website and in real time on Bloomberg Financial Markets and Reuters Limited.

On May 30, 2008, the MSCI Global Standard Indices (which included MSCI EAFE Index) transitioned to the MSCI Global Investable Markets Indices, which as well as MSCI Global Standard Indices are part of MSCI International Equity Indices and the methodology of which is described below.

Additional information about the MSCI Global Investable Market Indices is available on the following website: https://www.msci.com/msci-investable-market-indexes. We are not incorporating by reference the website or any material it includes into this Pricing Supplement, or the accompanying Product Supplement.

Index Calculation. The MSCI EAFE Index is intended to measure large and mid cap equity market performance in the global developed markets, excluding the United States and Canada. The MSCI EAFE Index is a free float-adjusted market capitalization index with a base date of March 31, 1986 and an initial value of 100.00. The MSCI EAFE Index is calculated daily in U.S. dollars and published in real time every 60 seconds during market trading hours. The MSCI EAFE Index is part of the MSCI Regional Equity Indices series and is an MSCI Global Investable Market Index, which is a family within the MSCI International Equity Indices.

Prices used to calculate the value of the component securities in the index are the official exchange closing prices or prices accepted as such in the relevant market. In the event of a market disruption resulting in any component security price to be unavailable, MSCI will generally use the last reported price for such component security for the purpose of performance calculation. In general, all prices are taken from the main stock exchange in each market. Closing prices are converted into U.S. dollars using the closing exchange rates calculated by WM/Reuters at 4:00 P.M. London Time.

Neither we nor any of our affiliates make any representation to you as to the performance of the EFA fund. The actual performance of the EFA fund over the life of the Securities, as well as the amount payable at maturity, may bear little relation to the historical EFA fund prices shown below.

Historical Information

The following table sets forth the quarterly high and low closing prices for the Reference Asset, based on daily closing prices. The closing price of the Reference Asset on March 31, 2016, was $57.13. ***Past performance of the Reference Asset is not indicative of the future performance of the Reference Asset.***

Quarter Begin	Quarter End	Quarterly High	Quarterly Low	Quarterly Close
1/3/2011	3/31/2011	$61.91	$55.31	$60.09
4/1/2011	6/30/2011	$63.87	$57.10	$60.14
7/1/2011	9/30/2011	$60.80	$46.66	$47.75
10/3/2011	12/30/2011	$55.57	$46.45	$49.53
1/3/2012	3/30/2012	$55.80	$49.15	$54.90
4/2/2012	6/29/2012	$55.51	$46.55	$49.96
7/2/2012	9/28/2012	$55.15	$47.62	$53.00
10/3/2012	12/31/2012	$56.88	$51.96	$56.82
1/1/2013	3/31/2013	$59.89	$56.90	$58.98
4/1/2013	6/30/2013	$63.53	$57.03	$57.38
7/1/2013	9/30/2013	$65.05	$57.55	$63.79
10/1/2013	12/31/2013	$67.06	$62.71	$67.06
1/2/2014	3/31/2014	$68.03	$62.31	$67.17
4/1/2014	6/30/2014	$70.67	$66.26	$68.37
7/1/2014	9/30/2014	$69.25	$64.12	$64.12
10/1/2014	12/31/2014	$64.51	$59.53	$60.84

1/2/2015	3/31/2015	$65.99	$58.48	$64.17
4/1/2015	6/30/2015	$68.42	$63.49	$63.49
7/1/2015	9/30/2015	$65.46	$56.25	$57.32
10/1/2015	12/31/2015	$62.06	$57.50	$58.75
1/4/2016	3/31/2016	$57.80	$51.38	$57.13

The graph below illustrates the performance of the Reference Asset from January 2, 2004 through March 31, 2016. The dotted line represents the Threshold Level of $48.5605 which is equal to 85.00% of the closing price of the Reference Asset on March 31, 2016. ***Past performance of the Reference Asset is not indicative of the future performance of the Reference Asset.***

We obtained the information regarding the historical performance of the Reference Asset in the tables and graph above from Bloomberg Financial Markets.

We make no representation or warranty as to the accuracy or completeness of the information obtained from Bloomberg Financial Markets and have not undertaken an independent review or due diligence of the information. The historical performance of the Reference Asset should not be taken as an indication of its future performance, and no assurance can be given as to the Ending Price of the Reference Asset. We cannot give you assurance that the performance of the Reference Asset will result in any positive return on your initial investment.

SUPPLEMENTAL PLAN OF DISTRIBUTION (CONFLICTS OF INTEREST)

Pursuant to the terms of a distribution agreement, Scotia Capital (USA) Inc., an affiliate of The Bank of Nova Scotia, will purchase the Securities from The Bank of Nova Scotia for distribution to other registered broker-dealers or will offer the Securities directly to investors.

Scotia Capital (USA) Inc. or one of our affiliates will purchase the aggregate Principal Amount of the Securities and as part of the distribution, will sell the Securities to Wells Fargo Securities LLC at a discount of $20.40 (2.04%) per $1,000 Principal Amount of the Securities. Wells Fargo Securities, LLC will provide selected dealers, which may include Wells Fargo Advisors, LLC (WFA), with a selling concession of $12.50 (1.25%) per $1,000 Principal Amount of the Securities, and WFA will receive a distribution expense fee of $0.75 (0.075%) per $1,000 Principal Amount of the Securities for Securities sold by WFA.

In addition, Scotia Capital (USA) Inc. or another of its affiliates or agents may use this pricing supplement in market-making transactions after the initial sale of the Securities. While the Underwriters may make markets in the Securities, they are under no obligation to do so and may discontinue any market-making activities at any time without notice. See the sections titled Supplemental Plan of Distribution in the accompanying prospectus supplement and product prospectus supplement.

The price at which you purchase the Securities includes costs that the Bank, the Underwriters or their affiliates expect to incur and profits that the Bank, the Underwriters or their affiliates expect to realize in connection with hedging activities related to the Securities, as set forth above. These costs and profits will likely reduce the secondary market price, if any secondary market develops, for the Securities. As a result, you may experience an immediate and substantial decline in the market value of your Securities on the Original Issue Date.

Conflicts of Interest

Each of Scotia Capital (USA) Inc., and Scotia Capital Inc. is an affiliate of the Bank and, as such, has a conflict of interest in this offering within the meaning of FINRA Rule 5121. In addition, the Bank will receive the gross proceeds from the initial public offering of the Securities, thus creating an additional conflict of interest within the meaning of Rule 5121. Consequently, the offering is being conducted in compliance with the provisions of Rule 5121. Neither Scotia Capital (USA) Inc. nor Scotia Capital Inc. is permitted to sell Securities in this offering to an account over which it exercises discretionary authority without the prior specific written approval of the account holder.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. The Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Bank, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of the Bank. The Underwriters and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

THE BANK S ESTIMATED VALUE OF THE SECURITIES

The Bank s estimated value of the Securities set forth on the cover of this pricing supplement is equal to the sum of the values of the following hypothetical components: (1) a fixed-income debt component with the same maturity as the Securities, valued using our internal funding rate for structured debt described below, and (2) the derivative or derivatives underlying the economic terms of the Securities. The Bank s estimated value does not represent a minimum price at which the Bank would be willing to buy your Securities in any secondary market (if any exists) at any time. The internal funding rate used in the determination of the Bank s estimated value generally represents a discount from the credit spreads for our conventional fixed-rate debt. The discount is based on, among other things, our view of the funding value of the Securities as well as the higher issuance, operational and ongoing liability management costs of the Securities in comparison to those costs for our conventional fixed-rate debt. For additional information, see   Additional Risk Factors The Bank s Estimated Value Is Not Determined by Reference to Credit Spreads for Our Conventional Fixed-Rate Debt.   The value of the derivative or derivatives underlying the economic terms of the Securities is derived from the Bank s or a third party hedge provider s internal pricing models. These models are dependent on inputs such as the traded market prices of comparable derivative instruments and on various other inputs, some of which are market-observable, and which can include volatility, dividend rates, interest rates and other factors, as well as assumptions about future market events and/or environments. Accordingly, the Bank s estimated value of the Securities is determined when the terms of the Securities are set based on market conditions and other relevant factors and assumptions existing at that time. See   Additional Risk Factors The Bank s Estimated Value Does Not Represent Future Values of the Securities and May Differ from Others   Estimates.

The Bank s estimated value of the Securities will be lower than the Original Offering Price of the Securities because costs associated with selling, structuring and hedging the Securities are included in the Original Offering Price of the Securities. These costs include the selling commissions paid to the Underwriters and other affiliated or unaffiliated dealers, the projected profits that our affiliates expect to realize for assuming risks inherent in hedging our obligations under the Securities and the estimated cost of hedging our obligations under the Securities. Because hedging our obligations entails risk and may be influenced by market forces beyond our control, this hedging may result in a profit that is more or less than expected, or it may result in a loss. We or one or more of our affiliates will retain any profits realized in hedging our obligations under the Securities. See   Additional Risk Factors The Bank s Estimated Value of the Securities Will Be Lower Than the Original Offering Price (Price to Public) of the Securities   in this pricing supplement.

ADDITIONAL INFORMATION ABOUT THE SECURITIES

Please read this information in conjunction with the summary terms on the front cover of this document. Notwithstanding anything to the contrary in the accompanying product prospectus supplement for this Security, the amount you will receive at maturity will be the Redemption Amount at Maturity, defined and calculated as provided in this pricing supplement.

Additional Information About the Terminology Used in this Pricing Supplement

This pricing supplement uses certain terminology that differs from that used in the accompanying product prospectus supplement. Please read this pricing supplement and the accompany prospectus, prospectus supplement, and product prospectus supplement with the following mapping in mind.

Security	The accompanying product prospectus supplement refers to a Security as a note
Original Offering Price	The accompanying product prospectus supplement refers to the Original Offering Price as the original issue price
Calculation Day	The accompanying product prospectus supplement refers to a Calculation Day as a valuation date
Capped Value	The accompanying product prospectus supplement refers to the Capped Value as the Maximum Redemption Amount
Starting Price	The accompanying product prospectus supplement refers to the Starting Price as the Initial Price
Ending Price	The accompanying product prospectus supplement refers to the Ending Price as the Final Price
Redemption Amount at Maturity	The accompanying product prospectus supplement refers to the Redemption Amount at Maturity as the payment at maturity
Threshold Level	

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

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

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

5. Stockholders Equity and Stock Compensation Plans

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

6. Earnings Per Share (EPS)

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

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

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

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

7. Income Taxes

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

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

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

8. Reportable Segments

Our reportable segments are as follows:

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

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

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

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

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

Reportable Segments

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

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

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Total assets by segment were as follows:

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

Reconciliations

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

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

(2) Other includes depreciation expense from corporate headquarters.

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

Major Clients

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

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The following table represents our revenue by client sector:

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

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

9. Pension Plan

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

10. Comprehensive Income

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

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

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

11. Fair Value of Derivative Instruments

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

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

12. Commitments and Contingencies

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

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

13. Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued authoritative guidance on fair value measurements that defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This guidance was effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years except for all non-recurring fair value measurements of non-financial assets and liabilities, which is effective for financial statements issued for fiscal years beginning after November 15, 2008. In October 2008, the FASB clarified the application of its authoritative guidance related to a market that is not active and provided an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. Revisions resulting from a change in valuation technique or its application should be accounted for as a change in accounting estimate, and any effects on fair-value measurement would be recognized in the period of adoption. Our adoption of this guidance

on September 29, 2008 was limited to financial assets and liabilities, and it had no impact on our consolidated financial statements in fiscal 2009. We adopted the remaining aspects of the fair value measurement standard on our non-financial assets and non-financial liabilities on September 28, 2009, and the adoption of the guidance did not have an effect on our consolidated financial statements.

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

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

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

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

Recent Accounting Guidance Not Yet Adopted

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

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

In January 2010, the FASB issued an Accounting Standards Update that amends the disclosure guidance with respect to fair value measurements. Specifically, the new guidance requires disclosure of amounts transferred in and out of Levels 1 and 2 fair value measurements, a reconciliation presented on a gross basis rather than a net basis of activity in Level 3 fair value measurements, greater disaggregation of the assets and liabilities for which fair value measurements are presented and more robust disclosure of the valuation techniques and inputs used to

measure Level 2 and 3 fair value measurements. This guidance is effective for us, with the exception of the new guidance around the Level 3 activity reconciliations. The adoption of the effective portion of the guidance had no impact on our consolidated financial statements. Certain Level 3 activities disclosure requirements of this guidance will be effective for fiscal years beginning after December 15, 2010. As we do not currently have any significant Level 3 fair value measurements, we do not expect the adoption will have a material impact on our consolidated financial statements.

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

FORWARD-LOOKING STATEMENTS

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

GENERAL OVERVIEW

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ACQUISITIONS AND DIVESTITURES

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

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

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

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

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

OVERVIEW OF RESULTS AND BUSINESS TRENDS

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

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

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

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

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

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

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RESULTS OF OPERATIONS

Consolidated Results of Operations

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

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

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

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

partially driven by government-mandated small business set-aside requirements.

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

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

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

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

Segment Results of Operations

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

Environmental Consulting Services

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

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

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

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

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

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Technical Support Services

	Three Months Ended				Nine Months Ended			
	June 27, 2010	June 28, 2009	Change $	%	June 27, 2010	June 28, 2009	Change $	%
	($ in thousands)							
Revenue	$ 131,139	$ 136,940	$ (5,801)	(4.2)%	$ 381,533	$ 389,995	$ (8,462)	(2.2)%
Subcontractor costs	(50,441)	(56,625)	6,184	10.9	(139,861)	(154,641)	14,780	9.6
Revenue, net of subcontractor costs (1)	$ 80,698	$ 80,315	$ 383	0.5%	$ 241,672	$ 235,354	$ 6,318	2.7%
Operating income	$ 9,520	$ 9,180	$ 340	3.7%	$ 29,906	$ 27,911	$ 1,995	7.1%

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

For the three and nine-month periods, revenue decreased due to reduced activity on certain USAID projects. Additionally, TSS experienced a revenue decline with the DoD due to budget constraints. The overall decrease was mitigated by revenue growth from the EPA and on other federal government programs.

For both periods, revenue, net of subcontractor costs, grew slightly despite the revenue decline. As a percentage of revenue, subcontractor costs decreased in both periods, due primarily to a reduced subcontracting activity on USAID and certain DoD projects.

For both periods, operating income increased despite the revenue decline, due primarily to the increase in self-performed work. Additionally, the increase was attributable to improved project performance on certain fixed-price contracts and the continuing focus on overhead cost control of discretionary expenses.

Engineering and Architecture Services

	Three Months Ended				Nine Months Ended			
	June 27, 2010	June 28, 2009	Change $	%	June 27, 2010	June 28, 2009	Change $	%
	($ in thousands)							
Revenue	$ 76,688	$ 69,800	$ 6,888	9.9%	$ 211,404	$ 234,212	$ (22,808)	(9.7)%
Subcontractor costs	(19,921)	(12,905)	(7,016)	(54.4)	(48,994)	(50,873)	1,879	3.7
Revenue, net of subcontractor costs (1)	$ 56,767	$ 56,895	$ (128)	(0.2)%	$ 162,410	$ 183,339	$ (20,929)	(11.4)%
Operating income	$ 4,337	$ 3,489	$ 848	24.3%	$ 7,454	$ 11,784	$ (4,330)	(36.7)%

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

For the three-month period, revenue grew as a result of increased workload on international and federal government contracts. The increase was partially offset by revenue decline in the commercial business, particularly in the real estate development and industrial markets, and state and local government business resulting from budget and spending constraints. For the nine-month period, EAS experienced a revenue decline in its commercial and state and local government businesses, partially mitigated by revenue growth in its international and federal government sectors.

Despite revenue growth for the three-month period, revenue, net of subcontractor costs, was flat compared to the same period last year, due to the higher level of subcontracting activity on the international and federal government work. For the nine-month period, revenue, net of subcontractor costs, decreased due to the aforementioned revenue decline in the commercial and state and local businesses.

For the three-month period, operating income increased compared to the same period last year, due to revenue growth and improved performance on our international projects. Additionally, as revenue increased, we realized better leverage on the reduced overhead costs and SG&A expenses that resulted from the cost control measures implemented over the last year. For the nine-month period, operating income decreased due to the revenue decline. Further, in the second quarter of fiscal 2010, we recognized $3.1 million in provision for losses on

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accounts receivable on certain commercial development and infrastructure projects. The decrease in operating income was partially mitigated by reductions in overhead costs, labor and other employee-related expenses that corresponded to the aforementioned revenue decline.

Remediation and Construction Management

	Three Months Ended				Nine Months Ended			
	June 27, 2010	June 28, 2009	Change $	%	June 27, 2010	June 28, 2009	Change $	%
	($ in thousands)							
Revenue	$ 202,424	$ 206,644	$ (4,220)	(2.0)%	$ 545,206	$ 720,409	$ (175,203)	(24.3)%
Subcontractor costs	(104,888)	(108,139)	3,251	3.0	(286,345)	(435,014)	148,669	34.2
Revenue, net of subcontractor costs (1)	$ 97,536	$ 98,505	$ (969)	(1.0)%	$ 258,861	$ 285,395	$ (26,534)	(9.3)%
Operating income	$ 9,880	$ 10,588	$ (708)	(6.7)%	$ 24,753	$ 28,569	$ (3,816)	(13.4)%

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

For the three and nine-month periods, the revenue decline was largely driven by the prior-year completion of several large contracts, primarily wind energy and Iraq-related work, and, for the nine-month period, reduced activity on a large water project for a commercial client. For both periods, revenue from remediation and construction work also declined due to federal government delays in releasing new awards. Since wind energy and Iraq-related projects were substantially subcontracted, revenue, net of subcontractor costs, was not impacted by the completion of these projects to the same extent as revenue. The overall decline was partially offset by increased activity on BRAC and other federal government programs, as well as a large transportation infrastructure project with a state government client. To a lesser extent, the revenue decline was partially mitigated by approximately $6 million and $26 million of revenue generated by a prior-year acquisition for the three and nine-month periods, respectively.

For both periods, operating income decreased largely due to the aforementioned revenue decline. Further, the prior-year operating income benefited from favorable claim settlements on Iraq-related projects, and higher profit margins on certain commercial wind energy, water and telecommunication projects. The decrease in operating income was partially offset by current-year reductions in overhead costs, labor and other employee-related expenses. For the nine-month period, the current-year decrease was also mitigated by a $0.7 million gain from the sale of equipment related to a project close-out.

Liquidity and Capital Resources

Capital Requirements. Our capital requirements are to fund working capital needs, capital expenditures and debt services requirements, as well as to fund acquisitions. We believe that our cash balances, operating cash flow and available borrowings under the credit agreement described below, will be sufficient to meet our capital requirements for at least the next 12 months.

Operating Activities. For the first nine months of fiscal 2010, our net cash provided by operating activities was $64.5 million, a decrease of $42.9 million, or 39.9%, compared to the same period last year. The decrease resulted from a $40 million IRS tax settlement refund and substantial cash collections on certain large fixed-price contracts.

Investing Activities. For the first nine months of fiscal 2010, our net cash used in investing activities was $37.1 million, a decrease of $78.5 million, or 67.9%, compared to the same period last year. The decrease was due primarily to the Wardrop acquisition, for which we paid approximately $91 million in the second quarter of last year. Our capital expenditures were $15.9 million, an increase of $2.5 million compared to the same period last year, due to the timing of new equipment purchases to replace obsolete equipment and satisfy project execution requirements.

Financing Activities. For the first nine months of fiscal 2010, our net cash provided by financing activities was $3.1 million, a decrease of $1.6 million, or 34.7%, compared to the same period last year. The decrease resulted from a decline in proceeds from the issuance of common stock upon the exercise of stock options.

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Debt Financing. Under our credit agreement, our revolving credit facility (Facility) is $300.0 million, and the term of the agreement extends through March 30, 2012. As part of the Facility, we may request financial letters of credit up to an aggregate sum of $50.0 million and standby letters of credit up to the full amount of the Facility. As of June 27, 2010, we had no borrowings outstanding, $18.1 million in standby letters of credit and $281.9 million in availability under the Facility.

The credit agreement requires us to comply with various financial and operating covenants. Specifically, (i) the maximum consolidated leverage ratio (defined as the ratio of funded debt to rolling four-quarter adjusted earnings before interest, tax, depreciation and amortization (EBITDA)) is 2.5x for each quarter, and (ii) the minimum fixed charge coverage ratio (defined as the ratio of rolling four-quarter EBITDA minus capital expenditures to interest expense plus taxes and principal payments) is 1.25x for each quarter. As of June 27, 2010, our consolidated leverage ratio was 0.27x, and our fixed charge coverage ratio was 2.44x. Further, the credit agreement contains other restrictions, including but not limited to, the creation of liens and the payment of dividends on our capital stock (other than stock dividends). Borrowings under the credit agreement are collateralized by our accounts receivable, the stock of our significant subsidiaries and our cash, deposit accounts, investment property and financial assets.

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

Tax Claims. We remain in the appeals process with the IRS for fiscal years 2002 through 2004 related to R&E Credits and our tax accounting method for revenue recognition. We are also under examination by the FTB for fiscal years 2001 through 2003 related to R&E Credits. Management believes that it is reasonably possible we will reach a resolution of these audits within the next 12 months. We have completed R&E Credit studies and analyses for the tax years subsequent to fiscal 2004 and are in the process of filing amended returns to claim federal and state R&E Credits for certain years. There is a high probability that claimed R&E Credits will be examined by the taxing authorities. If the resolution of these pending and anticipated examinations is more favorable than expected, the change in unrecognized tax benefits could be significant. However, if the resolution is less favorable than expected, there could be a material increase in our income tax expense in the period in which the determination is made.

Critical Accounting Policies

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets acquired in business acquisitions. In order to determine the amount of goodwill resulting from an acquisition, we perform an assessment to determine the value of the acquired company s tangible and identifiable intangible assets and liabilities. The identifiable intangible assets include backlog, customer relations, non-compete agreements and, to a lesser extent, trade names. We typically pay a purchase price that results in the recognition of goodwill, representing an assembled workforce with technical expertise.

We perform our annual goodwill impairment review at the beginning of our fiscal fourth quarter. Our annual review as of June 29, 2009 (i.e., the first day of our fiscal fourth quarter) indicated that we had no impairment of goodwill. For fiscal 2010, we are in the process of performing the annual review and expect to complete it during the fourth quarter. In addition, we regularly evaluate whether events and circumstances have occurred that may indicate a potential change in recoverability of goodwill. We would perform an interim goodwill impairment review between our annual reviews if certain events and circumstances have occurred, including a significant adverse change in the business climate, unanticipated competition or a loss of key personnel.

The goodwill impairment review involves the determination of the fair value of our reporting units, which for us are the components one level below our reportable segments. This process requires us to make significant judgments and estimates, including assumptions about our strategic plans with regard to our operations as well as the interpretation of current economic indicators and market valuations. Furthermore, the development of the present value of future cash flow projections includes assumptions and estimates derived from a review of our expected revenue growth rates, profit margins, business plans, cost of capital and tax rates. We also make certain assumptions about future market conditions, market prices, interest rates, and changes in business strategies. Changes in assumptions or estimates could materially affect the determination of the fair value of a reporting unit,

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and, therefore, could eliminate the excess of fair value over carrying value of a reporting unit entirely and, in some cases, could result in impairment. Such changes in assumptions could be caused by a loss of one or more significant contracts, reductions in government or commercial client spending, or a decline in the demand of our services due to changing economic conditions. In the event that we determine that our goodwill is impaired, we would be required to record a non-cash charge that could result in a material adverse effect on our results of operations or financial position.

We utilize two methods to determine the fair value of our reporting units: (i) the Income Approach and (ii) the Market Approach. While each of these approaches is initially considered in the valuation of the business enterprises, the nature and characteristics of the reporting units indicate which approach is most applicable. The Income Approach utilizes the discounted cash flow method, which focuses on the expected cash flow of the reporting unit. In applying this approach, the cash flow available for distribution is calculated for a finite period of years. Cash flow available for distribution is defined, for purposes of this analysis, as the amount of cash that could be distributed as a dividend without impairing the future profitability or operations of the reporting unit. The cash flow available for distribution and the terminal value (the value of the reporting unit at the end of the estimation period) are then discounted to present value to derive an indication of the value of the business enterprise. The Market Approach is comprised of the guideline company and the similar transactions methods. The guideline company method focuses on comparing the reporting unit to select reasonably similar (or guideline) publicly traded companies. Under this method, valuation multiples are (i) derived from the operating data of selected guideline companies; (ii) evaluated and adjusted based on the strengths and weaknesses of the reporting units relative to the selected guideline companies; and (iii) applied to the operating data of the reporting unit to arrive at an indication of value. In the similar transactions method, consideration is given to prices paid in recent transactions that have occurred in the reporting unit s industry or in related industries. For our annual impairment analysis as of June 29, 2009, we weighted the Income Approach and the Market Approach at 70% and 30%, respectively. The Income Approach was given a higher weight because it has the most direct correlation to the specific economics of the reporting unit, as compared to the Market Approach, which is based on multiples of broad-based (i.e., less comparable) companies.

As of June 29, 2009, all but two of our reporting units had fair values substantially in excess of their carrying values. One of those reporting units, Advanced Management Technology, Inc. (AMT) in the ECS reportable segment, with $49.4 million of goodwill, had a fair value in excess of its carrying value by approximately 13%. In addition, the other reporting unit, Cosentini and Associates, Inc. (CAA) in the EAS reportable segment, with $4.6 million of goodwill, had a fair value in excess of its carrying value by approximately 39%. To arrive at our cash flow projections utilized in the Income Approach, we use a reporting unit s forecast of estimated operating results based on key assumptions such as growth rates in revenues, costs and estimates of future anticipated changes in operating margins based on economic and market information. To date, the actual results for AMT and CAA have been consistent with the estimates and assumptions utilized in the most recent discounted cash flow calculations. Although we believe the assumptions regarding future revenues, costs and operating margins are reasonable for AMT and CAA, they are subject to uncertainty and could be affected by many factors including a loss of one or more significant contracts, reductions in government or commercial client spending, or a decline in the demand of our services due to changing economic conditions. For example, if AMT is unsuccessful in winning re-competes on federal government contracts or if CAA experiences reduced workload in its domestic and international commercial development markets, their revenue and income could adversely and materially deviate from their historical trends, which could cause goodwill to become impaired. Accordingly, it is reasonably possible that business performance below our expectation or deterioration of market and economic conditions could occur. This would adversely impact our ability to meet our projected results, which could cause goodwill related to AMT and CAA to become impaired. If any of our goodwill becomes impaired, we would be required to record a non-cash charge that could have a material adverse effect on our results of operations or financial position, but would not have any adverse effect on the calculations of, or our overall compliance with, the covenants of our Facility.

Our other critical accounting policies are disclosed in our Annual Report on Form 10-K for the fiscal year ended September 27, 2009. To date, there have been no material changes in our critical accounting policies as reported in our 2009 Annual Report on Form 10-K.

New Accounting Pronouncements

For information regarding recent accounting pronouncements, see Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report.

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Financial Market Risks

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

We are exposed to interest rate risk under our Credit Agreement. We may borrow on our Facility, at our option, at either (a) a base rate (the greater of the U.S. federal funds rate plus 0.50% per annum or the bank s reference rate) plus a margin which ranges from 0.0% to 1.25% per annum, or (b) a Eurodollar rate plus a margin that ranges from 1.0% to 2.25% per annum. Borrowings at the base rate have no designated term and may be repaid without penalty any time prior to the Facility s maturity date. Borrowings at a Eurodollar rate have a term no less than 30 days and no greater than 90 days. Typically, at the end of such term, such borrowings may be rolled over at our discretion into either a borrowing at the base rate or a borrowing at a Eurodollar rate with similar terms, not to exceed the maturity date of the Facility. The Facility matures on March 30, 2012 or earlier at our discretion upon payment in full of loans and other obligations. As of June 27, 2010, we had no borrowings outstanding under the Facility.

Most of our transactions are in U.S. dollars; however, some of our subsidiaries conduct business in foreign currencies, primarily the Canadian dollar. Therefore, we are subject to currency exposure and volatility because of currency fluctuations. We attempt to minimize our exposure to these fluctuations by matching revenues and expenses in the same currency for our contracts. For the first nine months of fiscal 2010 and 2009, our foreign currency gains and losses were immaterial.

We have foreign currency exchange rate exposure in our stockholders equity primarily as a result of the currency translation related to our subsidiary in Canada where the local currency is the functional currency. To the extent the U.S. dollar strengthens against the Canadian dollar, the translation of these foreign currency denominated transactions will result in the reduced revenue, operating expenses, assets and liabilities. Similarly, our revenue, operating expenses, assets and liabilities will increase if the U.S. dollar weakens against the Canadian dollar. The effect of foreign exchange rate translation on our condensed consolidated balance sheet for the nine months ended June 27, 2010 was a net foreign translation gain of $5.1 million. The gain was recognized as an adjustment to stockholders equity through other comprehensive income.

In the first quarter of fiscal 2010, we entered into three foreign currency forward contracts to manage foreign currency exposure related to the settlement of interest receivable on an intercompany note denominated in Canadian dollars. In the second quarter of fiscal 2010, we settled the first foreign currency forward contract for U.S. $3.9 million. We also entered into a new forward contract for Canadian $4.2 million (equivalent to U.S. $3.9 million at date of inception) that matures on January 28, 2013. For more information, see Note 11 (Fair Value of Derivative Instruments) of the Notes to Condensed Consolidated Financial Statements .

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

Please refer to the information we have included under the heading Financial Market Risks in Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations, which is incorporated herein by reference.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures and changes in internal control over financial reporting. As of June 27, 2010, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures. Based on our management s evaluation (with the participation of our principal executive officer and principal financial officer), our principal executive officer and principal financial officer have concluded that, as of the end of the period covered by this Report, our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act), were effective.

Changes in internal control over financial reporting. There was no change in our internal control over financial reporting during our third quarter of fiscal 2010 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

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

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Item 1A. Risk Factors

Set forth below and elsewhere in this report and in other documents we file with the Securities and Exchange Commission (SEC) are descriptions of the risks and uncertainties that could cause our actual results to differ materially from the results contemplated by the forward-looking statements contained in this report.

Our operating results may be adversely impacted by worldwide political and economic uncertainties and specific conditions in the markets we address.

General worldwide economic conditions have recently experienced a downturn due to the lack of available credit, slower economic activity, concerns about inflation and deflation, increased energy costs, decreased consumer confidence, reduced corporate profits and capital spending, and adverse business conditions. These conditions make it extremely difficult for our clients and our vendors to accurately forecast and plan future business activities and could cause businesses to slow spending on services, and have also made it very difficult for us to predict the short-term and long-term impacts on our business. We cannot predict the timing, strength or duration of any economic slowdown or subsequent economic recovery worldwide or in our industry. If the economy or markets in which we operate deteriorate from the level experienced in fiscal 2009 and the first nine months of fiscal 2010, our business, financial condition and results of operations may be materially and adversely affected.

Our annual revenue, expenses and operating results may fluctuate significantly, which may adversely affect our stock price.

Our annual revenue, expenses and operating results may fluctuate significantly because of numerous factors, some of which may contribute to more pronounced fluctuations in an uncertain global economic environment. These factors include:

- General economic or political conditions;
- Unanticipated changes in contract performance that may affect profitability, particularly with contracts that are fixed-price or have funding limits;
- Seasonality of the spending cycle of our public sector clients, notably the U.S. federal government, the spending patterns of our commercial sector clients, and weather conditions;
- Budget constraints experienced by our federal, state and local government clients;
- Integration of acquired companies;
- Changes in contingent consideration related to acquisition earn-outs;
- Divestiture or discontinuance of operating units;

- Employee hiring, utilization and turnover rates;
- The number and significance of client contracts commenced and completed during a quarter;
- Creditworthiness and solvency of clients;
- The ability of our clients to terminate contracts without penalties;
- Delays incurred in connection with a contract;
- The size, scope and payment terms of contracts;
- Contract negotiations on change orders and collections of related accounts receivable;
- The timing of expenses incurred for corporate initiatives;
- Reductions in the prices of services offered by our competitors;
- Threatened or pending litigation;
- Legislative and regulatory enforcement policy changes that may affect demand for our services;
- The impairment of goodwill or identifiable intangible assets;

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- Share-based compensation expense;
- Actual events, circumstances, outcomes and amounts differing from judgments, assumptions and estimates used in determining the value of certain assets (including the amounts of related valuation allowances), liabilities and other items reflected in our consolidated financial statements;
- How well we execute our strategy and operating plans; and
- Changes in tax laws or regulations or accounting rules.

As a consequence, operating results for a particular future period are difficult to predict and, therefore, prior results are not necessarily indicative of results to be expected in future periods. Any of the foregoing factors, or any other factors discussed elsewhere herein, could have a material adverse effect on our business, results of operations and financial condition that could adversely affect our stock price.

Demand from our state and local government and commercial clients is cyclical and vulnerable to economic downturns. If the economy remains weak or client spending declines further, then our revenues, profits and our financial condition may deteriorate.

Demand for services from our state and local government and commercial clients is cyclical and vulnerable to economic downturns, which may result in clients delaying, curtailing or canceling proposed and existing projects. Our business traditionally lags the overall recovery in the economy; therefore, our business may not recover immediately when the economy improves. If the economy remains weak or client spending declines further, then our revenues, profits and overall financial condition may deteriorate. Our state and local government clients may face budget deficits that prohibit them from funding new or existing projects. In addition, our existing and potential clients may either postpone entering into new contracts or request price concessions. Difficult financing and economic conditions may cause some of our clients to demand better pricing terms or delay payments for services we perform, thereby increasing the average number of days our receivables are outstanding and the potential of increased credit losses of uncollectible invoices. Further, these conditions may result in the inability of some of our clients to pay us for services that we have already performed. If we are not able to reduce our costs quickly enough to respond to the revenue decline from these clients, our operating results may be adversely affected. Accordingly, these factors affect our ability to forecast our future revenues and earnings from business areas that may be adversely impacted by market conditions.

Our revenue from commercial clients is significant, and the credit risks associated with certain of these clients could adversely affect our operating results.

In the third quarter of fiscal 2010, we generated 23.2% of our revenue from commercial clients. Due to the continuing weakness in general economic conditions, our commercial business may be at risk as we rely upon the financial stability and creditworthiness of our clients. To the extent the credit quality of these clients deteriorates or these clients seek bankruptcy protection, our ability to collect our receivables, and ultimately our operating results, may be adversely affected.

We derive a majority of our revenue from government agencies, and any disruption in government funding or in our relationship with those agencies could adversely affect our business.

In the third quarter of 2010, we generated 67.3% of our revenue from contracts with U.S. federal, state and local government agencies. U.S. federal government agencies are among our most significant clients. We generated 52.7% of our revenue in the third quarter of fiscal 2010 from the following agencies: 30.4% from DoD agencies, 10.4% from USAID and 11.9% from other U.S. federal government agencies. A significant amount of this revenue is derived under multi-year contracts, many of which are appropriated on an annual basis. As a result, at the beginning of a project, the related contract may be only partially funded, and additional funding is normally committed only as appropriations are made in each subsequent year. These appropriations, and the timing of payment of appropriated amounts, may be influenced by numerous factors as noted below. Our backlog includes only the projects that have funding appropriated.

The demand for our government-related services is generally driven by the level of government program funding. Accordingly, the success and further development of our business depends, in large part, upon the continued funding of these government programs, and upon our ability to obtain contracts and perform well under

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these programs. There are several factors that could materially affect our government contracting business, including the following:

- Changes in and delays or cancellations of government programs, requirements or appropriations;
- Budget constraints or policy changes resulting in delay or curtailment of expenditures related to the services we provide;
- Re-competes of government contracts;
- The timing and amount of tax revenue received by federal, state and local governments, and the overall level of government expenditures;
- Curtailment of the use of government contracting firms;
- Delays associated with a lack of a sufficient number of government staff to oversee contracts;
- The increasing preference by government agencies for contracting with small and disadvantaged businesses;
- Competing political priorities and changes in the political climate with regard to the funding or operation of the services we provide;
- The adoption of new laws or regulations affecting our contracting relationships with the federal, state or local governments;
- Unsatisfactory performance on government contracts by us or one of our subcontractors, negative government audits, or other events that may impair our relationship with the federal, state or local governments;
- A dispute with or improper activity by any of our subcontractors; and
- General economic or political conditions.

These and other factors could cause government agencies to delay or cancel programs, to reduce their orders under existing contracts, to exercise their rights to terminate contracts or not to exercise contract options for renewals or extensions. Any of these actions could have a material adverse effect on our revenue or timing of contract payments from these agencies.

A significant shift in U.S. defense spending could harm our operations and significantly reduce our profits and revenues.

In the third quarter of fiscal 2010, we generated 30.4% of our revenue from the DoD agencies. We continued to experience a revenue decline due to the completion of our Iraq-related contracts, largely offset by BRAC and other domestic programs with the DoD agencies. Past increases in spending for defense-related programs and outsourcing of federal government jobs to the private sector are not expected to be sustained on a long-term basis. Future levels of expenditures and authorizations for defense-related programs may decrease, remain constant or shift to other programs in areas in which we do not currently provide services. As a result, a general decline in U.S. defense spending or a change in budgetary priorities could reduce our profits and revenues.

A delay in the completion of the budget process of the U.S. government could delay procurement of our services and have an adverse effect on our future revenues.

When the U.S. government does not complete its budget process before its fiscal year-end on September 30, government operations are typically funded by means of a continuing resolution that authorizes agencies of the U.S. government to continue to operate, but does not authorize new spending initiatives. When the U.S. government operates under a continuing resolution, government agencies may delay the procurement of services, which could reduce our future revenues.

As a government contractor, we must comply with various procurement laws and regulations and are subject to regular government audits; a violation of any of these laws and regulations or the failure to pass a

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government audit could result in sanctions, contract termination, forfeiture of profit, harm to our reputation or loss of our status as an eligible government contractor and could reduce our profits and revenues.

We must comply with and are affected by federal, state, local and foreign laws and regulations relating to the formation, administration and performance of government contracts. For example, we must comply with Federal Acquisition Regulations (FAR), the Truth in Negotiations Act, Cost Accounting Standards (CAS), the ARRA and the Services Contract Act security regulations, as well as many other rules and regulations. These laws and regulations affect how we do business with our clients and, in some instances, impose additional costs on our business operations. Although we take precautions to prevent and deter fraud, misconduct and non-compliance, we face the risk that our employees or outside partners may engage in misconduct, fraud or other improper activities. Government agencies, such as the Defense Contract Audit Agency (DCAA), routinely audit and investigate government contractors. These government agencies review and audit a government contractor s performance under its contracts and cost structure, and evaluate compliance with applicable laws, regulations and standards. In addition, during the course of its audits, the DCAA may question our incurred project costs. If the DCAA believes we have accounted for such costs in a manner inconsistent with the requirements for FAR or CAS, the DCAA auditor may recommend to our U.S. government corporate administrative contracting officer to disallow such costs. Historically, we have not experienced significant disallowed costs as a result of government audits. However, we can provide no assurance that the DCAA or other government audits will not result in material disallowance for incurred costs in the future. In addition, government contracts are subject to a variety of other requirements relating to the formation, administration, performance and accounting for these contracts. We may also be subject to *qui tam* litigation brought by private individuals on behalf of the government under the Federal Civil False Claims Act, which could include claims for treble damages. Government contract violations could result in the imposition of civil and criminal penalties or sanctions, contract termination, forfeiture of profit and/or suspension of payment, any of which could make us lose our status as an eligible government contractor. We could also suffer serious harm to our reputation. Any interruption or termination of our government contractor status could reduce our profits and revenues significantly.

Because we depend on federal, state and local governments for a significant portion of our revenue, our inability to win or renew government contracts during regulated procurement processes could harm our operations and significantly reduce or eliminate our profits.

Government contracts are awarded through a regulated procurement process. The U.S. federal government has increasingly relied upon multi-year contracts with pre-established terms and conditions, such as indefinite delivery/indefinite quantity (IDIQ) contracts, which generally require those contractors who have previously been awarded the IDIQ to engage in an additional competitive bidding process before a task order is issued. The increased competition, in turn, may require us to make sustained efforts to reduce costs in order to realize revenues and profits under government contracts. If we are not successful in reducing the amount of costs we incur, our profitability on government contracts will be negatively impacted. Moreover, even if we are qualified to work on a government contract, we may not be awarded the contract because of existing government policies designed to protect small businesses and underrepresented minority contractors. Our inability to win or renew government contracts during regulated procurement processes could harm our operations and significantly reduce or eliminate our profits.

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

Each year, client funding for some of our government contracts may directly or indirectly rely on government appropriations or public-supported financing. For example, the ARRA enacted in February 2009 provides funding for various clients state environmental projects, for which we provide services. However, ARRA-funded contracts have not been awarded for environmental projects as quickly as we had expected, and it is possible that ARRA funding will never be allocated to projects that represent opportunities for us to the extent that we anticipate, if at all. Legislatures may appropriate funds for a given project on a year-by-year basis, even though the project may take more than one year to perform. In addition, public-supported financing such as state and local municipal bonds may be only partially raised to support existing projects. Public

funds and the timing of payment of these funds may be influenced by, among other things, the state of the economy, competing political priorities, curtailments in the use of government contracting firms, increases in raw material costs, delays associated with a lack of a sufficient number of government staff to oversee contracts, budget constraints, the timing and amount of

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tax receipts and the overall level of government expenditures. If adequate public funding is not available or is delayed, then our profits and revenues could decline.

Our government contracts may give government agencies the right to modify, delay, curtail, renegotiate or terminate existing contracts at their convenience at any time prior to their completion, and if we do not replace these contracts, we may suffer a decline in our profits and revenues.

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

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

Our engagements often involve large-scale, complex projects. The quality of our performance on such projects depends in large part upon our ability to manage the relationship with our clients and our ability to effectively manage the project and deploy appropriate resources, including third-party contractors and our own personnel, in a timely manner. We may commit to a client that we will complete a project by a scheduled date. We may also commit that a project, when completed, will achieve specified performance standards. If the project is not completed by the scheduled date or fails to meet required performance standards, we may either incur significant additional costs or be held responsible for the costs incurred by the client to rectify damages due to late completion or failure to achieve the required performance standards. The uncertainty of the timing of a project can present difficulties in planning the amount of personnel needed for the project. If the project is delayed or canceled, we may bear the cost of an underutilized workforce that was dedicated to fulfilling the project. In addition, performance of projects can be affected by a number of factors beyond our control, including unavoidable delays from government inaction, public opposition, inability to obtain financing, weather conditions, unavailability of vendor materials, changes in the project scope of services requested by our clients, industrial accidents, environmental hazards, labor disruptions and other factors. To the extent these events occur, the total costs of the project could exceed our estimates and we could experience reduced profits or, in some cases, incur a loss on a project, which may reduce or eliminate our overall profitability. Further, any defects or errors, or failures to meet our clients expectations, could result in claims for damages against us. Our contracts generally limit our liability for damages that arise from negligent acts, errors, mistakes or omissions in rendering services to our clients. However, we cannot be sure that these contractual provisions will protect us from liability for damages in the event we are sued. Prior to fiscal 2006, we experienced significant project cost overruns on the performance of certain fixed-price construction work, other than that associated with our U.S. federal government projects. Although we have implemented procedures intended to address these issues, no assurance can be given that we will not experience project management issues in the future.

The loss of key personnel or our inability to attract and retain qualified personnel could significantly disrupt our business.

As primarily a professional and technical services company, we are labor-intensive and, therefore, our ability to attract, retain and expand our senior management and our professional and technical staff is an important factor in determining our future success. With limited exceptions, we do not have employment agreements with any of these individuals. The loss of the services of any of these key personnel could adversely affect our business. Although we have obtained non-compete agreements from certain principals and stockholders of companies we have acquired, we generally do not have non-compete or employment agreements with key employees who were once equity holders of these companies. Further, many of our non-compete agreements have expired. We do not maintain key-man life insurance policies on any of our executive officers or

senior managers.

The market for qualified scientists and engineers is competitive and we may not be able to attract and retain such professionals. In addition, it may be difficult to attract and retain qualified individuals in the timeframe demanded by our clients. For example, some of our government contracts may require us to employ only individuals who have particular government security clearance levels. In an effort to attract key employees, we

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often grant them stock options, and a reduction in our stock price could impact our ability to retain these professionals.

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

To prepare financial statements in conformity with GAAP, management is required to make estimates and assumptions as of the date of the financial statements. These estimates and assumptions affect the reported values of assets, liabilities, revenues and expenses, as well as disclosures of contingent assets and liabilities. For example, we may recognize revenues over the life of a contract based on the proportion of costs incurred to date compared to the total costs estimated to be incurred for the entire project. Areas requiring significant estimates by our management include:

- The application of the percentage-of-completion method of accounting and revenue recognition on contracts, change orders and contract claims;
- Provisions for uncollectible receivables and client claims and recoveries of costs from subcontractors, vendors and others;
- Provisions for income taxes and related valuation allowances;
- Value of goodwill and recoverability of other intangible assets;
- Valuations of assets acquired and liabilities assumed in connection with business combinations;
- Estimated earn-out payments due in connection with business combinations;
- Valuation of employee benefit plans;
- Valuation of stock-based compensation expense; and
- Accruals for estimated liabilities, including litigation and insurance reserves.

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

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

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

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

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

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

We account for most of our contracts on the percentage-of-completion method of accounting. Generally, our use of this method results in recognition of revenue and profit ratably over the life of the contract, based on the proportion of costs incurred to date to total costs expected to be incurred for the entire project. The effects of

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revisions to revenue and estimated costs, including the achievement of award and other fees, are recorded when the amounts are known and can be reasonably estimated. Such revisions could occur in any period and their effects could be material. Although we have historically made reasonably reliable estimates of the progress towards completion of long-term contracts, the uncertainties inherent in the estimating process make it possible for actual costs to vary materially from estimates, including reductions or reversals of previously recorded revenue and profit.

Our business and operating results could be adversely affected by our inability to accurately estimate the overall risks, revenue or costs on a contract.

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

Under our fixed-price contracts, we receive a fixed price irrespective of the actual costs we incur and, consequently, we are exposed to a number of risks. These risks include underestimation of costs, problems with new technologies, unforeseen costs or difficulties, delays beyond our control, price increases for materials, and economic and other changes that may occur during the contract period. Consequently, we realize a profit on fixed-price contracts only if we can control our costs and prevent cost over-runs on our contracts. Under our time-and-materials contracts, we are paid for labor at negotiated hourly billing rates and for other expenses. Profitability on these contracts is driven by billable headcount and cost control. Many of our time-and-materials contracts are subject to maximum contract values and, accordingly, revenue relating to these contracts is recognized as if these contracts were fixed-price contracts. Under our cost-plus contracts, some of which are subject to contract ceiling amounts, we are reimbursed for allowable costs and fees, which may be fixed or performance-based. If our costs exceed the contract ceiling or are not allowable under the provisions of the contract or any applicable regulations, we may not be able to obtain reimbursement for all of the costs we incur.

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

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

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

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

We have made and expect to continue to make acquisitions that could disrupt our operations and adversely impact our business and operating results. Our ability to successfully integrate acquisitions could impede us from realizing all of the benefits of the acquisitions, which could weaken our results of operations.

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

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

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

Our inability to successfully integrate future acquisitions could impede us from realizing all of the benefits of those acquisitions and could severely weaken our business operations. The integration process may disrupt our business and, if implemented ineffectively, may preclude realization of the full benefits expected by us and could harm our results of operations. In addition, the overall integration of the combining companies may result in unanticipated problems, expenses, liabilities, and competitive responses, and may cause our stock price to decline. The difficulties of integrating an acquisition include, among others:

- Unanticipated issues in integration information, communications and other systems;
- Unanticipated incompatibility of logistics, marketing and administration methods;
- Maintaining employee morale and retaining key employees;
- Integrating the business cultures of both companies;
- Preserving important strategic customer relationships;
- Consolidating corporate and administrative infrastructures and eliminating duplicative operations; and
- Coordinating geographically separate organizations.

Further, acquisitions may also cause us to:

- Issue common stock that would dilute our current stockholders ownership percentage;
- Use a substantial portion of our cash resources;
- Increase our interest expense, leverage and debt service requirements if we incur additional debt to pay for an acquisition;
- Assume liabilities, including environmental liabilities, for which we do not have indemnification from the former owners. Further, indemnification obligations may be subject to dispute or concerns regarding the creditworthiness of the former owners;

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- Record goodwill and non-amortizable intangible assets that are subject to impairment testing on a regular basis and potential impairment charges;
- Experience volatility in earnings due to changes in contingent consideration related to acquisition earn-out liability estimates;
- Incur amortization expenses related to certain intangible assets;
- Lose existing or potential contracts as a result of conflict of interest issues;
- Incur large and immediate write-offs; or
- Become subject to litigation.

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

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

Because we have historically acquired a significant number of companies, goodwill and other intangible assets have represented a substantial portion of our assets. As of June 27, 2010, our goodwill was $342.5 million and other intangible assets were $29.8 million. We are required to perform a goodwill and indefinite-lived intangible asset impairment test for potential impairment at least on an annual basis. The goodwill impairment test requires us to determine the fair value of our reporting units which are the components of our business one level below our four reportable segments. In determining fair value, we make significant judgments and estimates, including assumptions about our strategic plans with regard to our operations, as well as to interpret current economic indicators and market valuations. To the extent economic conditions that would impact the future operations of our reporting units change, our goodwill may be deemed to be impaired, and we would be required to record a non-cash charge that could result in a material adverse effect on our financial position or results of operations.

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

Our expected future growth presents numerous managerial, administrative, operational and other challenges. Our ability to manage the growth of our operations will require us to continue to improve our management information systems and our other internal systems and controls. In addition, our growth will increase our need to attract, develop, motivate and retain both our management and professional employees. The inability of our management to effectively manage our growth or the inability of our employees to achieve anticipated performance could have a material adverse effect on our business.

Adverse resolution of an IRS or other tax authority examination process may harm our financial results.

We remain in the appeals process with the IRS for fiscal years 2002 through 2004 related to R&E Credits and our tax accounting method for revenue recognition. We are also under examination by the FTB for fiscal years 2001 through 2003 related to R&E Credits. Management believes that it is reasonably possible we will reach a resolution of these audits within the next 12 months. We have completed R&E Credit studies and analyses for the tax years subsequent to fiscal 2004 and are in the process of filing amended returns to claim federal and state R&E Credits for certain years. There is a high probability that claimed R&E Credits will be examined by taxing authorities. If the resolution of these pending and anticipated examinations is more favorable than expected, the change in unrecognized tax benefits could be significant. However, if the resolution is less favorable than expected, there may be a material increase in our income tax expense in the period in which the determination is made.

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

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Our backlog as of June 27, 2010 was $1.7 billion. We include in backlog only those contracts for which funding has been provided and work authorizations have been received. We cannot guarantee that the revenue projected in our backlog will be realized or, if realized, will result in profits. In addition, project cancellations or scope adjustments may occur, from time to time, with respect to contracts reflected in our backlog. For example, certain of our contracts with the U.S. federal government and other clients are terminable at the discretion of the client with or without cause. These types of backlog reductions could adversely affect our revenue and margins. Accordingly, our backlog as of any particular date is an uncertain indicator of our future earnings.

Our international operations expose us to risks such as different business cultures, laws and regulations.

During the third quarter of fiscal 2010, we generated 9.5% of our revenue from our foreign operations, primarily in Canada, and from our international clients that is performed by our domestic operations. The different business cultures associated with international operations may not be fully appreciated before we sign an agreement, and thereby expose us to risk. Likewise, prior to signing a contract, we need to understand international laws and regulations, such as foreign tax and labor laws, and U.S. laws and regulations applicable to companies engaging in business outside of the United States, such as the Foreign Corrupt Practices Act. For these reasons, pricing and executing international contracts is more difficult and carries more risk than pricing and executing domestic contracts. Our experience has also shown that it is typically more difficult to collect on international work that has been performed and billed.

Our international operations expose us to foreign currency risk.

Most of our transactions are in U.S. dollars; however, some of our subsidiaries conduct business in foreign currencies, primarily the Canadian dollar. Therefore, we are subject to currency exposure and volatility because of currency fluctuations, inflation changes and economic conditions in these countries. We attempt to minimize our exposure to foreign currency fluctuations by matching revenues and expenses in the same currency for our contracts.

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

We routinely enter into subcontracts and, occasionally, teaming arrangements and other contractual arrangements so that we can jointly bid and perform on a particular project. Success under these arrangements depends in large part on whether our business partners fulfill their contractual obligations satisfactorily. If any of our business partners fail to satisfactorily perform their contractual obligations as a result of financial or other difficulties, we may be required to incur additional costs and provide additional services in order to make up for our business partners shortfall. If we are unable to adequately address our business partners performance issues, then our client could terminate the joint project, exposing us to legal liability, loss of reputation and reduced profit or loss on the project.

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

We depend on contractors and subcontractors in conducting our business. There is a risk that we may have disputes with our subcontractors arising from, among other things, the quality and timeliness of work performed by the subcontractor, client concerns about the subcontractor, or our failure to extend existing task orders or issue new task orders under a subcontract. In addition, if any of our subcontractors fail to deliver on a timely basis the agreed-upon supplies, fail to perform the agreed-upon services or go out of business, then our ability to fulfill our obligations as a prime contractor may be jeopardized.

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

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

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

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

Our results could be adversely affected by an inability to access our $300 million revolving credit facility. Unfavorable financial or economic conditions could impact certain issuers willingness or ability to fund our revolving credit facility. In addition, increases in interest rates or credit spreads, volatility in financial markets or the interest rate environment, significant political or economic events, defaults of significant issuers and other market and economic factors may negatively impact the general level of debt issuance, the debt issuance plans of certain categories of borrowers, the types of credit-sensitive products being offered, and/or a sustained period of market decline or weakness could have a material adverse effect on us.

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

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

- Incur additional indebtedness;
- Create liens securing debt or other encumbrances on our assets;
- Make loans or advances;
- Pay dividends or make distributions to our stockholders;
- Purchase or redeem our stock;
- Repay indebtedness that is junior to indebtedness under our credit agreement;
- Acquire the assets of, or merge or consolidate with, other companies; and
- Sell, lease or otherwise dispose of assets.

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

Our industry is highly competitive and we may be unable to compete effectively.

Our industry is highly fragmented and intensely competitive. Our competitors are numerous, ranging from small private firms to multi-billion dollar public companies. In addition, the technical and professional aspects of our services generally do not require large upfront capital expenditures and provide limited barriers against new competitors. Some of our competitors have achieved greater market penetration in some of the markets in which we compete, and some have substantially more financial resources and/or financial flexibility than we do. Our clients may select one of our competitors on a project due to competitive pricing or a specific skill set. These competitive forces could force us to make price concessions or otherwise reduce prices for our services. If we are unable to maintain our competitiveness, our market share, revenues and profits will decline.

The value of our common stock could be volatile.

Our common stock has previously experienced substantial price volatility. In addition, the stock market has experienced extreme price and volume fluctuations that have affected the market price of many companies and that have often been unrelated to the operating performance of these companies. The overall market and the price of our common stock may fluctuate greatly. The trading price of our common stock may be significantly affected by various factors, including:

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- Quarter-to-quarter variations in our financial results, including revenue, profits, days sales outstanding, backlog, and other measures of financial performance or financial condition;
- Our announcements or our competitors announcements of significant events, including acquisitions;
- Resolution of threatened or pending litigation;
- Changes in investors and analysts perceptions of our business or any of our competitors businesses;
- Investors and analysts assessments of reports prepared or conclusions reached by third parties;
- Changes in environmental legislation;
- Investors perceptions of our performance of services in countries in which the U.S. military is engaged, including Iraq and Afghanistan;
- Broader market fluctuations; and
- General economic or political conditions.

Additionally, volatility or a lack of positive performance in our stock price may adversely affect our ability to retain key employees, many of whom are granted stock options and shares of restricted stock, the value of which is dependent on the performance of our stock price.

Our services expose us to significant risks of liability and it may be difficult to obtain or maintain adequate insurance coverage.

Our services involve significant risks of professional and other liabilities that may substantially exceed the fees we derive from our services. Our business activities could expose us to potential liability under various environmental laws and under workplace health and safety regulations. In addition, we sometimes assume liability by contract under indemnification agreements. We cannot predict the magnitude of such potential liabilities.

We obtain insurance from third-party insurers as part of our overall risk management strategy and because some of our contracts require us to maintain specific insurance coverage limits. If any of our third-party insurers fail, suddenly cancel our coverage or otherwise are unable to provide us with adequate insurance coverage, then our overall risk exposure and our operational expenses would increase and the management of our business operations would be disrupted. It is possible that we may not be able to obtain adequate insurance to meet our needs, may have to pay an excessive amount for the insurance coverage we want, or may not be able to acquire any insurance for certain types of business risks.

Our liability for damages due to legal proceedings may harm our operating results or financial condition.

We are a party to lawsuits in the normal course of business. Various legal proceedings are currently pending against us and certain of our subsidiaries alleging, among other things, breach of contract or tort in connection with the performance of professional services. We cannot predict the outcome of these proceedings with certainty. In some actions, parties are seeking damages that exceed our insurance coverage or for which we are not insured. If we sustain damages that exceed our insurance coverage or that are not covered by insurance, there could be a material adverse effect on our results of operations and financial condition, including our profits and revenues.

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

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

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on reasonable terms. Our inability to obtain adequate bonding and, as a result, to bid on new work could have a material adverse effect on our future revenues and business prospects.

Employee, agent or partner misconduct or our overall failure to comply with laws or regulations could harm our reputation, reduce our revenues and profits, and subject us to criminal and civil enforcement actions.

Misconduct, fraud, non-compliance with applicable laws and regulations, or other improper activities by one of our employees, agents or partners could have a significant negative impact on our business and reputation. Such misconduct could include the failure to comply with government procurement regulations, regulations regarding the protection of classified information, regulations prohibiting bribery and other foreign corrupt practices, regulations regarding the pricing of labor and other costs in government contracts, regulations on lobbying or similar activities, regulations pertaining to the internal controls over financial reporting, environmental laws and any other applicable laws or regulations. Our failure to comply with applicable laws or regulations or acts of misconduct could subject us to fines and penalties, loss of security clearances, and suspension or debarment from contracting, any or all of which could harm our reputation, reduce our revenues and profits, and subject us to criminal and civil enforcement actions.

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

Certain of our contracts may require our employees travel to and work in high-risk countries that are undergoing political, social and economic upheavals resulting in war, civil unrest, criminal activity or acts of terrorism. For example, we currently have employees working in Afghanistan and Iraq. As a result, we may be subject to costs related to employee death or injury, repatriation or other unforeseen circumstances.

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

Our safety program is a fundamental element of our overall approach to risk management, and the implementation of the safety program is a significant issue in our dealings with our clients. We maintain an enterprise-wide group of health and safety professionals to help ensure that the services we provide are delivered safely and in accordance with standard work processes. Unsafe job sites and office environments have the potential to increase employee turnover, increase the cost of a project to our clients, expose us to types and levels of risk that are fundamentally unacceptable, and raise our operating costs. The implementation of our safety processes and procedures are monitored by various agencies and rating bureaus, and may be evaluated by certain clients in cases in which safety requirements have been established in our contracts. If we fail to meet these requirements or do not properly implement and comply with our safety program, there could be a material adverse effect on our business, operating results or financial condition.

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

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

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

We must comply with a number of governmental laws that strictly regulate the handling, removal, treatment, transportation and disposal of toxic and hazardous substances. Under the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended (CERCLA), and comparable state laws, we may be required to investigate and remediate regulated hazardous materials. CERCLA and comparable state laws typically impose strict, joint and several liabilities without regard to whether a company knew of or caused the release of hazardous substances. The liability for the entire cost of clean-up could be imposed upon any responsible party. Other principal federal environmental, health and safety laws affecting us include, but are not limited to, the

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Resource Conversation and Recovery Act, the National Environmental Policy Act, the Clean Air Act, the Occupational Safety and Health Act, the Toxic Substances Control Act and the Superfund Amendments and Reauthorization Act. Our business operations may also be subject to similar state and international laws relating to environmental protection. Liabilities related to environmental contamination or human exposure to hazardous substances, or a failure to comply with applicable regulations, could result in substantial costs to us, including clean-up costs, fines and civil or criminal sanctions, third-party claims for property damage or personal injury or cessation of remediation activities. Our continuing work in the areas governed by these laws and regulations exposes us to the risk of substantial liability.

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

Force majeure events, including natural disasters and terrorist attacks, could negatively impact the economies in which we operate by causing the closure of offices, interrupting projects and forcing the relocation of employees. Further, despite our implementation of network security measures, our servers are vulnerable to computer viruses, break-ins and similar disruptions from unauthorized tampering with our computer systems. We typically remain obligated to perform our services after a terrorist action or natural disaster unless the contract contains a force majeure clause that relieves us of our contractual obligations in such an extraordinary event. If we are not able to react quickly to force majeure, our operations may be affected significantly, which would have a negative impact on our financial condition, results of operations or cash flows.

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

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

If we do not successfully complete the enterprise resource planning (ERP) system, our cash flows may be impaired and we may incur further costs to integrate or upgrade our systems. Any sudden loss, disruption or unexpected costs to maintain our ERP system or other third-party software could significantly increase our operational expense and disrupt the management of our business operations.

In fiscal 2004, we began implementation of a new company-wide ERP system, principally for accounting and project management, and we plan to complete the conversion process of all companies acquired to date by fiscal 2012. In the event we do not complete the project successfully, we may experience difficulty in reporting certain revenue and costs data in an accurate and timely manner. During the ERP implementation process, we have experienced reduced cash flows due to temporary delays in issuing invoices to our clients, which have adversely affected the timely collection of cash. Further, it is possible that the cost of completing this project could exceed our current projections and negatively impact future operating results.

In addition, we rely on third-party software vendors to provide long-term software maintenance support for our information systems. Software vendors may decide to discontinue further development, integration or long-term software maintenance support for our information systems, which may increase our operational expense as well as disrupt the management of our business operation.

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Item 6. Exhibits

The following documents are filed as Exhibits to this Report:

31.1	Chief Executive Officer Certification pursuant to Rule 13a-14(a)/15d-14(a)
31.2	Chief Financial Officer Certification pursuant to Rule 13a-14(a)/15d-14(a)
32.1	Certification of Chief Executive Officer pursuant to Section 1350
32.2	Certification of Chief Financial Officer pursuant to Section 1350
101	The following financial information from our Quarterly Report on Form 10-Q for the period ended June 27, 2010, filed with the SEC on July 30, 2010, formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Statements of Income for the three and nine-month periods ended June 27, 2010 and June 28, 2009, (ii) the Condensed Consolidated Balance Sheets as of June 27, 2010 and September 27, 2009, (iii) the Condensed Consolidated Statements of Cash Flows for the nine-month period ended June 27, 2010 and June 28, 2009, and (iv) Notes to Condensed Consolidated Financial Statements (tagged as blocks of text).*

* Pursuant to Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to the Quarterly Report on Form 10-Q shall not be deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934 (the Exchange Act), or otherwise subject to the liability of the section, and shall not be deemed part of a registration statement, prospectus or other document filed under the Securities Act of 1933 or the Exchange Act, except as shall be expressly set forth by specific reference in such filings.

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SIGNATURES

Pursuant to the requirements 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.

Dated: July 30, 2010	TETRA TECH, INC.	
	By:	/s/ Dan L. Batrack Dan L. Batrack Chairman, Chief Executive Officer and President (Principal Executive Officer)
	By:	/s/ David W. King David W. King Chief Financial Officer and Treasurer (Principal Financial Officer)
	By:	/s/ Steven M. Burdick Steven M. Burdick Senior Vice President, Controller (Principal Accounting Officer)