

BAKER MICHAEL CORP
Form 10-K
March 15, 2010

Table of Contents

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT of 1934
For the fiscal year ended December 31, 2009**

Commission file number 1-6627

**Michael Baker Corporation
(Exact name of registrant as specified in its charter)**

Pennsylvania
(State or other jurisdiction of
incorporation or organization)

25-0927646
(I.R.S. Employer
Identification No.)

**Airside Business Park, 100 Airside Drive,
Moon Township, PA**
(Address of principal executive offices)

15108
(Zip Code)

**Registrant's telephone number, including area code: (412) 269-6300
Securities registered pursuant to Section 12(b) of the Act:**

Title of Class	Name of Each Exchange on Which Registered
Common Stock, par value \$1 per share	NYSE Amex

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

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

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

Indicate by check mark if the registrant is a shell company of the Act (as defined in Rule 12b-2 of the Act).
 Yes No

The aggregate market value of Common Stock held by non-affiliates as of June 30, 2009 (the last business day of the Company's most recently completed second fiscal quarter) was \$328.2 million. This amount is based on the closing price of the Company's Common Stock on the New York Stock Exchange Amex for that date. Shares of Common Stock held by executive officers and directors of the Company and by the Company's 401(k) plan (f/k/a the Employee Stock Ownership Plan) are not included in the computation.

As of February 28, 2010, the Company had 8,907,298 outstanding shares of Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE

Document	Parts of Form 10-K into Which Document is Incorporated
Financial Section of Annual Report to Shareholders for the year ended December 31, 2009	I, II
Proxy Statement to be distributed in connection with the 2010 Annual Meeting of Shareholders	III

MICHAEL BAKER CORPORATION
FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

TABLE OF CONTENTS

		Page
<u>PART I</u>		
<u>Item 1.</u>	<u>BUSINESS</u>	1
<u>Item 1A.</u>	<u>RISK FACTORS</u>	7
<u>Item 1B.</u>	<u>UNRESOLVED STAFF COMMENTS</u>	12
<u>Item 2.</u>	<u>PROPERTIES</u>	12
<u>Item 3.</u>	<u>LEGAL PROCEEDINGS</u>	12
<u>Item 4.</u>	<u>RESERVED</u>	12
 <u>PART II</u>		
<u>Item 5.</u>	<u>MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES</u>	13
<u>Item 6.</u>	<u>SELECTED FINANCIAL DATA</u>	15
<u>Item 7.</u>	<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	15
<u>Item 7A.</u>	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	15
<u>Item 8.</u>	<u>FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA</u>	15
<u>Item 9.</u>	<u>CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE</u>	15
<u>Item 9A.</u>	<u>CONTROLS AND PROCEDURES</u>	15
<u>Item 9B.</u>	<u>OTHER INFORMATION</u>	18
 <u>PART III</u>		
<u>Item 10.</u>	<u>DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE</u>	18
<u>Item 11.</u>	<u>EXECUTIVE COMPENSATION</u>	18
<u>Item 12.</u>	<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS</u>	18
<u>Item 13.</u>	<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE</u>	19
<u>Item 14.</u>	<u>PRINCIPAL ACCOUNTANT FEES AND SERVICES</u>	19
 <u>PART IV</u>		
<u>Item 15.</u>	<u>EXHIBITS AND FINANCIAL STATEMENT SCHEDULES</u>	20
<u>EX-10.1</u>		
<u>EX-10.2.G</u>		
<u>EX-10.3.B</u>		
<u>EX-13.1</u>		
<u>EX-21.1</u>		
<u>EX-23.1</u>		
<u>EX-23.2</u>		
<u>EX-31.1</u>		
<u>EX-31.2</u>		
<u>EX-32.1</u>		
<u>EX-99.1</u>		

EX-99.2

EX-99.3

NOTE WITH RESPECT TO FORWARD-LOOKING STATEMENTS:

This Annual Report on Form 10-K, and in particular the Management's Discussion and Analysis of Financial Condition and Results of Operations section of Exhibit 13.1 hereto, which is incorporated by reference into Item 7 of Part II, contains forward-looking statements concerning our future operations and performance. Forward-looking statements are subject to market, operating and economic risks and uncertainties that may cause our actual results in future periods to be materially different from any future performance suggested herein. Factors that may cause such differences include, among others: the events described in the Risk Factors section of this Form 10-K; increased competition; increased costs; changes in general market conditions; changes in industry trends; changes in the regulatory environment; changes in our relationship and/or contracts with the Federal Emergency Management Agency (FEMA) and/or other U.S. Federal Government Departments and Agencies; changes in anticipated levels of government spending on infrastructure, including the Safe, Accountable, Flexible, Efficient Transportation Equity Act - A Legacy for Users (SAFETEA-LU) and the American Recovery and Reinvestment Act of 2009; changes in loan relationships or sources of financing; changes in management; changes in information systems; and the restatement of financial results. Such forward-looking statements are made pursuant to the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995.

Table of Contents

PART I

Item 1. BUSINESS.

General

In this Form 10-K, the terms the Company, we, us, or our refer to Michael Baker Corporation and its subsidiaries collectively. We were founded in 1940 and organized as a Pennsylvania corporation in 1946. Today, through our operating subsidiaries, we provide engineering design and related consulting services expertise for public and private sector clients worldwide. Our business is principally in the United States of America (U.S.).

Our primary markets include Aviation, Defense, Facilities, Geospatial Information Technology, Homeland Security, Municipal & Civil, Pipelines & Utilities, Rail & Transit, Transportation and Water. Among the services the Company provides to clients in these markets are project and program management, design-build (for which we only provide the design portion of services), construction management and inspection, consulting, planning, surveying, mapping, geographic information systems, architectural, interior design, site planning and design, constructability reviews, site assessment and restoration, strategic regulatory analysis and compliance.

We have designed a wide range of projects, such as highways, bridges, airports, busways, corporate headquarters, data centers, correctional facilities and educational facilities. We also provide services in the water/wastewater, pipeline, emergency and consequence management, resource management, and telecommunications markets. Our business is susceptible to upward and downward fluctuations in federal and state government spending.

Our transportation services have benefited from the U.S. federal government's SAFETEA-LU legislation in recent years and the American Recovery and Reinvestment Act of 2009 (Stimulus). Additionally, we have benefited from increased federal government spending in the Department of Defense (DoD) and the Department of Homeland Security (DHS), including FEMA, US-VISIT and the U.S. Coast Guard. We partner with construction contractors to pursue selected design-build contracts which continue to be a growing project delivery method within the transportation and civil infrastructure markets. We also perform work through an unconsolidated joint venture operating in Iraq.

According to the annual listings published in 2008 and 2009 by *Engineering News-Record* (ENR) magazine based on total engineering revenues for 2008, we ranked 41st among the top 500 U.S. design firms; 22nd among pure design firms; 11th in water and 11th in water supply; 14th among transportation design firms, including 20th in highways, and 9th in bridges; 26th among construction management-for-fee firms; 18th in pipelines (oil & gas); and 64th among environmental firms. According to *Building Design & Construction's* report 2009 Giants: Top 300 AEC Firms based on 2008 market revenues, we ranked 25th among the Engineers/Architects and 17th among Top 75 Government Design Firms.

Primary Markets/Services

Many of the ancillary services we offer are provided to the entire spectrum of markets we serve. These services include, but are not limited to, geographic information system, geotechnical engineering and design, services related to the National Environmental Policy Act (NEPA), project and program management, construction management and construction services, and general architectural and engineering consulting services. The listing below describes in more detail, services provided to the specific markets we serve.

Aviation:

Airfield Lighting, Signing, & Navigation Aide
Systems
Airport Facilities Planning & Design
Deicing Facilities
Environmental Planning & Design

Master Planning & Airport Layout Plans
Roadway & Parking Facility Design
Runway, Taxiway, & Apron Design

Table of Contents

Defense:

Conservation Conveyance	Installation/Site Restoration
Facilities Planning, Design & Support	Military Construction Program Support

Environmental:

Cultural Resources	Health, Safety & Environmental
Environmental Engineering, Permitting, Investigation & Restoration	Multi-Media Compliance
Environmental Program Management	Natural Resources
Environmental Risk Assessment	Petroleum Storage Tank Management

Facilities:

Architecture	Interior Design & Space Planning
Building Information Modeling (BIM)	Landscape Architecture
Computer Aided Facility Management	Maintenance Management Systems
Condition Assessments	Master Planning
Electrical & Mechanical Engineering	Site, Structural & Civil Engineering
Feasibility Studies	Sustainable Design
Fire Protection Engineering	Urban Design

Geospatial Information Technology:

Application Design & Development	Mobile LiDAR (Light Detection And Ranging) Data Acquisition
Asset Management	Surveying, Mapping, Data Acquisition & Processing
Consulting	Statewide Broadband Mapping
Data Access & Visualization	Staffing Support
Database Development	Systems Integration
Global Positioning System Services	

Homeland Security:

Damage Forecasting & Loss Estimation	Infrastructure Protection Planning & Design
Debris Management	Interagency Coordination & Public Outreach
Emergency Operations/Response Planning	Logistics
Evacuation & Sheltering Plans	Resource Inventories
Hazard Mitigation Planning	Risk-Based Strategic Planning
Homeland Security Asset Management	Security, Threat, Vulnerability, & Risk Assessments
Infrastructure Damage Assessments	Training & Exercises

Municipal & Civil:

Environmental Engineering Compliance Hydrologic & Hydraulic Models & Studies	Surface & Deep Mining Permitting & Reclamation
Municipal Infrastructure Engineering	Water/Wastewater Conveyance & Treatment
Site Development Plans & Permitting	

Pipelines & Utilities:

Cold Region Engineering	Pipeline Design and Hydraulic Analysis
Competency Based Training	Route Alignment and Feasibility Studies
Failure Investigation and Analysis	Telecommunications Studies, Design & Inspection

Oil & Gas Pipeline Services
Operations Engineering
Outside Plant Services

Trans-Ocean Submarine Cable Services
Wireless Communications Services

Table of Contents***Rail & Transit (Public Transit, High Speed Rail, Passenger Rail, Freight Rail):***

Architecture & Facilities Infrastructure Design	Planning
Environmental	Pre-Project Consulting
Engineering Design	Rail Systems Engineering
Fleet & Vehicles	Value Engineering

Transportation:

Bike & Pedestrian	Intelligent Transportation Systems
Bridge Design	Planning
Bridge Inspection & Training	Public Involvement
Cost Estimation	Software Development
Ecosystem Restoration	Toll Roads Traffic Planning, Design, & Analysis
Highway Design	

Water:

Flood Control	Stormwater Management
Flood Insurance Rate Maps & Studies	Stream Stabilization/Restoration
Floodplain Delineation & Studies	Water Quality & TMDL Services
Floodplain Management & River Engineering	Water Resources Planning & Asset Management
Hydrologic and Hydraulic Modeling	Watershed Management
Source Water Supply & Protection	Wetlands

Discontinued Operations Energy

Our former Energy segment provided a full range of services for operating third-party oil and gas production facilities worldwide. For the past several years, our Board of Directors, in conjunction with management, had been considering strategic alternatives related to our former Energy business. During the third quarter of 2009, the Board of Directors made the determination to divest this business, and to reinvest the proceeds from the sale into our engineering operations. The divestiture of substantially all of our former Energy subsidiaries was completed as of September 30, 2009. Additionally, the Company sold its interest in B.E.S. Energy Resources Company, Ltd. (B.E.S.), an Energy company, on December 18, 2009 to J.S. Technical Services Co., LTD., which is owned by the our former minority partner in B.E.S. As such, the Energy business has been reclassified into discontinued operations in our accompanying consolidated financial statements. The data presented in this Form 10-K excludes and gives effect to the disposition of the stock owned by Michael Baker Corporation in Baker/MO Services, Inc., Michael Baker Global, Inc., Baker O&M International, Ltd., Baker Energy de Venezuela, C.A., Overseas Technical Services International, Ltd., Baker OTS International, Inc., SD Forty Five, Ltd., OTS Finance and Management, Ltd., and their respective subsidiaries (Baker Energy) as well as B.E.S. The results of Baker Energy and B.E.S. are representative of their results through their respective sale dates.

Strategy

Our strategy is based on four concepts growth, profitability, innovation, and sustainability.

Growth We seek to grow both organically and through strategic acquisitions. Organically, we will grow by securing larger and more complex projects and programs that correspond well with our existing knowledge and capabilities, primarily in the United States. For example, we have begun to expand beyond the Departments of Defense and Homeland Security and are now providing services to other federal departments and agencies such as the Departments of Energy and State. Furthermore, we will seek to provide additional and related services to existing clients; for example, offering construction management services to a State Department of Transportation for which we are currently providing only design services. With regard to acquisitions, we will seek opportunities that expand our skill

sets and/or our geographical presence in our core business.

Profitability We seek to consistently improve the profitability of our businesses through long-term, performance-based contracting arrangements with our clients. This strategy is evident in our current mix of contracts. We will also be pursuing projects that utilize alternative delivery methods, such as design-build, which traditionally carry a higher margin as well as performance incentives.

Table of Contents

Innovation We strive to constantly and consistently innovate ways to deliver services to our clients. For example, in both our transportation and facilities service areas, we are partnering with preferred contractors and pursuing an increased level of design-build contracts, as opposed to the traditional design-bid-build method of project delivery. Additionally, we utilize mapping and geographic information technology in a number of innovative ways.

Sustainability We are aggressively incorporating long-term environmental, social and economic goals into our daily activities and culture to achieve improved efficiencies, performance and prosperity. As such, we are working methodically to build the appropriate tools and applications to help us succeed in this endeavor and to better serve our clients and the communities where we live and work.

Domestic and Foreign Operations

For the years ended December 31, 2009, 2008 and 2007, our percentages of total contract revenues derived from work performed for U.S.-based clients within the U.S. totaled 90%, 92% and 95%, respectively. The majority of our domestic revenues comprises engineering work performed in the mid-Atlantic region of the U.S.

Contract Backlog

<i>(In millions)</i>	As of December 31,	
	2009	2008
Funded	\$ 461.3	\$ 449.5
Unfunded	963.9	534.7
Total	\$ 1,425.2	\$ 984.2

Of our total funded backlog as of December 31, 2009, \$293 million is expected to be recognized as revenue within the next year. Additionally, we expect our sources of revenue within the next year to include recognized unfunded backlog and new work added. Due to the nature of unfunded backlog, consisting of options that have not yet been exercised or task orders that have not yet been approved, we are unable to reasonably estimate what, if any, portion of our unfunded backlog will be realized within the next year.

Funded backlog consists of that portion of uncompleted work represented by signed contracts and/or approved task orders, and for which the procuring agency has appropriated and allocated the funds to pay for the work. Total backlog incrementally includes that portion of contract value for which options have not yet been exercised or task orders have not been approved. We refer to this incremental contract value as unfunded backlog. U.S. government agencies and many state and local governmental agencies operate under annual fiscal appropriations and fund various contracts only on an incremental basis. In addition, our clients may terminate contracts at will or not exercise option years. Our ability to realize revenues from our backlog depends on the availability of funding for various federal, state and local government agencies; therefore, no assurance can be given that all backlog will be realized.

In March 2009, BakerAECOM, LLC, a Delaware limited liability company of which we are the managing member, was informed by FEMA that it has been awarded an IDIQ contract for the FEMA Risk Mapping, Analysis and Planning Program, which is intended to be the successor to the Multi-Hazard Flood Map Modernization Program (FEMA Map Mod Program). The resultant performance-based contract has a five-year term with a maximum contract value of up to \$600 million. As of December 31, 2009, approximately \$34 million is in our funded backlog and \$555 million is in our unfunded backlog related to this program.

As of December 31, 2009 and 2008, approximately \$40 million and \$68 million of our funded backlog, respectively, related to the \$750 million FEMA Map Mod Program contract to assist FEMA in conducting a large-scale overhaul of the nation's flood hazard maps, which commenced late in the first quarter of 2004. This contract includes data collection and analysis, map production, product delivery, and effective program management; and seeks to produce digital flood hazard data, provide access to flood hazard data and maps via the Internet, and implement a nationwide state-of-the-art infrastructure that enables all-hazard mapping. This contract was scheduled to conclude on March 10, 2009; however, FEMA added a contract provision to extend the ordering period through September 2010. We do not anticipate realizing most of the remaining unfunded contract balance (\$183 million as of December 31, 2009); as such this was removed from our unfunded backlog in the first quarter of 2009. We expect work and revenue related to our current authorizations to continue through 2010.

Table of Contents

In 2009, we were awarded a contract by the USACE TAC for architecture-engineering services in its Area of Responsibility, which includes the Middle East, the Arabian Gulf States, Southwest Asia and Africa. We were one of four awardees of the indefinite delivery contract, which is for one year and may be extended by up to four additional years at the government's discretion. The maximum value of the contract for the entire five-year performance period for all awardees is \$240 million (our portion was estimated at \$60 million). Under this contract, we may be called upon to provide a full-range of design and construction management services. As of December 31, 2009, approximately \$3 million is in our funded backlog and \$49 million is in our unfunded backlog related to this contract

Significant Customers

Contracts with various branches, departments and agencies of the U.S. federal government accounted for 49%, 52% and 49% of our total contract revenues for the years ended December 31, 2009, 2008 and 2007, respectively. Our contracts with FEMA accounted for approximately 15%, 20% and 24% of our revenues in 2009, 2008 and 2007, respectively.

Competitive Conditions

Our business is highly competitive with respect to all principal services we offer. We compete with numerous public and private firms that provide some or all of the services that we provide. Our competitors range from large national and international architectural, engineering and construction services firms to a vast number of smaller, more localized firms. Our competitors vary based on the type of the services being proposed.

The competitive conditions in our businesses relate to the nature of the contracts being pursued. Public-sector contracts, consisting mostly of contracts with federal and state governmental entities, are generally awarded through a competitive process, subject to the contractors' qualifications and experience. We employ cost estimating, scheduling and other techniques for the preparation of these competitive bids. Private-sector contractors compete primarily on the basis of qualifications, quality of performance and price of services. Most private and public-sector contracts for professional services are awarded on a negotiated basis.

We believe that the principal competitive factors in the areas of services we offer are quality of service, reputation, experience, technical proficiency, local geographic presence and cost of service. We believe that we are well positioned to compete effectively by emphasizing the quality of services we offer and our widely known reputation in providing professional engineering services. We are also dependent upon the availability of staff and our ability to recruit qualified employees.

Seasonality

Based upon our experience, our total contract revenues and income from operations have historically been slightly lower for our first fiscal quarter than for the remaining quarters due to the effect of winter weather conditions, particularly in the Mid-Atlantic and Midwest regions of the United States. Typically, these seasonal weather conditions unfavorably impact our performance of construction management services.

Personnel

As of December 31, 2009, we had 2,437 total employees, of which our operations had 2,369 employees and our corporate staff included 68 employees. Of our total employees, 2,135 were full-time and 302 were part-time. We believe that our relations with employees are good.

Executive Officers

The following represents a listing of our executive officers as of February 28, 2010:

Bradley L. Mallory Age 57; President and Chief Executive Officer of Michael Baker Corporation since February 2008. Formerly Chief Operating Officer of Michael Baker Corporation from October 2007 to February 2008; President of Michael Baker Jr., Inc. from November 2003 to October 2007; Senior Vice President of Michael Baker Jr., Inc. from March 2003 to October 2003; and Secretary of Transportation of the Commonwealth of Pennsylvania from 1995 to 2003.

Table of Contents

Michael J. Zugay Age 58: Joined Michael Baker Corporation in February 2009 and has served as Executive Vice President and Chief Financial Officer since April 2009. Prior to joining Michael Baker Corporation, Mr. Zugay was Senior Vice President, Chief Financial Officer and Corporate Secretary of iGate Corporation from April 2001 to March 2008 and held various other positions at iGate from March 1995 to April 2001. Prior to that he served as President and CEO of Bliss-Salem, Inc.

H. James McKnight Age 65; Executive Vice President, Chief Legal Officer and Corporate Secretary since June 2000. Mr. McKnight has been employed by us since 1995, serving as Senior Vice President, General Counsel and Secretary from 1998 to 2000 and as Vice President, General Counsel and Secretary from 1995 to 1998.

Joseph R. Beck Age 65; Senior Vice President of Corporate Development since September 2008 and Director of Corporate Development since March 2008. Mr. Beck joined Michael Baker Corporation as an Operations Manager in June 2004. Prior to joining Michael Baker Corporation, Mr. Beck was a Senior Vice President with The IT Group from 1994 to 2002 and was a private consultant and an adjunct professor at the University of Pittsburgh from 2002 to 2004.

David G. Greenwood Age 58; Executive Vice President Marketing, since April 2005. Mr. Greenwood previously served in various operational and marketing capacities with us since 1973, including Vice President and Senior Vice President of Michael Baker Jr., Inc. from 1994 to April 2005.

David G. Higie Age 53; Vice President of Corporate Communications and Investor Relations for Michael Baker Corporation since 2006. Mr. Higie joined Michael Baker Corporation in 1996 as Director of Corporate Communications.

James M. Kempton Age 35; Vice President and Corporate Controller of Michael Baker Corporation since December 2008, Treasurer since April 2009 and Assistant Corporate Controller from January 2007 through November 2008. Mr. Kempton was previously employed with Ernst and Young from 1997 to 2007 in various positions, including Senior Manager in the Assurance and Advisory Business Services practice.

Samuel C. Knoch Age 53; Vice President and Chief Risk Officer since March 2009. Prior to joining Michael Baker Corporation, Mr. Knoch was Chief Financial Officer from August 1996 to October 2008 and Treasurer from April 1997 to October 2008 at Tollgrade Communications, Inc. Prior to that appointment, he served as Corporate Controller and Director of Internal Audit at Amsco International, Inc. from July 1993 to August 1996.

G. John Kurgan Age 60; Executive Vice President since 2007. Mr. Kurgan was previously a Senior Vice President of Michael Baker Jr., Inc. from 1995 to 2007. Mr. Kurgan has held various positions since joining Michael Baker Jr., Inc. in 1974.

Edward L. Wiley Age 66; Executive Vice President since 2005. Mr. Wiley has also served as an Executive Vice President of Michael Baker Jr., Inc. Mr. Wiley has held various positions since joining Michael Baker Jr., Inc. in 1965.

Michael J. Ziemianski Age 52; Vice President and Chief Resource Officer since June 2008. Mr. Ziemianski joined Michael Baker Corporation in 2006 as Manager of Corporate Recruiting. Prior to joining Michael Baker Corporation, Mr. Ziemianski was Director of Human Resources at Rapidigm Inc. from 2001 to 2006.

Our executive officers serve at the discretion of the Board of Directors and are elected by the Board or appointed annually for a term of office extending through the election or appointment of their successors.

Available Information

Our Internet website address is www.mbakercorp.com. We post our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports to our website as soon as reasonably practicable after such reports are electronically filed with the Securities and Exchange Commission (SEC). We make these reports available on our website free of charge. These reports and any amendments to them are also available at the SEC 's website, www.sec.gov. We also post press releases, earnings releases, the Code of Ethics for Senior Officers, the Code of Business Conduct, the Statement of Policy with Respect to Related Party Transactions and the Charters related to the Governance and Nominating Committee, Audit Committee, Environmental, Health, Safety and Compliance Committee and Compensation Committee to our website. The information contained on our website is not incorporated by reference into this Form 10-K and shall not be deemed filed under the Securities Exchange Act of 1934, as amended.

Table of Contents

Item 1A. RISK FACTORS.

In addition to other information referenced in this report, we are subject to a number of specific risks outlined below. If any of these events or uncertainties actually occurs, our business, financial condition, results of operations and cash flows, and/or the market price of our Common Stock could be materially affected. You should carefully consider the following factors and other information contained in this Annual Report on Form 10-K before deciding to invest in our Common Stock.

Changes and fluctuations in the government's spending priorities could materially affect our future revenue and growth prospects.

Our primary customers, which compose a substantial portion of our revenue and backlog, include agencies of the U.S. federal government and state and local governments and agencies that depend on funding or partial funding provided by the U.S. federal government. Consequently, any significant changes and fluctuations in the government's spending priorities as a result of policy changes or economic downturns may directly affect our future revenue streams. 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. As a result, at the beginning of a project, the related contract may only be partially funded, and additional funding is committed only as appropriations are made in each subsequent year. These appropriations, and the timing of payment of appropriated amounts, 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 tax receipts, and the overall level of government expenditures. Additionally, reduced spending by the U.S. government may create competitive pressure within our industry which could result in lower revenues and margins in the future.

Unpredictable economic cycles or uncertain demand for our engineering capabilities and related services could cause our revenues to fluctuate or contribute to delays or the inability of customers to pay our fees.

Demand for our services is affected by the general level of economic activity in the markets in which we operate, both in the U.S. and internationally. Our customers, particularly our private sector customers, and the markets in which we compete to provide services, are likely to experience periods of economic decline from time to time. Adverse economic conditions may decrease our customers' willingness to make capital expenditures or otherwise reduce their spending to purchase our services, which could result in diminished revenues and margins for our business. In addition, adverse economic conditions could alter the overall mix of services that our customers seek to purchase, and increased competition during a period of economic decline could result in us accepting contract terms that are less favorable to us than we might be able to negotiate under other circumstances. Changes in our mix of services or a less favorable contracting environment may cause our revenues and margins to decline. Moreover, our customers may experience difficult business climates from time to time that may decrease our clients' ability to obtain financing and could cause delays or failures to pay our fees as a result.

The current economic environment may impact our customers' access to capital and as a result may impact our cash flow and profitability. Due to the current economic environment, we anticipate that our customers' ability to access capital could impact project activity in 2010 and may impact certain clients' ability to compensate us for our services. Those outcomes could have a significant impact on our cash flows and may impact our profitability in future periods.

Our ability to recruit, train, and retain professional personnel of the highest quality is a competitive advantage. Our future inability to do so would adversely affect our competitiveness.

Our contract obligations in our markets are performed by our staff of well-qualified engineers, technical professionals, and management personnel. Our future growth potential requires the effective recruiting, training, and retention of these employees. Our inability to retain these well-qualified personnel and recruit additional well-qualified personnel would adversely affect our business performance and limit our ability to perform new contracts.

Table of Contents

If we are unable to accurately estimate and control our contract costs, then we may incur losses on our contracts, which could decrease our operating margins and significantly reduce or eliminate our profits.

It is important for us to control our contract costs so that we can maintain positive operating margins. Recently, more of our business is being conducted on a fixed price basis. Under our fixed-price contracts, we receive a fixed price regardless of what our actual costs will be. Consequently, we realize a profit on fixed-price contracts only if we control our costs and prevent cost over-runs on the contracts. Under our time-and-materials contracts, we are paid for labor at negotiated hourly billing rates and for other expenses. Profitability on our contracts is driven by billable headcount and our ability to manage costs. Under each type of contract, 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.

Due to the nature of the work we perform to complete our contracts, we are subject to potential liability claims and contract disputes.

Our contracts often involve projects where design, construction or systems failures, or accidents, could result in substantially large or punitive damages for which we could have liability. Our practice involves professional judgments regarding the planning, design, development, construction, operations and management of facilities and public infrastructure projects. Although we have adopted a range of insurance, risk management, safety and risk avoidance programs designed to reduce potential liabilities, there can be no assurance that such programs will protect us fully from all risks and liabilities.

We may also experience a delay or withholding of payment for services due to performance disputes. If we are unable to resolve these disputes and collect these payments, we would incur profit reductions and reduced cash flows.

If we miss a required performance standard, fail to timely complete, 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.

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 weather conditions, changes in the project scope of services requested by clients or labor or other disruptions. In some cases, should we fail to meet required performance standards, we may also be subject to agreed-upon financial damages, which are determined by the contract. To the extent that these events occur, the total costs of the project could exceed our estimates or, in some cases, incur a loss on a project, which may reduce or eliminate our overall profitability.

We are subject to procurement laws and regulations associated with our government contracts. If we do not comply with these laws and regulations, we may be prohibited from completing our existing government contracts or suspended from government contracting and subcontracting for some period of time or debarred.

Our compliance with the laws and regulations relating to the procurement, administration, and performance of our government contracts is dependent upon our ability to ensure that we properly design and execute compliant procedures.

Our termination from any of our larger government contracts or suspension from future government contracts for any reason would result in material declines in expected revenue. Because U.S. federal laws permit government agencies to terminate a contract for convenience, the U.S. federal government may terminate or decide not to renew our contracts with little or no prior notice.

Table of Contents

We are subject to routine U.S. federal, state and local government audits related to our government contracts. If audit findings are unfavorable, we could experience a reduction in our profitability.

Our government contracts are subject to audit. These audits may result in the determination that certain costs claimed as reimbursable are not allowable or have not been properly allocated to government contracts according to federal government regulations.

We are subject to audits for several years after payment for services has been received. Based on these audits, government entities may adjust or seek reimbursement for previously paid amounts. None of the audits performed to date on our government contracts have resulted in any significant adjustments to our financial statements. It is possible, however, that an audit in the future could have an adverse effect on our revenue, profits and cash flow.

Our inability to continue to win or renew government contracts could result in material reductions in our revenues and profits.

We have increased our contract activity with the U.S. federal, state and local governments in recent years. We compete for and win a number of these contracts based on application of a quality based standard. Our ability to earn revenues from our existing and future government projects will depend upon the continuation of these quality based selection standards as well as the availability of funding by our served and targeted government agencies. We cannot control whether those clients will fund or continue funding our outstanding projects.

If our relationship or reputation with government clients deteriorates for any reason and affects our ability to win new contracts or renew existing ones, we could experience a material revenue decline.

Our involvement in partnerships, joint ventures, and use of subcontractors exposes us to additional legal and market reputation damages.

Our methods of service delivery include the use of partnerships, subcontractors, joint ventures and other ventures. If our partners or subcontractors fail to satisfactorily perform their obligations as a result of financial or other difficulties, we may be unable to adequately perform or deliver our contracted services. Under these circumstances, we may be required to make additional investments and provide additional services to ensure the adequate performance and delivery of the contracted services. Additionally, we may be exposed to claims for damages that are a result of a partner's or subcontractor's performance. We could also suffer contract termination and damage to our reputation as a result of a partner's or subcontractor's performance.

In addition, we may participate in partnerships, joint ventures or other ventures in which we do not hold the controlling interest. To the extent the partner with the controlling interest in such an arrangement makes decisions that negatively impact that entity, our business, financial condition and results of operations could be negatively impacted.

Employee, partner, joint venture, or subcontractor misconduct or our overall failure to comply with laws or regulations could weaken our ability to win contracts, which could result in reduced revenues and profits.

Misconduct, fraud, non-compliance with applicable laws and regulations, or other improper activities by one of our employees, agents or partners could have a significant negative impact on our business and reputation. Such misconduct could include the failure to comply with government procurement regulations, regulations regarding the protection of classified information, regulations prohibiting bribery and other foreign corrupt practices, regulations regarding the pricing of labor and other costs in government contracts, regulations on lobbying or similar activities, regulations pertaining to the internal controls over financial reporting, environmental laws, and any other applicable laws or regulations. For example, we regularly provide services that may be highly sensitive or that relate to critical

national security matters; if a security breach were to occur, our ability to procure future government contracts could be severely limited. The precautions we take to prevent and detect these activities may not be effective, and we could face unknown risks or losses. Our failure to comply with applicable laws or regulations or acts of misconduct could subject us to fines and penalties, loss of security clearance, and suspension or debarment from contracting, which could weaken our ability to win contracts and result in reduced revenues and profits and could have a material adverse impact on our business, financial condition, and results of operations.

Table of Contents

Our profits and revenues could suffer if we are involved in legal proceedings, investigations and disputes.

We engage in services that can result in substantial injury or damages that may expose us to legal proceedings, investigations and disputes. For example, in the ordinary course of our business, we may be involved in legal disputes regarding personal injury and wrongful death claims, employee or labor disputes, professional liability claims, and general commercial disputes involving project cost overruns and liquidated damages as well as other claims. In addition, in the ordinary course of our business, we frequently make professional judgments and recommendations about environmental and engineering conditions of project sites for our clients. We may be deemed to be responsible for these judgments and recommendations if they are later determined to be inaccurate. Any unfavorable legal ruling against us could result in substantial monetary damages or even criminal violations. We maintain insurance coverage as part of our overall legal and risk management strategy to minimize our potential liabilities. In addition, our insurance policies contain exclusions that insurance providers may use to deny us insurance coverage. If we sustain liabilities that exceed our insurance coverage or for which we are not insured, it could have a material adverse impact on our results of operations and financial condition, including our profits and revenues.

We are engaged in highly competitive markets that pose challenges to continued revenue growth.

Our business is characterized by competition for contracts within the government and private sectors in which service contracts are typically awarded through competitive bidding processes. We compete with a large number of other service providers who offer the principal services we offer. In this competitive environment, we must provide technical proficiency, quality of service, and experience to ensure future contract awards and revenue and profit growth.

Our international business operations are subject to unique risks and challenges that create increased uncertainty in these markets.

Our international operations are subject to unique risks. These risks can include: potentially dynamic social, political and economic environments; civil disturbances, unrest, or violence including terrorism associated with operating in a war zone; volatile labor conditions due to strikes and general difficulties in staffing international operations with highly qualified personnel; and logistical and communication challenges. Unexpected changes in regulatory requirements in foreign countries as well as inconsistent regulations, diverse licensing, and legal and tax requirements that differ from one country to another could also adversely affect our international projects. Additionally, there may be limitations on our ability to repatriate foreign earnings in certain jurisdictions. We also could be subject to exposure to liability due to the Foreign Corrupt Practices Act.

Our goodwill or other intangible assets could become impaired and result in a material reduction in our profits.

We have made acquisitions which have resulted in the recording of goodwill and intangible assets within our organization, and we plan to make additional acquisitions going forward. Our goodwill balance is evaluated for potential impairment during the second quarter of each year and in certain other circumstances. The evaluation of impairment involves comparing the current fair value of the business to the recorded value, including goodwill. To determine the fair value of the business, we utilize both the Income Approach, which is based on estimates of future net cash flows and the Market Approach, which observes transactional evidence involving similar businesses. If these assets become impaired, a material write-off in the required amount could lead to reductions in our profits.

We use percentage-of-completion accounting methods for many of our projects. This method may result in volatility in stated revenues and profits.

Our revenues and profits for many of our contracts are recognized ratably as those contracts are performed. This rate is based primarily on the proportion of labor costs incurred to date to total labor costs projected to be incurred for the entire project. This method of accounting requires us to calculate revenues and profit to be recognized in each reporting period for each project based on our predictions of future outcomes, including our estimates of the total cost to complete the project, project schedule and completion date, the percentage of the project that is completed and the amounts of any probable unapproved change orders. Our failure to accurately estimate these often subjective factors could result in reduced profits or losses for certain contracts.

Table of Contents

Our government contracts may give the government the right to modify, delay, curtail or terminate our contracts at their convenience at any time prior to their completion. Therefore, our backlog is subject to unexpected adjustments, delays and cancellations.

We cannot assure that our funded or unfunded backlog will be realized as revenues or that, if realized, it will result in profits. Projects may remain in our backlog for an extended period of time prior to project execution and, once project execution begins, revenues may occur unevenly over current and future periods. Our ability to earn revenues from our backlog depends on the availability of funding for various U.S. federal, state, local and foreign government agencies. In addition, most of our domestic and international industrial clients have termination for convenience provisions in their contracts. Therefore, project terminations, suspensions or reductions in scope may occur from time to time with respect to contracts reflected in our backlog. Project cancellations, delays and scope adjustments could further reduce the dollar amount of our backlog and the revenues and profits that we actually earn.

We are not insured for a significant portion of our claims exposure, which could materially and adversely affect our operating income and profitability.

We are self-insured or carry deductibles for most of our insurance coverages, including certain insurance programs related to discontinued businesses. Because of these deductibles and self-insured retention amounts, we have significant exposure to fluctuations in the number and severity of claims. As a result, our insurance and claims expense could increase in the future. Under certain conditions, we may elect or be required to increase our self-insured or deductible amounts, which would increase our already significant exposure to expense from claims. If any claim exceeds our coverage, we would bear the excess expense, in addition to our other self-insured amounts. If the frequency or severity of claims or our expenses increase, our operating income and profitability could be materially adversely affected.

Foreign governmental regulations could adversely affect our business.

Many aspects of our foreign operations are subject to governmental regulations in the countries in which we operate, including regulations relating to currency conversion, repatriation of earnings, taxation of our earnings and the earnings of our personnel, and the increasing requirement in some countries to make greater use of local employees and suppliers, including, in some jurisdictions, mandates that provide for greater local participation in the ownership and control of certain local business assets.

Our operations are also subject to the risk of changes in laws and policies which may impose restrictions on our business, including trade restrictions, and could have a material adverse effect on our operations. Our future operations and earnings may be adversely affected by new legislation, new regulations or changes in, or new interpretations of, existing regulations, and the impact of these changes could be material.

Our inability to achieve the Credit Agreement's financial covenants, after a cure period, amend/replace the commitment beyond 2011 or the inability of one or more financial institutions in the consortium to meet its commitment under our Credit Agreement could impact our liquidity for working capital needs or our growth strategy.

Our Unsecured Credit Agreement (Credit Agreement) is with a consortium of financial institutions and provides for a commitment of \$60 million through October 1, 2011. The commitment includes the sum of the principal amount of revolving credit loans outstanding and the aggregate face value of outstanding standby letters of credit. The Credit Agreement requires us to meet minimum equity, leverage, interest and rent coverage, and current ratio covenants. If any of these financial covenants or certain other conditions of borrowing is not achieved, under certain circumstances, after a cure period, the banks may demand the repayment of all borrowings outstanding and/or require deposits to

cover the outstanding letters of credit. In addition, in future periods we may leverage our Credit Agreement for working capital needs or to facilitate our growth strategy, specifically utilizing our available credit to fund strategic acquisitions. Our inability to achieve the Credit Agreement's financial covenants, after a cure period, amend/replace the commitment beyond 2011 or the inability of one or more financial institutions in the consortium to meet its commitment under our Credit Agreement could impact our liquidity for working capital needs or our growth strategy.

Table of Contents

Our business strategy is to grow the business both organically and through acquisitions. This strategy of growth may subject us to certain risks and uncertainties.

As part of our strategy, we seek to grow both organically and through strategic acquisitions. Our organic initiatives may involve entering new markets where we currently do not have a presence. Risks associated with achieving our organic growth objectives include higher than anticipated levels of competition, incorrect assumptions about the timing of market development and size, and the relative experience levels of key company personnel involved in the development of new markets on the our behalf. Acquisitions also present a myriad of risks, including failure to realize anticipated synergies, difficulties with the integration of the acquired business and/or with the retention of key management personnel from the acquired company, cultural differences with the acquired company, significant transaction costs associated with the purchase and assimilation of the business, the risk of subjecting our company to unknown liabilities associated with the acquired business, and the potential impairment of goodwill associated with the transaction. In addition, there is a risk that we may not be able to identify suitable targets at appropriate valuations that will enable us to execute on our growth strategy. Furthermore, the current credit markets may impact our ability to finance certain opportunities or may unfavorably impact the cost of capital in such a transaction. Also, as part of executing an acquisition, we may utilize equity in the Company to partially fund the transaction, which could dilute share ownership. In the event we use our cash or borrowings under our Credit Agreement as consideration for certain acquisitions we may make, we could significantly reduce our liquidity.

Item 1B. UNRESOLVED STAFF COMMENTS.

Not applicable.

Item 2. PROPERTIES.

Our headquarters office is located in Moon Township, Pennsylvania. This building, which we lease, has approximately 117,000 square feet of office space and is used by our corporate and operations staff. We primarily occupy leased office space in stand-alone or multi-tenant buildings at costs based on prevailing market prices at lease inception. In addition to our Moon Township offices, we also have leased office space totaling approximately 448,000 square feet in the U.S. as of December 31, 2009, which includes a major leased office in Alexandria, VA. These leases expire at various dates through the year 2018.

We also own a 75,000 square foot office building located in Beaver, Pennsylvania, which is situated on approximately 177 acres. We believe that our current facilities will be adequate for the operation of our business during the next year, and that suitable additional office space is readily available to accommodate any needs that may arise.

Item 3. LEGAL PROCEEDINGS.

We have been named as a defendant or co-defendant in legal proceedings wherein damages are claimed. Such proceedings are not uncommon to our business. We believe that we have recognized adequate provisions for probable and reasonably estimable liabilities associated with these proceedings, and that their ultimate resolutions will not have a material impact on our consolidated financial position or annual results of operations or cash flows. We currently have no material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which we or any of our subsidiaries is a party or of which any of our property is the subject.

Item 4. RESERVED.

Not applicable.

Table of Contents

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Market Information

Information relating to the market for our Common Stock and other matters related to the holders thereof is set forth in the Supplemental Financial Information section of Exhibit 13.1 to this Form 10-K. Such information is incorporated herein by reference.

Holders

As of February 28, 2010, we had 996 holders of our Common Stock.

Dividends

Our present policy is to retain any earnings to fund our operations and growth. We have not paid any cash dividends since 1983 and have no plans to do so in the foreseeable future. Our Credit Agreement with our banks places certain limitations on dividend payments.

Sales of Unregistered Securities

We did not sell any unregistered securities during the year ended December 31, 2009.

Purchases of Equity Securities

Neither we nor any affiliated purchaser bought any Michael Baker Corporation equity securities during the fourth quarter of 2009.

Table of Contents

Performance Graph

The following graph shows the changes over the past five-year period in the value of \$100 invested in (1) the Common Stock of Michael Baker Corporation, (2) the Russell 2000 Index, (3) our old peer group (consisting of URS Corporation and Tetra Tech, Inc.), and (4) our new peer group (consisting of AECOM Technology Corp., Hill International, Inc., Jacobs Engineering Group Inc., Stantec Inc. and URS Corp.). The values of each investment are based on share price appreciation, with reinvestment of all dividends, assuming any were paid. For each graph, the investments are assumed to have occurred at the beginning of each period presented.

As a result of the sale of our Energy business we updated our peer group for the performance graph to reflect a more accurate representation of our engineering only business.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Michael Baker Corporation, The Russell 2000 Index,
An Old Peer Group And A New Peer Group

Table of Contents

Item 6. SELECTED FINANCIAL DATA.

A summary of selected financial data for the five years ended December 31, 2009 is set forth in the Selected Financial Data section of Exhibit 13.1 to this Form 10-K. Such summary is incorporated herein by reference.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

A discussion and analysis of our results of operations, cash flow and financial condition is set forth in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of Exhibit 13.1 to this Form 10-K. This discussion is incorporated herein by reference.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

As of December 31, 2009, we had highly liquid investments included in our cash and cash equivalents and municipal bonds (variable-rate investments), which totaled \$105.3 million and \$2.2 million, respectively, as of December 31, 2009. The majority of the Company's cash and cash equivalents were held in money market funds as of December 31, 2009. Our Credit Agreement provides for a commitment of \$60 million through October 1, 2011. As of December 31, 2009, there were no borrowings (variable-rate debt) outstanding under the Credit Agreement. Based on the amounts of our investments and borrowings, we have no material exposure to interest rate risk.

Based on the nature of our business, we have no direct exposure to commodity price risk. We have no material exposure to foreign currency exchange rate risk and no foreign currency exchange contracts.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Our consolidated financial statements as of December 31, 2009 and 2008 and for the three years ended December 31, 2009, together with the report thereon of our independent registered public accounting firm (Deloitte & Touche LLP), and supplementary financial information are set forth within Exhibit 13.1 to this Form 10-K. Such financial statements, the report thereon, and the supplementary financial information are incorporated herein by reference.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Not applicable.

Item 9A. CONTROLS AND PROCEDURES.

Conclusions Regarding the Effectiveness of Disclosure Controls and Procedures

Under the supervision and with participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), as of December 31, 2009. This evaluation considered various procedures designed to ensure that information we disclose in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2009.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Our internal control over financial reporting is a process designed under the supervision of our principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our consolidated financial statements

Table of Contents

for external purposes in accordance with GAAP. Our internal control over financial reporting includes policies and procedures that:

- (i) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of our assets;
- (ii) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and our directors; and
- (iii) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of company assets that could have a material effect on our financial statements.

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

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2009. The assessment was based on criteria established in the framework *Internal Control Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's internal control over financial reporting was effective as of December 31, 2009.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as such term is defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended December 31, 2009, and that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Michael Baker Corporation

We have audited the internal control over financial reporting of Michael Baker Corporation and subsidiaries (the Company) as of December 31, 2009, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed by, or under the supervision of, the company s principal executive and principal financial officers, or persons performing similar functions, and effected by the company s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2009 of the Company and our report dated March 15, 2010 expressed an unqualified opinion on those financial statements.

/s/ Deloitte & Touche LLP
Pittsburgh, Pennsylvania
March 15, 2010

Table of Contents

Item 9B. OTHER INFORMATION.

Not applicable.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Information required by Items 401, 405, 406 and 407(c)(3), (d)(4) and (d)(5) of Regulation S-K appears in our definitive Proxy Statement, which will be distributed in connection with the 2010 Annual Meeting of Shareholders and which will be filed with the Securities and Exchange Commission pursuant to Regulation 14A, or in Part I of this Form 10-K under the caption Executive Officers. This information is incorporated herein by reference.

Code of Ethics for Senior Officers

We have adopted a Code of Ethics for Senior Officers that includes the provisions required under applicable Securities and Exchange Commission regulations for a code of ethics. A copy of the Code of Ethics for Senior Officers is posted on our website at <http://www.mbakercorp.com> and is available in print to any shareholder who requests it. In the event that we make any amendments to or waivers from this Code, we will discuss the amendment or waiver and the reasons for such on our website.

The obligations of the Code of Ethics for Senior Officers supplement, but do not replace, the Code of Business Conduct applicable to our directors, officers and employees. A copy of the Code of Business Conduct is posted on our website at <http://www.mbakercorp.com> and is available in print to any shareholder who requests it.

Item 11. EXECUTIVE COMPENSATION.

Information required by Items 402 and 407(e)(4) and (e)(5) of Regulation S-K appears in our definitive Proxy Statement, which will be distributed in connection with the 2010 Annual Meeting of Shareholders and which will be filed with the Securities and Exchange Commission pursuant to Regulation 14A. This information is incorporated herein by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

Information required by Item 403 of Regulation S-K appears in our definitive Proxy Statement, which will be distributed in connection with the 2010 Annual Meeting of Shareholders and which will be filed with the Securities and Exchange Commission pursuant to Regulation 14A. This information is incorporated herein by reference.

Equity Compensation Plan Information

The following table provides information as of December 31, 2009 about equity awards under our equity compensation plans and arrangements in the aggregate:

(a)	(b)	(c)
	Weighted-Average	Number of Securities Remaining Available for Future Issuance Under

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	Exercise Price of Outstanding Options, Warrants and Rights	Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity compensation plans approved by shareholders	104,463	\$ 22.87	131,000
Equity compensation plans not approved by shareholders			
<i>Total</i>	104,463	\$ 22.87	131,000

Table of Contents

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

Information required by Items 404 and 407(a) of Regulation S-K appears in our definitive Proxy Statement, which will be distributed in connection with the 2010 Annual Meeting of Shareholders and which will be filed with the Securities and Exchange Commission pursuant to Regulation 14A. This information is incorporated herein by reference.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Information required by Item 9(e) of Schedule 14A appears in our definitive Proxy Statement, which will be distributed in connection with the 2010 Annual Meeting of Shareholders and which will be filed with the Securities and Exchange Commission pursuant to Regulation 14A. This information is incorporated herein by reference.

Table of Contents**PART IV****Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.**

(a)(1) The following financial statements are incorporated in Item 8 of Part II of this Report by reference to the consolidated financial statements within Exhibit 13.1 to this Form 10-K:

<u>Consolidated Statements of Income for each of the three years in the period ended December 31, 2009</u>	15
<u>Consolidated Balance Sheets as of December 31, 2009 and 2008</u>	16
<u>Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2009</u>	17
<u>Consolidated Statements of Shareholders Investment for each of the three years in the period ended December 31, 2009</u>	18
<u>Notes to Consolidated Financial Statements</u>	19
<u>Management's Report to Shareholders on Its Responsibility for Financial Statements</u>	43
<u>Report of Independent Registered Public Accounting Firm (Deloitte & Touche LLP)</u>	44

(a)(2) Financial statement schedule for the year ended December 31, 2009:

Schedule II Valuation and Qualifying Accounts

(In thousands)

Description	Beginning Balance	Additions Charged to Expense	Other Accounts	Deductions	Ending Balance
For the year ended December 31, 2009:					
Income tax valuation allowance	\$ 5,085	\$ 10,518 ⁽¹⁾	\$ (3,007) ⁽²⁾	\$ (1,138) ⁽³⁾	\$ 11,458
Nigerian prepaid tax allowance	1,669		(1,669) ⁽²⁾		
Allowance for doubtful accounts	2,765	6,761 ⁽⁴⁾	(703) ⁽²⁾	(8,100) ⁽⁵⁾	723
For the year ended December 31, 2008:					
Income tax valuation allowance	\$ 6,245	\$	\$	\$ (1,160) ⁽³⁾	\$ 5,085
Nigerian prepaid tax allowance	1,799	152 ⁽⁶⁾		(282) ⁽⁷⁾	1,669
Allowance for doubtful accounts	1,463	3,436 ⁽⁴⁾		(2,134) ⁽⁵⁾	2,765
For the year ended December 31, 2007:					
Income tax valuation allowance	\$ 7,792	\$	\$	\$ (1,547) ⁽³⁾	\$ 6,245
Nigerian prepaid tax allowance	2,173	505 ⁽⁶⁾		(879) ⁽⁷⁾	1,799
Allowance for doubtful accounts	767	1,272 ⁽⁴⁾		(576) ⁽⁵⁾	1,463

(1) Relates to valuation allowances for capital losses totaling approximately \$9.0 million and foreign tax credits totaling approximately \$1.5 million.

(2) Primarily relates to reserves that were included in the net assets that were part of the sale of our Energy business.

- (3) Relates to a reduction in federal, state, and foreign net operating losses and related valuation allowances.
- (4) The expense primarily reflects accounts receivable balances reserved during the year. Accounts receivable balances related to Storm Cat Energy, a customer of our former Energy business, accounted for \$6.0 million and \$1.6 million of the expense for the years ended December 31, 2009 and 2008, respectively.
- (5) The deduction amount primarily reflects accounts receivable balances written off during the year as well as recoveries of allowances previously expensed. The Storm Cat reserves totaling \$7.6 million were written off in the third quarter of 2009 and are presented as a reduction.

Table of Contents

- (6) Relates to the inability to realize Nigerian prepaid income tax assets.
- (7) The deduction amount primarily reflects recoveries of prepaid tax amounts previously expensed.

Report of Independent Registered Public Accounting Firm (Deloitte & Touche LLP) on Financial Statement Schedule for the years ended December 31, 2009 and 2008 (included as Exhibit 99.3 to this Form 10-K).

All other schedules are omitted because they are either not applicable or the required information is shown in the consolidated financial statements or notes thereto.

(a)(3) The following exhibits are included herewith as a part of this Report:

Exhibit No.	Description
3.1	Articles of Incorporation, as amended, filed as Exhibit 3.1 to our Annual Report on Form 10-K for the year ended December 31, 1993, and incorporated herein by reference.
3.2	By-laws, as amended, filed as Exhibit 3.1 to our Report on Form 8-K dated October 29, 2009, and incorporated herein by reference.
4.1	Amendment to Rights Agreement dated November 5, 2009, between us and American Stock Transfer and Trust Company, as Rights Agent, filed as Exhibit 4.1 to our Report on Form 8-K dated November 5, 2009, and incorporated herein by reference.
10.1	2009 Incentive Compensation Plan (attachments excluded), filed herewith.*
10.2	Consulting Agreement dated April 25, 2001, by and between us and Richard L. Shaw, filed as Exhibit 10.2(c) to our Quarterly Report on Form 10-Q for the period ended June 30, 2001, and incorporated herein by reference.*
10.2(a)	First Amendment to Consulting Agreement effective April 26, 2003, by and between us and Richard L. Shaw, filed as Exhibit 10.2(a) to our Annual Report on Form 10-K for the year ended December 31, 2003, and incorporated herein by reference.*
10.2(b)	Second Amendment to Consulting Agreement effective April 26, 2005, by and between us and Richard L. Shaw, filed as Exhibit 10.2(a) to our Quarterly Report on Form 10-Q for the period ended June 30, 2005, and incorporated herein by reference.*
10.2(c)	Third Amendment to Consulting Agreement effective April 26, 2006, by and between us and Richard L. Shaw, filed as Exhibit 10.2(c) to our Annual Report on Form 10-K for the year ended December 31, 2006, and incorporated herein by reference.*
10.2(d)	Fourth Amendment to Consulting Agreement effective April 26, 2007, by and between us and Richard L. Shaw, filed as Exhibit 10.2(d) to our Annual Report on Form 10-K for the year ended December 31, 2006, and incorporated herein by reference.*
10.2(e)	Fifth Amendment to Consulting Agreement effective April 26, 2008, by and between us and Richard L. Shaw, filed as Exhibit 10.2(e) to our Annual Report on Form 10-K for the year ended December 31, 2007, and incorporated herein by reference.*
10.2(f)	Sixth Amendment to Consulting Agreement effective April 26, 2009, by and between us and Richard L. Shaw, filed as Exhibit 10.2 to our Report on Form 8-K dated April 17, 2009, and incorporated herein by reference.*
10.2(g)	Seventh Amendment to Consulting Agreement effective April 26, 2010, by and between us and Richard L. Shaw, filed herewith.*
10.3	

Edgar Filing: BAKER MICHAEL CORP - Form 10-K

- First Amended and Restated Loan Agreement dated September 17, 2004, by and between us and Citizens Bank of Pennsylvania, PNC Bank, National Association and Fifth Third Bank, filed as Exhibit 10.4(a) to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2004, and incorporated herein by reference.
- 10.3(a) First Amendment to the First Amended and Restated Loan Agreement dated September 1, 2007, by and between us and Citizens Bank of Pennsylvania, PNC Bank, National Association and Fifth Third Bank, filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q for the period ended September 30, 2007, and incorporated herein by reference.
- 10.3(b) Second Amendment to the First Amended and Restated Loan Agreement dated September 25, 2009, by and between us and Citizens Bank of Pennsylvania, PNC Bank, National Association and Fifth Third Bank, filed herewith.
- 10.4 1995 Stock Incentive Plan amended effective April 23, 1998, filed as Exhibit 10.4 to our Annual Report on Form 10-K for the year ended December 31, 1998, and incorporated herein by reference.*

Table of Contents

Exhibit No.	Description
10.5	1996 Nonemployee Directors Stock Incentive Plan, filed as Exhibit A to our definitive Proxy Statement with respect to our 1996 Annual Meeting of Shareholders, and incorporated herein by reference.*
10.5(a)	Amendment to the 1996 Nonemployee Directors Stock Incentive Plan, filed as Appendix B to our definitive Proxy Statement with respect to our 2004 Annual Meeting of Shareholders, and incorporated herein by reference.*
10.6	Office Sublease Agreement dated August 6, 2001, by and between us and Airside Business Park, L.P., filed as Exhibit 10.7 to our Annual Report on Form 10-K for the year ended December 31, 2002 (exhibits omitted), and incorporated herein by reference.
10.6(a)	Third Amendment to Office Sublease Agreement dated February 19, 2003, by and between us and Airside Business Park, L.P., filed as Exhibit 10.7(a) to our Annual Report on Form 10-K for the year ended December 31, 2002, and incorporated herein by reference.
10.7	Employment Agreement between us and Bradley L. Mallory, dated June 17, 2008, filed as Exhibit 10.1 to our Report on Form 8-K dated June 17, 2008, and incorporated herein by reference.*
10.8	Form of Employment Continuation Agreement between Joseph R. Beck, David J. Greenwood, David G. Higie, James M. Kempton, Samuel C. Knoch, G. John Kurgan, Bradley L. Mallory, H. James McKnight, Edward L. Wiley, Michael Ziemianski and Michael J. Zugay, filed as Exhibit 10.1 to our Report on Form 8-K dated April 17, 2009, and incorporated herein by reference.*
10.9	Share Purchase Agreement, dated as of September 30, 2009, by and among Michael Baker Corporation, Baker Holding Corporation, Baker OTS, Inc., Michael Baker International, Inc., Wood Group E.&P.F. Holdings, Inc., Wood Group Holdings (International) Limited and Wood Group Engineering and Operations Support Limited, filed as Exhibit 10.1 to our Report on Form 8-K dated September 30, 2009, and incorporated herein by reference.
13.1	Selected Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations, Consolidated Financial Statements as of December 31, 2009 and 2008 and for each of the three years in the period ended December 31, 2009, Report of Independent Registered Public Accounting Firm (Deloitte & Touche LLP), and Supplemental Financial Information, filed herewith and to be included as the Financial Section of the Annual Report to Shareholders for the year ended December 31, 2009.
21.1	Subsidiaries, filed herewith.
23.1	Consent of Independent Registered Public Accounting Firm (Deloitte & Touche LLP), filed herewith.
23.2	Consent of Independent Registered Public Accounting Firm (Schneider Downs & Co., Inc.), filed herewith.
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a), filed herewith.
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a), filed herewith.
32.1	Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.
99.1	Audited financial statements for our unconsolidated subsidiary, Stanley Baker Hill, LLC, for the year ended December 31, 2009, filed herewith.
99.2	Unaudited financial statements for our unconsolidated subsidiary, Stanley Baker Hill, LLC, for the years ended December 31, 2008 and 2007, filed herewith.
99.3	Report of Independent Registered Public Accounting Firm (Deloitte & Touche LLP) on financial statement schedule for the years ended December 31, 2009, 2008 and 2007, filed herewith.

* Management contract or compensatory plan.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, we have duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

MICHAEL BAKER CORPORATION

Dated: March 15, 2010

By: /s/ Bradley L. Mallory

Bradley L. Mallory
President, Chief Executive
Officer and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on our behalf and in the capacities indicated as of March 15, 2010:

Signature	Title
/s/ Bradley L. Mallory	President, Chief Executive Officer and Director (Principal Executive Officer)
Bradley L. Mallory	
/s/ Michael J. Zugay	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
Michael J. Zugay	
/s/ James M. Kempton	Vice President, Corporate Controller and Treasurer (Principal Accounting Officer)
James M. Kempton	
/s/ Richard L. Shaw	Chairman of the Board
Richard L. Shaw	
/s/ Robert N. Bontempo	Director
Robert N. Bontempo	
/s/ Nicholas P. Constantakis	Director
Nicholas P. Constantakis	
/s/ Robert H. Foglesong	Director
Robert H. Foglesong	

/s/ Mark E. Kaplan	Director
Mark E. Kaplan	
/s/ John E. Murray, Jr.	Director
John E. Murray, Jr.	
/s/ Pamela S. Pierce	Director
Pamela S. Pierce	
/s/ David N. Wormley	Director
David N. Wormley	