TENERA INC
Form 10-K
April 15, 2003

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

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2002

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

Commission File Number
1-9812

TENERA, INC.
(Exact name of registrant as specified in its charter)

Delaware	94-3213541
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

100 Bush Street, Suite 850, San Francisco, California 94104
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (415) 445-3200

Securities registered pursuant to Section 12(b) of the Act:
Common Stock

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

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 X 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 as information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

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

As of March 1, 2003, the aggregate market value of the Registrant's Common Stock held by nonaffiliates of the Registrant was $812,579 based on the last transaction price as reported on the American Stock Exchange. This calculation does not reflect a determination that certain persons are affiliates of the Registrant for any other purposes.

The number of shares outstanding on March 1, 2003 was 9,984,259.

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PART I

Item 1. Business

Except for historical information, the following description of the Company's business contains forward-looking statements which involve risks and uncertainties. The Company's actual results could differ materially from those set forth in these forward-looking statements as a result of a number of factors, including those set forth in this Annual Report under the heading, "Risk Factors".

General

TENERA, Inc. (including its subsidiaries, "TENERA", or the "Company") provides a broad range of technology-based professional and technical services, and business-to-business web-based e-Learning services. The Company's professional and technical services are designed to solve complex management, engineering, environmental, health and safety challenges associated with the management of federal government properties, energy assets, and petrochemical and manufacturing concerns. TENERA's web-based e-Learning products and services are designed to provide a suite of on-line, interactive, compliance and regulatory-driven training applications for use by clients' employees.

TENERA, Inc., a Delaware corporation, is the parent company of the subsidiaries described below.

In 1995, the Company formed TENERA Rocky Flats, LLC ("Rocky Flats"), a Colorado limited liability company, to provide professional and technical services in connection with participation in the Performance Based Integrating Management Contract ("Rocky Flats Contract") at the Department of Energy's ("DOE") Rocky Flats Environmental Technology Site ("Site"). In 2000, Closure Mission Support Services, LLC ("CMSS"), a Colorado limited liability company, was formed by Rocky Flats as a majority-owned joint venture to provide professional and technical services in connection with a recompete of the professional support services at the Site. In the fourth quarter of 2000, the Company was awarded a new contract for an initial three (3) year period followed by three one-year renewal options exercisable by the prime contractor.

In 1997, the Company formed TENERA Energy, LLC ("Energy"), a Delaware limited liability company, to consolidate its commercial electric power utility business into a separate legal entity. Energy offers professional environmental and ecological services, and risk management services to nuclear and fossil plant operators.

In 1999, the Company formed TENERA GoTrain.Net, LLC ("GoTrain"), a Delaware limited liability company, initially as a joint venture operation with a minority interest partner, SoBran, Inc., an Ohio corporation, specializing in Internet technologies. In 2000, the Company purchased certain Internet-based development assets of SoBran, Inc., including SoBran's minority interest in TENERA GoTrain.Net, LLC. GoTrain, now a wholly-owned subsidiary, is an e-Learning application service provider offering Web-based, e-Learning solutions to selected industries needing regulatory-driven environmental, safety, and health (ES&H) training, specifically manufacturing, utilities, petrochemical, and Fortune 1000 companies. As of January 1, 2002, TENERA GoTrain.Net, LLC changed its legal structure and all of the assets and liabilities were transferred to GoTrain Corp, a Delaware corporation.

The Company is principally organized into two operating segments: Professional and Technical Services and e-Learning (see Note 8 to Consolidated Financial Statements for additional information regarding Company segments).

In early 2003, the Board of Directors determined that the Company's limited financial resources, as well as the increasingly more costly regulatory climate to operate as a public company, require it to actively seek to dispose of its operating segments or permit its operating units to dispose of their assets in order to preserve shareholder value. Therefore, the Company is exploring alternatives for reducing negative cash flow from operations, including the possible sale or shutdown of certain operating units. There can be no assurance that adequate liquidity will materialize in quantities or timeframes, or sustainable in the current economic slowdown projected by management.

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Markets and Business Strategy

Professional and Technical Services Segment. TENERA provides professional and technical services to DOE owned sites and national research laboratories, commercial electric generating plants and other regulatory-impacted industries to solve complex management, engineering, environmental, health and safety issues associated with their properties and energy assets. TENERA's services primarily focus on environmental and ecological services, which assist its commercial clients with respect to their nuclear and fossil plant operations and compliance with environmental regulations. TENERA provides its governmental clients, the DOE and DOE prime contractors with assistance in devising, implementing, and monitoring strategies to improve performance and cost effectiveness from an operational, safety, and environmental perspective at DOE-owned nuclear reactor sites and national research laboratories.

TENERA has developed expertise in providing solutions to complex technical and regulatory issues facing the commercial electric power generation industry. Over the past several years, commercial electric utilities have experienced increased competitive pressure due to continued deregulation of the electric industry. For example, utilities are no longer able to recover capital expenditures through rate increases, due to mandated rate changes, and increasing competition from independent power producers, alternative energy production, and cogeneration. During the same period, utilities and independent power producers have responded to continued regulatory pressures to comply with complex safety and environmental guidelines.

Safety problems and environmental issues have also emerged at government-owned weapons production facilities. The end of the "Cold War" has prompted DOE to shut down many of its aging weapons production facilities and begin the challenging task of dismantling, disposal, and clean-up of the facilities. A massive program is underway throughout the DOE complex of nuclear weapons production facilities and national laboratories to implement this new shutdown mission, while complying with health, safety, and environmental requirements similar to those applicable to commercial facilities, principally in the areas of hazardous wastes, decontamination, decommissioning, and remediation. Electric power generators, as well as a variety of other industries, have been subjected to extensive regulation regarding environmentally safe handling of hazardous materials.

The Company's principal markets are the DOE-owned nuclear materials production sites and national research laboratories, and the electric power generation industry, including regulated and deregulated producers. The Company's largest business area, DOE-owned nuclear weapons production sites, faces close scrutiny resulting from public concern over health, safety, and the environment. The Company believes that DOE's mission of closing aging weapons plants, coupled with increased enforcement of environmental laws and regulations continues to be prompted by publicity and public awareness of environmental problems and health hazards posed by hazardous materials and toxic wastes. The dismantlement and cleanup of the aging DOE weapons complex represents a significant market for the Company's service offerings.

The DOE began programs to address safety problems and environmental concerns, which have emerged at its nuclear facilities. These programs are designed to bring the operations into compliance with a variety of health, safety, and environmental requirements, similar to those applicable to the commercial electric utility industry. The DOE's decontamination, decommissioning, and remediation programs are also aimed at achieving significant cleanup of its hazardous waste production and storage facilities and the partial shutdown of nuclear operations at a number of its sites.

The electric utility industry has undergone considerable change in recent years and faces a complex mix of economic and regulatory pressures. There is continuing deregulation of the production and distribution of electricity, accompanied by the desire of utilities to meet demand for electricity through higher operating efficiency.

The markets for electric utility and DOE facility professional and technical services cover a broad range of activities. Typical markets include waste management, outage support, operating plant services, licensing support, safety and health management, maintenance and information services, decommissioning consulting, risk assessment, quality assurance and control, organizational effectiveness, engineering support, records management, fuel-related services, plant security, and surplus asset disposal.

It has been TENERA's strategy to provide solutions to these issues by providing clients with a high level of professional skills and a broad range of scientific, technological, and management resources. These include software and databases, which are used in support of consulting projects. The Company assists its clients in the initial identification and analysis of a problem, the implementation of a feasible solution that the client believes will be sensitive to business and public interest constraints, and the ongoing monitoring of that solution.

e-Learning Segment. The Company, through its GoTrain subsidiary, develops, markets, and delivers an extensive library of e-Learning products designed to provide cost-effective solutions to regulatory mandated ES&H-related training needs for its clients. The Company also provides custom e-Learning products and services in response to all aspects of enterprise and workforce effectiveness, safety, compliance, and performance. The Company's proprietary Learning Management System ("LMS") is designed to provide a set of e-Learning tools that is generally scalable to any size client.

e-Learning courses and tools are applicable to large companies, often with geographically distributed work forces involved in complex "around-the-clock" operations, as well as, small companies that lack dedicated training resources. The Company believes that the transition to internet-based training will replace a substantial portion of instructor-led training, currently representing 70% of all training programs.

The Company serves clients required to comply with a wide range of Federal and state laws and regulations governing environmental, health, and safe work practices in the workplace. The Company applies its expertise in adult learning, regulatory processes, performance improvement techniques, and Web designed and delivered interactive content, to improve the competitive position for its clients by supporting a safe, productive, and compliant work environment.

The Company believes many factors affect the ES&H Web-based e-Learning market. Highly competitive marketplaces encourage many companies to seek performance gains from lowered costs and improved competitive positioning. e-Learning provides opportunities to lower training costs and establish a safer, more productive, and compliant work force spending more time at their respective workstations, leading to improved competitive positioning. Recently promulgated standards from OSHA, EPA, DOT and ISO 9000 present new opportunities for the e-Learning products that contain, manage and report the training data necessary to demonstrate compliance.

Services and Products

The following table reflects the percentage of revenues derived for each of these segments for the period indicated during the fiscal years ended December 31, 2000 through 2002:

	Year Ended Decem	
	2002	2001
Professional and Technical Services	90.3%	94.5%
e-Learning	9.7%	5.5%

Professional and Technical Services Segment. Services performed by the Company typically include one or more of the following: consultation with the client to determine the nature and scope of the problem, identification and evaluation of the problem and its impact, development and design of a process for correcting the problem, preparation of business plans, preparation of reports for obtaining regulatory agency permits, and analysis in support of regulatory and legal proceedings. The Company's professional and technical services involve determining a solution to client problems and challenges in the design, operation, and management of large facilities. Focus is also placed on providing expertise in the wide range of disciplines required to resolve complex legal and regulatory issues and offering executives guidance in strategic planning and implementing a coordinated, effective response to such issues. The Company applies its professional skills, software, and specialized databases to all aspects of these problems and challenges in the following general areas:

Environmental and ecological issues at DOE and electric utility facilities

Risk management

Operations and maintenance performance improvement

Plant safety

Nuclear safety and criticality at DOE facilities

Engineering design review and verification

e-Learning Segment. The Company's products include a suite of on-line interactive, compliance and regulatory-driven training applications for business clients' use with their employee base. The applications support a suite of automated back office functions and tools that manage training curriculum and records for business clients. These training applications are provided from a Company-owned library of courses, or are customized to clients' specifications. GoTrain products and services include:

Learning Management System (Web-based delivery platform)

Library of ES&H Web-based e-Learning

Custom Web-based e-Learning

Courseware tools

Multi-lingual e-Learning

Marketing

Professional and Technical Services Segment. The Company's marketing strategy emphasizes its ability to offer a broad range of services designed to meet the needs of its clients in a timely and cost-efficient manner. Characteristic of TENERA's marketing strategy are significant projects in which initial contracts have been only a fraction of the ultimate sale.

TENERA's marketing efforts are facilitated by the technical reputation and industry recognition often enjoyed by its professional staff. TENERA's reputation in the electric power industry and as a DOE contractor often leads to invitations to participate at an early stage in the conceptualization of a project. During this phase, the Company assists clients in developing an approach for efficiently and productively solving a problem. If new services or products are developed for a client, they generally are marketed to other clients with similar needs.

The Company's reputation also leads to invitations to participate in multi-company teams assembled to bid on large DOE or utility projects.

e-Learning Segment. The Company uses a multiple sales channel strategy to penetrate targeted markets. To sell its products and services, the Company employs field salespeople and utilizes third-party partners. Additionally, a large portion of new sales from existing clients originates from the Company's account managers assigned to manage the ongoing relationships with clients. Through the middle of 2002, the majority of sales originated from field salespeople and account managers. However, since that time, most of the new sales have been generated from third-party partners, such as SkillSoft (formerly known as SmartForce), a leader in e-Learning solutions and content with whom the Company has a long-term agreement (see Note 6 to Consolidated Financial Statements). The Company also markets its products and services through direct advertising, publication interviews and reviews, trade shows, and industry and trade associations.

Clients

During the year ended December 31, 2002, TENERA provided services to approximately 65 clients involving over 75 contracts. During the year ended December 31, 2001, TENERA provided services to over 60 clients involving over 70 contracts. Over 60% of TENERA's clients during the year ended December 31, 2002, had previously used its services. Less than 1% of all revenues were from clients outside of the United States.

Professional and Technical Services Segment. During the year ended December 31, 2002, one Professional and Technical Services Segment client, Kaiser-Hill Company, LLC ("Kaiser-Hill"), prime contractor of the Rocky Flats Contract, accounted for 63% of the Company's total revenue. During the year ended December 31, 2001, Kaiser-Hill accounted for 71% of the Company's total revenue. The Company has maintained a working relationship with Kaiser-Hill for seven years, during which time various contracts have been completed and replaced with new or follow-on contracts. The existing contract, awarded in the fourth quarter of 2000, is for a lower value than the Company's prior contract, reflecting Kaiser-Hill's decision to discontinue use of lower-tier subcontractor teams at the Site. There can be no assurance that this relationship will be maintained beyond the existing contract, and the loss of this client would have a material adverse effect on the Company (see "Risk Factors").

e-Learning Segment. The Company provided services to twenty-five e-Learning Segment clients during 2002 versus fifteen clients during 2001. At December 31, 2002, over twenty e-Learning Segment clients had contracted access for over 200,000 learners in the Company's Web-based Training System for use within the next twelve months.

Operations

TENERA generally receives payments on amounts billed 30 to 90 days after billing, except for retention under contracts. TENERA has historically experienced a low percentage of losses due to poor credit risks since the majority of TENERA's clients are utility companies, DOE, or DOE prime contractors.

Professional and Technical Services Segment. The Company primarily contracts for its services in one of three ways: time and materials ("T & M"), time and materials plus incentive fee ("TMIF"), or fixed price. T & M and TMIF contracts, which cover the majority of TENERA's revenues, are generally billed monthly by applying a multiplier factor to specific labor costs or by use of a fixed hourly labor rate charged to each project. T & M and TMIF contracts are generally structured to include "not-to-exceed" ceilings; however, if after initial review or after work has started, it is noted that additional work is required, the contract normally can be renegotiated to include such additional work and to increase the contract ceiling accordingly. Fixed-price contracts are generally applicable where TENERA has been requested to deliver services and/or products previously developed by it or deliverable to multiple customers. Typical fixed-price contracts are less than six months in duration and are billed at project completion. At December 31, 2002, of the total outstanding contracts, less than 10% were fixed-price.

e-Learning Segment. The typical business contract for GoTrain products is a subscription agreement with volume price breaks and annual renewal options. Custom training course development is provided to clients on a non-refundable fixed-price contract basis, with entitlement to unlimited client use of the product. However, a per-use fee (learner seat) is charged in custom training course contracts for use of the LMS.

Backlog

As of December 31, 2002, TENERA had contracted a backlog of approximately $12.3 million, all of which is cancelable by the clients. The Professional and Technical Services and e-Learning segments account for $9.4 million and $2.9 million, respectively, of the backlog. Contracted backlog represents the aggregate of the remaining value of those active contracts entered into by TENERA for services that are limited by a contractual amount and does not include any estimates of open-ended services contracts or unfunded backlog that may result from additions to existing contracts.

Since all outstanding contracts are cancelable, there is no assurance that the Company will realize the revenues from these contracts. If any contract is canceled, there is no assurance that the Company will be successful in replacing such contract (see "Risk Factors").

Competition

The markets for Professional and Technical Services, and e-Learning are highly competitive. TENERA competes with several larger firms with significantly greater resources (see "Risk Factors").

The primary competitive factor in the market for Professional and Technical Services is price, and certain of TENERA's competitors are able to offer similar services at prices that are lower than those offered by TENERA.

In the e-Learning marketplace, the most significant competitive factors are product features and price. Although many larger competitors offer broad-based e-Learning solutions for various industries, no competitors currently dominate the Company's targeted niche of the e-Learning marketplace: ES&H compliance and regulatory driven training.

Product Development

Professional and Technical Services Segment. TENERA's policy is to undertake development projects of software, systems, and databases only if they can be expected to lead directly to proprietary products that may be generally marketable. A portion of TENERA's product development effort may be funded through customer-sponsored projects, although the rights to the systems and databases generally remain with TENERA. Because TENERA's development activities involve the integration of customer-funded, cost sharing, and TENERA-funded projects, it is not possible to segregate, on a historical basis, all of the specific costs allocable as development costs. Over the past three years, costs associated with TENERA funded projects were immaterial.

e-Learning Segment. In 2002, TENERA spent approximately $264,000 in developing products related to its e-Learning business. In 2001 and 2000, the Company spent approximately $800,000 and $700,000, respectively, on development for similar activities. The majority of these costs were capitalized as Other Assets and are being amortized over the estimated life of the developed products. These development efforts were key in the Company's successful operation and access to its Web-based LMS and accompanying training course library.

Patents and Licenses

The Company does not hold any patents material to its business. TENERA relies upon trade secret laws and contracts to protect its proprietary rights in software systems and databases. The service and license agreements under which clients acquire certain rights to access and use TENERA's e-Learning software technologies generally restrict the clients' use of the systems to their own operations and prohibit disclosure to others.

Personnel

At December 31, 2002, the Company employed a total of 114 consultants, engineers, scientists and software developers, and a supporting administrative staff of 15 employees. Many employees hold advanced degrees. TENERA also retains the services of numerous independent contractors in order to fulfill specific needs for particular projects. None of TENERA's employees are represented by a labor union.

Item 2. Properties

The Company's headquarters are located in San Francisco, California, and consist of approximately 5,400 square feet of leased office space, expiring in December 2005. TENERA also leases approximately 12,800 square feet in Knoxville, Tennessee, expiring in January 2004, 2,400 square feet in Louisville, Colorado, expiring in October 2003, and approximately 5,300 square feet in San Luis Obispo, California, with 26% of the space expiring in December 2003 and 74% expiring in December 2004.

Item 3. Legal Proceedings

None.

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

None.

PART II

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

Shares of the Company's Common Stock are listed for trading on AMEX under the symbol TNR. The first trading day on AMEX was June 30, 1995, at which time 10,417,345 shares were outstanding. There were approximately 500 shareholders of record as of March 1, 2003.

	2002		2001		
	Price Range of TENERA, Inc. Shares		Price Range of TENERA, Inc. Shares		Price TENERA,
	High	Low	High	Low	High

First Quarter	$ 0.60	$ 0.22	$ 0.875	$ 0.250	$ 2.250
Second Quarter	0.50	0.29	0.490	0.355	1.625
Third Quarter	0.35	0.08	0.590	0.300	1.250
Fourth Quarter	0.26	0.05	0.440	0.210	0.875

The Board of Directors of the Company determines the amount of cash dividends that the Company may make to shareholders after consideration of projected cash requirements and a determination of the amount of retained funds necessary to provide for growth of the Company's business. The Company has made no distributions since 1991. The Company does not anticipate resumption of dividends in the foreseeable future.

Item 6. Selected Financial Data

The following consolidated selected financial data of the Company for the five prior years should be read in conjunction with the consolidated financial statements and related notes included elsewhere.

TENERA, INC.
FINANCIAL HIGHLIGHTS

(In thousands, except per share and statistical amounts)

	Year Ended December 31,			
	2002	2001	2000	199
OPERATIONS DATA				
Revenue	$ 13,823	$ 20,065	$ 32,443	$ 37,9
Operating (Loss) Income..........................	(4,870)	(3,119)	(19)	2,3
Net (Loss) Earnings............................	(4,806)	(2,030)	100	1,3
(Loss) Earnings per Share-- Basic	(0.48)	(0.20)	0.01	0.
(Loss) Earnings per Share-- Diluted	(0.48)	(0.20)	0.01	0.
Weighted Average Shares-- Basic.................	9,984	9,984	9,960	10,0
Weighted Average Shares-- Diluted...............	9,984	9,984	10,195	10,4
CASH FLOW DATA				
Net Cash (Used) Provided by Operating Activities	$ (1,488)	$ (1,052)	$ (164)	$ 6
Net (Decrease) Increase in Cash and Cash Equivalents	(9)	(1,201)	(1,006)	1
FINANCIAL POSITION AT DECEMBER 31				
Cash and Cash Equivalents	1,277	1,286	2,487	3,4
Working Capital	(1,744)	2,037	4,443	5,4
Total Assets	3,536	6,978	10,074	10,7
Total Liabilities	4,461	3,113	4,181	4,9
Stockholders' (Deficit) Equity..................	(925)	3,865	5,893	5,7

OTHER INFORMATION				
Number of Employees	129	162	192	1

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

Forward-Looking Statements

With the exception of historical facts, the statements contained in this discussion are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and are subject to the Safe Harbor provisions created by that statute. Certain statements contained in the following Management's Discussion and Analysis of Results of Operations and Financial Condition, including, without limitation, statements containing the words "believes", "anticipates", "estimates", "expects", "future", "intends", and words of similar import, constitute forward-looking statements that involve risks and uncertainties. Such statements are based on current expectations and are subject to risk, uncertainties and changes in condition, significance, value and effect, including those described in the Risk Factors section of this report and other recent documents the Company files with the Securities and Exchange Commission, specifically forms 10-Q and 8-K. Such risks, uncertainties and changes in condition, significance, value and effect could cause the Company's actual results to differ materially from those anticipated events.

Critical Accounting Policies

The Company considers certain accounting policies related to revenue recognition, allowance for doubtful accounts, and cost capitalization and impairment to be critical policies due to the estimation processes involved in each.

Revenue Recognition. A significant portion of the Company's e-Learning Segment revenue relates to sales of custom training courses, set-up fees, and subscription licensing arrangements. Revenue is recognized ratably over the term of the contract and begins when delivery of product occurs. In some cases, the term of the contract is not a fixed time period and management must estimate the expected revenue recognition period based upon cancellation provisions in the contract, as well as experience with similar contracts. Changes in these factors could have a significant effect on e-Learning revenue recognition.

Additionally, in the third quarter of 2002, the Company began offering non-hosted e-Learning licensing arrangements to distributors and clients. These types of sales are accounted for under the AICPA Statement of Position 97-2, "Software Revenue Recognition" (SOP 97-2). Prior to this change in the business model, the Company capitalized costs related to the development of the e-Learning training sources under SOP 98-1. In accordance with that statement, before revenue can be recognized from any non-hosted sales of e-Learning training courses for which the development costs have been capitalized, the carrying value of the training course capitalized costs must be reduced to zero by the value of the licensed sales. The capitalized costs were reduced by $15,000 from the sale of a non-hosted courseware license during 2002 and at

December 31, 2002, the remaining net capitalized costs of the e-Learning courses were $117,000. Because the Company to date has had very limited activity in non-hosted license sales, it is unable to predict when the Company will be able to recognize revenue from this type of sales.

Furthermore, a portion of the Professional and Technical Services Segment revenue is derived from fixed-price contracts. Revenue for these contracts is recognized using the percentage-of-completion method, which relies on estimates of total expected contract revenue and costs. Recognized revenues are subject to revisions as the contract progresses to completion. Revisions in revenue estimates are made in the period in which the facts that give rise to the revision become known.

Allowance for Doubtful Accounts. The Company is required to estimate the collectibility of its trade receivables. A considerable amount of judgment is required in assessing the ultimate realization of these receivables, including the credit-worthiness of each client. If the financial condition of the Company's clients were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Cost Capitalization and Impairment. The Company has significant assets related to the capitalization of costs of internal-use e-Learning operating system software and costs related to the development of e-Learning training courses. The determination of related estimated useful lives and whether or not

these assets are impaired involves significant judgments. Changes in strategy and/or market conditions could significantly impact these judgments and require adjustments to recorded asset balances.

Approval for Non-Audit Services

The Company currently engages Ernst & Young as its independent auditors. In addition to the audit services they provide with respect to the Company's audited consolidated financial statements included in its Annual Reports on Form 10-K and certain filings with the Securities and Exchange Commission, Ernst & Young has provided the Company in the past and may provide in the future certain non-audit services, such as tax services (tax compliance and tax related consultations) and audit related assistance, such as services in connection with accounting issues and SEC reporting matters. Effective as of July 30, 2002, the Sarbanes-Oxley Act of 2002 requires that all non-auditing services provided to an issuer by the auditor of the issuer be pre-approved by the audit committee of the issuer. Accordingly, the Company's audit committee has approved the audit and tax service fees applicable to services currently being provided to the Company by Ernst & Young. Tax service fees relate to services for tax compliance and tax planning. The Company's audit committee of its board of directors currently consists of Messrs. Thomas S. Loo, William A. Hasler, and George L. Turin.

TENERA, INC.
RESULTS OF OPERATIONS

	Percent of Rev	
	Year Ended Decemb	
	2002	2001
Revenue	100.0%	100.0%
Direct Costs	89.6	78.2
General and Administrative Expenses	43.1	37.3
Other Income	*	--
Operating Loss	(35.2)	(15.5)
Interest (Expense) Income, net	(0.7)	0.1
Net (Loss) Earnings Before Income Tax (Benefit) Expense	(35.9%)	(15.4%)

Year Ended December 31, 2002 versus Year Ended December 31, 2001

Net loss before income tax benefit for the year ended December 31, 2002 was $4,962,000, compared to net loss before income tax benefit of $3,100,000 for the same period in 2001. The increase in loss primarily results from lower Professional and Technical Services Segment revenue. Specifically, a combination of a reduced number of federal government projects and lower labor billing rates for work at the DOE's Rocky Flats site (the "Rocky Flats Contract") were the main reasons for the increased loss.

Professional and Technical Services Segment revenue for the year ended December 31, 2002 decreased 34% ($6.5 million) from 2001, primarily due to a lower allocation of work to the Company at the Rocky Flats site. For 2002, the concentration of revenue from government projects was 71% of total Company revenue compared to 73% in 2001.

A greater number of new clients in the e-Learning Segment is primarily responsible for the 21% ($0.2 million) increase in e-Learning revenue in 2002.

Direct costs were lower in 2002, compared to a year ago, primarily as a result of fewer Professional and Technical Services Segment projects. Gross margin decreased to 10% in 2002 from 22% in 2001, mainly due to client-mandated lowered labor billing rates for the ongoing Rocky Flats Contract activity, increased integration expenditures related to the SkillSoft (formerly SmartForce) e-Learning agreement, and higher employee healthcare costs.

General and administrative costs were 21% lower in 2002, compared to a year ago, primarily reflecting furloughing non-essential personnel under a plan implemented in August 2001. Included in general and administrative expenses for 2002 is $16,000 of stock option compensation to a former officer of GoTrain, who provided and will provide e-Learning consulting services (see Note 3 to Consolidated Financial Statements).

In the third quarter of 2002, the Company recorded an impairment charge of $350,000 related to the write-off of certain internally developed training course assets in its e-Learning Segment deemed to be obsolete (see Note 2 to Consolidated Financial Statements). The Company determined that many of the library courses it had developed had little or no future utility or economic benefit based on historical sales and management projections.

Net interest expense in 2002 represents accrued interest on the convertible debentures sold in March 2002 by the Company's GoTrain subsidiary (see Note 7 to Consolidated Financial Statements), partially offset by earnings from the investment of cash balances in money market accounts and short-term corporate debt instruments. Net interest income in 2001 represents earnings from the investment of cash balances in money market accounts and short-term corporate debt instruments and was higher than 2002 due to higher average cash balances and higher interest rates during 2001.

Year Ended December 31, 2001 versus Year Ended December 31, 2000

Net losses before income tax benefit for the year ended December 31, 2001 were $3,100,000, compared to net earnings before tax expense of $163,000 for the same period in 2000. The decrease in earnings primarily resulted from lower Professional and Technical Services Segment revenue, coupled with higher sales and marketing expenses in the e-Learning Segment.

Professional and Technical Services Segment revenue for the period ended December 31, 2001 decreased 41% ($13.0 million) from 2000, primarily due to a lower allocation at the Rocky Flats Site of work to lower-tier subcontractor teams and closure of the Company's commercial strategic consulting business area. For the year 2001, the concentration of revenue from government projects decreased to 73% of total Company revenue, from 85% in 2000.

Revenue in the e-Learning Segment increased by 156% ($671,000) for the period ended December 31, 2001, as compared to 2000, mainly due to a greater number of new contracts.

Direct costs were lower in 2001, compared to the year before, primarily as a result of decreased revenue generation. Gross margin was 22% in 2001, the same as in 2000.

General and administrative costs were 8% higher for the year ended December 31, 2001, compared to the year before, primarily as a result of increased business development costs in the e-Learning Segment and costs associated with pursuit of a DOE contract at Grand Junction, Colorado for Professional and Technical Services. In March 2002, the DOE announced the award of the Grand Junction contract to another team of companies.

The lower net interest income in 2001, as compared to the year before, was primarily due to lower average cash balances and lower interest rates, together with the impact of a receivables assignment in the third quarter of 2001 related to an electric utility client in the Company's Professional and Technical Services Segment, which initiated bankruptcy proceedings in early April 2001. The Company assigned all of its pre-petition receivables to a third party in August 2001 in return for 75% of the amounts owed. For the third quarter of 2001, the Company reported the 25% finance charge discount as interest expense.

Liquidity and Capital Resources

Cash and cash equivalents decreased by $9,000 during 2002. The decrease was due to cash used by operations ($1,488,000) and net acquisition of property and equipment ($21,000), mostly offset by the sale of convertible debentures ($1,500,000).

Trade receivables, net of sales allowance, decreased by $1,537,000 from December 31, 2001, primarily due to lower revenues and increased collections during the period. The allowance for sales adjustments decreased by $8,000 from December 31, 2001, related to the closure and settlement of old government contracts.

Income tax receivable decreased by $884,000 from December 31, 2001 due to the receipt in March 2002 of a federal tax refund of 1999 taxes paid. Additionally, the Company received federal tax refunds totaling $174,000 in June 2002 related to years 1999 and 1998 due to enactment in 2002 of the Economic Growth and Tax Relief Reconciliation Act.

Other current assets increased by $123,000 from the end of 2001, reflecting increased prepaid expenses associated with insurance renewals.

Other assets increased by $89,000 from December 31, 2001, primarily relating to training course and operating system development in the e-Learning Segment (see Note 2 to Consolidated Financial Statements).

Accounts payable decreased by $68,000 since the end of 2001 primarily resulting from lower direct costs supporting decreased revenues. Accrued compensation and related expenses decreased by $354,000 during 2002, primarily reflecting the reduction in accruals for payroll, vacation, and other employee benefits due to the termination of employees during the year and a smaller workforce at December 31, 2002, as compared to December 31, 2001.

Deferred revenue increased by $165,000 from December 31, 2001 due to a higher level of upfront billing in the e-Learning Segment related to library course subscription fees and custom course fees.

Accrued interest expense increased by $105,000 from December 31, 2001 due to the sale of convertible debentures in March 2002 (see Note 7 to Consolidated Financial Statements).

No cash dividend was declared in 2002.

The impact of inflation on project revenue and costs of the Company was minimal.

At December 31, 2002, the Company had operating lease commitments through 2005 totaling $1,595,000, principally for real property (see Note 5 to Consolidated Financial Statements). Additionally, the Company had other long-term obligations through 2006, totaling $1,233,000, related to an agreement with SkillSoft (formerly SmartForce) to co-develop and distribute ES&H and regulatory content via their internet platform (see Note 6 to Consolidated Financial Statements). The table below schedules these contractual obligations:

Contractual Obligations (In thousands)	Payments Due By Period Total	Less Than 1 Year	1 - 3 Years	4 - Year
Operating Lease Obligations	$ 1,595	$ 744	$ 851	$
Other Long-Term Obligations.....................	1,233	480	548	2
Total Contractual Cash Obligations	$ 2,828	$ 1,224	$ 1,399	$ 2

In March 2002, the Company's GoTrain subsidiary sold subordinated convertible debentures to private investors for a total principal amount of $1,500,000. Each debenture bears simple interest at the rate of 8% per annum, with cumulative interest payable only if the debenture is not converted into preferred stock of GoTrain, pursuant to the debenture terms. The maturity date of each debenture is July 31, 2003. The larger debenture, in the amount of $1,000,000, can be converted at any time by the holder into convertible

preferred stock of GoTrain. The other debenture, in the amount of $500,000 can be repaid or converted into convertible preferred stock at any time by GoTrain. Otherwise, the debentures will automatically convert into convertible preferred stock at the earlier of the maturity date, or upon an underwritten public offering of GoTrain common stock. At maximum conversion, the holders would own approximately 33% of GoTrain, subject to potential dilution from Subsidiary Stock options and Subsidiary Stock purchase rights granted under the GoTrain Plan. At December 31, 2002, upon full conversion of the debentures and the outstanding Subsidiary Stock options, the holders of the debentures would own approximately 29% of GoTrain (see Note 7 to Consolidated Financial Statements).

Management now anticipates that in light of the current business environment, the Company will experience further reduction in revenues expected to be recognized in its Professional and Technical Services Segment during 2003. As a result, management believes that cash, which is expected to be generated by operations of the Company's Professional and Technical Services Segment, will not be sufficient to enable the Company to support those segments and to provide funding necessary for further development of its e-Learning Segment. Although management believes that the e-Learning segment has significant future potential, it is unable to identify funding sources beyond what it has previously raised in capital for that segment.

Accordingly, in early 2003, the Company determined it is in the best interest of the Company to either sell or dispose of its operating segments as quick as possible this year or permit its operating units to dispose of their assets. Management has undertaken efforts to accomplish this. The Company has reached agreement in 2003 to transfer the ownership and operations of TENERA Energy, LLC, part of the Professional and Technical Services segment, to the former employees of that subsidiary. This transfer has been made by an assumption of certain liabilities by the new owners for which the Company would otherwise be obligated. The Company retains certain receivables. The future net cash proceeds to the Company as a result of this transfer will not be significant. Additionally, the Company is in discussion to possibly dispose of its remaining business operations and it is anticipated that any transaction involving these units will be consummated in the second quarter of 2003.

At the present time, the Company is unable to determine the level the net proceeds, if any, from the disposition of its remaining businesses after settlement of the Company's obligations to third parties creditors, for taxes and the cost of winding down its operations. Accordingly, the Company is unable to determine whether funds will be available for distribution to shareholders.

Risk Factors

The following risk factors and other information included in this Annual Report should be carefully considered. The risks and uncertainties described below are not the only ones the Company faces. Additional risks and uncertainties not presently known to the Company or that management currently deems immaterial, also may impair the business operations. If any of the following risks occur, the Company's business, financial condition, operating results and cash flows could be materially adversely affected.

Plan to Dispose of Operating Segments. The Board of Directors has determined that the Company's limited financial resources, as well as the increasingly more costly regulatory climate to operate as a public company, require it during 2003 to actively seek to dispose of its remaining operating segments or permit its operating units to dispose of their assets. Accordingly, the Company is exploring alternatives to transfer, sell, or close its various remaining operating units and to cease operations during the 2003 calendar year. No assurance can be given that the Company's plan will result in any proceeds to shareholders subsequent to such winding down of its operations.

Economic Slowdown. Our businesses have been adversely affected by the general economic downturn in the United States over the past two years, The economic slowdown has reduced the demand for electricity, resulting in less need for new and existing power plant capacity, which has had a direct effect on the our environmental consulting business. Additionally, the pressure of corporate cost-cutting by many U.S. corporations has resulted in reduced training opportunities for our e-Learning activities. Many of our clients and potential clients have not expanded their training activities to the levels originally expected because of reduced manpower and/or lower funding for training. We are uncertain how long the current downturn will last and when a sustained recovery may occur. Any further decline in our clients' markets or in general economic conditions would likely result in a further reduction in demand for our products

and services. Additionally, we may have difficulty in collecting outstanding trade receivables from cash constrained clients, causing our cash flow to be adversely affected. Also, in such an environment, pricing pressures could continue, negatively impacting our gross margins.

Uncertainty of Access to Capital. Management currently believes that cash expected to be generated from operations and the Company's working capital will not be adequate to support the cash requirements of a desired significant expansion of its e-Learning Segment. The Company's efforts to seek new lines of credit have been unsuccessful to date. The Company is seeking additional equity financing of its e-Learning business. There can be no guarantee that such sources will be available in sufficient amounts or on terms favorable to TENERA, or at all.

Reliance on Major Customers; Concentration of Revenue from the Government Sector. During 2002 and 2001, one customer, Kaiser-Hill, accounted for 63% and 71%, respectively, of the Company's total revenues. Additionally, for 2002 and 2001, the concentration of the Company's total revenue from the government sector was 71% and 73%, respectively. This level of concentration of revenues from the lower margin government sector is expected to continue and possibly increase in the future. However, the new contract awarded to the Company by Kaiser-Hill in the fourth quarter of 2000 was a lower value and margin than the Company's prior contract, reflecting Kaiser-Hill's decision to discontinue use of lower-tier subcontract teams at the Site. Further, all outstanding customer contracts are cancelable upon notice by either party, and therefore, there can be no assurance that relationships with customers will be maintained at existing levels, or at all. The discontinuation or material reduction of business relations with any of these customers would have a material adverse impact on TENERA's business (see Item 1, "Business -- Clients").

History of Losses; Uncertainty of Future Profitability; Market for Shares. The Company recorded net (losses) of $(4.8 million) and $(2.0 million) in 2002 and 2001, respectively. And although the Company had net earnings of $0.8 million in 1992, $1.7 million in 1998, $1.3 million in 1999, and $0.1 million in 2000, net (losses) over the period 1991 through 1997 were $(6.4 million) in 1991, $(0.3 million) in 1993, $(1.2 million) in 1994, $(0.9 million) in 1995, $(1.1 million) in 1996, and $(1.9 million) in 1997. There can be no assurance of the level of earnings, if any, that the Company will be able to derive in the future, or the effect such losses will have on the Company's ability to meet exchange listing requirements, and the associated creation of a public market for its shares.

Competition. The market for professional and technical services, and e-Learning is highly competitive and TENERA competes with several larger firms with significantly greater resources. Significant competitive factors in the market for the Company's offerings are price and the ability to offer new products and services designed to meet changing customer demand. A number of TENERA's competitors are able to offer such services at prices that are lower than those offered by TENERA, and to devote far greater resources toward the development of new products and services. This competition has had, and is expected to continue to have, a material adverse impact on TENERA's business.

Reliance on Key Personnel. Due to the nature of the consulting and professional services business, the Company's success depends, to a significant extent, upon the continued services of its officers and key technical personnel and the ability to recruit additional qualified personnel. The Company has experienced a historically high rate of turnover as revenue and earnings have declined. Further loss of such officers and technical personnel, and the inability to recruit sufficient additional qualified personnel, could have a material adverse effect on the Company.

Uncertainty Regarding Industry Trends and Customer Demand. As a result of the slowdown in the construction of power plants and the absence of new power plants scheduled for construction, as well as the gradual deregulation of the production and distribution of electricity, the market for engineering services relating to licensing and construction of power plants has contracted, and the market for services related to efficient and profitable operation of existing capacity has expanded. There can be no assurance that (i) TENERA will have the financial and other resources necessary to successfully research, develop, introduce, and market new products and services, (ii) if, or when, such new products or services are introduced, they will be favorably accepted by current or potential customers, or (iii) TENERA will be otherwise able to fully adjust its services and products to meet the changing needs of the industry (see Item 1, "Business -- General").

Government Contracts Audits. The Company's United States government contracts are subject in all cases to audit by governmental authorities. In 1994, an audit was concluded, which began in 1991, of certain of its government contracts with the DOE relating to the allowability of certain employee compensation costs. The Company made a special charge to earnings in 1991 for a $2.4 million provision for the potential rate adjustments then disputed by the Company and the government. As a result of resolving certain issues in the dispute, the Company recognized increases to earnings of $500,000 in 1994, $250,000 in 1996, $150,000 in 2000, and $150,000 in 2001. Remaining cash payments to clients associated with the settlement are estimated to be approximately $300,000, which were accrued for in a prior year, and are expected to be made as government contracts with individual clients are closed out. There can be no assurance that no additional charges to earnings of the Company may result from future audits of the Company's government contracts.

Item 7A. Quantitative and Qualitative Disclosure about Market Risk

The Company has minimal exposure to market and interest risk as the Company invests its excess cash in instruments, which mature within 90 days from the date of purchase. The Company does not have any derivative instruments.

Item 8. Financial Statements and Supplementary Data

TENERA, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

	Year Ended December	
	2002	2001
Revenue	$ 13,823	$ 20,065
Direct Costs	12,388	15,697
General and Administrative Expenses	5,953	7,487
Impairment Loss	350	--
Other Income (Expense)	(2)	--

Operating Loss...	(4,870)	(3,119)
Interest (Expense) Income, net	(92)	19
Net (Loss) Earnings Before Income Tax (Benefit) Expense	(4,962)	(3,100)
Income Tax (Benefit) Expense	(156)	(1,070)
Net (Loss) Earnings	$ (4,806)	$ (2,030)
Net (Loss) Earnings per Share-- Basic	$ (0.48)	$ (0.20)
Net (Loss) Earnings per Share-- Diluted	$ (0.48)	$ (0.20)
Weighted Average Number of Shares Outstanding-- Basic.......	9,984	9,984
Weighted Average Number of Shares Outstanding-- Diluted.....	9,984	9,984

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TENERA, INC.
CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)

	Decemb
	2002
ASSETS	
Current Assets	
Cash and cash equivalents	$ 1,277
Trade receivables, less allowances of $539 (2001 - $547)	
Billed	620
Unbilled	635
Income tax receivable...	--
Other current assets	185
Total Current Assets	2,717
Property and Equipment, Net	243
Other Assets	576
Total Assets	$ 3,536
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY	
Current Liabilities	
Accounts payable..	$ 1,068
Accrued compensation and related expenses	1,397
Deferred revenue	391
Convertible debt and accrued interest	1,605

Total Current Liabilities	4,461
Stockholders' (Deficit) Equity	
Common Stock, $0.01 par value, 25,000,000 authorized, 10,417,345 issued, and 9,984,259 outstanding at December 31, 2002 and 2001, respectively	104
Paid in capital, in excess of par	5,693
Accumulated deficit	(6,229)
Treasury stock--433,086 shares at December 31, 2002 and 2001, respectively	(493)
Total Stockholders' (Deficit) Equity	(925)
Total Liabilities and Stockholders' (Deficit) Equity	$ 3,536

TENERA, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' (DEFICIT) EQUITY

(In thousands)

	Common Stock		Paid-In Capital in Excess of Par	Retained Earnings (Accumulated Deficit)	
	Shares	Amount			
December 31, 1999	9,934	$ 104	$ 5,699	$ 507	$
Exercise of Stock Options	50	--	(24)	--	
Net Earnings	--	--	--	100	
December 31, 2000	9,984	$ 104	$ 5,675	$ 607	$
Capital Contribution	--	--	2	--	
Net Loss	--	--	--	(2,030)	
December 31, 2001	9,984	$ 104	$ 5,677	$ (1,423)	$
Fair Value of Stock Compensation to Consultant	--	--	16	--	
Net Loss	--	--	--	(4,806)	
December 31, 2002	9,984	$ 104	$ 5,693	$ (6,229)	$

TENERA, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Year Ended December 2002	Year Ended December 2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) earnings	$ (4,806)	$ (2,030)
Adjustments to reconcile net (loss) earnings to cash used by operating activities:		
Depreciation and amortization	893	752
Impairment loss	350	--
Net loss (gain) on disposal of assets	2	--
Stock compensation to consultant	16	--
Changes in assets and liabilities:		
Trade receivables, net of allowance..................	1,537	2,641
Income tax receivable	884	(723)
Other current assets	(123)	169
Other assets	(89)	(793)
Accounts payable	(68)	(1,117)
Accrued compensation and related expenses	(354)	(81)
Deferred revenue	165	130
Accrued interest expense	105	--
Net Cash Used by Operating Activities	(1,488)	(1,052)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(22)	(151)
Acquisition of application development software	--	--
Proceeds from sale of assets	1	--
Net Cash Used by Investing Activities	(21)	(151)
CASH FLOWS FROM FINANCING ACTIVITIES		
Sale of convertible debentures	1,500	--
Issuance of equity in subsidiary	--	2
Issuance of common stock from Treasury	--	--
Net Cash Provided by Financing Activities	1,500	2
NET DECREASE IN CASH AND CASH EQUIVALENTS	(9)	(1,201)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,286	2,487
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,277	$ 1,286

TENERA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2002

Note 1. Organization

TENERA, Inc. (including its subsidiaries, "TENERA", or the "Company") provides a broad range of professional and technical services, and web-based e-Learning solutions. The Company's professional and technical services are designed to solve complex management, engineering, environmental, health and safety challenges associated with the management of federal government properties, energy assets, and petrochemical and manufacturing concerns. TENERA's web-based e-Learning products and services, provided through the Company's GoTrain Corp. subsidiary (`GoTrain"), are designed to provide a suite of on-line, interactive, compliance and regulatory-driven training applications for use by clients' employees.

The Company is principally organized into two operating segments: Professional and Technical Services and e-Learning (see Note 8 to Consolidated Financial Statements).

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company experienced consolidated net losses of approximately $4.8 million in 2002 and $2.0 million in 2001. Cash balances at December 31, 2002 were about the same as December 31, 2001 at $1.3 million. The consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

The principal factor for the Company's consolidated loss performance and strain on cash in recent years has been the dedication of resources to the Company's e-learning subsidiary, GoTrain Corp., and the resultant losses from the start-up phase of this new business segment.

In 2001, management explored financing alternatives that could address the reduction of the Company's working capital resulting from this internal investment strategy. Additionally, in 2001, the Company took steps to reduce its cash requirements through a salary reduction program and furloughing personnel, which carried into 2002. Further, in March 2002, GoTrain Corp. issued convertible debentures in the amount of $1,500,000 to an investment fund to permit it to continue to develop its business without requiring further significant financial resources from the Company, which previously had been the sole source of GoTrain's funding.

In 2003, the Board of Directors has determined that the Company's limited financial resources, as well as the increasingly more costly regulatory climate to operate as a public company, require it to actively seek to dispose of its operating segments or permit its operating units to dispose of their assets in order to preserve shareholder value. Therefore, the Company is exploring alternatives for reducing negative cash flow from operations, including the possible sale or shutdown of certain operating units. There can be no assurance that adequate liquidity will materialize in quantities or timeframes, or sustainable in the current economic slowdown projected by management.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation. The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany accounts and transactions have been eliminated.

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ materially from these estimates.

Cash and Cash Equivalents. Cash and cash equivalents at December 31, 2002 and December 31, 2001 consisted of deposited cash and money market accounts at a banking institution. Additionally, throughout the referenced fiscal years, the Company has invested in commercial paper issued by companies with strong credit

ratings. There were no such investments at the end of 2002 and 2001. The Company includes in cash and cash equivalents, all short-term, highly liquid investments, which mature within three months of acquisition.

Concentrations of Credit Risk and Credit Risk Evaluations. Financial instruments, which potentially subject the Company to concentrations of credit risk, consist primarily of cash and cash equivalents and accounts receivable. Cash and cash equivalents consist principally of money market accounts. Cash and cash equivalents are held with a domestic financial institution with high credit standing. The Company has not experienced any significant losses on its cash and cash equivalents. The Company conducts business with companies in various industries primarily in the United States. The Company performs ongoing credit evaluations of its customers and generally does not require collateral. Allowances are maintained for potential credit issues, and such losses to date have been within management's expectations. Included in accounts receivable are certain trade receivables related to U.S. government contracts and included in the net balance of accounts receivable are allowances of $539,000 for doubtful accounts, which includes approximately $400,000 for disputed amounts arising from government audits related to the government contract receivables. At December 31, 2002, three clients accounted for 19%, 17% and 13% of trade receivables. At December 31, 2001, three clients accounted for 42%, 12%, and 10% of the Company's trade receivables. During 2002 and 2001, one client accounted for 63% and 71%, respectively, of total Company revenue. All the above concentrations relate to Professional and Technical Services Segment clients.

Property and Equipment. Property and equipment are stated at cost ($3,368,000 and $3,360,000 at December 31, 2002 and 2001, respectively), net of accumulated depreciation ($3,125,000 and $2,814,000 at December 31, 2002 and 2001, respectively). Depreciation is calculated using the straight-line method over the estimated useful lives, which range from three to five years.

Other Assets and Impairment. Included in this asset category are the costs of internal-use e-Learning operating system software, both acquired and developed by the Company, and certain costs related to the development of the Company's e-Learning training courses used in its internet-based application service provider business. These costs have been capitalized in accordance with Statement of Position 98-1, "Accounting for the Costs of Computer Software

Developed or Obtained for Internal Use". Under the Company's business model through the second quarter of 2002, a limited license was granted to our clients to access the Company's training system via the internet. The proprietary software resides on the Company's computers and prior to the third quarter of 2002, clients had no other rights to the software. All training and maintenance costs are expensed as incurred. For the year ended December 31, 2002, the Company capitalized $104,000 of developed software costs, compared to $793,000 for the same period in 2001. At December 31, 2002 and December 31, 2001, the Company had $526,000 and $1,232,000, respectively, of capitalized software costs, net of accumulated amortization of $785,000 and $340,000, respectively, and, at December 31, 2002, net of the $350,000 impairment charge previously reported and discussed below. The estimated remaining useful life of costs capitalized is 17 months. For 2002 and 2001, the amortization of capitalized software costs totaled $445,000 and $252,000, respectively.

In the third quarter of 2002, the Company modified its business model in response to changes in the e-Learning marketplace. In addition to hosting training courses on its internal e-Learning operating system, the Company began offering content only and perpetual licenses to its customers, whereby courses can be run on third-party operating systems. Because of this change, any new development costs associated with this product offering must be accounted for under the guidelines of Statement of Financial Accounting Standards (SFAS) No. 86, Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed. Under SFAS No. 86, software development costs subsequent to the decision to allow certain products to be licensed and run on third-party operating systems, generally will be expensed as incurred, as the time between achieving technological feasibility and general release of the product is not significant. For 2002, the Company expensed $160,000 of software development costs.

Due to historical and projected losses in its e-Learning Segment, the Company reassessed the carrying values of its long-lived assets , including capitalized software development costs, in accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (see "Recent Accounting Pronouncements"). Based on a variety of factors, including actual revenues and/or usage attributable to individual library courses and the identification of software no longer to be used or supported by the Company,

certain software with a carrying value of approximately $350,000 was determined to have no future utility or value. Accordingly, in the third quarter of 2002 as previously reported, the Company recorded an impairment charge to fully write-off the carrying value of these capitalized software costs.

In accordance with the provisions of FASB Statement 144, the Company has estimated the sum of undiscounted net operating cash flows of its business segments over the expected useful lives of the remaining long-lived assets and determined that they exceeded the net carrying value of these assets. Accordingly, no further asset impairment is evident at December 31, 2002. Given the history of losses, the Company will perform an assessment of potential long-lived asset impairment each quarter.

Revenue. The Company's Professional and Technical Services Segment primarily offers its services to the United States electric power industry and the Department of Energy ("DOE"). Revenue from time-and-material and cost plus fixed-fee contracts is recognized when service is performed and costs are incurred. Revenue from fixed-price contracts is recognized on the basis of percentage of work completed (measured by costs incurred relative to total estimated project costs). The Company's fixed-price contracts are typically less than six months in duration and are billed at project completion.

The Company's e-Learning Segment's nonrefundable upfront subscription/license fees are recognized ratably over the contractual term, which is typically one year. License and subscription revenue recognition commences when delivery of initial access to the Company's learning management system and course(s) occurs in accordance with Staff Accounting Bulletin 101 (SAB 101). In addition, usage fee revenue is recognized on an actual usage basis.

For perpetual license sales of courses to customers, whereby the Company may not be the application service provider, the Company must recognize revenue in accordance with Statement of Position (SOP) 97-2, as amended by SOP 98-4 and SOP 98-9. As noted above, prior to the change in the business model, the Company capitalized costs related to the development of the e-Learning training courses under SOP 98-1. In accordance with that statement, before revenue can be recognized from any non-hosted sales of e-Learning training courses for which the development costs have been capitalized, the carrying value of the training course capitalized costs must be reduced to zero by the value of the non-hosted sales. At December 31, 2002, the remaining net capitalized costs of the e-Learning courses was $117,000, net of $15,000 of non-hosted sales recorded as a contra-asset in the fourth quarter of 2002.

Reserves are maintained for potential sales adjustments and credit losses; such losses to date have been within management's expectations. Actual revenue and cost of contracts in progress may differ from management estimates and such differences could be material to the financial statements.

Income Taxes. The Company uses the liability method to account for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates and laws that will be in effect when the differences are expected to reverse.

For the year ended December 31, 2002, the net tax benefit of $156,000 reflects federal tax refunds received for years 1999 and 1998 due to enactment in 2002 of the Economic Growth and Tax Relief Reconciliation Act.

Per Share Computation. Basic earnings per share is computed by dividing net earnings by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution of securities by adding other common stock equivalents, including stock options and convertible debentures, in the weighted average number of common shares outstanding for a period, if dilutive. The determination of fully diluted earnings per share excludes the impact of 1,449,500 additional shares of TENERA common stock, issuable upon the exercise of outstanding stock options, because they are antidilutive. Also excluded from the computation of fully diluted earnings per share as antidilutive are the potential impact of the conversion of GoTrain convertible debentures (see Note 5 to Consolidated Financial Statements) and GoTrain Subsidiary Stock options of 3,333,000 shares and 1,902,387 shares, respectively, to GoTrain common stock.

The following table sets forth the computation of basic and diluted earnings per share as required by Financial Accounting Standards Board Statement No. 128:

(In thousands, except per share amounts)

	Year Ended December	
	2002	2001
Numerator:		
Net (loss) earnings	$ (4,806)	$ (2,030)
Denominator:		
Denominator for basic earnings per share-- weighted-average shares outstanding.......................	9,984	9,984
Effect of dilutive securities:		
Employee & Director stock options (Treasury stock method)	--	--
Denominator for diluted earnings per share-- weighted-average common and common equivalent shares	9,984	9,984
Basic (loss) earnings per share	$ (0.48)	$ (0.20)
Diluted (loss) earnings per share	$ (0.48)	$ (0.20)

Stock Option Plans. The Company has elected to follow APB 25 and related interpretations in accounting for its employee stock options because, as discussed below, the alternative fair value accounting provided for under FAS 123 requires use of option valuation models that were not developed for use in valuing employee stock options. Under APB 25, because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

Proforma Disclosures of the Effect of Stock-Based Compensation. Pro forma information regarding net earnings (loss) and earnings (loss) per share is required by FAS 123 and has been determined as if the Company had accounted for its stock options under the fair value method of FAS 123. The fair value for the TENERA options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for 2002, 2001, and 2000: risk-free interest rates of 4.0% for the March 2002 grant, 5.5% and 5.0% for March and August 2001 grants, respectively, and 6.25% for the March and April 2000 grants; dividend yield of 0% for all years; volatility factors of the expected market price of the Company's common stock of 0.817, 0.695, and 0.65 for the years 2002, 2001, and 2000, respectively; and a weighted-average expected life of the option of five years for all employee grants and seven years for director grants. The fair value for the GoTrain options was estimated at the date of grant in 2002 using the Black-Scholes option pricing model with the following weighted-average assumptions: risk-free interest rate of 4.0%; dividend yield of 0%; volatility factor of 0.82; and a weighted-average expected life of the option of seven years.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, options valuation models require the input of highly subjective assumptions including the expected stock price volatility. Since the Company's stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its stock options.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the vesting periods of the options. The Company has elected to base its initial estimate of compensation expense on the

total number of options granted. Subsequent revisions to reflect actual forfeitures are made in the period the forfeitures occur through a catch-up adjustment.

Pro forma information regarding the Company's net (loss) earnings and (loss) earnings per share follows:

(In thousands, except per share amounts)

	Year Ended December	
	2002	2001
Net (Loss) Earnings -- As Reported	$ (4,806)	$ (2,030)
Pro Forma Net Loss -- FAS 123	$ (4,862)	$ (2,119)
Net (Loss) Earnings per Share-- As Reported Basic	$ (0.48)	$ (0.20)
Net (Loss) Earnings per Share-- As Reported Diluted	$ (0.48)	$ (0.20)
Pro Forma Net Loss per Share-- FAS 123 Basic	$ (0.49)	$ (0.21)
Pro Forma Net Loss per Share-- FAS 123 Diluted	$ (0.49)	$ (0.21)

The weighted-average grant-date fair value of TENERA options granted, which is the value assigned to the options under FAS 123, was $0.37, $0.32, and $1.20 for grants made during years ended December 31, 2002, 2001, and 2000, respectively. The weighted-average grant-date fair value of GoTrain options granted, which is the value assigned to the options under FAS 123, was $0.18 for grants made in 2002.

Comprehensive Income. The Company does not have any components of comprehensive income. Therefore, comprehensive income is equal to net earnings reported for all periods presented.

Disclosures about Segments of an Enterprise. The Company has two reportable operating segments, which are: Professional and Technical Services and e-Learning (see Note 8 to Consolidated Financial Statements).

Recent Accounting Pronouncements. In October 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets ("FAS 144"), which supersedes FAS No. 121, and Accounting Principles Board No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions". FAS 144 also amends Accounting Research Bulletin No. 51, "Consolidated Financial Statements". FAS 144 requires that long-lived assets that are disposed of by sale be measured at the lower of book value or fair value less cost to sell. The statement also significantly changes the criteria required to classify an asset as held-for-sale. Additionally, FAS 144 expands the scope of discontinued operations to include all components of an entity with operations that (1) can be distinguished from the rest of the entity and (2) will be eliminated from the ongoing operations of the entity in a disposal transaction. The Company adopted FAS 144 for its fiscal year on January 1, 2002. The Company recorded an impairment loss of $350,000 in 2002 (see Note 2 to Consolidated Financial Statements) and will continue to assess the impact of FAS 144 on the carrying value of its long-lived assets.

In December 2002, the FASB issued Statement of Financial Accounting Standards No. 148, Accounting for Stock-Based Compensation -- Transition and Disclosure, or SFAS 148. This statement amends FASB Statement No. 123, Accounting for Stock-Based Compensation, to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. This statement also amends the disclosure requirements of Statement 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The provisions of this statement relating to alternative transition methods and annual disclosure requirements are effective for fiscal years ending after

December 15, 2002. The provisions of this statement relating to interim financial information are effective for the quarter ending March 31, 2003. The transitional provisions will not have an impact on our financial statements unless we elect to change from the intrinsic value method to the fair value method. We have adopted SFAS 148 as of December 31, 2002 and we believe that the provisions relating to annual and interim disclosures have changed the manner in which we disclose information regarding stock-based compensation.

Reclassifications. Certain reclassifications of prior year amounts have been made to conform with current presentation.

Note 3. Employee Benefit Plans

401(k) Savings Plan. The 401(k) Savings Plan is administered through a trust that covers substantially all employees. During 2001, employees could contribute amounts to the plan up to 15% of salary. The Company matches employee contributions equal to 50% of the first 4% of salary deferred. The Company, at its discretion, may also contribute funds to the plan for the benefit of employees. In 2002, 2001, and 2000, charges to earnings for the 401(k) Savings Plan were $92,000, $117,000, and $143,000, respectively. During 2002, 2001, and 2000, the Company contributed no discretionary amounts to the plan.

Stock Option Plans. Under the provisions of the Company's 1992 Option Plan, 1,500,000 TENERA shares are reserved for issuance upon the exercise of options granted to key employees and consultants. The options generally vest over a three year period and expire six years from date of grant. There were no options granted in 2002 under the plan. In 2001, options were granted for 260,000 shares at an exercise price of $0.48, the then fair market value, expiring August 13, 2007. During 2000, options were granted for 30,000 shares at an exercise price of $1.2625, the then fair market value, expiring on April 18, 2006. During 2002, options for 354,500 shares were forfeited (38,000 and 70,000 in 2001 and 2000, respectively). No options were exercised in 2002 and 2001 (15,000 in 2000). As of December 31, 2002, options for 1,085,500 shares were outstanding and options for 1,032,500 shares were exercisable.

Under the provisions of the 1993 Outside Directors Compensation and Option Plan, which was approved by the Board of Directors, effective March 1, 1994, as amended in 1998, 500,000 TENERA shares are reserved for issuance upon the exercise of options granted to non-employee directors. These options vest over a one year period and expire ten years from date of grant. In 2002, options were granted for 50,000 shares at an exercise price of $0.49, the then fair market value, expiring on March 1, 2012. In 2001, options were granted for 50,000 shares at an exercise price of $0.57, the then fair market value, expiring on March 1, 2011. During 2000, options were granted for 46,000 shares at an exercise price of $2.125, the then fair market value, expiring on March 1, 2010. During 2002, 2001, and 2000, no options were forfeited. No options were exercised in 2002 and 2001 (35,500 share options were exercised in 2000). As of December 31, 2002, options for 364,500 shares were outstanding and 314,500 were exercisable.

The combined stock option activity of the Company's two TENERA option plans is summarized below:

(In thousands, except per share amounts)

	Year Ended December 31,				
	2002		2001		
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price	Options
Outstanding -- Beginning of Year ..	1,754	$ 0.95	1,482	$ 1.06	1,526

Granted	50	0.49	310	0.49	76
Exercised	--	--	--	--	(50)
Forfeited	(354)	1.18	(38)	1.26	(70)
Outstanding -- End of Year	1,450	$ 0.88	1,754	$ 0.95	1,482
Exercisable at End of Year	1,347	$ 0.91	1,567	$ 1.01	1,319

Exercise prices for options outstanding as of December 31, 2002, ranged from $0.48 to $2.125. The weighted-average remaining contractual life of those options is 2.4 years.

In April 2002, GoTrain adopted the GoTrain Corp. 2002 Stock Option and Stock Plan ("GoTrain Plan") to provide additional incentive to GoTrain employees, directors, and consultants. Under the provisions of the GoTrain Plan, 2,500,000 shares of GoTrain Corp. common stock ("Subsidiary Stock") are reserved for issuance upon exercise of Subsidiary Stock options and Subsidiary Stock purchase rights granted. The Subsidiary Stock options generally vest over a four year period and expire ten years from date of grant. In 2002, GoTrain's board of directors granted Subsidiary Stock options to employees and directors to acquire 1,800,557 shares of Subsidiary Stock at $0.31 per share. GoTrain management believes the exercise price per share of Subsidiary Stock options approximated the fair value per share, or above fair value, on the dates of the grants, and accordingly, no compensation expense was recorded.

During the second quarter of 2002, GoTrain also granted 250,000 Subsidiary Stock options to a former officer of, and now consultant to, GoTrain at an exercise price of $0.36 per share. These Subsidiary Stock options were granted in exchange for services through April 16, 2004 and cliff vest on that date. The Subsidiary Stock options were revalued, subsequently, under the guidance of Statement of Financial Standards No. 123 ("FAS 123") using a Black-Scholes option pricing model with the following assumptions: market price of $.14 per share, risk-free interest rate of 4.0%, dividend yield of 0%, volatility factor of .8, and a 10 year contractual term. Under FAS 123, these options will be revalued at the end of each reporting period and stock compensation expense will be recognized ratably over the vesting term. In 2002, $9,000 of stock compensation expense was recognized and charged to general and administrative expenses.

During 2002, no Subsidiary Stock options were exercised and 148,170 options were forfeited. As of December 31, 2002, options for 1,902,387 GoTrain shares were outstanding and options for 330,477 shares were exercisable.

Additionally, as part of the consulting arrangement entered into with the same former GoTrain officer mentioned above, this consultant was allowed to retain 45,000 vested TENERA stock options under the same terms as originally granted, rather than be subject to the forfeiture provisions of the plan related to employee terminations. The 45,000 TENERA stock options are comprised of two grants: 25,000 options expiring March 2005 with an exercise price of $1.36 and 20,000 options expiring April 2006 with an exercise price of $1.26. Because the terms of the grants were modified upon the change from employee to consultant, the modified stock options were accounted for as new grants and the fair value method (FAS 123) was used to determine the values. The valuations of the 25,000 and 20,000 option grants were calculated using the Black-Scholes option pricing model with the following assumptions: market price of $0.49 per share for both grants, risk-free interest rate of 3.0% and 3.5%, respectively, dividend yield of 0% for both grants, volatility factor of .8 for both grants, and 3 years and 4 years contractual terms, respectively. The combined value of these modified grants was $7,000 and was charged to TENERA's general and administrative expenses in the quarter ended June 30, 2002. Because these options were fully vested at the time of the employee's termination, they are not subject to revaluation.

Note 4. Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities as of December 31, 2002 and 2001 are as follows, using the liability method:

(In thousands)	Decemb
	2002
Current Deferred Tax Assets	
Net Operating Loss	$ 1,276
Accrued Expenses Not Currently Deductible	1,025
Differences Between Book and Tax Depreciation and Amortization	329
Other	178
Total Current Gross Deferred Tax Assets	2,808
Less: Valuation Allowance	(2,419)
Current Deferred Tax Liabilities	
Software Development Costs..	389
Other	--
Net Current Deferred Tax Liabilities	$ --

The current tax benefit/provision for the years ended December 31, 2002, 2001, and 2000, are as follows:

(In thousands)	Year Ended December	
	2002	2001

Current:		
Federal	$ (174)	$ (1,083)
State	18	13
Tax (Benefit) Provision	$ (156)	$ (1,070)

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Realization of deferred tax assets is dependent upon future earnings, if any, the timing and amount of which are uncertain. Accordingly, the net deferred tax assets have been fully offset by a valuation allowance. The valuation allowance increased by $1,624,000 for the year ended December 31, 2002 for those deferred tax assets that may not be realized. As of December 31, 2002, the Company had net operating loss carryforwards for federal income tax purposes of approximately $3,756,000 which expire in the years 2021 and 2022, and for state income tax purposes of approximately $7,916,000 which expire in the years 2009 through 2023. Utilization of the Company's net operating loss may be subject to substantial annual limitations due to ownership change limitations provided by the Internal Revenue Code and similar state provisions. Such limitations could result in the expiration of the net operating loss before utilization.

The benefit/provision for income taxes differed from the amount computed by applying the statutory federal and state income tax rate for the years ended December 31, 2002, 2001, and 2000, as follows:

	Year Ended December	
	2002	2001
Federal Statutory Rate	(34%)	(34%)
State Effective Rate	(6%)	(6%)
State Taxes Payable, Net of Federal Benefit	0%	0%
Permanent Differences	3%	1%
Increase in Valuation Allowance	33%	3%
Other	1%	1%
Income Tax (Benefit)/Provision	(3%)	(35%)

The Company paid no federal income taxes in 2002 and 2001.

Note 5. Commitments and Contingencies

Leases. The Company occupies facilities under noncancelable operating leases expiring at various dates through 2005. The leases call for proportionate increases due to property taxes and certain other expenses. Rent expense amounted to $711,000 for the year ended December 31, 2002 ($710,000 in 2001 and $537,000 in 2000).

Minimum rental commitments under operating leases, principally for real property, are as follows (in thousands):

(Year Ending December 31)
2003 ....
2004 ....
2005 ....
2006 and Thereafter ....
Total Minimum Payments Required ....

Revolving Loan Agreement. A loan agreement with the Company's bank expired in May 2001 and was not renewed. The Company is currently pursuing a new credit facility with its bank and others. During 2001 and 2000, the Company paid no cash for interest expense.

Note 6. Long-Term Obligations

In June 2001, GoTrain entered into a five-year agreement with SkillSoft (formerly SmartForce) to co-develop and distribute ES&H and regulatory content via the SmartForce internet platform. Under the agreement, GoTrain retains the ownership of its proprietary content and GoTrain shares in the revenue of any GoTrain content sold by SmartForce. As part of the agreement, GoTrain was required to make an initial payment of $50,000 to SmartForce at inception and quarterly payments of $68,500 commencing September 30, 2001 (due sixty days thereafter), for platform license and maintenance, and integration of existing GoTrain content. The Company has paid $68,500 to SmartForce under the agreement in 2002.

In June 2002, SmartForce announced that it had entered into an agreement to merge with SkillSoft, another e-Learning company, which was completed in September 2002. The surviving entity, known as SkillSoft, assumed GoTrain's agreement with SmartForce. GoTrain is currently in negotiations with SkillSoft to restructure the SmartForce agreement.

As of December 31, 2002, minimum net payments, which are being accrued when due, are as follows (in thousands):

(Year Ending December 31)

2003	
2004	
2005	
2006 and Thereafter	
Total Minimum Payments Required	

Note 7. Convertible Debt

In March 2002, the Company's GoTrain subsidiary sold subordinated convertible debentures to private investors for a total principal amount of $1,500,000 ("Series 1 Debenture" - $1,000,000; "Series 2 Debenture" - $500,000). Each debenture bears simple interest at the rate of 8% per annum, with cumulative interest payable only if the debenture is not converted into convertible preferred stock of GoTrain, pursuant to the debenture terms. The maturity date of each debenture is July 31, 2003.

The holders of the Series 1 Debenture have the option at any time to convert some or all of the debenture principal balance into convertible preferred stock of GoTrain at a conversion price of $0.45 per share. Otherwise, the debenture will be automatically converted into convertible preferred stock upon the earlier of July 31, 2003, or in the event of an underwritten public offering of GoTrain common stock. At full conversion, the holders would own approximately 22% of GoTrain's outstanding capital stock, subject to potential dilution from Subsidiary Stock options and Subsidiary Stock purchase rights granted under the GoTrain Plan.

GoTrain has the option at any time to repay some or all of the Series 2 Debenture at face value or convert some, or all, of the debenture into convertible preferred stock at a conversion price of $0.45 per share. Otherwise, the debenture will automatically convert into convertible preferred stock under the same terms as the Series 1 Debenture. In the event of full conversion, the holders of the Series 2 Debenture would own approximately 11% of GoTrain's outstanding capital stock, subject to potential dilution from Subsidiary Stock options and Subsidiary Stock purchase rights granted under the GoTrain Plan.

On December 31, 2002, upon full conversion of the Series 1 and Series 2 debentures and the outstanding Subsidiary Stock options, the holders of the debentures would own approximately 29% of GoTrain.

The Company accrued $105,000 of interest expense in 2002 related to these debentures.

Note 8. Segment Information

Based on the criteria established by Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" (FAS 131"), the Company operates in two business segments based on product/service differentiation. In accordance with FAS 131, the Company is required to describe its reportable segments and provide data that is consistent with the data made available to the Company's Chief Operating Decision Maker to assess performance and make decisions.

The measure of profit or loss used for each reportable segment is net earnings (loss) before the effect of income taxes. The accounting policies for the segments are the same as for the Company taken as a whole. Certain corporate expenses are allocated to these operating segments and are included for performance evaluation. Annual employee bonuses, if any, are recorded at the corporate level. Assets are not allocated to operating segments for reporting to the Company's Chief Operating Decision Maker ("CODM") and the Company does not prepare segmental balance sheets. Depreciation and amortization expenses are allocated to the operating segments based on the fixed assets in the underlying subsidiaries comprising the segments. Depreciation and amortization expenses for the e-Learning segment were combined with the Professional and Technical Services Segment in 1999. There are no intersegment revenues on transactions between reportable segments.

Information about the operating segments for the years 2002, 2001, and 2000, and reconciliation to the Consolidated Statements of Operations, are as follows:

(In thousands)

	Year Ended December	
	2002	2001
REVENUE		
Professional and Technical Services.....................	$ 12,490	$ 18,964
e-Learning	1,333	1,101
Total	$ 13,823	$ 20,065
NET (LOSS) EARNINGS BEFORE INCOME TAX		
Professional and Technical Services	$ (544)	$ 815
e-Learning	(3,779)	(3,542)
Corporate and Other	(639)	(373)
Total	$ (4,962)	$ (3,100)
DEPRECIATION AND AMORTIZATION EXPENSE		
Professional and Technical Services	$ 45	$ 59
e-Learning	833	671
Corporate and Other	15	22
Total	$ 893	$ 752

Revenues outside of the United States have been less than 1% of total Company revenues in each of the years ended December 31, 2002, 2001, and 2000, respectively. Therefore, no enterprise-wide geographical data has been provided. The Company provides services and products to clients throughout the United States, and the geographical location of the client is not used for decision-making or performance evaluation.

Note 9. Selected Quarterly Consolidated Financial Data (Unaudited)

A summary of the Company's quarterly financial results follows.

(In thousands, except per share amounts)

	Quarter Ended				Quarter Ended		
	12/31/02	9/30/02	6/30/02	3/31/02	12/31/01	9/30/01	6/30/
Revenue	$ 3,020	$ 3,182	$ 3,489	$ 4,132	$ 4,450	$ 4,441	$ 5,3
Direct Costs	2,517	2,938	3,301	3,633	3,512	3,549	4,1
General and Administrative Expenses	1,259	1,449	1,637	1,607	1,512	1,719	2,1
Impairment Loss.........	--	350	--	--	--	--	
Other Inc (Exp)	--	--	1	(3)	--	--	
Operating Loss.........	(756)	(1,555)	(1,448)	(1,111)	(574)	(827)	(9
Interest (Exp) Income, net .	(27)	(26)	(25)	(14)	3	(18)	
Net Loss Before Inc. Tax Exp (Benefit)....	(783)	(1,581)	(1,473)	(1,125)	(571)	(845)	(9
Income Tax Exp (Benefit)	--	3	(174)	15	(336)	(245)	(2
Net Loss.....	$ (783)	$(1,584)	$(1,299)	$(1,140)	$ (235)	$ (600)	$ (6
Net Loss Per Share-Basic..	$ (0.08)	$ (0.16)	$ (0.13)	$ (0.11)	$ (0.02)	$ (0.06)	$ (0.
Net Loss Per Share-Diluted	$ (0.08)	$ (0.16)	$ (0.13)	$ (0.11)	$ (0.02)	$ (0.06)	$ (0.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders
TENERA, Inc.

We have audited the accompanying consolidated balance sheets of TENERA, Inc. at December 31, 2002 and 2001, and the related consolidated statements of operations, stockholders' (deficit) equity, and cash flows for each of the three years in the period ended December 31, 2002. Our audits also included the financial statement schedule listed in the Index at Item 14(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of TENERA, Inc. at December 31, 2002 and 2001, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole presents fairly, in all material respects, the information set forth therein.

The accompanying financial statements have been prepared assuming that TENERA, Inc. will continue as a going concern. As more fully described in Note 1, the Company has experienced declining revenues and a consolidated net loss for the year ended December 31, 2002 and 2001. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

/s/ ERNST & YOUNG LLP

San Jose, California
February 25, 2003

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

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

The following tables set forth certain information with respect to the directors and executive officers of the Company.

The directors of the Company are as follows:

William A. Hasler, 61, has served as a Director of the Company since his election in March 1992 and Chairman of the Board of the Company since July 1998. Mr. Hasler is Co-Chief Executive Officer of Aphton Corporation, an international biotechnology firm. Previously, Mr. Hasler was Dean and Department Chair of the Haas School of Business at the University of California, Berkeley. Prior to his appointment as Dean in 1991, Mr. Hasler was Vice Chairman of Management Consulting for KPMG Peat Marwick from 1986 to 1991. Mr. Hasler is also a director of Solectron Corporation, Aphton Corporation, Elevon, DiTech Communications Corporation, The Schwab Funds, and DMC Stratex Networks. Additionally, Mr. Hasler has served as chairman of the board of Solectron Corporation since January 2003.

Jeffrey R. Hazarian, 47, has served as a Director of the Company since his election in October 1996, and was named its Executive Vice President in November 1997. He has also served as its Chief Financial Officer and Corporate Secretary since 1992. Previously, Mr. Hazarian held the position of Vice President of Finance from 1992 to 1997.

Thomas S. Loo, Esq., 59, was elected as a Director of the Company in February 1997. He previously served as a Director of the Company from August 1987 to September 1993. Mr. Loo is a partner of Greenberg Traurig, LLP, general counsel to the Company since November 2001. Previously, Mr. Loo had been a partner, since 1986, of Bryan Cave LLP, which was general counsel to the Company. Mr. Loo has also served as a director of Teknekron Corporation since

March 1989.

Robert C. McKay, 51, has served as a Director of the Company since his election in June 1997, and was appointed its Chief Executive Officer and President in November 1997. Previously, Mr. McKay was Chief Operating Officer of the Company since April 1997. He was elected Senior Vice President of the Company in December 1992.

Andrea W. O'Riordan, 32, has served as Director of the Company since her election in June 1998. Ms. O'Riordan is Communications Manager of field sales, process and automation, and core technologies training for Oracle Corporation. Prior to her joining Oracle Corporation in 1996, Ms. O'Riordan was Marketing Coordinator, Latin America, for a Reuters Company, from 1993 to 1995.

George L. Turin, Sc.D., 73, has served as a Director of the Company since his election in March 1995. Previously, Mr. Turin served as a Professor of Electrical Engineering and Computer Science at the University of California at Berkeley from 1960 to 1990. Mr. Turin also served as Vice President, Technology for Teknekron Corporation from 1988 to 1994.

Officers of the Company hold office at the pleasure of the Board of Directors. There are no familial relationships between or among any of the executive officers or directors of the Company.

Item 11. Executive Compensation

The following tables set forth certain information covering compensation paid by TENERA to the Chief Executive Officer ("CEO") and each of the Company's other executive officers, other than the CEO, whose total annual salary and bonus exceeded $100,000 (the "named executives") for services to TENERA in all their capacities during the fiscal years ended December 31, 2002, 2001, and 2000.

SUMMARY COMPENSATION TABLE

		Annual Compensation		Awards
Name and Principal Position	Year	Salary	Bonus	Securities Underlying Options(1)
Robert C. McKay, Jr.......	2002	$ 217,012	$ --	--
Chief Executive Officer	2001	215,147	--	30,000
President	2000	231,469	--	--
Jeffrey R. Hazarian.......	2002	194,317	--	--
Executive	2001	167,336	6,000	30,000
Vice President and	2000	180,031	7,000	--
Chief Financial Officer				

There were no TENERA stock options granted to the named executives during 2002. However, the named executives were granted Subsidiary Stock options for shares of GoTrain, relative to their roles in the management of this non-public subsidiary. Mr. McKay is the Chief Executive Officer and President of GoTrain Corp. and Mr. Hazarian is one of three members of the board of directors of GoTrain Corp. In 2002, Messrs. McKay and Hazarian were granted 331,250 and 30,000, respectively, of Subsidiary Stock options at an exercise price of $.31 per share, which was estimated by management to be the fair value, or higher than fair value, at the time of the grants. The options vested 20% at the time of the grants, with the remaining 80% vesting annually in 20% increments over four years. The Subsidiary Stock options granted to Messrs. McKay and Hazarian represent 16% and 1% of the total Subsidiary Stock options granted in 2002.

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Other Compensation Arrangements

The Company's 1992 Option Plan provides that options may become exercisable over such periods as provided in the agreement evidencing the option award. Options granted to date, including options granted to executive officers and set forth in the above tables, generally call for vesting over a four-year period. The 1992 Option Plan provides that a change in control of the Company will result in immediate vesting of all options granted and not previously vested.

Directors Compensation

Except as described below, the directors of the Company are paid no compensation by the Company for their services as directors. William A. Hasler, Thomas S. Loo, Andrea W. O'Riordan, and George L. Turin as non-employee directors, are paid a retainer of $1,000 per month. These non-employee directors are also paid a fee of $1,000 for each meeting of the Board, and any Board Committee meeting not held on the same day as a Board meeting, which they attend. The 1993 Outside Directors Compensation and Option Plan was approved by the Board effective March 1, 1994, as amended by the Board in 1998, and reserves up to 500,000 options for issuance to non-employee directors. During 2002 and 2001, 12,500 stock options were granted in each year to each of Messrs. Hasler, Loo, Turin, and Ms. O'Riordan. In 2000, 11,500 stock options were issued to each of Messrs. Hasler, Loo, Turin, and Ms. O'Riordan. The options expire ten (10) years after the date of the grant, vest one (1) year after the date of grant, and have an exercise price equal to the fair market value of the shares of the Company's Common Stock on the date of grant. Upon exercise of the options, a director may not sell or otherwise transfer more than 50% of the shares until six (6) months after the date on which the director ceases to be a director of the Company.

Compensation Committee Interlocks and Insider Participation

During 2002, the Compensation Committee was composed of William A. Hasler, Thomas S. Loo, Andrea W. O'Riordan, and George Turin. Thomas S. Loo is a partner in the law firm of Greenberg Traurig, LLP, general counsel to the Company and Teknekron Corporation, and is a director of Teknekron Corporation. Mr. Loo is co-trustee of the Andrea Wagner 1996 Trust, the Nina Wagner 1996 Trust, and the Charles Wagner 1996 Trust (see Item 12, "Security Ownership of Certain Beneficial Owners and Management"). Andrea W. O'Riordan is the daughter of Harvey E. Wagner, who holds a beneficial interest in the Company's largest stockholder, The Wagner Family Trust (see Item 12, "Security Ownership of Certain Beneficial Owners and Management"). Mr. Wagner is also the sole stockholder and a director of Teknekron Corporation.

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Item 12. Security Ownership of Certain Beneficial Owners and Management

(a) Security Ownership of Certain Beneficial Owners

The following table sets forth certain information as of March 1, 2003, with respect to beneficial ownership of the shares of Common Stock of the Company by each person who is known by the Company to own beneficially more than 5% of the shares of Common Stock:

Name and Address	Shares Beneficially Owned
Wagner Family Trust... P.O. Box 7370 Incline Village, NV 89452	2,052,671
Andrea Wagner 1996 Trust.. P.O. Box 7370 Incline Village, NV 89452	551,996
Nina Wagner 1996 Trust .... P.O. Box 7370 Incline Village, NV 89452	551,996
Charles Wagner 1996 Trust .... P.O. Box 7370 Incline Village, NV 89452	551,996
Peter S. Lynch.. 82 Devonshire Street, S8A Boston, MA 02109	782,000
Dr. Michael John Keaton Trust .... C/O Greenberg Traurig, LLP 2450 Colorado Avenue, Suite 400E Santa Monica, CA 90404	1,106,887

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(b) Security Ownership of Management

The following table sets forth information as of March 1, 2003, with respect to current beneficial ownership of shares of Common Stock by (i) each of the directors of the Company, (ii) each of the named executive officers (see Item 11. "Executive Compensation"), and (iii) all current directors and executive officers as a group.

Name	Shares Beneficially Owned(1)	Shares Acquirable Within 60 Days(3)(4)
William A. Hasler	55,500	71,500(3)
Jeffrey R. Hazarian	7,186	157,500(4)
Thomas S. Loo (5)...	1,655,988	69,500(3)
Robert C. McKay, Jr...	1,789	222,500(4)
Andrea W. O'Riordan (6).......................................	551,996	61,500(3)
George L. Turin...	45,504	97,000(3)
All Directors and Executive Officers as a Group (6 persons) ...	2,317,963	679,500

Beneficial ownership as shown in the tables above has been determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934. Under this Rule, certain securities may be deemed to be beneficially owned by more than one person (such as where persons share voting power or investment power). In addition, securities are deemed to be beneficially owned by a person if the person has the right to acquire the securities (for example, upon exercise of an option or the conversion of a debenture) within 60 days of the date as of which the information is provided; in computing the percentage of ownership of any person, the amount of securities outstanding is deemed to include the amount of securities beneficially owned by such person (and only such person) by reason of these acquisition rights. As a result, the percentage of outstanding shares of any person as shown in the preceding tables does not necessarily reflect the person's actual voting power at any particular date.

Item 13. Certain Relationships and Related Transactions

See "Compensation Committee Interlocks and Insider Participation."

Item 14. Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

Our chief executive officer and our chief financial officer, after evaluating our "disclosure controls and procedures" (as defined in Securities Exchange Act of 1934 (the "Exchange Act") Rules 13a-14(c) and 15-d-14(c)) as of a date (the "Evaluation Date") within 90 days before the filing date of this Annual Report on Form 10-K have concluded that as of the Evaluation Date, our disclosure controls and procedures are effective to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

(b) Changes in internal controls.

Subsequent to the Evaluation Date, there were no significant changes in our internal controls or in other factors that could significantly affect our internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART IV

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

(a)(1) Financial Statements

The following financial statements of the Company are filed with this report and can be found in Part II, Item 8, on the pages indicated below:

(a)(2) Financial Statement Schedules

The following financial statement schedules with respect to the Company are filed in this report:

Schedule II-- Valuation and Qualifying Accounts and Reserves ....
All other schedules are omitted because they are either not required or not applicable.

(a)(3) Certifications

The following certifications are filed in this report:

Certification of Robert C. McKay, Chief Executive Officer and President..............
Certification of Jeffrey R. Hazarian, Chief Financial Officer and Executive Vice Presi

(a)(4) Exhibits

2.1	Agreement and Plan of Merger dated as of June 6, 1995 among the Registrant, Teknekron Technology MLP I Corporation, TENERA, L.P., and TENERA Operating Company, L.P. (a form of which is attached as Annex A to the Registrant's Consent Solicitation Statement/Prospectus included in the Registration Statement on Form S-4 (Registration No. 33-58393) declared effective by the Securities and Exchange Commission ("SEC") on June 2, 1995 (the "Registration Statement"), and is incorporated herein by reference).
2.2	Asset Acquisition Agreement dated November 14, 1997, between the Registrant and Spear Technologies, Inc. (filed as Exhibit 2.1 to the Registrant's Form 8-K filed with the SEC on November 14, 1997 and incorporated by reference herein (the "Form 8-K")).
2.3	Series C Preferred Stock Purchase Agreement dated April 6, 2000 between the Registrant and Spear Technologies, Inc. (filed as Exhibit 2.3 to the Registrant's 1999 Form 10-K and incorporated herein by reference).
2.4	Asset Acquisition Agreement dated February 10, 2000 between the Registrant and SoBran, Inc. (filed as Exhibit 2.4 to the Registrant's 1999 Form 10-K and incorporated herein by reference).
3.1	Certificate of Incorporation of the Registrant dated October 27, 1994 (filed by incorporation by reference to Exhibit 3.3 to the Registration Statement).

3.2	By-Laws of the Registrant (filed by incorporation by reference to Exhibit 3.4 to the Registration Statement).
4.1	Form of Certificate of Common Stock of the Registrant (filed by incorporation by reference to Exhibit 4.5 to the Registration Statement)
4.2	Securities Purchase Agreement dated February 13, 2002 between GoTrain Corp. and Columbia Nova Investments, AVV and Polmeroy

	Limited.
4.3	GoTrain Corp. Series 1 Convertible Subordinated Debenture Issued February 15, 2002 Due July 31, 2003.
4.4	GoTrain Corp. Series 2 Convertible Subordinated Debenture Issued February 15, 2002 Due July 31, 2003.
4.5	GoTrain Corp. 2002 Stock Option and Stock Plan
10.1	Registrant's lease, dated May 3, 2000, for its property located in Knoxville, Tennessee (filed as Exhibit 10.1 to the Registrant's June 30, 2000 Form 10-Q and incorporated herein by reference).
10.2	Registrant's lease, dated May 30, 2000, for its headquarters located in San Francisco, California filed as Exhibit 10.2 to the Registrant's June 30, 2000 Form 10-Q and incorporated herein by reference).
11.1	Statement regarding computation of per share earnings: See "Note 5 to Consolidated Financial Statements."
21.1(1)	List of Subsidiaries of the Registrant.
23.1(1)	Consent of Ernst & Young LLP, Independent Auditors.
99.1(1)	Certification Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant To Section 906 Of The Sarbanes-Oxley Act of 2002 (Robert C. McKay - Chief Executive Officer and President).
99.2(1)	Certification Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant To Section 906 Of The Sarbanes-Oxley Act of 2002 (Jeffrey R. Hazarian - Chief Financial Officer and Executive Vice President).

(b) Reports on Form 8-K

No reports on Form 8-K were filed by the Registrant during the last quarter of 2002.

(c) Exhibits (see Item 14(a)(3) above.)

(d) Financial Statement Schedules

The schedules listed in Item 14(a)(2) above should be used in conjunction with the Consolidated Financial Statements of the Company for the year ended December 31, 2002.

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(1) Filed herewith

SCHEDULE II

TENERA, INC.
VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

(In thousands)

Description	Balance Beginning of Year	Additions: Charged to Costs and Expenses	Deductions: Credited to Special Item	Deductions: Other
2000				
Reserve for Sales Adjustment and Credit Losses	$ 1,298	$ --	$ --	$ 334
2001				
Reserve for Sales Adjustment and Credit Losses	964	--	--	417
2002				
Reserve for Sales Adjustment and Credit Losses	547	--	--	8

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SIGNATURES

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

Dated: April 14, 2003

TENERA, INC.

By /s/ JEFFREY R. HAZARIAN

Jeffrey R. Hazarian
Chief Financial Officer

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

Signature	Title	Date
/s/ WILLIAM A. HASLER (William A. Hasler)	Director	April 14, 2003
/s/ JEFFREY R. HAZARIAN (Jeffrey R. Hazarian)	Director, Chief Financial Officer, Executive Vice President, and Corporate Secretary (Principal Financial Officer)	April 14, 2003
/s/ THOMAS S. LOO (Thomas S. Loo)	Director	April 14, 2003
/s/ ROBERT C. MCKAY (Robert C. McKay)	Director, Chief Executive Officer and President (Principal Executive Officer)	April 14, 2003
/s/ ANDREA W. O'RIORDAN (Andrea W. O'Riordan)	Director	April 14, 2003
/s/ JAMES A. ROBISON, JR. (James A. Robison, Jr.)	Controller and Treasurer (Principal Accounting Officer)	April 14, 2003
/s/ GEORGE L. TURIN (George L. Turin)	Director	April 14, 2003

CERTIFICATION

I, Robert C. McKay, certify that:

1. I have reviewed this annual report on Form 10-K of TENERA, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue

statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

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

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

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

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

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

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

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

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

6. The registrant's other certifying officer and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: April 14, 2003

/s/ ROBERT C. McKAY

Robert C. McKay
Chief Executive Officer and President

CERTIFICATION

I, Jeffrey R. Hazarian, certify that:

1. I have reviewed this annual report on Form 10-K of TENERA, Inc.;

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

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

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

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

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

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

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

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

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

6. The registrant's other certifying officer and I have indicated in this

annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: April 14, 2003 /s/ JEFFREY R. HAZARIAN

Jeffrey R. Hazarian
Executive Vice President and Chief Financial Officer

EXHIBIT INDEX

Ex. 21.1	List of Subsidiaries of the Registrant
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