

AECOM TECHNOLOGY CORP  
Form 10-Q  
February 06, 2012  
Table of Contents

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

---

**FORM 10-Q**

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended December 31, 2011

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 0-52423

---

# AECOM TECHNOLOGY CORPORATION

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**61-1088522**  
(I.R.S. Employer  
Identification Number)

**555 South Flower Street, Suite 3700  
Los Angeles, California 90071**

(Address of principal executive office and zip code)

**(213) 593-8000**

(Registrant's telephone number, including area code)

---

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

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

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

As of January 27, 2012, 117,124,163 shares of the registrant's common stock were outstanding.



Table of Contents

AECOM TECHNOLOGY CORPORATION

INDEX

<u>PART I.</u>	<u>FINANCIAL INFORMATION</u>	1
<u>Item 1.</u>	<u>Financial Statements</u>	1
	<u>Consolidated Balance Sheets as of December 31, 2011 (unaudited) and September 30, 2011</u>	1
	<u>Consolidated Statements of Income for the Three Months Ended December 31, 2011 (unaudited) and December 31, 2010 (unaudited)</u>	2
	<u>Consolidated Statements of Comprehensive Income for the Three Months Ended December 31, 2011 (unaudited) and December 31, 2010 (unaudited)</u>	3
	<u>Consolidated Statements of Cash Flows for the Three Months Ended December 31, 2011 (unaudited) and December 31, 2010 (unaudited)</u>	4
	<u>Notes to Consolidated Financial Statements (unaudited)</u>	5
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	18
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	29
<u>Item 4.</u>	<u>Controls and Procedures</u>	30
<u>PART II.</u>	<u>OTHER INFORMATION</u>	30
<u>Item 1.</u>	<u>Legal Proceedings</u>	30
<u>Item 1A.</u>	<u>Risk Factors</u>	30
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities, Use of Proceeds and Issuer Purchases of Equity Securities</u>	38
<u>Item 6.</u>	<u>Exhibits</u>	39
<u>SIGNATURES</u>		40

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****AECOM Technology Corporation  
Consolidated Balance Sheets**

(in thousands, except share data)

	December 31, 2011 (Unaudited)	September 30, 2011
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 420,837	\$ 349,868
Cash in consolidated joint ventures	86,649	107,072
Total cash and cash equivalents	507,486	456,940
Accounts receivable net	2,513,914	2,380,181
Prepaid expenses and other current assets	104,819	100,575
Income taxes receivable	54,565	45,239
Deferred tax assets net	7,131	7,131
<b>TOTAL CURRENT ASSETS</b>	<b>3,187,915</b>	<b>2,990,066</b>
<b>PROPERTY AND EQUIPMENT NET</b>	<b>333,585</b>	<b>323,826</b>
<b>DEFERRED TAX ASSETS NET</b>	<b>73,666</b>	<b>82,966</b>
<b>INVESTMENTS IN UNCONSOLIDATED JOINT VENTURES</b>	<b>66,888</b>	<b>71,124</b>
<b>GOODWILL</b>	<b>2,097,855</b>	<b>2,086,330</b>
<b>INTANGIBLE ASSETS NET</b>	<b>113,514</b>	<b>119,140</b>
<b>OTHER NON-CURRENT ASSETS</b>	<b>121,192</b>	<b>115,876</b>
<b>TOTAL ASSETS</b>	<b>\$ 5,994,615</b>	<b>\$ 5,789,328</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
CURRENT LIABILITIES:		
Short-term debt	\$ 12,957	\$ 6,570
Accounts payable	739,394	679,111
Accrued expenses and other current liabilities	738,309	792,690
Billings in excess of costs on uncompleted contracts	381,448	324,899
Current portion of long-term debt	10,849	11,176
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,882,957</b>	<b>1,814,446</b>
<b>OTHER LONG-TERM LIABILITIES</b>	<b>419,954</b>	<b>435,022</b>
<b>LONG-TERM DEBT</b>	<b>1,217,729</b>	<b>1,144,723</b>
<b>TOTAL LIABILITIES</b>	<b>3,520,640</b>	<b>3,394,191</b>
<b>COMMITMENTS AND CONTINGENCIES (Note 14)</b>		
<b>AECOM STOCKHOLDERS EQUITY:</b>		
Common stock authorized, 300,000,000 shares of \$0.01 par value as of December 31 and September 30, 2011; issued and outstanding, 113,857,161 and 113,248,337 as of December 31 and September 30, 2011, respectively	1,139	1,132
Preferred stock, Class E authorized, 20 shares; issued and outstanding, 3 shares as of December 31 and September 30, 2011; no par value, \$1.00 liquidation preference value		
Additional paid-in capital	1,712,456	1,699,207

Edgar Filing: AECOM TECHNOLOGY CORP - Form 10-Q

Accumulated other comprehensive loss	(168,894)	(187,574)
Retained earnings	867,605	826,946
<b>TOTAL AECOM STOCKHOLDERS EQUITY</b>	<b>2,412,306</b>	<b>2,339,711</b>
Noncontrolling interests	61,669	55,426
<b>TOTAL STOCKHOLDERS EQUITY</b>	<b>2,473,975</b>	<b>2,395,137</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY</b>	<b>\$ 5,994,615</b>	<b>\$ 5,789,328</b>

See accompanying Notes to Consolidated Financial Statements.

Table of Contents

**AECOM Technology Corporation**  
**Consolidated Statements of Income**

(unaudited - in thousands, except per share data)

	Three Months Ended	
	December 31, 2011	December 31, 2010
Revenue	\$ 2,029,180	\$ 1,936,183
Cost of revenue	1,938,834	1,830,848
Gross profit	90,346	105,335
Equity in earnings of joint ventures	8,962	8,097
General and administrative expenses	22,611	23,262
Income from operations	76,697	90,170
Other income	1,919	2,288
Interest expense, net	(10,614)	(9,872)
Income before income tax expense	68,002	82,586
Income tax expense	19,578	20,503
Net income	48,424	62,083
Noncontrolling interests in income of consolidated subsidiaries, net of tax	(493)	(5,215)
Net income attributable to AECOM	\$ 47,931	\$ 56,868
Net income allocation:		
Preferred stock dividend	\$	\$ 2
Net income available for common stockholders	47,931	56,866
Net income attributable to AECOM	\$ 47,931	\$ 56,868
Net income attributable to AECOM per share:		
Basic and diluted	\$ 0.42	\$ 0.48
Weighted average shares outstanding:		
Basic	113,965	118,001
Diluted	114,591	119,115

See accompanying Notes to Consolidated Financial Statements.

Table of Contents

**AECOM Technology Corporation**  
**Consolidated Statements of Comprehensive Income**

(unaudited in thousands)

	Three Months Ended	
	December 31, 2011	December 31, 2010
Net income	\$ 48,424	\$ 62,083
Other comprehensive income, net of tax:		
Foreign currency translation adjustments	19,476	11,538
Swap valuation	(405)	
Pension adjustments	(391)	698
Comprehensive income, net of tax	67,104	74,319
Noncontrolling interests in comprehensive income of consolidated subsidiaries, net of tax	(493)	(5,215)
Comprehensive income attributable to AECOM, net of tax	\$ 66,611	\$ 69,104

See accompanying Notes to Consolidated Financial Statements.



Table of Contents

**AECOM Technology Corporation**  
**Consolidated Statements of Cash Flows**

(unaudited - in thousands)

	Three Months Ended December 31,	
	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 48,424	\$ 62,083
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	25,548	29,843
Equity in earnings of unconsolidated joint ventures	(8,962)	(8,097)
Distribution of earnings from unconsolidated joint ventures	7,837	7,682
Non-cash stock compensation	8,634	8,030
Excess tax benefit from share-based payment	(687)	(60,051)
Foreign currency translation	3,740	(3,069)
Other	(702)	749
Changes in operating assets and liabilities, net of effects of acquisitions:		
Settlement of deferred compensation plan liability		(89,688)
Accounts receivable	(128,612)	(10,148)
Prepaid expenses and other assets	(5,837)	4,177
Accounts payable	57,569	(47,994)
Accrued expenses and other current liabilities	(56,141)	(54,766)
Billings in excess of costs on uncompleted contracts	57,260	9,562
Other long-term liabilities	(14,497)	(25,945)
Income taxes payable		(1,713)
Net cash used in operating activities	(6,426)	(179,345)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Payments for business acquisitions, net of cash acquired	(8,972)	(298,731)
Net investment in unconsolidated joint ventures	363	(18,897)
Sales (purchases) of investments	3,314	(16,595)
Proceeds from sale of investments in rabbi trust	1,958	
Payments for capital expenditures	(18,284)	(16,019)
Net cash used in investing activities	(21,621)	(350,242)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from borrowings under credit agreements	380,354	582,009
Repayments of borrowings under credit agreements	(301,384)	(311,697)
Proceeds from loans on deferred compensation plan investments		59,324
Proceeds from issuance of common stock	4,634	6,081
Proceeds from exercise of stock options	2,320	2,902
Payments to repurchase common stock	(13,669)	(63,461)
Excess tax benefit from share-based payment	687	60,051
Net distributions to noncontrolling interests	(244)	(1,062)
Net cash provided by financing activities	72,698	334,147
EFFECT OF EXCHANGE RATE CHANGES ON CASH	5,895	3,821
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	50,546	(191,619)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	456,940	612,857
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 507,486	\$ 421,238
<b>NON-CASH INVESTING AND FINANCING ACTIVITY</b>		
Common stock issued in acquisitions	\$ 857	\$ 58,868

See accompanying Notes to Consolidated Financial Statements.

Table of Contents

**AECOM Technology Corporation**  
**Notes to Consolidated Financial Statements**

(unaudited)

**1. Basis of Presentation**

The accompanying consolidated financial statements of AECOM Technology Corporation (the Company) are unaudited and, in the opinion of management, include all adjustments, including all normal recurring items necessary for a fair statement of the Company's financial position and results of operations for the periods presented. All inter-company balances and transactions are eliminated in consolidation.

The consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Form 10-K for the fiscal year ended September 30, 2011. The accompanying unaudited consolidated financial statements and related notes have been prepared in accordance with generally accepted accounting principles (GAAP) in the U.S. for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements.

The results of operations for the three months ended December 31, 2011 are not necessarily indicative of the results to be expected for the fiscal year ending September 30, 2012.

The Company reports its annual results of operations based on 52 or 53-week periods ending on the Friday nearest September 30. The Company reports its quarterly results of operations based on periods ending on the Friday nearest December 31, March 31, and June 30. For clarity of presentation, all periods are presented as if the periods ended on September 30, December 31, March 31, and June 30.

**2. New Accounting Pronouncements and Changes in Accounting**

In January 2010, the Financial Accounting Standards Board (FASB) issued guidance to amend the disclosure requirements related to fair value measurements. The Company adopted the guidance for the quarter ended March 31, 2010, except for the portion of the guidance that requires the disclosure of activities on purchases, sales, issuance, and settlements of the assets and liabilities measured using significant unobservable inputs (Level 3 fair value measurements). The Level 3 fair value measurement guidance was adopted by the Company in its fiscal year beginning October 1, 2011. Since the Company carries no Level 3 assets or liabilities, the adoption of the separate disclosures related to Level 3 measurements did not have a material impact on its consolidated financial statements. Additionally, the FASB issued a new accounting standard on fair value measurements that changes certain fair value measurement principles, clarifies the requirement for measuring fair value and expands disclosure requirements, particularly for Level 3 fair value measurements. This guidance is effective for the Company's second quarter ending March 31, 2012 and is not expected to have a material impact on its consolidated financial statements.

## Edgar Filing: AECOM TECHNOLOGY CORP - Form 10-Q

On October 1, 2010, the Company adopted guidance issued by the FASB on revenue recognition. The new guidance provides another alternative for determining the selling price of deliverables, when vendor specific objective evidence or third party evidence for deliverables in an arrangement cannot be determined, and requires companies to allocate arrangement consideration to separate deliverables using the relative selling price method. The adoption of the guidance did not have a material effect on the Company's consolidated financial statements.

On October 1, 2010, the Company also adopted guidance issued by the FASB on the consolidation of variable interest entities. The new guidance requires revised evaluations of whether entities represent variable interest entities, ongoing assessments of whether the Company has the power to direct the activities over such entities, and additional disclosures for variable interests. Adoption of the new guidance did not have a material impact on the Company's consolidated financial statements.

In June 2011, the FASB issued guidance on the presentation of comprehensive income. The new standard will require companies to present items of net income, items of other comprehensive income and total comprehensive income in one continuous statement or two separate consecutive statements, and companies will no longer be allowed to present items of other comprehensive income in the statement of stockholders' equity. The guidance also requires presentation of reclassification adjustments from other comprehensive income to net income on the face of the financial statements. This guidance is effective for the Company's fiscal year beginning October 1, 2012 and, although it will change the financial statement presentation, it is not expected to have a material impact on its financial condition or results of operations.

Table of Contents

In September 2011, the FASB issued guidance intended to simplify goodwill impairment testing. Entities are allowed to perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. This guidance is effective for goodwill impairment tests performed in interim and annual periods for fiscal years beginning after December 15, 2011, with early adoption permitted. The Company does not expect this guidance will have a material impact on its consolidated financial statements.

**3. Stock Repurchase Program**

In August 2011, the Company's Board of Directors authorized a stock repurchase program (the Repurchase Program), pursuant to which the Company may purchase up to \$200 million of its common stock. Share repurchases under this program may be effected through open market purchases, unsolicited or solicited privately negotiated transactions or other methods, including pursuant to a Rule 10b5-1 plan.

In connection with the Repurchase Program, the Company entered into an accelerated share repurchase (ASR) agreement with Bank of America, N.A. (Bank of America) on August 16, 2011. Under the agreement for the ASR, the Company agreed to repurchase \$100 million of its common stock from Bank of America. During the quarter ended September 30, 2011, Bank of America delivered 4.3 million shares to the Company, at which point the Company's shares outstanding were reduced and accounted for as a reduction to retained earnings. The number of shares delivered was the minimum amount of shares Bank of America is contractually obligated to provide under the ASR agreement.

The specific number of shares that ultimately will be repurchased by the Company under the ASR agreement will be based upon the volume-weighted average share price of the Company's common stock during the term of the ASR agreement, less an agreed discount, subject to collar provisions which establish a maximum and minimum price and other customary conditions under the ASR agreement. The Company expects all ASR purchases to be completed, and the ASR agreement to be settled in full, during the first half of fiscal 2012, but no later than March 7, 2012. At settlement, the Company may be entitled to receive additional shares of common stock from Bank of America or, under certain circumstances, may be required to issue additional shares or make a cash payment to Bank of America at the Company's option.

In connection with the Repurchase Program, on December 14, 2011, the Company also entered into a Rule 10b5-1 repurchase plan, with Merrill Lynch, Pierce, Fenner & Smith Incorporated (Merrill Lynch). Under this plan, and consistent with the Company's previously announced Repurchase Program, the Company agreed to repurchase a maximum of \$100 million of its common stock through Merrill Lynch. The timing, nature and amount of purchases made by Merrill Lynch depend on a variety of factors, including market conditions and the volume limit defined by Rule 10b-18. As of December 31, 2011, the Company had repurchased approximately 360,000 shares under this plan, at an average price of \$20.08, for a total cost of approximately \$7.3 million. As of December 31, 2011, the Company had \$92.7 million remaining to be purchased pursuant to this plan. Repurchased shares are retired, but remain authorized for registration and issuance in the future. This plan expired on February 3, 2012.

**4. Business Acquisitions, Goodwill and Intangible Assets**

The Company completed one business acquisition, Capital Engineering Corporation (CEC), an environmental engineering firm in Taiwan, during the quarter ended December 31, 2011. Pursuant to the related acquisition agreement, the Company acquired a majority interest in the shares of CEC for \$7.3 million in cash and agreed to purchase the remaining shares for \$5.9 million in cash during the quarter ending March 31,

## Edgar Filing: AECOM TECHNOLOGY CORP - Form 10-Q

2012. This business acquisition did not meet the quantitative thresholds to require pro forma disclosures of operating results based on the Company's consolidated assets and income.

At the time of acquisition, the Company preliminarily estimates the amount of the identifiable intangible assets acquired based upon historical valuations of similar acquisitions and the facts and circumstances available at the time. The Company determines the final value of the identifiable intangible assets as soon as information is available, but not more than 12 months from the date of acquisition. The Company is in the process of finalizing its valuation of intangible assets, deferred taxes and fair values related to projects and leases for certain recent acquisitions. Post-acquisition adjustments primarily relate to project related liabilities.

Edgar Filing: AECOM TECHNOLOGY CORP - Form 10-Q

Table of Contents

The changes in the carrying value of goodwill by reporting segment for the three months ended December 31, 2011 and 2010 were as follows:

	September 30, 2011	Post- Acquisition Adjustments	Foreign Exchange Impact (in millions)	Acquired	December 31, 2011
<b>Reporting Unit</b>					
Professional Technical Services	\$ 1,733.9	\$ 0.5	\$ 4.2	\$ 8.9	\$ 1,747.5
Management Support Services	352.4	(2.0)			350.4
Total	\$ 2,086.3	\$ (1.5)	\$ 4.2	\$ 8.9	\$ 2,097.9

	September 30, 2010	Post- Acquisition Adjustments	Foreign Exchange Impact (in millions)	Acquired	December 31, 2010
<b>Reporting Unit</b>					
Professional Technical Services	\$ 1,355.0	\$ 4.9	\$ 6.3	\$ 302.7	\$ 1,668.9
Management Support Services	335.4	3.4			338.8
Total	\$ 1,690.4	\$ 8.3	\$ 6.3	\$ 302.7	\$ 2,007.7

The gross amounts and accumulated amortization of the Company's acquired identifiable intangible assets with finite useful lives as of December 31, 2011 and September 30, 2011, included in intangible assets net, in the accompanying consolidated balance sheets, were as follows:

	Gross Amount	December 31, 2011 Accumulated Amortization	Intangible Assets, Net (in millions)	Gross Amount	September 30, 2011 Accumulated Amortization	Intangible Assets, Net	Amortization Period (years)
Backlog	\$ 92.4	\$ (81.1)	\$ 11.3	\$ 91.5	\$ (79.8)	\$ 11.7	1 - 5
Customer relationships	142.3	(43.0)	99.3	143.2	(39.3)	103.9	10
Trademark / tradename	7.7	(4.8)	2.9	7.4	(3.9)	3.5	2
Total	\$ 242.4	\$ (128.9)	\$ 113.5	\$ 242.1	\$ (123.0)	\$ 119.1	

Amortization expense of acquired intangible assets included within cost of revenue was \$5.9 million and \$9.1 million for the three months ended December 31, 2011 and 2010, respectively. The following table presents estimated amortization expense of intangible assets for the remainder of fiscal 2012 and for the succeeding years:

Fiscal Year	(in millions)
2012 (nine months remaining)	\$ 17.2
2013	18.1
2014	16.7
2015	15.4
2016	12.7
Thereafter	33.4
Total	\$ 113.5

## Edgar Filing: AECOM TECHNOLOGY CORP - Form 10-Q

In addition to the above, amortization expense of acquired intangible assets included within equity in earnings of joint ventures was \$0.2 million for the three months ended December 31, 2011.

### 5. Accounts Receivable Net

Net accounts receivable consisted of the following as of December 31, 2011 and September 30, 2011:

	December 31, 2011	September 30, 2011
	(in millions)	
Billed	\$ 1,316.3	\$ 1,256.3
Unbilled	1,184.7	1,133.6
Contract retentions	131.6	110.5
Total accounts receivable gross	2,632.6	2,500.4
Allowance for doubtful accounts	(118.7)	(120.2)
Total accounts receivable net	\$ 2,513.9	\$ 2,380.2



Table of Contents

Billed accounts receivable represent amounts billed to clients that have yet to be collected. Unbilled accounts receivable represent revenue recognized but not yet billed pursuant to contract terms or accounts billed after the period end. Substantially all unbilled receivables as of December 31, 2011 and September 30, 2011 are expected to be billed and collected within twelve months. Contract retentions represent amounts invoiced to clients where payments have been withheld pending the completion of certain milestones, other contractual conditions or upon the completion of the project. These retention agreements vary from project to project and could be outstanding for several months or years.

Allowances for doubtful accounts have been determined through specific identification of amounts considered to be uncollectible and potential write-offs, plus a non-specific allowance for other amounts for which some potential loss has been determined to be probable based on current and past experience.

Other than the U.S. government, no single client accounted for more than 10% of the Company's accounts receivable as of December 31, 2011 or September 30, 2011.

**6. Joint Ventures and Variable Interest Entities**

The Company's joint ventures provide architecture, engineering, program management, construction management and operations and maintenance services. Joint ventures, the combination of two or more partners, are generally formed for a specific project. Management of the joint venture is typically controlled by a joint venture executive committee, comprised of a representative from the joint venture partners. The joint venture executive committee normally provides management oversight and controls decisions which could have significant impact on the joint venture's economics.

Some of the Company's joint ventures have no employees and minimal operating expenses. For these joint ventures, the Company's employees perform work for the joint venture, which is then billed to a third-party customer by the joint venture. These joint ventures function as pass through entities to bill the third-party customer. For consolidated entities, the Company records the entire amount of the services performed and the costs associated with these services, including the services provided by the other joint venture partners, in the Company's results of operations. For certain of these joint ventures where a fee is added by an unconsolidated joint venture to client billings, the Company's portion of that fee is recorded in equity in earnings of joint ventures.

The Company also has joint ventures that have their own employees and operating expenses, and to which the Company generally makes a capital contribution. The Company accounts for these joint ventures either as consolidated entities or equity method investments based on the criteria further discussed below.

Effective October 1, 2010, the Company adopted guidance issued by the FASB on the consolidation of variable interest entities (VIEs). The consolidation standard requires companies to utilize a qualitative approach to determine whether it is the primary beneficiary of a VIE. The process for identifying the primary beneficiary of a VIE requires consideration of the factors which provide a party the power to direct the activities that most significantly impact the joint ventures' economic performance, including powers granted to the joint venture's program manager, powers contained in the joint venture governing board, and to a certain extent, a company's economic interest in the joint venture. The Company analyzes its joint ventures and classifies them according to the consolidation standard as either:

- a VIE that must be consolidated because the Company is the primary beneficiary or the joint venture is not a VIE; and the Company holds the majority voting interest with no significant participative rights available to the other partners; or
- a VIE that does not require consolidation because the Company is not the primary beneficiary or the joint venture is not a VIE and the Company does not hold the majority voting interest.

If it is determined that the Company has the power to direct the activities that most significantly impact the joint ventures' economic performance, the Company considers whether or not it has the obligation to absorb losses or rights to receive benefits from the entities that could potentially be significant to the joint ventures.

The adoption of the consolidation standard did not result in the consolidation or de-consolidation of any joint ventures that were material either individually or in the aggregate to the consolidated financial statements of the Company. The Company has not provided financial or other support during the periods presented to any of its VIEs that it was not previously contractually required to provide. Contractually required support provided to the Company's joint ventures is further discussed in Note 14.

Edgar Filing: AECOM TECHNOLOGY CORP - Form 10-Q

Table of Contents

Summary of financial information of the consolidated joint ventures is as follows:

	<b>December 31, 2011 (Unaudited)</b>	<b>September 30, 2011</b>
	(in millions)	
Current assets	\$ 241.1	\$ 262.6
Non-current assets	0.1	0.1
Total assets	\$ 241.2	\$ 262.7
Current liabilities	\$ 49.9	\$ 69.4
Non-current liabilities		
Total liabilities	49.9	69.4
Total AECOM equity	135.5	137.9
Noncontrolling interests	55.8	55.4
Total owners' equity	191.3	193.3
Total liabilities and owners' equity	\$ 241.2	\$ 262.7

Total revenue of the consolidated joint ventures was \$100.2 million and \$216.7 million for the three months ended December 31, 2011 and December 31, 2010, respectively. The assets of the Company's consolidated joint ventures are restricted for use only by the particular joint venture and are not available for the general operations of the Company.

Summary of financial information of the unconsolidated joint ventures is as follows:

	<b>December 31, 2011 (Unaudited)</b>	<b>September 30, 2011</b>
	(in millions)	
Current assets	\$ 537.7	\$ 510.7
Non-current assets	18.7	22.6
Total assets	\$ 556.4	\$ 533.3
Current liabilities	\$ 384.1	\$ 357.8
Non-current liabilities	4.3	9.6
Total liabilities	388.4	367.4
Joint ventures' equity	168.0	165.9
Total liabilities and joint ventures' equity	\$ 556.4	\$ 533.3
AECOM's investment in joint ventures	\$ 66.9	\$ 71.1

Total revenue of the unconsolidated joint ventures was \$523.7 million and \$440.0 million for the three months ended December 31, 2011 and 2010, respectively.

## Edgar Filing: AECOM TECHNOLOGY CORP - Form 10-Q

Summary of AECOM's equity in earnings of unconsolidated joint ventures is as follows:

	Three Months Ended	
	December 31, 2011	December 31, 2010
	(in millions)	
Pass through joint ventures	\$ 0.9	\$ 0.9
Other joint ventures	8.1	7.2
Total	\$ 9.0	\$ 8.1

Table of Contents**7. Pension Benefit Obligations**

The following table details the components of net periodic cost for the Company's pension plans for the three months ended December 31, 2011 and 2010:

	Three Months Ended					
	December 31, 2011		December 31, 2010			
	U.S.	Int'l	U.S.	Int'l		
	(in millions)					
Components of net periodic (benefit) cost:						
Service costs	\$	\$	0.3	\$	1.1	
Interest cost on projected benefit obligation		1.9	6.4		2.0	
Expected return on plan assets		(2.1)	(6.3)		(2.0)	
Amortization of net loss		0.8	0.5		0.6	
Settlement loss recognized			0.5			
Net periodic cost	\$	0.6	\$	1.4	\$	0.6
					\$	1.7

The total amounts of employer contributions paid for the three months ended December 31, 2011 were \$8.8 million for U.S. plans and \$4.4 million for non-U.S. plans. The expected remaining scheduled annual employer contributions for the fiscal year ending September 30, 2012 are \$4.5 million for U.S. plans and \$12.1 million for non-U.S. plans. Included in other long-term liabilities are net pension liabilities of \$154.6 million and \$166.5 million as of December 31, 2011 and September 30, 2011, respectively.

**8. Debt**

Debt consisted of the following:

	December 31, 2011		September 30, 2011	
	(in millions)			
Unsecured term credit agreement	\$	750.0	\$	750.0
Unsecured senior notes		254.4		253.6
Unsecured revolving credit facility		174.4		101.4
Notes secured by real properties		24.9		25.2
Other debt		37.8		32.3
Total debt		1,241.5		1,162.5
Less: Current portion of debt and short-term borrowings		(23.8)		(17.8)
Long-term debt, less current portion	\$	1,217.7	\$	1,144.7

The following table presents, in millions, scheduled maturities of our debt:

<b>Fiscal Year</b>	
2012 (nine months remaining)	\$ 23.1
2013	153.4
2014	152.1
2015	151.8
2016	476.4
Thereafter	284.7
<b>Total</b>	<b>\$ 1,241.5</b>

### *Unsecured Term Credit Agreement*

In September 2011, the Company entered into an Amended and Restated Credit Agreement (the *Term Credit Agreement*) with Bank of America, N.A., as administrative agent and a lender, and the other lenders party thereto. Pursuant to the Term Credit Agreement, the Company borrowed \$750 million in term loans on the closing date and may borrow up to an additional \$100 million in term loans upon request by the Company subject to certain conditions, including Company and lender approval. The Company used approximately \$600 million of the proceeds from the loans to repay indebtedness under its prior term loan facility, approximately \$147 million of the proceeds to pay down indebtedness under its revolving credit facility and a portion of the proceeds to pay fees and expenses related to the Term Credit Agreement. The loans under the Term Credit Agreement bear interest, at the Company's option, at either the Base Rate (as defined in the Term Credit Agreement) plus an applicable margin or the Eurodollar Rate (as defined in the Term Credit Agreement) plus an applicable margin. The applicable margin for the Base Rate loans is a range of 0.375% to 1.50% and the applicable margin for Eurodollar Rate loans is a range of 1.375% to 2.50%, both based on the debt-to-earnings leverage ratio of the Company at the end of each fiscal quarter. The initial interest rate of the loans borrowed on September 30, 2011 is the 3 month Eurodollar rate plus 1.75%, or a total of 2.12%. For the three months ended December 31, 2011 and 2010, the average interest rate of the Company's term loan facility was 2.12% and 2.8%, respectively. Payments of the initial principal amount outstanding under the Term Credit Agreement are required on a quarterly basis beginning on December 31, 2012, while interest payments are required on a quarterly basis beginning December 31, 2011. Any remaining principal of the loans under the Term Credit Agreement is due no later than July 20, 2016. Accrued interest is payable in arrears on a quarterly basis for Base Rate loans, and at the end of the applicable interest period (but at least every three months) for Eurodollar Rate loans. The Company may optionally prepay the loans at any time, without penalty.

Table of Contents

*Unsecured Senior Notes*

In July 2010, the Company issued \$300 million of notes to private institutional investors. The notes consisted of \$175.0 million of 5.43% Senior Notes, Series A, due July 2020 and \$125.0 million of 1.00% Senior Discount Notes, Series B, due July 2022 for net proceeds of \$249.8 million. The outstanding accreted balance of Series B Notes was \$79.4 million at December 31, 2011, which have an effective interest rate of 5.62%. The fair value of the Company's unsecured senior notes was approximately \$257 million at December 31, 2011 and \$259 million at September 30, 2011. The Company calculated the fair values based on model-derived valuations using market observable inputs, which are Level 2 inputs under the accounting guidance. The Company's obligations under the notes are guaranteed by certain subsidiaries of the Company pursuant to one or more subsidiary guarantees.

*Unsecured Revolving Credit Facility*

In July 2011, the Company entered into a Third Amended and Restated Credit Agreement (the "Revolving Credit Agreement") with Bank of America, N.A., as an administrative agent and a lender and the other lenders party thereto, which amended and restated its unsecured revolving credit facility and increased its available borrowing capacity in order to support its working capital and acquisition needs. As of December 31, 2011 and September 30, 2011, the borrowing capacity under the unsecured revolving credit facility was \$1.05 billion and pursuant to the terms of the Revolving Credit Agreement, has an expiration date of July 20, 2016. Prior to this expiration date, principal amounts outstanding under the Revolving Credit Agreement may be repaid and reborrowed at the option of the Company without prepayment or penalty, subject to certain conditions. The Company may also, at its option, request an increase in the commitments under the facility up to a total of \$1.15 billion, subject to certain conditions, including Company and lender approval. The loans under the Revolving Credit Agreement may be borrowed in dollars or in certain foreign currencies and bear interest, at the Company's option, at either the Base Rate (as defined in the Revolving Credit Agreement) plus an applicable margin or the Eurocurrency Rate (as defined in the Revolving Credit Agreement) plus an applicable margin. The applicable margin for the Base Rate loans is a range of 0.0% to 1.50% and the applicable margin for the Eurocurrency Rate loans is a range of 1.00% to 2.50%, both based on the Company's debt-to-earnings leverage ratio at the end of each fiscal quarter. In addition to these borrowing rates, there is a commitment fee which ranges from 0.150% to 0.375% on any unused commitment. Accrued interest is payable in arrears on a quarterly basis for Base Rate loans, and at the end of the applicable interest period (but at least every three months) for Eurocurrency Loans. At December 31, 2011 and September 30, 2011, \$174.4 million and \$101.4 million, respectively, were outstanding under the revolving credit facility. At December 31, 2011 and September 30, 2011, outstanding standby letters of credit totaled \$34.0 million and \$32.1 million, respectively, under the revolving credit facility. As of December 31, 2011, the Company had \$841.6 million available under its Revolving Credit Agreement.

*Covenants and Restrictions*

Under the Company's debt agreements relating to its unsecured revolving credit facility and unsecured term credit agreements, the Company is subject to a maximum consolidated leverage ratio at the end of any fiscal quarter. This ratio is calculated by dividing consolidated funded debt (including financial letters of credit) by consolidated earnings before interest, taxes, depreciation, and amortization (EBITDA). For the Company's debt agreements, EBITDA is defined as consolidated net income attributable to AECOM plus interest, depreciation and amortization expense, amounts set aside for taxes and other non-cash items (including a calculated annualized EBITDA from the Company's acquisitions). As of December 31, 2011, the consolidated leverage ratio was 2.4, which did not exceed the Company's most restrictive maximum consolidated leverage ratio of 3.0.

## Edgar Filing: AECOM TECHNOLOGY CORP - Form 10-Q

The Company's Revolving Credit Agreement and Term Credit Agreement also contain certain covenants that limit the Company's ability to, among other things, (i) merge with other entities, (ii) enter into a transaction resulting in a change of control, (iii) create new liens, (iv) sell assets outside of the ordinary course of business, (v) enter into transactions with affiliates, (vi) substantially change the general nature of the Company and its subsidiaries taken as a whole, and (vii) incur indebtedness and contingent obligations.



Table of Contents

Additionally, the Company's unsecured senior notes contain covenants that limit (i) certain types of indebtedness, which include indebtedness incurred by subsidiaries and indebtedness secured by a lien, (ii) merge with other entities, (iii) enter into a transaction resulting in a change of control, (iv) create new liens, (v) sell assets outside of the ordinary course of business, (vi) enter into transactions with affiliates, and (vii) substantially change the general nature of the Company and its subsidiaries taken as a whole. The unsecured senior notes also contain a financial covenant that requires the Company to maintain a net worth above a calculated threshold. The threshold is calculated as \$1.2 billion plus 40% of the consolidated net income for each fiscal quarter commencing with the fiscal quarter ending June 30, 2010. In the calculation of this threshold, the Company cannot include a consolidated net loss that may occur in any fiscal quarter. The Company's net worth for this financial covenant is defined as total AECOM stockholder's equity, which is consolidated stockholders' equity, including any redeemable common stock and stock units and the liquidation preference of any preferred stock. As of December 31, 2011, this amount was \$2.4 billion, which exceeds the calculated threshold of \$1.4 billion.

Should the Company fail to comply with these covenants, all or a portion of its borrowings under the unsecured senior notes and unsecured term credit agreements could become immediately payable and its unsecured revolving credit facility could be terminated. At December 31, 2011, and September 30, 2011 the Company was in compliance with all such covenants.

***Interest Rate Swaps***

The Company uses interest rate swap agreements with financial institutions to fix the variable interest rates on portions of the Company's debt. In September 2011, the Company entered into two interest rate swap agreements to fix the interest rates on \$250.0 million of its debt under the Term Credit Agreement. In December 2011, the Company entered into two additional interest rate swap agreements to fix the interest rate on an additional \$350.0 million of its debt under the Term Credit Agreement. The Company applies cash flow hedge accounting for the interest rate swap agreements. Accordingly, the derivatives are recorded at fair value as assets or liabilities and the effective portion of changes in the fair value of the derivative, as measured quarterly, is reported in other comprehensive income. For the three months ended December 31, 2011, the amount recorded in other comprehensive income related to the decrease in fair value of the derivatives was \$0.4 million. The fixed rates and the related expiration dates of the outstanding swap agreements are as follows:

	<b>Notional Amount (in millions)</b>	<b>Fixed Rate</b>	<b>Expiration Date</b>
\$	250.0	0.95%	September 2015
	200.0	0.68%	December 2014
	150.0	0.55%	December 2013

The Company's average effective interest rate on total borrowings, including the effects of the swaps, during the three months ended December 31, 2011 and 2010 was 3.1% and 3.3%, respectively.

***Notes Secured by Real Properties***

Notes secured by real properties, payable to a bank, were assumed in connection with a business acquired during the year ended September 30, 2008. These notes payable bear interest at 6.04% per annum and mature in December 2028.

*Other Debt*

Other debt consists primarily of bank overdrafts and obligations under capital leases. In addition to the unsecured revolving credit facility discussed above, at December 31, 2011, the Company had \$264.2 million of unsecured credit facilities primarily used to cover periodic overdrafts and letters of credit, of which \$194.2 million was utilized for outstanding letters of credit.

**9. Fair Value Measurements**

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining fair value, the Company considers the principal or most advantageous market in which it would transact, and the Company considers assumptions that market participants would use when pricing the asset or liability. It measures certain financial and nonfinancial assets and liabilities at fair value on a recurring and nonrecurring basis.

Nonfinancial assets and liabilities include items such as goodwill and long lived assets that are measured at fair value resulting from impairment, if deemed necessary. During the three months ended December 31, 2011 and 2010, the Company did not record any fair market value adjustments to those financial and nonfinancial assets and liabilities measured at fair value on a nonrecurring basis.

Table of Contents***Fair Value Hierarchy***

The three levels of inputs that may be used to measure fair value are as follows:

- *Level 1* Quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- *Level 2* Observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities, quoted prices in markets with insufficient volume or infrequent transactions (less active markets), or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data for substantially the full term of the assets or liabilities.
- *Level 3* Unobservable inputs that are significant to the measurement of the fair value of assets or liabilities.

The following table summarizes the Company's non-pension financial assets and liabilities measured at fair value on a recurring basis (at least annually) in millions:

	December 31, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)		Quoted Prices in Active Markets for Identical Assets (Level 1)
Foreign currency forwards	\$ 0.7		\$ 0.7	
Total assets	\$ 0.7		\$ 0.7	
Interest rate swaps (1)	\$ 0.4		\$ 0.4	
Total liabilities	\$ 0.4		\$ 0.4	

(1) For additional information about the Company's interest rate swaps, refer to Note 8 herein.

	September 30, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)		Quoted Prices in Active Markets for Identical Assets (Level 1)
Foreign currency forwards	\$ 0.8		\$ 0.8	
Total liabilities	\$ 0.8		\$ 0.8	

*Foreign currency forwards*

The Company may enter into foreign currency forwards to partially offset the foreign currency exchange gains and losses generated by the re-measurement of certain assets and liabilities denominated in non-functional currencies. The Company records all derivatives on the Consolidated Balance Sheets at fair value. Foreign currency forwards are not designated as hedging instruments, and accordingly, changes in fair value are recorded through earnings.

As of December 31, 2011, prepaid expenses and other current assets includes the fair value of two foreign currency forwards. At September 30, 2011 the fair value of the foreign currency forwards were recorded within other accrued expenses. The Company recognized in earnings a net gain of \$1.5 million on the two foreign currency forwards during the three months ended December 31, 2011. The contract rates and the related contract maturity dates of the outstanding foreign currency forwards are as follows:

<b>Notional Amount (in millions of Canadian dollars)</b>	<b>Contract Rate</b>	<b>Contract Maturity Date</b>
60.0	1.04	September 2012

**10. Share-based Payment**

The fair value of the Company's stock option awards is estimated on the date of grant using the Black-Scholes option-pricing model. The expected term of awards granted represents the period of time the awards are expected to be outstanding. As the Company's common stock has only been publicly-traded since May 2007, expected volatility was based on a historical volatility, for a period consistent with the expected option term, of publicly-traded peer companies. The risk-free interest rate is based on U.S. Treasury bond rates with maturities equal to the expected term of the option on the grant date. The Company uses historical data as a basis to estimate the probability of forfeitures.

Table of Contents

The fair value of options granted during the three months ended December 31, 2010 were determined using the following weighted average assumptions:

	<b>Three Months Ended December 31, 2010</b>
Dividend yield	
Expected volatility	38.6%
Risk-free interest rate	1.5%
Term (in years)	4.5

For the three months ended December 31, 2011 and 2010, compensation expense recognized related to stock options as a result of the fair value method was \$0.9 million and \$1.1 million, respectively. Unrecognized compensation expense relating to stock options outstanding as of December 31 and September 30, 2011 was \$2.9 million and \$3.8 million, respectively, to be recognized on a straight-line basis over the awards respective vesting periods, which are generally three years.

Stock option activity for the three months ended December 31 was as follows:

Outstanding at September 30	2.9	\$	21.38	3.1	\$	19.09
Options granted				0.4		27.54
Options exercised	(0.2)		10.61	(0.3)		11.39
Options forfeited or expired			25.22			22.23
Outstanding at December 31	2.7		22.22	3.2		20.64
Vested and expected to vest in the future as of December 31	2.7	\$	22.16	3.1	\$	20.51

The weighted average grant-date fair value of stock options granted during the three months ended December 31, 2010 was \$9.39.

The Company grants stock units under the Performance Earnings Program (PEP), whereby units are earned and issued dependent upon meeting established cumulative performance objectives over a three-year period. The Company recognized compensation expense relating to the PEP of \$3.5 million and \$4.4 million during the three months ended December 31, 2011 and 2010, respectively. Additionally, the Company issues restricted stock units which are earned based on service conditions, resulting in compensation expense of \$4.2 million and \$2.5 million during the three months ended December 31, 2011 and 2010, respectively. Unrecognized compensation expense related to PEP units and restricted stock units outstanding was \$32.2 million and \$44.1 million as of December 31, 2011 and \$16.3 million and \$23.8 million as of September 30, 2011, respectively, to be recognized on a straight-line basis over the awards respective vesting periods which are generally three years.

Cash flows attributable to tax benefits resulting from tax deductions in excess of compensation cost recognized for those stock options (excess tax benefits) is classified as financing cash flows. Excess tax benefits of \$0.7 million and \$60.1 million for the three months ended December 31, 2011 and 2010, respectively, have been classified as financing cash inflows in the consolidated statements of cash flows.

## 11. Income Taxes

The effective tax rate was 28.8% and 24.8% for the three months ended December 31, 2011 and 2010, respectively. The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, enacted on December 17, 2010, retroactively extended the Research and Experimentation Credits which had lapsed on December 31, 2009. As a result of the extension, the Company recognized a \$3.0 million benefit net of uncertainties during the three months ended December 31, 2010 reflecting anticipated credits for the nine months ended September 30, 2010.

The Company is currently at appeals with the U.S. Internal Revenue Service for fiscal 2006 and 2007 and under examination for fiscal 2008 and 2009. The Company anticipates that some of the audits may be concluded in the foreseeable future, including in fiscal 2012. Based on the status of these audits, it is reasonably possible that the conclusion of the audits may result in a reduction of unrecognized tax benefits. However, it is not possible to estimate the impact of this change at this time due to the early status of the tax examinations.

Table of Contents**12. Earnings Per Share**

Basic earnings per share (EPS) excludes dilution and is computed by dividing net income available for common stockholders by the weighted average number of common shares outstanding for the period. Diluted EPS is computed by dividing net income attributable to AECOM by the weighted average number of common shares outstanding and potential common stock equivalent shares for the period. The Company includes as potential common stock equivalent shares the weighted average dilutive effects of outstanding share-based payment awards using the treasury stock method.

The following table sets forth a reconciliation of the denominators for basic and diluted EPS:

	Three Months Ended	
	December 31, 2011	December 31, 2010
	(in millions)	
Denominator for basic earnings per share	114.0	118.0
Potential common shares:		
Stock options	0.2	0.7
Other	0.4	0.4
Denominator for diluted earnings per share	114.6	119.1

For the three months ended December 31, 2011 and 2010, share-based payment awards excluded from the calculation of potential common shares were not significant. The Company excludes stock options from the computation of diluted EPS when the option's price is greater than the average market price of the Company's common shares. The Company also would exclude common stock equivalent shares from the computation in loss periods as their effect would be anti-dilutive.

**13. Other Financial Information**

Accrued expenses and other current liabilities consist of the following:

	December 31, 2011		September 30, 2011	
	(in millions)			
Accrued salaries and benefits	\$	376.6	\$	417.3
Accrued contract costs		304.2		320.2
Other accrued expenses		57.5		55.2
	\$	738.3	\$	792.7

Accrued contract costs above include balances related to professional liability accruals of \$114.4 million and \$118.4 million as of December 31, 2011 and September 30, 2011, respectively. The remaining accrued contract costs primarily relate to costs for services provided by subcontractors and other non-employees.

Other long-term liabilities consist of the following:

Pension liabilities (Note 7)	\$	154.6	\$ 166.5
Reserve for uncertain tax positions (Note 11)		61.2	61.1
Other		204.2	207.4
	\$	420.0	\$ 435.0

The components of accumulated other comprehensive loss are as follows:

	December 31, 2011	September 30, 2011
	(in millions)	
Foreign currency translation adjustment	\$ (31.6)	\$ (51.1)
Swap valuation	(0.4)	
Defined benefit minimum pension liability adjustment, net of tax	(136.9)	(136.5)
	\$ (168.9)	\$ (187.6)



Table of Contents

**14. Commitments and Contingencies**

The Company records amounts representing its probable estimated liabilities relating to claims, guarantees, litigation, audits and investigations. The Company relies in part on qualified actuaries to assist it in determining the level of reserves to establish for insurance-related claims that are known and have been asserted against it, and for insurance-related claims that are believed to have been incurred based on actuarial analysis, but have not yet been reported to the Company's claims administrators as of the respective balance sheet dates. The Company includes any adjustments to such insurance reserves in its consolidated results of operations.

The Company is a defendant in various lawsuits arising in the normal course of business. In the opinion of management, the ultimate resolution of these matters will not have a material adverse effect on its consolidated balance sheet or statements of income or cash flows.

In some instances, the Company guarantees that a project, when complete, will achieve specified performance standards. If the project subsequently fails to meet guaranteed performance standards, the Company may either incur significant additional costs or be held responsible for the costs incurred by the client to achieve the required performance standards. At December 31, 2011, the Company was contingently liable in the amount of approximately \$228.2 million under standby letters of credit issued primarily in connection with general and professional liability insurance programs and for payment and performance guarantees.

In the ordinary course of business, the Company enters into various agreements providing financial or performance assurances to clients on behalf of certain unconsolidated partnerships, joint ventures and other jointly executed contracts. These agreements are entered into primarily to support the project execution commitments of these entities. The guarantees have various expiration dates. The maximum potential payment amount of an outstanding performance guarantee is the remaining cost of work to be performed by or on behalf of third parties. Generally, under joint venture arrangements, if a partner is financially unable to complete its share of the contract, the other partner(s) will be required to complete those activities. The Company generally only enters into joint venture arrangements with partners who are reputable, financially sound and who carry appropriate levels of surety bonds for the project in order to adequately assure completion of their assignments. The Company does not expect that these guarantees will have a material adverse effect on its consolidated balance sheet or statements of income or cash flows.

***Combat Support Associates Joint Venture***

On March 24, 2010, the U.S. Defense Contract Audit Agency (DCAA) issued a DCAA Form 1 questioning costs incurred during fiscal 2007 by Combat Support Associates (CSA), a consolidated joint venture that includes AECOM Government Services, Inc., in the performance of a U.S. Government contract in Kuwait. The costs in question, which have been recognized as revenue on an accrual basis over the life of the contract, were incurred in paying Service Terminal Indemnity (STI) to CSA's employees at the end of their employment agreements. The DCAA questioned the reasonableness and allowability of the payments on the basis that CSA allegedly paid more than the amount required by the Kuwait Labor Law. As a result of the issuance of the DCAA Form 1, the U.S. Government withheld approximately \$17 million from payments on current year billings pending final resolution of the questioned costs.

CSA has requested that the U.S. Government contracting officer make a final determination that the costs are proper under the contract. If the contracting officer declines to overrule the DCAA Form 1, CSA intends to utilize all proper avenues to defend against the Government's claim, including appeals processes.

The Company believes, based upon advice of Kuwaiti legal counsel, that CSA has been in compliance with STI requirements of Kuwait labor laws. Therefore, the Company presently believes that, if required, CSA would be successful in obtaining a favorable determination of this matter. However, if the DCAA Form 1 is not overruled and subsequent appeals are unsuccessful, the decision could have a material adverse effect on the Company's results of operations.

*Global Linguists Solutions Joint Venture*

On October 5, 2011, the DCAA issued a DCAA Form 1 questioning costs incurred by Global Linguists Solutions (GLS), an equity method joint venture, of which McNeil Technologies, Inc., acquired by the Company in August 2010, is an owner. The questioned costs were incurred by GLS during fiscal 2009, a period prior to the acquisition. Specifically, the DCAA questioned direct labor, associated burdens, and fees billed to the U.S. Government for linguists that allegedly did not meet specific contract requirements. As a result of the issuance of DCAA Form 1, the U.S. Government withheld approximately \$14 million from payments on current year billings pending final resolution of the questioned costs.

Table of Contents

GLS is performing a review of the issues raised in the Form 1 in order to respond fully to the questioned costs. Based on an initial review, GLS believes that the costs met the applicable contract requirements. However, if the DCAA Form 1 is not overruled and subsequent appeals are unsuccessful, the decision could have a material adverse effect on the Company's results of operations.

**Libyan Project**

Due to the civil unrest in Libya, in February 2011, the Company ceased providing services as the program manager for the Libya Housing and Infrastructure Board's program to modernize the country's infrastructure. The Company cannot currently determine when or if it will resume services. This business disruption resulted in a net expense of \$10.0 million for the three months ended March 31, 2011, primarily comprised of demobilization and shutdown costs, certain asset write-downs and the reversal of certain previously recorded liabilities. As of December 31, 2011 and September 30, 2011, \$25.6 million and \$28.5 million, respectively, of liabilities related to this project are included in the accompanying consolidated balance sheet. The liabilities consist primarily of income taxes payable to Libyan authorities and trade accounts payable.

**15. Reportable Segments**

The Company's operations are organized into two reportable segments: Professional Technical Services (PTS) and Management Support Services (MSS). The Company's PTS reportable segment delivers planning, consulting, architectural and engineering design, and program and construction management services to commercial and government clients worldwide. The Company's MSS reportable segment provides program and facilities management and maintenance, training, logistics, consulting, and technical assistance and systems integration services, primarily for agencies of the U.S. government. These reportable segments are organized by the types of services provided, the differing specialized needs of the respective clients, and how the Company manages its business. The Company has aggregated various operating segments into its PTS reportable segment based on their similar characteristics, including similar long term financial performance, the nature of services provided, internal processes for delivering those services, and types of customers.

Management internally analyzes the results of its operations using several non-GAAP measures. A significant portion of the Company's revenues relates to services provided by subcontractors and other non-employees that it categorizes as other direct costs. Other direct costs are segregated from cost of revenues resulting in revenue, net of other direct costs, which is a measure of work performed by Company employees. The Company has included information on revenue, net of other direct costs, as it believes that it is useful to view our revenue exclusive of costs associated with external service providers.

The following tables set forth summarized financial information concerning the Company's reportable segments:

Reportable Segments:	Professional Technical Services	Management Support Services	Corporate	Total
	(in millions)			
<b>Three Months Ended December 31, 2011:</b>				

Edgar Filing: AECOM TECHNOLOGY CORP - Form 10-Q

Revenue	\$	1,807.4	\$	221.8	\$	\$	2,029.2
Revenue, net of other direct costs(1)		1,100.9		129.9			1,230.8
Gross profit		84.8		5.5			90.3
Equity in earnings of joint ventures		2.5		6.5			9.0
General and administrative expenses						22.6	22.6
Operating income		87.3		12.0		(22.6)	76.7
Gross profit as a % of revenue		4.7%		2.5%			4.5%
Gross profit as a % of revenue, net of other direct costs(1)		7.7%		4.2%			7.3%

Table of Contents

Reportable Segments:	Professional Technical Services	Management Support Services	Corporate	Total
	(in millions)			
<b>Three Months Ended December 31, 2010:</b>				
Revenue	\$ 1,575.8	\$ 360.4	\$	\$ 1,936.2
Revenue, net of other direct costs(1)	1,084.8	129.0		1,213.8
Gross profit	89.5	15.8		105.3
Equity in earnings of joint ventures	2.1	6.0		8.1
General and administrative expenses			23.2	23.2
Operating income	91.6	21.8	(23.2)	90.2
Gross profit as a % of revenue	5.7%	4.4%		5.4%
Gross profit as a % of revenue, net of other direct costs(1)	8.3%	12.2%		8.7%

---

(1) Non-GAAP measure.

**Item 2. Management's Discussion And Analysis Of Financial Condition And Results Of Operations****Forward-Looking Statements**

This Quarterly Report contains certain forward-looking statements, including the plans and objectives of management for our business, operations and economic performance. These forward-looking statements generally can be identified by the context of the statement or the use of forward-looking terminology, such as believes, estimates, anticipates, intends, expects, plans, is confident that or words of similar nature with reference to us or our management. Similarly, statements that describe our future operating performance, financial results, financial position, plans, objectives, strategies or goals are forward-looking statements. Although management believes that the assumptions underlying the forward-looking statements are reasonable, these assumptions and the forward-looking statements are subject to various factors, risks and uncertainties, many of which are beyond our control, including, but not limited to, our dependence on long-term government contracts, which are subject to uncertainties concerning the government's budgetary approval process, the possibility that our government contracts may be terminated by the government, the risk of employee misconduct or our failure to comply with laws and regulations, and our ability to successfully execute our mergers and acquisitions strategy, including the integration of new companies into our business. Accordingly, actual results could differ materially from those contemplated by any forward-looking statement. Please review Part II, Item 1A Risk Factors in this Quarterly Report for a discussion of the factors, risks and uncertainties that could affect our future results.

**Overview**

We are a leading global provider of professional technical and management support services for commercial and government clients around the world. We provide our services in a broad range of end markets and strategic geographic markets through a global network of operating offices and approximately 46,000 employees.

## Edgar Filing: AECOM TECHNOLOGY CORP - Form 10-Q

Our business focuses primarily on providing fee-based professional technical and support services and therefore our business is labor and not capital intensive. We derive income from our ability to generate revenue and collect cash from our clients through the billing of our employees time spent on client projects and our ability to manage our costs. We report our business through two segments: Professional Technical Services (PTS) and Management Support Services (MSS).

Our PTS segment delivers planning, consulting, architectural and engineering design, and program and construction management services to institutional, commercial and government clients worldwide in end markets such as transportation, facilities, environmental and energy markets. PTS revenue is primarily derived from fees from services that we provide, as opposed to pass-through fees from subcontractors and other direct costs.

Our MSS segment provides facilities management and maintenance, training, logistics, consulting, technical assistance and systems integration services, primarily for agencies of the U.S. government. MSS revenue typically includes a significant amount of pass-through fees from subcontractors and other direct costs.

Our revenue is dependent on our ability to attract and retain qualified and productive employees, identify business opportunities, integrate and maximize the value of our recent acquisitions, allocate our labor resources to profitable and high growth markets, secure new contracts and renew existing client agreements. Demand for our services is cyclical and may be vulnerable to sudden economic downturns and reductions in government and private industry spending, which may result in clients delaying, curtailing or canceling proposed and existing projects. Moreover, as a professional services company, maintaining the high quality of the work generated by our employees is integral to our revenue generation and profitability.

Table of Contents

Our costs consist primarily of the compensation we pay to our employees, including salaries, fringe benefits, the costs of hiring subcontractors and other project-related expenses, and sales, general and administrative costs.

During the year ended September 30, 2011, we adopted a revised definition of revenue provided by acquired companies. We define revenue provided by acquired companies as revenue included in the current period up to twelve months subsequent to their acquisition date. Throughout this section, we refer to companies we acquired in the last twelve months as acquired companies.

**Update**

As discussed in prior reports, due to the civil unrest in Libya in February 2011, we ceased providing services as the program manager for the Libya Housing and Infrastructure Board's program to modernize the country's infrastructure. We cannot currently determine when or if we will resume services. For further information regarding this matter, see the discussion in Note 14 in the notes to our consolidated financial statements and below in this Management's Discussion and Analysis section.

**Components of Income and Expense**

Our management analyzes the results of our operations using several non-GAAP measures. As discussed in Overview above, a significant portion of our revenue relates to services provided by subcontractors and other non-employees that we categorize as other direct costs. Those costs are typically paid to service providers upon our receipt of payment from the client. We segregate other direct costs from revenue resulting in a measurement that we refer to as revenue, net of other direct costs, which is a measure of work performed by AECOM employees and, as discussed in Overview above, a large portion of our fees are derived through work performed by AECOM employees rather than other parties. We have included information on revenue, net of other direct costs, as we believe that it is useful to view our revenue exclusive of costs associated with external service providers, and the related gross margins, as discussed in Results of Operations below. Because of the importance of maintaining the high quality of work generated by our employees, gross margin, which measures revenue, net of other direct costs after subtracting the cost to generate such revenue, is another important metric that management reviews in evaluating the Company's operating performance.

The following table presents, for the periods indicated, a presentation of the non-GAAP financial measures reconciled to the closest GAAP measures:

	Three Months Ended December 31,	
	2011	2010
	(in millions)	
<b>Other Financial Data:</b>		
Revenue	\$ 2,029.2	\$ 1,936.2
Other direct costs*	798.4	722.4
Revenue, net of other direct costs*	1,230.8	1,213.8
Cost of revenue, net of other direct costs*	1,140.5	1,108.5
Gross profit	90.3	105.3

Edgar Filing: AECOM TECHNOLOGY CORP - Form 10-Q

Equity in earnings of joint ventures		9.0		8.1
General and administrative expenses		22.6		23.2
Income from operations	\$	76.7	\$	90.2

**Reconciliation of Cost of Revenue:**

Other direct costs	\$	798.4	\$	722.4
Cost of revenue, net of other direct costs		1,140.5		1,108.5
Cost of revenue	\$	1,938.9	\$	1,830.9

---

\*Non-GAAP measure.



Table of Contents**Results of Operations***Three months ended December 31, 2011 compared to the three months ended December 31, 2010*Consolidated Results

	Three Months Ended		Change	
	December 31, 2011	December 31, 2010	\$	%
	(in millions)			
Revenue	\$ 2,029.2	\$ 1,936.2	\$ 93.0	4.8%
Other direct costs	798.4	722.4	76.0	10.5
Revenue, net of other direct costs	1,230.8	1,213.8	17.0	1.4
Cost of revenue, net of other direct costs	1,140.5	1,108.5	32.0	2.9
Gross profit	90.3	105.3	(15.0)	(14.2)
Equity in earnings of joint ventures	9.0	8.1	0.9	11.1
General and administrative expenses	22.6	23.2	(0.6)	(2.6)
Income from operations	76.7	90.2	(13.5)	(15.0)
Other income	1.9	2.3	(0.4)	(17.4)
Interest expense, net	(10.6)	(9.9)	(0.7)	7.1
Income before income tax expense	68.0	82.6	(14.6)	(17.7)
Income tax expense	19.6	20.5	(0.9)	(4.4)
Net income	48.4	62.1	(13.7)	(22.1)
Noncontrolling interests in income of consolidated subsidiaries, net of tax	(0.5)	(5.2)	4.7	(90.4)
Net income attributable to AECOM	\$ 47.9	\$ 56.9	\$ (9.0)	(15.8)%

The following table presents the percentage relationship of certain items to revenue, net of other direct costs:

	Three Months Ended	
	December 31, 2011	December 31, 2010
Revenue, net of other direct costs	100.0%	100.0%
Cost of revenue, net of other direct costs	92.7	91.3
Gross margin	7.3	8.7
Equity in earnings of joint ventures	0.7	0.7
General and administrative expense	1.8	2.0
Income from operations	6.2	7.4
Other income	0.2	0.2
Interest expense, net	(0.9)	(0.8)
Income before income tax expense	5.5	6.8
Income tax expense	1.6	1.7
Net income	3.9	5.1
Noncontrolling interests in income of consolidated subsidiaries, net of tax		(0.4)
Net income attributable to AECOM	3.9%	4.7%

*Revenue*

Our revenue for the three months ended December 31, 2011 increased \$93.0 million, or 4.8% to \$2,029.2 million as compared to \$1,936.2 million for the corresponding period last year. Revenue provided by acquired companies was \$13.4 million for the three months ended December 31, 2011. Excluding the revenue provided by acquired companies, revenue increased \$79.6 million, or 4.1%, from the three months ended December 31, 2010.

The increase in revenue, excluding acquired companies, for the three months ended December 31, 2011 was primarily attributable to increased demand for our construction management services in the Americas of \$170 million, engineering and program management services on infrastructure projects in Australia, Asia and North America of approximately \$35 million, \$20 million and \$20 million, respectively, partially offset by a reduction in services in our MSS segment noted below of \$139 million and in Libya of \$25 million.

Table of Contents

***Revenue, Net of Other Direct Costs***

Our revenue, net of other direct costs, for the three months ended December 31, 2011 increased \$17.0 million, or 1.4%, to \$1,230.8 million as compared to \$1,213.8 million for the corresponding period last year. Of this increase, \$12.2 million, or 71.8%, was provided by acquired companies. Excluding revenue, net of other direct costs, provided by acquired companies, revenue, net of other direct costs, increased \$4.8 million, or 0.4% over the three months ended December 31, 2010.

The increase in revenue, net of other direct costs, excluding revenue, net of other direct costs provided by acquired companies, was primarily due to increased demand for our engineering and program management services on infrastructure projects in Australia of approximately \$25 million, partially offset by decreased activity in Libya of \$15 million.

***Gross Profit***

Our gross profit for the three months ended December 31, 2011 decreased \$15.0 million, or 14.2%, to \$90.3 million as compared to \$105.3 million for the corresponding period last year. Gross profit provided by acquired companies was \$2.1 million. Excluding gross profit provided by acquired companies, gross profit decreased \$17.1 million, or 16.2%, from the three months ended December 31, 2010. For the three months ended December 31, 2011, gross profit, as a percentage of revenue, net of other direct costs, decreased to 7.3% from 8.7% in the three months ended December 31, 2010.

The decrease in gross profit, for the three months ended December 31, 2011 as compared to the corresponding period in the prior year was primarily attributable to a reduction in gross profit in our MSS segment noted below and the reduction in services in Libya.

The decrease in gross profit, as a percentage of revenue, net of other direct costs for the three months ended December 31, 2011 was primarily due to a reduction in gross profit in our MSS segment noted below and the reduction in services in Libya.

***Equity in Earnings of Joint Ventures***

Our equity in earnings of joint ventures for the three months ended December 31, 2011 increased \$0.9 million, or 11.1%, to \$9.0 million as compared to \$8.1 million in the corresponding period last year.

***General and Administrative Expenses***

## Edgar Filing: AECOM TECHNOLOGY CORP - Form 10-Q

Our general and administrative expenses for the three months ended December 31, 2011 decreased \$0.6 million, or 2.6%, to \$22.6 million as compared to \$23.2 million for the corresponding period last year. As a percentage of revenue, net of other direct costs, general and administrative expenses decreased from 2.0% in the three months ended December 31, 2010 to 1.8% in the three months ended December 31, 2011.

### *Other Income*

Our other income for the three months ended December 31, 2011 was \$1.9 million as compared to other income of \$2.3 million for the three months ended December 31, 2010.

### *Interest Expense, Net*

Our net interest expense for the three months ended December 31, 2011 was \$10.6 million as compared to \$9.9 million of net interest expense for the three months ended December 31, 2010.

### *Income Tax Expense*

Our income tax expense for the three months ended December 31, 2011 decreased \$0.9 million, or 4.4%, to \$19.6 million as compared to \$20.5 million for the three months ended December 31, 2010. The effective tax rate was 28.8% and 24.8% for the three months ended December 31, 2011 and 2010, respectively.

The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, enacted on December 17, 2010, retroactively extended the Research and Experimentation Credits which had lapsed on December 31, 2009. As a result of the extension, the Company recognized a \$3.0 million benefit net of uncertainties during the three months ended December 31, 2010 reflecting anticipated credits for the nine-months ended September 30, 2010.

Table of Contents***Net Income Attributable to AECOM***

The factors described above resulted in net income attributable to AECOM of \$47.9 million for the three months ended December 31, 2011, as compared to net income attributable to AECOM of \$56.9 million for the three months ended December 31, 2010.

***Results of Operations by Reportable Segment:******Professional Technical Services***

	December 31, 2011	Three Months Ended December 31,		Change	
		2010	(in millions)		\$
Revenue	\$ 1,807.4	\$ 1,575.8	\$ 231.6	14.7%	
Other direct costs	706.5	491.0	215.5	43.9	
Revenue, net of other direct costs	1,100.9	1,084.8	16.1	1.5	
Cost of revenue, net of other direct costs	1016.1	995.3	20.8	2.1	
Gross profit	\$ 84.8	\$ 89.5	\$ (4.7)	(5.3)%	

The following table presents the percentage relationship of certain items to revenue, net of other direct costs:

	Three Months Ended	
	December 31, 2011	December 31, 2010
Revenue, net of other direct costs	100.0%	100.0%
Cost of revenue, net of other direct costs	92.3	91.7
Gross margin	7.7%	8.3%

***Revenue***

Revenue for our PTS segment for the three months ended December 31, 2011 increased \$231.6 million, or 14.7%, to \$1,807.4 million as compared to \$1,575.8 million for the corresponding period last year. Revenue provided by acquired companies was \$13.4 million. Excluding revenue provided by acquired companies, revenue increased \$218.2 million, or 13.8%, over the three months ended December 31, 2010.

The increase in revenue, excluding acquired companies, for the three months ended December 31, 2011 was primarily attributable to increased demand for our construction management services in the Americas of \$170 million, engineering and program management services on

## Edgar Filing: AECOM TECHNOLOGY CORP - Form 10-Q

infrastructure projects in Australia, Asia and the Americas of approximately \$35 million, \$20 million and \$20 million, respectively, partially offset by a reduction in services in Libya of \$25 million.

### *Revenue, Net of Other Direct Costs*

Revenue, net of other direct costs, for our PTS segment for the three months ended December 31, 2011 increased \$16.1 million, or 1.5%, to \$1,100.9 million as compared to \$1,084.8 million for the corresponding period last year. Of this increase, \$12.2 million, or 75.8%, was provided by acquired companies. Excluding revenue, net of other direct costs, provided by acquired companies, revenue, net of other direct costs, increased \$3.9 million, or 0.4%, over the three months ended December 31, 2010.

The increase in revenue, net of other direct costs, excluding revenue, net of other direct costs provided by acquired companies, was primarily due to increased demand for our engineering and program management services on infrastructure projects in Australia of approximately \$25 million, partially offset by decreased activity in Libya of \$15 million. Revenue, net of other direct costs, excluding the effects of acquired companies, was relatively consistent with the prior period primarily due to the increase in subcontractor costs from our construction management services.

Table of Contents**Gross Profit**

Gross profit for our PTS segment for the three months ended December 31, 2011 decreased \$4.7 million, or 5.3%, to \$84.8 million as compared to \$89.5 million for the corresponding period last year. Gross profit provided by acquired companies was \$2.1 million. Excluding gross profit provided by acquired companies, gross profit decreased \$6.8 million, or 7.6%, from the three months ended December 31, 2010. As a percentage of revenue, net of other direct costs, gross profit decreased to 7.7% of revenue, net of other direct costs, for the three months ended December 31, 2011 from 8.3% in the corresponding period last year.

The \$6.8 million of the decrease in gross profit, excluding acquired companies, and the decrease in gross profit, as a percentage of revenue, net of other direct costs, excluding acquired companies, was primarily from the reduction in services in Libya.

**Management Support Services**

	December 31, 2011	Three Months Ended		Change	%
		December 31, 2010	(in millions)		
Revenue	\$ 221.8	\$ 360.4	\$	(138.6)	(38.5)%
Other direct costs	91.9	231.4		(139.5)	(60.3)
Revenue, net of other direct costs	129.9	129.0		0.9	0.7
Cost of revenue, net of other direct costs	124.4	113.2		11.2	9.9
Gross profit	\$ 5.5	\$ 15.8	\$	(10.3)	(65.2)%

The following table presents the percentage relationship of certain items to revenue, net of other direct costs:

	Three Months Ended	
	December 31, 2011	December 31, 2010
Revenue, net of other direct costs	100.0%	100.0%
Cost of revenue, net of other direct costs	95.8	87.8
Gross margin	4.2%	12.2%

**Revenue**

Revenue for our MSS segment for the three months ended December 31, 2011 decreased \$138.6 million, or 38.5%, to \$221.8 million as compared to \$360.4 million for the corresponding period last year. The decrease in revenue for the three months ended December 30, 2011 was primarily attributable to the completion of our combat support project with the U.S. government in the Middle East in February 2011, which resulted in a \$140 million reduction in revenue from prior period.

***Revenue, Net of Other Direct Costs***

Revenue, net of other direct costs, for our MSS segment for the three months ended December 31, 2011 increased \$0.9 million, or 0.7%, to \$129.9 million as compared to \$129.0 million for the corresponding period last year. Revenue, net of other direct costs, was relatively consistent with the prior period primarily due to the reduction in subcontractor costs from the completion of our combat support project.

***Gross Profit***

Gross profit for our MSS segment for the three months ended December 31, 2011 decreased \$10.3 million, or 65.2%, to \$5.5 million as compared to \$15.8 million for the corresponding period last year. As a percentage of revenue, net of other direct costs, gross profit decreased to 4.2% of revenue, net of other direct costs, for the three months ended December 31, 2011 from 12.2% in the corresponding period last year.

The decrease in gross profit, for the three months ended December 31, 2011 as compared to the corresponding period in the prior year was primarily attributable to a reserve related to a cost recovery matter and a project cost write-off on certain U.S. government projects totaling \$6 million. Additionally, the decrease was due to the completion of our combat support project noted above.

The decrease in gross profit, as a percentage of revenue, net of other direct costs for the three months ended December 31, 2011 was primarily due to a reserve related to a cost recovery matter and a project cost write-off on certain U.S. government projects totaling \$6 million.



Table of Contents

**Seasonality**

We experience seasonal trends in our business. The first quarter of our fiscal year (October 1 to December 31) is typically our weakest quarter. The harsher weather conditions impact our ability to complete work in parts of North America and the holiday season schedule affects our productivity during this period. For these reasons, coupled with the number and significance of client contracts commenced and completed during a particular period, as well as the timing of expenses incurred for corporate initiatives, it is not unusual for us to experience seasonal changes or fluctuations in our quarterly operating results. Our revenue is typically higher in the last half of the fiscal year. Many U.S. state governments with fiscal years ending on June 30 tend to accelerate spending during their first quarter, when new funding becomes available. In addition, we find that the U.S. federal government tends to authorize more work during the period preceding the end of our fiscal year, September 30. Further, our construction management revenue typically increases during the high construction season of the summer months. Within the United States, as well as other parts of the world, our business generally benefits from milder weather conditions in our fiscal fourth quarter, which allows for more productivity from our on-site civil services. For these reasons, coupled with the number and significance of client contracts commenced and completed during a period, as well as the time of expenses incurred for corporate initiatives, it is not unusual for us to experience seasonal changes or fluctuations in our quarterly operating results.

**Liquidity and Capital Resources**

*Cash Flows*

Our principal sources of liquidity are cash flows from operations, borrowings under our credit facilities, and access to financial markets. Our principal uses of cash are operating expenses, capital expenditures, working capital requirements, acquisitions, repurchases of stock under our stock repurchase program and repayment of debt. We believe our anticipated sources of liquidity including operating cash flows, existing cash and cash equivalents, borrowing capacity under our revolving credit facility and our ability to issue debt or equity, if required, will be sufficient to meet our projected cash requirements for at least the next 12 months. In the quarter ended September 30, 2011, we amended our term credit agreement to increase our bank term loans from \$600 million to \$750 million maturing July 2016 and also increased our borrowing capacity to \$1.05 billion under our revolving credit facility which expires in July 2016.

At December 31, 2011, cash and cash equivalents were \$507.5 million, an increase of \$50.6 million, or 11.1%, from \$456.9 million at September 30, 2011. This increase was primarily attributable to net proceeds from borrowings, partially offset by payments for capital expenditures.

Net cash used in operating activities was \$6.4 million for the three months ended December 31, 2011, compared to net cash used in operating activities of \$179.3 million for the three months ended December 31, 2010. The decrease in cash used in operating activities was primarily attributable to the payments made in 2010 for the \$89.7 million settlement of our U.S. deferred compensation plan liability and a decrease of \$59.4 million in excess tax benefit from share-based payments, which was primarily attributable to our U.S. deferred compensation plan distribution in 2010. The decrease in cash used in operating activities was also due to the timing of receipts and payments of operating assets and liabilities, which include accounts receivable, accounts payable, and billings in excess of costs on uncompleted contracts.

## Edgar Filing: AECOM TECHNOLOGY CORP - Form 10-Q

Net cash used in investing activities was \$21.6 million for the three months ended December 31, 2011, compared with \$350.2 million for the three months ended December 31, 2010. This decrease was primarily due to a \$289.8 million decrease in payments for business acquisitions and a decrease of \$19.3 million of net investment in unconsolidated joint ventures.

Net cash provided by financing activities was \$72.7 million for the three months ended December 31, 2011, compared with \$334.1 million for the three months ended December 31, 2010, a decrease of \$261.4 million. The decrease in cash provided by financing activities was primarily attributable to a \$191.3 million decrease in net borrowings under credit agreements, primarily due to reduced business combinations, a decrease of \$59.4 million in excess tax benefit from share-based payments, which was primarily attributable to our U.S. deferred compensation plan distribution in 2010 and \$59.3 million in proceeds from loans on this deferred compensation plan's investments in the prior period. These decreases were partially offset by a \$49.8 million decrease in the repurchase of our common stock.

### *Working Capital*

Working capital, or current assets less current liabilities, increased \$129.4 million, or 11.0%, to \$1,305.0 million at December 31, 2011 from \$1,175.6 million at September 30, 2011. Net accounts receivable, which includes billed and unbilled costs and fees, net of billings in excess of costs on uncompleted contracts, increased \$77.2 million, or 3.8%, to \$2,132.5 million at December 31, 2011.

Table of Contents

Accounts receivable increased 5.6%, or \$133.7 million, to \$2,513.9 million at December 31, 2011 from \$2,380.2 million at September 30, 2011.

Days Sales Outstanding (DSO), including accounts receivable, net of billings in excess of costs on uncompleted contracts, excluding the effects of recent acquisitions, at December 31, 2011, was 95 days compared to the 88 days at September 30, 2011.

In Note 5, Accounts Receivable Net, in the notes to our consolidated financial statements, a comparative analysis of the various components of accounts receivable is provided. Substantially all unbilled receivables as of December 31, 2011 and September 30, 2011 are expected to be billed and collected within twelve months.

Unbilled receivables related to claims are recorded only if it is probable that the claim will result in additional contract revenue and if the amount can be reliably estimated. In such cases, revenue is recorded only to the extent that contract costs relating to the claim have been incurred. Other than as disclosed, there are no significant net receivables related to contract claims as of December 31, 2011 and September 30, 2011. Award fees in unbilled receivables are accrued only when there is sufficient information to assess contract performance. On contracts that represent higher than normal risk or technical difficulty, award fees are generally deferred until an award fee letter is received.

Because our revenue depends to a great extent on billable labor hours, most of our charges are invoiced following the end of the month in which the hours were worked, the majority usually within 15 days. Other direct costs are normally billed along with labor hours. However, as opposed to salary costs, which are generally paid on either a bi-weekly or monthly basis, other direct costs are generally not paid until payment is received (in some cases in the form of advances) from the customers.

***Borrowings and Lines of Credit***

Debt consisted of the following:

	December 31, 2011	September 30, 2011
	(in millions)	
Unsecured term credit agreement	\$ 750.0	\$ 750.0
Unsecured senior notes	254.4	253.6
Unsecured revolving credit facility	174.4	101.4
Notes secured by real properties	24.9	25.2
Other debt	37.8	32.3
Total debt	1,241.5	1,162.5
Less: Current portion of debt and short-term borrowings	(23.8)	(17.8)
Long-term debt, less current portion	\$ 1,217.7	\$ 1,144.7

The following table presents, in millions, scheduled maturities of our debt as of December 31, 2011:

<b>Fiscal Year</b>	
2012 (nine months remaining)	\$ 23.1
2013	153.4
2014	152.1
2015	151.8
2016	476.4
Thereafter	284.7
<b>Total</b>	<b>\$ 1,241.5</b>

#### *Unsecured Term Credit Agreement*

In September 2011, we entered into an Amended and Restated Credit Agreement (the *Term Credit Agreement*) with Bank of America, N.A., as administrative agent and a lender, and the other lenders party thereto. Pursuant to the Term Credit Agreement, we borrowed \$750 million in term loans on the closing date and may borrow up to an additional \$100 million in term loans upon our request subject to certain conditions, including Company and lender approval. We used approximately \$600 million of the proceeds from the loans to repay indebtedness under our prior term loan facility, approximately \$147 million of the proceeds to pay down indebtedness under our revolving credit facility and a portion of the proceeds to pay fees and expenses related to the Term Credit Agreement. The loans under the Term Credit Agreement bear interest, at our option, at either the Base Rate (as defined in the Term Credit Agreement) plus an applicable margin or the Eurodollar Rate (as defined in the Term Credit Agreement) plus an applicable margin. The applicable margin for the Base Rate loans is a range of 0.375% to 1.50% and the applicable margin for Eurodollar Rate loans is a range of 1.375% to 2.50%, both based on our debt-to-earnings leverage ratio at the end of each fiscal quarter. The initial interest rate of the loans borrowed on September 30, 2011 is the 3 month Eurodollar rate plus 1.75%, or a total of 2.12%. For the three months ended December 31, 2011 and 2010, the average interest rate of our term loan facility was 2.12% and 2.8%, respectively. Payments of the initial principal amount outstanding under the Term Credit Agreement are required on a quarterly basis beginning on December 31, 2012, while interest payments are required on a quarterly basis beginning December 31, 2011. Any remaining principal of the loans under the Term Credit Agreement is due no later than July 20, 2016. Accrued interest is payable in arrears on a quarterly basis for Base Rate loans, and at the end of the applicable interest period (but at least every three months) for Eurodollar Rate loans. We may optionally prepay the loans at any time, without penalty.

Table of Contents

*Unsecured Senior Notes*

In July 2010, we issued \$300 million of notes to private institutional investors. The notes consisted of \$175.0 million of 5.43% Senior Notes, Series A, due July 2020 and \$125.0 million of 1.00% Senior Discount Notes, Series B, due July 2022 for net proceeds of \$249.8 million. The outstanding accreted balance of Series B Notes was \$79.4 million at December 31, 2011, which have an effective interest rate of 5.62%. The fair value of our unsecured senior notes was approximately \$257 million at December 31, 2011 and \$259 million at September 30, 2011. We calculated the fair values based on model-derived valuations using market observable inputs, which are a Level 2 inputs under the accounting guidance. Our obligations under the notes are guaranteed by certain of our subsidiaries pursuant to one or more subsidiary guarantees.

*Unsecured Revolving Credit Facility*

In July 2011, we entered into a Third Amended and Restated Credit Agreement (the "Revolving Credit Agreement") with Bank of America, N.A., as an administrative agent and a lender and the other lenders party thereto, which amended and restated our unsecured revolving credit facility and increased our available borrowing capacity in order to support our working capital and acquisition needs. As of December 31, 2011 and September 30, 2011, the borrowing capacity under our unsecured revolving credit facility was \$1.05 billion and pursuant to the terms of the Revolving Credit Agreement, has an expiration date of July 20, 2016. Prior to this expiration date, principal amounts outstanding under the Revolving Credit Agreement may be repaid and reborrowed at our option without prepayment or penalty, subject to certain conditions. We may also, at our option, request an increase in the commitments under the facility up to a total of \$1.15 billion, subject to certain conditions, including Company and lender approval. The loans under the Revolving Credit Agreement may be borrowed in dollars or in certain foreign currencies and bear interest, at our option, at either the Base Rate (as defined in the Revolving Credit Agreement) plus an applicable margin or the Eurocurrency Rate (as defined in the Revolving Credit Agreement) plus an applicable margin. The applicable margin for the Base Rate loans is a range of 0.0% to 1.50% and the applicable margin for Eurocurrency Rate loans is a range of 1.00% to 2.50%, both based on our debt-to-earnings leverage ratio at the end of each fiscal quarter. In addition to these borrowing rates, there is a commitment fee which ranges from 0.150% to 0.375% on any unused commitment. Accrued interest is payable in arrears on a quarterly basis for Base Rate loans, and at the end of the applicable interest period (but at least every three months) for Eurocurrency Loans. At December 31, 2011 and September 30, 2011, \$174.4 million and \$101.4 million, respectively, were outstanding under our revolving credit facility. At December 31, 2011 and September 30, 2011, outstanding standby letters of credit totaled \$34.0 million and \$32.1 million, respectively, under our revolving credit facility. As of December 31, 2011, we had \$841.6 million available under our Revolving Credit Agreement.

*Covenants and Restrictions*

Under our debt agreements relating to our unsecured revolving credit facility and unsecured term credit agreements, we are subject to a maximum consolidated leverage ratio at the end of any fiscal quarter. This ratio is calculated by dividing consolidated funded debt (including financial letters of credit) by consolidated earnings before interest, taxes, depreciation, and amortization (EBITDA). For our debt agreements, EBITDA is defined as consolidated net income attributable to AECOM plus interest, depreciation and amortization expense, amounts set aside for taxes and other non-cash items (including a calculated annualized EBITDA from our acquisitions). As of December 31, 2011, our consolidated leverage ratio was 2.4, which did not exceed our most restrictive maximum consolidated leverage ratio of 3.0.

Our Revolving Credit Agreement and Term Credit Agreement also contain certain covenants that limit our ability to, among other things, (i) merge with other entities, (ii) entering into a transaction resulting in a change of control, (iii) create new liens, (iv) sell assets outside of the ordinary course of business, (v) enter into transactions with affiliates, (vi) substantially change the general nature of the Company and its subsidiaries taken as a whole, and (vii) incur indebtedness and contingent obligations.

Additionally, our unsecured senior notes contain covenants that limit (i) certain types of indebtedness, which include indebtedness incurred by subsidiaries and indebtedness secured by a lien, (ii) merge with other entities, (iii) enter into a transaction resulting in a change of control, (iv) create new liens, (v) sell assets outside of the ordinary course of business, (vi) enter into transactions with affiliates, and (vii) substantially change the general nature of the Company and its subsidiaries taken as a whole. The unsecured senior notes also contain a financial covenant that requires us to maintain a net worth above a calculated threshold. The threshold is calculated as \$1.2 billion plus 40% of the consolidated net income for each fiscal quarter commencing with the fiscal quarter ending June 30, 2010. In the calculation of this threshold, we cannot include a consolidated net loss that may occur in any fiscal quarter. Our net worth for this financial covenant is defined as total AECOM stockholders equity, which is consolidated stockholders equity, including any redeemable common stock and stock units and the liquidation preference of any preferred stock. As of December 31, 2011, this amount was \$2.4 billion, which exceeds the calculated threshold of \$1.4 billion.

Table of Contents

Should we fail to comply with these covenants, all or a portion of our borrowings under the unsecured senior notes and unsecured term credit agreements could become immediately payable and our unsecured revolving credit facility could be terminated. At December 31, 2011, and September 30, 2011 we were in compliance with all such covenants.

*Interest Rate Swaps*

We use interest rate swap agreements with financial institutions to fix the variable interest rates on portions of our debt. In September 2011, we entered into two interest rate swap agreements to fix the interest rates on \$250.0 million of our debt under the Term Credit Agreement. In December 2011, we entered into two additional interest rate swap agreements to fix the interest rate on an additional \$350.0 million of our debt under the Term Credit Agreement. We apply cash flow hedge accounting for the interest rate swap agreements. Accordingly, the derivatives are recorded at fair value as assets or liabilities and the effective portion of changes in the fair value of the derivative, as measured quarterly, is reported in other comprehensive income. For the three months ended December 31, 2011, the amount recorded in other comprehensive income related to the decrease in fair value of the derivatives was \$0.4 million. The fixed rates and the related expiration dates of the outstanding swap agreements are as follows:

	<b>Notional Amount (in millions)</b>	<b>Fixed Rate</b>	<b>Expiration Date</b>
\$	250.0	0.95%	September 2015
	200.0	0.68%	December 2014
	150.0	0.55%	December 2013

Our average effective interest rate on borrowings, including the effects of the swaps, during the three months ended December 31, 2011 and 2010 was 3.1% and 3.3%, respectively.

*Notes Secured by Real Properties*

Notes secured by real properties, payable to a bank, were assumed in connection with a business acquired during the year ended September 30, 2008. These notes payable bear interest at 6.04% per annum and mature in December 2028.

*Other Debt*

Other debt consists primarily of bank overdrafts and obligations under capital leases. In addition to the revolving credit facility discussed above, at December 31, 2011, we had \$264.2 million of unsecured credit facilities primarily used to cover periodic overdrafts and standby letters of credit, of which \$194.2 million was utilized for outstanding standby letters of credit.

*Commitments and Contingencies*

Other than normal property and equipment additions and replacements, expenditures to further the implementation of our Enterprise Resource Planning system, commitments under our incentive compensation programs, amounts we may expend to repurchase stock under our stock repurchase program and acquisitions from time to time, we currently do not have any significant capital expenditures or outlays planned except as described below. However, as we acquire additional businesses in the future or if we embark on other capital-intensive initiatives, additional working capital may be required.

Under our unsecured revolving credit facility and other facilities discussed in Other Debt above, as of December 31, 2011, there was approximately \$228.2 million outstanding under standby letters of credit issued primarily in connection with general and professional liability insurance programs and for contract performance guarantees. For those projects for which we have issued a performance guarantee, if the project subsequently fails to meet guaranteed performance standards, we may either incur significant additional costs or be held responsible for the costs incurred by the client to achieve the required performance standards.

We recognized on our balance sheet the funded status (measured as the difference between the fair value of plan assets and the projected benefit obligation) of our pension plans. The total amounts of employer contributions paid for the three months ended December 31, 2011 were \$8.8 million for U.S. plans and \$4.4 million for non-U.S. plans. Funding requirements for each plan are determined based on the local laws of the country where such plan resides. In certain countries, the funding requirements are mandatory while in other countries, they are discretionary. We do not have a required minimum contribution for our domestic plans; however, we may make additional discretionary contributions. In the future, such pension funding may increase or decrease depending on changes in the levels of interest rates, pension plan performance and other factors.



Table of Contents

***Combat Support Associates Joint Venture***

On March 24, 2010, the U.S. Defense Contract Audit Agency (DCAA) issued a DCAA Form 1 questioning costs incurred during fiscal 2007 by Combat Support Associates (CSA), a consolidated joint venture that includes AECOM Government Services, Inc., in the performance of a U.S. Government contract in Kuwait. The costs in question, which have been recognized as revenue on an accrual basis over the life of the contract, were incurred in paying Service Terminal Indemnity (STI) to CSA's employees at the end of their employment agreements. The DCAA questioned the reasonableness and allowability of the payments on the basis that CSA allegedly paid more than the amount required by the Kuwait Labor Law. As a result of the issuance of the DCAA Form 1, the U.S. Government withheld approximately \$17 million from payments on current year billings pending final resolution of the questioned costs.

CSA has requested that the U.S. Government contracting officer make a final determination that the costs are proper under the contract. If the contracting officer declines to overrule the DCAA Form 1, CSA intends to utilize all proper avenues to defend against the Government's claim, including appeals processes.

We believe, based on advice of Kuwaiti legal counsel, that CSA has been in compliance with STI requirements of Kuwait labor laws. Therefore, we presently believe that, if required, CSA would be successful in obtaining a favorable determination of this matter. However, if the DCAA Form 1 is not overruled and subsequent appeals are unsuccessful, the decision could have a material adverse effect on our results of operations.

***Global Linguists Solutions Joint Venture***

On October 5, 2011, the DCAA issued a DCAA Form 1 questioning costs incurred by Global Linguists Solutions (GLS), an equity method joint venture, of which McNeil Technologies Inc., which we acquired in August 2010 is an owner. The questioned costs were incurred by GLS during fiscal 2009, a period prior to the acquisition. Specifically, the DCAA questioned direct labor, associated burdens, and fees billed to the U.S. Government for linguists that allegedly did not meet specific contract requirements. As a result of the issuance of DCAA Form 1, the U.S. Government withheld approximately \$14 million from payments on current year billings pending final resolution of the questioned costs.

GLS is performing a review of the issues raised in the Form 1 in order to respond fully to the questioned costs. Based on an initial review, GLS believes that the costs met the applicable contract requirements. However, if the DCAA Form 1 is not overruled and subsequent appeals are unsuccessful, the decision could have a material adverse effect on our results of operations.

***Libyan Project***

Due to the civil unrest in Libya, in February 2011, we ceased providing services as the program manager for the Libya Housing and Infrastructure Board's program to modernize the country's infrastructure. We cannot currently determine when or if we will resume services. This business disruption resulted in a net expense of \$10.0 million for the three months ended March 31, 2011, primarily comprised of demobilization and shutdown costs, certain asset write-downs and the reversal of certain previously recorded liabilities. As of December 31, 2011 and September 30, 2011, \$25.6 million and \$28.5 million, respectively, of liabilities related to this project are included in accompanying

consolidated balance sheet. The liabilities consist primarily of income taxes payable to Libyan authorities and trade accounts payable.

#### **New Accounting Pronouncements and Changes in Accounting**

In January 2010, the Financial Accounting Standards Board (FASB) issued guidance to amend the disclosure requirements related to fair value measurements. We adopted this guidance for the quarter ended March 31, 2010, except for the portion of the guidance that requires the disclosure of activities on purchases, sales, issuance, and settlements of the assets and liabilities measured using significant unobservable inputs (Level 3 fair value measurements). The Level 3 fair value measurement guidance was adopted by us in our fiscal year beginning October 1, 2011. Since the Company carries no Level 3 assets or liabilities, the adoption of the separate disclosures related to Level 3 measurements did not have a material impact on our consolidated financial statements. Additionally, the FASB issued a new accounting standard on fair value measurements that changes certain fair value measurement principles, clarifies the requirement for measuring fair value and expands disclosure requirements, particularly for Level 3 fair value measurements. This guidance is effective for us in our second quarter ending March 31, 2012 and is not expected to have a material impact on our consolidated financial statements.

Table of Contents

On October 1, 2010, we adopted guidance issued by the FASB on revenue recognition. The new guidance provides another alternative for determining the selling price of deliverables, when vendor specific objective evidence or third party evidence for deliverables in an arrangement cannot be determined, and requires companies to allocate arrangement consideration to separate deliverables using the relative selling price method. The adoption of the guidance did not have a material effect on our consolidated financial statements.

On October 1, 2010, we also adopted guidance issued by the FASB on the consolidation of variable interest entities. The new guidance requires revised evaluations of whether entities represent variable interest entities, ongoing assessments of whether we have the power to direct the activities over such entities, and additional disclosures for variable interests. Adoption of the new guidance did not have a material impact on our consolidated financial statements, see Note 6 in the notes to our consolidated financial statements.

In June 2011, the FASB issued guidance on the presentation of comprehensive income. The new standard will require companies to present items of net income, items of other comprehensive income and total comprehensive income in one continuous statement or two separate consecutive statements, and companies will no longer be allowed to present items of other comprehensive income in the statement of stockholders' equity. The guidance also requires presentation of reclassification adjustments from other comprehensive income to net income on the face of the financial statements. This guidance is effective for us in our fiscal year beginning October 1, 2012 and, although it will change the financial statement presentation, it is not expected to have a material impact on our financial condition or results of operations.

In September 2011, the FASB issued guidance intended to simplify goodwill impairment testing. Entities are allowed to perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. This guidance is effective for goodwill impairment tests performed in interim and annual periods for fiscal years beginning after December 15, 2011, with early adoption permitted. We do not expect this guidance will have a material impact on our consolidated financial statements.

**Off-Balance Sheet Arrangements**

We enter into various joint venture arrangements to provide architectural, engineering, program management, construction management and operations and maintenance services. The ownership percentage of these joint ventures is typically representative of the work to be performed or the amount of risk assumed by each joint venture partner. Some of these joint ventures are considered variable interest. We have consolidated all joint ventures for which we have control. For all others, our portion of the earnings are recorded in equity in earnings of joint ventures. See Note 6 in the notes to our consolidated financial statements. We do not believe that we have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that would be material to investors.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

**Financial Market Risks**

*Financial Market Risks*

We are exposed to market risk, primarily related to foreign currency exchange rates and interest rate exposure of our debt obligations that bear interest based on floating rates. We actively monitor these exposures. Our objective is to reduce, where we deem appropriate to do so, fluctuations in earnings and cash flows associated with changes in foreign exchange rates and interest rates. In the past, we have entered into derivative financial instruments, such as forward contracts and interest rate hedge contracts. It is our policy and practice to use derivative financial instruments only to the extent necessary to manage our exposures. We do not use derivative financial instruments for trading purposes.

*Foreign Exchange Rates*

We are exposed to foreign currency exchange rate risk resulting from our operations outside of the U.S. We do not comprehensively hedge our exposure to currency rate changes; however, our exposure to foreign currency fluctuations is limited in that most of our contracts require client payments to be in currencies corresponding to the currency in which costs are incurred. As a result, we typically do not need to hedge foreign currency cash flows for contract work performed. The functional currency of our significant foreign operations is the local currency.

Table of Contents

*Interest Rates*

Our senior revolving credit facility and certain other debt obligations are subject to variable rate interest which could be adversely affected by an increase in interest rates. As of December 31, 2011 and September 30, 2011, we had \$924.4 million and \$851.4 million, respectively, outstanding borrowings under our credit facility and certain other variable interest rate debt obligations. Interest on amounts borrowed under the credit facility and our term credit agreements is subject to adjustment based on certain levels of financial performance. These borrowings are at offshore rates, for which the applicable margin added can range from 1% to 2.5%. For the three months ended December 31, 2011, our weighted average floating rate borrowings were \$911.0 million. If short term floating interest rates had increased or decreased by 1%, our interest expense for the period would have increased or decreased by \$1.7 million. As discussed above, \$600.0 million of our variable interest rate debt is fixed through our interest rate swaps. We invest our cash in a variety of financial instruments, consisting principally of money market securities or other highly liquid, short-term securities that are subject to minimal credit and market risk.

**Item 4. Controls and Procedures**

*Evaluation of Disclosure Controls and Procedures*

Based on an evaluation under the supervision and with the participation of our management, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended ( Exchange Act ), were effective as of December 31, 2011 to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms and (ii) accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosures.

*Changes in Internal Control Over Financial Reporting*

There were no changes in our internal control over financial reporting during our quarter ended December 31, 2011 which were identified in connection with management's evaluation required by paragraph (d) of Rules 13a-15 and 15d-15 under the Exchange Act that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II. OTHER INFORMATION**

**Item 1. Legal Proceedings**

As a government contractor, we are subject to various laws and regulations that are more restrictive than those applicable to non-government contractors. Intense government scrutiny of contractors' compliance with those laws and regulations through audits and investigations is inherent in government contracting, and, from time to time, we receive inquiries, subpoenas, and similar demands related to our ongoing business with government entities. Violations can result in civil or criminal liability as well as suspension or debarment from eligibility for awards of new government contracts or option renewals.

We are involved in various investigations, claims and lawsuits in the normal conduct of our business, none of which, in the opinion of our management, based upon current information and discussions with counsel, is expected to have a material adverse effect on our consolidated financial position, results of operations, cash flows or our ability to conduct business. From time to time, we establish reserves for litigation when we consider it probable that a loss will occur.

#### **Item 1A. Risk Factors**

*We operate in a changing environment that involves numerous known and unknown risks and uncertainties that could materially adversely affect our operations. The risks described below highlight some of the factors that have affected, and in the future could affect our operations. Additional risks we do not yet know of or that we currently think are immaterial may also affect our business operations. If any of the events or circumstances described in the following risks actually occur, our business, financial condition or results of operations could be materially adversely affected.*

*We depend on long-term government contracts, some of which are only funded on an annual basis. If appropriations for funding are not made in subsequent years of a multiple-year contract, we may not be able to realize all of our anticipated revenue and profits from that project.*

A substantial majority of our revenue is derived from contracts with agencies and departments of national, state and local governments. During fiscal 2011, 2010 and 2009, approximately 64%, 73% and 71%, respectively, of our revenue was derived from contracts with government entities.

Table of Contents

Most government contracts are subject to the government's budgetary approval process. Legislatures typically appropriate funds for a given program on a year-by-year basis, even though contract performance may take more than one year. As a result, at the beginning of a program, the related contract is only partially funded, and additional funding is normally committed only as appropriations are made in each subsequent fiscal year. These appropriations, and the timing of payment of appropriated amounts, may be influenced by, among other things, the state of the economy, competing priorities for appropriation, changes in administration or control of legislatures and the timing and amount of tax receipts and the overall level of government expenditures. If appropriations are not made in subsequent years on our government contracts, then we will not realize all of our potential revenue and profit from that contract.

For instance, a significant portion of historical funding for state and local transportation projects has come from the U.S. federal government through its SAFETEA-LU infrastructure funding program and predecessor programs. Approximately 79% of the SAFETEA-LU funding is for highway programs, 18.5% is for transit programs and 2.5% is for other programs such as motor carrier safety, national highway traffic safety and research. A key uncertainty in the outlook for federal transportation funding in the United States is the future viability of the Highway Trust Fund, which has experienced shortfalls due to a decrease in the federal gas tax receipts that fund it. This raises concerns about the future funding structure for federal highway programs, including the Highway Trust Fund. We currently anticipate that SAFETEA-LU, which is set to expire in March 2012, will be extended by continuing resolutions of Congress as it has been prior to all previous scheduled expirations. If SAFETEA-LU is not extended, it could have a material adverse effect on our financial condition and results of operations.

***Governmental agencies may modify, curtail or terminate our contracts at any time prior to their completion and, if we do not replace them, we may suffer a decline in revenue.***

Most government contracts may be modified, curtailed or terminated by the government either at its discretion or upon the default of the contractor. If the government terminates a contract at its discretion, then we typically are able to recover only costs incurred or committed, settlement expenses and profit on work completed prior to termination, which could prevent us from recognizing all of our potential revenue and profits from that contract. In addition, the U.S. government has announced its intention to scale back outsourcing of services in favor of insourcing jobs to its employees, which could reduce the number of contracts awarded to us. The adoption of similar practices by other government entities could also adversely affect our revenues. If a government terminates a contract due to our default, we could be liable for excess costs incurred by the government in obtaining services from another source.

***Demand for our services is cyclical and may be vulnerable to sudden economic downturns and reductions in government and private industry spending. If economic conditions remain weak and decline further, our revenue and profitability could be adversely affected.***

Demand for our services is cyclical and may be vulnerable to sudden economic downturns and reductions in government and private industry spending, which may result in clients delaying, curtailing or canceling proposed and existing projects. Economic conditions in the U.S. and in many other countries and regions, including the United Kingdom, are weak and may remain difficult for the foreseeable future. If global economic and financial market conditions remain weak and/or decline further, some of our clients may face considerable budget shortfalls that may limit their overall demand for our services. In addition, our clients may find it more difficult to raise capital in the future to fund their projects due to uncertainty in the municipal and general credit markets. Also, the global demand for commodities has increased raw material costs, which will cause our clients' projects to increase in overall cost and may result in the more rapid depletion of the funds that are available to our clients to spend on projects.

Where economies are weakening, our clients may demand more favorable pricing or other terms while their ability to pay our invoices or to pay them in a timely manner may be adversely affected. Our government clients may face budget deficits that prohibit them from funding proposed

and existing projects. If economic conditions remain uncertain and/or weaken and/or government spending is reduced, our revenue and profitability could be adversely affected.

***Our contracts with governmental agencies are subject to audit, which could result in adjustments to reimbursable contract costs or, if we are charged with wrongdoing, possible temporary or permanent suspension from participating in government programs.***

Our books and records are subject to audit by the various governmental agencies we serve and their representatives. These audits can result in adjustments to the amount of contract costs we believe are reimbursable by the agencies and the amount of our overhead costs allocated to the agencies. For example, as discussed elsewhere in this report, the U.S. Defense Contract Audit Agency (DCAA) issued a DCAA Form 1 questioning costs incurred during fiscal 2007 by Combat Support Associates, a consolidated joint venture that includes AECOM Government Services, Inc., in the performance of a U.S. Government contract in Kuwait. If such matter were not resolved in our favor, it could have a material adverse effect on our business. In addition, if one of our subsidiaries is charged with wrongdoing as a result of an audit, that subsidiary, and possibly our company as a whole, could be temporarily suspended or could be prohibited from bidding on and receiving future government contracts for a period of time. Furthermore, as a government contractor, we are subject to an increased risk of investigations, criminal prosecution, civil fraud, whistleblower lawsuits and other legal actions and liabilities to which purely private sector companies are not, the results of which could materially adversely impact our business.



Table of Contents

*Our operations worldwide expose us to legal, political and economic risks in different countries as well as currency exchange rate fluctuations that could harm our business and financial results.*

During fiscal 2011, revenue attributable to our services provided outside of the United States was approximately 40% of our total revenue. There are risks inherent in doing business internationally, including:

- imposition of governmental controls and changes in laws, regulations or policies;
- political and economic instability;
- civil unrest, acts of terrorism, force majeure, war, or other armed conflict;
- changes in U.S. and other national government trade policies affecting the markets for our services;
- changes in regulatory practices, tariffs and taxes;
- potential non-compliance with a wide variety of laws and regulations, including anti-corruption, export control and anti-boycott laws and similar non-U.S. laws and regulations;
- changes in labor conditions;
- logistical and communication challenges; and
- currency exchange rate fluctuations, devaluations and other conversion restrictions.

Any of these factors could have a material adverse effect on our business, results of operations or financial condition.

***Political, economic and military conditions in the Middle East, North Africa and other regions could negatively impact our business.***

Last year, civil unrest, which initially began in Tunisia and Egypt, spread to other areas in the Middle East and beyond. Due to the civil unrest in Libya in February 2011, we ceased providing services as the program manager for the Libya Housing and Infrastructure Board's program to modernize the country's infrastructure. We cannot currently determine when or if we will resume services. This business disruption resulted in an operating loss, primarily due to demobilization and shutdown costs, and certain asset write-downs. If civil unrest were to disrupt our business in other countries in the Middle East or other regions in which we operate, and particularly if political activities were to result in prolonged unrest or civil war, our financial condition could be adversely affected.

***We operate in many different jurisdictions and we could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act and similar worldwide anti-corruption laws.***

The U.S. Foreign Corrupt Practices Act (FCPA) and similar worldwide anti-corruption laws, including the U.K. Bribery Act of 2010, generally prohibit companies and their intermediaries from making improper payments to non-U.S. officials for the purpose of obtaining or retaining business. Our internal policies mandate compliance with these anti-corruption laws. We operate in many parts of the world that have experienced governmental corruption to some degree and, in certain circumstances, strict compliance with anti-corruption laws may conflict with local customs and practices. Despite our training and compliance programs, we cannot assure you that our internal control policies and procedures always will protect us from reckless or criminal acts committed by our employees or agents. Our continued expansion outside the U.S., including in developing countries, could increase the risk of such violations in the future. Violations of these laws, or allegations of such violations, could disrupt our business and result in a material adverse effect on our results of operations or financial condition.

***We work in international locations where there are high security risks, which could result in harm to our employees and contractors or material costs to us.***

Some of our services are performed in high-risk locations, such as Iraq, and, until recently, Libya, where the country or location is suffering from political, social or economic problems, or war or civil unrest. In those locations where we have employees or operations, we may incur material costs to maintain the safety of our personnel. Despite these precautions, the safety of our personnel in these locations may continue to be at risk. Acts of terrorism and threats of armed conflicts in or around various areas in which we operate could limit or disrupt markets and our operations, including disruptions resulting from the evacuation of personnel, cancellation of contracts, or the loss of key employees and contractors or assets. For example, as discussed above, we incurred losses related to demobilization and shutdown costs related to the cessation of our operations in Libya due to ongoing civil unrests.

Table of Contents

***Our business and operating results could be adversely affected by losses under fixed-price contracts.***

Fixed-price contracts require us to either perform all work under the contract for a specified lump-sum or to perform an estimated number of units of work at an agreed price per unit, with the total payment determined by the actual number of units performed. In fiscal 2011, approximately 46% of our revenue was recognized under fixed-price contracts. Fixed-price contracts are more frequently used outside of the United States and, thus, the exposures resulting from fixed-price contracts may increase as we increase our business operations outside of the United States. Fixed-price contracts expose us to a number of risks not inherent in cost-plus and time and material contracts, including underestimation of costs, ambiguities in specifications, unforeseen costs or difficulties, problems with new technologies, delays beyond our control, failures of subcontractors to perform and economic or other changes that may occur during the contract period. Losses under fixed-price contracts could be substantial and adversely impact our results of operations.

***We conduct a portion of our operations through joint venture entities, over which we may have limited control.***

Approximately 15% of our fiscal 2011 revenue was derived from our operations through joint ventures or similar partnership arrangements, where control may be shared with unaffiliated third parties. As with most joint venture arrangements, differences in views among the joint venture participants may result in delayed decisions or disputes. We also cannot control the actions of our joint venture partners, and we typically have joint and several liability with our joint venture partners under the applicable contracts for joint venture projects. These factors could potentially adversely impact the business and operations of a joint venture and, in turn, our business and operations.

Operating through joint ventures in which we are minority holders results in us having limited control over many decisions made with respect to projects and internal controls relating to projects. Of the joint ventures noted above, approximately 8% of our fiscal 2011 revenue was derived from our unconsolidated joint ventures where we generally do not have control of the joint venture. These joint ventures may not be subject to the same requirements regarding internal controls and internal control over financial reporting that we follow. As a result, internal control problems may arise with respect to these joint ventures, which could have a material adverse effect on our financial condition and results of operations.

***Misconduct by our employees or consultants or our failure to comply with laws or regulations applicable to our business could cause us to lose customers or lose our ability to contract with government agencies.***

As a government contractor, misconduct, fraud or other improper activities caused by our employees or consultants failure to comply with laws or regulations could have a significant negative impact on our business and reputation. Such misconduct could include the failure to comply with federal procurement regulations, regulations regarding the protection of sensitive government information, legislation regarding the pricing of labor and other costs in government contracts, regulations on lobbying or similar activities, and anti-corruption, export control and other applicable laws or regulations. Our failure to comply with applicable laws or regulations, misconduct by any of our employees or consultants or our failure to make timely and accurate certifications to government agencies regarding misconduct or potential misconduct could subject us to fines and penalties, loss of government granted eligibility, cancellation of contracts and suspension or debarment from contracting with government agencies, any of which may adversely affect our business.

***Our defined benefit plans have significant deficits that could grow in the future and cause us to incur additional costs.***

We have defined benefit pension plans for employees in the United States, United Kingdom, Australia, Ireland, Canada and Philippines. At December 31, 2011, our defined benefit pension plans had an aggregate deficit (the excess of projected benefit obligations over the fair value of plan assets) of approximately \$154.6 million. In the future, our pension deficits may increase or decrease depending on changes in the levels of interest rates, pension plan performance and other factors. Because the current economic environment has resulted in declining investment returns and interest rates, we may be required to make additional cash contributions to our pension plans and recognize further increases in our net pension cost to satisfy our funding requirements. If we are forced or elect to make up all or a portion of the deficit for unfunded benefit plans, our results of operations could be materially and adversely affected.

*New legal requirements could adversely affect our operating results.*

Our business and results of operations could be adversely affected by the passage of U.S. health care reform, climate change, and other environmental legislation and regulations. For example, new legislation or regulations may result in increased direct costs associated with our compliance efforts. Currently, we are assessing the impact that health care reform could have on our employer-sponsored medical plans and that climate change and other environmental legislation and regulations could have on our overall business.

Table of Contents

***Failure to successfully execute our acquisition strategy may inhibit our growth.***

We have grown in part as a result of our acquisitions over the last several years, and we expect continued growth in the form of additional acquisitions and expansion into new markets. If we are unable to pursue suitable acquisition opportunities, as a result of global economic uncertainty or other factors, our growth may be inhibited. We cannot assure you that suitable acquisitions or investment opportunities will continue to be identified or that any of these transactions can be consummated on favorable terms or at all. Any future acquisitions will involve various inherent risks, such as:

- our ability to accurately assess the value, strengths, weaknesses, liabilities and potential profitability of acquisition candidates;
  
- the potential loss of key personnel of an acquired business;
  
- increased burdens on our staff and on our administrative, internal control and operating systems, which may hinder our legal and regulatory compliance activities;
  
- post-acquisition integration challenges; and
  
- post-acquisition deterioration in an acquired business that could result in lower or negative earnings contribution and/or goodwill impairment charges.

Furthermore, during the acquisition process and thereafter, our management may need to assume significant transaction-related responsibilities, which may cause them to divert their attention from our existing operations. If our management is unable to successfully integrate acquired companies or implement our growth strategy, our operating results could be harmed. Moreover, we cannot assure you that we will continue to successfully expand or that growth or expansion will result in profitability.

***Our ability to grow and to compete in our industry will be harmed if we do not retain the continued services of our key technical and management personnel and identify, hire, and retain additional qualified personnel.***

There is strong competition for qualified technical and management personnel in the sectors in which we compete. We may not be able to continue to attract and retain qualified technical and management personnel, such as engineers, architects and project managers, who are necessary for the development of our business or to replace qualified personnel. Our planned growth may place increased demands on our resources and will likely require the addition of technical and management personnel and the development of additional expertise by existing personnel. Also, some of our personnel hold government granted eligibility that may be required to obtain certain government projects; if we

were to lose some or all of these personnel, they would be difficult to replace. Loss of the services of, or failure to recruit, key technical and management personnel could limit our ability to successfully complete existing projects and compete for new projects.

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

A number of government programs require contractors to have certain kinds of government granted eligibility. Depending on the project, eligibility can be difficult and time-consuming to obtain. If we or our employees are unable to obtain or retain the necessary eligibility, we may not be able to win new business, and our existing customers could terminate their contracts with us or decide not to renew them. To the extent we cannot obtain or maintain the required security clearances for our employees working on a particular contract, we may not derive the revenue or profit anticipated from such contract.

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

We are engaged in a highly competitive business. The professional technical and management support services markets we serve are highly fragmented and we compete with a large number of regional, national and international companies. Certain of these competitors have greater financial and other resources than we do. Others are smaller and more specialized, and concentrate their resources in particular areas of expertise. The extent of our competition varies according to the particular markets and geographic area. The degree and type of competition we face is also influenced by the type and scope of a particular project. Our clients make competitive determinations based upon qualifications, experience, performance, reputation, technology, customer relationships and ability to provide the relevant services in a timely, safe and cost-efficient manner. Increased competition may result in our inability to win bids for future projects and loss of revenue, profitability and market share.

Table of Contents

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

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

***Our services expose us to significant risks of liability and our insurance policies may not provide adequate coverage.***

Our services involve significant risks of professional and other liabilities that may substantially exceed the fees that we derive from our services. In addition, we sometimes contractually assume liability under indemnification agreements. We cannot predict the magnitude of potential liabilities from the operation of our business.

Our professional liability policies cover only claims made during the term of the policy. Additionally, our insurance policies may not protect us against potential liability due to various exclusions in the policies and self-insured retention amounts. Partially or completely uninsured claims, if successful and of significant magnitude, could have a material adverse effect on our business.

***Our backlog of uncompleted projects under contract is subject to unexpected adjustments and cancellations and, thus, may not accurately reflect future revenue and profits.***

At December 31, 2011, our contracted backlog was approximately \$8.5 billion and our awarded backlog was approximately \$7.3 billion for a total backlog of \$15.8 billion. Our contracted backlog includes revenue we expect to record in the future from signed contracts and, in the case of a public sector client, where the project has been funded. Our awarded backlog includes revenue we expect to record in the future where we have been awarded the work, but the contractual agreement has not yet been signed. We cannot guarantee that future revenue will be realized from either category of backlog or, if realized, will result in profits. Many projects may remain in our backlog for an extended period of time because of the size or long-term nature of the contract. In addition, from time to time, projects are delayed, scaled back or cancelled. These types of backlog reductions adversely affect the revenue and profits that we ultimately receive from contracts reflected in our backlog.

***We have submitted claims to clients for work we performed beyond the initial scope of some of our contracts. If these clients do not approve these claims, our results of operations could be adversely impacted.***

We typically have pending claims submitted under some of our contracts for payment of work performed beyond the initial contractual requirements for which we have already recorded revenue. In general, we cannot guarantee that such claims will be approved in whole, in part, or at all. If these claims are not approved, our revenue may be reduced in future periods.

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

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

We also rely on relationships with other contractors when we act as their subcontractor or joint venture partner. Our future revenue and growth prospects could be adversely affected if other contractors eliminate or reduce their subcontracts or joint venture relationships with us, or if a government agency terminates or reduces these other contractors' programs, does not award them new contracts or refuses to pay under a contract. In addition, due to "pay when paid" provisions that are common in subcontracts in certain countries, including the U.S., we could experience delays in receiving payment if the prime contractor experiences payment delays.



Table of Contents

*If clients use our reports or other work product without appropriate disclaimers or in a misleading or incomplete manner, our business could be adversely affected.*

The reports and other work product we produce for clients sometimes include projections, forecasts and other forward-looking statements. Such information by its nature is subject to numerous risks and uncertainties, any of which could cause the information produced by us to ultimately prove inaccurate. While we include appropriate disclaimers in the reports that we prepare for our clients, once we produce such written work product, we have no ability to control the manner in which our clients use such information. As a result, if our clients reproduce such information to solicit funds from investors for projects without appropriate disclaimers and the information proves to be incorrect, or if our clients reproduce such information for potential investors in a misleading or incomplete manner, our clients or such investors may threaten to or file suit against us for, among other things, securities law violations. If we were found to be liable for any claims related to our client work product, our business could be adversely affected.

*Our quarterly operating results may fluctuate significantly.*

We experience seasonal trends in our business with our revenue typically being higher in the last half of the fiscal year. Our fourth quarter (July 1 to September 30) typically is our strongest quarter, and our first quarter is typically our weakest quarter. Our quarterly revenue, expenses and operating results may fluctuate significantly because of a number of factors, including:

- the spending cycle of our public sector clients;
- employee hiring and utilization rates;
- the number and significance of client engagements commenced and completed during a quarter;
- the ability of clients to terminate engagements without penalties;
- the ability of our project managers to accurately estimate the percentage of the project completed;
- delays incurred as a result of weather conditions;

## Edgar Filing: AECOM TECHNOLOGY CORP - Form 10-Q

- delays incurred in connection with an engagement;
- the size and scope of engagements;
- the timing and magnitude of expenses incurred for, or savings realized from, corporate initiatives;
- changes in foreign currency rates;
- the seasonality of our business;
- the impairment of goodwill or other intangible assets; and
- general economic and political conditions.

Variations in any of these factors could cause significant fluctuations in our operating results from quarter to quarter.

***An impairment charge of goodwill could have a material adverse impact on our financial condition and results of operations.***

Under accounting principles generally accepted in the United States, we are required to test goodwill carried in our Consolidated Balance Sheets for possible impairment on an annual basis based upon a fair value approach. Because we have grown in part through acquisitions, goodwill and intangible assets-net represent a substantial portion of our assets. Goodwill and intangible assets-net were \$2.2 billion as of December 31, 2011. We perform an analysis on our goodwill balances to test for impairment on an annual basis and whenever events occur that indicate impairment could exist. These events or circumstances could include a significant change in the business climate, including a significant sustained decline in a reporting unit's market value, legal factors, operating performance indicators, competition, sale or disposition of a significant portion of our business and other factors.

If the fair value of our reporting units is less than their carrying value, we could be required to record an impairment charge. The amount of any impairment could be significant and could have a material adverse impact on our financial condition and results of operations for the period in which the charge is taken.

***If we are unable to continue to access credit on acceptable terms, our business may be adversely affected.***

## Edgar Filing: AECOM TECHNOLOGY CORP - Form 10-Q

The state of the global credit markets could make it more difficult for us to access funds, refinance our existing indebtedness, enter into agreements for new indebtedness, replace our existing credit agreement on or before its expiration in 2016 or obtain funding through the issuance of our securities. We use credit facilities to support our working capital and acquisition needs. There is no guarantee that we can continue to renew our credit facility on terms as favorable as those in our existing credit facility and, if we are unable to do so, our costs of borrowing and our business may be adversely affected.

Table of Contents

***Our debt agreements contain restrictive covenants and financial ratio tests that restrict or prohibit our ability to engage in or enter into a variety of transactions. If we fail to comply with these covenants or tests, our indebtedness under these agreements could become accelerated, which could adversely affect us.***

Our debt agreements, including our senior credit facility and the agreement governing our senior notes, contain various covenants that may have the effect of limiting, among other things, our ability and the ability of certain of our subsidiaries to: merge with other entities, enter into a transaction resulting in a change in control, create new liens, incur additional indebtedness, sell assets outside of the ordinary course of business, enter into transactions with affiliates (other than subsidiaries) or substantially change the general nature of our and our subsidiaries' business, taken as a whole; and, in the case of our senior credit facility, make certain investments, enter into restrictive agreements, or make certain dividends or other distributions. These restrictions could limit our ability to take advantage of financing, merger, acquisition or other opportunities, to fund our business operations or to fully implement our current and future operating strategies.

All of our debt agreements relating to our unsecured revolving credit facility and unsecured term credit agreements require us to maintain compliance with a maximum consolidated leverage ratio at the end of any fiscal quarter. The agreement governing our senior notes also requires us to maintain a net worth above a calculated threshold. As of December 31, 2011, our consolidated leverage ratio was 2.4, which did not exceed our most restrictive maximum consolidated leverage ratio of 3.0. As of December 31, 2011, our net worth was \$2.4 billion, which exceeds the calculated threshold of \$1.4 billion. Our ability to continue to meet these financial ratios and tests will be dependent upon our future performance and may be affected by events beyond our control (including factors discussed in this *Risk Factors* section). If we fail to satisfy these requirements, our indebtedness under these agreements could become accelerated and payable at a time when we are unable to pay them. This would adversely affect our ability to implement our operating strategies and would have a material adverse effect on our financial condition.

***Systems and information technology interruption could adversely impact our ability to operate.***

We rely heavily on computer, information and communications technology and related systems in order to properly operate. From time to time, we experience occasional system interruptions and delays. If we are unable to continually add software and hardware, effectively upgrade our systems and network infrastructure and take other steps to improve the efficiency of and protect our systems, systems operation could be interrupted or delayed. Our computer and communications systems and operations could be damaged or interrupted by natural disasters, telecommunications failures, acts of war or terrorism and similar events or disruptions. Any of these or other events could cause system interruption, delays and loss of critical data, or delay or prevent operations, and adversely affect our operating results.

In addition, we face the threat to our computer systems of unauthorized access, computer hackers, computer viruses, malicious code, organized cyber attacks and other security problems and system disruptions. We have devoted and will continue to devote significant resources to the security of our computer systems, but they may still be vulnerable to these threats. A user who circumvents security measures could misappropriate proprietary information or cause interruptions or malfunctions in operations. As a result, we may be required to expend significant resources to protect against the threat of these system disruptions and security breaches or to alleviate problems caused by these disruptions and breaches. Any of these events could have a material adverse effect on our business, financial condition, results of operations and cash flows.

***Failure to adequately protect, maintain, or enforce our rights in our intellectual property may adversely limit our competitive position.***

## Edgar Filing: AECOM TECHNOLOGY CORP - Form 10-Q

Our success depends, in part, upon our ability to protect our intellectual property. We rely on a combination of intellectual property policies and other contractual arrangements to protect much of our intellectual property where we do not believe that trademark, patent or copyright protection is appropriate or obtainable. Trade secrets are generally difficult to protect. Although our employees are subject to confidentiality obligations, this protection may be inadequate to deter or prevent misappropriation of our confidential information and/or the infringement of our patents and copyrights. Further, we may be unable to detect unauthorized use of our intellectual property or otherwise take appropriate steps to enforce our rights. Failure to adequately protect, maintain, or enforce our intellectual property rights may adversely limit our competitive position.

***Our charter documents contain provisions that may delay, defer or prevent a change of control.***

Provisions of our certificate of incorporation and bylaws could make it more difficult for a third party to acquire control of us, even if the change in control would be beneficial to stockholders. These provisions include the following:

- division of our Board of Directors into three classes, with each class serving a staggered three-year term;
- removal of directors for cause only;
- ability of our Board of Directors to authorize the issuance of preferred stock in series without stockholder approval;

Table of Contents

- two-thirds stockholder vote requirement to approve specified business combinations, which include a sale of substantially all of our assets;
- vesting of exclusive authority in our Board of Directors to determine the size of the board (subject to limited exceptions) and to fill vacancies;
- advance notice requirements for stockholder proposals and nominations for election to our Board of Directors; and
- prohibitions on our stockholders from acting by written consent and limitations on calling special meetings.

**Item 2. Unregistered Sales of Equity Securities, Use of Proceeds and Issuer Purchases of Equity Securities**

*Unregistered Sales of Equity Securities*

During the three-month period ended December 31, 2011, we issued the following securities that were not registered under the Securities Act of 1933, as amended (the Securities Act):

235,656 shares of our common stock to the shareholders of privately-held companies in connection with our acquisition of the companies.

We issued the securities identified above in reliance upon Regulation S promulgated under the Securities Act as sales occurring outside of the United States.

**Share Repurchase Program**

In August 2011, the Company's Board of Directors authorized a stock repurchase program (the Repurchase Program), pursuant to which the Company may purchase up to \$200 million of its common stock. Share repurchases under this program may be effected through open market purchases, unsolicited or solicited privately negotiated transactions or other methods, including pursuant to a Rule 10b5-1 plan.

## Edgar Filing: AECOM TECHNOLOGY CORP - Form 10-Q

In connection with the Repurchase Program on December 14, 2011, the Company entered into a Rule 10b5-1 repurchase plan with Merrill Lynch, Pierce, Fenner & Smith Incorporated (Merrill Lynch). Under this plan, and consistent with our previously announced Repurchase Program, the Company agreed to repurchase a maximum of \$100 million of its common stock through Merrill Lynch. Repurchased shares are retired, but remain authorized for registration and issuance in the future. This plan expired on February 3, 2012.

A summary of the repurchase activity for the three months ended December 31, 2011 is as follows:

Period	Total Number of Shares Purchased	Average Price Paid Per Share <small>(Amounts in millions, Except Per Share Amounts)</small>	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value that May Yet Be Purchased Under the Plans or Programs
October 1-31, 2011				
November 1-30, 2011				
December 1 31, 2011	0.4	\$ 20.08	0.4	\$ 92.7
Total	0.4	\$ 20.08	0.4	\$ 92.7

Table of Contents**Item 6. Exhibits**

The following documents are filed as Exhibits to the Report:

<b>Exhibit Numbers</b>	<b>Description</b>
31.1	Certification of the Company's Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Company's Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification of the Company's Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document *
101.SCH	XBRL Taxonomy Extension Schema Document *
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document *
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document *
101.LAB	XBRL Taxonomy Extension Label Linkbase Document *
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document *

---

\* Pursuant to applicable securities laws and regulations, the Company is deemed to have complied with the reporting obligation relating to the submission of interactive data files in such exhibits and is not subject to liability under any anti-fraud provisions of the federal securities laws as long as the Company has made a good faith attempt to comply with the submission requirements and promptly amends the interactive data files after becoming aware that the interactive data files fails to comply with the submission requirements. Users of this data are advised that, pursuant to Rule 406T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, or Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability.



Table of Contents

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AECOM TECHNOLOGY CORPORATION

Date: February 3, 2012

By:

/s/ STEPHEN M. KADENACY

Stephen M. Kadenacy

*Executive Vice President and Chief Financial Officer*