

AECOM TECHNOLOGY CORP  
Form 10-Q  
August 05, 2011  
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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

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**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 June 30, 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)

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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

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As of August 1, 2011, 119,447,820 shares of the registrant's common stock were outstanding.

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AECOM TECHNOLOGY CORPORATION

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****AECOM Technology Corporation  
Consolidated Balance Sheets****(in thousands, except share data)**

|   | <b>June 30,<br/>2011<br/>(Unaudited)</b> | <b>September 30,<br/>2010</b> |
|---|--|-------------------------------|
| <b>ASSETS</b>   |  |                               |
| <b>CURRENT ASSETS:</b>  |  |                               |
| Cash and cash equivalents   | \$ 354,724                               | \$ 570,521                    |
| Cash in consolidated joint ventures   | 26,743                                   | 42,336                        |
| Total cash and cash equivalents   | 381,467                                  | 612,857                       |
| Accounts receivable net   | 2,474,039                                | 2,170,188                     |
| Prepaid expenses and other current assets   | 129,850                                  | 157,840                       |
| Income taxes receivable   | 107,029                                  |                               |
| Deferred tax assets net   |  | 5,614                         |
| <b>TOTAL CURRENT ASSETS</b>   | <b>3,092,385</b>                         | <b>2,946,499</b>              |
| <b>PROPERTY AND EQUIPMENT NET</b>   | <b>303,331</b>                           | <b>258,784</b>                |
| <b>DEFERRED TAX ASSETS NET</b>  | <b>55,358</b>                            | <b>105,030</b>                |
| <b>INVESTMENTS IN UNCONSOLIDATED JOINT VENTURES</b>   | <b>83,655</b>                            | <b>53,235</b>                 |
| <b>GOODWILL</b>   | <b>2,120,527</b>                         | <b>1,690,386</b>              |
| <b>INTANGIBLE ASSETS NET</b>  | <b>128,386</b>                           | <b>108,645</b>                |
| <b>OTHER NON-CURRENT ASSETS</b>   | <b>102,989</b>                           | <b>80,330</b>                 |
| <b>TOTAL ASSETS</b>   | <b>\$ 5,886,631</b>                      | <b>\$ 5,242,909</b>           |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY</b>  |  |                               |
| <b>CURRENT LIABILITIES:</b>   |  |                               |
| Short-term debt   | \$ 19,054                                | \$ 2,087                      |
| Accounts payable  | 596,420                                  | 589,076                       |
| Accrued expenses and other current liabilities  | 827,855                                  | 902,824                       |
| Billings in excess of costs on uncompleted contracts  | 361,796                                  | 341,959                       |
| Income taxes payable  |  | 1,960                         |
| Deferred tax liability net  | 1,534                                    |                               |
| Current portion of long-term debt   | 11,574                                   | 14,354                        |
| <b>TOTAL CURRENT LIABILITIES</b>  | <b>1,818,233</b>                         | <b>1,852,260</b>              |
| <b>OTHER LONG-TERM LIABILITIES</b>  | <b>366,809</b>                           | <b>337,494</b>                |
| <b>LONG-TERM DEBT</b>   | <b>1,165,363</b>                         | <b>914,686</b>                |
| <b>TOTAL LIABILITIES</b>  | <b>3,350,405</b>                         | <b>3,104,440</b>              |
| <b>COMMITMENTS AND CONTINGENCIES (Note 14)</b>  |  |                               |
| <b>AECOM STOCKHOLDERS EQUITY:</b>   |  |                               |
| Convertible preferred stock authorized, 2,500,000; issued and outstanding, 0 and 2,305 shares as of June 30, 2011 and September 30, 2010, respectively; \$100.00 liquidation preference |  | 231                           |

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|  |                     |                     |
|--|---------------------|---------------------|
| value  |                     |                     |
| Common stock authorized, 300,000,000 and 150,000,000 shares of \$0.01 par value as of June 30, 2011 and September 30, 2010, respectively; issued and outstanding, 117,624,144 and 115,316,783 as of June 30, 2011 and September 30, 2010, respectively | 1,176               | 1,153               |
| Preferred stock, Class C authorized, 200 shares; issued and outstanding, 0 and 52 shares as of June 30, 2011 and September 30, 2010, respectively; no par value, \$1.00 liquidation preference value   |                     |                     |
| Preferred stock, Class E authorized, 20 shares; issued and outstanding, 4 shares as of June 30, 2011 and September 30, 2010; no par value, \$1.00 liquidation preference value   |                     |                     |
| Additional paid-in capital   | 1,693,148           | 1,585,044           |
| Accumulated other comprehensive loss   | (52,534)            | (147,521)           |
| Retained earnings  | 839,520             | 651,105             |
| <b>TOTAL AECOM STOCKHOLDERS EQUITY</b>   | <b>2,481,310</b>    | <b>2,090,012</b>    |
| Noncontrolling interests   | 54,916              | 48,457              |
| <b>TOTAL STOCKHOLDERS EQUITY</b>   | <b>2,536,226</b>    | <b>2,138,469</b>    |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY</b>   | <b>\$ 5,886,631</b> | <b>\$ 5,242,909</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 |                  | Nine Months Ended |                  |
|---|--------------------|------------------|-------------------|------------------|
|   | June 30,<br>2011   | June 30,<br>2010 | June 30,<br>2011  | June 30,<br>2010 |
| Revenue   | \$ 2,046,725       | \$ 1,635,183     | \$ 5,919,329      | \$ 4,717,133     |
| Cost of revenue   | 1,925,486          | 1,520,118        | 5,593,020         | 4,411,196        |
| Gross profit  | 121,239            | 115,065          | 326,309           | 305,937          |
| Equity in earnings of joint ventures  | 12,248             | 5,941            | 31,675            | 13,770           |
| General and administrative expenses   | 23,560             | 28,327           | 70,430            | 78,090           |
| Income from operations  | 109,927            | 92,679           | 287,554           | 241,617          |
| Other income (expense)  | (1,585)            | (253)            | 2,159             | 3,280            |
| Interest expense, net   | (10,452)           | (1,126)          | (30,338)          | (4,486)          |
| Income from continuing operations before income tax expense                 | 97,890             | 91,300           | 259,375           | 240,411          |
| Income tax expense  | 23,959             | 22,665           | 63,701            | 60,178           |
| Income from continuing operations   | 73,931             | 68,635           | 195,674           | 180,233          |
| Discontinued operations, net of tax   |                    |                  |                   | (77)             |
| Net income  | 73,931             | 68,635           | 195,674           | 180,156          |
| Noncontrolling interests in income of consolidated subsidiaries, net of tax | (97)               | (3,793)          | (7,257)           | (11,043)         |
| Net income attributable to AECOM  | \$ 73,834          | \$ 64,842        | \$ 188,417        | \$ 169,113       |
| Net income allocation:  |                    |                  |                   |                  |
| Preferred stock dividend  | \$                 | \$ 34            | \$ 2              | \$ 104           |
| Net income available for common stockholders                                | 73,834             | 64,808           | 188,415           | 169,009          |
| Net income attributable to AECOM  | \$ 73,834          | \$ 64,842        | \$ 188,417        | \$ 169,113       |
| Net income attributable to AECOM per share:                                 |                    |                  |                   |                  |
| Basic   |                    |                  |                   |                  |
| Continuing operations   | \$ 0.63            | \$ 0.57          | \$ 1.60           | \$ 1.49          |
| Discontinued operations   |                    |                  |                   | (0.01)           |
|   | \$ 0.63            | \$ 0.57          | \$ 1.60           | \$ 1.48          |
| Diluted   |                    |                  |                   |                  |
| Continuing operations   | \$ 0.62            | \$ 0.56          | \$ 1.59           | \$ 1.47          |
| Discontinued operations   |                    |                  |                   |                  |
|   | \$ 0.62            | \$ 0.56          | \$ 1.59           | \$ 1.47          |
| Weighted average shares outstanding:  |                    |                  |                   |                  |
| Basic   | 117,932            | 114,539          | 117,739           | 113,831          |
| Diluted   | 118,907            | 115,620          | 118,767           | 115,054          |

See accompanying Notes to Consolidated Financial Statements.



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

(unaudited in thousands)

|   | Three Months Ended |                  | Nine Months Ended |                  |
|---|--------------------|------------------|-------------------|------------------|
|   | June 30,<br>2011   | June 30,<br>2010 | June 30,<br>2011  | June 30,<br>2010 |
| Net income  | \$ 73,931          | \$ 68,635        | \$ 195,674        | \$ 180,156       |
| Other comprehensive income (loss), net of tax:  |                    |                  |                   |                  |
| Foreign currency translation adjustments  | 8,518              | (29,516)         | 86,197            | (12,511)         |
| Swap valuation  |                    | 229              |                   | 988              |
| Pension adjustments   | 695                | 597              | 8,790             | 1,499            |
| Comprehensive income, net of tax  | \$ 83,144          | \$ 39,945        | \$ 290,661        | \$ 170,132       |
| Noncontrolling interests in comprehensive income of consolidated subsidiaries, net of tax | (97)               | (3,793)          | (7,257)           | (11,043)         |
| Comprehensive income attributable to AECOM, net of tax                                    | \$ 83,047          | \$ 36,152        | \$ 283,404        | \$ 159,089       |

See accompanying Notes to Consolidated Financial Statements.

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

(unaudited - in thousands)

|  | Nine Months Ended June 30, |                |
|--|----------------------------|----------------|
|  | 2011                       | 2010           |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                   |                            |                |
| Net income   | \$ 195,674                 | \$ 180,156     |
| Adjustments to reconcile net income to net cash used in operating activities:  |                            |                |
| Depreciation and amortization  | 85,245                     | 57,745         |
| Equity in earnings of unconsolidated joint ventures                            | (31,675)                   | (13,770)       |
| Distribution of earnings from unconsolidated joint ventures                    | 29,122                     | 7,827          |
| Non-cash stock compensation  | 21,211                     | 25,137         |
| Excess tax benefit from share-based payment                                    | (61,192)                   | (16,713)       |
| Foreign currency translation   | 37,215                     | (3,838)        |
| Other  | 2,278                      |                |
| Changes in operating assets and liabilities, net of effects of acquisitions:   |                            |                |
| Settlement of deferred compensation plan liability                             | (89,688)                   |                |
| Accounts receivable  | (188,253)                  | (106,685)      |
| Prepaid expenses and other assets  | (14,642)                   | (18,275)       |
| Accounts payable   | (6,495)                    | (20,119)       |
| Accrued expenses and other current liabilities                                 | (51,545)                   | (21,375)       |
| Billings in excess of costs on uncompleted contracts                           | (14,834)                   | (10,324)       |
| Other long-term liabilities  | (53,960)                   | (3,764)        |
| Income taxes payable   | 11,415                     | (8,026)        |
| Net cash (used in) provided by operating activities from continuing operations | (130,124)                  | 47,976         |
| Net cash used in operating activities from discontinued operations             |                            | (4,227)        |
| Net cash (used in) provided by operating activities                            | (130,124)                  | 43,749         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                   |                            |                |
| Payments for business acquisitions, net of cash acquired                       | (365,884)                  | (70,000)       |
| Proceeds from disposal of business   | 2,434                      | 25,799         |
| Net investment in unconsolidated joint ventures                                | (23,474)                   | 5,988          |
| Purchases of investments   | (14,656)                   |                |
| Proceeds from sale of investments in rabbi trust                               | 67,219                     |                |
| Payments for capital expenditures  | (47,283)                   | (35,178)       |
| Net cash used in investing activities  | (381,644)                  | (73,391)       |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                   |                            |                |
| Proceeds from borrowings under credit agreements                               | 1,478,976                  | 34,674         |
| Repayments of borrowings under credit agreements                               | (1,224,062)                | (18,991)       |
| Proceeds from loan on deferred compensation plan investments                   | 59,324                     |                |
| Repayment of loans on deferred compensation plan investments                   | (59,324)                   |                |
| Proceeds from issuance of common stock   | 12,748                     | 3,316          |
| Proceeds from exercise of stock options  | 5,893                      | 9,753          |
| Payments to repurchase common stock  | (66,678)                   | (12,330)       |
| Excess tax benefit from share-based payment                                    | 61,192                     | 16,713         |
| Net (distributions to) contributions from noncontrolling interests             | (1,045)                    | 4,375          |
| Net cash provided by financing activities                                      | 267,024                    | 37,510         |
| <b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>                                 | <b>13,354</b>              | <b>(4,763)</b> |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>                               | <b>(231,390)</b>           | <b>3,105</b>   |

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|  |    |         |    |         |
|--|----|---------|----|---------|
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD |    | 612,857 |    | 290,777 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD       | \$ | 381,467 | \$ | 293,882 |
| NON-CASH INVESTING AND FINANCING ACTIVITY        |    |         |    |         |
| Common stock issued in acquisitions              | \$ | 68,454  | \$ | 34,800  |

See accompanying Notes to Consolidated Financial Statements.

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**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 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, 2010. The accompanying unaudited consolidated financial statements and related notes have been prepared in accordance with generally accepted accounting principles in the U.S. (GAAP) 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 nine months ended June 30, 2011 are not necessarily indicative of the results to be expected for the fiscal year ending September 30, 2011.

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 becomes effective for the Company in its fiscal year beginning October 1, 2011. The Company does not believe that the adoption of the separate disclosures related to Level 3 measurements in its fiscal year beginning October 1, 2011 will 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 fiscal year beginning October 1, 2012 and is not expected to have a material impact on its consolidated financial statements.

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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, see Note 6.

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

The Company completed six business acquisitions during the nine months ended June 30, 2011. Total consideration related to these acquisitions consisted of \$366 million in cash, net of cash acquired, and \$68.5 million in Company stock. Business acquisitions completed during the nine months ended June 30, 2011 did not meet the quantitative thresholds to require pro forma disclosures of operating results either individually or in the aggregate based on the Company's consolidated assets and income. Acquisitions during the nine months ended June 30, 2011 included four separate global cost and project management consultancy firms that operated under the Davis Langdon name, including businesses in Europe and Middle East, Australia and New Zealand, Africa, and North America. Each of the four acquisitions were separately negotiated, executed by separate purchase agreements, with no one acquisition contingent upon the other, and the businesses, although operating as part of a Swiss Verein, under which they shared certain naming and marketing rights, were not under common control or management. Business acquisitions during the nine months ended June 30, 2011 also included RSW, Inc., an international engineering firm based in Montreal, Quebec, Canada and Spectral Services Consultants Pte. Ltd. (Spectral), a building services consultancy in India.

The changes in the carrying value of goodwill by reporting segment for the nine months ended June 30, 2011 and 2010 were as follows:

|                                 | September 30,<br>2010 | Post-<br>Acquisition<br>Adjustments | Foreign<br>Exchange<br>Impact<br>(in millions) | Acquired | June 30, 2011 |
|---------------------------------|-----------------------|-------------------------------------|--|----------|---------------|
| <b>Reporting Unit</b>           |                       |                                     |  |          |               |
| Professional Technical Services | \$ 1,355.0            | \$ (1.3)                            | \$ 26.6  | \$ 398.4 | \$ 1,778.7    |
| Management Support Services     | 335.4                 | 6.4                                 |  |          | 341.8         |
| Total                           | \$ 1,690.4            | \$ 5.1                              | \$ 26.6  | \$ 398.4 | \$ 2,120.5    |

|                                 | September 30,<br>2009 | Post-<br>Acquisition<br>Adjustments | Foreign<br>Exchange<br>Impact<br>(in millions) | Acquired | June 30, 2010 |
|---------------------------------|-----------------------|-------------------------------------|--|----------|---------------|
| <b>Reporting Unit</b>           |                       |                                     |  |          |               |
| Professional Technical Services | \$ 1,060.1            | \$ (2.0)                            | \$ (3.6)                                       | \$ 69.4  | \$ 1,123.9    |
| Management Support Services     | 2.8                   |                                     |  | 21.9     | 24.7          |
| Total                           | \$ 1,062.9            | \$ (2.0)                            | \$ (3.6)                                       | \$ 91.3  | \$ 1,148.6    |

The gross amounts and accumulated amortization of the Company's acquired identifiable intangible assets with finite useful lives as of June 30, 2011 and September 30, 2010, included in intangible assets net, in the accompanying consolidated balance sheets, were as follows:

|                        | Gross<br>Amount | June 30, 2011<br>Accumulated<br>Amortization | Intangible<br>Assets, Net<br>(in millions) | Gross<br>Amount | September 30, 2010<br>Accumulated<br>Amortization | Intangible<br>Assets, Net | Amortization<br>Period<br>(years) |
|------------------------|-----------------|--|--|-----------------|---|---------------------------|-----------------------------------|
| Backlog                | \$ 93.1         | \$ (76.5)                                    | \$ 16.6                                    | \$ 80.7         | \$ (65.5)   | \$ 15.2                   | 1-5                               |
| Customer relationships | 143.4           | (36.0)                                       | 107.4                                      | 114.0           | (24.6)  | 89.4                      | 10                                |
| Trademark / tradename  | 7.4             | (3.0)  | 4.4  | 4.2             | (0.2)   | 4.0                       | 2                                 |

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|       |    |       |    |         |    |       |    |       |    |        |    |       |
|-------|----|-------|----|---------|----|-------|----|-------|----|--------|----|-------|
| Total | \$ | 243.9 | \$ | (115.5) | \$ | 128.4 | \$ | 198.9 | \$ | (90.3) | \$ | 108.6 |
|-------|----|-------|----|---------|----|-------|----|-------|----|--------|----|-------|

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. During the nine months ended June 30, 2011, the Company completed its final valuations of identifiable intangible assets for Tishman Construction Corporation (Tishman), McNeil Technologies, Inc. (McNeil), the Davis Langdon businesses, and RSW, Inc. These final valuations were not materially different from previously recorded estimates. The Company has yet to complete its final valuation of intangible assets for Spectral. The Company is also in the process of finalizing deferred taxes and fair values relating to projects and leases for recent acquisitions including the Davis Langdon businesses, RSW, Inc., and Spectral. Post-acquisition adjustments primarily relate to project related liabilities.

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Amortization of acquired intangible assets included within cost of revenue was \$25.2 million and \$14.5 million for the nine months ended June 30, 2011 and 2010, respectively. The following table presents estimated amortization expense of existing intangible assets for the remainder of fiscal 2011 and for the succeeding years:

| <b>Fiscal Year</b>            | <b>(in millions)</b> |              |
|-------------------------------|----------------------|--------------|
| 2011 (three months remaining) | \$                   | 8.4          |
| 2012                          |                      | 24.2         |
| 2013                          |                      | 17.7         |
| 2014                          |                      | 16.7         |
| 2015                          |                      | 15.5         |
| Thereafter                    |                      | 45.9         |
| <b>Total</b>                  | <b>\$</b>            | <b>128.4</b> |

In addition to the above, amortization of acquired intangible assets included within equity in earnings of joint ventures was \$2.8 million for the nine months ended June 30, 2011. This amortization expense will be \$0.3 million for the remainder of fiscal 2011.

#### 4. Accrued Facility Costs

Accrued facility costs primarily relate to the 2008 acquisition of Earth Tech, and are expected to be paid over the next four years. The following table presents the accrued facility cost activity in the Company's Professional Technical Services segment from October 1, 2010 to June 30, 2011 (in millions):

|                                  |    |       |
|----------------------------------|----|-------|
| Accrual, beginning of the period | \$ | 15.8  |
| Paid during the period           |    | (9.3) |
| Accrual, end of the period       | \$ | 6.5   |

#### 5. Accounts Receivable Net

Net accounts receivable consisted of the following as of June 30, 2011 and September 30, 2010:

|                                 | <b>June 30, 2011</b> |         | <b>September 30, 2010</b> |         |
|---------------------------------|----------------------|---------|---------------------------|---------|
|                                 | <b>(in millions)</b> |         |                           |         |
| Billed                          | \$                   | 1,270.7 | \$                        | 1,223.0 |
| Unbilled                        |                      | 1,227.2 |                           | 956.3   |
| Contract retentions             |                      | 100.9   |                           | 89.7    |
| Total accounts receivable gross |                      | 2,598.8 |                           | 2,269.0 |
| Allowance for doubtful accounts |                      | (124.8) |                           | (98.8)  |
| Total accounts receivable net   | \$                   | 2,474.0 | \$                        | 2,170.2 |



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 June 30, 2011 and September 30, 2010 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. The increase in allowance for doubtful accounts from September 30, 2010 to June 30, 2011 was primarily due to the cessation of a project in Libya, as discussed in Note 14.

Other than the U.S. government, no single client accounted for more than 10% of the Company's accounts receivable as of June 30, 2011 or September 30, 2010.

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**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 result 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.

*Adoption of new consolidation standard*

Effective October 1, 2010, the Company adopted guidance issued by the FASB on the consolidation of variable interest entities (VIEs). The new 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 analyzed its joint ventures and effective October 1, 2010, prospectively classified them according to the new 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.

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Once it was determined that the Company has the power to direct the activities that most significantly impact the joint ventures' economic performance, the Company assessed 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 entities.

The adoption of the new 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.

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

|                                      | June 30,<br>2011 | September 30,<br>2010 |       |
|--------------------------------------|------------------|-----------------------|-------|
|                                      | (in millions)    |                       |       |
| Current assets                       | \$ 254.6         | \$                    | 259.6 |
| Non-current assets                   | 0.1              |                       |       |
| Total assets                         | \$ 254.7         | \$                    | 259.6 |
| Current liabilities                  | \$ 67.1          | \$                    | 80.2  |
| Non-current liabilities              |                  |                       |       |
| Total liabilities                    | 67.1             |                       | 80.2  |
| Total AECOM equity                   | 132.7            |                       | 130.9 |
| Noncontrolling interests             | 54.9             |                       | 48.5  |
| Total owners' equity                 | 187.6            |                       | 179.4 |
| Total liabilities and owners' equity | \$ 254.7         | \$                    | 259.6 |

Total revenues of the consolidated joint ventures were \$461.4 million and \$594.6 million for the nine months ended June 30, 2011 and 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 unaudited financial information of the unconsolidated joint ventures is as follows:

|  | June 30, 2011 | September 30,<br>2010 |       |
|--|---------------|-----------------------|-------|
|  | (in millions) |                       |       |
| Current assets                               | \$ 479.0      | \$                    | 393.7 |
| Non-current assets                           | 47.5          |                       | 6.1   |
| Total assets                                 | \$ 526.5      | \$                    | 399.8 |
| Current liabilities                          | \$ 337.3      | \$                    | 319.8 |
| Non-current liabilities                      | 3.8           |                       | 4.5   |
| Total liabilities                            | 341.1         |                       | 324.3 |
| Joint ventures' equity                       | 185.4         |                       | 75.5  |
| Total liabilities and joint ventures' equity | \$ 526.5      | \$                    | 399.8 |
| AECOM's investment in joint ventures         | \$ 83.7       | \$                    | 53.2  |

|                  | Nine Months Ended |               |
|------------------|-------------------|---------------|
|                  | June 30, 2011     | June 30, 2010 |
|                  | (in millions)     |               |
| Total revenues   | \$ 1,351.3        | \$ 1,224.0    |
| Cost of revenues | 1,278.4           | 1,110.7       |

AECOM's equity in earnings of unconsolidated joint ventures:

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|                             |    |      |    |      |
|-----------------------------|----|------|----|------|
| Pass through joint ventures | \$ | 3.1  | \$ | 3.2  |
| Other joint ventures        |    | 28.6 |    | 10.6 |
| Total                       | \$ | 31.7 | \$ | 13.8 |

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

The following table details the components of net periodic benefit cost for the Company's pension plans for the three and nine months ended June 30, 2011 and 2010:

|   | Three Months Ended |        |               |        | Nine Months Ended |        |               |        |
|---|--------------------|--------|---------------|--------|-------------------|--------|---------------|--------|
|   | June 30, 2011      |        | June 30, 2010 |        | June 30, 2011     |        | June 30, 2010 |        |
|   | U.S.               | Int'l  | U.S.          | Int'l  | U.S.              | Int'l  | U.S.          | Int'l  |
| (in millions)                                 |                    |        |               |        |                   |        |               |        |
| Components of net periodic (benefit) cost:    |                    |        |               |        |                   |        |               |        |
| Service costs                                 | \$                 | \$ 0.9 | \$            | \$ 0.9 | \$                | \$ 3.1 | \$            | \$ 3.5 |
| Interest cost on projected benefit obligation | 2.0                | 6.9    | 2.0           | 5.1    | 6.2               | 20.2   | 6.0           | 15.9   |
| Expected return on plan assets                | (2.0)              | (7.2)  | (2.0)         | (5.7)  | (6.1)             | (20.7) | (6.0)         | (17.7) |
| Amortization of prior service costs           |                    |        |               |        |                   | (0.2)  |               | (0.2)  |
| Amortization of net loss                      | 0.7                | 0.5    | 0.3           | 0.6    | 1.9               | 2.1    | 1.0           | 1.8    |
| Curtailment (gain) / loss recognized          |                    |        |               |        |                   | (4.2)  |               | (1.9)  |
| Net periodic (benefit) cost                   | \$ 0.7             | \$ 1.1 | \$ 0.3        | \$ 0.9 | \$ 2.0            | \$ 0.3 | \$ (0.9)      | \$ 3.3 |

The total amounts of employer contributions paid for the nine months ended June 30, 2011 were \$17.0 million for U.S. plans and \$13.0 million for non-U.S. plans. The expected remaining scheduled annual employer contributions for the fiscal year ending September 30, 2011 are \$1.3 million for U.S. plans and \$6.0 million for non-U.S. plans. During the quarter ended March 31, 2011, the Company adopted an amendment to freeze pension plan benefit accruals for certain U.K. and Ireland employee plans resulting in a curtailment gain of \$4.2 million. During the quarter ended December 31, 2009, the Company adopted an amendment to freeze pension plan benefit accruals for certain U.S. employee plans resulting in a curtailment gain of \$1.9 million. Included in other long-term liabilities are net pension liabilities of \$161.0 million and \$164.2 million as of June 30, 2011 and September 30, 2010, respectively.

**8. Debt**

Debt consisted of the following:

|   | June 30, 2011 | September 30, 2010 |
|---|---------------|--------------------|
|   | (in millions) |                    |
| Unsecured term credit agreements                        | \$ 600.0      | \$ 609.1           |
| Unsecured senior notes                                  | 252.8         | 250.5              |
| Unsecured revolving credit facility                     | 271.3         | 26.5               |
| Notes secured by real properties                        | 25.4          | 25.9               |
| Other debt  | 46.5          | 19.1               |
| Total debt  | 1,196.0       | 931.1              |
| Less: Current portion of debt and short-term borrowings | (30.6)        | (16.4)             |
| Long-term debt, less current portion                    | \$ 1,165.4    | \$ 914.7           |

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The following table presents, in millions, scheduled maturities of the Company's debt as of June 30, 2011 (which does not account for the Company's amended and restated unsecured revolving credit facility entered into as of July 2011, as discussed in Note 16):

| <b>Fiscal Year</b>            |           |                |
|-------------------------------|-----------|----------------|
| 2011 (three months remaining) | \$        | 20.8           |
| 2012                          |           | 313.4          |
| 2013                          |           | 123.4          |
| 2014                          |           | 452.6          |
| 2015                          |           | 2.2            |
| Thereafter                    |           | 283.6          |
| <b>Total</b>                  | <b>\$</b> | <b>1,196.0</b> |

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***Unsecured Term Credit Agreements***

In September 2010, the Company entered into an unsecured term credit agreement with a syndicate of banks to support its working capital and acquisition needs. Pursuant to the credit agreement, the Company borrowed \$600 million in term loans and may borrow up to an additional \$100 million in term loans upon request by the Company subject to certain conditions. The loans under the credit agreement bear interest, at the Company's option, at either the base rate (as defined in the credit agreement) plus an applicable margin or the Eurodollar rate (as defined in the credit agreement) plus an applicable margin. The applicable margin for base rate loans is a range of 1.0% to 2.25% and the applicable margin for Eurodollar rate loans is a range of 2.0% to 3.25%, both based on the debt-to-earnings leverage ratio of the Company at the end of each fiscal quarter. For the nine months ended June 30, 2011, the average interest rate was 3.1%. Payments of the initial principal amount outstanding under the credit agreement are required on a quarterly basis beginning in September 2012. Any remaining principal of the loans under the credit agreement is due no later than September 2014.

In September 2006, through certain wholly-owned subsidiaries, the Company entered into an unsecured term credit agreement with a syndicate of banks to facilitate dividend repatriations under Section 965 of the American Jobs Creation Act, which provided for a limited time opportunity to repatriate foreign earnings to the U.S. at a 5.25% tax rate. The agreement provided for a \$65.0 million, five-year term loan among four subsidiary borrowers and one subsidiary guarantor and was fully repaid as of June 30, 2011. In order to obtain favorable pricing, the Company also provided a parent company guarantee. In June 2010, certain of the Company's wholly-owned subsidiaries entered into an amendment to this credit agreement to, among other things, permit the Company to enter into the note purchase agreement for a private placement of Unsecured Senior Notes (as described below) and permit the subsidiaries to enter into subsidiary guarantees in connection therewith. The amounts outstanding on this credit agreement were \$0.0 million and \$9.1 million at June 30, 2011 and September 30, 2010, respectively.

***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 \$77.8 million at June 30, 2011, which have an effective interest rate of 5.62%. 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***

The Company has an unsecured revolving credit facility with a syndicate of banks to support its working capital and acquisition needs. As of June 30, 2011 and September 30, 2010, the borrowing capacity under the unsecured revolving credit facility was \$600 million, and pursuant to the terms of the associated credit agreement, had an expiration date of August 2012. The facility also provided that, at the Company's option, it could request an increase in the commitments under the facility up to a total of \$750 million, subject to lender approval. The Company could borrow, at its option, at either (a) a base rate (the greater of the federal funds rate plus 0.50% or the bank's reference rate), or (b) an offshore, or LIBOR, rate plus a margin which ranges from 0.50% to 1.38%. In addition to these borrowing rates, there was a commitment fee, which ranged from 0.10% to 0.25% on any unused commitment. At June 30, 2011 and September 30, 2010, \$271.3 million and \$26.5 million, respectively, were outstanding under the credit facility. At June 30, 2011 and September 30, 2010, outstanding standby letters of credit totaled \$35.4 million and \$31.5 million, respectively, under the credit facility. Additionally, as of June 30, 2011, the Company had \$293.3 million available under the credit facility.



The Company recently amended and restated its unsecured revolving credit facility. For additional detail, see Note 16.

***Covenants and Restrictions***

Under all of 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 June 30, 2011, the consolidated leverage ratio was 2.2, which did not exceed the Company's most restrictive maximum consolidated leverage ratio of 3.0.

The Company's unsecured revolving credit facility and unsecured term credit agreements also contain certain covenants that limit the Company's ability to, among other things, (i) issue financial and commercial standby letters of credit, (ii) issue performance

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guarantees, (iii) incur indebtedness and contingent obligations, and (iv) pay dividends or make certain other restricted payments or investments.

Additionally, the Company's Unsecured Senior Notes contain covenants that limit certain types of indebtedness, which include indebtedness incurred by subsidiaries and indebtedness secured by a lien. 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. As of June 30, 2011, the Company's net worth was \$2.5 billion, which exceeds the calculated threshold of \$1.3 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 June 30, 2011, the Company was in compliance with all such covenants.

***Interest Rate Swaps***

The Company previously had interest rate swap agreements with financial institutions to fix the variable interest rates on portions of debt outstanding under the Company's revolving credit facility which expired in August 2010. The Company applied cash flow hedge accounting for the interest rate swap agreements. Accordingly, the derivatives were recorded at fair value as assets or liabilities and the effective portion of changes in the fair value of the derivative, as measured quarterly, was reported in other comprehensive income.

The Company's average effective interest rate on borrowings under the revolving credit facility, including the effects of the swaps in fiscal 2010, during the nine months ended June 30, 2011 and 2010 was 1.4% and 2.9%, 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 June 30, 2011, the Company had \$268.1 million of unsecured credit facilities primarily used to cover periodic overdrafts and letters of credit, of which \$185.0 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 nine months ended June 30, 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.

***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.

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- *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.

There were no significant transfers between any of the levels of the fair value hierarchy during the nine months ended June 30, 2011 and 2010.

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

|                               | June 30, 2011 |     | Quoted Prices in<br>Active Markets for<br>Identical Assets<br>(Level 1) |     | Significant Other<br>Observable<br>Inputs<br>(Level 2) |  |
|-------------------------------|---------------|-----|---|-----|--|--|
| U.S. government security (1)  | \$            | 2.3 | \$  | 2.3 | \$   |  |
| Corporate notes and bonds (1) |               | 0.5 |   | 0.5 |  |  |
| Total assets                  | \$            | 2.8 | \$  | 2.8 | \$   |  |

|  | September 30,<br>2010 |      | Quoted Prices in<br>Active Markets for<br>Identical Assets<br>(Level 1) |      | Significant Other<br>Observable<br>Inputs<br>(Level 2) |      |
|--|-----------------------|------|---|------|--|------|
| U.S. government security (1)               | \$                    | 9.2  | \$  | 9.2  | \$   |      |
| Corporate notes and bonds (1)              |                       | 2.3  |   | 2.3  |  |      |
| Total assets                               | \$                    | 11.5 | \$  | 11.5 | \$   |      |
| Deferred compensation plan liabilities (2) | \$                    | 88.8 | \$  |      | \$   | 88.8 |
| Total liabilities                          | \$                    | 88.8 | \$  |      | \$   | 88.8 |

(1) Corporate bonds and US government bonds are valued using quoted market prices.

(2) For additional information about the Company's deferred compensation plan, refer to Note 18 to the Consolidated Financial Statements in the Company's 2010 Form 10-K and Note 13 herein.

## 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

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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.

The fair value of options granted during the three and nine months ended June 30, 2011 and 2010 were determined using the following weighted average assumptions:

|                         | Three Months Ended |                  | Nine Months Ended |                  |
|-------------------------|--------------------|------------------|-------------------|------------------|
|                         | June 30,<br>2011   | June 30,<br>2010 | June 30,<br>2011  | June 30,<br>2010 |
| Dividend yield          |                    |                  |                   |                  |
| Expected volatility     | 38.6%              | 39.9%            | 38.6%             | 39.9%            |
| Risk-free interest rate | 1.5%               | 1.6%             | 1.5%              | 1.6%             |
| Term (in years)         | 4.5                | 4.5              | 4.5               | 4.5              |

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For the nine months ended June 30, 2011 and 2010, compensation expense recognized related to stock options as a result of the fair value method was \$3.4 million and \$2.9 million, respectively. Unrecognized compensation expense relating to stock options outstanding as of June 30, 2011 and September 30, 2010 was \$4.9 million and \$4.7 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 nine months ended June 30, 2011 and 2010, was as follows:

|  | 2011  |                                    | 2010  |                                    |
|--|---|------------------------------------|---|------------------------------------|
|  | Shares of stock<br>under options<br>(in millions) | Weighted average<br>exercise price | Shares of stock<br>under options<br>(in millions) | Weighted average<br>exercise price |
| Outstanding at September 30                                | 3.1   | \$ 19.09                           | 3.8   | \$ 16.36                           |
| Options granted  | 0.4   | 27.65                              | 0.4   | 24.93                              |
| Options exercised  | (0.5)   | 12.29                              | (0.9)   | 10.58                              |
| Options forfeited or expired                               |   | 23.28                              |   | 22.19                              |
| Outstanding at June 30                                     | 3.0   | 21.30                              | 3.2   | 18.97                              |
| Vested and expected to vest in the<br>future as of June 30 | 2.9   | \$ 21.18                           | 3.1   | \$ 18.80                           |

The weighted average grant-date fair value of stock options granted during the nine months ended June 30, 2011 and 2010 was \$9.43 and \$8.77, respectively.

The Company grants stock units under the Performance Earnings Program (PEP), whereby units are earned and issued dependent upon the Company meeting established cumulative performance objectives over a three-year period. The Company recognized compensation expense relating to the PEP of \$8.3 million and \$16.2 million during the nine months ended June 30, 2011 and 2010, respectively. Additionally, the Company issues restricted stock units which are earned based on service conditions, resulting in compensation expense of \$9.5 million and \$5.6 million during the nine months ended June 30, 2011 and 2010, respectively. Unrecognized compensation expense related to PEP units and restricted stock units outstanding was \$28.7 million and \$26.5 million as of June 30, 2011 and \$27.8 million and \$16.0 million as of September 30, 2010, 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 \$61.2 million, primarily relating to the termination of a deferred compensation plan, and \$16.7 million for the nine months ended June 30, 2011 and 2010, respectively, have been classified as financing cash inflows in the consolidated statements of cash flows. See also Note 13.

## 11. Income Taxes

The effective tax rate was 24.6% and 25.0% for the nine months ended June 30, 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

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Experimentation Credits which had lapsed on December 31, 2009 that resulted in the Company recognizing a \$3.0 million benefit net of uncertainties. During the three months ended June 30, 2011, the Company recognized a loss upon the liquidation of a foreign entity resulting in a tax benefit of \$3.3 million, net of uncertainties.

The Company is currently at Appeals Division of the U.S. Internal Revenue Service for fiscal 2006 and 2007 and under examination for fiscal 2008 and 2009. The Company anticipates that the Appeals process will be concluded within the next 12 months; however, based on the status of the process, it is not possible to estimate the impact of the conclusion of such appeal on the Company's unrecognized tax benefits.

As discussed in Note 13, the Company terminated its U.S. deferred compensation plan effective in December 2009 and distributed the plan balances to plan participants in December 2010. Distributions valued at \$223.0 million were made to plan participants, which resulted in taxable earnings to the participants and a tax-deductible expense to the Company. As a result of the distribution, the Company recorded a \$89.2 million increase to its income taxes receivable, a \$30.9 million reduction in its deferred tax asset and a \$58.3 million increase to additional paid in capital. The increase in additional paid in capital reflects the tax benefits resulting from income tax deductions in excess of recognized compensation expense.

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 |                  | Nine Months Ended |                  |
|--|--------------------|------------------|-------------------|------------------|
|  | June 30,<br>2011   | June 30,<br>2010 | June 30,<br>2011  | June 30,<br>2010 |
|  | (in millions)      |                  |                   |                  |
| Denominator for basic earnings per share   | 117.9              | 114.5            | 117.7             | 113.8            |
| Potential common shares:                   |                    |                  |                   |                  |
| Stock options, other                       | 1.0                | 1.1              | 1.1               | 1.3              |
| Denominator for diluted earnings per share | 118.9              | 115.6            | 118.8             | 115.1            |

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. For the nine months ended June 30, 2011 and 2010, no share-based payment awards were excluded from the calculation of potential common shares because they were considered anti-dilutive.

**13. Other Financial Information**

Accrued expenses consist of the following:

|                                      | June 30, 2011 | September 30,<br>2010 |
|--------------------------------------|---------------|-----------------------|
|                                      | (in millions) |                       |
| Accrued salaries and benefits        | \$ 412.0      | \$ 363.7              |
| Accrued contract costs               | 342.2         | 381.1                 |
| Deferred compensation plan liability |               | 88.8                  |
| Other accrued expenses               | 73.7          | 69.2                  |
|                                      | \$ 827.9      | \$ 902.8              |

Accrued contract costs above include balances related to professional liability accruals of \$118.4 million and \$108.6 million as of June 30, 2011 and September 30, 2010, respectively. Other accrued contract costs primarily relate to costs for services provided by subcontractors and other non-employees.



*Deferred Compensation Plan Termination*

In December 2009, the Company elected to terminate its U.S. deferred compensation plan. In accordance with tax code requirements, deferred compensation plan account balances were distributed to all participants in December 2010. As a result, substantially all of the Company's deferred compensation plan liability accrued as of September 30, 2010 included in the above table and 5.2 million outstanding stock units were settled in December 2010. The Company settled these stock units by issuing shares of common stock, which resulted in taxable earnings to the plan participants. As such, the Company repurchased 1.7 million shares for \$48.6 million to satisfy participants' minimum statutory tax withholdings.

At September 30, 2010, \$67.2 million in investments were held in a rabbi trust to fund the deferred compensation plan liability. In December 2010, the Company borrowed \$59.3 million against the balance of these investments to partially fund the distribution of the liability portion of the deferred compensation plan. The loan was presented as an offset to the investment balance as of December 31, 2010 and March 31, 2011. During the quarter ended June 30, 2011, the \$67.2 million in investments held in the rabbi trust were sold and primarily used to repay the \$59.3 million loan.

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Other long-term liabilities consist of the following:

|                                     | June 30, 2011 | (in millions) |  | September 30,<br>2010 |
|-------------------------------------|---------------|---------------|--|-----------------------|
| Pension liabilities (Note 7)        | \$ 161.0      | \$            |  | 164.2                 |
| Reserve for uncertain tax positions | 55.8          |               |  | 72.1                  |
| Other                               | 150.0         |               |  | 101.2                 |
|                                     | \$ 366.8      | \$            |  | 337.5                 |

The components of accumulated other comprehensive loss are as follows:

|  | June 30, 2011 | (in millions) |  | September 30,<br>2010 |
|--|---------------|---------------|--|-----------------------|
|--|---------------|---------------|--|-----------------------|