AECOM TECHNOLOGY CORP
Form 10-Q
August 08, 2008
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2008

OR

o **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	**61-1088522**
(State or other jurisdiction of incorporation or organization)	(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 periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No o

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 definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No x

As of August 1, 2008, 102,518,732 shares of the registrant s common stock were outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. **Financial Statements**

AECOM Technology Corporation

Condensed Consolidated Balance Sheets

(in thousands, except share data)

	June 30, 2008 (Unaudited)	September 30, 2007
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 141,490	$ 180,339
Cash in consolidated joint ventures	31,618	36,572
Total cash and cash equivalents	173,108	216,911
Marketable securities		200,783
Accounts receivable net	1,405,388	1,091,682
Prepaid expenses and other current assets	80,666	67,087
TOTAL CURRENT ASSETS	1,659,162	1,576,463
PROPERTY AND EQUIPMENT NET	184,347	118,202
DEFERRED TAX ASSETS NET	56,639	61,594
INVESTMENTS IN UNCONSOLIDATED JOINT VENTURES	34,089	23,551
GOODWILL NET	766,068	592,233
INTANGIBLE ASSETS NET	58,420	30,928
OTHER NON-CURRENT ASSETS	162,266	88,850
TOTAL ASSETS	$ 2,920,991	$ 2,491,821
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Short-term debt	$ 12,942	$ 1,926
Accounts payable and other current liabilities	269,157	228,350
Accrued expenses	591,277	491,989
Billings in excess of costs on uncompleted contracts	267,360	192,400
Income taxes payable	12,558	42,664
Deferred tax liability net	27,124	14,641
Current portion of long-term debt	17,004	6,838
TOTAL CURRENT LIABILITIES	1,197,422	978,808
OTHER LONG-TERM LIABILITIES	194,446	174,253
LONG-TERM DEBT	58,894	39,186
MINORITY INTEREST	21,478	21,089
STOCKHOLDERS EQUITY:		
Convertible preferred stock authorized, 7,799,780; issued and outstanding, 26,842 and 49,779 shares at June 30, 2008 and September 30, 2007, respectively; $100 liquidation preference value	2,684	4,978
Preferred stock, Class C authorized, 200 shares; issued and outstanding, 69 and 72 shares as of June 30, 2008 and September 30, 2007, respectively; no par value, $1.00 liquidation preference value		

Preferred stock, Class E authorized, 20 shares; issued and outstanding, 5 shares as of June 30, 2008 and September 30, 2007; no par value, $1.00 liquidation preference value				
Common stock authorized, 150,000,000 shares of $0.01 par value; issued and outstanding, 102,310,043 and 99,061,692, as of June 30, 2008 and September 30, 2007, respectively		1,023		991
Additional paid-in capital		1,285,186		1,224,164
Accumulated other comprehensive loss		(18,157)		(26,211)
Retained earnings		178,015		74,563
TOTAL STOCKHOLDERS EQUITY		1,448,751		1,278,485
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$	2,920,991	$	2,491,821

See accompanying Notes to Condensed Consolidated Financial Statements.

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AECOM Technology Corporation

Condensed Consolidated Statements of Income

(unaudited in thousands, except per share data)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2008	2007	2008	2007
Revenue	$ 1,321,203	$ 1,100,656	$ 3,565,574	$ 3,122,914
Cost of revenue	905,182	788,565	2,453,566	2,278,533
Gross profit	416,021	312,091	1,112,008	844,381
Equity in earnings of joint ventures	5,313	3,992	12,163	7,628
General and administrative expenses	357,152	270,401	956,498	738,375
Income from operations	64,182	45,682	167,673	113,634
Minority interest in share of earnings	4,862	3,824	10,939	9,058
Other income (expense)	756		(872)	
Gain on sale of equity investment				11,286
Interest income (expense), net	(198)	(6,312)	4,111	(9,615)
Income before income tax expense	59,878	35,546	159,973	106,247
Income tax expense	21,424	11,360	56,197	35,343
Net income	$ 38,454	$ 24,186	$ 103,776	$ 70,904
Net income allocation:				
Preferred stock dividend	$ 36	$ 68	$ 131	$ 184
Net income available for common stockholders	38,418	24,118	103,645	70,720
Net income	$ 38,454	$ 24,186	$ 103,776	$ 70,904
Net income per share:				
Basic	$ 0.38	$ 0.30	$ 1.03	$ 1.09
Diluted	$ 0.37	$ 0.26	$ 1.00	$ 0.85
Weighted average shares outstanding:				
Basic	102,020	80,915	100,745	64,948
Diluted	104,563	92,037	103,681	83,013

Condensed Consolidated Statements of Comprehensive Income

(unaudited in thousands)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2008	2007	2008	2007
Net income	$ 38,454	$ 24,186	$ 103,776	$ 70,904

Other comprehensive income:				
Foreign currency translation adjustments	3,957	9,122	3,798	16,297
Pension adjustments	2,668		4,256	
Comprehensive income	$ 45,079	$ 33,308	$ 111,830	$ 87,201

See accompanying Notes to Condensed Consolidated Financial Statements.

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AECOM Technology Corporation

Condensed Consolidated Statements of Cash Flows

(unaudited in thousands)

	Nine Months Ended June 30,	
	2008	**2007**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 103,776	$ 70,904
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	40,078	30,980
Equity in earnings of unconsolidated joint ventures	(12,163)	(7,628)
Distribution of earnings from unconsolidated joint ventures	13,175	6,284
Stock based compensation	17,103	19,648
Make-whole premium		3,166
Excess tax benefit from share based payment	(14,978)	
Interest income on notes from stockholders		(754)
Foreign currency translation	3,082	5,110
Gain on sale of equity investment		(11,286)
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable	(204,306)	(78,880)
Prepaid expenses and other assets	15,536	(46,285)
Accounts payable	15,505	(31,139)
Accrued expenses and other current liabilities	67,688	44,476
Billings in excess of costs on uncompleted contracts	63,060	22,126
Other long-term liabilities	(23,051)	(6,170)
Income taxes receivable/payable	7,505	(213)
Net cash provided by operating activities	92,010	20,339
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for business acquisitions, net of cash acquired	(231,400)	(137,460)
Net investment in unconsolidated affiliates	(6,250)	(237)
Proceeds from sales of investment securities	129,234	136,085
Purchases of investment securities	(9,900)	(283,230)
Payments for capital expenditures	(47,734)	(32,941)
Proceeds from sale of equity investment		14,683
Net cash used in investing activities	(166,050)	(303,100)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings under credit agreements	13,524	55,726
Repayments of borrowings under credit agreements	(8,816)	(133,611)
Proceeds from issuance of stock	7,735	54,561
Net proceeds from the issuance of common stock in initial public offering		469,378
Funding of stock purchase plan rabbi trust		(75,413)
Proceeds from exercise of stock options	10,895	4,102
Payments to repurchase common stock	(8,929)	(48,581)
Proceeds from payment of notes receivable from stockholders		22,663
Excess tax benefit from share based payment	14,978	
Net cash provided by financing activities	29,387	348,825
EFFECT OF EXCHANGE RATE CHANGES ON CASH	850	1,994
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(43,803)	68,058

CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		216,911		127,870
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$	173,108	$	195,928
NON-CASH INVESTING AND FINANCING ACTIVITY				
Common stock issued in acquisitions	$	23,850	$	9,052

See accompanying Notes to Condensed Consolidated Financial Statements.

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AECOM Technology Corporation

Notes to Condensed Consolidated Financial Statements

(unaudited)

1. Basis of Presentation

The accompanying condensed 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 condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company s Form 10-K/A for the fiscal year ended September 30, 2007.

The results of operations for the three and nine months ended June 30, 2008 are not necessarily indicative of the results to be expected for the fiscal year ending September 30, 2008.

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.

All share and per share amounts reflect, on a retroactive basis, the 2-for-1 stock split effected in the form of a 100% stock dividend wherein one additional share of stock was issued effective May 4, 2007 for each share outstanding as of the record date of May 4, 2007.

2. Initial Public Offering

In May 2007, the Company completed the initial public offering (IPO) of 40.4 million shares of common stock, which included the exercise of the underwriters over-allotment option to purchase 5.3 million shares, at $20.00 per share, before underwriting discounts and commissions. Of the total shares sold in the offering, 15.3 million were sold by stockholders of the Company. Proceeds to AECOM, net of underwriting discounts, commissions, and other offering related costs, were approximately $468.3 million, of which $75.4 million was used to fund elections by employees to diversify their holdings of AECOM stock units in the Company s stock purchase plan.

3. Business Acquisitions

During the quarter ended June 30, 2008, the Company completed the acquisitions of Boyle Engineering Corporation, a Newport Beach, California based engineering services firm that focuses on the environmental market, and Totten Sims Hubicki Associates, an Ontario, Canada based diversified engineering services firm. Aggregate consideration for acquisitions during the three and nine months ended June 30, 2008 was approximately $145 million and $225 million, respectively, in cash and stock. See also Note 6 regarding goodwill and acquired intangible assets.

As discussed in Note 14 Subsequent Events, subsequent to the quarter ended June 30, 2008, the Company announced in July 2008 that it had completed the acquisition of substantially all of Earth Tech, Inc., an engineering services unit of Tyco International, Ltd. The transaction is described in more detail in current reports on Form 8-K filed by the Company on February 12, 2008 and July 31, 2008.

4. Cash and Cash Equivalents and Marketable Securities

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Total cash and cash equivalents includes cash in consolidated joint ventures.

From time to time, the Company invests its excess cash in financial instruments. These financial instruments include auction rate securities. Auction rate securities held by the Company are primarily AAA rated, long-term debt obligations secured by student loans and have interest rates which are reset every 7 to 35 days. The recent uncertainties in the credit markets have affected the Company s holdings in these investments, since auctions for these securities have failed on their respective settlement dates. The Company continues to earn interest on its auction rate securities and there has been no change in the ratings of these securities to date. Based on the Company s ability and intent to hold these investments to their expected recovery, the financial strength of the issuers and guarantors of the securities (including the U.S. government) and valuations performed by the Company, no material impairment is deemed to exist at June 30, 2008. The Company will continue to monitor the auction rate securities market and the liquidity and value of the securities it holds. Adjustments to the fair value may be required in the future to reflect changes in impairment due to market conditions.

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Due to the current illiquidity of these investments and the uncertainty regarding the auction rate securities market, the Company has classified these investments within non-current assets as of June 30, 2008. At June 30, 2008, $81.5 million in auction rate securities were classified within other non-current assets.

5. Accounts Receivable Net

Net accounts receivable consisted of the following as of June 30, 2008 and September 30, 2007:

	June 30, 2008	September 30, 2007
	(in thousands)	
Billed	$ 829,891	$ 635,996
Unbilled	593,383	466,612
Contract retentions	43,765	40,522
Total accounts receivable gross	1,467,039	1,143,130
Allowance for doubtful accounts	(61,651)	(51,448)
Total accounts receivable net	$ 1,405,388	$ 1,091,682
Billings in excess of costs on uncompleted contracts	$ 267,360	$ 192,400

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, 2008 and September 30, 2007 are expected to be billed and collected within twelve months of such date. 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 June 30, 2008 or September 30, 2007.

6. Goodwill and Acquired Intangible Assets

The changes in the carrying value of goodwill by reporting segment for the nine months ended June 30, 2008 were as follows:

	September 30, 2007	Post-Acquisition Adjustments	Acquired	June 30, 2008
	(in thousands)			
Professional Technical Services	$ 583,807	$ 5,600	$ 173,835	$ 763,242
Management Support Services	8,426	(5,600)		2,826
Total	$ 592,233	$	$ 173,835	$ 766,068

The gross amounts and accumulated amortization of the Company s acquired identifiable intangible assets with finite useful lives as of June 30, 2008 and September 30, 2007, included in intangible and other assets net in the accompanying condensed consolidated balance sheets, were as follows:

	June 30, 2008		September 30, 2007	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
	(in thousands)			
Backlog	$ 47,669	$ 29,445	$ 28,669	$ 24,849
Customer Relationships	45,273	7,477	30,478	4,645
Trade-Names	3,619	1,219	1,764	489
Total	$ 96,561	$ 38,141	$ 60,911	$ 29,983

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At the time of acquisition, the Company preliminarily estimates the amount of the identifiable intangible assets acquired based upon historical valuations and the facts and circumstances available at the time. The Company determines the value of the identifiable intangible assets during the purchase allocation period, which does not extend beyond 12 months from the date of acquisition. However, based upon the date of acquisition, the purchase allocation period may cross into subsequent fiscal periods.

The following table presents estimated amortization expense of existing intangible assets for the remainder of fiscal 2008 and for the succeeding years:

Fiscal Year	(in thousands)
2008	$ 5,765
2009	16,511
2010	5,403
2011	5,260
2012	5,067
Thereafter	20,414
Total	$ 58,420

7. Disclosures About Pension Benefit Obligations

The Company s pension cost for the three and nine months ended June 30, 2008 and 2007 includes the following components:

	Three Months Ended June 30,		Nine Months Ended June 30,	
U.S. Plans	**2008**	**2007**	**2008**	**2007**
	(in thousands)			
Service costs	$ 563	$ 651	$ 1,689	$ 1,953
Interest cost on projected benefit obligation	1,912	1,876	5,736	5,629
Expected return on plan assets	(1,778)	(1,719)	(5,334)	(5,157)
Amortization of prior service costs	(290)	(289)	(870)	(867)
Amortization of net loss	833	982	2,499	2,946
Settlement (gain) / loss recognized	357		357	
Net periodic benefit cost	$ 1,597	$ 1,501	$ 4,077	$ 4,504

	Three Months Ended June 30,		Nine Months Ended June 30,	
Non-U.S. Plans	**2008**	**2007**	**2008**	**2007**
	(in thousands)			
Service costs	$ 1,071	$ 1,170	$ 3,244	$ 3,633
Interest cost on projected benefit obligation	4,781	4,499	14,527	13,160
Expected return on plan assets	(5,175)	(4,267)	(15,730)	(12,275)
Amortization of prior service costs	(98)	(101)	(303)	(624)
Amortization of net gain	783	979	2,372	2,897
Curtailment (gain) / loss recognized				(2,646)
Settlement (gain) / loss recognized	2,221		2,221	
Net periodic benefit cost	$ 3,583	$ 2,280	$ 6,331	$ 4,145

The total amounts of employer contributions paid for the nine months ended June 30, 2008 were $3.6 million for U.S. plans and $11.5 million for non-U.S. plans. The expected remaining scheduled annual employer contributions for the fiscal year ending September 30, 2008 are $0.5 million for U.S. plans and $3.7 million for non-U.S. plans.

8. Reportable Segments

The Company s operations are organized into two reportable segments: Professional Technical Services and Management Support Services. This segmentation corresponds to how the Company manages its business as well as the underlying characteristics of its markets.

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Management internally analyzes the results of the Company s segments and operations using the non-GAAP measure of revenue, net of other direct costs which is a measure of work performed by the Company obtained by subtracting other direct costs, which consists of subcontractor fees and related costs, from revenue.

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 thousands)		
Three Months Ended June 30, 2008:				
Revenue	$ 1,096,986	$ 224,217	$	$ 1,321,203
Revenue, net of other direct costs	809,715	43,569		853,284
Gross profit	398,299	17,722		416,021
Gross profit as a % of revenue	36.3%	7.9%		31.5%
Gross profit as a % of revenue, net of other direct costs	49.2%	40.7%		48.8%
Equity in earnings of joint ventures	2,922	2,391		5,313
General and administrative expenses	330,714	9,466	16,972	357,152
Operating income	70,507	10,647	(16,972)	64,182
Segment assets	2,561,708	210,721	148,562	2,920,991
Three Months Ended June 30, 2007:				
Revenue	$ 904,349	$ 196,307	$	$ 1,100,656
Revenue, net of other direct costs	612,550	31,141		643,691
Gross profit	300,354	11,737		312,091
Gross profit as a % of revenue	33.2%	6.0%		28.4%
Gross profit as a % of revenue, net of other direct costs	49.0%	37.7%		48.5%
Equity in earnings of joint ventures	1,064	2,928		3,992
General and administrative expenses	252,598	5,394	12,409	270,401
Operating income	48,820	9,271	(12,409)	45,682

Reportable Segments:	Professional Technical Services	Management Support Services	Corporate	Total
		($ in thousands)		
Nine Months Ended June 30, 2008:				
Revenue	$ 2,945,494	$ 620,080	$	$ 3,565,574
Revenue, net of other direct costs	2,168,871	110,751		2,279,622
Gross profit	1,068,274	43,734		1,112,008
Gross profit as a % of revenue	36.3%	7.1%		31.2%
Gross profit as a % of revenue, net of other direct costs	49.3%	39.5%		48.8%
Equity in earnings of joint ventures	6,630	5,533		12,163
General and administrative expenses	892,621	21,208	42,669	956,498
Operating income	182,283	28,059	(42,669)	167,673
Segment assets	2,561,708	210,721	148,562	2,920,991
Nine Months Ended June 30, 2007:				
Revenue	$ 2,501,436	$ 621,478	$	$ 3,122,914
Revenue, net of other direct costs	1,656,456	79,851		1,736,307
Gross profit	811,685	32,696		844,381
Gross profit as a % of revenue	32.4%	5.3%		27.0%

Gross profit as a % of revenue, net of other direct costs	49.0%	40.9%		48.6%
Equity in earnings of joint ventures	960	6,668		7,628
General and administrative expenses	688,541	17,200	32,634	738,375
Operating income	124,104	22,164	(32,634)	113,634

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9. Stock-Based Compensation

In December 2004, the FASB issued SFAS No. 123 (revised 2004), *Share-Based Payment* (SFAS 123R) that requires companies to expense the fair value of employee stock options and similar awards. Under SFAS 123R, share-based payment awards result in a cost that will be measured at fair value on the awards grant dates, based on the estimated number of awards that are expected to vest.

SFAS 123R became effective for the Company on October 1, 2006. Upon adoption of SFAS 123R, the Company implemented the prospective transition method. Under this method, prior periods were not restated to reflect the impact of SFAS 123R. SFAS 123R requires that the Company recognize as compensation expense the fair value of all stock-based awards, including stock options, granted to employees and directors in exchange for services over the requisite service period, which is typically the vesting period. SFAS 123R also requires that cash flows resulting from tax benefits realized from stock option exercises or stock vesting events in excess of tax benefits recognized from stock-based compensation expenses be classified as cash flows from financing activities instead of cash flows from operating activities for awards subject to SFAS 123R.

Prior to October 1, 2006, the Company accounted for employee stock-based compensation using the intrinsic value method of Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees,* (APB Opinion No. 25) and related interpretations. Under the intrinsic value method, no compensation expense was reflected in the statement of income for stock options granted to employees, as all stock options had an exercise price equal to the fair value of the underlying common stock on the date of grant.

Under the prospective transition method, the Company continues to account for options granted prior to October 1, 2006 under the provisions of APB Opinion No. 25 to the extent vested. Since stock options had an exercise price equal to the fair value of the underlying common stock on the date of grant, no compensation expense will be recognized for options granted prior to October 1, 2006 unless modifications are made to those options. Prior to the adoption of SFAS 123R, the fair value of stock options used to disclose pro forma net income and earnings per share disclosures was the estimated value using the minimum value method as allowed for non-public companies. The adoption of SFAS 123R did not have a material effect on the Company s results of operations, financial position, or cash flows.

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 recently 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 the yield curve of a zero-coupon U.S. Treasury bond with a maturity 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, 2008 and 2007 were determined using the following weighted average assumptions:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2008	2007	2008	2007
Dividend yield				

Expected volatility	33%	25%	33%	25%
Risk-free interest rate	3.5%	4.6%	3.5%	4.6%
Term (in years)	4.5	7	4.5	7

Under SFAS 123R, the Company s expense related to stock options for the nine months ended June 30, 2008 and 2007 was $1.8 million and $0.5 million.

Stock option activity for the nine months ended June 30, 2008 and 2007 was as follows:

	Nine Months Ended June 30, 2008		Nine Months Ended June 30, 2007	
	Shares of stock under options (in thousands)	**Weighted average exercise price**	**Shares of stock under options (in thousands)**	**Weighted average exercise price**
Outstanding at September 30	7,728	$ 9.27	8,929	$ 8.42
Options granted	504	27.61	676	14.79
Options exercised	(2,388)	7.74	(1,367)	7.81
Options forfeited or expired	(67)	17.23	(29)	13.68
Outstanding at June 30	5,777	$ 11.42	8,209	$ 9.03
Vested and expected to vest in the future as of June 30	5,747	$ 11.40	8,196	$ 9.02

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The weighted average grant-date fair value of stock options granted during the nine months ended June 30, 2008 was $8.78.

10. Earnings Per Share

Basic earnings per share, or EPS, excludes dilution and is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted EPS is computed by dividing net income by the weighted average number of common shares outstanding and dilutive potential common shares for the period. The Company includes as potential common shares the weighted average dilutive effects of outstanding stock options using the treasury stock method.

See also Note 2 regarding the effects of the IPO on outstanding shares.

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

	Three Months Ended		Nine Months Ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
	(in thousands)			
Denominator for basic earnings per share	102,020	80,915	100,745	64,948
Potential common shares:				
Preferred stock, Class F and G		7,829		15,108
Stock options	2,464	2,988	2,827	2,562
Other	79	305	109	395
Denominator for diluted earnings per share	104,563	92,037	103,681	83,013

For the nine months ended June 30, 2008 and 2007, no stock options were excluded from the calculation or were considered anti-dilutive.

11. Commitments and Contingencies

The Company is subject to certain claims and lawsuits typically filed against the engineering and consulting profession, alleging primarily professional errors or omissions. The Company carries professional liability insurance against such claims, subject to certain deductibles and policy limits. From time to time, the Company establishes reserves for litigation that is considered a probable loss.

At June 30, 2008, the Company was contingently liable in the amount of approximately $89.8 million under standby letters of credit issued primarily in connection with general and professional liability insurance programs and for payment and performance guarantees relating to domestic and overseas contracts. In addition, 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.

Under joint venture arrangements, if a partner is financially unable to complete its share of the contract, the other partner(s) will generally 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 is a partner in certain joint ventures where the joint venture has contracted with subconsultants for certain specialized professional services. The joint venture, or the Company to the extent that the joint venture partner(s) are unable to fulfill their responsibilities, is liable to the third-party customer for performance of the subconsultant and would be liable to the subconsultant if the third-party customer fails to make payments due the joint venture for subconsultant services.

In the opinion of management, the ultimate resolution of these matters will not have a material adverse effect on the financial position or results of operations of the Company.

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12. Income Taxes

In July 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes An Interpretation of FASB Statement No. 109* (FIN 48). FIN 48 is intended to clarify the accounting for uncertainty in recognizing income taxes in accordance with FASB Statement No. 109 by providing detailed guidance for financial statement recognition, measurement and disclosure involving uncertain tax positions. FIN 48 requires an uncertain tax position to meet a more-likely-than-not recognition threshold at the effective date to be recognized both upon the adoption of FIN 48 and subsequent periods. FIN 48 is effective for fiscal years beginning after December 15, 2006, and became effective for the Company in the first quarter of the fiscal year ending September 30, 2008. As the provisions of FIN 48 are to be applied to all tax positions upon initial adoption, the cumulative effect of applying the provisions of FIN 48 was reported as an adjustment to the opening balance of retained earnings as of October 1, 2007. Additionally, FIN 48 provides guidance on recognition or de-recognition of interest and penalties, changes in judgment in interim periods, and disclosures of uncertain tax positions. The adoption of FIN 48 did not have a material effect on the Company s financial statements.

As of the adoption date, the liability for income taxes associated with uncertain tax positions was $34.8 million and the related interest on the liability was $1.6 million, net of related tax benefits. If recognized, $33.0 million of these amounts would be recorded as a benefit to income taxes on the Condensed Consolidated Statement of Income and, therefore, would reduce the Company s future effective tax rate. The remaining $3.4 million would reduce deferred tax balances and amounts primarily arising from business combinations which, if recognized, would be recorded as reductions to goodwill.

As of June 30, 2008, the liability for income tax associated with uncertain tax positions was $43.0 million and the related interest on the liability was $3.0 million, net of related tax benefits. If recognized, $39.2 million of these amounts would be recorded as a benefit to income taxes on the Condensed Consolidated Statement of Income and, therefore, would reduce the Company s future effective tax rate. The remaining $6.8 million would reduce deferred tax balances and amounts primarily arising from business combinations which, if recognized, would be recorded as reductions to goodwill.

The Company s continuing practice is to recognize interest and penalties related to uncertain tax positions in tax expense. At adoption, the Company had accrued $1.6 million of interest and penalties, net of a $1.0 million tax benefit related to uncertain tax positions and, as of June 30, 2008, the Company had accrued $3.0 million of interest and penalties, net of a $1.9 million tax benefit related to uncertain tax positions.

The Company conducts business globally and, as a result, files income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. In the normal course of business, the Company is subject to examination by taxing authorities. With few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations for years before 2000. The expiration of the statutes of limitation within the next twelve months for various jurisdictions is expected to reduce the Company s uncertain tax position balance by approximately $6.1 million, including $0.7 million of associated interest.

While it is often difficult to predict the final outcome or the timing of resolution of any particular uncertain tax position, the Company believes reserves for income taxes represent the most probable outcome. The Company adjusts these reserves, including those for the related interest, in light of changing facts and circumstances.

13. Recently Issued Accounting Pronouncements

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities,* (SFAS 161), which is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity s financial position, financial performance and cash flows. SFAS 161 is effective beginning in the Company s fiscal second quarter ending March 31, 2009. The Company is currently evaluating the impact of SFAS 161 on its financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations* (SFAS 141R). SFAS 141R significantly changes the way companies account for business combinations and will generally require more assets acquired and liabilities assumed to be measured at their acquisition-date fair value. Under SFAS 141R, legal fees and other transaction-related costs are expensed as incurred and are no longer included in goodwill as a cost of acquiring the business. SFAS 141R also requires, among other things, acquirers to estimate the acquisition-date fair value of any contingent consideration and to recognize any subsequent changes in the fair value of contingent consideration in earnings. In addition, restructuring costs the acquirer expected, but was not obligated to incur, will be recognized separately from the business acquisition. This accounting standard is effective for the Company s fiscal year ending September 30, 2010. The Company is currently evaluating the impact of SFAS 141R on its financial statements.

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In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51* (SFAS 160). SFAS 160 requires all entities to report noncontrolling interests in subsidiaries as a separate component of equity in the consolidated financial statements. SFAS 160 establishes a single method of accounting for changes in a parent s ownership interest in a subsidiary that do not result in deconsolidation. Under SFAS 160, companies will no longer recognize a gain or loss on partial disposals of a subsidiary where control is retained. In addition, in partial acquisitions, where control is obtained, the acquiring company will recognize and measure at fair value 100 percent of the assets and liabilities, including goodwill, as if the entire target company had been acquired. SFAS 160 is effective for the Company s fiscal year ending September 30, 2010. The Company is currently evaluating the impact of SFAS 160 on its financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115* (SFAS 159). SFAS 159 permits entities to choose to measure eligible assets and liabilities at fair value at specified election dates and report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. SFAS 159 will be effective for the Company as of October 1, 2008. The Company is currently evaluating the potential impact of the provisions of SFAS 159 on its financial statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with GAAP, and expands disclosures about fair value measurements. The provisions of SFAS 157 will be effective for the Company as of October 1, 2008. The Company is currently evaluating the potential impact of the provisions of SFAS 157 on its financial statements.

14. Subsequent Events

As discussed in Note 3 Business Acquisitions, subsequent to the quarter ended June 30, 2008, the Company announced in July 2008 that it had completed a transaction to acquire a substantial portion of Earth Tech from Tyco International. Earth Tech provides consulting and engineering services to the environmental, transportation and facilities markets. The parties agreed to delay the transfer of Earth Tech s United Kingdom businesses to the Company until certain third party consents to the transaction are obtained. Concurrent with the close of the purchase of Earth Tech, the Company divested Earth Tech s Water & Power Technologies (WPT) and North American Contract Operations (NACO) businesses and Earth Tech s Mexican operations. The consideration paid for businesses retained by the Company and the United Kingdom businesses, net of amounts received for the divested WPT, NACO and Mexico assets and other purchase price adjustments, was approximately $335 million. In addition, the Company intends to divest certain other non-core Earth Tech assets and operations.

In connection with the acquisition of Earth Tech, the Company borrowed approximately $400 million under its existing revolving credit facility, which was then partially repaid with proceeds from the divestitures discussed above.

These transactions are described in more detail in current reports on Form 8-K filed by the Company on February 12, 2008 and July 31, 2008.

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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 n 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, our ability to successfully manage our joint ventures, the risk of employee misconduct or our failure to comply with laws and regulations, our ability to successfully execute our mergers and acquisitions strategy, including the integration of new companies into our business, our ability to attract and retain key technical and management personnel, our ability to complete our backlog of uncompleted projects as currently projected, our liquidity and capital resources and changes in regulations or legislation that could affect us. Accordingly, actual results could differ materially from those contemplated by any forward-looking statement. In addition to the other risks and uncertainties mentioned in connection with certain forward-looking statements throughout this Quarterly Report, 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. Through our network of approximately 41,000 employees, we provide our services in a broad range of end markets, including the transportation, facilities, environmental, and energy markets.

Our business focuses primarily on providing fee-based professional technical and support services and our operations are therefore 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 and our ability to manage our costs. We operate our business through two segments: Professional Technical Services (PTS) and Management Support Services (MSS).

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

Our MSS segment provides program and 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, or other direct costs.

Our revenue is dependent on our ability to attract qualified and productive employees, identify business opportunities, allocate our labor resources to profitable markets, secure new contracts and renew existing client agreements. Moreover, as a professional services company, the quality of the work generated by our employees is integral to our generation of revenue and profits.

Our costs are driven primarily by 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 overhead costs.

Components of Income and Expense

Our management internally analyzes the results of our operations using several non-GAAP measures. A significant portion of our revenue relates to services provided by subcontractors and other non-employees that we categorize as other direct costs. Those pass-through costs are typically paid to service providers upon our receipt of payment from the client. Other direct costs are segregated from revenue resulting in revenue, net of other direct costs, which is a measure of work performed by AECOM employees. We have included information on revenue, net of other direct costs, as we believe that it is useful to view revenue, exclusive of costs associated with external service providers.

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

	Nine Months Ended June 30,		Year Ended September 30,				
	2008	2007	2007	2006	2005	2004	2003
			(in millions)				
Other Financial Data:							
Revenue	$ 3,566	$ 3,123	$ 4,237	$ 3,421	$ 2,395	$ 2,012	$ 1,915
Other direct costs	1,286	1,387	1,832	1,521	933	776	725
Revenue, net of other direct costs	2,280	1,736	2,405	1,900	1,462	1,236	1,190
Cost of revenue, net of other direct costs	1,168	892	1,244	994	785	667	656
Gross profit	1,112	844	1,161	906	677	569	534
Equity in earnings of joint ventures	12	8	12	6	2	3	2
Amortization expense of acquired intangible assets	8	8	12	15	3		
Other general and administrative expenses	948	730	1,005	794	578	485	467
General and administrative expenses	956	738	1,017	809	581	485	467
Income from operations	$ 168	$ 114	$ 156	$ 103	$ 98	$ 87	$ 69
Reconciliation of Cost of Revenue:							
Other direct costs	$ 1,286	$ 1,387	$ 1,832	$ 1,521	$ 933	$ 776	$ 725
Cost of revenue, net of other direct costs	1,168	892	1,244	994	785	667	656
Cost of revenue	$ 2,454	$ 2,279	$ 3,076	$ 2,515	$ 1,718	$ 1,443	$ 1,381

Results of Operations

Consolidated Results

	Three Months Ended				Nine Months Ended			
	June 30, 2008	June 30, 2007	Change $	Change %	June 30, 2008	June 30, 2007	Change $	Change %
			($ in thousands)					
Revenue	$ 1,321,203	$ 1,100,656	$ 220,547	20.0%	$ 3,565,574	$ 3,122,914	$ 442,660	14.2%
Other direct costs	467,919	456,965	10,954	2.4	1,285,952	1,386,607	(100,655)	(7.3)
Revenue, net of other direct costs	853,284	643,691	209,593	32.6	2,279,622	1,736,307	543,315	31.3
Cost of revenue, net of other direct costs	437,263	331,600	105,663	31.9	1,167,614	891,926	275,688	30.9
Gross profit	416,021	312,091	103,930	33.3	1,112,008	844,381	267,627	31.7
Equity in earnings of joint ventures	5,313	3,992	1,321	33.1	12,163	7,628	4,535	59.5
General and administrative expenses	357,152	270,401	86,751	32.1	956,498	738,375	218,123	29.5
Income from operations	64,182	45,682	18,500	40.5	167,673	113,634	54,039	47.6
Minority interest in share of earnings	4,862	3,824	1,038	27.1	10,939	9,058	1,881	20.8
Other income (expense)	756		756		(872)		(872)	
Gain on sale of equity investment						11,286	(11,286)	(100.0)

Interest income (expense) net	(198)	(6,312)	6,114	(96.9)	4,111	(9,615)	13,726	(142.8)
Income before income tax expense	59,878	35,546	24,332	68.5	159,973	106,247	53,726	50.6
Income tax expense	21,424	11,360	10,064	88.6	56,197	35,343	20,854	59.0
Net income	$ 38,454	$ 24,186	$ 14,268	59.0%	$ 103,776	$ 70,904	$ 32,872	46.4%

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

	Three Months Ended		Nine Months Ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Revenue, net of other direct costs	100.0%	100.0%	100.0%	100.0%
Cost of revenue, net of other direct costs	51.2	51.5	51.2	51.4
Gross profit	48.8	48.5	48.8	48.6
Equity in earnings of joint ventures	0.6	0.6	0.5	0.4
General and administrative expense	41.9	42.0	41.9	42.5
Income from operations	7.5	7.1	7.4	6.5
Minority interest in share of earnings	0.6	0.6	0.5	0.5
Gain on sale of equity investment	0.0	0.0	0.0	0.7
Non-operating income (expense)	0.1	0.0	0.0	0.0
Interest income (expense) and other net	0.0	(1.0)	0.1	(0.6)
Income before income tax expense	7.0	5.5	7.0	6.1
Income tax expense	2.5	1.7	2.4	2.0
Net income	4.5%	3.8%	4.6%	4.1%

Revenue

Our revenue for the three months ended June 30, 2008 increased $220.5 million, or 20.0%, to $1.3 billion as compared to $1.1 billion for the corresponding period last year. Of this increase, $102.8 million, or 46.6%, was provided by companies acquired in the past twelve months. Excluding the revenue provided by acquired companies, revenue increased $117.7 million, or 10.7%.

Our revenue for the nine months ended June 30, 2008 increased $442.7 million, or 14.2%, to $3.6 billion as compared to $3.1 billion for the corresponding period last year. Of this increase, $166.3 million, or 37.6%, was provided by companies acquired in the past twelve months. Excluding the revenue provided by acquired companies, revenue increased $276.4 million, or 8.9%.

The increases in the three and nine month periods ended June 30, 2008 were primarily attributable to higher government spending for highway and transit infrastructure projects in Australia, an increase in demand for work performed in our planning and urban design business, greater volumes of work performed in our environmental management services business in all of our geographic markets, and continued strength in our engineering design services business in the United Arab Emirates. Increased demand in these markets was partially offset by a decline in our design/build services business due to the completion of a significant educational facility project in the fourth quarter of fiscal 2007. The increase for the three months ended June 30, 2008 as compared to the corresponding period last year was further attributable to growth in our combat support and global maintenance and supply services for the United States government in the Middle East.

Revenue, Net of Other Direct Costs

Our revenue, net of other direct costs for the three months ended June 30, 2008 increased $209.6 million, or 32.6%, to $853.3 million as compared to $643.7 million in the corresponding period last year. Of this increase, $81.1 million, or 38.7%, was provided by companies

acquired in the past twelve months. Excluding the revenue, net of other direct costs provided by acquired companies, revenue, net of other direct costs increased $128.5 million, or 20.0%.

Our revenue, net of other direct costs for the nine months ended June 30, 2008 increased $543.3 million, or 31.3%, to $2.3 billion as compared to $1.7 billion in the corresponding period last year. Of this increase, $131.8 million, or 24.3%, was provided by companies acquired in the past twelve months. Excluding the revenue, net of other direct costs provided by acquired companies, revenue, net of other direct costs increased $411.5 million, or 23.7%.

The increases for both periods were primarily due to strong demand in the markets noted above, resulting in increased project staffing. The larger percentage increases in revenue, net of other direct costs, compared to the increases in revenue during the same period resulted from the decline in our design/build services business which contains a proportionately higher component of subcontractor costs.

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Gross Profit

Our gross profit for the three months ended June 30, 2008 increased $103.9 million, or 33.3%, to $416.0 million as compared to $312.1 million in the corresponding period last year. Of this increase, $40.6 million, or 39.1% was provided by companies acquired in the past 12 months. Excluding gross profit provided by acquired companies, gross profit increased $63.3 million, or 20.3%. For the three months ended June 30, 2008, gross profit, as a percentage of revenue, net of other direct costs, was 48.8% as compared to 48.5% in the corresponding period last year.

Our gross profit for the nine months ended June 30, 2008 increased $267.6 million, or 31.7%, to $1.1 billion as compared to $844.4 million in the corresponding period last year. Of this increase, $69.3 million, or 25.9% was provided by companies acquired in the past 12 months. Excluding gross profit provided by acquired companies, gross profit increased $198.3 million, or 23.5%. For the nine months ended June 30, 2008, gross profit, as a percentage of revenue, net of other direct costs, was 48.8% as compared to 48.6% in the corresponding period last year.

The increases for both periods in gross profit for the three and nine months ended June 30, 2008 were primarily attributable to the increases in revenue, net of other direct costs for the respective periods. The increases in gross profit, as a percentage of revenue, net of other direct costs, were primarily attributable to the increased demand for our environmental management and planning and urban design services which typically experience higher gross profit margins, and the favorable resolution in March 2008 of a claim on a United States government project, partially offset by lower margins in our design/build services business resulting from a decline in revenue for that business.

Equity in Earnings of Joint Ventures

Our equity in earnings of joint ventures for the three months ended June 30, 2008 increased $1.3 million, or 33.1%, to $5.3 million as compared to $4.0 million in the corresponding period last year.

Our equity in earnings of joint ventures for the nine months ended June 30, 2008 increased $4.6 million, or 59.5%, to $12.2 million as compared to $7.6 million in the corresponding period last year.

The increases for both periods were primarily attributable to increased joint venture activity in the Middle East and improved performance in a European joint venture that was in its initial phase in the prior year s corresponding periods.

General and Administrative Expenses

Our general and administrative expenses for the three months ended June 30, 2008 increased $86.8 million, or 32.1%, to $357.2 million as compared to $270.4 million in the corresponding period last year. Of this increase, $35.7 million, or 41.1%, was incurred by companies acquired in the past twelve months. Excluding general and administrative expenses associated with acquired companies, general and

administrative expenses increased $51.1 million, or 18.9%. For the three months ended June 30, 2008, general and administrative expenses, as a percentage of revenue, net of other direct costs was 41.9% as compared to 42.0% in the corresponding period last year.

Our general and administrative expenses for the nine months ended June 30, 2008 increased $218.1 million, or 29.5%, to $956.5 million as compared to $738.4 million in the corresponding period last year. Of this increase, $59.1 million, or 27.1%, was incurred by companies acquired in the past twelve months. Excluding general and administrative expenses associated with acquired companies, general and administrative expenses increased $159.0 million, or 21.5%. For the nine months ended June 30, 2008, general and administrative expenses, as a percentage of revenue, net of other direct costs was 41.9% as compared to 42.5% in the corresponding period last year.

These increases in general and administrative expenses for both periods were primarily attributable to increased staffing and other expenses related to the growth in our business noted above, continued investments throughout the organization to support strategic initiatives and expenses incurred related to our becoming a public reporting company, including compliance efforts related to the requirements of Section 404 of the Sarbanes-Oxley Act of 2002. The decreases in general and administrative expenses, as a percentage of revenue, net of other direct costs, reflect the benefits realized from our continuing cost efficiency initiatives.

Gain on Sale of Equity Investment

In December 2006, we sold our minority interest in an equity investment in the United Kingdom for 7.5 million GBP, or approximately $14.7 million. We recorded a gain on the sale of $11.3 million.

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Interest Income / Expense

Our net interest expense for the three months ended June 30, 2008 decreased to $0.2 million as compared to $6.3 million in the corresponding period last year.

Our net interest income for the nine months ended June 30, 2008 was $4.1 million as compared to $9.6 million of net interest expense in the corresponding period last year.

The decrease in net interest expense for the three months ended June 30, 2008 as compared to the corresponding period last year is primarily due to lower borrowings. The increase in net interest income in the nine months ended June 30, 2008 was primarily attributable to higher investment balances and lower borrowings. These changes resulted from the use of proceeds received in our initial public offering completed in May 2007.

Income Tax Expense

For the three and nine months ended June 30, 2008, income tax expense increased $10.1 million, or 88.6%, and $20.9 million, or 59.0%, compared to the same periods last year, respectively. The effective tax rate for the three and nine months ended June 30, 2008 was 35.8% and 35.1%, respectively, as compared to 32.0% and 33.3% for each respective corresponding period last year. The increases in the effective tax rate for both periods was due to proportionately less income in tax exempt jurisdictions and the expiration of federal research and development credits during the current periods.

Net Income

Net income for the three and nine months ended June 30, 2008 increased $14.3 million, or 59.0%, to $38.5 million and $32.9 million, or 46.4%, to $103.8 million, respectively, as compared to the corresponding periods last year.

Results of Operations by Reportable Segment:

Professional Technical Services

	Three Months Ended				Nine Months Ended			
	June 30, 2008	June 30, 2007	Change $	Change %	June 30, 2008	June 30, 2007	Change $	Change %

	($ in thousands)							
Revenue	$ 1,096,986	$ 904,349	$ 192,637	21.3%	$ 2,945,494	$ 2,501,436	$ 444,058	17.8%
Other direct costs	287,271	291,799	(4,528)	(1.6)	776,623	844,980	(68,357)	(8.1)
Revenue, net of other direct costs	809,715	612,550	197,165	32.2	2,168,871	1,656,456	512,415	30.9
Cost of revenue, net of other direct costs	411,416	312,196	99,220	31.8	1,100,597	844,771	255,826	30.3
Gross profit	$ 398,299	$ 300,354	$ 97,945	32.6%	$ 1,068,274	$ 811,685	$ 256,589	31.6%

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

	Three Months Ended		Nine Months Ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Revenue, net of other direct costs	100.0%	100.0%	100.0%	100.0%
Cost of revenue, net of other direct costs	50.8	51.0	50.7	51.0
Gross profit	49.2%	49.0%	49.3%	49.0%

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Revenue

Revenue for our PTS segment for the three months ended June 30, 2008 increased $192.6 million, or 21.3%, to $1.1 billion as compared to $904.3 million in the corresponding period last year. Of this increase, $102.7 million, or 53.3%, was provided by companies acquired in the past twelve months. Excluding revenue provided by acquired companies, PTS revenue increased $89.9 million, or 9.9%.

Revenue for our PTS segment for the nine months ended June 30, 2008 increased $444.1 million, or 17.8%, to $2.9 billion as compared to $2.5 billion in the corresponding period last year. Of this increase, $166.3 million, or 37.4%, was provided by companies acquired in the past twelve months. Excluding revenue provided by acquired companies, PTS revenue increased $277.8 million, or 11.1%.

The increases for both periods were primarily attributable to higher government spending for highway and transit infrastructure projects in Australia, an increase in demand for our environmental management services in all of our geographic markets, greater volumes of work performed in our planning and urban design business continued strength in our engineering design services business in the United Arab Emirates, and the start up of program management services on the Libya Housing and Infrastructure Board project. Increased demand in these markets was partially offset by a decline in our design/build services business due to the completion of a significant educational facility project in the fourth quarter of fiscal 2007.

Revenue, Net of Other Direct Costs

Revenue, net of other direct costs for our PTS segment for the three months ended June 30, 2008 increased $197.1 million, or 32.2%, to $809.7 million as compared to $612.6 million in the corresponding period last year. Of this increase, $81.1 million, or 41.1%, was provided by companies acquired in the past twelve months. Excluding revenue, net of other direct costs provided by acquired companies, PTS revenue, net of other direct costs increased $116.0 million, or 18.9%.

Revenue, net of other direct costs for our PTS segment for the nine months ended June 30, 2008 increased $512.4 million, or 30.9%, to $2.2 billion as compared to $1.7 billion in the corresponding period last year. Of this increase, $131.8 million, or 25.7%, was provided by companies acquired in the past twelve months. Excluding revenue, net of other direct costs provided by acquired companies, PTS revenue, net of other direct costs increased $380.6 million, or 23.0%.

The increases for both periods were primarily attributable to the revenue growth factors mentioned above, partially offset by the decline in design/build services business in the United States.

Gross Profit

Gross profit for our PTS segment for the three months ended June 30, 2008 increased $97.9 million, or 32.6%, to $398.3 million as compared to $300.4 million in the corresponding period last year. Of this increase, $40.6 million, or 41.5%, was provided by companies acquired in the past 12 months. Excluding gross profit provided by acquired companies, gross profit increased $57.3 million, or 19.1%. For the three months ended June 30, 2008, gross profit, as a percentage of revenue, net of other direct costs, was 49.2% as compared to 49.0% in the corresponding period last year.

Gross profit for our PTS segment for the nine months ended June 30, 2008 increased $256.6 million, or 31.6%, to $1.1 billion as compared to $811.7 million in the corresponding period last year. Of this increase, $69.3 million, or 27.0%, was provided by companies acquired in the past 12 months. Excluding gross profit provided by acquired companies, gross profit increased $187.3 million, or 23.1%. For the nine months ended June 30, 2008, gross profit, as a percentage of revenue, net of other direct costs, was 49.3% as compared to 49.0% in the corresponding period last year.

The increases for both periods in gross profit for the three and nine months ended June 30, 2008 were primarily attributable to the increases in revenue, net of other direct costs for the respective periods. The increases in gross profit, as a percentage of revenue, net of other direct costs, were primarily attributable to the increased demand for our environmental management and planning and urban design services which typically experience higher gross profit margins, partially offset by lower margins in our design/build services business in the United States resulting from a decline in revenue in that business.

Equity in Earnings of Joint Ventures

Equity in earnings of joint ventures for our PTS segment for the three months ended June 30, 2008 increased $1.8 million to $2.9 million as compared to $1.1 million in the corresponding period last year.

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Equity in earnings of joint ventures for our PTS segment for the nine months ended June 30, 2008 increased $5.6 million to $6.6 million as compared to $1.0 million in the corresponding period last year.

These increases were primarily attributable to increased joint venture activity in the Middle East and improved performance in a European joint venture that was in its initial phase in the prior year s corresponding periods.

Management Support Services

	Three Months Ended				Nine Months Ended			
	June 30, 2008	June 30, 2007	Change $	Change %	June 30, 2008	June 30, 2007	Change $	Change %
	($ in thousands)							
Revenue	$ 224,217	$ 196,307	$ 27,910	14.2%	$ 620,080	$ 621,478	$ (1,398)	(0.2)%
Other direct costs	180,648	165,166	15,482	9.4	509,329	541,627	(32,298)	(6.0)
Revenue, net of other direct costs	43,569	31,141	12,428	39.9	110,751	79,851	30,900	38.7
Cost of revenue, net of other direct costs	25,847	19,404	6,443	33.2	67,017	47,155	19,862	42.1
Gross profit	$ 17,722	$ 11,737	$ 5,985	51.0%	$ 43,734	$ 32,696	$ 11,038	33.8%

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

	Three Months Ended		Nine Months Ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Revenue, net of other direct costs	100.0%	100.0%	100.0%	100.0%
Cost of revenue, net of other direct costs	59.3	62.3	60.5	59.1
Gross profit	40.7%	37.7%	39.5%	40.9%

Revenue

Revenue for our MSS segment for the three months ended June 30, 2008, increased $27.9 million, or 14.2%, to $224.2 million as compared to $196.3 million in the corresponding period last year.

Revenue for our MSS segment for the nine months ended June 30, 2008, decreased $1.4 million, or 0.2%, to $620.1 million as compared to $621.5 million in the corresponding period last year.

The increase for the three months ended June 30, 2008 was primarily attributable to growth in our combat support and global maintenance and supply services for the United States government in the Middle East.

Revenue, Net of Other Direct Costs

Revenue, net of other direct costs for our MSS segment for the three months ended June 30, 2008 increased $12.5 million, or 39.9%, to $43.6 million as compared to $31.1 million in the corresponding period last year.

Revenue, net of other direct costs for our MSS segment for the nine months ended June 30, 2008 increased $30.9 million, or 38.7%, to $110.8 million as compared to $79.9 million in the corresponding period last year.

The increases for both periods were primarily attributable to an increase in our personnel associated with additional task orders received in support of United States government activities in the Middle East, and the definitization of certain contract modifications on our combat support project in the third quarter of fiscal 2008.

Gross Profit

Gross profit for our MSS segment for the three months ended June 30, 2008, increased $6.0 million, or 51.0%, to $17.7 million as compared to $11.7 million in the corresponding period last year. For the three months ended June 30, 2008, gross profit, as a percentage of revenue, net of other direct costs, was 40.7% as compared to 37.7% in the corresponding period last year.

Gross profit for our MSS segment for the nine months ended June 30, 2008, increased $11.0 million, or 33.8%, to $43.7 million as compared to $32.7 million in the corresponding period last year. For the nine months ended June 30, 2008, gross profit, as a percentage of revenue, net of other direct costs, was 39.5% as compared to 40.9% in the corresponding period last year.

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These increases in gross profit were primarily due to the increases in revenue, net of other direct costs, and the favorable resolution in March 2008 of a claim on a U.S. government project. The increase in gross profit, as a percentage of revenue, net of other direct costs in the three month period ended June 30, 2008 was primarily due to the definitization of the contract modifications noted above which resulted in an increase in award fees. The decrease in gross profit, as a percentage of revenue, net of other direct costs in the nine month period ended June 30, 2008 was primarily attributable to the start of a project for the United States government in fiscal 2008 that had a proportionately higher amount of revenue, net of other direct costs.

Equity in Earnings of Joint Ventures

Equity in earnings of joint ventures for our MSS segment for the three months ended June 30, 2008 decreased $0.5 million, or 18.3%, to $2.4 million as compared to $2.9 million in the corresponding period last year.

Equity in earnings of joint ventures for our MSS segment for the nine months ended June 30, 2008 decreased $1.2 million, or 17.0%, to $5.5 million as compared to $6.7 million in the corresponding period last year.

The decreases for both periods were primarily due to reduced activities in two joint ventures that provide training support services for international civilian police officers and peacekeepers, and operations and maintenance services at a military facility in the United States.

Seasonality

We experience seasonal trends in our business. Our revenue is typically lower in the first quarter of our fiscal year, primarily due to lower utilization rates attributable to holidays recognized around the world. 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 its 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

In May 2007, we completed the initial public offering of 40.4 million shares of our common stock, which included the exercise of the underwriters over-allotment option to purchase 5.3 million shares, at $20.00 per share. Of the total shares sold in the offering, 15.3 million were sold by stockholders of the Company. Proceeds to the Company, net of underwriting discounts, commissions, and other offering related costs were approximately $468.3 million, of which $75.4 million was used to fund employees elections to diversify their holdings in the Company s stock purchase plan.

Our principal source of liquidity is cash flows from operations, and our principal uses of cash are for operating expenses, capital expenditures, working capital requirements, acquisitions, and repayment of debt. We believe our anticipated sources of liquidity, including operating cash flows, existing cash, cash equivalents and borrowing capacity under our revolving credit facility, will be sufficient to meet our anticipated cash requirements for at least the next 12 months.

At June 30, 2008, cash and cash equivalents were $173.1 million, a decrease of $43.8 million, or 20.2%, from September 30, 2007, as a result of operating, investing and financing activities, including acquisitions, as described below.

Net cash provided by operating activities was $92.0 million for the nine months ended June 30, 2008, an increase of $71.7 million from net cash provided by operating activities of $20.3 million for the nine months ended June 30, 2007. The increase was primarily attributable to increased net income, a reduced rate of payments of accounts payable, increased billings in excess of costs on uncompleted contracts, and the timing of insurance premium payments.

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Net cash used in investing activities was $166.1 million for the nine months ended June 30, 2008, a decrease of $137.0 million from net cash used in investing activities of $303.1 million in the nine months ended June 30, 2007. The decrease in net cash used was primarily due to the net proceeds from the sale of investment securities. Also, net cash used in business combinations was $231.4 million as compared to $137.5 million for the comparable period last year.

Net cash provided by financing activities was $29.4 million for the nine months ended June 30, 2008, a decrease of $319.4 million from cash provided by financing activities of $348.8 million in the comparable period last year, primarily a result of the initial public offering of our common stock in May 2007, as described above.

Working Capital

Working capital, or current assets less current liabilities, decreased $136.0 million, or 22.7%, to $461.7 million at June 30, 2008 from $597.7 million at September 30, 2007, primarily as a result of cash used in business combinations and a change in classification of our auction rate security holdings from current assets to non-current assets, offset by increased net accounts receivable and a reclassification of income taxes payable to other long-term liabilities resulting from the adoption of Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes An Interpretation of FASB Statement No. 109* (FIN 48). Net accounts receivable, which includes billed and unbilled costs and fees, net of billings in excess of costs on uncompleted contracts, increased $238.7 million, or 26.5%, to $1.1 billion at June 30, 2008 from $899.3 million at September 30, 2007. This increase was due to business acquisitions and increased revenue.

Borrowings and Lines of Credit

At June 30, 2008 and September 30, 2007, our long-term debt consisted of the following:

	June 30, 2008	September 30, 2007
	(in thousands)	
Unsecured credit facility	$ 10,000	$
Senior notes	8,333	8,333
Term credit agreement	33,792	37,015
Other debt	36,715	2,602
Total long-term debt	88,840	47,950
Less: Current portion of long-term debt	(29,946)	(8,764)
Long-term debt, less current portion	$ 58,894	$ 39,186

Unsecured Credit Facility

We have an unsecured revolving credit facility with a syndicate of banks to support our working capital and acquisition needs. The borrowing capacity under our unsecured revolving credit facility is $600 million, and pursuant to the terms of the associated credit agreement, has an expiration date of August 31, 2012. We may also, at our option, request increase in the commitments under the facility up to a total of

$750 million, subject to lender approval. The credit agreement contains customary representations and warranties, affirmative and negative covenants and events of default and includes a sub-limit for financial and commercial standby letters of credit. We may borrow, at our 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 1.375%. In addition to these borrowing rates, there is a commitment fee which ranges from 0.10% to 0.25% on any unused commitment. Borrowings under the credit facility are limited by certain financial covenants. At June 30, 2008, $10.0 million was outstanding, and at September 30, 2007 there were no borrowings under the credit facility. At June 30, 2008 and September 30, 2007, outstanding standby letters of credit totaled $24.9 million and $24.3 million, respectively, under the credit facility. At June 30, 2008, we had $565.1 million available for borrowing under the credit facility.

Senior Notes

At June 30, 2008, $8.3 million in unsecured senior notes due October 15, 2008 were outstanding.

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Term Credit Agreement

In September 2006, through certain of our wholly-owned subsidiaries, we 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 term credit agreement provides for a $65.0 million, five-year term loan among four subsidiary borrowers and one subsidiary guarantor. In order to obtain favorable pricing, we also provided a parent company guarantee. The terms and conditions of the term credit agreement are similar to those contained in our revolving credit facility. At June 30, 2008 and September 30, 2007, outstanding borrowings under this agreement were $33.7 and $37.0 million, respectively.

Other Debt

Other debt includes $27 million in notes payable to a bank, collateralized by real property, which was assumed in connection with a business acquired during the quarter ended June 30, 2008. These notes payable bear interest at 6.04% and mature in December 2028.

In addition to the credit facility discussed above, at June 30, 2008, we had $157.2 million available under 30 primarily non-U.S. unsecured credit facilities to cover periodic overdrafts and letters of credit. At June 30, 2008 we also had a $50 million U.S. bank facility that expires in December 2008.

Commitments and Contingencies

Planned capital expenditures include payments for recently announced acquisitions, property and equipment additions and replacements, expenditures to further the implementation of our enterprise resource planning system and commitments under our incentive compensation programs. As we embark on other capital-intensive initiatives, additional working capital may be required.

As of June 30, 2008, there was approximately $89.8 million outstanding under standby letters of credit issued, primarily in connection with general and professional liability insurance programs and for contract performance guarantees. In addition, in some instances we guarantee that a project, when complete, will achieve specified performance standards. 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 adopted certain provisions of Statement of Financial Accounting Standards (SFAS) No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of FASB Statements No. 87, 88, 106, and 132(R) (SFAS 158) as of September 30, 2007, and as such, were required to recognize 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. We do not have a required minimum contribution for our domestic plans; however, we may make additional discretionary contributions. The total amounts of employer contributions paid for the nine months ended June 30, 2008 were $3.6 million for U.S. plans and $11.5 million for non-U.S. plans. The expected remaining scheduled annual employer contributions for the fiscal year ending September 30, 2008 are $0.5 million for U.S. plans and $3.7 million for non-U.S. plans. Our pension plans were underfunded by $115 million as of June 30, 2008. In the future, such pension under-funding may increase or decrease depending on changes in the levels of interest rates, pension plan performance and other factors.

Recently Issued Accounting Pronouncements

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities* (SFAS 161), which is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity s financial position, financial performance and cash flows. SFAS 161 is effective beginning in our fiscal second quarter ending March 31, 2009. We are currently evaluating the impact of SFAS 161 on our financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations* (SFAS 141R). SFAS 141R significantly changes the way companies account for business combinations and will generally require more assets acquired and liabilities assumed to be measured at their acquisition-date fair value. Under SFAS 141R, legal fees and other transaction-related costs are expensed as incurred and are no longer included in goodwill as a cost of acquiring the business. SFAS 141R also requires, among other things, acquirers to estimate the acquisition-date fair value of any contingent consideration and to recognize any subsequent changes in the fair value of contingent consideration in earnings. In addition, restructuring costs the acquirer expected, but was not obligated to incur, will be recognized separately from the business acquisition. This accounting standard is effective for our year ending September 30, 2010. We are currently evaluating the impact of SFAS 141R on our financial statements.

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In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51* (SFAS 160). SFAS 160 requires all entities to report noncontrolling interests in subsidiaries as a separate component of equity in the consolidated financial statements. SFAS 160 establishes a single method of accounting for changes in a parent s ownership interest in a subsidiary that do not result in deconsolidation. Under SFAS 160, Companies will no longer recognize a gain or loss on partial disposals of a subsidiary where control is retained. In addition, in partial acquisitions, where control is obtained, the acquiring company will recognize and measure at fair value 100 percent of the assets and liabilities, including goodwill, as if the entire target company had been acquired. SFAS 160 is effective for our fiscal year ending September 30, 2010. We are currently evaluating the impact of SFAS 160 on our financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115* (SFAS 159). SFAS 159 permits entities to choose to measure eligible assets and liabilities at fair value at specified election dates and report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. SFAS 159 is effective for us as of October 1, 2008. We are currently evaluating the impact of the provisions of SFAS 159 on our financial statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with GAAP, and expands disclosures about fair value measurements. The provisions of SFAS 157 will be effective for us as of October 1, 2008. We are currently evaluating the impact of the provisions of SFAS 157 on our financial statements.

Recent Developments

During the quarter ended June 30, 2008, we completed the acquisitions of Boyle Engineering Corporation, a Newport Beach, California based engineering services firm, and Totten Sims Hubicki Associates, an Ontario, Canada based engineering services firm. Subsequent to the quarter ended June 30, 2008, we announced in July 2008 that we had completed the acquisition of substantially all of Earth Tech, Inc., an engineering services unit of Tyco International, Ltd. The transaction is described in more detail in current reports on Form 8-K filed by the Company on February 12, 2008 and July 31, 2008.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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. We currently have no material derivative instruments outstanding.

Foreign Currency Exchange Rate Risk

We are exposed to foreign currency exchange rate risk resulting from our operations outside of the United States. We do not comprehensively hedge our exposure to currency rate changes; however, we limit exposure to foreign currency fluctuations in most of our contracts through provisions that 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 all significant foreign operations is the local currency.

Interest Rate Risk

Our senior revolving credit facility and certain other debt obligations are subject to variable rate interest. The Company s operating results and financial condition could be adversely affected by an increase in these interest rates. As of June 30, 2008 and September 30, 2007, we had $33.8 and $37.0 million, respectively, outstanding in borrowings under our term credit agreement and $10 million and $0 outstanding, respectively, under our credit facility. Interest on amounts borrowed under the credit facility is subject to adjustment based on certain levels of financial performance. For borrowings at offshore rates, the applicable margin added can range from 0.50% to 1.38%. For fiscal 2007, our weighted average borrowings on our senior credit facility were $75.6 million. If short-term floating interest rates were to increase or decrease by 1%, our annual interest expense could increase or decrease by $0.8 million. We invest our cash in money market securities or other high quality, short-term securities that are subject to minimal credit and market risk.

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Item 4T. Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of 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), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our principal executive officer and principal financial officer have concluded that as of such date, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and that such information is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding disclosures.

We are required to comply with Section 404 of the Sarbanes-Oxley Act of 2002 by the end of the current fiscal year ending September 30, 2008. The notification of such compliance is due no later than the time we file our annual report for the fiscal year ending September 30, 2008. We believe we are devoting adequate resources and expertise, both internal and external, in order to meet this requirement. However, there is no guarantee that our efforts will result in management s ability to conclude, or our independent registered public accounting firm to attest, that our internal control over financial reporting is effective as of September 30, 2008.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

As a government contractor, we are subject to various laws and regulations that are generally 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 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 2007, 2006 and 2005, approximately 61%, 63% and 75%, respectively, of our revenue was derived from contracts with government entities.

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.

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 convenience or upon the default of the contractor. If the government terminates a contract at its convenience, 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. If the government terminates the contract due to our default, we could be liable for excess costs incurred by the government in obtaining services from another source.

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

In years when the U.S. government does not complete its budget process before the end of its fiscal year on September 30, government operations are typically funded pursuant to a continuing resolution that authorizes agencies of the U.S. government to continue to operate, but does not authorize new spending initiatives. When the U.S. government operates under a continuing resolution, government agencies may delay the procurement of services, which could reduce our future revenue. Delays in the budgetary processes of states or other jurisdictions may similarly have adverse effects on our future revenue.

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Demand for our services is cyclical and vulnerable to sudden economic downturns and reductions in government and private industry spending. If the economy weakens, our revenue and profitability could be adversely affected.

Demand for our services is cyclical and vulnerable to sudden economic downturns and reductions in government spending, which may result in clients delaying, curtailing or canceling proposed and existing projects. Due to the recent economic downturn in the U.S. housing markets and severe tightening of the credit markets, many of our clients may face considerable budget shortfalls that may limit their overall demand for our services. For example, we expect that overall state government spending in 2008 will be lower than in 2007 due to, among other economic factors, decreased state tax revenues. 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.

Because of an overall weakening economy, our clients may demand more favorable pricing terms while their ability to pay our invoices may be adversely affected. Our government clients may face budget deficits that prohibit them from funding proposed and existing projects. Our business traditionally lags behind any overall recovery in the economy; therefore, our business may not recover at the same pace as the general economy s rate of improvement. If the economy weakens 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. 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 harm our business.

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 2007, approximately 37% of our revenue was recognized under fixed-price contracts. Fixed-price contracts are the predominant method of contracting outside of the United States and our exposure to fixed-price contracts will likely increase as we increase the non-U.S. portions of our business. 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 harm our results of operations.

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

Approximately 27% of our fiscal 2007 revenue was derived from our operations through joint ventures or similar partner 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 harm 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. Approximately 12% of our fiscal 2007 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.

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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 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 classified information, legislation regarding the pricing of labor and other costs in government contracts, regulations on lobbying or similar activities, 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 security clearance, 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 and Australia. At June 30, 2008, our defined benefit pension plans had an aggregate deficit (the excess of projected benefit obligations over the fair value of plan assets) of approximately $115 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. If we are forced or elect to make up all or a portion of the deficit for unfunded benefit plans, our profits could be materially and adversely affected.

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 2007, revenue attributable to our services provided outside of the United States was approximately 51% 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 the U.S. Foreign Corrupt Practice Act, 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.

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 Afghanistan, 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.

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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. 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 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. For example, our management and other personnel have been, and will continue to be, required to devote considerable amounts of time away from other business activities to focus on the integration of Earth Tech, Inc. and its employees into our business 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 security clearances required to obtain 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 complete existing projects successfully and to compete for new projects.

Our revenue and growth prospects may be harmed if we or our employees are unable to obtain the security clearances or other qualifications we and they need to perform services for our customers.

A number of government programs require contractors to have security clearances. Depending on the level of required clearance, security clearances can be difficult and time-consuming to obtain. If we or our employees are unable to obtain or retain necessary security clearances, 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 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 extent of competition varies with the types of services provided and the locations of the projects. Generally, we compete on the bases of technical and management capability, personnel qualifications and availability, geographic presence, experience and price. Increased competition may result in our inability to win bids for future projects and loss of revenue, profitability and market share.

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.

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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 affect 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 June 30, 2008, our contracted backlog was approximately $3.9 billion and our awarded backlog was approximately $3.2 billion for a total backlog of $7.1 billion. Our contracted backlog includes revenue we expect to record in the future from signed contracts, and in the case of a public 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 completed. 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 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.

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.

Our quarterly operating results may fluctuate significantly.

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;
- 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;
- the impairment of goodwill or other intangible assets; and

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- general economic and political conditions.

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

Continued failure of auctions of our auction rate securities could affect our liquidity.

As of June 30, 2008, we had approximately $81.5 million invested in auction rate securities, which are classified as other non-current assets on our condensed consolidated balance sheet. Our portfolio of auction rate securities includes primarily AAA rated, long-term debt obligations secured by student loans, with such obligations being guaranteed by counterparties including the U.S. government. Liquidity for these securities has been provided by an auction process that resets the applicable interest rate at pre-determined intervals of 7 to 35 days. In the past, the auction process allowed investors to obtain liquidity, if needed, by selling the securities at face value. Recent uncertainties in the credit markets have adversely affected the auction market for these types of securities. We have recently experienced failed auctions for some of our auction rate securities that have gone to auction resulting in our inability to sell some of these securities. The auction rate securities currently pay interest at default interest rates which are generally at market rates and there has been no change in the ratings of these securities to date. We cannot predict whether future auctions related to our auction rate securities will be successful. If the markets for auction rate securities continue to experience disruptions and our future cash flows are not sufficient to meet our working capital needs, we may be forced to use our line of credit or other financing sources to finance future operations and acquisition activity.

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. In addition, our computer and communications systems and operations could be damaged or interrupted by natural disasters, telecommunications failures, acts of war or terrorism, computer viruses, physical or electronic security breaches and similar events or disruptions. Any of these or other events could cause system interruption, delays and loss of critical data, could delay or prevent operations, and could adversely affect our operating results.

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;

- 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.

We do not expect to pay any cash dividends for the foreseeable future.

We do not anticipate paying any cash dividends to our stockholders for the foreseeable future. Our credit facilities also restrict our ability to pay dividends. Accordingly, you may have to sell some or all of your common stock in order to generate cash flow from your investment. You may not receive a gain on your investment when you sell our common stock and may lose some or all of the amount of your investment. Any determination to pay dividends in the future will be made at the discretion of our board of directors and will depend on our results of operations, financial conditions, contractual restrictions, restrictions imposed by applicable law and other factors our board of directors deems relevant.

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We have incurred and will continue to incur increased costs as a result of being a publicly-traded company.

We completed the initial public offering of our common stock in May of 2007 and such shares are now traded on the New York Stock Exchange (NYSE). As a company with publicly-traded securities, we have incurred and will continue to incur significant legal, accounting and other expenses not incurred as a private company. In addition, the Sarbanes-Oxley Act of 2002, as well as rules promulgated by the SEC and the NYSE, requires us to adopt corporate governance practices applicable to U.S. public companies. These rules and regulations have increased and will continue to increase our legal and financial compliance costs.

If we do not timely satisfy the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, the trading price of our common stock could be adversely affected.

Section 404 of the Sarbanes-Oxley Act of 2002 requires us to document and test the effectiveness of our internal controls over financial reporting in accordance with an established internal control framework and to report on our conclusion as to the effectiveness of our internal controls. It also requires our independent registered public accounting firm to test our internal controls over financial reporting and report on the effectiveness of such controls as of September 30, 2008. Any delays or difficulty in satisfying these requirements could cause some investors to lose confidence in, or otherwise be unable to rely on, the accuracy of our reported financial information, which could adversely affect the trading price of our common stock.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the three month period ended June 30, 2008, we issued the following securities that were not registered under the Securities Act of 1933, as amended (the Securities Act):

On June 30, 2008, 0.616 shares of our Class C preferred stock to U.S. Trust for the benefit of our employee stockholders under our Stock Purchase Plan.

We issued the securities identified in the above paragraph to our directors, officers, employees and consultants under written compensatory benefit plans in reliance upon Rule 701 under the Securities Act and/or Section 4(2) of the Securities Act as transactions by an issuer not involving any public offering. No consideration was received for such securities.

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Item 6. Exhibits

The following documents are filed as Exhibits to the Report:

Exhibit Numbers	Description
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

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SIGNATURES

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

AECOM TECHNOLOGY CORPORATION

Date: August 8, 2008

By: /s/ MICHAEL S. BURKE
Michael S. Burke
Executive Vice President, Chief Financial Officer and Chief Corporate Officer