

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

FORM 10-Q

(Mark one)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 27, 2013

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from _____ to _____

Commission file number 1-7567



(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

94-1381538

(I.R.S. Employer Identification No.)

600 Montgomery Street, 26th Floor
San Francisco, California

(Address of principal executive offices)

94111-2728

(Zip Code)

(415) 774-2700

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class

Outstanding at October 28, 2013

Common Stock, \$.01 par value

74,884,351

URS CORPORATION AND SUBSIDIARIES

This quarterly report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements may be identified by words such as “anticipate,” “believe,” “estimate,” “expect,” “potential,” “intend,” “may,” “plan,” “predict,” “project,” “will,” and similar terms used in reference to our future revenues, services, project awards and business trends; future impact of federal budget delays; future accounting, goodwill and actuarial estimates; future contract gains or losses; conversions of future backlog and book of business into revenues; future accounts receivable and days sales outstanding; future completion of the registration of our Senior Notes on Form S-4 and redemption of our Canadian Notes; future stock-based compensation expenses; future capital allocation priorities including dividend payments, share repurchases, debt pay downs, acquisitions and organic growth opportunities; future bonus, pension and post-retirement expenses; future compliance with regulations; future legal proceedings and accruals; future insurance coverage and recoveries; future capital expenditures; future effectiveness of our disclosure and internal controls over financial reporting; future impact of our goodwill restatement to be reflected in our restated periodic reports; and future economic and industry conditions. We believe that our expectations are reasonable and are based on reasonable assumptions, however, we caution against relying on any of our forward-looking statements as such forward-looking statements by their nature involve risks and uncertainties. A variety of factors, including but not limited to the following, could cause our business and financial results, as well as the timing of events, to differ materially from those expressed or implied in our forward-looking statements: declines in the economy or client spending; federal budget cuts; changes in our book of business; our compliance with government regulations; integration of acquisitions; employee, agent or partner misconduct; our ability to procure government contracts; liabilities for pending and future litigation; environmental liabilities; changes in oil, natural gas and other commodity prices; weather conditions; availability of bonding and insurance; our reliance on government appropriations; unilateral termination provisions in government contracts; impairment of our goodwill; our ability to make accurate estimates and assumptions; our accounting policies; workforce utilization; our and our partners’ ability to bid on, win, perform and renew contracts and projects; our dependence on partners, subcontractors and suppliers; customer payment defaults; our ability to recover on claims; impact of target and fixed-priced contracts on earnings; the inherent dangers at our project sites; the impact of changes in laws and regulations; nuclear indemnifications and insurance; misstatements in expert reports; a decline in defense spending; industry competition; our ability to attract and retain key individuals; retirement plan obligations; our leveraged position and the ability to service our debt; restrictive covenants in finance arrangements; risks associated with international operations; business activities in high security risk countries; information technology risks; natural and man-made disaster risks; our relationships with labor unions; our ability to protect our intellectual property rights; anti-takeover risks and other factors discussed more fully in [Management’s Discussion and Analysis of Financial Condition and Results of Operations](#) beginning on page 54, [Risk Factors](#) beginning on page 88, as well as in other reports subsequently filed from time to time with the United States Securities and Exchange Commission. We assume no obligation to revise or update any forward-looking statements.

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URS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS - UNAUDITED
(In millions, except per share data)

	September 27, 2013	December 28, 2012
ASSETS		
Current assets:		As Restated
Cash and cash equivalents	\$ 314.2	\$ 314.5
Accounts receivable, including retentions of \$130.2 and \$114.4, respectively	1,464.8	1,554.8
Costs and accrued earnings in excess of billings on contracts	1,459.7	1,384.3
Less receivable allowances	(63.1)	(69.7)
Net accounts receivable	2,861.4	2,869.4
Deferred tax assets	46.5	67.6
Inventory	53.7	61.5
Other current assets	227.2	204.2
Total current assets	3,503.0	3,517.2
Investments in and advances to unconsolidated joint ventures	252.8	278.3
Property and equipment, net	631.1	687.5
Intangible assets, net	604.1	692.2
Goodwill	3,703.3	3,721.6
Other long-term assets	396.0	364.2
Total assets	<u>\$ 9,090.3</u>	<u>\$ 9,261.0</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 92.2	\$ 71.8
Accounts payable and subcontractors payable, including retentions of \$34.9 and \$32.3, respectively	697.5	803.5
Accrued salaries and employee benefits	556.1	558.8
Billings in excess of costs and accrued earnings on contracts	225.1	289.1
Other current liabilities	257.3	277.8
Total current liabilities	1,828.2	2,001.0
Long-term debt	1,903.0	1,992.5
Deferred tax liabilities	399.3	379.9
Self-insurance reserves	132.0	129.8
Pension and post-retirement benefit obligations	278.5	300.9
Other long-term liabilities	277.4	271.0
Total liabilities	4,818.4	5,075.1
Commitments and contingencies (Note 16)		
URS stockholders' equity:		
Preferred stock, authorized 3.0 shares; no shares outstanding	—	—
Common stock, par value \$.01; authorized 200.0 shares; 88.9 and 88.9 shares issued, respectively; and 74.8 and 76.8 shares outstanding, respectively	0.9	0.9
Treasury stock, 14.1 and 12.1 shares at cost, respectively	(588.2)	(494.9)
Additional paid-in capital	3,038.0	3,003.9
Accumulated other comprehensive loss (Note 17)	(154.6)	(113.2)
Retained earnings	1,827.4	1,647.3
Total URS stockholders' equity	4,123.5	4,044.0
Noncontrolling interests	148.4	141.9
Total stockholders' equity	4,271.9	4,185.9
Total liabilities and stockholders' equity	<u>\$ 9,090.3</u>	<u>\$ 9,261.0</u>

See Notes to Condensed Consolidated Financial Statements

URS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS- UNAUDITED
(In millions, except per share data)

	Three Months Ended		Nine Months Ended	
	September 27, 2013	September 28, 2012	September 27, 2013	September 28, 2012
Revenues	\$ 2,735.5	\$ 2,947.6	\$ 8,330.0	\$ 7,999.8
Cost of revenues	(2,559.0)	(2,753.3)	(7,851.9)	(7,484.0)
General and administrative expenses	(14.3)	(22.6)	(59.9)	(62.0)
Acquisition-related expenses (Note 8)	—	0.8	—	(16.1)
Equity in income (loss) of unconsolidated joint ventures	17.1	31.1	59.1	76.8
Operating income (loss)	179.3	203.6	477.3	514.5
Interest expense	(23.2)	(20.5)	(65.8)	(51.0)
Other income (expenses)	1.6	10.8	(4.2)	4.1
Income (loss) before income taxes	157.7	193.9	407.3	467.6
Income tax benefit (expense)	(42.3)	(66.1)	(123.4)	(155.2)
Net income (loss) including noncontrolling interests	115.4	127.8	283.9	312.4
Noncontrolling interests in income of consolidated subsidiaries	(26.6)	(21.1)	(55.9)	(72.4)
Net income (loss) attributable to URS	<u>\$ 88.8</u>	<u>\$ 106.7</u>	<u>\$ 228.0</u>	<u>\$ 240.0</u>
Earnings per share (Note 3):				
Basic	<u>\$ 1.21</u>	<u>\$ 1.43</u>	<u>\$ 3.08</u>	<u>\$ 3.23</u>
Diluted	<u>\$ 1.20</u>	<u>\$ 1.43</u>	<u>\$ 3.07</u>	<u>\$ 3.22</u>
Weighted-average shares outstanding (Note 3):				
Basic	<u>73.6</u>	<u>74.5</u>	<u>73.9</u>	<u>74.2</u>
Diluted	<u>73.9</u>	<u>74.6</u>	<u>74.3</u>	<u>74.5</u>
Cash dividends declared per share (Note 14)	<u>\$ 0.21</u>	<u>\$ 0.20</u>	<u>\$ 0.63</u>	<u>\$ 0.60</u>

See Notes to Condensed Consolidated Financial Statements

URS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME - UNAUDITED
(In millions)

	Three Months Ended		Nine Months Ended	
	September 27, 2013	September 28, 2012	September 27, 2013	September 28, 2012
Comprehensive income (loss):				
Net income (loss) including noncontrolling interests	\$ 115.4	\$ 127.8	\$ 283.9	\$ 312.4
Pension and post-retirement related adjustments, net of tax	1.2	1.1	7.3	3.2
Foreign currency translation adjustments, net of tax	26.7	59.2	(48.8)	46.6
Loss on derivative instruments, net of tax	—	—	—	(0.7)
Reclassification adjustment of prior derivative settlement, net of tax	0.1	—	0.1	—
Comprehensive income (loss)	143.4	188.1	242.5	361.5
Noncontrolling interests in comprehensive income of consolidated subsidiaries	(26.6)	(21.1)	(55.9)	(72.4)
Comprehensive income (loss) attributable to URS	<u>\$ 116.8</u>	<u>\$ 167.0</u>	<u>\$ 186.6</u>	<u>\$ 289.1</u>

See Notes to Condensed Consolidated Financial Statements

2012	<u>76.8</u>	<u>\$ 0.9</u>	<u>\$ (494.9)</u>	<u>\$ 2,991.6</u>	<u>\$ (61.7)</u>	<u>\$ 1,592.1</u>	<u>\$ 4,028.0</u>	<u>\$ 133.0</u>	<u>\$ 4,161.0</u>
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See Notes to Condensed Consolidated Financial Statements

URS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY – UNAUDITED (Continued)
(In millions)

	<u>Common</u> <u>Shares</u>	<u>Stock</u> <u>Amount</u>	<u>Treasury</u> <u>Stock</u>	<u>Additional</u> <u>Paid-in</u> <u>Capital</u>	<u>Accumulated</u> <u>Other</u> <u>Comprehensive</u> <u>Income (Loss)</u>	<u>Retained</u> <u>Earnings</u> <u>As</u> <u>Restated</u>	<u>Total URS</u> <u>Stockholders</u> <u>'</u> <u>Equity</u> <u>As Restated</u>	<u>Noncontrolling</u> <u>Interests</u>	<u>Total</u> <u>Equity</u> <u>As</u> <u>Restated</u>
Balances, December 28, 2012	76.8	\$ 0.9	\$ (494.9)	\$ 3,003.9	\$ (113.2)	\$ 1,647.3	\$ 4,044.0	\$ 141.9	\$ 4,185.9
Employee stock purchases and exercises of stock options	0.4	—	—	14.6	—	—	14.6	—	14.6
Stock repurchased in connection with exercises of stock options and vesting of restricted stock awards	(0.4)	—	—	(17.8)	—	—	(17.8)	—	(17.8)
Stock-based compensation	—	—	—	35.7	—	—	35.7	—	35.7
Excess tax benefits from stock- based compensation	—	—	—	1.6	—	—	1.6	—	1.6
Foreign currency translation adjustments, net of tax	—	—	—	—	(48.8)	—	(48.8)	—	(48.8)
Pension and post- retirement related adjustments, net of tax	—	—	—	—	7.3	—	7.3	—	7.3
Reclassification adjustment of prior derivative settlement, net of tax	—	—	—	—	0.1	—	0.1	—	0.1
Repurchases of common stock	(2.0)	—	(93.3)	—	—	—	(93.3)	—	(93.3)
Cash dividends declared	—	—	—	—	—	(47.9)	(47.9)	—	(47.9)
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(49.2)	(49.2)
Other transactions with noncontrolling interests	—	—	—	—	—	—	—	(0.2)	(0.2)
Net income (loss) including noncontrolling interests	—	—	—	—	—	228.0	228.0	55.9	283.9
Balances, September 27, 2013	<u>74.8</u>	<u>\$ 0.9</u>	<u>\$ (588.2)</u>	<u>\$ 3,038.0</u>	<u>\$ (154.6)</u>	<u>\$ 1,827.4</u>	<u>\$ 4,123.5</u>	<u>\$ 148.4</u>	<u>\$ 4,271.9</u>

See Notes to Condensed Consolidated Financial Statements

URS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - UNAUDITED
(In millions)

	Nine Months Ended	
	September 27, 2013	September 28, 2012
Cash flows from operating activities:		
Net income (loss) including noncontrolling interests	\$ 283.9	\$ 312.4
Adjustments to reconcile net income (loss) to net cash from operating activities:		
Depreciation and amortization	115.7	91.7
Amortization of intangible assets	80.8	73.8
Amortization of debt issuance costs and discount/premium	0.4	2.3
Foreign currency (gains) losses related to foreign currency derivatives and intercompany loans	4.2	(4.1)
Normal profit	(0.7)	(4.6)
Provision for doubtful accounts	1.6	0.9
Loss (gain) on disposal of property and equipment	(22.2)	(3.1)
Deferred income taxes	36.0	2.5
Stock-based compensation	35.7	32.5
Excess tax benefits from stock-based compensation	(1.6)	—
Equity in income of unconsolidated joint ventures	(59.1)	(76.8)
Dividends received from unconsolidated joint ventures	74.7	67.9
Changes in operating assets, liabilities and other, net of effects of business acquisitions:		
Accounts receivable and costs and accrued earnings in excess of billings on contracts	19.0	(129.0)
Inventory	7.8	0.8
Other current assets	9.5	(10.0)
Collections from (advances to) unconsolidated joint ventures	2.9	(0.7)
Accounts payable, accrued salaries and employee benefits, and other current liabilities	(118.1)	50.4
Billings in excess of costs and accrued earnings on contracts	(58.5)	(38.6)
Other long-term liabilities	12.5	(9.2)
Other long-term assets	(66.2)	(60.0)
Total adjustments and changes	74.4	(13.3)
Net cash from operating activities	358.3	299.1
Cash flows from investing activities:		
Payments for business acquisitions, net of cash acquired	—	(1,345.7)
Proceeds from disposal of property and equipment	32.6	17.2
Payments in settlement of foreign currency forward contracts	—	(1,260.6)
Receipts in settlement of foreign currency forward contracts	—	1,260.3
Investments in unconsolidated joint ventures	(0.1)	(5.4)
Changes in restricted cash	4.6	3.8
Capital expenditures, less equipment purchased through capital leases and equipment notes	(68.2)	(101.8)
Net cash from investing activities	(31.1)	(1,432.2)

See Notes to Condensed Consolidated Financial Statements

URS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS – UNAUDITED (Continued)
(In millions)

	Nine Months Ended	
	September 27, 2013	September 28, 2012
Cash flows from financing activities:		
Borrowings from long-term debt	—	998.9
Payments on long-term debt	(3.6)	(4.4)
Borrowings from revolving line of credit	929.4	560.0
Payments on revolving line of credit	(987.2)	(433.6)
Net payments under foreign lines of credit and short-term notes	(21.1)	(12.7)
Net change in overdrafts	(55.1)	4.1
Payments on capital lease obligations	(13.9)	(10.1)
Payments of debt issuance costs	—	(8.8)
Excess tax benefits from stock-based compensation	1.6	—
Proceeds from employee stock purchases and exercises of stock options	14.6	7.7
Distributions to noncontrolling interests	(49.2)	(51.9)
Contributions and advances from noncontrolling interests	—	2.3
Dividends paid	(46.8)	(29.8)
Repurchases of common stock	(93.3)	(40.0)
Net cash from financing activities	<u>(324.6)</u>	<u>981.7</u>
Net change in cash and cash equivalents	2.6	(151.4)
Effect of foreign exchange rate changes on cash and cash equivalents	(2.9)	4.6
Cash and cash equivalents at beginning of period	314.5	436.0
Cash and cash equivalents at end of period	<u>\$ 314.2</u>	<u>\$ 289.2</u>
Supplemental information:		
Interest paid	<u>\$ 46.7</u>	<u>\$ 26.8</u>
Taxes paid	<u>\$ 89.3</u>	<u>\$ 93.5</u>
Supplemental schedule of non-cash investing and financing activities:		
Equipment acquired with capital lease obligations and equipment note obligations	<u>\$ 36.0</u>	<u>\$ 16.2</u>
Cash dividends declared but not paid	<u>\$ 17.9</u>	<u>\$ 16.2</u>

See Notes to Condensed Consolidated Financial Statements

URS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – UNAUDITED

NOTE 1. BUSINESS, BASIS OF PRESENTATION, AND ACCOUNTING POLICIES

Overview

The terms “we,” “us,” and “our” used in these financial statements refer to URS Corporation and its consolidated subsidiaries unless otherwise indicated. We are a leading international provider of engineering, construction and technical services. We offer a broad range of program management, planning, design, engineering, construction and construction management, operations and maintenance, and decommissioning and closure services to public agencies and private sector clients around the world. We also are a United States (“U.S.”) federal government contractor in the areas of systems engineering and technical assistance, operations and maintenance, and information technology (“IT”) services. Headquartered in San Francisco, we have more than 50,000 employees in a global network of offices in nearly 50 countries. We operate through four reporting segments: the Infrastructure & Environment Division, the Federal Services Division, the Energy & Construction Division, and the Oil & Gas Division. Our Oil & Gas Division is composed of the former operations of Flint Energy Services Ltd. (“Flint”), which we acquired on May 14, 2012.

The accompanying unaudited condensed consolidated financial statements and related notes have been prepared in accordance with generally accepted accounting principles (“GAAP”) in the U.S. for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements.

You should read our unaudited condensed consolidated financial statements in conjunction with our Annual Report on Form 10-K for the fiscal year ended December 28, 2012, however, on November 5, 2013, we disclosed that our previously issued financial statements for the years ended December 30, 2011 and December 28, 2012, and for the three months ended March 30, 2012, June 29, 2012, September 28, 2012, March 29, 2013 and June 28, 2013 should no longer be relied upon. Accordingly, as soon as practicable, we expect to amend our Form 10-K for the fiscal year ended December 28, 2012, our Form 10-Q for the three months ended March 29, 2013, and our Form 10-Q for the three and six months ended June 28, 2013 for the effects of an error in 2011, as described below. The results of operations for the three and nine months ended September 27, 2013 are not indicative of the operating results for the full year or for future years.

In our opinion, the accompanying unaudited condensed consolidated financial statements reflect all normal and recurring adjustments that are necessary for a fair statement of our financial position, results of operations and cash flows for the interim periods presented.

The preparation of our unaudited condensed consolidated financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the balance sheet dates as well as the reported amounts of revenues and costs during the reporting periods. Actual results could differ from those estimates. On an ongoing basis, we review our estimates based on information that is currently available. Changes in facts and circumstances may cause us to revise our estimates.

Principles of Consolidation and Basis of Presentation

Our condensed consolidated financial statements include the financial position, results of operations and cash flows of URS Corporation and our majority-owned subsidiaries and joint ventures that are required to be consolidated.

The operating results of Flint prior to the acquisition date, May 14, 2012, are not included in our condensed consolidated financial statements. See [Note 8, “Acquisition,”](#) for more information regarding this acquisition.

Investments in unconsolidated joint ventures are accounted for using the equity method and are included as “Investments in and advances to unconsolidated joint ventures” on our Condensed Consolidated Balance Sheets. All significant intercompany transactions and accounts have been eliminated in consolidation.

URS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
(Continued)

Restatement of Previously Reported Consolidated Financial Statements

We have restated our Consolidated Balance Sheets, Consolidated Statements of Changes in Stockholders' Equity, and the related notes as of and for the years ended December 28, 2012 and December 30, 2011 due to the incorrect application of the requirements of Financial Accounting Standards Board Accounting Standards Codification 350 "Intangibles – Goodwill and Other" ("ASC 350") during our annual and interim goodwill impairment testing. This error resulted in an overstatement of our goodwill impairment charge and the related income tax expense impact for the year ended December 30, 2011. This error resulted in an overstatement of our goodwill impairment charge of \$474.5 million, an understatement of income tax expense of \$51.6 million, an overstatement of net loss including noncontrolling interests of \$422.9 million and an overstatement of net loss attributable to URS of \$422.9 million (\$5.47 per share) in our consolidated statement of operations for the year ended December 30, 2011. In addition, this error resulted in an understatement in goodwill of \$474.5 million, an understatement of long-term deferred tax liabilities of \$51.6 million and an understatement of retained earnings of \$422.9 million in our Consolidated Balance Sheets as of December 28, 2012 and December 30, 2011. We expect to amend and resubmit our restated Form 10-K for the fiscal year ended December 28, 2012, our Form 10-Q for the three months ended March 29, 2013 and our Form 10-Q for the three and six months ended June 28, 2013.

This error was related to treatment of noncontrolling interests within the fair value calculation of our reporting units. During the course of the interim goodwill impairment analysis performed during the period ended September 27, 2013, we determined that the methodology used previously to calculate the fair values of our reporting units did not comply with the applicable goodwill accounting guidance. Goodwill impairment reviews involve a two-step process. See [Note 9, "Goodwill,"](#) for more disclosure about our test for goodwill impairment. We calculated the fair values of our reporting units excluding the portion attributable to the noncontrolling interests of our subsidiaries that are not wholly-owned, which was not consistent with the required guidance in ASC 350. The revised fair value calculations resulted in an increase to the fair values of our reporting units that have noncontrolling interests.

During the quarter ended September 30, 2011, a decline in our stock price and market capitalization triggered an interim impairment test, which resulted in five of our reporting units failing step one of the analysis as their carrying values exceeded our calculated fair values. This ultimately resulted in the recognition of an after-tax goodwill impairment charge of \$732.2 million for the fiscal year ended December 28, 2011. Based on our subsequent calculations of the fair values using the appropriate guidance, we concluded that four of those reporting units' calculated fair values actually exceeded their carrying values, thereby passing step one of the goodwill impairment analysis. Consequently, goodwill related to those reporting units was not impaired.

URS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
(Continued)

This error resulted in the misstatement of our goodwill, deferred tax liabilities and retained earnings balances as follows:

<i>(In millions)</i>	<u>As Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
Consolidated Balance Sheet Data:			
Balance as of December 28, 2012			
Goodwill	\$ 3,247.1	\$ 474.5	\$ 3,721.6
Total assets	\$ 8,786.5	\$ 474.5	\$ 9,261.0
Deferred tax liabilities	\$ 328.3	\$ 51.6	\$ 379.9
Total liabilities	\$ 5,023.5	\$ 51.6	\$ 5,075.1
Retained earnings	\$ 1,224.4	\$ 422.9	\$ 1,647.3
Total URS stockholders' equity	\$ 3,621.1	\$ 422.9	\$ 4,044.0
Total stockholders' equity	\$ 3,763.0	\$ 422.9	\$ 4,185.9
Total liabilities and stockholders' equity	\$ 8,786.5	\$ 474.5	\$ 9,261.0
Consolidated Statement of Changes in Stockholders' Equity Data:			
Balance as of December 30, 2011			
Retained earnings	\$ 975.2	\$ 422.9	\$ 1,398.1
Total URS stockholders' equity	\$ 3,377.2	\$ 422.9	\$ 3,800.1
Total equity	\$ 3,484.4	\$ 422.9	\$ 3,907.3
Balance as of September 28, 2012			
Retained earnings	\$ 1,169.2	\$ 422.9	\$ 1,592.1
Total URS stockholders' equity	\$ 3,605.1	\$ 422.9	\$ 4,028.0
Total equity	\$ 3,738.1	\$ 422.9	\$ 4,161.0
Balance as of December 28, 2012			
Retained earnings	\$ 1,224.4	\$ 422.9	\$ 1,647.3
Total URS stockholders' equity	\$ 3,621.1	\$ 422.9	\$ 4,044.0
Total equity	\$ 3,763.0	\$ 422.9	\$ 4,185.9

Reclassifications

We made reclassifications to the prior year's financial statements to conform them to the current period's presentation. These reclassifications have no effect on our consolidated net cash flows or consolidated net income.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with maturities of 90 days or less at the date of purchase and include interest-bearing bank deposits and money market funds. At September 27, 2013 and December 28, 2012, our restricted cash balances were \$12.5 million and \$17.1 million, respectively. These amounts were included in "Other current assets" on our Condensed Consolidated Balance Sheets. For cash held by our consolidated joint ventures, see [Note 6, "Joint Ventures."](#)

URS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
(Continued)

Use of and Changes in Estimates

Our business activities involve making significant estimates and assumptions in the normal course of business relating to our contracts. We focus on evaluating the performance of contracts individually. These estimates and assumptions can vary in the normal course of business as contracts progress, when estimated productivity assumptions change based on experience to-date and as uncertainties are resolved. We use the cumulative catch-up method applicable to construction contract accounting to account for revisions in estimates. During the nine months ended September 27, 2013, our results of operations included the recognition of \$27.8 million of performance-based incentive fees from our work managing chemical demilitarization programs due to good project performance that occurred during the period. These changes in estimates resulted in increases of \$27.8 million in operating income, \$16.7 million in net income and \$0.22 in diluted earnings per common share ("diluted EPS") for the nine months ended September 27, 2013. There were no material changes in estimates for the three months ended September 27, 2013.

During the nine months ended September 28, 2012, our results of operations included the recognition of a \$40.0 million programmatic schedule incentive fee achieved when multiple chemical demilitarization contracts each met their milestones during the period. This change in estimate resulted in increases of \$40.0 million in operating income, \$24.0 million in net income, and \$0.32 in diluted EPS for the nine months ended September 28, 2012. There were no material changes in estimates for the three months ended September 28, 2012.

NOTE 2. ADOPTED AND OTHER RECENTLY ISSUED STATEMENTS OF FINANCIAL ACCOUNTING STANDARDS

An amendment to the accounting standard related to the presentation of other comprehensive income was issued. It requires public entities to provide information about amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income and, in some cases, cross-references to related footnote disclosures. This portion of the standard was effective for us beginning with our first interim period in fiscal year 2013. [See Note 17, "Reclassifications Out of Accumulated Other Comprehensive Income \(Loss\),"](#) for more information. The adoption of this standard did not have a material impact on our condensed consolidated financial statements.

An accounting standard update was issued related to new disclosures on offsetting assets and liabilities of financial and derivative instruments. The amendments require the disclosure of gross asset and liability amounts, amounts offset on the balance sheet and amounts subject to the offsetting requirements, but not offset on the balance sheet. This standard does not amend the existing guidance on when it is appropriate to offset. An amendment to this standard was subsequently issued to clarify the intended scope of the disclosures. It applies to derivatives, repurchase agreements, and securities lending transactions that are either offset in accordance with Topic 815, Derivatives and Hedging, or subject to an enforceable master netting arrangement or similar agreement. The amended standard update was effective for us beginning with our first interim period in fiscal year 2013. The adoption of this standard did not have a material impact on our condensed consolidated financial statements.

An accounting standard update was issued related to obligations stemming from joint and several liability arrangements. It addresses the recognition, measurement and disclosure of obligations when multiple parties incur joint liabilities where the total amount of the obligation is fixed at the financial reporting date. The standard requires the recognition of the total amount of the liability that the parties are obligated to pay under an arrangement, along with any additional amount the company might expect to pay on behalf of other parties to the liability. This standard is effective for periods beginning with our first interim period in fiscal year 2014, with an option for early adoption. We have adopted this standard early, in connection with the filing of our Form 8-K on April 17, 2013, as amended. See [Note 18, "Condensed Consolidating Financial Information."](#)

URS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
(Continued)

An accounting standard was issued related to derivatives and hedging. Prior to this standard, the only interest rates that were permitted to be used as benchmark interest rates in a fair value or cash flow hedge were the interest rates on direct Treasury obligations of the U.S. government (UST) and the London Interbank Offered Rate ("LIBOR") swap rate. The new standard allows the use of the Fed Funds rate (the interest rate at which depository institutions lend balances to each other overnight) as a benchmark rate. The standard also eliminates the need to designate the same benchmark interest rate for similar hedges. Additionally, it removes language indicating that the use of different benchmark interest rates for similar hedges "shall be rare and shall be justified." The new standard was effective prospectively for qualifying new or redesignated hedging relationships entered into on or after July 17, 2013. The adoption of this standard did not have a material impact on our condensed consolidated financial statements.

An accounting standard update was issued related to foreign currency matters. The standard update addresses the accounting for the release of cumulative translation adjustments when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a business unit or a group of assets that do not produce a profit within a foreign entity. Under such circumstances, a parent company is required to release any related currency adjustments to earnings. The currency adjustment is released into earnings only if the sale or transfer results in a complete or substantially complete liquidation of the foreign entity in question. The standard update is effective for us for periods beginning with our first interim period in fiscal year 2014. We do not expect that the adoption of this standard will have a material impact on our condensed consolidated financial statements.

An accounting standard was issued related to the preparation of financial statements when an entity is ceasing operations and selling assets to settle debts with creditors. Financial statements must be prepared using a liquidation basis of accounting to help users understand how much the organization will have available to distribute to investors after disposing of its assets and settling its obligations. The liquidation basis is used when liquidation is "imminent." Liquidation is considered imminent when there is only a remote likelihood that the organization will return from liquidation, and one of the following conditions is true (a) a plan for liquidation is approved by the relevant organization officials, and the likelihood that the plan will be blocked by other parties is considered remote or (b) a plan for liquidation is being imposed by other forces. The standard is effective for us beginning with our first interim reporting period in fiscal year 2014. We do not expect that the adoption of the standard will have a material impact on our condensed consolidated financial statements.

An accounting standard was issued related to the standardization of the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. Under these circumstances, the standard requires that the unrecognized tax benefit, or a portion thereof, be presented in the financial statements as a reduction to a deferred tax asset. However, if the taxpayer is unable to recognize a tax benefit at the reporting date because the carryforward is not available in the same jurisdiction or is insufficient to cover the full tax benefit, the net benefit would, instead, be presented as a liability. This standard is effective for us beginning with our first interim reporting period in fiscal year 2014. We do not expect that the adoption of this standard will have a material impact on our condensed consolidated financial statements.

NOTE 3. EARNINGS PER SHARE

In our computation of diluted earnings per share ("EPS"), we exclude the potential shares related to stock options that are issued and unexercised where the exercise price exceeds the average market price of our common stock during the period. We also exclude nonvested time-based and time-and-performance-based restricted stock awards and units that have an anti-dilutive effect on EPS and nonvested time-and-performance-based restricted stock awards and units with performance or performance and market conditions that have not been satisfied at the reporting date.

URS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
(Continued)

The following table summarizes the components of weighted-average shares of common stock outstanding for both basic and diluted EPS:

	Three Months Ended		Nine Months Ended	
	September 27, 2013	September 28, 2012	September 27, 2013	September 28, 2012
<i>(In millions)</i>				
Weighted-average shares of common stock outstanding ⁽¹⁾	73.6	74.5	73.9	74.2
Effect of dilutive stock options, restricted stock awards and units and employee stock purchase plan shares	0.3	0.1	0.4	0.3
Weighted-average shares of common stock outstanding – Diluted	<u>73.9</u>	<u>74.6</u>	<u>74.3</u>	<u>74.5</u>

⁽¹⁾ Weighted-average shares of common stock outstanding is net of treasury stock.

	September 27, 2013	September 28, 2012
<i>(In millions)</i>		
Anti-dilutive equity awards not included above	—†	1.1

† Represents less than half a million shares.

NOTE 4. ACCOUNTS RECEIVABLE AND COSTS AND ACCRUED EARNINGS IN EXCESS OF BILLINGS ON CONTRACTS

Accounts receivable in the accompanying Condensed Consolidated Balance Sheets are primarily comprised of amounts billed to clients for services already provided, but which have not yet been collected. Occasionally, under the terms of specific contracts, we are permitted to submit invoices in advance of providing our services to our clients and to the extent they have not been collected, these amounts are also included in accounts receivable.

Costs and accrued earnings in excess of billings on contracts (also referred to as “Unbilled Accounts Receivable”) in the accompanying Condensed Consolidated Balance Sheets represent unbilled amounts earned and reimbursable under contracts. These amounts become billable according to the contract terms, which usually consider the passage of time, achievement of milestones or completion of the project. Generally, such unbilled amounts will be billed and collected over the next twelve months. As of September 27, 2013 and December 28, 2012, \$314.8 million and \$264.9 million, respectively, of Unbilled Accounts Receivable are not expected to become billable within twelve months of the balance sheet date and, as a result, are included as a component of “Other long-term assets.” As of September 27, 2013, we reclassified \$105.0 million of unbilled amounts representing performance-based incentive fees from work managing chemical demilitarization programs from “Other long-term assets” to Unbilled Accounts Receivable.

Accounts receivable and Unbilled Accounts Receivable include certain amounts recognized related to unapproved change orders (amounts representing the value of proposed contract modifications, but which are unapproved as to both price and scope) and claims (amounts in excess of agreed contract prices that we seek to collect from our clients or others) that have not been collected and, in the case of balances included in accrued earnings in excess of billings on contracts, may not be billable until an agreement, or in the case of claims, a settlement is reached. Generally, these items have not been material and have been resolved in the ordinary course of business. As of September 27, 2013, we had one project with an accounts receivable balance of \$73.5 million relating to an outstanding claim. See [Note 16, “Commitments and Contingencies,”](#) for further discussion regarding the Department of Energy (“DOE”) Deactivation, Demolition, and Removal Project.

URS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
(Continued)

Our accounts receivable include retentions associated with long-term contracts, which are generally not billable until near or at the completion of the projects or milestones and/or delivery of services. As such, these amounts will generally be billed for contracts with terms in excess of one year from the service date. Our Unbilled Accounts Receivable includes amounts related to milestone payment clauses, which provide for payments to be received beyond a year from the date service occurs. Based on our historical experience, we generally consider the collection risk related to these amounts to be low. When events or conditions indicate that the amounts outstanding may become uncollectible, an allowance is estimated and recorded. As of September 27, 2013 and December 28, 2012, we had financing receivables with contractual terms in excess of one year of \$137.2 million and \$121.4 million, respectively.

The following table summarizes the components of our accounts receivable and Unbilled Accounts Receivable with the U.S. federal government and with other customers as of September 27, 2013 and December 28, 2012:

<i>(In millions)</i>	September 27, 2013	December 28, 2012
Accounts receivable:		
U.S. federal government	\$ 408.0	\$ 376.2
Others	1,056.8	1,178.6
Total accounts receivable	<u>\$ 1,464.8</u>	<u>\$ 1,554.8</u>
Unbilled Accounts Receivable:		
U.S. federal government	\$ 863.8	\$ 892.7
Others	910.7	756.5
Total	1,774.5	1,649.2
Less: Amounts included in Other long-term assets	(314.8)	(264.9)
Unbilled Accounts Receivable	<u>\$ 1,459.7</u>	<u>\$ 1,384.3</u>

NOTE 5. INVENTORY

The table below presents the components of inventory:

<i>(In millions)</i>	September 27, 2013	December 28, 2012
Raw materials	\$ 9.8	\$ 14.2
Work in progress	5.8	9.8
Finished goods	26.9	24.9
Supplies	11.2	12.6
Total	<u>\$ 53.7</u>	<u>\$ 61.5</u>

URS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
(Continued)

NOTE 6. JOINT VENTURES

The following are examples of activities currently being performed by our significant consolidated and unconsolidated joint ventures:

- Engineering, procurement and construction of a concrete dam;
- Liquid waste management services, including the decontamination of a former nuclear fuel reprocessing facility and nuclear hazardous waste processing;
- Management of ongoing tank cleanup effort, including retrieving, treating, storing and disposing of nuclear waste that is stored at tank farms;
- Management, operation and cleanup services, including commercial operations, decontamination, decommissioning, and waste management of a nuclear facility in the United Kingdom (“U.K.”); and
- Operations, maintenance, asset management and project management services to the Canadian energy sector.

In accordance with the current consolidation standard, we analyzed all of our joint ventures and classified them into two groups:

- Joint ventures that must be consolidated because they are either not variable interest entities (“VIEs”) and we hold the majority voting interest, or because they are VIEs of which we are the primary beneficiary; and
- Joint ventures that do not need to be consolidated because they are either not VIEs and we do not hold a majority voting interest, or because they are VIEs of which we are not the primary beneficiary.

We perform a quarterly review of our joint ventures to determine whether there were any changes in the status of the VIEs or changes to the primary beneficiary designation of each VIE. We determined that no such changes occurred during the nine months ended September 27, 2013.

In the table below, we have aggregated financial information relating to our VIEs because their nature and risk and reward characteristics are similar. None of our current joint ventures that meets the characteristics of a VIE is individually significant to our consolidated financial statements.

URS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
(Continued)

Consolidated Joint Ventures

The following table presents the total assets and liabilities of our consolidated joint ventures:

<i>(In millions)</i>	September 27, 2013	December 28, 2012
Cash and cash equivalents	\$ 88.0	\$ 80.1
Net accounts receivable	275.6	282.2
Other current assets	2.6	2.9
Noncurrent assets	120.6	143.3
Total assets	\$ 486.8	\$ 508.5
Accounts and subcontractors payable	\$ 119.7	\$ 185.0
Billings in excess of costs and accrued earnings on contracts	26.5	8.7
Accrued expenses and other	54.5	40.0
Noncurrent liabilities	11.0	22.7
Total liabilities	211.7	256.4
Total URS equity	126.7	110.2
Noncontrolling interests	148.4	141.9
Total owners' equity	275.1	252.1
Total liabilities and owners' equity	\$ 486.8	\$ 508.5

Total revenues of the consolidated joint ventures were \$290.9 million and \$369.9 million for the three months ended September 27, 2013 and September 28, 2012, respectively, and \$820.3 million and \$1.1 billion for the nine months ended September 27, 2013 and September 28, 2012, respectively.

The assets of our consolidated joint ventures are restricted for use only by the particular joint venture and are not available for our general operations.

URS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
(Continued)

Unconsolidated Joint Ventures

We use the equity method of accounting for our unconsolidated joint ventures. Under the equity method, we recognize our proportionate share of the net earnings of these joint ventures as a single line item under "Equity in income of unconsolidated joint ventures" in our Condensed Consolidated Statements of Operations.

The table below presents financial information, derived from the most recent financial statements provided to us, in aggregate, for our unconsolidated joint ventures:

<i>(In millions)</i>	Unconsolidated VIEs
September 27, 2013	
Current assets	\$ 681.8
Noncurrent assets	\$ 35.3
Current liabilities	\$ 463.6
Noncurrent liabilities	\$ 10.3
December 28, 2012	
Current assets	\$ 594.1
Noncurrent assets	\$ 23.8
Current liabilities	\$ 372.5
Noncurrent liabilities	\$ 7.8
Three months ended September 27, 2013 ⁽¹⁾	
Revenues	\$ 480.9
Cost of revenues	\$ (429.8)
Income from continuing operations before tax	\$ 51.1
Net income	\$ 47.4
Three months ended September 28, 2012 ⁽¹⁾	
Revenues	\$ 477.0
Cost of revenues	\$ (412.5)
Income from continuing operations before tax	\$ 64.5
Net income	\$ 62.0
Nine months ended September 27, 2013 ⁽¹⁾	
Revenues	\$ 1,592.8
Cost of revenues	\$ (1,423.5)
Income from continuing operations before tax	\$ 169.3
Net income	\$ 157.1
Nine months ended September 28, 2012 ⁽¹⁾	
Revenues	\$ 1,221.7
Cost of revenues	\$ (1,044.6)
Income from continuing operations before tax	\$ 177.1
Net income	\$ 166.0

⁽¹⁾ Income from unconsolidated U.S. joint ventures is generally not taxable in most tax jurisdictions in the U.S. The tax expenses on our other unconsolidated joint ventures are primarily related to foreign taxes.

We received \$22.6 million and \$21.4 million, respectively, of distributions from unconsolidated joint ventures for the three months ended September 27, 2013 and September 28, 2012 and \$74.7 million and \$67.9 million, respectively, for the nine months ended September 27, 2013 and September 28, 2012.

URS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
(Continued)

Exposure to Loss

In addition to potential losses arising out of the carrying values of the assets and liabilities of our unconsolidated joint ventures, our maximum exposure to loss also includes performance assurances and guarantees we sometimes provide to clients on behalf of joint ventures that we do not directly control. We enter into these guarantees primarily to support the contractual obligations associated with the joint ventures' projects. The potential payment amount of an outstanding performance guarantee is typically the remaining cost of work to be performed by or on behalf of third parties under engineering and construction contracts.

However, the majority of the unconsolidated joint ventures in which we participate involve cost-reimbursable, level-of-effort projects that are accounted for as service-type projects, not engineering and construction projects that would follow the percentage-of-completion or completed-contract accounting method. Revenues for service-type contracts are recognized in proportion to the number of service activities performed, in proportion to the direct costs of performing the service activities, or evenly across the period of performance, depending upon the nature of the services provided. The services we provide on these cost-reimbursable contracts are management and operations services for government clients and operations and maintenance services for non-government clients. We believe that, due to the continual changes we experience in client funding and scope definitions, reliable estimates of performance guarantees cannot be calculated because they cannot be reliably predicted. In addition, we participate in joint ventures in which the level of our participation is so minimal that we do not have access to those joint ventures' estimates to complete. The joint ventures where we perform engineering and construction contracts and where we have access to the estimates to complete, which are needed to calculate the performance guarantees, are immaterial.

NOTE 7. PROPERTY AND EQUIPMENT

Our property and equipment consisted of the following:

<i>(In millions)</i>	September 27, 2013	December 28, 2012
Construction and mining equipment	\$ 250.4	\$ 266.4
Computer software	242.1	219.5
Computer hardware	217.1	198.2
Vehicles and automotive equipment	174.5	172.2
Leasehold improvements	141.5	130.1
Land and buildings	102.0	114.1
Furniture and fixtures	92.8	97.7
Other equipment	76.3	72.4
Construction in progress	5.0	15.6
	1,301.7	1,286.2
Accumulated depreciation and amortization	(670.6)	(598.7)
Property and equipment, net ⁽¹⁾	<u>\$ 631.1</u>	<u>\$ 687.5</u>

⁽¹⁾ The unamortized computer software costs were \$78.4 million and \$71.1 million, respectively, as of September 27, 2013 and December 28, 2012.

We recorded gains of \$12.7 million and \$22.2 million on disposal of property and equipment for the three and nine months ended September 27, 2013, respectively, mainly resulting from the sale of equipment, land and buildings in Canada. These gains were recorded in "Cost of revenues" on our Condensed Consolidated Statements of Operations.

URS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
(Continued)

NOTE 8. ACQUISITION

Flint Acquisition

On May 14, 2012, we acquired the outstanding common shares of Flint for C\$25.00 per share in cash, or C\$1.24 billion (US\$1.24 billion based on the exchange rate on the date of the acquisition) and paid \$110.3 million of Flint's debt prior to the closing of the transaction in exchange for a promissory note from Flint. In connection with the acquisition of Flint, we recognized \$16.1 million for the nine months ended September 28, 2012 in "Acquisition-related expense" on our Condensed Consolidated Statements of Operations. During the quarter ended September 28, 2012, we recorded an adjustment to reduce the amount previously recorded in "Acquisition-related expense" of \$0.8 million.

Investments in and advances to unconsolidated joint ventures. As a result of the Flint acquisition, we hold a 50% voting and economic interest in a joint venture that provides operations, maintenance, asset management and project management services to the Canadian energy sector. The fair value of our investment in this joint venture at the acquisition date was higher than the underlying equity interest. This difference of \$128.5 million includes \$38.0 million representing intangible assets, and the remaining amount representing goodwill. The intangible assets are being amortized, as a reduction to earnings against the equity in income of this unconsolidated joint venture, over a period ranging from three to 40 years. For the three months ended September 27, 2013 and September 28, 2012, amortization of these intangible assets was \$2.0 million and \$2.2 million, respectively. For the nine months ended September 27, 2013 and September 28, 2012, amortization of these intangible assets was \$5.8 million and \$3.7 million, respectively.

Pro forma results. The unaudited financial information in the table below summarizes the combined results of the operations of URS Corporation and Flint for the nine months ended September 28, 2012, on a pro forma basis, as though the companies had been combined as of December 31, 2011. The pro forma financial information includes the accounting effects of the business combination, including adjustments to the amortization of intangible assets, depreciation of property, plant and equipment, interest expense, adjustments to conform to U.S. GAAP, new compensation agreements, and foreign currency gains or losses arising from internal financing arrangements. The pro forma financial information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had taken place at December 31, 2011 nor should it be taken as indicative of our future consolidated results of operations.

Unaudited	Nine Months Ended September 28, 2012
<i>(In millions, except per share data)</i>	
Revenues	\$ 8,813.3
Net income (loss) including noncontrolling interests	\$ 306.9
Net income (loss) attributable to URS	\$ 234.0
Earnings (loss) per share:	
Basic EPS	\$ 3.15
Diluted EPS	\$ 3.14

The table below shows the material pre-tax, nonrecurring adjustment in the pro forma financial information for the nine months ended September 28, 2012:

Pre-tax, nonrecurring adjustment	Nine Months Ended September 28, 2012
<i>(In millions)</i>	
Acquisition-related expenses	\$ 27.7

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(Continued)

NOTE 9. GOODWILL

Interim Goodwill Impairment Review

During the third quarter of 2013, our reporting units experienced declines in their actual and projected performance primarily driven by the government shutdown in October 2013, the continuing effects of sequestration, and uncertainty about the federal budget. In addition, the commercial markets were impacted by atypical wet weather in Western Canada, the continued low price of natural gas, and regulatory uncertainty and stagnant demand for electricity. The lowered revenues and earnings projection prompted us to perform an interim goodwill impairment test as of September 27, 2013.

We estimated fair value using discounted cash flow analyses, referred to as the income approach. The income approach uses a reporting unit's projection of estimated cash flows and discounts those back to the present using a weighted-average cost of capital that reflects current market conditions. To arrive at our cash flow projections, we consider estimates of economic and market activity over a projection period of ten years, management's expectation of growth rates in revenues, costs, and estimates of future expected changes in operating margins and capital expenditures. Other significant estimates and assumptions include long-term growth rates and changes in future working capital requirements. Based on this analysis, it was determined that there was no impairment.

We also considered indications obtained from the market approach. We applied market multiples derived from market prices of stocks of companies that are engaged in the same or similar lines of business as our reporting units and that are actively traded on a free and open market, or applied market multiples derived from transactions of significant interests in companies engaged in the same or similar lines of business as our reporting units, to the corresponding measure of financial performance for our reporting units that produces estimates of value at the noncontrolling marketable level.

In reaching our final estimate of value, we considered the fair values derived from using both the income and market approaches. We gave primary weight to the income approach because it was deemed to be the most applicable.

Our interim impairment test indicated no impairment for any of our reporting units because the fair value of each reporting unit substantially exceeded its carrying value. Below is a table showing, for each reporting unit, the percentage of the fair value that exceeded the carrying value:

<i>(in millions)</i>	Goodwill Balance as of September 27, 2013	Reporting Unit Fair Value	Reporting Unit Carrying Value	Percent Above Carrying Value
Infrastructure & Environment Operating Segment	\$ 761.0	\$ 2,220.0	\$ 1,509.3	47.1%
Federal Services Operating Segment	707.3	1,515.0	1,011.6	49.8%
Within the Energy & Construction Operating Segment:				
Global Management and Operations Services Group	565.4	1,375.0	925.3	48.6%
Civil Construction & Mining Group	293.9	474.0	363.0	30.6%
Industrial/Process Group	189.3	336.0	239.0	40.6%
Power Group	735.1	923.0	823.9	12.0%
Total Energy & Construction Operating Segment	1,783.7	3,108.0	2,351.2	32.2%
Oil & Gas Operating Segment	451.3	1,619.0	1,366.6	18.5%
Total	<u>\$ 3,703.3</u>	<u>\$ 8,462.0</u>	<u>\$ 6,238.7</u>	35.6%

URS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
(Continued)

NOTE 10. INDEBTEDNESS

Indebtedness consisted of the following:

<i>(In millions)</i>	September 27, 2013	December 28, 2012
Term loan, net of debt issuance costs	\$ 652.1	\$ 666.3
3.85% Senior Notes (net of discount)	399.6	399.5
5.00% Senior Notes (net of discount)	599.5	599.5
7.50% Canadian Notes (including premium)	193.8	203.8
Revolving line of credit	38.8	100.5
Other indebtedness	111.4	94.7
Total indebtedness	1,995.2	2,064.3
Less:		
Current portion of long-term debt	92.2	71.8
Long-term debt	<u>\$ 1,903.0</u>	<u>\$ 1,992.5</u>

2011 Credit Facility

As of September 27, 2013 and December 28, 2012, the outstanding balance of the term loan under our senior credit facility (“2011 Credit Facility”) was \$655.0 million and \$670.0 million, respectively. As of September 27, 2013 and December 28, 2012, the interest rates applicable to the term loan were 1.68% and 1.71%, respectively. Loans outstanding under our 2011 Credit Facility bear interest, at our option, at the base rate or at LIBOR plus, in each case, an applicable per annum margin. The applicable margin is determined based on the better of our debt ratings or our leverage ratio in accordance with a pricing grid. The interest rate at which we normally borrow is LIBOR plus 150 basis points.

On May 23, 2013, we amended our 2011 Credit Facility to revise our Eurocurrency rates to include other indices beyond LIBOR.

We were in compliance with the covenants of our 2011 Credit Facility as of September 27, 2013.

Revolving line of credit. Our revolving line of credit is used to fund daily operating cash needs and to support our standby letters of credit. In the ordinary course of business, the use of our revolving line of credit is a function of collection and disbursement activities. Our daily cash needs generally follow a predictable pattern that parallels our payroll cycles, which dictate, as necessary, our short-term borrowing requirements.

As of September 27, 2013 and December 28, 2012, we had an outstanding balance of \$38.8 million and \$100.5 million on our revolving line of credit, respectively. As of September 27, 2013, we had issued \$123.1 million of letters of credit, leaving \$838.1 million available under our revolving credit facility.

Senior Notes and Canadian Notes

On March 15, 2012, we issued, in a private placement, \$400.0 million aggregate principal amount of 3.85% Senior Notes due on April 1, 2017 and \$600.0 million aggregate principal amount of 5.00% Senior Notes due on April 1, 2022 (collectively, the “Senior Notes”). As of September 27, 2013, the outstanding balance of the Senior Notes was \$999.1 million, net of \$0.9 million of discount.

The Senior Notes are our general unsecured senior obligations and rank equally with our other existing and future unsecured senior indebtedness. The Senior Notes are fully and unconditionally guaranteed (the “Guarantees”) by each of our current and future domestic subsidiaries that are guarantors under our 2011 Credit Facility or that are wholly owned domestic obligors or wholly owned domestic guarantors, individually or collectively, under any future indebtedness of our subsidiaries in excess of \$100.0 million (the “Guarantors”). The Guarantees are the Guarantors’ unsecured senior obligations and rank equally with the Guarantors’ other existing and future unsecured senior indebtedness. See [Note 18, “Condensed Consolidating Financial Information.”](#)

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In connection with the sale of the Senior Notes, we entered into a registration rights agreement. On April 17, 2013, we filed with the Securities and Exchange Commission ("SEC"), and subsequently amended, a registration statement, under which we are offering to exchange any privately placed Senior Notes with substantially similar notes, except that the newly exchanged notes will be unrestricted and freely tradable securities. The registration statement has not yet been declared effective by the SEC. Until we complete our exchange offer, we will be required to pay additional interest of 50 basis points to the holders of the Senior Notes.

On May 14, 2012, we guaranteed Flint's senior notes (the "Canadian Notes") with an outstanding face value of C\$175.0 million (US\$175.0 million). As of September 27, 2013, the outstanding balance of the Canadian Notes was \$193.8 million, including \$24.3 million of premium. On October 11, 2013, Flint announced that it will redeem all of the Canadian Notes. The redemption is expected to take place in December 2013.

We were in compliance with the covenants of our Senior Notes and Canadian Notes as of September 27, 2013.

Other Indebtedness

Notes payable, five-year loan notes, and foreign credit lines. As of September 27, 2013 and December 28, 2012, we had outstanding amounts of \$58.4 million and \$35.5 million, respectively, in notes payable, five-year loan notes, and foreign lines of credit. The weighted-average interest rates of these other forms of indebtedness were approximately 3.62% and 4.68% as of September 27, 2013 and December 28, 2012, respectively. Notes payable primarily include notes used to finance the purchase of vehicles, construction equipment, office equipment, computer equipment and furniture.

As of September 27, 2013 and December 28, 2012, we maintained several credit lines with an aggregate borrowing capacity of \$50.5 million and \$50.8 million, respectively, and had remaining borrowing capacity of \$44.7 and \$47.7 million, respectively.

Capital Leases. As of September 27, 2013 and December 28, 2012, we had obligations under our capital leases of approximately \$53.0 million and \$59.2 million, respectively, consisting primarily of leases for office equipment, computer equipment, furniture, vehicles and automotive equipment, and construction equipment.

Foreign Currency Translation Gains (Losses) Related to Intercompany Loans. We recorded foreign currency translation gains of \$1.6 million and losses of \$4.2 million on intercompany loans for the three and nine months ended September 27, 2013, respectively. We also recorded foreign currency translation gains of \$10.8 million and \$4.4 million on intercompany loans for the three and nine months ended September 28, 2012, respectively. These gains and losses are recorded in "Other income (expenses)" on our Condensed Consolidated Statements of Operations.

NOTE 11. FAIR VALUE OF DEBT INSTRUMENTS AND DERIVATIVE INSTRUMENTS

2011 Credit Facility

As of September 27, 2013 and December 28, 2012, the estimated fair market values of the term loan under our 2011 Credit Facility were approximately \$651.7 million and \$667.3 million, respectively. The carrying values of this term loan on our Condensed Consolidated Balance Sheets as of September 27, 2013 and December 28, 2012 were \$655.0 million and \$670.0 million, respectively, excluding unamortized debt issuance costs. The fair value of our term loan was derived by taking the mid-point of the trading prices from an observable market input (Level 2) in the secondary loan market and multiplying it by the outstanding balance of our term loan.

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Senior Notes and Canadian Notes

As of both September 27, 2013 and December 28, 2012, the estimated fair market value of the Senior Notes and Canadian Notes was approximately \$1.2 billion and the carrying value of these notes on our Condensed Consolidated Balance Sheets was \$1.2 billion, excluding unamortized discounts and premiums. The fair value of the Senior Notes and Canadian Notes was derived by taking the mid-point of the trading prices from an observable market input (Level 2) in the secondary loan market and multiplying it by the outstanding balance of the notes.

Derivative Instruments

We use our derivative instruments as a risk management tool and not for trading or speculative purposes. The fair value of each derivative instrument is based on mark-to-model measurements that are interpolated from observable market data, including spot and forward rates, as of September 27, 2013 and for the duration of each derivative's terms. There were no significant derivative instruments outstanding during the nine months ended September 27, 2013.

Foreign Currency Exchange Contracts

We operate our business globally and our foreign subsidiaries conduct businesses in various foreign currencies. Therefore, we are subject to foreign currency risk. From time to time, we may purchase derivative financial instruments in the form of foreign currency exchange contracts to manage specific foreign currency exposures.

In March 2012, we entered into various foreign currency forward contracts with an aggregate notional amount of C\$1.25 billion (equivalent to US\$1.25 billion) with maturity windows ranging from March 7, 2012 to May 31, 2012. The primary objective of the contracts was to manage our exposure to foreign currency transaction risk related to the funding of our pending acquisition of Flint in Canadian dollars. These contracts settled during the second quarter of 2012. For the nine months ended September 28, 2012, we recorded a net loss of \$0.3 million on our foreign currency forward contracts in "Other income (expense)" on our Condensed Consolidated Statements of Operations.

NOTE 12. BILLINGS IN EXCESS OF COSTS AND ACCRUED EARNINGS ON CONTRACTS

Billings in excess of costs and accrued earnings on contracts in the accompanying Condensed Consolidated Balance Sheets consist of cash collected from clients and billings to clients on contracts in advance of work performed, advance payments negotiated as a contract condition, estimated losses on uncompleted contracts, normal profit liabilities, project-related legal liabilities, and other project-related reserves. The unearned project-related costs will be earned over the next twelve months or over the duration of the contracts.

The following table summarizes the components of billings in excess of costs and accrued earnings on contracts:

<i>(In millions)</i>	September 27, 2013	December 28, 2012
Billings in excess of costs and accrued earnings on contracts	\$ 182.1	\$ 211.7
Project-related legal liabilities and other project-related reserves	31.7	55.2
Advance payments negotiated as a contract condition	5.6	9.8
Normal profit liabilities	0.9	4.8
Estimated losses on uncompleted contracts	4.8	7.6
Total	<u>\$ 225.1</u>	<u>\$ 289.1</u>

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NOTE 13. EMPLOYEE RETIREMENT AND POST-RETIREMENT BENEFIT PLANS

Defined Benefit Plans

We sponsor a number of pension and unfunded supplemental executive retirement plans. The components of our net periodic pension costs relating to our defined benefit plans for the three months ended September 27, 2013 and September 28, 2012 were as follows:

	Three Months Ended			
	Domestic Plans		Foreign Plans	
	September 27, 2013	September 28, 2012	September 27, 2013	September 28, 2012
<i>(In millions)</i>				
Service cost	\$ 2.2	\$ 2.0	\$ 0.1	\$ 0.1
Interest cost	4.4	4.7	5.7	5.7
Expected return on plan assets	(4.8)	(4.4)	(6.0)	(5.6)
Amortization of:				
Prior service costs	(0.1)	(0.7)	—	—
Net loss	3.9	2.4	—	—
Net periodic pension costs	<u>\$ 5.6</u>	<u>\$ 4.0</u>	<u>\$ (0.2)</u>	<u>\$ 0.2</u>

	Nine Months Ended			
	Domestic Plans		Foreign Plans	
	September 27, 2013	September 28, 2012	September 27, 2013	September 28, 2012
<i>(In millions)</i>				
Service cost	\$ 6.6	\$ 6.0	\$ 0.3	\$ 0.3
Interest cost	13.2	14.1	17.1	16.9
Expected return on plan assets	(14.4)	(13.2)	(18.0)	(16.6)
Amortization of:				
Prior service costs	(0.3)	(2.1)	—	—
Net loss	11.7	7.2	—	—
Net periodic pension costs	<u>\$ 16.8</u>	<u>\$ 12.0</u>	<u>\$ (0.6)</u>	<u>\$ 0.6</u>

During the three and nine months ended September 27, 2013, we made cash contributions, including employer-directed benefit payments, of \$6.4 million and \$20.3 million, respectively, to the domestic and foreign defined benefit plans. We expect to make additional cash contributions, including estimated employer-directed benefit payments, of approximately \$10.3 million for the remainder of our 2013 fiscal year.

Post-retirement Benefit Plans

We sponsor a number of retiree health and life insurance benefit plans ("post-retirement benefit plans"). The components of our net periodic benefit cost relating to the post-retirement benefit plans for the three and nine months ended September 27, 2013 and September 28, 2012 were as follows:

	Three Months Ended		Nine Months Ended	
	September 27, 2013	September 28, 2012	September 27, 2013	September 28, 2012
<i>(In millions)</i>				
Interest cost	\$ 0.4	\$ 0.5	\$ 1.2	\$ 1.5
Expected return on plan assets	(0.1)	(0.1)	(0.3)	(0.3)
Amortization of:				
Net loss	0.1	—	0.3	—
Net periodic benefit costs	<u>\$ 0.4</u>	<u>\$ 0.4</u>	<u>\$ 1.2</u>	<u>\$ 1.2</u>

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
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During the three and nine months ended September 27, 2013, we made cash contributions, including employer-directed benefit payments, of \$0.9 million and \$2.7 million, respectively, to the post-retirement benefit plans. We expect to make additional cash contributions, including estimated employer-directed benefit payments, of approximately \$1.1 million for the remainder of our 2013 fiscal year.

NOTE 14. STOCKHOLDERS' EQUITY

Dividend Program

Our Board of Directors declared the following dividends:

Declaration Date	Dividend Per Share	Record Date	Total Maximum Payment	Payment Date
<i>(In millions, except per share data)</i>				
February 24, 2012	\$ 0.20	March 16, 2012	\$ 15.2	April 6, 2012
May 4, 2012	\$ 0.20	June 15, 2012	\$ 15.4	July 6, 2012
August 3, 2012	\$ 0.20	September 14, 2012	\$ 15.4	October 5, 2012
November 2, 2012	\$ 0.20	December 14, 2012	\$ 15.4	January 4, 2013
February 22, 2013	\$ 0.21	March 15, 2013	\$ 16.0	April 5, 2013
May 3, 2013	\$ 0.21	June 14, 2013	\$ 16.0	July 5, 2013
August 2, 2013	\$ 0.21	September 13, 2013	\$ 16.0	October 4, 2013
November 1, 2013	\$ 0.21	December 13, 2013	NA	January 10, 2014

NA = Not available

Equity Incentive Plan

On March 28, 2013, the Board adopted, and on May 23, 2013, the stockholders approved, an amendment and restatement of our 2008 Equity Incentive Plan ("2008 Incentive Plan"). Among other provisions, the amendment and restatement increased the aggregate number of shares of common stock authorized for issuance under the plan by 1.5 million shares and the term of the plan was extended until May 23, 2018. As of September 27, 2013, approximately 3.0 million shares had been issued as restricted stock awards and 1.6 million shares were issuable upon the vesting of restricted stock units under our 2008 Incentive Plan. In addition, approximately 1.9 million shares remained reserved for future grants under our 2008 Incentive Plan.

On March 27, 2013, the Compensation Committee of the Board of Directors approved the adoption of a new long-term incentive program for executive officers and other specified employees. Like the existing program, restricted stock unit awards are both time-based and time-and-performance-based. Under these awards, the performance-based grants will vest at the end of a three-year vesting period based on satisfaction of dual performance criteria: a net income performance condition measured on a cumulative basis over a two-year performance period and a market condition based on meeting or exceeding the total shareholder return of the Russell 3000 Index, measured over a three-year performance period. The time-based grants will vest in equal annual tranches over three years. The grant date fair value was determined using a Monte Carlo simulation model and will be expensed on a straight-line basis over the vesting period.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
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Stock Repurchase Program

The following table summarizes our stock repurchase activities for the three and nine months ended September 27, 2013 and September 28, 2012:

	Three Months Ended		Nine Months Ended	
	September 27, 2013	September 28, 2012	September 27, 2013	September 28, 2012
<i>(In millions, except average price paid per share)</i>				
Common stock repurchase shares	—	—	2.0	1.0
Average price paid per share	\$ —	\$ —	\$ 45.55	\$ 40.00
Cost of common stock repurchased	\$ —	\$ —	\$ 93.3	\$ 40.0

Stock-Based Compensation

We recognize stock-based compensation expense, net of estimated forfeitures, over the vesting periods in “General and administrative expenses” and “Cost of revenues” in our Condensed Consolidated Statements of Operations.

The following table presents our stock-based compensation expense related to restricted stock awards and units and our employee stock purchase plan for the three and nine months ended September 27, 2013 and September 28, 2012:

	Three Months Ended		Nine Months Ended	
	September 27, 2013	September 28, 2012	September 27, 2013	September 28, 2012
<i>(In millions)</i>				
Stock-based compensation expense:				
Restricted stock awards and units	\$ 12.8	\$ 11.0	\$ 35.2	\$ 32.1
Employee stock purchase plan	0.2	0.1	0.5	0.4
Stock-based compensation expense	<u>\$ 13.0</u>	<u>\$ 11.1</u>	<u>\$ 35.7</u>	<u>\$ 32.5</u>
Stock-based compensation expense included in:				
Cost of revenues	\$ 9.7	\$ 8.6	\$ 26.6	\$ 24.8
General and administrative expenses	3.3	2.5	9.1	7.7
Stock-based compensation expense	<u>\$ 13.0</u>	<u>\$ 11.1</u>	<u>\$ 35.7</u>	<u>\$ 32.5</u>

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NOTE 15. SEGMENT AND RELATED INFORMATION

We operate our business through the following four segments:

- **Infrastructure & Environment Division** provides program management, planning, design, engineering, construction and construction management, operations and maintenance, and decommissioning and closure services to the U.S. federal government, state and local government agencies, and private sector clients in the U.S. and internationally.
- **Federal Services Division** provides services to various U.S. federal government agencies, primarily the Department of Defense. These services include program management, planning, design and engineering, systems engineering and technical assistance, construction and construction management, operations and maintenance, IT services, and decommissioning and closure.
- **Energy & Construction Division** provides program management, planning, design, engineering, construction and construction management, operations and maintenance, and decommissioning and closure services to the U.S. federal government, state and local government agencies, and private sector clients in the U.S. and internationally.
- **Oil & Gas Division** provides oilfield services, including rig transportation and fluid hauling services; oil and gas production services, including mechanical, electrical and instrumentation services; facility and pipeline construction; module fabrication; and maintenance services for the oil and gas industry in the U.S. and Canada.

These four segments operate under separate management groups and produce discrete financial information. Their operating results also are reviewed separately by management. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies in our Annual Report on Form 10-K for the fiscal year ended December 28, 2012. The information disclosed in our condensed consolidated financial statements is based on the four segments that compose our current organizational structure.

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The following table presents summarized financial information for our reportable segments. "Inter-segment, eliminations and other" in the following table includes eliminations of inter-segment sales and investments in subsidiaries. The segment balance sheet information presented below is included for informational purposes only. We do not allocate resources based upon the balance sheet amounts of individual segments. Our long-lived assets consist primarily of property and equipment.

	Three Months Ended		Nine Months Ended	
	September 27, 2013	September 28, 2012	September 27, 2013	September 28, 2012
(In millions)				
Revenues				
Infrastructure & Environment	\$ 922.3	\$ 920.7	\$ 2,833.2	\$ 2,851.1
Federal Services	538.9	682.8	1,776.3	2,118.1
Energy & Construction	775.5	781.5	2,168.7	2,285.1
Oil & Gas ⁽¹⁾	532.6	592.2	1,672.3	869.7
Inter-segment, eliminations and other	(33.8)	(29.6)	(120.5)	(124.2)
Total revenues	<u>\$ 2,735.5</u>	<u>\$ 2,947.6</u>	<u>\$ 8,330.0</u>	<u>\$ 7,999.8</u>
Equity in income (loss) of unconsolidated joint ventures				
Infrastructure & Environment	\$ (0.9)	\$ 3.3	\$ 0.1	\$ 3.1
Federal Services	1.4	1.5	4.7	4.8
Energy & Construction	17.6	24.1	54.2	66.0
Oil & Gas ⁽¹⁾	(1.0)	2.2	0.1	2.9
Total equity in income of unconsolidated joint ventures	<u>\$ 17.1</u>	<u>\$ 31.1</u>	<u>\$ 59.1</u>	<u>\$ 76.8</u>
URS operating income (loss) ⁽²⁾				
Infrastructure & Environment	\$ 58.5	\$ 66.5	\$ 160.7	\$ 174.1
Federal Services	57.6	64.8	225.3	217.5
Energy & Construction	31.5	43.7	65.8	96.2
Oil & Gas ⁽¹⁾	19.4	29.3	29.5	32.4
Corporate ⁽³⁾	(14.3)	(21.8)	(59.9)	(78.1)
Total URS operating income (loss)	<u>\$ 152.7</u>	<u>\$ 182.5</u>	<u>\$ 421.4</u>	<u>\$ 442.1</u>
Operating income (loss)				
Infrastructure & Environment	\$ 59.3	\$ 67.1	\$ 162.1	\$ 175.7
Federal Services	57.6	64.8	225.3	217.5
Energy & Construction	57.4	64.6	121.1	167.5
Oil & Gas ⁽¹⁾	19.3	28.9	28.7	31.9
Corporate ⁽³⁾	(14.3)	(21.8)	(59.9)	(78.1)
Total operating income (loss)	<u>\$ 179.3</u>	<u>\$ 203.6</u>	<u>\$ 477.3</u>	<u>\$ 514.5</u>
Depreciation and amortization				
Infrastructure & Environment	\$ 12.4	\$ 13.1	\$ 37.3	\$ 41.8
Federal Services	8.7	8.5	26.8	27.2
Energy & Construction	10.6	13.0	33.9	36.8
Oil & Gas ⁽¹⁾	29.0	36.2	92.1	54.9
Corporate	2.2	1.7	6.4	4.8
Total depreciation and amortization	<u>\$ 62.9</u>	<u>\$ 72.5</u>	<u>\$ 196.5</u>	<u>\$ 165.5</u>

⁽¹⁾ The operating results of Flint have been included in our consolidated results since the acquisition on May 14, 2012.

⁽²⁾ We are providing information regarding URS operating income (loss) by segment because management uses this information to assess performance and make decisions about resource allocation. URS operating income is defined as segment operating income after reductions for pre-tax noncontrolling interests.

⁽³⁾ Corporate includes expenses related to corporate functions and acquisition-related expenses.

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Reconciliations of URS operating income (loss) by segment to segment operating income (loss) for the three and nine months ended September 27, 2013 and September 28, 2012 are as follows:

Three Months Ended September 27, 2013						
<i>(In millions)</i>	Infrastructure & Environment	Federal Services	Energy & Construction	Oil & Gas	Corporate	Consolidated
URS operating income (loss)	\$ 58.5	\$ 57.6	\$ 31.5	\$ 19.4	\$ (14.3)	\$ 152.7
Noncontrolling interests	0.8	—	25.9	(0.1)	—	26.6
Operating income (loss)	<u>\$ 59.3</u>	<u>\$ 57.6</u>	<u>\$ 57.4</u>	<u>\$ 19.3</u>	<u>\$ (14.3)</u>	<u>\$ 179.3</u>

Three Months Ended September 28, 2012						
<i>(In millions)</i>	Infrastructure & Environment	Federal Services	Energy & Construction	Oil & Gas	Corporate	Consolidated
URS operating income (loss)	\$ 66.5	\$ 64.8	\$ 43.7	\$ 29.3	\$ (21.8)	\$ 182.5
Noncontrolling interests	0.6	—	20.9	(0.4)	—	21.1
Operating income (loss)	<u>\$ 67.1</u>	<u>\$ 64.8</u>	<u>\$ 64.6</u>	<u>\$ 28.9</u>	<u>\$ (21.8)</u>	<u>\$ 203.6</u>

Nine Months Ended September 27, 2013						
<i>(In millions)</i>	Infrastructure & Environment	Federal Services	Energy & Construction	Oil & Gas	Corporate	Consolidated
URS operating income (loss)	\$ 160.7	\$ 225.3	\$ 65.8	\$ 29.5	\$ (59.9)	\$ 421.4
Noncontrolling interests	1.4	—	55.3	(0.8)	—	55.9
Operating income (loss)	<u>\$ 162.1</u>	<u>\$ 225.3</u>	<u>\$ 121.1</u>	<u>\$ 28.7</u>	<u>\$ (59.9)</u>	<u>\$ 477.3</u>

Nine Months Ended September 28, 2012						
<i>(In millions)</i>	Infrastructure & Environment	Federal Services	Energy & Construction	Oil & Gas	Corporate	Consolidated
URS operating income (loss)	\$ 174.1	\$ 217.5	\$ 96.2	\$ 32.4	\$ (78.1)	\$ 442.1
Noncontrolling interests	1.6	—	71.3	(0.5)	—	72.4
Operating income (loss)	<u>\$ 175.7</u>	<u>\$ 217.5</u>	<u>\$ 167.5</u>	<u>\$ 31.9</u>	<u>\$ (78.1)</u>	<u>\$ 514.5</u>

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Total investments in and advances to unconsolidated joint ventures and property and equipment, net of accumulated depreciation, are as follows:

<i>(In millions)</i>	September 27, 2013	December 28, 2012
Infrastructure & Environment	\$ 7.2	\$ 8.1
Federal Services	3.4	5.7
Energy & Construction	112.1	124.5
Oil & Gas	130.1	140.0
Total investments in and advances to unconsolidated joint ventures	<u>\$ 252.8</u>	<u>\$ 278.3</u>
Infrastructure & Environment	\$ 138.4	\$ 141.0
Federal Services	39.0	36.6
Energy & Construction	58.3	60.1
Oil & Gas	365.9	422.9
Corporate	29.5	26.9
Total property and equipment, net of accumulated depreciation	<u>\$ 631.1</u>	<u>\$ 687.5</u>

Total assets by segment are as follows:

<i>(In millions)</i>	September 27, 2013	December 28, 2012 ⁽¹⁾
Infrastructure & Environment	\$ 2,174.2	\$ 2,267.6
Federal Services	1,552.4	1,642.8
Energy & Construction	3,272.9	3,253.9
Oil & Gas	1,783.3	1,904.4
Corporate	307.5	192.3
Total assets	<u>\$ 9,090.3</u>	<u>\$ 9,261.0</u>

⁽¹⁾ Total assets by segments for the year ended December 28, 2012 were restated to correct an error related to prior year goodwill impairment charges. See [Note 1, "Business, Basis of Presentation, and Accounting Policies."](#)

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Major Customers and Other

Our largest clients are from our federal market sector. Within this sector, we have multiple contracts with our two major customers: the U.S. Army and the DOE. For the purpose of analyzing revenues from major customers, we do not consider the combination of all federal departments and agencies as one customer. The different federal agencies manage separate budgets. As such, reductions in spending by one federal agency do not affect the revenues we could earn from another federal agency. In addition, the procurement processes for federal agencies are not centralized, and procurement decisions are made separately by each federal agency. The loss of the federal government, the U.S. Army, or DOE as clients would have a material adverse effect on our business; however, we are not dependent on any single contract on an ongoing basis. We believe that the loss of any single contract would not have a material adverse effect on our business.

Our revenues from the U.S. Army and DOE by division for the three and nine months ended September 27, 2013 and September 28, 2012 are presented below:

	Three Months Ended		Nine Months Ended	
	September 27, 2013	September 28, 2012	September 27, 2013	September 28, 2012
<i>(In millions, except percentages)</i>				
The U.S. Army ⁽¹⁾				
Infrastructure & Environment	\$ 28.4	\$ 7.0	\$ 93.0	\$ 94.4
Federal Services	244.4	347.0	886.6	1,094.5
Energy & Construction	45.7	36.4	98.9	86.9
Total U.S. Army	<u>\$ 318.5</u>	<u>\$ 390.4</u>	<u>\$ 1,078.5</u>	<u>\$ 1,275.8</u>
Revenues from the U.S. Army as a percentage of our consolidated revenues	12%	13%	13%	16%
DOE				
Infrastructure & Environment	\$ 1.0	\$ 1.0	\$ 3.1	\$ 4.4
Federal Services	4.6	4.1	15.0	17.2
Energy & Construction	231.4	248.6	643.4	741.8
Total DOE	<u>\$ 237.0</u>	<u>\$ 253.7</u>	<u>\$ 661.5</u>	<u>\$ 763.4</u>
Revenues from DOE as a percentage of our consolidated revenues	9%	9%	8%	10%
Revenues from the federal market sector as a percentage of our consolidated revenues	34%	37%	35%	43%

⁽¹⁾ The U.S. Army includes U.S. Army Corps of Engineers.

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NOTE 16. COMMITMENTS AND CONTINGENCIES

In the ordinary course of business, we and our affiliates are subject to various disputes, audits, investigations and legal proceedings. Additionally, as a government contractor, we are subject to audits, investigations, and claims with respect to our contract performance, pricing, costs, cost allocations, and procurement practices. The final outcomes of these various matters cannot be predicted or estimated with certainty. We are including information regarding the following matters:

- *USAID Egyptian Projects*: In March 2003, Washington Group International, Inc., a Delaware company (“WGI Delaware”), our wholly owned subsidiary, was notified by the Department of Justice that the federal government was considering civil litigation against WGI Delaware for potential violations of the U.S. Agency for International Development (“USAID”) source, origin, and nationality regulations in connection with five of WGI Delaware’s USAID-financed host-country projects located in Egypt beginning in the early 1990s. In November 2004, the federal government filed an action in the United States District Court for the District of Idaho against WGI Delaware, Contrack International, Inc., and MISR Sons Development S.A.E., an Egyptian construction company, asserting violations under the Federal False Claims Act, the Federal Foreign Assistance Act of 1961, as well as common law theories of payment by mistake and unjust enrichment. The federal government seeks damages and civil penalties (including doubling and trebling of damages) for violations of the statutes as well as a refund of the approximately \$373.0 million paid to WGI Delaware under the specified contracts. WGI Delaware has denied any liability in the action and contests the federal government’s damage allegations and its entitlement to recovery. All USAID projects under the contracts have been completed and are fully operational.

In March 2005, WGI Delaware filed motions in Idaho District Court and the United States Bankruptcy Court in Nevada contending that the federal government’s Idaho action is barred under the plan of reorganization approved by the Bankruptcy Court in 2002 when WGI Delaware emerged from bankruptcy protection. In 2006, the Idaho action was stayed pending the bankruptcy-related proceedings. On April 24, 2012, the Bankruptcy Court ruled that the bulk of the federal government’s claims under the False Claims and the Federal Foreign Assistance Acts are not barred. On November 7, 2012, WGI Delaware appealed the Bankruptcy Court’s decision to the Ninth Circuit Bankruptcy Appellate Panel. On August 2, 2013, the Appellate Panel affirmed the Bankruptcy Court’s decision. On September 26, 2013, WGI Delaware appealed the Appellate Panel’s decision to the United States Ninth Circuit Court of Appeals.

WGI Delaware intends to continue to defend this matter vigorously; however, WGI Delaware cannot provide assurance that it will be successful in these efforts. The potential range of loss and the resolution of these matters cannot be determined at this time primarily due to the very limited factual record that exists in light of the limited discovery that has been conducted to-date in the Idaho litigation; the fact that the matter involves unique and complex bankruptcy, international, and federal regulatory legal issues; the uncertainty concerning legal theories and their potential resolution by the courts; and the overall age of this matter, as well as a number of additional factors. Accordingly, no amounts have been accrued for the federal government claims in the Idaho action.

URS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
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- *New Orleans Levee Failure Class Action Litigation:* From July 1999 through May 2005, Washington Group International, Inc., an Ohio company ("WGI Ohio"), a wholly owned subsidiary acquired by us on November 15, 2007, performed demolition, site preparation, and environmental remediation services for the U.S. Army Corps of Engineers on the east bank of the Inner Harbor Navigation Canal (the "Industrial Canal") in New Orleans, Louisiana. On August 29, 2005, Hurricane Katrina devastated New Orleans. The storm surge created by the hurricane overtopped the Industrial Canal levee and floodwall, flooding the Lower Ninth Ward and other parts of the city. Fifty-nine personal injury and property damage class action lawsuits were filed in Louisiana State and federal court against several defendants, including WGI Ohio, seeking \$200.0 billion in damages plus attorneys' fees and costs. Plaintiffs are residents and property owners who claim to have incurred damages from the breach and failure of the hurricane protection levees and floodwalls in the wake of Hurricane Katrina.

All 59 lawsuits were pleaded as class actions but none have yet been certified as class actions. Along with WGI Ohio, the U.S. Army Corps of Engineers, the Board for the Orleans Levee District, and its insurer, St. Paul Fire and Marine Insurance Company were also named as defendants. At this time WGI Ohio and the Army Corps of Engineers are the remaining defendants. These 59 lawsuits, along with other hurricane-related cases not involving WGI Ohio, were consolidated in the United States District Court for the Eastern District of Louisiana ("District Court").

Plaintiffs allege that defendants were negligent in their design, construction and/or maintenance of the New Orleans levees. Specifically, as to WGI Ohio, plaintiffs allege that work WGI Ohio performed adjacent to the Industrial Canal damaged the levee and floodwall, causing or contributing to breaches and flooding. WGI Ohio did not design, construct, repair or maintain any of the levees or the floodwalls that failed during or after Hurricane Katrina. Rather, WGI Ohio performed work adjacent to the Industrial Canal as a contractor for the federal government.

WGI Ohio filed a motion for summary judgment, seeking dismissal on grounds that government contractors are immune from liability. On December 15, 2008, the District Court granted WGI Ohio's motion for summary judgment, but several plaintiffs appealed that decision to the United States Fifth Circuit Court of Appeals on April 27, 2009. On September 14, 2010, the Court of Appeals reversed the District Court's summary judgment decision and WGI Ohio's dismissal, and remanded the case back to the District Court for further litigation. On August 1, 2011, the District Court decided that the government contractor immunity defense would not be available to WGI Ohio at trial, but would be an issue for appeal. Five of the cases were tried in District Court from September 12, 2012 through October 3, 2012. On April 12, 2013, the District Court ruled in favor of WGI Ohio and the Army Corps of Engineers, finding that the five plaintiffs failed to prove that WGI Ohio's or the Army Corps of Engineers' actions caused the failure of the Industrial Canal floodwall during Hurricane Katrina. On July 1, 2013, WGI Ohio filed a motion for summary judgment in District Court to dismiss all other related cases as a result of the District Court's April 2013 decision.

WGI Ohio intends to continue to defend these matters vigorously; however, WGI Ohio cannot provide assurance that it will be successful in these efforts. The potential range of loss and the resolution of these matters cannot be determined at this time primarily due to the likelihood of an appeal, the unknown number of individual plaintiffs who are actually asserting claims against WGI Ohio; the uncertainty regarding the nature and amount of each individual plaintiff's damage claims; uncertainty concerning legal theories and factual bases that plaintiffs may present and their resolution by courts or regulators; and uncertainty about the plaintiffs' claims, if any, that might survive certain key motions of our affiliate, as well as a number of additional factors.

URS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
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- *DOE Deactivation, Demolition, and Removal Project:* WGI Ohio executed a cost-reimbursable task order with the DOE in 2007 to provide deactivation, demolition and removal services at a New York State project site that, during 2010, experienced contamination and performance issues. In February 2011, WGI Ohio and the DOE executed a Task Order Modification that changed some cost-reimbursable contract provisions to at-risk. The Task Order Modification, including subsequent amendments, requires the DOE to pay all project costs up to \$105.9 million, requires WGI Ohio and the DOE to equally share in all project costs incurred from \$105.9 million to \$145.9 million, and requires WGI Ohio to pay all project costs exceeding \$145.9 million. In addition, in September 2011, WGI Ohio voluntarily paid a civil penalty related to the contamination incident. Through September 27, 2013, WGI Ohio has incurred total project costs of \$252.3 million.

Due to unanticipated requirements and permitting delays by federal and state agencies, as well as delays and related ground stabilization activities caused by Hurricane Irene, WGI Ohio has been required to perform work outside the scope of the Task Order Modification. Based on the changes and delays, requests for equitable adjustment ("REA") amounting to \$47.1 million and proposals related to the hurricane-caused impacts and other directed changes in the amount of \$118.0 million were initially submitted to the DOE for approval. Through September 27, 2013, the DOE has approved one of the REAs for \$0.9 million and has authorized \$31.4 million of additional funding primarily related to the hurricane-caused impacts. Because WGI Ohio and the DOE were unsuccessful in settling the REAs and proposals, during 2013, WGI Ohio submitted several certified claims against the DOE pursuant to the Contracts Disputes Acts seeking recovery of \$112.5 million of the above unfunded REA and proposal costs incurred through April 2013 and \$5.0 million in fees on the expanded work scope. As of September 27, 2013, WGI Ohio has recorded \$73.5 million in accounts receivable for project costs incurred to date in excess of the DOE contracted amount that may not be collected until the claims are resolved. The final project completion costs are not currently estimable due to continuing delays in permitting, other delays, and approval of a final project plan. WGI Ohio can provide no certainty that it will recover the \$112.5 million in submitted DOE claims for costs incurred through April 2013 related to REAs, hurricane-caused work or other directed changes, as well as any other project costs after April 2013 that WGI Ohio is obligated to incur to finalize and complete this project including the accounts receivable, any of which could negatively impact URS' future results of operations.

- *Bolivian Mine Services Agreement:* In 2009, a mine service agreement performed by our wholly owned subsidiary, Washington Group Bolivia, was unilaterally terminated for convenience by the mine owner. The mine owner disputed the fair market value of mining equipment it was required to repurchase under the terms of the mine services agreement. Subsequently, on November 16, 2010, Washington Group Bolivia received a formal claim asserting breaches of contractual obligations and warranties, including the failure to adhere to the requisite professional standard of care while performing the mine services agreement. On June 17, 2011, Washington Group Bolivia received a formal demand for arbitration pursuant to the Rules of Arbitration of the International Chamber of Commerce ("ICC") asserting claims up to \$52.6 million. Washington Group Bolivia brought a \$50 million counterclaim on August 3, 2012 against the mine owner asserting claims of wrongful termination and lost productivity. Arbitration on the mine owner's claims and Washington Group Bolivia's counterclaims commenced before the ICC. In the course of the arbitration proceedings, the mine owner has reduced its claims to approximately \$32.2 million, while Washington Group Bolivia has refined its counterclaim amount to not more than \$62.9 million. On August 9, 2013, a \$10.5 million ICC arbitration tribunal award was issued against Washington Group Bolivia and, on September 5, 2013, the mine owner petitioned the United States District Court of Colorado to confirm the ICC arbitration award. On October 1, 2013, Washington Group Bolivia filed a cross motion to partially vacate the arbitration award in the District Court of Colorado.

Washington Group Bolivia intends to continue to contest this matter vigorously; however, we cannot provide assurance that it will be successful in these efforts. We have accrued an estimated probable loss of \$10.5 million related to this matter; however, we believe the loss may be recoverable under our insurance program.

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- *Canadian Pipeline Contract:* In January 2010, a pipeline owner filed an action in the Court of Queen's Bench of Alberta, Canada against Flint, a company we acquired in May 2012, as well as against a number of other defendants, alleging that the defendants negligently provided pipe coating and insulation system services, engineering, design services, construction services, and other work, causing damage to and abandonment of the line. The pipeline owner alleges it has suffered approximately C\$85.0 million in damages in connection with the abandonment and replacement of the pipeline. Flint was the construction contractor on the pipeline project. Other defendants were responsible for engineering and design-services and for specifying and providing the actual pipe, insulation and coating materials used in the line. In January 2011, the pipeline owner served a Statement of Claim on Flint and, in September 2011, Flint filed a Statement of Defense denying that the damages to the coating system of the pipeline were caused by any negligence or breach of contract of Flint. Flint believes the damages were caused or contributed to by the negligence of one or more of the co-defendants and/or by the negligent operation of the pipeline owner.

Flint intends to continue to defend this matter vigorously; however, it cannot provide assurance that it will be successful, in whole or in part, in these efforts. The potential range of loss and the resolution of this matter cannot be determined at this time primarily due to the early stage of the discovery; the substantial uncertainty regarding the actual cause of the damage to or loss of the line; the nature and amount of each individual damage claim against the various defendants; and the uncertainty concerning legal theories and factual bases that the customer may present against all or some of the defendants.

- *U.K. Joint Venture:* On April 12, 2010, one of our U.K. joint ventures sent several bags of low level non-exempt radioactive waste to a waste disposal facility that was not licensed to handle such waste. On November 15, 2012, the U.K. Environment Agency and the U.K. Department for Transport initiated environmental regulatory proceedings against our U.K. joint venture in the Workington Magistrates' Court under the U.K. Environmental Permitting Regulations 2010, the Radioactive Substances Act 1993, the Carriage of Dangerous Goods and the use of Transportable Pressure Equipment Regulations 2009. On February 7, 2013, our U.K. joint venture entered a plea of guilty before the Magistrates' Court and the matter was referred to the Carlisle Crown Court (the "Crown Court") for sentencing. On June 14, 2013, the Crown Court issued a fine equivalent to approximately \$1.2 million. On July 9, 2013, our U.K. joint venture appealed the Crown Court's decision to the Court of Appeal Criminal Division.

The resolution of outstanding claims and legal proceedings is subject to inherent uncertainty, and it is reasonably possible that any resolution of these claims and legal proceedings could have a material adverse effect on us, including a substantial charge to our earnings and operating results for that period; however, an estimate of all the reasonably possible losses cannot be determined at this time.

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Insurance

Generally, our insurance program covers workers' compensation and employer's liability, general liability, automobile liability, professional errors and omissions liability, property, marine property and liability, and contractor's pollution liability (in addition to other policies for specific projects). We have also elected to retain a portion of the losses that occur through the use of various deductibles, limits, and self-insured retentions under our insurance programs. In addition, our insurance policies contain exclusions and sublimits that insurance providers may use to deny or restrict coverage. Excess liability, contractor's pollution liability, and professional liability insurance policies provide for coverages on a "claims-made" basis, covering only claims actually made and reported during the policy period currently in effect. Thus, if we do not continue to maintain these policies, we will have no coverage for claims made after the termination date even for claims based on events that occurred during the term of coverage. While we intend to maintain these policies, we may be unable to maintain existing coverage levels.

Guarantee Obligations and Commitments

As of September 27, 2013, we had the following guarantee obligations and commitments:

We have agreed to indemnify one of our joint venture partners up to \$25.0 million for any potential losses, damages, and liabilities associated with lawsuits in relation to general and administrative services we provide to the joint venture.

As of September 27, 2013, we had \$34.3 million in bank guarantees outstanding under foreign credit facilities and other banking arrangements.

We also maintain a variety of commercial commitments that are generally made to support provisions of our contracts. In addition, in the ordinary course of business, we provide letters of credit to clients and others against advance payments and to support other business arrangements. We are required to reimburse the issuers of letters of credit for any payments they make under the letters of credit.

In the ordinary course of business, we may provide performance assurances and guarantees related to our services. For example, these guarantees may include surety bonds, arrangements among our client, a surety, and us to ensure we perform our contractual obligations pursuant to our client agreement. If our services under a guaranteed project are later determined to have resulted in a material defect or other material deficiency, then we may be responsible for monetary damages or other legal remedies. When sufficient information about claims on guaranteed projects is available and monetary damages or other costs or losses are determined to be probable, we recognize such guarantee losses.

URS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
(Continued)

NOTE 17. RECLASSIFICATIONS OUT OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The accumulated balances and reporting period activities for the three and nine months ended September 27, 2013 and September 28, 2012 related to reclassifications out of accumulated other comprehensive income (loss) are summarized as follows:

<i>(In millions)</i>	Pension and Post-retirement Related Adjustments	Foreign Currency Translation Adjustments	Loss on Derivative Instruments	Accumulated Other Comprehensive Income (Loss)
Balances at June 29, 2012	\$ (106.7)	\$ (14.6)	\$ (0.7)	\$ (122.0)
Other comprehensive income before reclassification	—	59.1	—	59.1
Amounts reclassified from accumulated other comprehensive income:				
Prior service costs, net of tax ⁽¹⁾	(0.5)	—	—	(0.5)
Actuarial (gains) losses, net of tax ⁽¹⁾	1.6	—	—	1.6
Translation adjustment realized upon liquidation of foreign subsidiaries, net of tax ⁽²⁾	—	0.1	—	0.1
Net current-period other comprehensive income	1.1	59.2	—	60.3
Balances at September 28, 2012	<u>\$ (105.6)</u>	<u>\$ 44.6</u>	<u>\$ (0.7)</u>	<u>\$ (61.7)</u>

<i>(In millions)</i>	Pension and Post-retirement Related Adjustments	Foreign Currency Translation Adjustments	Loss on Derivative Instruments	Accumulated Other Comprehensive Income (Loss)
Balances at June 28, 2013	\$ (129.3)	\$ (52.7)	\$ (0.6)	\$ (182.6)
Other comprehensive income before reclassification	(1.1)	26.6	—	25.5
Amounts reclassified from accumulated other comprehensive income:				
Reclassification adjustment of prior derivative settlement, net of tax	—	—	0.1	0.1
Prior service costs, net of tax ⁽¹⁾	(0.1)	—	—	(0.1)
Actuarial (gains) losses, net of tax ⁽¹⁾	2.4	—	—	2.4
Translation adjustment realized upon liquidation of foreign subsidiaries, net of tax ⁽²⁾	—	0.1	—	0.1
Net current-period other comprehensive income	1.2	26.7	0.1	28.0
Balances at September 27, 2013	<u>\$ (128.1)</u>	<u>\$ (26.0)</u>	<u>\$ (0.5)</u>	<u>\$ (154.6)</u>

URS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
(Continued)

<i>(In millions)</i>	Pension and Post-retirement Related Adjustments	Foreign Currency Translation Adjustments	Loss on Derivative Instruments	Accumulated Other Comprehensive Income (Loss)
Balances at December 30, 2011	\$ (108.8)	\$ (2.0)	\$ —	\$ (110.8)
Other comprehensive income before reclassification	0.1	46.2	(0.7)	45.6
Amounts reclassified from accumulated other comprehensive income:				
Prior service costs, net of tax ⁽¹⁾	(1.3)	—	—	(1.3)
Actuarial (gains) losses, net of tax ⁽¹⁾	4.4	—	—	4.4
Translation adjustment realized upon liquidation of foreign subsidiaries, net of tax ⁽²⁾	—	0.4	—	0.4
Net current-period other comprehensive income	3.2	46.6	(0.7)	49.1
Balances at September 28, 2012	<u>\$ (105.6)</u>	<u>\$ 44.6</u>	<u>\$ (0.7)</u>	<u>\$ (61.7)</u>

<i>(In millions)</i>	Pension and Post-retirement Related Adjustments	Foreign Currency Translation Adjustments	Loss on Derivative Instruments	Accumulated Other Comprehensive Income (Loss)
Balances at December 28, 2012	\$ (135.4)	\$ 22.8	\$ (0.6)	\$ (113.2)
Other comprehensive income before reclassification	0.3	(48.4)	—	(48.1)
Amounts reclassified from accumulated other comprehensive income:				
Reclassification adjustment of prior derivative settlement, net of tax	—	—	0.1	0.1
Prior service costs, net of tax ⁽¹⁾	(0.2)	—	—	(0.2)
Actuarial (gains) losses, net of tax ⁽¹⁾	7.2	—	—	7.2
Translation adjustment realized upon liquidation of foreign subsidiaries, net of tax ⁽²⁾	—	(0.4)	—	(0.4)
Net current-period other comprehensive income	7.3	(48.8)	0.1	(41.4)
Balances at September 27, 2013	<u>\$ (128.1)</u>	<u>\$ (26.0)</u>	<u>\$ (0.5)</u>	<u>\$ (154.6)</u>

⁽¹⁾ These accumulated other comprehensive income components are included in the computation of net periodic pension costs, which were recorded in “Cost of revenues” and “General and administrative expenses” in our Condensed Consolidated Statements of Operations. See [Note 13, “Employee Retirement and Post-Retirement Benefit Plans,”](#) for more information.

⁽²⁾ This accumulated other comprehensive income component is reclassified into “Cost of revenues” in our Condensed Consolidated Statements of Operations.

URS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
(Continued)

NOTE 18. CONDENSED CONSOLIDATING FINANCIAL INFORMATION

On March 15, 2012, URS Corporation, the parent company ("Parent"), and URS Fox US LP ("Fox LP"), a 100% owned subsidiary of the Parent, issued the Senior Notes. See Note 10, "Indebtedness," for more information. The Senior Notes are our general unsecured senior obligations and rank equally with our other existing and future unsecured senior indebtedness. The Senior Notes are fully and unconditionally guaranteed (the "Guarantees") on a joint-and-several basis by each of the Parent's current and future domestic subsidiaries that are guarantors under our 2011 Credit Facility or that are 100% owned domestic obligors or 100% owned domestic guarantors, individually or collectively, under any future indebtedness of our subsidiaries in excess of \$100.0 million (the "Guarantors"). The Guarantees are the Guarantors' unsecured senior obligations and rank equally with the Guarantors' other existing and future unsecured senior indebtedness.

The Guarantee of a Guarantor will, so long as no event of default shall have occurred and be continuing with respect to the Senior Notes, be automatically and unconditionally released and discharged without any action on the part of the trustee or the holders of the Senior Notes:

- (a) with respect to a Guarantor which, individually or together with the Parent's other domestic subsidiaries, no longer has any indebtedness of borrowed money in excess of \$100.0 million outstanding and no longer guarantees, individually or together with the Parent's other domestic subsidiaries, any indebtedness in excess of \$100.0 million incurred by the Parent or any of the Parent's other 100% owned domestic subsidiaries;
- (b) unless the Guarantor is the surviving entity (i) upon the sale, lease or exchange of all or substantially all of the Guarantor's assets to any person or entity not an affiliate of the Parent or (ii) upon any sale, exchange or transfer, to any person or entity not an affiliate of the Parent, of all of the Parent's direct and indirect interest in such Guarantor;
- (c) upon the full and final payment and performance of all obligations under the indenture and the Senior Notes;
- (d) upon liquidation and dissolution of a Guarantor in a transaction that is not prohibited by the indenture; or
- (e) upon legal defeasance, covenant defeasance or satisfaction and discharge of the indenture.

In addition, the Guarantee of any domestic subsidiary that is a Guarantor will be automatically and unconditionally released and discharged, without any further action required by such Guarantor, the trustee, or the holders of the Senior Notes, if at any time such domestic subsidiary of the Parent that is a Guarantor is no longer a domestic subsidiary of the Parent.

We have early adopted Accounting Standards Update (ASU) 2013-04 – Obligations Resulting from Joint and Several Liability Arrangements For Which the Total Amount of the Obligation Is Fixed at the Reporting Date. The update requires companies to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date. The total amount of the obligation is the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligor.

Consistent with the arrangement between Parent and Fox LP, \$300.4 million and \$699.6 million of the Senior Notes are included in the liabilities of Parent and Fox LP, respectively, as of both September 27, 2013 and December 28, 2012.

URS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
(Continued)

Restatement and Revisions of Previously Issued Condensed Consolidating Financial Information

Subsequent to initially filing the condensed consolidating financial information, immaterial errors described below were discovered, which impacted the previously presented condensed consolidating financial information. These immaterial errors are referred to in the table below as Revision Adjustments. The Revision Adjustments impacting the Condensed Consolidating Balance Sheet as of December 28, 2012 included:

- An adjustment relating to intercompany receivables and intercompany payables.
- Misclassifications of intercompany receivable/payable activities and misclassification of intercompany notes between short-term and long-term.
- A misclassification of an elimination entry that should have been recorded within the non-guarantor column instead of the cross-elimination column.

We assessed the materiality of all of these errors in accordance with the SEC's Staff Accounting Bulletin 99 and concluded that the previously issued consolidated financial statements were not materially misstated. In accordance with the SEC's Staff Accounting Bulletin 108, we have corrected these immaterial errors by revising the previously issued condensed consolidating financial information included in this footnote.

In connection with the restatement described in Note 1, "Business, Basis of Presentation, and Accounting Policies," above, we have restated the Condensed Consolidating Balance Sheet as of December 28, 2012. The effect of these restatements, referred to below as Restatement Adjustments, was an increase to goodwill, deferred tax liabilities and URS stockholders' equity.

The following table presents the effects of the Restatement Adjustments and Revision Adjustments on the Condensed Consolidating Balance Sheet as of December 28, 2012.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
(Continued)

(in millions)	As of December 28, 2012					
	Issuer Parent	Issuer Fox LP	Guarantors	Non- Guarantors	Eliminations	Consolidated
Condensed Consolidating Balance Sheet Data:						
As Reported						
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 14.4	\$ —	\$ 16.3	\$ 285.4	\$ (1.6)	\$ 314.5
Accounts receivable, including retentions	—	—	771.2	811.8	(28.2)	1,554.8
Costs and accrued earnings in excess of billings on contracts	—	—	876.9	515.7	(8.3)	1,384.3
Less receivable allowances	—	—	(29.1)	(40.6)	—	(69.7)
Net accounts receivable	—	—	1,619.0	1,286.9	(36.5)	2,869.4
Intercompany accounts receivable	1,765.8	22.4	4,248.9	1,530.6	(7,567.7)	—
Deferred tax assets	6.8	—	60.3	0.5	—	67.6
Inventory	—	—	5.5	56.0	—	61.5
Other current assets	38.2	—	65.5	111.3	(10.8)	204.2
Total current assets	1,825.2	22.4	6,015.5	3,270.7	(7,616.6)	3,517.2
Investments in and advances to subsidiaries and unconsolidated joint ventures	5,400.5	20.7	1,812.0	258.9	(7,213.8)	278.3
Property and equipment at cost, net	26.9	—	159.7	500.9	—	687.5
Intangible assets, net	0.2	—	223.5	468.5	—	692.2
Goodwill	—	—	1,778.7	1,468.4	—	3,247.1
Other long-term assets	22.4	—	231.3	115.3	(4.8)	364.2
Total assets	\$ 7,275.2	\$ 43.1	\$ 10,220.7	\$ 6,082.7	\$ (14,835.2)	\$ 8,786.5
LIABILITIES AND EQUITY						
Current liabilities:						
Current portion of long-term debt	\$ 18.9	\$ —	\$ 10.0	\$ 42.9	\$ —	\$ 71.8
Accounts payable and subcontractors payable, including retentions	4.1	—	382.8	454.8	(38.2)	803.5
Accrued salaries and employee benefits	41.1	—	362.6	155.1	—	558.8
Billings in excess of costs and accrued earnings on contracts	—	—	146.4	143.0	(0.3)	289.1
Intercompany accounts payable	3,138.3	14.7	3,109.1	1,305.6	(7,567.7)	—
Short-term intercompany notes payable	14.3	—	20.0	599.2	(633.5)	—
Other current liabilities	59.4	8.6	146.3	74.0	(10.5)	277.8
Total current liabilities	3,276.1	23.3	4,177.2	2,774.6	(8,250.2)	2,001.0
Long-term debt	952.2	699.6	16.9	323.8	—	1,992.5
Deferred tax liabilities	—	—	247.6	85.5	(4.8)	328.3
Self-insurance reserves	—	—	18.3	111.5	—	129.8
Pension and post-retirement benefit obligations	—	—	185.4	115.5	—	300.9
Long-term intercompany notes payable	—	—	561.7	687.8	(1,249.5)	—
Other long-term liabilities	2.9	—	197.0	71.1	—	271.0
Total liabilities	4,231.2	722.9	5,404.1	4,169.8	(9,504.5)	5,023.5
URS stockholders' equity	3,621.1	8.0	5,400.4	1,805.3	(7,213.7)	3,621.1
Intercompany notes receivable	(577.1)	(687.8)	(583.8)	(34.3)	1,883.0	—
Total URS stockholders' equity	3,044.0	(679.8)	4,816.6	1,771.0	(5,330.7)	3,621.1
Noncontrolling interests	—	—	—	141.9	—	141.9
Total stockholders' equity	3,044.0	(679.8)	4,816.6	1,912.9	(5,330.7)	3,763.0
Total liabilities and stockholders' equity	\$ 7,275.2	\$ 43.1	\$ 10,220.7	\$ 6,082.7	\$ (14,835.2)	\$ 8,786.5

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<i>(in millions)</i>	As of December 28, 2012					
	<u>Issuer Parent</u>	<u>Issuer Fox LP</u>	<u>Guarantors</u>	<u>Non- Guarantors</u>	<u>Eliminations</u>	<u>Consolidated</u>
Restatement Adjustments						
ASSETS						
Investments in and advances to subsidiaries and unconsolidated joint ventures	\$ 422.9	\$ —	\$ 224.1	\$ —	\$ (647.0)	\$ —
Goodwill	\$ —	\$ —	\$ 250.4	\$ 224.1	\$ —	\$ 474.5
Total assets	\$ 422.9	\$ —	\$ 474.5	\$ 224.1	\$ (647.0)	\$ 474.5
LIABILITIES AND EQUITY						
Deferred tax liabilities	\$ —	\$ —	\$ 51.6	\$ —	\$ —	\$ 51.6
Total liabilities	\$ —	\$ —	\$ 51.6	\$ —	\$ —	\$ 51.6
URS stockholders' equity	\$ 422.9	\$ —	\$ 422.9	\$ 224.1	\$ (647.0)	\$ 422.9
Total URS stockholders' equity	\$ 422.9	\$ —	\$ 422.9	\$ 224.1	\$ (647.0)	\$ 422.9
Total stockholders' equity	\$ 422.9	\$ —	\$ 422.9	\$ 224.1	\$ (647.0)	\$ 422.9
Total liabilities and stockholders' equity	\$ 422.9	\$ —	\$ 474.5	\$ 224.1	\$ (647.0)	\$ 474.5

<i>(in millions)</i>	As of December 28, 2012					
	<u>Issuer Parent</u>	<u>Issuer Fox LP</u>	<u>Guarantors</u>	<u>Non- Guarantors</u>	<u>Eliminations</u>	<u>Consolidated</u>
Revision Adjustments						
ASSETS						
Current assets:						
Accounts receivable, including retentions	\$ —	\$ —	\$ 0.1	\$ —	\$ (0.1)	\$ —
Net accounts receivable	\$ —	\$ —	\$ 0.1	\$ —	\$ (0.1)	\$ —
Intercompany accounts receivable	\$ 27.4	\$ —	\$ (315.8)	\$ (261.6)	\$ 550.0	\$ —
Total current assets	\$ 27.4	\$ —	\$ (315.7)	\$ (261.6)	\$ 549.9	\$ —
Investments in and advances to subsidiaries and unconsolidated joint ventures	\$ 0.1	\$ —	\$ 0.2	\$ (16.7)	\$ 16.4	\$ —
Intangible assets, net	\$ —	\$ —	\$ (0.2)	\$ 0.2	\$ —	\$ —
Other long-term assets	\$ (0.1)	\$ —	\$ —	\$ (0.2)	\$ 0.3	\$ —
Total assets	\$ 27.4	\$ —	\$ (315.7)	\$ (278.3)	\$ 566.6	\$ —
LIABILITIES AND EQUITY						
Current liabilities:						
Accounts payable and subcontractors payable, including retentions	\$ 0.1	\$ —	\$ (0.1)	\$ —	\$ —	\$ —
Accrued salaries and employee benefits	\$ (0.1)	\$ —	\$ 0.1	\$ —	\$ —	\$ —
Billings in excess of costs and accrued earnings on contracts	\$ —	\$ —	\$ (0.1)	\$ —	\$ 0.1	\$ —
Intercompany accounts payable	\$ 27.4	\$ —	\$ (315.7)	\$ (261.7)	\$ 550.0	\$ —
Short-term intercompany notes payable	\$ —	\$ —	\$ —	\$ (577.6)	\$ 577.6	\$ —
Other current liabilities	\$ 0.1	\$ —	\$ (0.1)	\$ 4.0	\$ (4.0)	\$ —
Total current liabilities	\$ 27.5	\$ —	\$ (315.9)	\$ (835.3)	\$ 1,123.7	\$ —
Deferred tax liabilities	\$ —	\$ —	\$ (0.1)	\$ 0.1	\$ —	\$ —
Long-term intercompany notes payable	\$ —	\$ —	\$ —	\$ 577.6	\$ (577.6)	\$ —
Other long-term liabilities	\$ (0.1)	\$ —	\$ 0.1	\$ —	\$ —	\$ —
Total liabilities	\$ 27.4	\$ —	\$ (315.9)	\$ (257.6)	\$ 546.1	\$ —
URS stockholders' equity	\$ —	\$ —	\$ 0.2	\$ (20.7)	\$ 20.5	\$ —
Total URS stockholders' equity	\$ —	\$ —	\$ 0.2	\$ (20.7)	\$ 20.5	\$ —
Total stockholders' equity	\$ —	\$ —	\$ 0.2	\$ (20.7)	\$ 20.5	\$ —
Total liabilities and stockholders' equity	\$ —	\$ —	\$ 0.2	\$ (20.7)	\$ 20.5	\$ —

equity	\$	27.4	\$	—	\$	(315.7)	\$	(278.3)	\$	566.6	\$	—
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URS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
(Continued)

(in millions) As Restated	As of December 28, 2012					
	Issuer Parent	Issuer Fox LP	Guarantors	Non- Guarantors	Eliminations	Consolidated
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 14.4	\$ —	\$ 16.3	\$ 285.4	\$ (1.6)	\$ 314.5
Accounts receivable, including retentions	—	—	771.3	811.8	(28.3)	1,554.8
Costs and accrued earnings in excess of billings on contracts	—	—	876.9	515.7	(8.3)	1,384.3
Less receivable allowances	—	—	(29.1)	(40.6)	—	(69.7)
Net accounts receivable	—	—	1,619.1	1,286.9	(36.6)	2,869.4
Intercompany accounts receivable	1,793.2	22.4	3,933.1	1,269.0	(7,017.7)	—
Deferred tax assets	6.8	—	60.3	0.5	—	67.6
Inventory	—	—	5.5	56.0	—	61.5
Other current assets	38.2	—	65.5	111.3	(10.8)	204.2
Total current assets	1,852.6	22.4	5,699.8	3,009.1	(7,066.7)	3,517.2
Investments in and advances to subsidiaries and unconsolidated joint ventures	5,823.5	20.7	2,036.3	242.2	(7,844.4)	278.3
Property and equipment at cost, net	26.9	—	159.7	500.9	—	687.5
Intangible assets, net	0.2	—	223.3	468.7	—	692.2
Goodwill	—	—	2,029.1	1,692.5	—	3,721.6
Other long-term assets	22.3	—	231.3	115.1	(4.5)	364.2
Total assets	\$ 7,725.5	\$ 43.1	\$ 10,379.5	\$ 6,028.5	\$ (14,915.6)	\$ 9,261.0
LIABILITIES AND EQUITY						
Current liabilities:						
Current portion of long-term debt	\$ 18.9	\$ —	\$ 10.0	\$ 42.9	\$ —	\$ 71.8
Accounts payable and subcontractors payable, including retentions	4.2	—	382.7	454.8	(38.2)	803.5
Accrued salaries and employee benefits	41.0	—	362.7	155.1	—	558.8
Billings in excess of costs and accrued earnings on contracts	—	—	146.3	143.0	(0.2)	289.1
Intercompany accounts payable	3,165.7	14.7	2,793.4	1,043.9	(7,017.7)	—
Short-term intercompany notes payable	14.3	—	20.0	21.6	(55.9)	—
Other current liabilities	59.5	8.6	146.2	78.0	(14.5)	277.8
Total current liabilities	3,303.6	23.3	3,861.3	1,939.3	(7,126.5)	2,001.0
Long-term debt	952.2	699.6	16.9	323.8	—	1,992.5
Deferred tax liabilities	—	—	299.1	85.6	(4.8)	379.9
Self-insurance reserves	—	—	18.3	111.5	—	129.8
Pension and post-retirement benefit obligations	—	—	185.4	115.5	—	300.9
Long-term intercompany notes payable	—	—	561.7	1,265.4	(1,827.1)	—
Other long-term liabilities	2.8	—	197.1	71.1	—	271.0
Total liabilities	4,258.6	722.9	5,139.8	3,912.2	(8,958.4)	5,075.1
URS stockholders' equity	4,044.0	8.0	5,823.5	2,008.7	(7,840.2)	4,044.0
Intercompany notes receivable	(577.1)	(687.8)	(583.8)	(34.3)	1,883.0	—
Total URS stockholders' equity	3,466.9	(679.8)	5,239.7	1,974.4	(5,957.2)	4,044.0
Noncontrolling interests	—	—	—	141.9	—	141.9
Total stockholders' equity	3,466.9	(679.8)	5,239.7	2,116.3	(5,957.2)	4,185.9
Total liabilities and stockholders' equity	\$ 7,725.5	\$ 43.1	\$ 10,379.5	\$ 6,028.5	\$ (14,915.6)	\$ 9,261.0

URS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
(Continued)

The following is our condensed consolidating financial information, segregating the issuers, guarantor subsidiaries and non-guarantor subsidiaries, as of September 27, 2013 and December 28, 2012, and for the three and nine months ended September 27, 2013 and September 28, 2012.

CONDENSED CONSOLIDATING BALANCE SHEET – UNAUDITED

As of September 27, 2013

(in millions)	Issuer Parent	Issuer Fox LP	Guarantors	Non- Guarantors	Eliminations	Consolidated
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 115.1	\$ —	\$ 20.1	\$ 220.3	\$ (41.3)	\$ 314.2
Accounts receivable, including retentions	—	—	819.9	659.7	(14.8)	1,464.8
Costs and accrued earnings in excess of billings on contracts	—	—	823.6	644.1	(8.0)	1,459.7
Less receivable allowances	—	—	(29.2)	(33.9)	—	(63.1)
Net accounts receivable	—	—	1,614.3	1,269.9	(22.8)	2,861.4
Intercompany accounts receivable	783.2	16.7	2,822.8	588.4	(4,211.1)	—
Deferred tax assets	6.7	—	44.6	—	(4.8)	46.5
Inventory	—	—	0.5	53.2	—	53.7
Other current assets	45.7	—	71.4	111.6	(1.5)	227.2
Total current assets	950.7	16.7	4,573.7	2,243.4	(4,281.5)	3,503.0
Investments in and advances to subsidiaries and unconsolidated joint ventures	5,996.2	43.9	1,965.5	205.0	(7,957.8)	252.8
Property and equipment at cost, net	29.5	—	158.9	442.7	—	631.1
Intangible assets, net	0.2	—	196.6	407.3	—	604.1
Goodwill	—	—	2,029.1	1,673.9	0.3	3,703.3
Other long-term assets	22.7	—	296.9	83.9	(7.5)	396.0
Total assets	\$ 6,999.3	\$ 60.6	\$ 9,220.7	\$ 5,056.2	\$ (12,246.5)	\$ 9,090.3
LIABILITIES AND EQUITY						
Current liabilities:						
Current portion of long-term debt	\$ 44.0	\$ —	\$ 9.6	\$ 38.6	\$ —	\$ 92.2
Accounts payable and subcontractors payable, including retentions	3.7	—	403.5	358.5	(68.2)	697.5
Accrued salaries and employee benefits	32.4	—	355.7	168.0	—	556.1
Billings in excess of costs and accrued earnings on contracts	—	—	118.8	106.3	—	225.1
Intercompany accounts payable	2,370.7	—	1,480.7	359.7	(4,211.1)	—
Short-term intercompany notes payable	14.3	—	20.5	21.6	(56.4)	—
Other current liabilities	68.5	17.9	124.0	61.8	(14.9)	257.3
Total current liabilities	2,533.6	17.9	2,512.8	1,114.5	(4,350.6)	1,828.2
Long-term debt	915.5	699.6	17.1	270.8	—	1,903.0
Deferred tax liabilities	—	—	329.5	76.8	(7.0)	399.3
Self-insurance reserves	—	—	9.4	122.6	—	132.0
Pension and post-retirement benefit obligations	—	—	169.0	109.5	—	278.5
Long-term intercompany notes payable	—	—	561.1	1,269.8	(1,830.9)	—
Other long-term liabilities	3.2	—	228.2	46.0	—	277.4
Total liabilities	3,452.3	717.5	3,827.1	3,010.0	(6,188.5)	4,818.4
URS stockholders' equity	4,123.5	16.5	5,996.2	1,932.6	(7,945.3)	4,123.5
Intercompany notes receivable	(576.5)	(673.4)	(602.6)	(34.8)	1,887.3	—
Total URS stockholders' equity	3,547.0	(656.9)	5,393.6	1,897.8	(6,058.0)	4,123.5
Noncontrolling interests	—	—	—	148.4	—	148.4
Total stockholders' equity	3,547.0	(656.9)	5,393.6	2,046.2	(6,058.0)	4,271.9
Total liabilities and stockholders' equity	\$ 6,999.3	\$ 60.6	\$ 9,220.7	\$ 5,056.2	\$ (12,246.5)	\$ 9,090.3

URS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
(Continued)

CONDENSED CONSOLIDATING BALANCE SHEET - As Revised and Restated
As of December 28, 2012

<i>(in millions)</i>	<u>Issuer Parent</u>	<u>Issuer Fox LP</u>	<u>Guarantors</u>	<u>Non- Guarantors</u>	<u>Eliminations</u>	<u>Consolidated</u>
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 14.4	\$ —	\$ 16.3	\$ 285.4	\$ (1.6)	\$ 314.5
Accounts receivable, including retentions	—	—	771.3	811.8	(28.3)	1,554.8
Costs and accrued earnings in excess of billings on contracts	—	—	876.9	515.7	(8.3)	1,384.3
Less receivable allowances	—	—	(29.1)	(40.6)	—	(69.7)
Net accounts receivable	—	—	1,619.1	1,286.9	(36.6)	2,869.4
Intercompany accounts receivable	1,793.2	22.4	3,933.1	1,269.0	(7,017.7)	—
Deferred tax assets	6.8	—	60.3	0.5	—	67.6
Inventory	—	—	5.5	56.0	—	61.5
Other current assets	38.2	—	65.5	111.3	(10.8)	204.2
Total current assets	1,852.6	22.4	5,699.8	3,009.1	(7,066.7)	3,517.2
Investments in and advances to subsidiaries and unconsolidated joint ventures	5,823.5	20.7	2,036.3	242.2	(7,844.4)	278.3
Property and equipment at cost, net	26.9	—	159.7	500.9	—	687.5
Intangible assets, net	0.2	—	223.3	468.7	—	692.2
Goodwill	—	—	2,029.1	1,692.5	—	3,721.6
Other long-term assets	22.3	—	231.3	115.1	(4.5)	364.2
Total assets	<u>\$ 7,725.5</u>	<u>\$ 43.1</u>	<u>\$ 10,379.5</u>	<u>\$ 6,028.5</u>	<u>\$ (14,915.6)</u>	<u>\$ 9,261.0</u>
LIABILITIES AND EQUITY						
Current liabilities:						
Current portion of long-term debt	\$ 18.9	\$ —	\$ 10.0	\$ 42.9	\$ —	\$ 71.8
Accounts payable and subcontractors payable, including retentions	4.2	—	382.7	454.8	(38.2)	803.5
Accrued salaries and employee benefits	41.0	—	362.7	155.1	—	558.8
Billings in excess of costs and accrued earnings on contracts	—	—	146.3	143.0	(0.2)	289.1
Intercompany accounts payable	3,165.7	14.7	2,793.4	1,043.9	(7,017.7)	—
Short-term intercompany notes payable	14.3	—	20.0	21.6	(55.9)	—
Other current liabilities	59.5	8.6	146.2	78.0	(14.5)	277.8
Total current liabilities	3,303.6	23.3	3,861.3	1,939.3	(7,126.5)	2,001.0
Long-term debt	952.2	699.6	16.9	323.8	—	1,992.5
Deferred tax liabilities	—	—	299.1	85.6	(4.8)	379.9
Self-insurance reserves	—	—	18.3	111.5	—	129.8
Pension and post-retirement benefit obligations	—	—	185.4	115.5	—	300.9
Long-term intercompany notes payable	—	—	561.7	1,265.4	(1,827.1)	—
Other long-term liabilities	2.8	—	197.1	71.1	—	271.0
Total liabilities	4,258.6	722.9	5,139.8	3,912.2	(8,958.4)	5,075.1
URS stockholders' equity	4,044.0	8.0	5,823.5	2,008.7	(7,840.2)	4,044.0
Intercompany notes receivable	(577.1)	(687.8)	(583.8)	(34.3)	1,883.0	—
Total URS stockholders' equity	3,466.9	(679.8)	5,239.7	1,974.4	(5,957.2)	4,044.0
Noncontrolling interests	—	—	—	141.9	—	141.9
Total stockholders' equity	3,466.9	(679.8)	5,239.7	2,116.3	(5,957.2)	4,185.9
Total liabilities and stockholders' equity	<u>\$ 7,725.5</u>	<u>\$ 43.1</u>	<u>\$ 10,379.5</u>	<u>\$ 6,028.5</u>	<u>\$ (14,915.6)</u>	<u>\$ 9,261.0</u>

URS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
(Continued)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS – UNAUDITED
For the Three Months Ended September 27, 2013

<i>(in millions)</i>	Issuer Parent	Issuer Fox LP	Guarantors	Non- Guarantors	Eliminations	Consolidated
Revenues	\$ —	\$ —	\$ 1,634.8	\$ 1,185.1	\$ (84.4)	\$ 2,735.5
Cost of revenues	—	—	(1,532.1)	(1,111.3)	84.4	(2,559.0)
General and administrative expenses	(15.4)	—	—	1.1	—	(14.3)
Equity in income (loss) in subsidiaries	77.5	7.7	46.2	(5.5)	(125.9)	—
Equity in income of unconsolidated joint ventures	—	—	0.8	16.3	—	17.1
Intercompany royalty and general and administrative charges	39.3	—	(35.1)	(4.2)	—	—
Operating income (loss)	101.4	7.7	114.6	81.5	(125.9)	179.3
Interest expense	(8.5)	(9.7)	(0.2)	(4.8)	—	(23.2)
Intercompany interest income	2.5	1.0	9.2	0.4	(13.1)	—
Intercompany interest expense	(0.3)	—	(2.7)	(10.1)	13.1	—
Other income (expenses)	—	—	—	1.6	—	1.6
Income (loss) before income taxes	95.1	(1.0)	120.9	68.6	(125.9)	157.7
Income tax benefit (expense)	(6.3)	3.2	(43.4)	4.2	—	(42.3)
Net income (loss) including noncontrolling interests	88.8	2.2	77.5	72.8	(125.9)	115.4
Noncontrolling interests in income of consolidated subsidiaries	—	—	—	(26.6)	—	(26.6)
Net income (loss) attributable to URS	\$ 88.8	\$ 2.2	\$ 77.5	\$ 46.2	\$ (125.9)	\$ 88.8
Comprehensive income (loss) attributable to URS	\$ 116.8	\$ 2.2	\$ 107.1	\$ 71.9	\$ (181.2)	\$ 116.8

URS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
(Continued)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS – UNAUDITED
For the Three Months Ended September 28, 2012

<i>(in millions)</i>	Issuer Parent	Issuer Fox LP	Guarantors	Non- Guarantors	Eliminations	Consolidated
Revenues	\$ —	\$ —	\$ 1,680.8	\$ 1,354.7	\$ (87.9)	\$ 2,947.6
Cost of revenues	—	—	(1,561.4)	(1,279.8)	87.9	(2,753.3)
General and administrative expenses	(22.8)	—	—	0.2	—	(22.6)
Acquisition-related expenses	0.8	—	—	—	—	0.8
Equity in income (loss) in subsidiaries	109.2	8.5	72.3	3.6	(193.6)	—
Equity in income of unconsolidated joint ventures	—	—	10.6	20.5	—	31.1
Intercompany royalty and general and administrative charges	35.4	—	(32.9)	(2.5)	—	—
Operating income (loss)	122.6	8.5	169.4	96.7	(193.6)	203.6
Interest expense	(21.7)	4.7	0.1	(3.6)	—	(20.5)
Intercompany interest income	2.5	1.1	8.4	(0.2)	(11.8)	—
Intercompany interest expense	(0.3)	—	(2.2)	(9.3)	11.8	—
Other income (expenses)	—	—	—	10.8	—	10.8
Income (loss) before income taxes	103.1	14.3	175.7	94.4	(193.6)	193.9
Income tax benefit (expense)	3.6	(2.2)	(66.5)	(1.0)	—	(66.1)
Net income (loss) including noncontrolling interests	106.7	12.1	109.2	93.4	(193.6)	127.8
Noncontrolling interests in income of consolidated subsidiaries	—	—	—	(21.1)	—	(21.1)
Net income (loss) attributable to URS	<u>\$ 106.7</u>	<u>\$ 12.1</u>	<u>\$ 109.2</u>	<u>\$ 72.3</u>	<u>\$ (193.6)</u>	<u>\$ 106.7</u>
Comprehensive income (loss) attributable to URS	<u>\$ 167.0</u>	<u>\$ 12.1</u>	<u>\$ 171.8</u>	<u>\$ 141.4</u>	<u>\$ (325.3)</u>	<u>\$ 167.0</u>

URS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
(Continued)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS – UNAUDITED
For the Nine Months Ended September 27, 2013

<i>(In millions)</i>	<u>Issuer Parent</u>	<u>Issuer Fox LP</u>	<u>Guarantors</u>	<u>Non- Guarantors</u>	<u>Eliminations</u>	<u>Consolidated</u>
Revenues	\$ —	\$ —	\$ 4,961.8	\$ 3,620.2	\$ (252.0)	\$ 8,330.0
Cost of revenues	—	—	(4,616.9)	(3,487.0)	252.0	(7,851.9)
General and administrative expense	(61.4)	—	—	1.5	—	(59.9)
Equity in income (loss) in subsidiaries	209.7	23.1	55.2	(14.8)	(273.2)	—
Equity in income of unconsolidated joint ventures	—	—	5.5	53.6	—	59.1
Intercompany royalty and general and administrative charges	108.0	—	(93.8)	(14.2)	—	—
Operating income (loss)	256.3	23.1	311.8	159.3	(273.2)	477.3
Interest expense	(24.4)	(26.4)	(0.6)	(14.4)	—	(65.8)
Intercompany interest income	7.4	2.8	27.1	1.1	(38.4)	—
Intercompany interest expense	(0.8)	—	(7.7)	(29.9)	38.4	—
Other income (expense)	—	—	—	(4.2)	—	(4.2)
Income (loss) before income taxes	238.5	(0.5)	330.6	111.9	(273.2)	407.3
Income tax benefit (expense)	(10.5)	8.8	(120.9)	(0.8)	—	(123.4)
Net income (loss) including noncontrolling interests	228.0	8.3	209.7	111.1	(273.2)	283.9
Noncontrolling interests in income of consolidated subsidiaries	—	—	—	(55.9)	—	(55.9)
Net income (loss) attributable to URS	<u>\$ 228.0</u>	<u>\$ 8.3</u>	<u>\$ 209.7</u>	<u>\$ 55.2</u>	<u>\$ (273.2)</u>	<u>\$ 228.0</u>
Comprehensive income (loss) attributable to URS	<u>\$ 186.6</u>	<u>\$ 8.3</u>	<u>\$ 173.7</u>	<u>\$ 5.2</u>	<u>\$ (187.2)</u>	<u>\$ 186.6</u>

URS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
(Continued)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS – UNAUDITED
For the Nine Months Ended September 28, 2012

<i>(In millions)</i>	Issuer Parent	Issuer Fox LP	Guarantors	Non- Guarantors	Eliminations	Consolidated
Revenues	\$ —	\$ —	\$ 5,124.0	\$ 3,170.7	\$ (294.9)	\$ 7,999.8
Cost of revenues	—	—	(4,770.9)	(3,008.0)	294.9	(7,484.0)
General and administrative expense	(61.3)	—	—	(0.7)	—	(62.0)
Acquisition-related expense	(7.4)	—	—	(8.7)	—	(16.1)
Equity in income (loss) in subsidiaries	240.4	12.9	103.4	1.0	(357.7)	—
Equity in income of unconsolidated joint ventures	—	—	17.0	59.8	—	76.8
Intercompany royalty and general and administrative charges	108.5	—	(98.9)	(9.6)	—	—
Operating income (loss)	280.2	12.9	374.6	204.5	(357.7)	514.5
Interest expense	(44.1)	—	(0.4)	(6.5)	—	(51.0)
Intercompany interest income	5.1	1.6	12.9	1.6	(21.2)	—
Intercompany interest expense	(1.1)	—	(4.6)	(15.5)	21.2	—
Other income (expense)	(0.3)	—	—	4.4	—	4.1
Income (loss) before income taxes	239.8	14.5	382.5	188.5	(357.7)	467.6
Income tax benefit (expense)	0.2	(0.6)	(142.1)	(12.7)	—	(155.2)
Net income (loss) including noncontrolling interests	240.0	13.9	240.4	175.8	(357.7)	312.4
Noncontrolling interests in income of consolidated subsidiaries	—	—	—	(72.4)	—	(72.4)
Net income (loss) attributable to URS	<u>\$ 240.0</u>	<u>\$ 13.9</u>	<u>\$ 240.4</u>	<u>\$ 103.4</u>	<u>\$ (357.7)</u>	<u>\$ 240.0</u>
Comprehensive income (loss) attributable to URS	<u>\$ 289.1</u>	<u>\$ 13.9</u>	<u>\$ 294.4</u>	<u>\$ 163.9</u>	<u>\$ (472.2)</u>	<u>\$ 289.1</u>

URS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
(Continued)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS – UNAUDITED
For the Nine Months Ended September 27, 2013

<i>(in millions)</i>	<u>Issuer Parent</u>	<u>Issuer Fox LP</u>	<u>Guarantors</u>	<u>Non- Guarantors</u>	<u>Eliminations</u>	<u>Consolidated</u>
Net cash from operating activities	\$ (75.6)	\$ (6.3)	\$ 379.7	\$ 101.8	\$ (41.3)	\$ 358.3
Cash flows from investing activities:						
Proceeds from disposal of property and equipment	—	—	1.4	31.2	—	32.6
Investments in unconsolidated joint ventures	—	—	(0.1)	—	—	(0.1)
Changes in restricted cash	—	—	—	4.6	—	4.6
Capital expenditures, less equipment purchased through capital leases and equipment notes	(6.2)	—	(23.3)	(38.7)	—	(68.2)
Receipts from intercompany notes receivable	—	15.3	—	—	(15.3)	—
Other intercompany investing activities	549.4	(9.0)	676.7	369.6	(1,586.7)	—
Net cash from investing activities	<u>543.2</u>	<u>6.3</u>	<u>654.7</u>	<u>366.7</u>	<u>(1,602.0)</u>	<u>(31.1)</u>
Cash flows from financing activities:						
Payments on long-term debt	—	—	(3.3)	(0.3)	—	(3.6)
Borrowings from revolving line of credit	871.0	—	—	58.4	—	929.4
Payments on revolving line of credit	(871.0)	—	—	(116.2)	—	(987.2)
Net borrowings (payments) under foreign lines of credit and short-term notes	(16.1)	—	(0.1)	(4.9)	—	(21.1)
Net change in overdrafts	—	—	(50.7)	(6.0)	1.6	(55.1)
Payments on capital lease obligations	(0.6)	—	(3.5)	(9.8)	—	(13.9)
Excess tax benefits from stock-based compensation	1.6	—	—	—	—	1.6
Proceeds from employee stock purchases and exercises of stock options	14.6	—	—	—	—	14.6
Distributions to noncontrolling interests	—	—	—	(49.2)	—	(49.2)
Dividends paid	(46.8)	—	—	—	—	(46.8)
Repurchases of common stock	(93.3)	—	—	—	—	(93.3)
Intercompany notes repayments	—	—	—	(15.3)	15.3	—
Other intercompany financing activities	(226.3)	—	(973.0)	(387.4)	1,586.7	—
Net cash from financing activities	<u>(366.9)</u>	<u>—</u>	<u>(1,030.6)</u>	<u>(530.7)</u>	<u>1,603.6</u>	<u>(324.6)</u>
Net change in cash and cash equivalents	100.7	—	3.8	(62.2)	(39.7)	2.6
Effect of foreign exchange rate changes on cash and cash equivalents	—	—	—	(2.9)	—	(2.9)
Cash and cash equivalents at beginning of period	<u>14.4</u>	<u>—</u>	<u>16.3</u>	<u>285.4</u>	<u>(1.6)</u>	<u>314.5</u>
Cash and cash equivalents at end of period	<u>\$ 115.1</u>	<u>\$ —</u>	<u>\$ 20.1</u>	<u>\$ 220.3</u>	<u>\$ (41.3)</u>	<u>\$ 314.2</u>

URS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
(Continued)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS – UNAUDITED
For the Nine Months Ended September 28, 2012

<i>(in millions)</i>	Issuer Parent	Issuer Fox LP	Guarantors	Non- Guarantors	Eliminations	Consolidated
Net cash from operating activities	\$ 51.7	\$ (0.6)	\$ 55.4	\$ 165.1	\$ 27.5	\$ 299.1
Cash flows from investing activities:						
Payments for business acquisitions, net of cash acquired	—	—	—	(1,345.7)	—	(1,345.7)
Proceeds from disposal of property and equipment	—	—	1.4	15.8	—	17.2
Payments in settlement of foreign currency forward contracts	(1,260.6)	—	—	—	—	(1,260.6)
Receipts in settlement of foreign currency forward contracts	1,260.3	—	—	—	—	1,260.3
Investments in unconsolidated joint ventures	—	—	(4.3)	(1.1)	—	(5.4)
Changes in restricted cash	—	—	—	3.8	—	3.8
Capital expenditures, less equipment purchased through capital leases and equipment notes	(8.4)	—	(30.0)	(63.4)	—	(101.8)
Dividends received	—	—	0.1	—	(0.1)	—
Investments in intercompany notes receivable	(555.0)	(800.0)	(555.0)	—	1,910.0	—
Receipts from intercompany notes receivable	97.8	—	—	30.0	(127.8)	—
Other intercompany investing activities	(670.3)	0.6	73.0	171.3	425.4	—
Net cash from investing activities	(1,136.2)	(799.4)	(514.8)	(1,189.3)	2,207.5	(1,432.2)
Cash flows from financing activities:						
Borrowings from long-term debt	198.9	800.0	—	—	—	998.9
Payments on long-term debt	—	—	(4.3)	(0.1)	—	(4.4)
Borrowings from revolving line of credit	560.0	—	—	—	—	560.0
Payments on revolving line of credit	(433.6)	—	—	—	—	(433.6)
Net payments under foreign lines of credit and short-term notes	(0.6)	—	(0.1)	(12.0)	—	(12.7)
Net change in overdrafts	75.7	—	(0.7)	4.8	(75.7)	4.1
Payments on capital lease obligations	(0.6)	—	(3.7)	(5.8)	—	(10.1)
Payments of debt issuance costs	(8.8)	—	—	—	—	(8.8)
Proceeds from employee stock purchases and exercises of stock options	7.7	—	—	—	—	7.7
Distributions to noncontrolling interests	—	—	—	(51.9)	—	(51.9)
Contributions and advances from noncontrolling interests	—	—	0.1	2.2	—	2.3
Dividends paid	(29.8)	—	—	(0.1)	0.1	(29.8)
Repurchases of common stock	(40.0)	—	—	—	—	(40.0)
Intercompany notes borrowings	—	—	555.0	1,355.0	(1,910.0)	—
Intercompany notes repayments	(30.0)	—	—	(97.8)	127.8	—
Other intercompany financing activities	743.4	—	(95.1)	(222.9)	(425.4)	—
Net cash from financing activities	1,042.3	800.0	451.2	971.4	(2,283.2)	981.7
Net change in cash and cash equivalents	(42.2)	—	(8.2)	(52.8)	(48.2)	(151.4)
Effect of foreign exchange rate changes on cash and cash equivalents	—	—	—	4.6	—	4.6
Cash and cash equivalents at beginning of period	193.8	—	24.4	294.5	(76.7)	436.0
Cash and cash equivalents at end of period	\$ 151.6	\$ —	\$ 16.2	\$ 246.3	\$ (124.9)	\$ 289.2

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion contains, in addition to historical information, forward-looking statements that involve risks and uncertainties. Our actual results and the timing of events could differ materially from those expressed or implied in this report. See [“URS Corporation and Subsidiaries”](#) regarding forward-looking statements on page 1. You should read this discussion in conjunction with: [Part II – Item 1A, “Risk Factors,”](#) beginning on page 88; the condensed consolidated financial statements and notes thereto contained in Part I – Item 1, “Financial Statements;” and our Annual Report on Form 10-K for the fiscal year ended December 28, 2012; however, on November 5, 2013, we disclosed that our previously issued financial statements for the years ended December 30, 2011 and December 28, 2012, and for the three months ended March 30, 2012, June 29, 2012, September 28, 2012, March 29, 2013 and June 28, 2013 should no longer be relied upon. Accordingly, as soon as practicable, we expect to amend our Form 10-K for the fiscal year ended December 28, 2012, our Form 10-Q for the three months ended March 29, 2013, and our Form 10-Q for the three and six months ended June 28, 2013 for the effects of an error in 2011 as described in Note 1, “Business, Basis of Presentation, and Accounting Policies,” to our condensed consolidated financial statements included under Part I – Item 1 of this report.

BUSINESS SUMMARY

We are a leading international provider of engineering, construction and technical services. We offer a broad range of program management, planning, design, engineering, construction and construction management, operations and maintenance, and decommissioning and closure services to public agencies and private sector clients around the world. In addition to these services, we also provide systems engineering and technical assistance, management and operations, and information technology services to our United States (“U.S.”) federal government clients. With more than 50,000 employees in a global network of offices in nearly 50 countries, we provide services for federal, infrastructure, oil and gas, power and industrial programs and projects. On May 14, 2012, we completed the acquisition of Flint Energy Services Ltd. (“Flint”), a provider of construction and maintenance services to clients in the oil and gas industry, which now operates as our Oil & Gas Division. The acquisition expanded our presence in the oil and gas market sector, most notably in the North American unconventional oil and gas segments of this market.

Our strategy is to maintain a balanced portfolio of diversified businesses that serve a variety of markets worldwide. We believe that this strategy helps to mitigate our exposure to industrial, technological, environmental, financial, economic and political risks that may affect a particular market or geographic region. Our growth strategy involves both organic growth as well as add-on acquisitions to complement our technical capabilities or enable us to serve new geographic regions.

Reporting Segments

We operate through four reporting segments: the Infrastructure & Environment Division, the Federal Services Division, the Energy & Construction Division, and the Oil & Gas Division. These segments were generally created based on the size and management structure of the businesses and the integration of acquired operating companies that address similar markets or provide similar services. We report our financial results on both a consolidated basis and for our four reporting segments.

Market Sectors

The table below summarizes the primary market sectors served by our four divisions for the three and nine months ended September 27, 2013.

Market Sector	Division			
	Infrastructure & Environment	Federal Services	Energy & Construction	Oil & Gas
Federal	✓	✓	✓	—
Infrastructure	✓	—	✓	—
Oil & Gas	✓	—	✓	✓
Power	✓	—	✓	—
Industrial	✓	—	✓	—

- ✓ a primary market sector for the division.
— not a primary market sector for the division.

We generate revenues by providing fee-based professional and technical services and by executing construction contracts. As a result, our professional and technical services are primarily labor intensive and our construction projects are labor and capital intensive. To derive income from our revenues, we must effectively manage our costs.

Our revenues are dependent upon our ability to attract and retain qualified and productive employees, identify business opportunities, allocate our labor resources to profitable markets, secure new contracts, execute existing contracts, and maintain existing and develop new client relationships. Moreover, as a professional services company, the quality of the work generated by our employees is integral to our revenue generation.

Our cost of revenues is comprised of the compensation we pay to our employees, including fringe benefits; the cost of subcontractors, construction materials and other project-related expenses; and segment administrative, marketing, sales, bid and proposal, rental and other overhead costs.

OVERVIEW AND BUSINESS TRENDS

Results for the Three Months Ended September 27, 2013

Consolidated revenues for the three months ended September 27, 2013 were \$2.7 billion, a decrease of \$212.1 million, or 7.2%, compared to revenues for the three months ended September 28, 2012. The decrease primarily reflects a decline in revenues in the federal sector, resulting from the overall funding decreases on existing contracts and the delays in the award of new projects. We also experienced a decline in work in the power market sector. These declines were partially offset by increased activity in the infrastructure and industrial market sectors, while the oil and gas market sector revenues declined slightly compared to the same period last year.

Net income attributable to URS was \$88.8 million for the three months ended September 27, 2013 compared with net income of \$106.7 million for the three months ended September 28, 2012, a decrease of 16.8%. In addition to factors impacting revenues, the decrease in net income in the third quarter of 2013 was primarily due to the ongoing effects of severe weather conditions in Western Canada, which resulted in project disruptions at job sites, and higher severance costs in the current year. Net income also declined due to the completion of power projects that recognized target cost savings in the prior year. These decreases were partially offset by a reduction in the effective income tax rate.

Cash Flows

For the nine months ended September 27, 2013, we generated \$358.3 million in net cash from operations. Cash flows from operations increased by \$59.2 million for the nine months ended September 27, 2013 compared with the same period in 2012. This increase was primarily due to the timing of billings, collections and advance payments from clients on accounts receivables, partially offset by the timing of accounts payable, accrued salaries and employee benefits and other current liabilities, timing of payments on project-related expenses, and project incentive awards that were recognized but were not then billable.

In addition, we had cash outflows of \$93.3 million related to repurchases of our common stock and \$46.8 million of cash dividends for the nine months ended September 27, 2013.

Book of Business

As of September 27, 2013 and December 28, 2012, our total book of business was \$23.3 billion and \$24.9 billion, respectively. Please see [Book of Business](#) on page 58 for more information.

Business Trends

It is difficult to predict the impact of the continuing global economic weakness on our business or to forecast business trends accurately. We believe that our expectations regarding business trends are reasonable and are based on reasonable assumptions. However, such forward-looking statements, by their nature, involve risks and uncertainties and, in the current economic climate, may be subject to an unusual degree of uncertainty. You should read this discussion of business trends in conjunction with [Part II, Item 1A, “Risk Factors,”](#) of this report, which begins on page 88. Government budget deficits and debt burdens, federal sequestration, the U.S. federal government shutdown in October 2013 and the threat of a similar shutdown if a budget is not passed before the temporary funding measure passed by Congress expires in February 2014, slow economic growth, and efforts made to address any of these issues could negatively affect our business. In particular, federal expenditures have been and are expected to continue to be adversely affected due to the October 2013 federal government shutdown, and other federal budget issues, such as sequestration resulting from the Budget Control Act of 2011, which may impose increasing budget cuts over the next several years that would impact our work for the Department of Defense (“DOD”) and other federal agencies. Any significant reduction in federal government spending could reduce the demand for our overall services, and result in the cancellation or delay of existing projects, as well as potential projects in our book of business.

Federal Market Sector

Due to U.S. federal budget cuts, the federal government shutdown in October 2013, and continuing budget uncertainty, we expect to continue experiencing delays in procurement decisions, project cancellations and reductions in spending on some existing contracts. If the U.S. Congress fails to pass a budget that reverses or reallocates the cuts resulting from sequestration, the Budget Control Act of 2011 will continue to impose increasing automatic federal budget cuts over the next several years. These budget cuts have resulted in reduced funding for some of the work we perform on behalf of the DOD, the DOE and other federal agencies. Despite these budget challenges, we anticipate stable funding for some of the specialized technical services we provide to federal government agencies in support of programs that are vital to national security or mandated by law. This includes support of unmanned aerial vehicles, electronic warfare, threat reduction and cyber-security programs.

In addition, we have achieved early completion milestones on several projects to manage the destruction of chemical weapons stockpiles and have transitioned to the closure phase of these projects. As we approach the end of the contract life cycle at these chemical demilitarization facilities, we expect to continue generating revenues and operating income over the next several years, but in declining amounts as the projects approach final completion.

Infrastructure Market Sector

As a result of increased tax revenues and improved budgets, many states are moving forward with additional funding for infrastructure improvement programs. Some states also have instituted alternative funding mechanisms, such as dedicated tax measures, user fees and public-private partnerships, to finance infrastructure projects. Additionally, the passage of the two-year, \$105 billion federal transportation funding bill, Moving Ahead for Progress in the 21st Century (“MAP-21”) in 2012, will continue to provide states and municipalities with stable funding for some highway and transit projects. The legislation also includes \$750 million in credit assistance under the Transportation Infrastructure Finance and Innovation Act (“TIFIA”). Major components of both MAP-21 and TIFIA are not subject to funding cuts through sequestration.

Oil & Gas Market Sector

During the second quarter of the 2012 fiscal year, we acquired Flint, a provider of construction and maintenance services to clients in the North American oil and gas industry. The acquisition significantly expanded our presence in the oil and gas market sector, which is creating new opportunities for our business in 2013. We expect that increases in capital spending to develop North American onshore oil and gas resources could lead to increased demand for the engineering, construction, and operations and maintenance services we provide, as a result of the acquisition, to clients in this sector. At the same time, while the price of oil remains at relatively high levels, the low price of natural gas has resulted, and could continue to result, in decreased spending to develop these resources. In addition, ongoing delays in the construction of new pipelines for transporting crude oil from the Canadian oil sands to refining markets could slow spending to develop these resources.

Power Market Sector

We expect that stagnant demand for power and lower plant utilization rates will continue to limit spending for new fossil and nuclear plants. In addition, the shift from the development of coal-fired power generating facilities to natural gas, and challenges to new emission control regulations, have resulted, and could continue to result, in lower demand for the air quality control services we provide to utilities. By contrast, we could benefit from new investments being made in transmission and distribution systems to improve the efficiency and reliability of these systems and accommodate the transmission of electricity from alternative and renewable energy sources. In addition, following events at the Fukushima nuclear power plant in Japan, the Nuclear Regulatory Commission issued new safety requirements to strengthen containment structures and to improve on-site flood control and seismic safety plans, which could result in increased demand for the engineering, procurement and construction services we provide.

Industrial Market Sector

We are encouraged about signs of recovery in our industrial market sector. If our clients experience an increase in demand for durable goods, we could see increased demand for the engineering, procurement, construction and facilities management services we provide. In addition, we expect to continue to benefit from steady demand for the environmental and engineering services we provide to industrial clients under Master Service Agreements (“MSAs”). These services typically support our clients’ ongoing operations and help them comply with regulatory mandates. We also anticipate growth in our mining business in the U.S., as a result of contract awards in 2012 and 2013.

Seasonality

We experience seasonal trends in our business in connection with federal holidays, such as Memorial Day, Independence Day, Labor Day, Thanksgiving, Christmas and New Year’s Day. Our revenues typically are lower during these times of the year because many of our clients’ employees, as well as our own employees, do not work during these holidays, resulting in fewer billable hours charged to projects and thus, lower revenues recognized. In addition to holidays, our business also is affected by seasonal bad weather conditions, such as hurricanes, floods, snowstorms or other inclement weather, which may cause some of our offices and projects to close or reduce activities temporarily. For example, in the first quarter of the year, winter weather sometimes results in intermittent office closures and work interruptions. In our Oil & Gas Division, winter weather enables increased access to remote work areas in Western Canada, while spring road bans limit access to work in areas of Canada and the Northern U.S.

Other Business Trends

The diversification of our business and changes in the mix and timing of our fixed-cost, target-price and other contracts can cause earnings and profit margins to vary between periods. For example, we have, for some time, experienced an increase in the number of fixed-price contract opportunities, particularly among clients in the federal, power and infrastructure sectors. The increase in fixed-price contracting creates additional risks of incurring losses and opportunities for achieving higher margins on these contracts. There is also an increase in the award of federal contracts based on a low-price, technically acceptable criteria emphasizing price over qualitative factors, such as past performance. As a result, pricing pressure may reduce our profit margins on future federal contracts. Also, our government clients are increasingly using indefinite delivery contracts (“IDCs”) that require us to engage in a competitive procurement process before any task orders are issued as compared to traditional award contracts. Additionally, the traditional award contracts we receive are tending to include fewer base years and more option years. These trends change the relationship between backlog and revenues, resulting in smaller, shorter term increments moving from IDCs and option years into backlog and then potentially realized as revenues. Ultimately, however, revenues from IDC task orders and option years will typically lower our reported backlog and increase our reported IDC and option years in our book of business. In addition, earnings recognition on many contracts is measured based on progress achieved as a percentage of the total project effort or upon the completion of milestones or performance criteria rather than evenly or linearly over the period of performance.

We cannot determine if proposed climate change and greenhouse gas regulations would have a material impact on our business or our clients’ businesses at this time; however, any new regulations could affect demand for the services we provide to our clients. For example, depending on legislation enacted, we could see reduced client demand for our services related to fossil fuel and industrial projects, and increased demand for services related to environmental, infrastructure and nuclear and alternative energy.

BOOK OF BUSINESS

For the purpose of calculating our book of business, we determine the amounts of all contract awards that may potentially be recognized as revenues. We also include an estimate of the equity in income of unconsolidated joint ventures over the life of the contracts in our book of business. We categorize the amount of our book of business into backlog, option years and IDCs, based on the nature of the award and its current status.

Backlog. Our contract backlog represents the monetary value of signed contracts, including task orders that have been issued and funded under IDCs and, where applicable, a notice to proceed has been received from the client that is expected to be recognized as revenues or equity in income of unconsolidated joint ventures as services are performed.

The performance periods of our contracts vary widely from a few months to many years. In addition, contract durations often differ significantly among our divisions. As a result, the amount of revenues that will be realized beyond one year also varies from division to division.

Option Years. Our option years represent the monetary value of option periods under existing contracts in backlog, which are exercisable at the option of our clients without requiring us to go through an additional competitive bidding process and would be canceled only if a client decided to end the project (a termination for convenience) or through a termination for default. Option years are in addition to the “base periods” of these contracts. Option years for these contracts can vary from one to five years.

Indefinite Delivery Contracts. IDCs represent the expected monetary value to us of signed contracts under which we perform work only when the client awards specific task orders or projects to us. When agreements for such task orders or projects are signed and funded, we transfer their value into backlog. Generally, the terms of these contracts exceed one year and often include a maximum term and potential value. IDCs generally range from one to twenty years in length.

While the value of our book of business is a predictor of future revenues and equity in income of unconsolidated joint ventures, we have no assurance, nor can we provide assurance, that we will ultimately realize the maximum potential values for backlog, option years or IDCs. Based on our historical experience, our backlog has the highest likelihood of converting into revenues or equity in income of unconsolidated joint ventures because it is based upon signed and executable contracts with our clients. Option years are not as certain as backlog because our clients may decide not to exercise one or more option years. Because we do not perform work under IDCs until specific task orders are issued by our clients, the value of our IDCs is not as likely to convert into revenues or equity in income of unconsolidated joint ventures as other categories of our book of business.

As of September 27, 2013 and December 28, 2012, our total book of business was \$23.3 billion and \$24.9 billion, respectively. The following tables summarize, by division and market sector, our book of business as of those dates:

<i>(In millions)</i>	Infrastructure & Environment	Federal Services	Energy & Construction	Oil & Gas	Total
As of September 27, 2013					
Backlog	\$ 3,018.1	\$ 2,664.5	\$ 5,425.0	\$ 523.6	\$ 11,631.2
Option years	154.1	1,926.7	1,802.4	—	3,883.2
Indefinite delivery contracts	3,252.8	3,261.7	236.0	990.6	7,741.1
Total book of business	<u>\$ 6,425.0</u>	<u>\$ 7,852.9</u>	<u>\$ 7,463.4</u>	<u>\$ 1,514.2</u>	<u>\$ 23,255.5</u>

As of December 28, 2012					
Backlog	\$ 3,028.4	\$ 3,476.9	\$ 5,947.1	\$ 823.8	\$ 13,276.2
Option years	197.3	2,728.1	2,056.8	—	4,982.2
Indefinite delivery contracts	2,572.4	3,238.7	236.0	611.7	6,658.8
Total book of business	<u>\$ 5,798.1</u>	<u>\$ 9,443.7</u>	<u>\$ 8,239.9</u>	<u>\$ 1,435.5</u>	<u>\$ 24,917.2</u>

<i>(In millions)</i>	September 27, 2013	December 28, 2012
Backlog by market sector:		
Federal	\$ 5,181.3	\$ 6,546.5
Infrastructure	2,874.4	2,957.6
Oil & Gas	1,170.3	1,461.3
Power	1,289.9	1,416.1
Industrial	1,115.3	894.7
Total backlog	<u>\$ 11,631.2</u>	<u>\$ 13,276.2</u>

CONSOLIDATED REVENUES BY MARKET SECTOR

The Three Months Ended September 27, 2013 Compared with the Three Months Ended September 28, 2012

	Three Months Ended			
	September 27, 2013	September 28, 2012	Increase (Decrease)	Percentage Increase (Decrease)
<i>(In millions, except percentages)</i>				
Revenues by Market Sector:				
Federal	\$ 921.2	\$ 1,101.2	\$ (180.0)	(16.3%)
Infrastructure	489.1	463.9	25.2	5.4%
Oil & Gas	801.9	827.9	(26.0)	(3.1%)
Power	248.4	290.7	(42.3)	(14.6%)
Industrial	274.9	263.9	11.0	4.2%
Total revenues, net of eliminations	\$ 2,735.5	\$ 2,947.6	\$ (212.1)	(7.2%)

Our consolidated revenues for the three months ended September 27, 2013 were \$2.7 billion, a decrease of \$212.1 million, or 7.2%, compared with the three months ended September 28, 2012.

See the discussion of revenues by market sector below for more detail.

Federal

	Three Months Ended			
	September 27, 2013	September 28, 2012	Increase (Decrease)	Percentage Increase (Decrease)
<i>(In millions, except percentages)</i>				
Federal Market Sector:				
Infrastructure & Environment	\$ 137.8	\$ 145.4	\$ (7.6)	(5.2%)
Federal Services	538.5	682.6	(144.1)	(21.1%)
Energy & Construction	244.9	273.2	(28.3)	(10.4%)
Federal total	\$ 921.2	\$ 1,101.2	\$ (180.0)	(16.3%)

Consolidated revenues from our federal market sector for the three months ended September 27, 2013 declined compared with the three months ended September 28, 2012. During the quarter, revenues declined from the services we provide to federal government agencies in the U.S. as a result of overall federal funding decreases on existing contracts and delays in the award of new projects arising from the ongoing federal budget debate and sequestration. In addition, reduced staff workweeks within government agencies we support resulted in decreased activity among some of our federal clients.

As a result, revenues declined from the engineering, facility construction, systems engineering, technical assistance, and operations and maintenance services we provide to the DOD, as we experienced lower funding levels and reduced staffing on some projects. Revenues also declined from our work managing the destruction of chemical weapons stockpiles at chemical agent disposal facilities in the U.S., due to lower activity at several facilities that have transitioned from the operations phase of these projects to the closure phase.

Our work providing nuclear management services to the DOE was also affected by lower funding and budget sequestration, resulting in decreased activity at the DOE sites we manage.

By contrast, revenues grew from our work for the Department of Homeland Security, reflecting sustained demand for the border monitoring, and disaster assistance and response services we provide to the agency.

Infrastructure

	Three Months Ended			
	September 27, 2013	September 28, 2012	Increase (Decrease)	Percentage Increase (Decrease)
<i>(In millions, except percentages)</i>				
Infrastructure Market Sector:				
Infrastructure & Environment	\$ 414.8	\$ 395.8	\$ 19.0	4.8%
Energy & Construction	74.3	68.1	6.2	9.1%
Infrastructure total	<u>\$ 489.1</u>	<u>\$ 463.9</u>	<u>\$ 25.2</u>	5.4%

Consolidated revenues from our infrastructure market sector for the three months ended September 27, 2013 increased compared with the three months ended September 28, 2012. During the quarter, revenues increased from the planning, design, engineering, and program and construction management services we provide for the development of surface and air transportation infrastructure, and water storage, conveyance and treatment systems. We also benefited from sustained demand for the services we provide to expand and modernize mass transit and rail transportation systems. In addition, we experienced high levels of activity on a project to construct a dam in Illinois and on a streetcar line construction project in Atlanta. By contrast, revenues declined from our work modernizing and expanding educational facilities due to the completion of assignments that have not been replaced by similar projects.

Oil & Gas

	Three Months Ended			
	September 27, 2013	September 28, 2012	Increase (Decrease)	Percentage Increase (Decrease)
<i>(In millions, except percentages)</i>				
Oil & Gas Market Sector:				
Infrastructure & Environment	\$ 139.2	\$ 138.7	\$ 0.5	0.4%
Energy & Construction	136.4	97.0	39.4	40.6%
Oil & Gas	526.3	592.2	(65.9)	(11.1%)
Oil & Gas total	<u>\$ 801.9</u>	<u>\$ 827.9</u>	<u>\$ (26.0)</u>	(3.1%)

Consolidated revenues from our oil & gas market sector for the three months ended September 27, 2013 decreased compared with the three months ended September 28, 2012. The decrease in revenues was primarily due to a decline in our work supporting natural gas-related drilling activities, as a result of the continued low price of natural gas. In addition, atypically wet weather conditions in Western Canada resulted in uncommonly long road bans, which limited access to project sites and resulted in project delays. We also experienced a decline in revenues from facility construction projects in the Canadian oil sands, due to the completion of two projects that have not been replaced by similar assignments. Notwithstanding this general decline in spending to develop natural gas resources, the decrease in revenues in the oil and gas market was offset in part by revenues from projects involving the construction of natural gas production facilities in West Virginia. In addition, we also benefited from sustained demand for the environmental and engineering services we provide to multinational oil and gas clients worldwide through long-term MSAs.

Power

	Three Months Ended			
	September 27, 2013	September 28, 2012	Increase (Decrease)	Percentage Increase (Decrease)
<i>(In millions, except percentages)</i>				
Power Market Sector:				
Infrastructure & Environment	\$ 63.3	\$ 50.3	\$ 13.0	25.8%
Energy & Construction	185.1	240.4	(55.3)	(23.0%)
Power total	<u>\$ 248.4</u>	<u>\$ 290.7</u>	<u>\$ (42.3)</u>	<u>(14.6%)</u>

Consolidated revenues from our power market sector for the three months ended September 27, 2013 decreased compared with the three months ended September 28, 2012. During the quarter, revenues decreased from projects involving the retrofit of coal-fired power plants with air quality control systems as a result of the completion of assignments that experienced high levels of activity in the comparable period in 2012, as well as delays and suspensions of ongoing projects, resulting from regulatory uncertainty and stagnant demand for electricity. The decline in our air quality control work was partially offset by the start-up of a new emissions control project. Revenues also declined from projects involving the replacement of major components at nuclear power plants, due largely to the completion of two major assignments that have not been replaced by comparable projects. By contrast, we benefited from steady demand for the services we provide to expand and modernize transmission and distribution systems to improve the efficiency and reliability of these systems and accommodate the development of renewable energy sources. In addition, revenues increased from the environmental remediation services we provide for the decommissioning and closure of facilities that are no longer in operation.

Industrial

	Three Months Ended			
	September 27, 2013	September 28, 2012	Increase (Decrease)	Percentage Increase (Decrease)
<i>(In millions, except percentages)</i>				
Industrial Market Sector:				
Infrastructure & Environment	\$ 147.9	\$ 170.5	\$ (22.6)	(13.3%)
Energy & Construction	127.0	93.4	33.6	36.0%
Industrial total	<u>\$ 274.9</u>	<u>\$ 263.9</u>	<u>\$ 11.0</u>	<u>4.2%</u>

Consolidated revenues from our industrial market sector for the three months ended September 27, 2013 increased compared with the three months ended September 28, 2012. The growth in revenues during the quarter was primarily due to increased activity on a project to construct a chemical production facility in Tennessee. By contrast, revenues declined from our work for mining clients, compared to the third quarter of last year, primarily due to the wind down of a contract to operate a phosphate mine in Canada and the completion of a large mining project in Australia that experienced high levels of activity in the comparable period in 2012. We also experienced a decrease in revenues from the facilities management services we provide to manufacturing clients, due largely to the timing of assignments on ongoing contracts.

CONSOLIDATED RESULTS

The Three Months Ended September 27, 2013 Compared with the Three Months Ended September 28, 2012

	Three Months Ended			
	September 27, 2013	September 28, 2012	Increase (Decrease)	Percentage Increase (Decrease)
<i>(In millions, except percentages and per share amounts)</i>				
Revenues	\$ 2,735.5	\$ 2,947.6	\$ (212.1)	(7.2%)
Cost of revenues	(2,559.0)	(2,753.3)	(194.3)	(7.1%)
General and administrative expenses	(14.3)	(22.6)	(8.3)	(36.7%)
Acquisition-related expenses	—	0.8	(0.8)	N/M
Equity in income of unconsolidated joint ventures	17.1	31.1	(14.0)	(45.0%)
Operating income (loss)	179.3	203.6	(24.3)	(11.9%)
Interest expense	(23.2)	(20.5)	2.7	13.2%
Other income (expenses)	1.6	10.8	(9.2)	(85.2%)
Income (loss) before income taxes	157.7	193.9	(36.2)	(18.7%)
Income tax benefit (expense)	(42.3)	(66.1)	(23.8)	(36.0%)
Net income (loss) including noncontrolling interests	115.4	127.8	(12.4)	(9.7%)
Noncontrolling interests in income of consolidated subsidiaries	(26.6)	(21.1)	5.5	26.1%
Net income (loss) attributable to URS	<u>\$ 88.8</u>	<u>\$ 106.7</u>	<u>\$ (17.9)</u>	<u>(16.8%)</u>
Diluted earnings per share	<u>\$ 1.20</u>	<u>\$ 1.43</u>	<u>\$ (0.23)</u>	<u>(16.1%)</u>

CONSOLIDATED RESULTS BY DIVISION

Revenues

<i>(In millions, except percentages)</i>	Infrastructure & Environment	Federal Services	Energy & Construction	Oil & Gas	Eliminations	Total
Three months ended						
September 27, 2013	\$ 922.3	\$ 538.9	\$ 775.5	\$ 532.6	\$ (33.8)	\$ 2,735.5
September 28, 2012	920.7	682.8	781.5	592.2	(29.6)	2,947.6
Increase (decrease)	1.6	(143.9)	(6.0)	(59.6)	4.2	(212.1)
Percentage increase (decrease)	0.2%	(21.1%)	(0.8%)	(10.1%)	14.2%	(7.2%)

The revenues reported are presented prior to the elimination of inter-segment transactions. Our analysis of the changes in revenues by reporting segment is discussed below.

The Infrastructure & Environment Division's Revenues

The Infrastructure & Environment Division's revenues were essentially flat for the three months ended September 27, 2013 compared to the three months ended September 28, 2012. During the quarter, revenues increased from planning, design, engineering, and program and construction management services for the development of surface, air, and rail transportation infrastructure, as well as from the environmental remediation services we provide to power clients for the decommissioning and closure of facilities that are no longer in operation. We also benefited from ongoing demand for the program management services we provide, as part of the continuing recovery and rebuilding efforts following Superstorm Sandy. These increases were offset by lower revenues from our work providing program management services to education and mining clients, in addition to engineering and construction services to the DOD, as a result of federal funding decreases and delays in the award of new contracts.

The Federal Services Division's Revenues

The Federal Services Division's revenues decreased for the three months ended September 27, 2013 compared to the three months ended September 28, 2012. During the quarter, we recognized lower revenues associated with our chemical agent demilitarization programs. This decline reflects the transition at several facilities from the operations phase of the project to the closure phase, which is characterized by lower levels of activity. Additionally, the decrease was attributable to delayed awards on new and existing programs caused by delays in finalizing the DOD's budget.

The Energy & Construction Division's Revenues

The Energy & Construction Division's revenues were essentially flat for the three months ended September 27, 2013 compared with the three months ended September 28, 2012. During the quarter, revenues declined due to the timing of maintenance outage work at nuclear power plants and the termination of work on a refinery project. We also were adversely affected by delays and suspensions of current air quality control projects, partially offset by the start-up of a new project. In addition, the completion of work funded by the American Recovery and Reinvestment Act ("ARRA") resulted in lower revenues from our work providing nuclear management services to the DOE. These decreases were mostly offset by higher revenues from projects involving the construction of natural gas production facilities and a chemical production facility.

The Oil & Gas Division's Revenues

The Oil & Gas Division's revenues decreased for the three months ended September 27, 2013 compared with the three months ended September 28, 2012. Our Oil & Gas Division's revenues are derived from the services we provide to the North American oil and gas industry. This includes oilfield services, such as rig transportation and fluid hauling; oil and gas production services, such as mechanical, electrical and instrumentation services; facility and pipeline construction; module fabrication; and maintenance services. During the quarter, revenues continued to be adversely affected by unusually wet weather conditions in Western Canada that disrupted activities at project sites. Additionally, the decrease in revenues was impacted by lower natural gas-related drilling activities for our clients caused by continued low prices.

Cost of Revenues

<i>(In millions, except percentages)</i>	Infrastructure & Environment	Federal Services	Energy & Construction	Oil & Gas	Eliminations	Total
Three months ended						
September 27, 2013	\$ (862.1)	\$ (482.7)	\$ (735.7)	\$ (512.3)	\$ 33.8	\$ (2,559.0)
September 28, 2012	(856.9)	(619.5)	(741.0)	(565.5)	29.6	(2,753.3)
Increase (decrease)	5.2	(136.8)	(5.3)	(53.2)	4.2	(194.3)
Percentage increase (decrease)	0.6%	(22.1%)	(0.7%)	(9.4%)	14.2%	(7.1%)

Our consolidated cost of revenues, which consists of labor, subcontractor costs, and other expenses related to projects, and services provided to our clients, for the three months ended September 27, 2013 decreased compared with the three months ended September 28, 2012. Because our revenues are primarily project-based, the factors that generally caused revenues to decrease also drove a corresponding decrease in our cost of revenues.

Consolidated cost of revenues as a percent of revenues increased from 93.4% for the three months ended September 28, 2012 to 93.5% for the three months ended September 27, 2013. See "Operating Income (Loss)" for further discussion.

General and Administrative Expenses

Our consolidated general and administrative (“G&A”) expenses for the three months ended September 27, 2013 decreased by \$8.3 million or 36.7% compared with the three months ended September 28, 2012. The decrease in G&A expenses was due primarily to reductions in employee-related expenses of \$6.4 million and legal expenses of \$1.4 million, partially offset by increases in auditing and accounting services resulting from the ongoing registration of the Senior Notes of \$0.6 million. Consolidated G&A expenses as a percent of revenues were 0.5% for the three months ended September 27, 2013 compared to 0.8% for the three months ended September 28, 2012.

Acquisition-related Expenses

Our consolidated acquisition-related expenses generally included legal fees, consultation fees, travel expenses, and other miscellaneous direct and incremental administrative expenses. For the three months ended September 28, 2012, we recorded an adjustment of \$0.8 million to reduce the amount previously recorded for our acquisition of Flint. We did not incur any acquisition-related expenses for the three months ended September 27, 2013.

Equity in Income (Loss) of Unconsolidated Joint Ventures

<i>(In millions, except percentages)</i>	<u>Infrastructure & Environment</u>	<u>Federal Services</u>	<u>Energy & Construction</u>	<u>Oil & Gas</u>	<u>Total</u>
Three months ended					
September 27, 2013	\$ (0.9)	\$ 1.4	\$ 17.6	\$ (1.0)	\$ 17.1
September 28, 2012	3.3	1.5	24.1	2.2	31.1
Increase (decrease)	(4.2)	(0.1)	(6.5)	(3.2)	(14.0)
Percentage increase (decrease)	(127.3%)	(6.7%)	(27.0%)	(145.5%)	(45.0%)

Our consolidated equity in income of unconsolidated joint ventures for the three months ended September 27, 2013 decreased by \$14.0 million or 45.0% compared with the three months ended September 28, 2012. The decrease was primarily attributable to a \$5.5 million decrease in earnings from a light rail construction project nearing completion in 2013. Additionally, lower turnaround maintenance activity and lower target cost savings on a DOE decontamination and demolition facility reduced equity in income in comparison to prior year.

Operating Income (Loss)

<i>(In millions, except percentages)</i>	<u>Infrastructure & Environment</u>	<u>Federal Services</u>	<u>Energy & Construction</u>	<u>Oil & Gas</u>	<u>Corporate</u>	<u>Total</u>
Three months ended						
September 27, 2013	\$ 59.3	\$ 57.6	\$ 57.4	\$ 19.3	\$ (14.3)	\$ 179.3
September 28, 2012	67.1	64.8	64.6	28.9	(21.8)	203.6
Increase (decrease)	(7.8)	(7.2)	(7.2)	(9.6)	(7.5)	(24.3)
Percentage increase (decrease)	(11.6%)	(11.1%)	(11.1%)	(33.2%)	(34.4%)	(11.9%)

Operating income decreased \$24.3 million for the three months ended September 27, 2013 compared to the comparable period in the prior year. As a percentage of revenues, operating income for the three months ended September 27, 2013 was 6.6% compared to 6.9% for the three months ended September 28, 2012. The decrease in operating income as a percentage of revenues was primarily due to severe weather conditions in Western Canada, which resulted in disruptions at job sites, fewer billable costs charged by our employees and the completion of power projects that recognized target cost savings and lowered benefit costs in the comparable period of 2012. See the detailed discussion of operating income by segment below.

The Infrastructure & Environment Division's Operating Income

Operating income decreased \$7.8 million for the three months ended September 27, 2013 compared to the comparable period in the prior year. Operating income as a percentage of revenues was 6.4% for the three months ended September 27, 2013 compared to 7.3% for the three months ended September 28, 2012. The decrease in operating income and operating income as a percent of revenues was due to higher severance costs in 2013 compared to the same period in 2012, which also caused overhead costs as a percentage of revenues to increase from 29.8% for the three months ended September 28, 2012 to 31.2% for the three months ended September 27, 2013.

The Federal Services Division's Operating Income

Operating income decreased \$7.2 million for the three months ended September 27, 2013 compared to the comparable period in the prior year. Operating income as a percentage of revenues was 10.7% for the three months ended September 27, 2013 compared to 9.5% for the three months ended September 28, 2012. The decrease in operating income was primarily due to lower incentive fees recognized on several chemical demilitarization facilities as a result of the transition at these facilities from the operations phase of the project to the closure phase, which is characterized by lower levels of activity. Additionally, the decrease in operating income is a result of lower task order volume and delayed awards, projects generating lower margins caused by an increasingly competitive pricing environment that favors low-price-technically-acceptable award criteria. Lower overhead expenses contributed to the increase in operating income as a percentage of revenues.

The Energy & Construction Division's Operating Income

Operating income decreased \$7.2 million for the three months ended September 27, 2013 compared to the comparable period in the prior year. Operating income as a percentage of revenues was 7.4% for the three months ended September 27, 2013 compared to 8.3% for the three months ended September 28, 2012. The decrease in operating income and operating income as a percentage of revenues was primarily due to a \$16.1 million decline in earnings following the substantial completion and deceleration of two large power projects, both of which recognized significant target cost savings in the prior year, decreased earnings of \$5.5 million on projects accounted for as equity in income of unconsolidated joint ventures, as described above, and a \$5.6 million decrease in earnings at a DOE nuclear cleanup project completed in 2012. These decreases were partially offset by increased earnings of \$6.4 million from a DOE decontamination and demolition facility based on achievement of performance-based incentives, \$6.5 million due to the initial profit recognition on a new air quality control project, and \$3.8 million associated with the construction of natural gas production facilities. Additionally, overhead reductions partially offset the impact from lower revenues during the current period.

The Oil & Gas Division's Operating Income

Operating income decreased \$9.6 million for the three months ended September 27, 2013 compared to the comparable period in the prior year. Operating income as a percentage of revenues was 3.6% for the three months ended September 27, 2013 compared to 4.9% for the three months ended September 28, 2012. The Oil & Gas Division's operating income for the three months ended September 27, 2013 was \$19.3 million, which included \$12.1 million of amortization of intangible assets in connection with the Flint acquisition, compared to \$28.9 million of operating income for the three months ended September 28, 2012, which included \$15.7 million of amortization of intangible assets in connection with the Flint acquisition. Operating income was negatively impacted due to unusually wet weather conditions in Western Canada that disrupted activities at several project sites that resulted in unrecovered fixed costs. In addition, we experienced project delays and cancellations.

Interest Expense

Our consolidated interest expense for the three months ended September 27, 2013 increased by \$2.7 million or 13.2% compared with the three months ended September 28, 2012 primarily because we are required to pay additional interest to the holders of the Senior Notes until we complete our exchange offer.

Other Income (Expense)

Our consolidated other income (expense) for the three months ended September 27, 2013 consisted of foreign currency gains of \$1.6 million recognized on intercompany financing arrangements, comparing to net gains of \$10.8 million recognized on intercompany financing arrangements during the third quarter of 2012.

Income Tax Benefit (Expense)

Our effective income tax rate for the three months ended September 27, 2013 decreased to 26.8% from 34.1% for the three months ended September 28, 2012. The decrease in the effective income tax rate was primarily due to a change in the tax law enacted in the U.K. allowing a benefit from foreign losses, a change in the mix of foreign income taxed at different rates, and non-recurring benefits from the prior year return reconciliation, partially offset by a reduction in the benefit from noncontrolling interests.

Noncontrolling Interests in Income of Consolidated Subsidiaries, Net of Tax

Our noncontrolling interests in income of consolidated subsidiaries, net of tax increased by \$5.5 million or 26.1% for the three months ended September 27, 2013, compared with the three months ended September 28, 2012. This increase was primarily due to higher earnings from a DOE decontamination and demolition facility based on achievement of performance-based incentives and higher earnings from a DOE nuclear cleanup project.

CONSOLIDATED REVENUES BY MARKET SECTOR

The Nine Months Ended September 27, 2013 Compared with the Nine Months Ended September 28, 2012

	Nine Months Ended			
	September 27, 2013	September 28, 2012	Increase (Decrease)	Percentage Increase (Decrease)
<i>(In millions, except percentages)</i>				
Revenues by Market Sector:				
Federal	\$ 2,942.5	\$ 3,428.5	\$ (486.0)	(14.2%)
Infrastructure	1,413.1	1,349.9	63.2	4.7%
Oil & Gas ⁽¹⁾	2,400.9	1,455.3	945.6	65.0%
Power	723.6	910.4	(186.8)	(20.5%)
Industrial	849.9	855.7	(5.8)	(0.7%)
Total revenues, net of eliminations	\$ 8,330.0	\$ 7,999.8	\$ 330.2	4.1%

⁽¹⁾ The operating results of Flint have been included in our consolidated results since the acquisition on May 14, 2012.

Our consolidated revenues for the nine months ended September 27, 2013 were \$8.3 billion, an increase of \$330.2 million, or 4.1%, compared with the nine months ended September 28, 2012.

See the discussion of revenues by market sector below for more detail.

Federal

	Nine Months Ended			
	September 27, 2013	September 28, 2012	Increase (Decrease)	Percentage Increase (Decrease)
<i>(In millions, except percentages)</i>				
Federal Market Sector:				
Infrastructure & Environment	\$ 464.2	\$ 500.6	\$ (36.4)	(7.3%)
Federal Services	1,775.0	2,117.5	(342.5)	(16.2%)
Energy & Construction	703.3	810.4	(107.1)	(13.2%)
Federal total	\$ 2,942.5	\$ 3,428.5	\$ (486.0)	(14.2%)

Consolidated revenues from our federal market sector for the nine months ended September 27, 2013 declined compared with the nine months ended September 28, 2012. Our nine-month results in the federal market sector were affected by many of the same factors outlined in the revenue discussion of our performance for the three month period ended September 27, 2013. Revenues declined from the services we provide to federal government agencies in the U.S. as a result of overall funding decreases on existing contracts and delays in the award of new projects, both arising from declines in federal spending and budget sequestration. This resulted in decreased revenues from the engineering, construction, systems engineering, technical assistance, and operations and maintenance services we provide to the DOD, as well as from the nuclear management services we provide to the DOE. Revenues also declined from our work managing the destruction of chemical weapons stockpiles at chemical agent disposal facilities, as many of these facilities transitioned from the operations phase to the closure phase.

Infrastructure

	Nine Months Ended			
	September 27, 2013	September 28, 2012	Increase (Decrease)	Percentage Increase (Decrease)
<i>(In millions, except percentages)</i>				
Infrastructure Market Sector:				
Infrastructure & Environment	\$ 1,218.4	\$ 1,171.4	\$ 47.0	4.0%
Energy & Construction	194.7	178.5	16.2	9.1%
Infrastructure total	<u>\$ 1,413.1</u>	<u>\$ 1,349.9</u>	<u>\$ 63.2</u>	4.7%

Consolidated revenues from our infrastructure market sector for the nine months ended September 27, 2013 increased compared with the nine months ended September 28, 2012. Our nine-month results in the infrastructure market sector were affected by many of the same factors outlined in the revenue discussion of our performance for the three-month period ended September 27, 2013. Revenues increased from the planning, design, engineering, and program and construction management services we provide for the development of surface, air, mass transit and rail transportation systems, as well as from our work constructing a dam in Illinois and a streetcar line in Atlanta. By contrast, revenues declined from our work modernizing and expanding educational facilities due to the completion of assignments that have not been replaced by similar projects.

Oil & Gas

	Nine Months Ended			
	September 27, 2013	September 28, 2012	Increase (Decrease)	Percentage Increase (Decrease)
<i>(In millions, except percentages)</i>				
Oil & Gas Market Sector:				
Infrastructure & Environment	\$ 415.9	\$ 399.0	\$ 16.9	4.2%
Energy & Construction	334.5	186.6	147.9	79.3%
Oil & Gas ⁽¹⁾	1,650.5	869.7	780.8	89.8%
Oil & Gas total	<u>\$ 2,400.9</u>	<u>\$ 1,455.3</u>	<u>\$ 945.6</u>	65.0%

⁽¹⁾ The operating results of Flint have been included in our consolidated results since the acquisition on May 14, 2012.

Consolidated revenues from our oil & gas market sector for the nine months ended September 27, 2013 increased significantly compared with the nine months ended September 28, 2012. The growth in our oil and gas business for the nine months ended September 27, 2013, primarily reflects the acquisition of Flint, which became our new Oil & Gas Division at the completion of the acquisition on May 14, 2012. For the nine-month period ended September 27, 2013, the Oil & Gas Division generated \$1.7 billion in revenues from work providing construction and maintenance services to the North American oil and gas industry. In the comparable period last year, the Oil & Gas Division generated \$869.7 million in revenues beginning May 14, 2012, through the end of the third quarter on September 28, 2012. Revenues from the environmental and engineering services we provide to oil and gas clients worldwide through long-term MSAs remain stable. Revenues also increased on projects to construct natural gas production facilities.

Power

	Nine Months Ended			
	September 27, 2013	September 28, 2012	Increase (Decrease)	Percentage Increase (Decrease)
<i>(In millions, except percentages)</i>				
Power Market Sector:				
Infrastructure & Environment	\$ 181.2	\$ 158.2	\$ 23.0	14.5%
Energy & Construction	542.4	752.2	(209.8)	(27.9%)
Power total	<u>\$ 723.6</u>	<u>\$ 910.4</u>	<u>\$ (186.8)</u>	<u>(20.5%)</u>

Consolidated revenues from our power market sector for the nine months ended September 27, 2013 decreased compared with the nine months ended September 28, 2012. Many of the same factors outlined in the revenue discussion of our results in the power market sector for the three-month period ended September 27, 2013, affected our nine-month results in this sector. Revenues declined from projects involving the retrofit of coal-fired power plants with Air Quality Control Systems as a result of the completion of assignments, and delays and suspensions of ongoing projects. Revenues also decreased from projects involving the replacement of major components at nuclear power plants, due largely to the completion of two major assignments that have not been replaced by comparable projects. By contrast, revenues increased from the services we provide to expand and modernize transmission and distribution systems, as well as from projects to implement seismic and safety upgrades at nuclear power plants. Revenues also increased from the environmental remediation services we provide for the decommissioning and closure of power facilities that are no longer in operation.

Industrial

	Nine Months Ended			
	September 27, 2013	September 28, 2012	Increase (Decrease)	Percentage Increase (Decrease)
<i>(In millions, except percentages)</i>				
Industrial Market Sector:				
Infrastructure & Environment	\$ 492.7	\$ 527.5	\$ (34.8)	(6.6%)
Energy & Construction	357.2	328.2	29.0	8.8%
Industrial total	<u>\$ 849.9</u>	<u>\$ 855.7</u>	<u>\$ (5.8)</u>	<u>(0.7%)</u>

Consolidated revenues from our industrial market sector for the nine months ended September 27, 2013 were essentially flat compared with the nine months ended September 28, 2012. During the nine-month period, revenues increased from the engineering and construction services we provide to support mine expansion projects in the U.S. This increase in U.S. mining work was partially offset by the completion of a large project in Australia to construct a mine tailings facility, as well as by the wind down of a contract to operate a phosphate mine in Canada. Revenues also grew as a result of increased activity on a contract to construct a chemical production facility in Tennessee. In addition, we benefited from sustained demand for the environmental and engineering services we provide to manufacturing and other industrial clients worldwide through long-term MSAs. By contrast, revenues declined from our work providing facility management services to manufacturing clients, primarily as a result of the timing of assignments on ongoing contracts.

CONSOLIDATED RESULTS

The Nine Months Ended September 27, 2013 Compared with the Nine Months Ended September 28, 2012

Consolidated

	Nine Months Ended			Percentage
	September 27, 2013	September 28, 2012 ⁽¹⁾	Increase (Decrease)	Increase (Decrease)
<i>(In millions, except percentages and per share amounts)</i>				
Revenues	\$ 8,330.0	\$ 7,999.8	\$ 330.2	4.1%
Cost of revenues	(7,851.9)	(7,484.0)	367.9	4.9%
General and administrative expense	(59.9)	(62.0)	(2.1)	(3.4%)
Acquisition-related expense	—	(16.1)	(16.1)	N/M
Equity in income of unconsolidated joint ventures	59.1	76.8	(17.7)	(23.0%)
Operating income (loss)	477.3	514.5	(37.2)	(7.2%)
Interest expense	(65.8)	(51.0)	14.8	29.0%
Other income (expense)	(4.2)	4.1	(8.3)	(202.4%)
Income before income taxes	407.3	467.6	(60.3)	(12.9%)
Income tax expense	(123.4)	(155.2)	(31.8)	(20.5%)
Net income (loss) including noncontrolling interests	283.9	312.4	(28.5)	(9.1%)
Noncontrolling interests in income of consolidated subsidiaries, net of tax	(55.9)	(72.4)	(16.5)	(22.8%)
Net income (loss) attributable to URS	<u>\$ 228.0</u>	<u>\$ 240.0</u>	<u>\$ (12.0)</u>	<u>(5.0%)</u>
Diluted earnings (loss) per share	<u>\$ 3.07</u>	<u>\$ 3.22</u>	<u>\$ (0.15)</u>	<u>(4.7%)</u>

N/M = Not meaningful

⁽¹⁾ The operating results of Flint have been included in our consolidated results since the acquisition on May 14, 2012.

CONSOLIDATED RESULTS BY DIVISION

Revenues

<i>(In millions, except percentages)</i>	Infrastructure & Environment	Federal Services	Energy & Construction	Oil & Gas ⁽¹⁾	Eliminations	Total
Nine months ended						
September 27, 2013	\$ 2,833.2	\$ 1,776.3	\$ 2,168.7	\$ 1,672.3	\$ (120.5)	\$ 8,330.0
September 28, 2012	2,851.1	2,118.1	2,285.1	869.7	(124.2)	7,999.8
Increase (decrease)	(17.9)	(341.8)	(116.4)	802.6	(3.7)	330.2
Percentage increase (decrease)	(0.6%)	(16.1%)	(5.1%)	92.3%	(3.0%)	4.1%

⁽¹⁾ The operating results of Flint have been included in our consolidated results since the acquisition on May 14, 2012.

The revenues reported are presented prior to the elimination of inter-segment transactions. Our analysis of the changes in revenues by reporting segment is discussed below.

The Infrastructure & Environment Division's Revenues

The Infrastructure & Environment Division's revenues were essentially flat for the nine months ended September 27, 2013 compared to the nine months ended September 28, 2012. During the nine-month period, we recognized lower revenues associated with services we provide to the DOD, resulting from decreases in federal spending and delays in new project awards. The decrease was partially offset by increased demand from planning, design, engineering, and program and construction management services for the development of surface, air and rail transportation infrastructure. Revenues also increased from the environmental remediation services we provide to power clients for the decommissioning and closure of facilities that are no longer in operation. In addition, we continued to experience stable revenues from the engineering and environmental services we provide to our power and oil and gas clients.

The Federal Services Division's Revenues

The Federal Services Division's revenues decreased for the nine months ended September 27, 2013 compared to the nine months ended September 28, 2012. During the nine-month period, we recognized lower revenues associated with our chemical agent demilitarization programs. This decline reflects the transition at several facilities from the operations phase of the project to the closure phase, which is characterized by lower levels of activity. Revenues also declined as a result of delayed awards on new and existing programs, the conclusion of several task orders on large IT projects, and delays in finalizing the DOD's budget. These decreases were partially offset by higher revenues from our DOD work supporting threat detection.

The Energy & Construction Division's Revenues

The Energy & Construction Division's revenues decreased for the nine months ended September 27, 2013 compared with the nine months ended September 28, 2012. The decrease was primarily due to the completion of large air quality control projects in the power sector, delays and suspensions of similar projects, and the timing of maintenance outage work at nuclear power plants. In addition, revenues declined as a result of the completion of work on a refinery construction project and the completion of work funded by the ARRA that resulted in lower activity at several DOE sites where we provide nuclear management services. These decreases were partially offset by higher revenues from projects involving the construction of natural gas production facilities and a chemical facility.

The Oil & Gas Division's Revenues

The Oil & Gas Division's revenues for the nine months ended September 27, 2013 and September 28, 2012 were \$1.7 billion and \$869.7 million, respectively. The Oil & Gas Division's revenues for the nine months ended September 28, 2012 reflect operating activities starting from May 14, 2012, the acquisition date. Our Oil & Gas Division's revenues are derived from the oilfield services we provide to the North American oil and gas industry. This includes oilfield services, such as rig transportation and fluid hauling; oil and gas production services, including mechanical, electrical and instrumentation services; facility and pipeline construction; module fabrication; and maintenance services. During the second and third quarters, revenues were adversely affected by unusually severe weather conditions in Western Canada that disrupted activities at project sites. Additionally, the decrease in revenues was impacted by lower natural gas-related drilling activities for our clients caused by continued low prices.

Cost of Revenues

<i>(In millions, except percentages)</i> Nine months ended	Infrastructure & Environment	Federal Services	Energy & Construction	Oil & Gas ⁽¹⁾	Eliminations	Total
September 27, 2013	\$ (2,671.2)	\$ (1,555.7)	\$ (2,101.8)	\$ (1,643.7)	\$ 120.5	\$ (7,851.9)
September 28, 2012	(2,678.5)	(1,905.4)	(2,183.6)	(840.7)	124.2	(7,484.0)
Increase (decrease)	(7.3)	(349.7)	(81.8)	803.0	(3.7)	367.9
Percentage increase (decrease)	(0.3%)	(18.4%)	(3.7%)	95.5%	(3.0%)	4.9%

⁽¹⁾ The operating results of Flint have been included in our consolidated results since the acquisition on May 14, 2012.

Our consolidated cost of revenues, which consists of labor, subcontractor costs, and other expenses related to projects, and services provided to our clients, for the nine months ended September 27, 2013 increased compared with the nine months ended September 28, 2012. Because our revenues are primarily project-based, the factors that generally caused revenues to increase also drove a corresponding increase in our cost of revenues.

Consolidated cost of revenues as a percent of revenues increased from 93.6% for the nine months ended September 28, 2012 to 94.3% for the nine months ended September 27, 2013. See "Operating Income (Loss)" for further discussion.

General and Administrative Expenses

Our consolidated G&A expenses for the nine months ended September 27, 2013 decreased by \$2.1 million or 3.4% compared to the nine months ended September 28, 2012. The decrease in G&A expenses was due primarily to a decrease in employee benefit costs of \$4.6 million and foreign currency losses related to intercompany transactions of \$1.1 million, partially offset by increases of \$2.5 million in auditing and accounting services resulting from the registration of the Senior Notes, and miscellaneous consulting services of \$1.4 million. Consolidated G&A expenses as a percent of revenues was 0.7% for the nine months ended September 27, 2013 and 0.8% for the nine months ended September 28, 2012.

Acquisition-related Expenses

Our consolidated acquisition-related expenses for the nine months ended September 28, 2012 were \$16.1 million. These expenses consisted of expenses related to our acquisition of Flint, which included legal fees, consultation fees, travel expenses, and other miscellaneous direct and incremental administrative expenses associated with the acquisition. We did not incur any acquisition-related expenses for the nine months ended September 27, 2013.

Equity in Income (Loss) of Unconsolidated Joint Ventures

<i>(In millions, except percentages)</i>	<u>Infrastructure & Environment</u>	<u>Federal Services</u>	<u>Energy & Construction</u>	<u>Oil & Gas ⁽¹⁾</u>	<u>Total</u>
Nine months ended					
September 27, 2013	\$ 0.1	\$ 4.7	\$ 54.2	\$ 0.1	\$ 59.1
September 28, 2012	3.1	4.8	66.0	2.9	76.8
Increase (decrease)	(3.0)	(0.1)	(11.8)	(2.8)	(17.7)
Percentage increase (decrease)	(96.8%)	(2.1%)	(17.9%)	(96.6%)	(23.0%)

⁽¹⁾ The operating results of Flint have been included in our consolidated results since the acquisition on May 14, 2012.

Our consolidated equity in income of unconsolidated joint ventures for the nine months ended September 27, 2013 decreased compared with the nine months ended September 28, 2012. The decrease was primarily attributable to a \$7.4 million decrease in earnings resulting from lower target-cost savings at one of the nuclear management, operations and cleanup projects in the U.K. and a \$5.8 million decrease in earnings from a light rail construction project nearing completion in 2013.

Operating Income (Loss)

<i>(In millions, except percentages)</i>	<u>Infrastructure & Environment</u>	<u>Federal Services</u>	<u>Energy & Construction</u>	<u>Oil & Gas ⁽¹⁾</u>	<u>Corporate</u>	<u>Total</u>
Nine months ended						
September 27, 2013	\$ 162.1	\$ 225.3	\$ 121.1	\$ 28.7	\$ (59.9)	\$ 477.3
September 28, 2012	175.7	217.5	167.5	31.9	(78.1)	514.5
Increase (decrease)	(13.6)	7.8	(46.4)	(3.2)	(18.2)	(37.2)
Percentage increase (decrease)	(7.7%)	3.6%	(27.7%)	(10.0%)	(23.3%)	(7.2%)

⁽¹⁾ The operating results of Flint have been included in our consolidated results since the acquisition on May 14, 2012.

As a percentage of revenues, operating income (loss) for the nine months ended September 27, 2013 was 5.7% compared to 6.4% for the nine months ended September 28, 2012. The decrease in operating income was due to multiple factors including lower revenues associated with work for the federal government, completion of two large projects both of which recognized significant target-cost savings in the prior year, and a slowdown of activity in the natural gas market. The decrease was partially offset by the favorable resolution of a \$23.3 million pre-tax accrual associated with the estimated costs of employee benefit obligations on chemical demilitarization programs and reduced overhead costs. See the detailed discussion of operating income by segment below.

The Infrastructure & Environment Division's Operating Income

Operating income decreased \$13.6 million for the nine months ended September 27, 2013 compared to the comparable period in the prior year. Operating income as a percentage of revenues was 5.7% for the nine months ended September 27, 2013 compared to 6.2% for the nine months ended September 28, 2012. The decrease in operating income was mainly attributable to lower revenues associated with work for the federal government and industrial clients and a higher use of subcontractors, which carries a lower margin than URS-provided services. Overhead costs as a percentage of revenues increased to 31.7% for the nine months ended September 27, 2013 from 31.2% for the nine months ended September 28, 2012.

The Federal Services Division's Operating Income

Operating income increased \$7.8 million for the nine months ended September 27, 2013 compared to the comparable period in the prior year. Operating income as a percentage of revenues was 12.7% for the nine months ended September 27, 2013 compared to 10.3% for the nine months ended September 28, 2012. The increase in operating income and operating income as a percentage of revenues was primarily due to the favorable resolution of a \$23.3 million pre-tax accrual associated with the estimated costs of employee benefit obligations on chemical demilitarization programs in the prior year, the recognition of \$27.8 million in performance-related incentive fees on one of our chemical demilitarization contracts, and decreased overhead costs. These increases in operating income were partially offset by the recognition of a \$40.0 million programmatic schedule incentive fee related to the chemical demilitarization program in the prior year, completion of several IT projects and projects generating lower margins caused by an increasingly competitive pricing environment.

The Energy & Construction Division's Operating Income

Operating income decreased \$46.4 million for the nine months ended September 27, 2013 compared to the comparable period in the prior year. Operating income as a percentage of revenues was 5.6% for the nine months ended September 27, 2013 compared to 7.3% for the nine months ended September 28, 2012. The decrease in operating income and operating income as a percentage of revenues was due to a \$42.8 million decline in earnings as a result of the substantial completion and deceleration of two large power projects, both of which recognized significant target-cost savings in the prior year, a \$12.7 million decrease in earnings resulting from the completion of a DOE nuclear cleanup project, and decreased earnings of \$11.8 million on projects accounted for as equity in income of unconsolidated joint ventures, as described above. These decreases were partially offset by increased earnings of \$9.0 million associated with the construction of natural gas production facilities. Additionally, overhead reductions partially offset the impact of lower revenues during the current period.

The Oil & Gas Division's Operating Income

Operating income decreased \$3.2 million for the nine months ended September 27, 2013 compared to the comparable period in the prior year. Operating income as a percentage of revenues was 1.7% for the nine months ended September 27, 2013 compared to 3.7% for the nine months ended September 28, 2012. The Oil & Gas Division's operating income for the nine months ended September 27, 2013 was \$28.7 million, which included \$37.5 million of amortization of intangible assets in connection with the Flint acquisition. By comparison, operating income for the nine months ended September 28, 2012, was \$31.9 million, which reflected activities from May 14, 2012, the effective date of the Flint acquisition and included \$25.8 million of amortization of intangible assets in connection with the Flint acquisition. Several factors contributed to the decline in operating income in the current-year period compared to the same period in fiscal 2012. These included unusually severe weather conditions in Western Canada, a slowdown in activity in the natural gas market, and project deferrals in the Canadian oil sands. In addition, we experienced project delays and cancellations.

Interest Expense

Our consolidated interest expense for the nine months ended September 27, 2013 increased by \$14.8 million or 29.0% compared with the nine months ended September 28, 2012. Interest expense increased primarily because we incurred nine months of interest, in the current period compared to twenty weeks of interest in the comparable period in the prior year, related to the Senior Notes issued on March 15, 2012 and the Canadian Notes acquired as part of the Flint acquisition on May 14, 2012. In addition, we are required to pay additional interest to the holders of the Senior Notes until we complete our exchange offer.

Other Income (Expenses)

Our consolidated other income (expenses) for the nine months ended September 27, 2013 consisted of foreign currency losses of \$4.2 million recognized on intercompany financing arrangements, compared to net gains of \$4.4 million recognized on intercompany financing arrangements, and a net loss of \$0.3 million recognized on foreign currency forward contracts during the nine months ended September 28, 2012.

Income Tax Expense

Our effective income tax rate for the nine months ended September 27, 2013 decreased to 30.3% from 33.2% for the nine months ended September 28, 2012. The decrease in the effective income tax rate was primarily due to a change in the tax law enacted in the U.K. allowing a benefit from foreign losses, a change in the mix of foreign income taxed at different rates, and non-recurring benefits from the prior year return reconciliation, partially offset by a reduction in the benefit from noncontrolling interests.

Noncontrolling Interests in Income of Consolidated Subsidiaries, Net of Tax

Our noncontrolling interests in income of consolidated subsidiaries, net of tax decreased by \$16.5 million or 22.8% for the nine months ended September 27, 2013, compared with the nine months ended September 28, 2012. This decrease was primarily due to lower earnings from one of our U.K. joint ventures, decreased activities at a large power project, and lower earnings from DOE nuclear cleanup projects. These decreases were partially offset by higher earnings from a DOE decontamination and demolition facility.

LIQUIDITY AND CAPITAL RESOURCES

<i>(In millions)</i>	Nine Months Ended	
	September 27, 2013	September 28, 2012
Cash flows from operating activities	\$ 358.3	\$ 299.1
Cash flows from investing activities	(31.1)	(1,432.2)
Cash flows from financing activities	(324.6)	981.7

Overview

Our primary sources of liquidity are collections of accounts receivable from our clients, dividends from our unconsolidated joint ventures and borrowings related to our lines of credit. Our primary uses of cash are to fund working capital, income tax payments, and capital expenditures; to service our debt; to pay dividends; to repurchase our common stock; and to make distributions to the noncontrolling interests in our consolidated joint ventures.

Our cash flows from operations are primarily impacted by fluctuations in working capital requirements, which are affected by numerous factors, including the billing and payment terms of our contracts, the stage of completion of contracts performed by us, the timing of payments to vendors, subcontractors, and joint ventures, and the changes in income tax and interest payments, as well as unforeseen events or issues that may have an impact on our working capital.

Our future capital allocation priorities include dividend payments, share repurchases, debt pay downs, add-on acquisitions and organic growth opportunities.

Liquidity

Cash and cash equivalents include all highly liquid investments with maturities of 90 days or less at the date of purchase, including interest-bearing bank deposits and money market funds. At September 27, 2013 and December 28, 2012, restricted cash was \$12.5 million and \$17.1 million, respectively, which amounts were included in “Other current assets” on our Condensed Consolidated Balance Sheets.

As of September 27, 2013 and December 28, 2012, we had cash and cash equivalents of \$51.2 million and \$117.3 million, respectively, held outside the U.S., excluding amounts in consolidated joint ventures. We are not aware of any material restrictions on cash and cash equivalents in those countries in which we conduct business outside the U.S. If cash and cash equivalents held outside the U.S. are needed for our operations in the U.S., we may be required to accrue and pay U.S. taxes to repatriate these funds; however, our intent is to indefinitely reinvest these foreign amounts outside of the U.S. and our current plans do not demonstrate a need to repatriate these foreign amounts to fund our U.S. operations.

In addition, as of September 27, 2013 and December 28, 2012, our consolidated joint ventures held cash and cash equivalents of \$88.0 million and \$80.1 million, respectively. These amounts are restricted for use by each joint venture and are not available for use in our general operations.

Accounts receivable and costs and accrued earnings in excess of billings on contracts (also referred to as “Unbilled Accounts Receivable”) represent our primary sources of cash inflows from operations. Unbilled Accounts Receivable represents amounts that will be billed to clients as soon as invoice support can be assembled, reviewed and provided to our clients, or when specific contractual billing milestones are achieved. In some cases, Unbilled Accounts Receivable may not be billable for periods generally extending from two to six months and, occasionally, beyond a year. As of September 27, 2013 and December 28, 2012, \$314.8 million and \$264.9 million, respectively, of Unbilled Accounts Receivable were not expected to become billable within twelve months of the balance sheet date and, as a result, are included as a component of “Other long-term assets.” As of September 27, 2013, we reclassified \$105.0 million of unbilled amounts representing performance-based incentive fees from work managing chemical demilitarization programs from “Other long-term assets” to Unbilled Accounts Receivable. As of September 27, 2013 and December 28, 2012, significant unapproved change orders and claims, which are included in Unbilled Accounts Receivable, collectively represented approximately 4% and 3%, respectively, of our gross accounts receivable and Unbilled Accounts Receivable.

Net Accounts Receivable, which is comprised of accounts receivable and the current portion of Unbilled Accounts Receivable, net of receivable allowances, at September 27, 2013 was \$2.9 billion, a decrease of \$8.0 million, over the balance at December 28, 2012. The decrease was primarily due to collections of project incentive awards, offset by normal flows within the billing cycle.

All accounts receivable and Unbilled Accounts Receivable are evaluated on a regular basis to assess the risk of collectability, and allowances are provided as deemed appropriate. Based on the nature of our customer base, including U.S. federal, state and local governments and large reputable companies, and contracts, we have not historically experienced significant write-offs related to receivables and Unbilled Accounts Receivable. The size of our allowance for uncollectible receivables as a percentage of the combined totals of our accounts receivable and Unbilled Accounts Receivable is indicative of our history of successfully billing and collecting from our clients.

As of September 27, 2013 and December 28, 2012, our receivable allowances represented 2.16% and 2.37%, respectively, of the combined total accounts receivable and the current portion of Unbilled Accounts Receivable. We believe that our allowance for doubtful accounts receivable as of September 27, 2013 is adequate. We have placed significant emphasis on collection efforts and continually monitor our receivables allowance. However, future economic conditions may adversely affect the ability of some of our clients to make payments or the timeliness of their payments; consequently, it may also affect our ability to consistently collect cash from our clients to meet our operating needs. The other significant factors that typically affect our realization of our accounts receivable include the billing and payment terms of our contracts, as well as the stage of completion of our performance under the contracts. Our operating cash flows may also be affected by changes in contract terms or the timing of advance payments to our joint ventures, partnerships and partially-owned limited liability companies relative to the contract collection cycle. In addition, substantial advance payments or billings in excess of costs also have an impact on our liquidity. Billings in excess of costs as of September 27, 2013 and December 28, 2012 were \$225.1 million and \$289.1 million, respectively.

We use Days Sales Outstanding (“DSO”) to monitor the average time, in days, that it takes us to convert our accounts receivable into cash. DSO also is a useful tool for investors to measure our liquidity and understand our average collection period. We calculate DSO by dividing net accounts receivable, less billings in excess of costs and accrued earnings on contracts, as of the end of the quarter by the amount of revenues recognized during the quarter, and multiplying the result of that calculation by the number of days in that quarter. We included the non-current amounts in our calculation of DSO and the ratio of accounts receivable to revenues. Our DSO increased from 87 days as of December 28, 2012 to 98 days as of September 27, 2013.

We also analyze the ratio of our accounts receivable to quarterly revenues (the “Ratio”), which changed from 98.1% at September 28, 2012 to 95.7% at December 28, 2012 and to 107.9% at September 27, 2013. We calculate this ratio by dividing net accounts receivable, less billings in excess of costs and accrued earnings on contracts as of the end of the quarter by the amount of revenues recognized during the quarter.

The factors that affect the Ratio also have the same effect on DSO. The increases in the Ratio, and therefore the increases in DSO, occurred primarily for the following reasons:

- The revenues used in the calculation of these Ratios for the quarter ended September 27, 2013 in comparison to the quarter ended September 28, 2012 had declined primarily due to decreases in federal funding on existing contracts and the delays in the award of new projects and several natural gas projects. The decrease in revenues added 7.8% to the Ratio. Accruals of amounts from performance-based incentives under long-term U.S. federal government contracts, primarily with the DOD, composed 7.1% of our Ratio for the quarter ended September 28, 2012 and 11.2% of our Ratio for the quarter ended September 27, 2013. These amounts were included in Unbilled Accounts Receivable and “Other long-term assets,” and they become billable as provided under the terms of the contracts to which they relate. We do not expect to bill for these incentives until 2014 and beyond. Our Unbilled Accounts Receivable and “Other long-term assets” included amounts earned under milestone payment clauses, which provided for payments to be received beyond a year from the date service occurs. Based on our historical experience, we generally consider the collection risk related to these amounts to be low. Our Ratio was also impacted by an increase in accounts receivable related to activity on a DOE deactivation, demolition, and removal project, which added 0.7% to our Ratio for the quarter ended September 28, 2012, and 2.4% to our Ratio for the quarter ended September 27, 2013.

- The revenues used in the calculation of these Ratios for the quarter ended September 27, 2013 in comparison to the quarter ended December 28, 2012 had declined primarily due to decreases in federal funding on existing contracts and the delays in the award of new projects and several natural gas projects, and the timing of maintenance outage work in our power sector in the fourth quarter of 2012. The decrease in revenues added 8.6% to the Ratio. Accruals of amounts from performance-based incentives under long-term U.S. federal government contracts, primarily with the DOD, composed 8.1% of our Ratio for the quarter ended December 28, 2012 and 11.2% of our Ratio for the quarter ended September 27, 2013. These amounts were included in Unbilled Accounts Receivable as described above. Our Ratio was also impacted by an increase in accounts receivable related to activity on a DOE deactivation, demolition, and removal project, which added 0.9% to our Ratio for the quarter ended December 28, 2012, and 2.4% to our Ratio for the quarter ended September 27, 2013.

We believe that we have sufficient resources to fund our operating and capital expenditure requirements, to pay income taxes, and to service our debt for at least the next twelve months. In the ordinary course of our business, we may experience various loss contingencies including, but not limited to, the pending legal proceedings identified in Note 16, “Commitments and Contingencies,” to our condensed consolidated financial statements included under Part 1 – Item 1 of this report, which may adversely affect our liquidity and capital resources.

We have determined that the restricted net assets as defined by Rule 4-08(e)(3) of Regulation S-X are less than 25% of our consolidated net assets.

Senior Notes and Canadian Notes

On March 15, 2012, we issued in a private placement \$400.0 million aggregate principal amount of 3.85% Senior Notes due on April 1, 2017 and \$600.0 million aggregate principal amount of 5.00% Senior Notes due on April 1, 2022 (collectively, the “Senior Notes”). We used the net proceeds from the notes together with borrowings from our senior credit facility (“2011 Credit Facility”) to finance our acquisition of Flint on May 14, 2012. We also guaranteed Flint’s 7.5% senior notes due in 2019 (the “Canadian Notes”) with an outstanding face value of C\$174.9 million (US\$169.5 million as of September 27, 2013). See [Note 10, “Indebtedness,”](#) to our Condensed Consolidated Financial Statements included under Part 1 – Item 1 of this report, for more information regarding the Senior Notes.

On October 11, 2013, Flint announced that it will redeem all of its outstanding Canadian Notes. The redemption is expected to take place in December 2013.

Dividend Program

Our Board of Directors has declared the following dividends:

Declaration Date	Dividend Per Share	Record Date	Total Maximum Payment	Payment Date
<i>(In millions, except per share data)</i>				
February 24, 2012	\$ 0.20	March 16, 2012	\$ 15.2	April 6, 2012
May 4, 2012	\$ 0.20	June 15, 2012	\$ 15.4	July 6, 2012
August 3, 2012	\$ 0.20	September 14, 2012	\$ 15.4	October 5, 2012
November 2, 2012	\$ 0.20	December 14, 2012	\$ 15.4	January 4, 2013
February 22, 2013	\$ 0.21	March 15, 2013	\$ 16.0	April 5, 2013
May 3, 2013	\$ 0.21	June 14, 2013	\$ 16.0	July 5, 2013
August 2, 2013	\$ 0.21	September 13, 2013	\$ 16.0	October 4, 2013
November 1, 2013	\$ 0.21	December 13, 2013	NA	January 10, 2014

NA = Not available

Operating Activities

The increase in cash flows from operating activities for the nine months ended September 27, 2013, compared to the nine months ended September 28, 2012, was primarily due to the timing of billings, collections and advance payments from clients on accounts receivables, offset by the timing of accounts payable, accrued salaries and employee benefits and other current liabilities, the timing of payments on project-related expenses, and project incentive awards that were recognized but are not currently billable.

Investing Activities

Cash flows from investing activities of \$31.1 million during the nine months ended September 27, 2013 consisted of the following significant activities:

- capital expenditures, excluding purchases financed through capital leases and equipment notes, of \$68.2 million.

These cash flows were partially offset by:

- proceeds from the disposal of property and equipment of \$32.6 million, mainly resulting from the sale of equipment, land and buildings in Canada.

Cash flows from investing activities of \$1.4 billion during the nine months ended September 28, 2012 consisted of the following significant activities:

- payments for business acquisition, net of cash acquired, of \$1.3 billion; and
- capital expenditures, excluding purchases financed through capital leases and equipment notes, of \$101.8 million.

These cash flows were partially offset by:

- proceeds from the disposal of property and equipment of \$17.2 million, mainly resulting from the residual payment received on the close out and settlement of mining projects in Jamaica.

For the remainder of fiscal year 2013, we expect to incur more than \$20.0 million in capital expenditures, a portion of which will be financed through capital leases or equipment notes.

Financing Activities

Cash flows from financing activities of \$324.6 million during the nine months ended September 27, 2013 consisted of the following significant activities:

- repurchases of our common stock of \$93.3 million;
- net payments of our revolving line of credit, foreign lines of credits, short-term notes, and capital leases of \$92.8 million;
- net reduction in overdrafts of \$55.1 million;
- distributions to noncontrolling interests of consolidated joint ventures of \$49.2 million; and
- dividend payments of \$46.8 million.

These cash flows were partially offset by:

- proceeds from employee stock purchases and exercises of stock options of \$14.6 million.

Cash flows generated from financing activities of \$981.7 billion during the nine months ended September 28, 2012 consisted of the following significant activities:

- proceeds of our Senior Notes, net of debt discount and issuance costs, of \$990.1 million; and
- net borrowings from our revolving line of credit of \$126.4 million.

These cash flows were partially offset by:

- distributions to noncontrolling interests of consolidated joint ventures of \$51.9 million;
- repurchases of our common stock of \$40.0 million; and
- dividend payments of \$29.8 million.

Contractual Obligations and Commitments

The following table contains information about our contractual obligations and commercial commitments as of September 27, 2013:

Contractual Obligations (Debt payments include principal only) (In millions)	Payments and Commitments Due by Period					
	Total	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years	Other
As of September 27, 2013:						
2011 Credit Facility ⁽¹⁾	\$ 655.0	\$ 42.5	\$ 140.0	\$ 472.5	\$ —	\$ —
3.85% Senior Notes ⁽²⁾	400.0	—	—	400.0	—	—
5.00% Senior Notes ⁽²⁾	600.0	—	—	—	600.0	—
7.50% Canadian Notes ⁽²⁾	169.5	—	—	—	169.5	—
Revolving line of credit	38.8	—	—	38.8	—	—
Capital lease obligations ⁽¹⁾	53.0	23.9	22.3	6.8	—	—
Notes payable, foreign credit lines and other indebtedness	58.4	26.8	18.8	9.6	3.2	—
Total debt	1,974.7	93.2	181.1	927.7	772.7	—
Operating lease obligations ⁽³⁾	702.9	183.3	262.7	150.1	106.8	—
Pension and other retirement plans funding requirements ⁽⁴⁾	637.3	224.6	97.4	85.7	229.6	—
Interest ⁽⁵⁾	393.9	69.2	124.3	80.4	120.0	—
Dividends payable ⁽⁶⁾	17.9	16.6	1.2	0.1	—	—
Purchase obligations ⁽⁷⁾	12.4	7.3	5.1	—	—	—
Asset retirement obligations ⁽⁸⁾	15.0	2.9	2.3	3.6	6.2	—
Other contractual obligations ⁽⁹⁾	29.4	19.8	—	—	—	9.6
Total contractual obligations	<u>\$ 3,783.5</u>	<u>\$ 616.9</u>	<u>\$ 674.1</u>	<u>\$ 1,247.6</u>	<u>\$ 1,235.3</u>	<u>\$ 9.6</u>

⁽¹⁾ Amounts shown exclude unamortized debt issuance costs of \$2.9 million for our senior credit facility (“2011 Credit Facility”). For capital lease obligations, amounts shown exclude interest of \$2.7 million. For information regarding events that could accelerate the due dates of these payments, see the “2011 Credit Facility” section in our Annual Report on Form 10-K for the fiscal year ended December 28, 2012.

⁽²⁾ Amounts shown exclude unamortized discount for the 3.85% and 5.00% Senior Notes of \$0.9 million, and unamortized premium for the 7.50% Canadian Notes of \$24.3 million. For information regarding events that could accelerate these payments, see the “Senior Notes and Canadian Notes” section in our Annual Report on Form 10-K for the fiscal year ended December 28, 2012.

⁽³⁾ Operating leases are predominantly real estate leases.

⁽⁴⁾ Amounts consist of estimated pension and other retirement plan funding requirements, to the extent that we were able to develop reasonable estimates, for various defined benefit, post-retirement, defined contribution, multiemployer, and other retirement plans. Estimates do not include potential multiemployer plan termination or withdrawal amounts since we are unable to estimate the amount of contributions that could be required.

⁽⁵⁾ Interest for the next five years, which excludes non-cash interest, is determined based on the current outstanding balance of our debt and payment schedule at the estimated interest rate.

⁽⁶⁾ Dividends for unvested restricted stock awards and units will be paid upon vesting.

⁽⁷⁾ Purchase obligations consist primarily of software maintenance contracts.

⁽⁸⁾ Asset retirement obligations represent the estimated costs of removing and restoring our leased properties to the original condition pursuant to our real estate lease agreements.

⁽⁹⁾ Other contractual obligations include accrued discretionary and non-discretionary bonuses, net liabilities for anticipated settlements and interest on our tax liabilities, accrued benefits for our executives pursuant to their employment agreements, and our contractual obligations to joint ventures. Generally, it is not practicable to forecast or estimate the payment dates for the above-mentioned tax liabilities. Therefore, we included the estimated liabilities under “Other” above.

Off-balance Sheet Arrangements

In the ordinary course of business, we may use off-balance sheet arrangements if we believe that such an arrangement would be an efficient way to lower our cost of capital or help us manage the overall risks of our business operations. We do not believe that such arrangements have had a material adverse effect on our financial position or our results of operations.

The following are our off-balance sheet arrangements:

- Letters of credit and bank guarantees are used primarily to support project performance, insurance programs, bonding arrangements and real estate leases. We are required to reimburse the issuers of letters of credit and bank guarantees for any payments they make under the outstanding letters of credit or bank guarantees. Our credit facilities and banking arrangements cover the issuance of our standby letters of credit and bank guarantees that are critical for our normal operations. If we default on these credit facilities and banking arrangements, we would be unable to issue or renew standby letters of credit and bank guarantees, which would impair our ability to maintain normal operations. As of September 27, 2013, we had \$123.1 million in standby letters of credit outstanding under our 2011 Credit Facility and \$34.3 million in bank guarantees outstanding under foreign credit facilities and other banking arrangements with remaining availability of approximately \$49.9 million.
- We have agreed to indemnify one of our joint venture partners up to \$25.0 million for any potential losses, damages, and liabilities associated with lawsuits in relation to general and administrative services we provide to the joint venture.
- From time to time, we provide guarantees and indemnifications related to our services or work. If our services under a guaranteed or indemnified project are later determined to have resulted in a material defect or other material deficiency, then we may be responsible for monetary damages or other legal remedies. When sufficient information about claims on guaranteed or indemnified projects is available and monetary damages or other costs or losses are determined to be probable, we recognize such guarantee losses.
- In the ordinary course of business, we enter into various agreements providing performance assurances and guarantees to clients on behalf of certain unconsolidated subsidiaries, joint ventures, and other jointly executed contracts. We enter into these agreements primarily to support the project execution commitments of these entities. The potential payment amount of an outstanding performance guarantee is typically the remaining cost of work to be performed by or on behalf of third parties under engineering and construction contracts. However, the majority of the unconsolidated joint ventures in which we participate involve cost-reimbursable, level-of-effort projects that are accounted for as service-type projects, not engineering and construction projects that would follow the percentage-of-completion or completed-contract accounting method. Revenues for service-type contracts are recognized in proportion to the number of service activities performed, in proportion to the direct costs of performing the service activities, or evenly across the period of performance, depending upon the nature of the services provided. The services we provide on these cost-reimbursable contracts are management and operations services for government clients and operations and maintenance services for non-government clients. We believe that, due to the continual changes we experience in client funding and scope definitions, reliable estimates of performance guarantees cannot be calculated because they cannot be reliably predicted. In addition, we participate in joint ventures in which the level of our participation is so minimal that we do not have access to those joint ventures' estimates to complete. The joint ventures where we perform engineering and construction contracts and where we have access to the estimates to complete, which are needed to calculate the performance guarantees, are immaterial. For cost-plus contracts, amounts that may become payable pursuant to guarantee provisions are normally recoverable from the client for work performed under the contract. For lump sum or fixed-price contracts, this amount is the cost to complete the contracted work less amounts remaining to be billed to the client under the contract. Remaining billable amounts could be greater or less than the cost to complete. In those cases where costs exceed the remaining amounts payable under the contract, we may have recourse to third parties, such as owners, co-venturers, subcontractors or vendors, for claims.

- In the ordinary course of business, our clients may request that we obtain surety bonds in connection with contract performance obligations that are not required to be recorded in our Condensed Consolidated Balance Sheets. We are obligated to reimburse the issuer of our surety bonds for any payments made thereunder. Each of our commitments under performance bonds generally ends concurrently with the expiration of our related contractual obligation.

2011 Credit Facility

As of September 27, 2013 and December 28, 2012, the outstanding balance of the term loan under our 2011 Credit Facility was \$655.0 million and \$670.0 million, respectively. As of September 27, 2013 and December 28, 2012, the interest rates applicable to the term loan were 1.68% and 1.71%, respectively. Loans outstanding under our 2011 Credit Facility bear interest, at our option, at the base rate or at the London Interbank Offered Rate (“LIBOR”) plus, in each case, an applicable per annum margin. The applicable margin is determined based on the better of our debt ratings or our leverage ratio in accordance with a pricing grid. The interest rate at which we normally borrow is LIBOR plus 150 basis points.

We were in compliance with the covenants of our 2011 Credit Facility as of September 27, 2013.

Revolving line of credit. Our revolving line of credit is used to fund daily operating cash needs and to support our standby letters of credit. In the ordinary course of business, the use of our revolving line of credit is a function of collection and disbursement activities. Our daily cash needs generally follow a predictable pattern that parallels our payroll cycles, which dictate, as necessary, our short-term borrowing requirements.

As of September 27, 2013 and December 28, 2012, we had outstanding balances of \$38.8 million and \$100.5 million, respectively, on our revolving line of credit. As of September 27, 2013, we had issued \$123.1 million of letters of credit, leaving \$838.1 million available under our revolving credit facility.

Senior Notes and Canadian Notes

On March 15, 2012, we issued, in a private placement, \$400.0 million aggregate principal amount of 3.85% Senior Notes due on April 1, 2017 and \$600.0 million aggregate principal amount of 5.00% Senior Notes due on April 1, 2022. As of September 27, 2013, the outstanding balance of the Senior Notes was \$999.1 million, net of \$0.9 million of discount.

The Senior Notes are our general unsecured senior obligations and rank equally with our other existing and future unsecured senior indebtedness. The Senior Notes are fully and unconditionally guaranteed (the “Guarantees”) by each of our current and future domestic subsidiaries that are guarantors under our 2011 Credit Facility or that are wholly owned domestic obligors or wholly owned domestic guarantors, individually or collectively, under any future indebtedness of our subsidiaries in excess of \$100.0 million (the “Guarantors”). The Guarantees are the Guarantors’ unsecured senior obligations and rank equally with the Guarantors’ other existing and future unsecured senior indebtedness. See [Note 18, “Condensed Consolidating Financial Information,”](#) to our condensed consolidated financial statements included under Part 1 – Item 1 of this report for additional detail.

In connection with the sale of the Senior Notes, we entered into a registration rights agreement. On April 17, 2013, we filed with the Securities and Exchange Commission (“SEC”) and subsequently amended a registration statement under which we are offering to exchange any privately placed Senior Notes with substantially similar notes, except that the newly exchanged notes will be unrestricted and freely tradable securities. The registration statement has not yet been declared effective by the SEC. Until we complete our exchange offer, we will be required to pay additional interest of 50 basis points to the holders of the Senior Notes.

On May 14, 2012, we guaranteed the Canadian Notes with an outstanding face value of C\$175.0 million (US\$175.0 million). As of September 27, 2013, the outstanding balance of the Canadian Notes was \$193.8 million, including \$24.3 million of premium.

On October 11, 2013, Flint announced that it will redeem all of its outstanding Canadian Notes. The redemption is expected to take place in December 2013.

We were in compliance with the covenants of our Senior Notes and Canadian Notes as of September 27, 2013.

Other Indebtedness

Notes payable, five-year loan notes, and foreign credit lines. As of September 27, 2013 and December 28, 2012, we had outstanding amounts of \$58.4 million and \$35.5 million, respectively, in notes payable, five-year loan notes, and foreign lines of credit. The weighted-average interest rates of the notes were approximately 3.62% and 4.68% as of September 27, 2013 and December 28, 2012, respectively. Notes payable primarily include notes used to finance the purchase of office equipment, computer equipment, furniture, vehicles and automotive equipment, and construction equipment.

As of September 27, 2013 and December 28, 2012, we maintained several foreign credit lines with aggregate borrowing capacity of \$50.5 million and \$50.8 million, respectively, and had remaining borrowing capacity of \$44.7 and \$47.7 million, respectively.

Capital Leases. As of September 27, 2013 and December 28, 2012, we had obligations under our capital leases of approximately \$53.0 million and \$59.2 million, respectively, consisting primarily of leases for office equipment, computer equipment, furniture, vehicles and automotive equipment, and construction equipment.

Operating Leases. As of September 27, 2013 and December 28, 2012, we had obligations under our operating leases of approximately \$702.9 million and \$706.3 million, respectively, consisting primarily of real estate leases.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions in the application of certain accounting policies that affect amounts reported in our [condensed consolidated financial statements](#) and [related footnotes](#) included in Item 1 of this report. In preparing these financial statements, we have made our best estimates and judgments of certain amounts, after considering materiality. Application of these accounting policies, however, involves the exercise of judgment and the use of assumptions as to future uncertainties. Consequently, actual results could differ from our estimates, and these differences could be material.

The accounting policies that we believe are most critical to an investor's understanding of our financial results and condition and that require complex judgments by management are included in our Annual Report on Form 10-K for the fiscal year ended December 28, 2012, except that we have restated the consolidated financial statements for the effects of an error in fiscal year 2011 as described in [Note 1, "Business, Basis of Presentation, and Accounting Policies,"](#) to our Condensed Consolidated Financial Statements included under Part 1 – Item 1 of this report. There were no material changes to these critical accounting policies during the nine months ended September 27, 2013.

ADOPTED AND OTHER RECENTLY ISSUED ACCOUNTING STANDARDS

See [Note 2, "Adopted and Other Recently Issued Statements of Financial Accounting Standards,"](#) to our Condensed Consolidated Financial Statements included under Part 1 – Item 1 of this report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

We are exposed to changes in interest rates as a result of our borrowings under our 2011 Credit Facility. We borrow under the 2011 Credit Facility at a fixed rate plus a market rate margin. The margin is based on LIBOR or similar indexes. Based on the outstanding term loan of \$655.0 million and an outstanding revolving line of credit balance of \$38.8 million under our 2011 Credit Facility, if market rates used to calculate interest expense were to average 1% higher in the next twelve months, our net-of-tax interest expense would increase by approximately \$3.9 million. Interest rates, as measured by LIBOR or similar indices, remain at historic low levels, thereby limiting how far we can measure a drop in interest rates. As a result, we have analyzed that if rates fall by 1% or by the maximum amount below 1%, it would lower our net-of-tax interest expense by approximately \$0.7 million. This analysis is computed taking into account the current outstanding term loan of our 2011 Credit Facility, assumed interest rates and current debt payment schedule. The result of this analysis would change if the underlying assumptions were modified.

Foreign Currency Risk

The majority of our transactions are in U.S. dollars; however, our foreign subsidiaries conduct businesses in various foreign currencies. Therefore, we are subject to currency exposures and volatility because of currency fluctuations. We attempt to minimize our exposure to foreign currency fluctuations by matching our revenues and expenses in the same currency for our contracts. From time to time, we purchase derivative financial instruments in the form of foreign currency exchange contracts to manage specific foreign currency exposures. As of September 27, 2013, we did not have any derivative financial instruments. We recorded a foreign currency translation gain of \$26.7 million and \$59.2 million in "Other comprehensive income" for the three months ended September 27, 2013 and September 28, 2012, respectively. We recorded a foreign currency translation loss of \$48.8 million and a foreign currency translation gain of \$46.6 million in "Other comprehensive income" for the nine months ended September 27, 2013 and September 28, 2012, respectively.

ITEM 4. CONTROLS AND PROCEDURES

Attached as exhibits to this Form 10-Q are certifications of our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), which are required in accordance with Rule 13a-14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). This "Controls and Procedures" section includes information concerning the controls and controls evaluation referred to in the certifications and should be read in conjunction with the certifications for a more complete understanding.

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate to allow timely decisions regarding required disclosures. Our CEO and CFO are responsible for establishing and maintaining disclosure controls and procedures (as defined in rules promulgated under the Exchange Act) for our company.

In connection with the preparation of this Form 10-Q, our management, with the participation of our CEO and CFO, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of September 27, 2013. Based on that evaluation, the restatement of previously issued financial statements described in this Form 10-Q, and the identification of a material weakness in internal control over financial reporting described below, which is as an integral part of our disclosure controls and procedures, our CEO and CFO concluded that our disclosure controls and procedures were not effective as of September 27, 2013.

We have concluded that a material weakness in internal control over financial reporting exists in our control over the proper application of generally accepted accounting principles with respect to our goodwill impairment analysis in that we failed to include in the calculation of fair value the cash flows attributable to noncontrolling interests of our subsidiaries that are not wholly-owned and to incorporate market participant data in the fair value calculation for one of our reporting units. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. This control deficiency could result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

In light of the material weakness described above and our resulting need to restate our financial statements, our CEO and CFO believe that our disclosure controls and procedures and internal control over financial reporting were not effective as of the end of the period covered by this report, nor were they effective as of December 30, 2011 or at the end of each of the annual and quarterly periods thereafter.

Remediation Efforts on Previously Identified Material Weakness

We have re-assessed and revised our processes to take steps to remediate the material weakness and our resulting need to restate our financial statements. Specifically, we have provided our financial reporting personnel with training and enhanced review controls over the goodwill impairment analysis. We believe we have made significant progress toward the remediation of this material weakness; however, the controls have not been in place and operating for a sufficient period to validate remediation. As we continue to evaluate and test the improvements to our internal control over financial reporting, we may determine to take additional measures to address control deficiencies or decide to modify certain of the remediation measures described above. We expect that it will be remediated in 2013, although there can be no assurances. As a result of our control process re-assessment and revision, we will amend our Form 10-K for the year ended December 28, 2012, our Form 10-Q for the three months ended March 29, 2013, and our Form 10-Q for the three and six months ended June 28, 2013.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the three months ended September 27, 2013 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. As described above, we have implemented changes to our disclosure controls and procedures and internal control over financial reporting to remediate the material weakness identified in "Evaluation of Disclosure Controls and Procedures."

Inherent Limitations on Effectiveness of Controls

Our management, including the CEO and CFO, has designed our disclosure controls and procedures and our internal control over financial reporting to provide reasonable assurances that the controls' objectives will be met. However, management does not expect that disclosure controls and procedures or our internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any system's design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of a system's control effectiveness into future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Various legal proceedings are pending against our subsidiaries and us. The resolution of outstanding claims and litigation is subject to inherent uncertainty, and it is reasonably possible that resolution of any of the outstanding claims or litigation matters could have a material adverse effect on us. See [Note 16, “Commitments and Contingencies,”](#) to our “Condensed Consolidated Financial Statements” included under Part 1 – Item 1 of this report for a discussion of our legal proceedings, which is incorporated herein by reference.

ITEM 1A. RISK FACTORS

In addition to our other disclosures set forth or incorporated by reference in this quarterly report on Form 10-Q, the following risk factors could also affect our financial condition and results of operations:

Demand for our services is cyclical and vulnerable to economic downturns and reductions in government and private industry spending. If the economy weakens or client spending declines further, then our revenues, book of business, profits and our financial condition may deteriorate.

Demand for our services is cyclical and vulnerable to economic downturns and reductions in government and private industry spending, such as budget cuts related to federal sequestration and the October 2013 federal government shutdown. Such downturns or reductions could delay, curtail or cancel proposed and existing projects. Over the past several years, weak economic conditions and volatility in global financial markets have impacted our client spending.

Some clients have delayed, curtailed or cancelled proposed and existing projects and may continue to do so in the future. For example, our book of business has declined from \$24.9 billion as of December 28, 2012 to \$23.3 billion as of September 27, 2013. Also, our clients may demand more favorable pricing terms and find it increasingly difficult to timely pay invoices for our services, which would impact our future cash flows and liquidity. In addition, any rapid changes in the prices of commodities make it difficult for our clients and us to forecast future capital expenditures. Inflation or significant changes in interest rates could reduce the demand for our services. Any inability to timely collect our invoices may lead to an increase in our accounts receivable and potentially to increased write-offs of uncollectible invoices. If the economy remains weak or uncertain, or client spending declines further, then our revenues, book of business, net income and overall financial condition could deteriorate.

Federal budget cuts have had an adverse impact on our business and could significantly reduce demand for the services we provide.

The Budget Control Act of 2011 imposed federal government spending cuts in fiscal year 2013 and may impose increasing budget cuts over the next several years that impact our work for the Department of Defense (“DOD”) and other federal agencies. In addition, approximately 3,000 of our employees were furloughed during parts of the October 2013 federal government shutdown. Reduction in federal government spending, including as a result of the U.S. federal government shutdown in October 2013, has decreased demand for our services, resulting in canceled and delayed projects as well as potential projects in our book of business. For example, a number of our employees who work on DOD projects have experienced work-week reductions. Further federal budget cuts resulting from sequestration, and the threat of another federal government shutdown, if a budget is not passed before the temporary funding measure passed by Congress expires in February 2014 could significantly reduce demand for our services, could lead us to reduce our workforce, and have a material adverse effect on our results of operation and financial condition.

We may not realize the full amount of revenues reflected in our book of business, particularly in light of current economic conditions, which could harm our operations and could significantly reduce our expected profits and revenues.

We account for all contract awards that may eventually be recognized as revenues or equity in income of unconsolidated joint ventures as our “book of business,” which includes backlog, option years and indefinite delivery contracts (“IDCs”). As of September 27, 2013, our book of business was estimated at approximately \$23.3 billion, which included \$11.6 billion of backlog. Our book of business estimates may not result in realized profits and revenues in any particular period because clients may delay, modify terms or terminate projects and contracts and may decide not to exercise contract options or issue task orders. This uncertainty is particularly acute in light of current economic conditions, as the risk of contracts in backlog being delayed, adjusted in scope or cancelled is more likely to increase during periods of economic uncertainty and particularly during sequestration. In addition, our government contracts or subcontracts are subject to renegotiation or termination at the convenience of the applicable U.S. federal, state or local governments, as well as national governments of other countries. Accordingly, if we do not realize a substantial amount of our book of business, our operations could be harmed and our expected profits and revenues could be significantly reduced.

As a government contractor, we must comply with various procurement laws and regulations and are subject to regular government audits; failure to comply with any of these laws and regulations could result in sanctions, contract termination, forfeiture of profit, harm to our reputation or loss of our status as an eligible government contractor. Any interruption or termination of our government contractor status, or a loss of our government business, could reduce our profits and revenues significantly.

As a government contractor, we enter into many contracts with federal, state and local government clients. For example, revenues from our federal market sector represented 35% of our total revenues for the nine months ended September 27, 2013. We are affected by and must comply with federal, state, local and foreign laws and regulations relating to the formation, administration and performance of government contracts. For example, we must comply with the Federal Acquisition Regulation (“FAR”), the Truth in Negotiations Act, Cost Accounting Standards (“CAS”), American Recovery and Reinvestment Act (“ARRA”), the Services Contract Act, export controls rules and DOD security regulations, as well as many other laws and regulations. In addition, we must also comply with other government regulations related to employment practices, environmental protection, health and safety, tax, accounting and anti-fraud, as well as many others in order to maintain our government contractor status. These laws and regulations affect how we transact business with our clients and in some instances, impose additional costs on our business operations. Even though we take precautions to prevent and deter fraud, misconduct and non-compliance, we face the risk that our employees or outside partners may engage in misconduct, fraud or other improper activities.

Government agencies, such as the U.S. Defense Contract Audit Agency (“DCAA”), routinely audit and investigate government contractors. These government agencies review and audit a government contractor’s performance under its contracts, a government contractor’s direct and indirect cost structure, and a government contractor’s compliance with applicable laws, regulations and standards. For example, during the course of its audits, the DCAA may question our incurred project costs and, if the DCAA believes we have accounted for these costs in a manner inconsistent with the requirements for the FAR or CAS, the DCAA auditor may recommend to our U.S. government corporate administrative contracting officer to disallow such costs. We can provide no assurance that the DCAA or other government audits will not result in material disallowances for incurred costs in the future. In addition, government contracts are subject to a variety of other socioeconomic requirements relating to the formation, administration, performance and accounting for these contracts. We may also be subject to *qui tam* litigation brought by private individuals on behalf of the government under the Federal Civil False Claims Act, which could include claims for treble damages. Government contract violations could result in the imposition of civil and criminal penalties or sanctions, contract termination, forfeiture of profit, and/or suspension of payment, any of which could make us lose our status as an eligible government contractor. We could also suffer serious harm to our reputation. Any interruption or termination of our government contractor status, or a loss of our government business, could reduce our profits and revenues significantly.

Employee, agent or partner misconduct or failure to comply with anti-bribery and other government laws and regulations could harm our reputation, reduce our revenues and profits, and subject us to criminal and civil enforcement actions.

Misconduct, fraud, non-compliance with applicable laws and regulations, or other improper activities by one of our employees, agents or partners could have a significant negative impact on our business and reputation. Such misconduct could include the failure to comply with government procurement regulations, regulations regarding the protection of classified information, regulations prohibiting bribery and other foreign corrupt practices, regulations regarding the pricing of labor and other costs in government contracts, regulations on lobbying or similar activities, regulations pertaining to the internal controls over financial reporting, environmental laws and any other applicable laws or regulations. For example, the United States Foreign Corrupt Practices Act and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to foreign officials for the purpose of obtaining or retaining business. In addition, we regularly provide services that may be highly sensitive or that relate to critical national security matters; if a security breach were to occur, our ability to procure future government contracts could be severely limited.

Our policies mandate compliance with these regulations and laws, and we take precautions intended to prevent and detect misconduct. However, since our internal controls are subject to inherent limitations, including human error, it is possible that these controls could be intentionally circumvented or become inadequate because of changed conditions. As a result, we cannot assure that our controls will protect us from reckless or criminal acts committed by our employees and agents. Failure to comply with applicable laws or regulations or acts of misconduct could subject us to fines and penalties, loss of security clearances, and suspension or debarment from contracting, any or all of which could harm our reputation, reduce our revenues and profits and subject us to criminal and civil enforcement actions.

Legal proceedings, investigations and disputes could result in substantial monetary penalties and damages, which could affect us adversely, especially if these penalties and damages exceed or are excluded from existing insurance coverage.

We engage in engineering, construction and technical services that can result in substantial injury or damages that may expose us to legal proceedings, investigations and disputes. For example, in the ordinary course of our business, we may be involved in legal disputes regarding personal injury and wrongful death claims, employee or labor disputes, professional liability claims, and general commercial disputes involving project cost overruns, indemnification claims and liquidated damages as well as other claims. See Note 16, “Commitments and Contingencies,” to our condensed consolidated financial statements included under Part 1 – Item 1 of this report for a discussion of some of our legal proceedings. In addition, in the ordinary course of our business, we frequently make professional judgments and recommendations about environmental and engineering conditions of project sites for our clients. We may be deemed to be responsible for these judgments and recommendations if they are later determined to be inaccurate. Any unfavorable legal ruling against us could result in substantial monetary damages or even criminal violations. We maintain insurance coverage as part of our overall legal and risk management strategy to minimize our potential liabilities. Generally, our insurance program covers workers’ compensation and employer’s liability, general liability, automobile liability, professional errors and omissions liability, property, marine property and liability, and contractor’s pollution liability (in addition to other policies for specific projects). Our insurance program includes deductibles or self-insured retentions for each covered claim. In addition, our insurance policies contain exclusions and sublimits that insurance providers may use to deny us insurance coverage. Excess liability, contractor’s pollution liability, and professional liability insurance policies provide for coverages on a “claims-made” basis, covering only claims actually made and reported during the policy period currently in effect. If we sustain liabilities that exceed our insurance coverage or for which we are not insured, it could have a material adverse impact on our results of operations and financial condition, including our profits and revenues.

Unavailability or cancellation of third-party insurance coverage would increase our overall risk exposure as well as disrupt the management of our business operations.

We maintain insurance coverage from third-party insurers as part of our overall risk management strategy and because some of our contracts require us to maintain specific insurance coverage limits. If any of our third-party insurers fail, suddenly cancel our coverage or otherwise are unable to provide us with adequate insurance coverage then our overall risk exposure and our operational expenses would increase and the management of our business operations would be disrupted. In addition, there can be no assurance that any of our existing insurance coverage will be renewable upon the expiration of the coverage period or that future coverage will be affordable at the required limits.

We may be subject to substantial liabilities under environmental laws and regulations.

Our services are subject to numerous environmental protection laws and regulations that are complex and stringent. Our business involves the planning, design, program management, construction and construction management, and operations and maintenance at various sites, including but not limited to pollution control systems, nuclear facilities, hazardous waste and Superfund sites, contract mining sites, hydrocarbon production, distribution and transport sites, military bases and other infrastructure-related facilities. We also regularly perform work, including oil field and pipeline construction services in and around sensitive environmental areas, such as rivers, lakes and wetlands. In addition, we have contracts with U.S. federal government entities to destroy hazardous materials, including chemical agents and weapons stockpiles, as well as to decontaminate and decommission nuclear facilities. These activities may require us to manage, handle, remove, treat, transport and dispose of toxic or hazardous substances. We also own and operate several properties in the U.S. and Canada that have been used for the storage and maintenance of equipment and upon which hydrocarbons or other wastes may have been disposed or released. Past business practices at companies that we have acquired may also expose us to future unknown environmental liabilities.

Significant fines, penalties and other sanctions may be imposed for non-compliance with environmental laws and regulations, and some environmental laws provide for joint and several strict liabilities for remediation of releases of hazardous substances, rendering a person liable for environmental damage, without regard to negligence or fault on the part of such person. These laws and regulations may expose us to liability arising out of the conduct of operations or conditions caused by others, or for our acts that were in compliance with all applicable laws at the time these acts were performed. For example, there are a number of governmental laws that strictly regulate the handling, removal, treatment, transportation and disposal of toxic and hazardous substances, such as the Comprehensive Environmental Response Compensation and Liability Act of 1980, and comparable state laws, that impose strict, joint and several liabilities for the entire cost of cleanup, without regard to whether a company knew of or caused the release of hazardous substances. In addition, some environmental regulations can impose liability for the entire cleanup upon owners, operators, generators, transporters and other persons arranging for the treatment or disposal of such hazardous substances related to contaminated facilities or project sites. Other federal environmental, health and safety laws affecting us include, but are not limited to, the Resource Conservation and Recovery Act, the National Environmental Policy Act, the Clean Air Act, the Clean Air Mercury Rule, the Occupational Safety and Health Act, the Toxic Substances Control Act and the Superfund Amendments and Reauthorization Act, as well as other comparable national and state laws. Liabilities related to environmental contamination or human exposure to hazardous substances, or a failure to comply with applicable regulations could result in substantial costs to us, including cleanup costs, fines and civil or criminal sanctions, third-party claims for property damage or personal injury or cessation of remediation activities. Our continuing work in the areas governed by these laws and regulations exposes us to the risk of substantial liability.

Changes in transportation regulations and other factors may increase our costs and negatively impact our profit margins.

We have a large fleet of trucks and other heavy vehicles to transport drilling rigs and provide fluid hauling and other oil and gas services in North America. We are subject to national, state and Canadian provincial regulations including the permit requirements of highway and safety authorities. These regulatory authorities exercise broad powers over our transport operations, generally governing such matters as the authorization to engage in transportation operations, safety, equipment testing and specifications and insurance requirements. The transportation industry is also subject to regulatory and legislative changes that may impact our operations, such as by requiring changes in fuel emissions limits, vehicle air emissions, the hours of service regulations that govern the amount of time a driver may drive or work in any specific period, limits on vehicle weight and size and other matters. Changes in regulation may increase costs related to truck purchases and maintenance, impair equipment productivity, decrease the residual value of these vehicles and increase operating expenses.

In addition, our transport business is impacted by weather conditions that can restrict our ability to deliver services. For example, Canadian municipalities and provincial transportation departments enforce seasonal road bans each spring that limit the movement of heavy vehicles and equipment. Additionally, some Canadian oil and natural gas-producing areas are only accessible in the winter months when the ground or waterways are frozen; however, these conditions increase susceptibility to accidents.

Proposals to increase taxes, including taxes on motor fuels, are also made from time to time, and any such increase would increase our operating costs. Also fluctuating fuel prices may negatively affect our profit margins. We cannot predict whether, or in what form, any legislative or regulatory changes applicable to our trucking operations will be enacted and to what extent any such legislation or regulations could increase our costs or otherwise adversely affect our profit margin and overall business.

Demand for our oil and gas services fluctuates.

In May 2012, we completed our acquisition of Flint, significantly increasing our oil and gas services in North America, particularly to the unconventional segments of this market. Demand for our oil and gas services fluctuates, and we depend on our customers' willingness to make future expenditures to explore for, develop and produce oil and natural gas in the U.S. and Canada. For example, in 2013, our revenues were adversely affected by unusually severe weather conditions in Western Canada that disrupted activities at project sites, as well as lower natural gas-related drilling activities for our clients caused by continued low prices. Our customers' willingness to undertake these activities depends largely upon prevailing industry conditions that are influenced by numerous factors over which we have no control, including:

- prices, and expectations about future prices, of oil and natural gas;
- domestic and foreign supply of and demand for oil and natural gas;
- the cost of exploring for, developing, producing and delivering oil and natural gas;
- available pipeline, storage and other transportation capacity;
- availability of qualified personnel and lead times associated with acquiring equipment and products;
- federal, state and local regulation of oilfield activities;
- environmental concerns regarding the methods our customers use to extract natural gas;
- the availability of water resources and the cost of disposal and recycling services; and
- seasonal limitations on access to work locations.

Anticipated future prices for natural gas and crude oil are a primary factor affecting spending and drilling activity by our customers. Lower prices or volatility in prices for oil and natural gas typically decrease spending and drilling activity, which can cause rapid and material declines in demand for our services and in the prices we are able to charge for our services. In addition, should the proposed Keystone XL or other similar proposed pipeline project applications be denied or further delayed by the federal government, then there may be a slowing of spending in the development of the Canadian oil sands. Worldwide political, economic, military and terrorist events, as well as natural disasters and other factors beyond our control contribute to oil and natural gas price levels and volatility and are likely to continue to do so in the future.

Our failure to conduct due diligence effectively or our inability to integrate acquisitions successfully could impede us from realizing all of the anticipated benefits of future acquisitions, which could severely weaken our results of operations.

Historically, we have used acquisitions to help expand our business. If we fail to conduct due diligence on our potential targets effectively, we may, for example, not identify problems at target companies or fail to recognize incompatibilities or other obstacles to successful integration. Our inability to successfully integrate future acquisitions could disrupt our business and impede us from realizing all of the anticipated benefits of those acquisitions, severely weakening our business operations and adversely impacting our results of operations. In addition, the overall integration of two combining companies may result in unanticipated problems, expenses, liabilities, competitive responses, loss of customer relationships, and diversion of management's attention, and may cause our stock price to decline. The difficulties of integrating an acquisition include, among others:

- unanticipated issues in integrating information, communications and other systems;
- unanticipated incompatibility of logistics, marketing and administration methods;
- maintaining employee morale and retaining key employees;
- integrating the business cultures of both companies;
- preserving important strategic and customer relationships;
- consolidating corporate and administrative infrastructures and eliminating duplicative operations;
- the diversion of management's attention from ongoing business concerns; and
- integrating geographically separate organizations.

In addition, even if the operations of an acquisition are integrated successfully, we may not realize the full benefits of the acquisition, including the synergies, cost savings, or sales or growth opportunities that we expect. These benefits may not be achieved within the anticipated time frame, or at all.

Our inability to win or renew government contracts during regulated procurement processes could harm our operations and reduce our profits and revenues.

Revenues from our federal market sector represented 35% of our total revenues for the nine months ended September 27, 2013. Government contracts are awarded through a regulated procurement process. The federal government has relied upon multi-year contracts with pre-established terms and conditions, such as IDCs, that generally require those contractors that have previously been awarded the IDC to engage in an additional competitive bidding process before a task order is issued. In addition, we believe that there has been an increase in the award of federal contracts based on a low-price, technically acceptable criteria emphasizing price over qualitative factors, such as past performance. As a result, pricing pressure may reduce our profit margins on future federal contracts. The increased competition and pricing pressure, in turn, may require us to make sustained efforts to reduce costs in order to realize revenues and profits under government contracts. If we are not successful in reducing the amount of costs we incur, our profitability on government contracts will be negatively impacted. In addition, the U.S. government has scaled back outsourcing of some types of services in favor of "insourcing" jobs to its employees. Also, the Budget Control Act of 2011 imposed federal spending cuts (a large portion of which is defense-related) mandated across the federal budget in fiscal year 2013 and beyond that have resulted in significant reductions in the funding for infrastructure, defense and other projects, and may impose increasing budget cuts over the next several years that impact our work for the DOD and other federal agencies. In addition, the U.S. federal government shutdown in October 2013 and the threat of a similar shutdown if a budget is not passed before the temporary funding measure passed by Congress expires in February 2014 have intensified economic uncertainty, particularly with respect to federal government spending. Moreover, even if we are qualified to work on a government contract, we may not be awarded the contract because of existing government policies designed to protect small businesses and under-represented minority contractors. Our inability to win or renew government contracts during regulated procurement processes could harm our operations and reduce our profits and revenues.

Each year, client funding for some of our government contracts may rely on government appropriations or public-supported financing. If adequate public funding is delayed or is not available, then our profits and revenues could decline.

Each year, client funding for some of our government contracts may directly or indirectly rely on government appropriations or public-supported financing such as the ARRA, which provides funding for various clients' state transportation projects. Legislatures may appropriate funds for a given project on a year-by-year basis, even though the project may take more than one year to perform. In addition, public-supported financing such as state and local municipal bonds, may be only partially raised to support existing infrastructure projects. As a result, a project we are currently working on may be only partially funded and thus additional public funding may be required in order to complete our contract. The Budget Control Act of 2011 imposed federal spending cuts (a large portion of which is defense-related) mandated across the federal budget in fiscal year 2013 and beyond that have resulted in significant reductions in the funding for infrastructure, defense and other projects, and may impose increasing budget cuts over the next several years that impact our work for the DOD and other federal agencies. In addition, the U.S. federal government shutdown in October 2013 and the threat of a similar shutdown if a budget is not passed before the temporary funding measure passed by Congress expires in February 2014 have intensified economic uncertainty, particularly with respect to federal government spending. Similarly, the impact of the economic downturn on state and local governments may make it more difficult for them to fund infrastructure projects. In addition to the state of the economy and competing political priorities, public funding and the timing of payment of these funds may also be influenced by, among other things, curtailments in the use of government contractors, a rise in the cost of raw materials, delays associated with a lack of a sufficient number of government staff to oversee contracts, budget constraints, the timing and amount of tax receipts and the overall level of government expenditures. If adequate public funding is not available or is delayed, then our profits and revenues could decline.

Our government contracts may give government agencies the right to modify, delay, curtail, renegotiate or terminate existing contracts at their convenience at any time prior to their completion, which may result in a decline in our profits and revenues.

Government projects in which we participate as a contractor or subcontractor may extend for several years. Generally, government contracts include the right for government agencies to modify, delay, curtail, renegotiate or terminate contracts and subcontracts at their convenience any time prior to their completion. Any decision by a government client to modify, delay, curtail, renegotiate or terminate our contracts at their convenience may result in a decline in our profits and revenues.

A decline in defense or other federal government spending, or a change in budgetary priorities, could reduce our profits and revenues.

Revenues from our federal market sector represented 35% of our total revenues and contracts, of which the DOD and other defense-related clients represented approximately 22% of our total revenues for the nine months ended September 27, 2013. The Budget Control Act of 2011 imposed federal spending cuts (a large portion of which is defense-related) mandated across the federal budget in fiscal year 2013 and beyond that have resulted in significant reductions in the funding for infrastructure, defense and other projects, and may impose increasing budget cuts over the next several years that impact our work for the DOD and other federal agencies. In addition, approximately 3,000 of our employees were furloughed during parts of the October 2013 federal government shutdown. Furthermore, the U.S. federal government shutdown in October 2013 and the threat of a similar shutdown, if a budget is not passed before the temporary funding measure passed by Congress expires in February 2014, have intensified economic uncertainty, particularly with respect to federal government spending. There has also been an increase in the award of federal contracts based on a low-price, technically acceptable criteria emphasizing price over qualitative factors, such as past performance. As a result, pricing pressure has reduced and may continue to reduce our profit margins on future federal contracts. Future levels of expenditures and authorizations for defense-related or other federal programs, including foreign military commitments, may decrease, remain constant or shift to programs in areas where we do not currently provide services. As a result, a general decline in defense or other federal spending or a change in budgetary priorities could reduce our profits and revenues.

If our goodwill or intangible assets become impaired, then our profits will be reduced.

If our goodwill or intangible assets become impaired, then our profits will be reduced. For example, during the quarter ended September 30, 2011, a decline in our stock price and market capitalization triggered an interim impairment test, which resulted in a goodwill impairment charge for the year ended December 30, 2011. Goodwill may be impaired if the estimated fair value of one or more of our reporting units is less than the carrying value of the respective reporting unit. Because we have grown in part through acquisitions, goodwill and other intangible assets represent a substantial portion of our assets. Goodwill and other net intangible assets were \$4.3 billion as of September 27, 2013. We perform an analysis on our goodwill balances to test for impairment on an annual basis and whenever events occur that indicate impairment could exist. There are several instances that may cause us to further test our goodwill for impairment between the annual testing periods including the following:

- continued deterioration of market and economic conditions that may adversely impact our ability to meet our projected results;
- declines in our stock price caused by continued volatility in the financial markets that may result in increases in our weighted-average cost of capital or other inputs to our goodwill assessment; and
- the occurrence of events that may reduce the fair value of a reporting unit below its carrying amount, such as the sale of a significant portion of one or more of our reporting units.

We also perform an analysis of our intangible assets to test for impairment whenever events occur that indicate impairment could exist. The following are examples of such events:

- significant adverse changes in the intangible asset's market value, useful life, or in the business climate that could affect its value;
- a current-period operating or cash flow loss or a projection or forecast that demonstrates continuing losses associated with the use of the intangible asset; and
- a current expectation that, more likely than not, the intangible asset will be sold or otherwise disposed of before the end of its previously estimated useful life.

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

It is important for us to accurately estimate and control our contract costs so that we can maintain positive operating margins and profitability. We generally enter into four principal types of contracts with our clients: cost-plus, fixed-price, target-price and time-and-materials.

Under cost-plus contracts, which may be subject to contract ceiling amounts, we are reimbursed for allowable costs and fees, which may be fixed or performance-based. If our costs exceed the contract ceiling or are not allowable under the provisions of the contract or any applicable regulations, we may not be reimbursed for all of the costs we incur. Under fixed-price contracts, we receive a fixed price regardless of what our actual costs will be. Consequently, we realize a profit on fixed-price contracts only if we can control our costs and prevent cost over-runs on our contracts. Under target-price contracts, project costs are reimbursable and our fee is established against a target budget that is subject to changes in project circumstances and scope. Under time-and-materials contracts, we are paid for labor at negotiated hourly billing rates and for other expenses.

If we are unable to accurately estimate and manage our costs, we may incur losses on our contracts, which could decrease our operating margins and significantly reduce or eliminate our profits. Many of our contracts require us to satisfy specified design, engineering, procurement or construction milestones in order to receive payment for the work completed or equipment or supplies procured prior to achieving the applicable milestone. As a result, under these types of arrangements, we may incur significant costs or perform significant amounts of work prior to receipt of payment. If the customer determines not to proceed with the completion of the project or if the customer defaults on its payment obligations, we may encounter difficulties in collecting payment of amounts due to us for the costs previously incurred or for the amounts previously expended to purchase equipment or supplies.

Our actual business and financial results could differ from the estimates and assumptions that we use to prepare our financial statements, which may reduce our profits.

To prepare financial statements in conformity with GAAP, management is required to make estimates and assumptions, which affect the reported values of assets and liabilities, revenues and expenses, and disclosures of contingent assets and liabilities. For example, we may recognize revenues over the life of a contract based on the proportion of costs incurred to date compared to the total costs estimated to be incurred for the entire project. Areas requiring significant estimates by our management include:

- the application of the percentage-of-completion method of revenue recognition on contracts, change orders and contract claims;
- provisions for uncollectible receivables and customer claims and recoveries of costs from subcontractors, vendors and others;
- provisions for income taxes and related valuation allowances;
- impairment of goodwill and recoverability of other intangible assets;
- valuation of assets acquired and liabilities assumed in connection with business combinations;
- valuation of defined benefit pension plans and other employee benefit plans;
- valuation of stock-based compensation expense; and
- accruals for estimated liabilities, including litigation and insurance reserves.

We are restating our financial statements for the years ended December 28, 2012 and December 30, 2011, due to the incorrect application of the requirements of Financial Accounting Standards Board Accounting Standards Codification 350 “Intangibles – Goodwill and Other” (“ASC 350”). While we believe that we are now correctly applying the requirements of ASC 350, it is possible that the application, interpretation, judgment and weighting of the factors that relate to the analyses required to determine whether or not our goodwill has been impaired could result in another restatement of our financial statements. Our actual business and financial results could differ from those estimates, which may reduce our profits.

The accuracy and timeliness of our financial reports may be impacted or the market price of our common stock could be negatively impacted if we are unable to maintain effective internal control over financial reporting.

Maintaining effective internal control over financial reporting is necessary for us to produce reliable financial statements. We have concluded that a material weakness in internal control over financial reporting exists in our control over the proper application of generally accepted accounting principles with respect to our goodwill impairment analysis and that our internal control over financial reporting was not effective as of the end of the period covered by this report, nor were they effective as of December 30, 2011 or at the end of each of the annual and quarterly periods thereafter. If we are unable to effectively remediate this material weakness or we are otherwise unable to maintain adequate internal controls over financial reporting, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control as required pursuant to the Sarbanes-Oxley Act, it could result in another material misstatement of our financial statements that would require a restatement, and investor confidence in the accuracy and timeliness of our financial reports may be impacted or the market price of our common stock could be negatively impacted.

Our profitability could suffer if we are not able to maintain adequate utilization of our workforce.

The cost of providing our services, including the extent to which we utilize our workforce, affects our profitability. The rate at which we utilize our workforce is affected by a number of factors, including:

- our ability to transition employees from completed projects to new assignments and to hire and assimilate new employees;
- our ability to forecast demand for our services and thereby maintain an appropriate headcount in each of our geographies and workforces;
- our ability to manage attrition;
- our need to devote time and resources to training, business development, professional development and other non-chargeable activities; and
- our ability to match the skill sets of our employees to the needs of the marketplace.

If we overutilize our workforce, our employees may become disengaged, which will impact employee attrition. If we underutilize our workforce, our profit margin and profitability could suffer. For example, approximately 3,000 of our employees were furloughed during parts of the October 2013 federal government shutdown.

Our use of the percentage-of-completion method of revenue recognition could result in a reduction or reversal of previously recorded revenues and profits.

A substantial portion of our revenues and profits are measured and recognized using the percentage-of-completion method of revenue recognition. Our use of this accounting method results in recognition of revenues and profits ratably over the life of a contract, based generally on the proportion of costs incurred to date to total costs expected to be incurred for the entire project. The effects of revisions to revenues and estimated costs are recorded when the amounts are known or can be reasonably estimated. Such revisions could occur in any period and their effects could be material. Although we have historically made reasonably reliable estimates of the progress towards completion of long-term engineering, program management, construction management or construction contracts, the uncertainties inherent in the estimating process make it possible for actual costs to vary materially from estimates, including reductions or reversals of previously recorded revenues and profits.

Our failure to successfully bid on new contracts and renew existing contracts could reduce our profits.

Our business depends on our ability to successfully bid on new contracts and renew existing contracts with private and public sector clients. Contract proposals and negotiations are complex and frequently involve a lengthy bidding and selection process, which are affected by a number of factors, such as market conditions, financing arrangements and required governmental approvals. For example, a client may require us to provide a surety bond or letter of credit to protect the client should we fail to perform under the terms of the contract. If negative market conditions arise, or if we fail to secure adequate financial arrangements or the required governmental approval, we may not be able to pursue particular projects, which could adversely reduce or eliminate our profitability.

If we fail to timely complete, miss a required performance standard or otherwise fail to adequately perform on a project, then we may incur a loss on that project, which may reduce or eliminate our overall profitability and harm our reputation.

We may commit to a client that we will complete a project by a scheduled date. We may also commit that a project, when completed, will achieve specified performance standards. If the project is not completed by the scheduled date or fails to meet required performance standards, we may either incur significant additional costs or be held responsible for the costs incurred by the client to rectify damages due to late completion or failure to achieve the required performance standards. In addition, performance of projects can be affected by a number of factors beyond our control, including unavoidable delays from governmental inaction, public opposition, inability to obtain financing, weather conditions, unavailability of vendor materials, changes in the project scope of services requested by our clients, industrial accidents, environmental hazards, labor disruptions and other factors. In some cases, should we fail to meet required performance standards, we may also be subject to agreed-upon financial and liquidated damages, which are determined by the contract. To the extent that these events occur, the total costs of the project could exceed our estimates and we could experience reduced profits or, in some cases, incur a loss on a project, which may reduce or eliminate our overall profitability. Failure to meet performance standards or complete performance on a timely basis could also adversely affect our reputation.

If our partners fail to perform their contractual obligations on a project, we could be exposed to joint and several liability and other obligations that could reduce our profits and revenues.

We often partner with unaffiliated third parties, individually or via a joint venture, to jointly bid on and perform a particular project. For example, for the nine months ended September 27, 2013, our equity in income of unconsolidated joint ventures amounted to \$59.1 million. The success of our partnerships and joint ventures depends, in large part, on the satisfactory performance of contractual obligations by each member. In addition, when we operate through a joint venture in which we are a minority holder, we have limited control over many project decisions, including decisions related to the joint venture's internal controls, which may not be subject to the same internal control procedures that we employ. If these unaffiliated third parties do not fulfill their contract obligations, the partnerships or joint ventures may be unable to adequately perform and deliver their contracted services. Under these circumstances, we may have to provide additional services to ensure the adequate performance and delivery of the contracted services and could be jointly and severally liable for the other party's actions. These additional obligations could result in reduced profits and revenues or, in some cases, significant losses for us with respect to the joint venture, which could also affect our reputation in the industries we serve.

Our dependence on third-party subcontractors and equipment and material providers could reduce our profits or result in project losses.

We rely on third-party subcontractors and equipment and material providers. For example, we procure heavy equipment and construction materials as needed when performing large construction and contract mining projects. To the extent that we cannot engage subcontractors or acquire equipment and materials at reasonable costs or if the amount we are required to pay exceeds our estimates, our ability to complete a project in a timely fashion or at a profit may be impaired. In addition, if a subcontractor or a manufacturer is unable to deliver its services, equipment or materials according to the negotiated terms for any reason, including the deterioration of its financial condition, we may be required to purchase the services, equipment or materials from another source at a higher price. This may reduce the profit to be realized or result in a loss on a project for which the services, equipment or materials are needed.

If we experience delays and/or defaults in client payments, we could suffer liquidity problems or we may be unable to recover all working capital or equity investments.

Because of the nature of our contracts, at times we may commit resources to a client's projects before receiving payments to cover our expenditures. Sometimes, we incur and record expenditures for a client project before receiving any payment to cover our expenses. In addition, we may make equity investments in majority or minority controlled large-scale client projects and other long-term capital projects before the project completes operational status or completes its project financing. If a client delays or defaults in making its payments on a project, it could have an adverse effect on our financial position and cash flows, and we could incur losses, including losses in our working capital or equity investments.

Our failure to adequately recover on claims brought by us against project owners for additional contract costs could have a negative impact on our liquidity and profitability.

We have brought claims against project owners for additional costs exceeding the contract price or for amounts not included in the original contract price. These types of claims occur due to matters such as owner-caused delays or changes from the initial project scope, both of which may result in additional cost. Often, these claims can be the subject of lengthy arbitration or litigation proceedings, and it is difficult to accurately predict when these claims will be fully resolved. When these types of events occur and unresolved claims are pending, we have used working capital in projects to cover cost overruns pending the resolution of the relevant claims. A failure to promptly recover on these types of claims could have a negative impact on our liquidity and profitability.

Maintaining adequate bonding capacity is necessary for us to successfully bid on and win fixed-price contracts.

In line with industry practice, we are often required to provide performance or payment bonds to clients under fixed-price contracts. These bonds indemnify the client should we fail to perform our obligations under the contract. If a bond is required for a particular project and we are unable to obtain an appropriate bond, we cannot pursue that project. We have bonding capacity but, as is typically the case, the issuance of a bond is at the surety's sole discretion. Moreover, due to events that affect the insurance and bonding markets generally, bonding may be more difficult to obtain in the future or may only be available at significantly higher costs. There can be no assurance that our bonding capacity will continue to be available to us on reasonable terms. Our inability to obtain adequate bonding and, as a result, to bid on new fixed-price contracts could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our project sites are inherently dangerous workplaces. Failure to maintain safe work sites and equipment could result in environmental disasters, employee deaths or injuries, reduced profitability, the loss of projects or clients and possible exposure to litigation.

Our project sites often put our employees and others in close proximity with mechanized equipment, moving vehicles, chemical and manufacturing processes, and highly regulated materials. For example, our Oil & Gas Division provides oilfield services on project sites that could result in uncontrolled flows of oil, gas, or well fluids, fires, spills and explosions. On many sites, we are responsible for safety and, accordingly, must implement safety procedures. If we fail to implement these procedures or if the procedures we implement are ineffective, we may suffer the loss of or injury to our employees, as well as expose ourselves to possible litigation. As a result, our failure to maintain adequate safety standards and equipment could result in reduced profitability or the loss of projects or clients, and could have a material adverse impact on our business, financial condition, and results of operations.

Changes in environmental, defense, or infrastructure industry laws could directly or indirectly reduce the demand for our services, which could in turn negatively impact our revenues.

Some of our services are directly or indirectly impacted by changes in federal, state, local or foreign laws and regulations pertaining to the environmental, defense or infrastructure industries. Proposed climate change and greenhouse gas regulations, if adopted, could impact the services we provide to our clients, including services related to fossil fuel and industrial projects. Relaxation or repeal of laws and regulations, or changes in governmental policies regarding the environmental, defense or infrastructure industries could result in a decline in demand for our services, which could in turn negatively impact our revenues.

If we do not have adequate indemnification for our services related to nuclear materials, it could adversely affect our business and financial condition.

We provide services to the DOE relating to its nuclear weapons facilities and the nuclear energy industry in the ongoing maintenance and modification, as well as the decontamination and decommissioning, of its nuclear energy plants. Indemnification provisions under the Price-Anderson Act (“PAA”) available to nuclear energy plant operators and DOE contractors, do not apply to all liabilities that we might incur while performing services as a radioactive materials cleanup contractor for the DOE and the nuclear energy industry. If the PAA’s indemnification protection does not apply to our services or if our exposure occurs outside the U.S., our business and financial condition could be adversely affected either by our client’s refusal to retain us, by our inability to obtain commercially adequate insurance and indemnification, or by potentially significant monetary damages we may incur.

If our reports and opinions are not in compliance with professional standards and other regulations, we could be subject to monetary damages and penalties.

We issue reports and opinions to clients based on our professional engineering expertise, as well as our other professional credentials. Our reports and opinions may need to comply with professional standards, licensing requirements, securities regulations and other laws and rules governing the performance of professional services in the jurisdiction where the services are performed. In addition, we could be liable to third parties who use or rely upon our reports or opinions even if we are not contractually bound to those third parties. For example, if we deliver an inaccurate report or one that is not in compliance with the relevant standards, and that report is made available to a third party, we could be subject to third-party liability, resulting in monetary damages and penalties.

Our overall market share and profits will decline if we are unable to compete successfully in our industry.

Our industry is highly fragmented and intensely competitive. For example, according to the publication Engineering News-Record, based on voluntarily reported information, the top ten U.S. engineering design firms accounted for approximately only 43% of the total top 500 U.S. design firm revenues in 2012. The top 25 U.S. contractors accounted for approximately 48% of the top 400 U.S. contractors’ total revenues in 2011, as reported by the Engineering News-Record. Our competitors are numerous, ranging from small private firms to multi-billion dollar companies. In addition, the technical and professional aspects of some of our services generally do not require large upfront capital expenditures and provide limited barriers against new competitors.

Some of our competitors have achieved greater market penetration in some of the markets in which we compete and have substantially more financial resources and/or financial flexibility than we do. As a result of the number of competitors in the industry, our clients may select one of our competitors on a project due to competitive pricing or a specific skill set. If we are unable to maintain our competitiveness, our market share, revenues and profits will decline. If we are unable to meet these competitive challenges, we could lose market share to our competitors and experience an overall reduction in our profits.

Our failure to attract and retain key employees could impair our ability to provide services to our clients and otherwise conduct our business effectively.

As a professional and technical services company, we are labor intensive, and, therefore, our ability to attract, retain and expand the number of key employees is an important factor in determining our future success. From time to time, it may be difficult to attract and retain qualified individuals with the expertise and in the timeframe demanded by our clients. For example, some of our government contracts may require us to employ only individuals who have particular government security clearance levels. We may occasionally enter into contracts before we have hired or retained appropriate staffing for that project. In addition, we rely heavily upon the expertise and leadership of our senior management. If we are unable to retain executives and other key personnel, the roles and responsibilities of those employees will need to be filled, which may require that we devote time and resources to identify, hire and integrate new employees. In addition, the failure to attract and retain key individuals could impair our ability to provide services to our clients and conduct our business effectively.

We may be required to contribute additional cash to meet any underfunded benefit obligations associated with retirement and post-retirement benefit plans we manage or multiemployer pension plans we participate in.

We have various employee benefit plan obligations that require us to make contributions to satisfy, over time, our underfunded benefit obligations, which are generally determined by calculating the projected benefit obligations minus the fair value of plan assets. For example, as of December 28, 2012, our defined benefit pension and post-retirement benefit plans were projected to be underfunded by \$324.8 million. See [Note 14, “Employee Retirement and Post-Retirement Benefit Plans,”](#) to our “Consolidated Financial Statements and Supplementary Data” included under Item 8 of our Annual Report on Form 10-K for additional disclosure. This amount does not include any potential obligations we may owe under various third-party multiemployer plans. In the future, our benefit plan obligations may increase or decrease depending on changes in the levels of interest rates, pension plan asset performance and other factors. If we are required to contribute a significant amount of the deficit for underfunded benefit plans, our cash flows could be materially and adversely affected.

A multiemployer pension plan is typically established under a collective bargaining agreement with a union to cover the union-represented workers of various unrelated companies. Our collective bargaining agreements with unions typically require us to contribute to various multiemployer pension plans; however, we do not control or manage these plans. For the year ended December 28, 2012, we contributed \$48.2 million to multiemployer pension plans. Under the Employee Retirement Income Security Act, an employer who contributes to a multiemployer pension plan, absent an applicable exemption, may also be liable, upon termination or withdrawal from the plan, for its proportionate share of the multiemployer pension plan’s unfunded vested benefit. If we terminate or withdraw from a multiemployer plan, absent an applicable exemption (such as for some plans in the building and construction industry), we could be required to contribute a significant amount of cash to fund the multiemployer plan’s unfunded vested benefit, which could materially and adversely affect our financial results; however, since we do not control the multiemployer plans, we are unable to estimate any potential contributions that could be required.

Our outstanding indebtedness could adversely affect our liquidity, cash flows and financial condition.

As of September 27, 2013, the outstanding balance of the term loan under our 2011 Credit Facility was \$655.0 million. We had an outstanding balance of \$38.8 million under our revolving line of credit as of September 27, 2013. In addition, in March 2012, we issued \$1.0 billion of Senior Notes in connection with the acquisition of Flint. As part of the acquisition, we also guaranteed Canadian Notes (previously issued by Flint) with outstanding face values of \$169.5 million maturing on June 15, 2019, accruing interest at a rate of 7.5% per annum and payable semi-annually. This level of debt might:

- increase our vulnerability to, and limit flexibility in planning for, adverse economic and industry conditions;
- adversely affect our ability to obtain surety bonds;
- affect our credit rating;
- limit our ability to obtain additional financing to fund future working capital, capital expenditures, additional acquisitions and other general corporate initiatives; and
- limit our ability to apply proceeds from an asset sale to purposes other than the servicing and repayment of debt.

We may not be able to generate or borrow enough cash to service our indebtedness, which could result in bankruptcy or otherwise impair our ability to maintain sufficient liquidity to continue our operations.

We rely primarily on our ability to generate cash from operations to service our indebtedness in the future. If we do not generate sufficient cash flows to meet our debt service and working capital requirements, we may need to seek additional financing. If we are unable to obtain financing on terms that are acceptable to us, we could be forced to sell our assets or those of our subsidiaries to make up for any shortfall in our payment obligations under unfavorable circumstances. Our 2011 Credit Facility limits our ability to sell assets and also restricts our use of the proceeds from any such sale. If we default on our debt obligations, our lenders could require immediate repayment of our entire outstanding debt. If our lenders require immediate repayment on the entire principal amount, we will not be able to repay them in full, and our inability to meet our debt obligations could result in bankruptcy or otherwise impair our ability to maintain sufficient liquidity to continue our operations.

Because URS Corporation, the parent company, is a holding company, we may not be able to service our debt if our subsidiaries do not make sufficient distributions to us.

Our parent company has no direct operations and no significant assets other than investments in the stock of our subsidiaries. Because we conduct our business operations through our operating subsidiaries, we depend on those entities for payments and dividends to generate the funds necessary to meet our financial obligations. Although there are currently no material legal restrictions on our operating subsidiaries' ability to distribute assets to us, legal restrictions, including governmental regulations and contractual obligations, could restrict or impair our operating subsidiaries' ability to pay dividends or make loans or other distributions to us in the future. Legal restrictions, including state and local tax regulations and other contractual obligations could restrict or impair our subsidiaries' ability to pay dividends or make loans or other distributions to us. The earnings from, or other available assets of, these operating subsidiaries may not be sufficient to make distributions to enable us to pay interest on our debt obligations when due or to pay the principal of such debt at maturity.

Restrictive covenants and other restrictions in our credit and debt arrangements may restrict our ability to pursue business strategies.

Our 2011 Credit Facility, Senior Notes, Canadian Notes, and our other outstanding indebtedness include covenants and restrictions potentially limiting our ability to, among other things:

- incur additional indebtedness;
- declare or pay dividends to our stockholders;
- repurchase or redeem our stock;
- repay indebtedness that is junior to our 2011 Credit Facility;
- make investments and other restricted payments;
- create liens securing debt or other encumbrances on our assets;
- enter into sale-leaseback transactions;
- enter into transactions with our stockholders and affiliates; and
- sell or exchange assets.

Our 2011 Credit Facility also requires that we maintain various financial ratios, which we may not be able to achieve. The covenants may impair our ability to finance future operations or capital needs or to engage in other favorable business activities.

Our international operations are subject to a number of risks that could significantly reduce our profits and revenues or subject us to criminal and civil enforcement actions.

As a multinational company, we derived approximately 26% of our revenues from international operations for the nine months ended September 27, 2013. International business is subject to a variety of potential risks, including:

- lack of developed legal systems to enforce contractual rights;
- greater risk of uncollectible accounts and longer collection cycles;
- foreign currency exchange volatility;
- uncertain and changing tax rules, regulations and rates;
- logistical and communication challenges;
- potentially adverse changes in laws and regulatory practices;
- changes in labor conditions;
- general economic, political and financial conditions in foreign markets; and
- exposure to civil or criminal liability under the Foreign Corrupt Practices Act, the U.K. Bribery Act, the Canadian Corruption of Foreign Public Officials Act, the Corporate Manslaughter and Corporate Homicide Act, the anti-boycott rules, trade and export control regulations, as well as other international regulations.

International risks and violations of international regulations may significantly reduce our profits and revenues and subject us to criminal or civil enforcement actions, including fines, suspensions or disqualification from future U.S. federal procurement contracting. Although we have policies and procedures to monitor legal and regulatory compliance, our employees, subcontractors and agents could take actions that violate these requirements. As a result, our international risk exposure may be more or less than the percentage of revenues attributed to our international operations.

We could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act of 2010 and similar worldwide anti-bribery laws.

The U.S. Foreign Corrupt Practices Act and similar anti-bribery laws generally prohibit companies and their intermediaries from making improper payments to foreign government officials for the purpose of obtaining or retaining business. The U.K. Bribery Act of 2010 prohibits both domestic and international bribery, as well as bribery across both private and public sectors. In addition, an organization that “fails to prevent bribery” by anyone associated with the organization can be charged under the U.K. Bribery Act unless the organization can establish the defense of having implemented “adequate procedures” to prevent bribery. Our policies mandate compliance with these anti-bribery laws, and we have established policies and procedures designed to monitor compliance with these anti-bribery law requirements; however, we cannot ensure that our policies and procedures will protect us from potential reckless or criminal acts committed by individual employees or agents. If we are found to be liable for anti-bribery law violations, we could suffer from criminal or civil penalties or other sanctions that could have a material adverse effect on our business.

We could be adversely impacted if we fail to comply with domestic and international export laws.

To the extent we export technical services, data and products outside of the U.S., we are subject to U.S. and international laws and regulations governing international trade and exports, including but not limited to the International Traffic in Arms Regulations, the Export Administration Regulations and trade sanctions against embargoed countries. A failure to comply with these laws and regulations could result in civil or criminal sanctions, including the imposition of fines, the denial of export privileges and suspension or debarment from participation in U.S. government contracts, which could have a material adverse effect on our business.

Our international operations may require our employees to travel to and work in high security risk countries, which may result in employee death or injury, repatriation costs or other unforeseen costs.

As a multinational company, some of our employees often travel to and work in high security risk countries around the world that are undergoing political, social and economic upheavals resulting in war, civil unrest, criminal activity, acts of terrorism, or public health crises. For example, we have employees working in high security risk countries located in the Middle East and Southwest Asia. As a result, we risk loss of or injury to our employees and may be subject to costs related to employee death or injury, repatriation or other unforeseen circumstances.

We develop, install and maintain IT systems for ourselves, as well as for various customers. Any breach of security, disruption, or unexpected data or vendor loss could result in business interruptions, remediation costs, legal claims and significant damage to our reputation.

We develop, install and maintain IT systems for ourselves, as well as for customers. For example, our June 2011 acquisition of Apptis Holdings, Inc. significantly increased our network management, software engineering, and information technology infrastructure design services to the DOD and other federal agencies. Client contracts for the performance of IT services, as well as various privacy and securities laws, require us to manage and protect sensitive and confidential information from disclosure. We also need to protect our own internal trade secrets and other business confidential information from disclosure. Regardless of the countermeasures we may establish, we may be subject to network, software or hardware failures, whether caused by us, third-party service providers, intruders or hackers, computer viruses, natural disasters, power shortages or terrorist attacks. Any breach of security, disruption or unexpected data loss could result in business interruptions, remediation costs, legal claims and significant damage to our reputation.

We also rely on third-party internal and outsourced software to run our critical accounting, project management and financial information systems. For example, we rely on one software vendor's products to process a majority of our total revenues. We also depend on our software vendors to provide long-term software maintenance support for our information systems. Software vendors may decide to discontinue further development, integration or long-term software maintenance support for our information systems, in which case we may need to abandon one or more of our current information systems and migrate some or all of our accounting, project management and financial information to other systems, thus increasing our operational expense, as well as disrupting the management of our business operations.

Force majeure events, including disasters and terrorists' actions, have negatively impacted and could further negatively impact our business, which may affect our financial condition, results of operations or cash flows.

Force majeure or extraordinary events beyond the control of the contracting parties, such as natural and man-made disasters, as well as terrorist actions, could negatively impact the economies in which we operate. In 2013, our revenues were adversely affected by unusually severe weather conditions in Western Canada that disrupted activities at project sites. Also, in 2012, Superstorm Sandy caused severe floods on the East Coast, closing several offices and interrupting a number of active client projects. In addition, during the September 11, 2001 terrorist attacks, a number of employees lost their lives and many client records were destroyed when our office at the World Trade Center was destroyed.

We typically remain obligated to perform our services after such extraordinary events unless the contract contains a force majeure clause relieving us of our contractual obligations in such an extraordinary event. If we are not able to react quickly to force majeure events, our operations may be affected significantly, which would have a negative impact on our financial condition, results of operations and/or cash flows.

Negotiations with labor unions and possible work actions could divert management attention and disrupt operations. In addition, new collective bargaining agreements or amendments to agreements could increase our labor costs and operating expenses.

As of September 27, 2013, approximately 27% of our employees were covered by collective bargaining agreements. The outcome of any future negotiations relating to union representation or collective bargaining agreements may not be favorable to us. We may reach agreements in collective bargaining that increase our operating expenses and lower our net income as a result of higher wages or benefit expenses. In addition, negotiations with unions could divert management attention and disrupt operations, which may adversely affect our results of operations. If we are unable to negotiate acceptable collective bargaining agreements, we may have to address the threat of union-initiated work actions, including strikes. Depending on the nature of the threat or the type and duration of any work action, these actions could disrupt our operations and adversely affect our operating results.

We have a limited ability to protect our intellectual property rights, which are important to our success. Our failure to protect our intellectual property rights could adversely affect our competitive position.

Our success depends, in part, upon our ability to protect our proprietary information and other intellectual property. We rely principally on a combination of trademark, copyright, trade secrets, confidentiality policies and other contractual arrangements to protect much of our intellectual property. Trade secrets are generally difficult to protect. Although our employees are subject to confidentiality obligations, this protection may be inadequate to deter or prevent misappropriation of our confidential information. In addition, we may be unable to detect unauthorized use of our intellectual property or otherwise take appropriate steps to enforce our rights. Failure to obtain or maintain our intellectual property rights would adversely affect our competitive business position. In addition, if we are unable to prevent third parties from infringing or misappropriating our intellectual property, our competitive position could be adversely affected.

Delaware law and our charter documents may impede or discourage a merger, takeover or other business combination even if the business combination would have been in the best interests of our stockholders.

We are a Delaware corporation and the anti-takeover provisions of Delaware law impose various impediments to the ability of a third party to acquire control of us, even if a change in control would be beneficial to our stockholders. In addition, our Board of Directors has the power, without stockholder approval, to designate the terms of one or more series of preferred stock and issue shares of preferred stock, which could be used defensively if a takeover is threatened. Our incorporation under Delaware law, the ability of our Board of Directors to create and issue a new series of preferred stock and provisions in our certificate of incorporation and bylaws, such as those relating to advance notice of certain stockholder proposals and nominations, could impede a merger, takeover or other business combination involving us or discourage a potential acquirer from making a tender offer for our common stock, even if the business combination would have been in the best interests of our current stockholders.

Our stock price could become more volatile and stockholders' investments could lose value.

In addition to the macroeconomic factors that have recently affected the prices of many securities generally, all of the factors discussed in this section could affect our stock price. The timing of announcements in the public markets regarding new services or potential problems with the performance of services by us or our competitors or any other material announcements could affect our stock price. Speculation in the media and analyst community, changes in recommendations or earnings estimates by financial analysts, changes in investors' or analysts' valuation measures for our stock and market trends unrelated to our stock can cause the price of our stock to change. Continued volatility in the financial markets could also cause declines in our stock price, which could trigger an impairment of the goodwill of our individual reporting units that could be material to our consolidated financial statements. A significant drop in the price of our stock could also expose us to the risk of securities class action lawsuits, which could result in substantial costs and divert managements' attention and resources, which could adversely affect our business.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

The following table sets forth all purchases made by us or by any “affiliated purchaser” as defined in Rule 10b-18(a)(3) of the Securities Exchange Act of 1934, as amended, of our common shares during the three monthly periods that compose our third quarter of 2013:

	(a) Total Number of Shares Purchased ^(1,2)	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽²⁾	(d) Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs ⁽²⁾
<i>(In millions, except average price paid per share)</i>				
June 29, 2013 – July 26, 2013	—†	\$ 43.92	—	4.0
July 27, 2013 – August 23, 2013	—†	47.02	—	4.0
August 24, 2013 – September 27, 2013	—†	50.33	—	4.0
Total	—		—	

† Represents less than half a million shares.

⁽¹⁾ Reflects purchases of shares previously issued pursuant to awards issued under our equity incentive plans, which allow our employees to surrender shares of our common stock as payment toward the exercise cost and tax withholding obligations associated with the exercise of stock options or the vesting of restricted or deferred stock.

⁽²⁾ For fiscal years 2012, 2013 and 2014, the number of shares authorized for repurchase under the program are 3.0 million shares, plus the number of shares equal to the difference between the number of shares authorized to be purchased in the prior year and the actual number of shares repurchased during the prior year, not to exceed 6.0 million shares in aggregate. The repurchase program will expire at the end of our 2014 fiscal year.

Our 2011 Credit Facility permits unlimited dividend payments and stock repurchases if no default has occurred and our Consolidated Leverage Ratio is equal to or less than 1.50:1.00. However, if no default has occurred and the Consolidated Leverage Ratio is above the threshold, then our dividend payments and stock repurchases are limited to \$150 million per fiscal year and the sum of 50% of our cumulative net income and net cash proceeds from the issuance of equity securities to third parties after October 19, 2011.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURE

Section 1503 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) requires domestic mine operators to disclose violations and orders issued under the Federal Mine Safety and Health Act of 1977 (the “Mine Act”) by the federal Mine Safety and Health Administration. We do not act as the owner of any mines, but we may act as a mining operator as defined under the Mine Act where we may be a lessee of a mine, a person who operates, controls or supervises such mine, or an independent contractor performing services or construction of such mine.

Information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Act and Item 104 of Regulation S-K is included in Exhibit 95.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

a) Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference (Exchange Act Filings Located at File No. 011-07567)				Filed Herewith
		Form	Exhibit	Filing Date		
3.1	Restated Certificate of Incorporation of URS Corporation, as filed with the Secretary of State of Delaware on September 9, 2008.	8-K	3.01	9/11/2008		
3.2	Bylaws of URS Corporation as amended on February 26, 2010.	10-Q	3.02	5/12/2010		
10.1*	Employment Agreement between William J. (Bill) Lingard and URS Corporation, dated October 1, 2013.	8-K	10.1	10/1/2013		
10.2*	Employment Agreement between George Nash and URS E&C Holdings, Inc., dated September 29, 2011.	8-K	10.2	10/1/2013		
10.3*	First Amendment to the Employment Agreement between George Nash and URS E&C Holdings, Inc., dated December 14, 2012.	8-K	10.3	10/1/2013		
31.1	Certification of URS Corporation's Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certification of URS Corporation's Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32**	Certification of URS Corporation's Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
95	Mine Safety Disclosure					X
101.INS	XBRL Instance Document.					X
101.SCH	XBRL Taxonomy Extension Schema Document.					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.					X

* Represents a management contract or compensatory plan or arrangement.

** Document has been furnished and not filed and not to be incorporated into any of our filings under the Securities Act of 1933 or the Securities Exchange Act of 1934, irrespective of any general incorporation language included in any such filing.

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.

Dated: November 12, 2013

URS CORPORATION

/s/ Reed N. Brimhall

Reed N. Brimhall

Vice President and Chief Accounting Officer

Exhibit No.	Description
31.1	Certification of URS Corporation's Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of URS Corporation's Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of URS Corporation's Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
95	Mine Safety Disclosure
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.

CHIEF EXECUTIVE OFFICER CERTIFICATE

I, Martin M. Koffel, certify that:

1. I have reviewed this quarterly report on Form 10-Q of URS Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 12, 2013

By: /s/ Martin M. Koffel

Martin M. Koffel
Chief Executive Officer

CHIEF FINANCIAL OFFICER CERTIFICATE

I, H. Thomas Hicks, certify that:

1. I have reviewed this quarterly report on Form 10-Q of URS Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 12, 2013

By: /s/ H. Thomas Hicks

H. Thomas Hicks
Chief Financial Officer

CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER CERTIFICATION*

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Martin M. Koffel, the Chief Executive Officer of URS Corporation (the “Company”), and H. Thomas Hicks, the Chief Financial Officer of the Company, each hereby certifies that, to the best of his knowledge:

1. The Company’s Quarterly Report on Form 10-Q for the period ended September 27, 2013, to which this Certification is attached as Exhibit 32, fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act, and
2. The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 12, 2013

By: /s/ Martin M. Koffel

Martin M. Koffel
Chief Executive Officer

Dated: November 12, 2013

By: /s/ H. Thomas Hicks

H. Thomas Hicks
Chief Financial Officer

* This certification accompanies the Form 10-Q to which it relates, is not deemed “filed” with the Securities and Exchange Commission and is not to be or incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date of the Form 10-Q and irrespective of any general incorporation language contained in such filing.

Section 1503 of the Dodd-Frank Wall Street Reform and Consumer Protection Act requires domestic mine operators to disclose violations and orders issued under the Federal Mine Safety and Health Act of 1977 (the “Mine Act”) by the federal Mine Safety and Health Administration (“MSHA”). We do not act as the owner of any mines but we may act as a mining operator as defined under the Mine Act where we may be a lessee of a mine, a person who operates, controls or supervises such mine, or as an independent contractor performing services or construction of such mine.

The following table provides information for the three months ended September 27, 2013.

Mine ⁽¹⁾	Mine Act §104 Violations ⁽²⁾	Mine Act §104(b) Orders ⁽³⁾	Mine Act §104(d) Citations and Orders ⁽⁴⁾	Mine Act §110(b)(2) Violations ⁽⁵⁾	Mine Act §107(a) Orders ⁽⁶⁾	Proposed Assessments from MSHA (In dollars (\$))	Mining Related Fatalities	Mine Act §104(e) Notice (yes/no) ⁽⁷⁾	Pending Legal Action before Federal Mine Safety and Health Review Commission (yes/no)
Black Thunder Project	0	0	0	0	0	\$ 0	0	No	No
Monsanto Quarry	0	0	0	0	0	\$ 0	0	No	No
Pipestone Quarry	0	0	0	0	0	\$ 0	0	No	Yes
Morenci Mine	0	0	0	0	0	\$ 0	0	No	No
Questa Mine	0	0	0	0	0	\$ 0	0	No	No

⁽¹⁾ United States mines.

⁽²⁾ The total number of violations received from MSHA under §104 of the Mine Act, which includes citations for health or safety standards that could significantly and substantially contribute to a serious injury if left unabated.

⁽³⁾ The total number of orders issued by MSHA under §104(b) of the Mine Act, which represents a failure to abate a citation under §104(a) within the period of time prescribed by MSHA.

⁽⁴⁾ The total number of citations and orders issued by MSHA under §104(d) of the Mine Act for unwarrantable failure to comply with mandatory health or safety standards.

⁽⁵⁾ The total number of flagrant violations issued by MSHA under §110(b)(2) of the Mine Act.

⁽⁶⁾ The total number of orders issued by MSHA under §107(a) of the Mine Act for situations in which MSHA determined an imminent danger existed.

⁽⁷⁾ A written notice from the MSHA regarding a pattern of violations, or a potential to have such pattern under §104(e) of the Mine Act.

⁽⁸⁾ The following Pending Legal Action Table provides information for the three months ended September 27, 2013.

Mine	Number Pending Legal Actions	Legal Action Initiated	Legal Action Resolved
Black Thunder Project	0	0	0
Monsanto Quarry	0	0	0
Pipestone Quarry	1 *	0	0
Morenci Mine	0	0	0
Questa Mine	0	0	0

* Contest of proposed penalty.

