

TUTOR PERINI Corp  
Form 10-Q  
August 05, 2014  
[Table of Contents](#)

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 10-Q**

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

**For the quarterly period ended June 30, 2014**

**OR**

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

**For the transition period from                      to**

**Commission File Number: 1-6314**

**Tutor Perini Corporation**

(Exact name of registrant as specified in its charter)

Edgar Filing: TUTOR PERINI Corp - Form 10-Q

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

**04-1717070**  
(I.R.S. Employer  
Identification No.)

**15901 OLDEN STREET, SYLMAR, CALIFORNIA 91342-1093**

(Address of principal executive offices)

(Zip code)

**(818) 362-8391**

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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

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

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

Large accelerated filer ☒

Accelerated filer ☐

Non-Accelerated filer ☐

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 ☒

The number of shares of common stock, \$1.00 par value per share, of the registrant outstanding at August 4, 2014 was 48,571,741.



Table of Contents

**TUTOR PERINI CORPORATION AND SUBSIDIARIES**

**INDEX**

	<b>Page Number</b>
<b><u>Part I. Financial Information:</u></b>	
Item 1.	
Financial Statements (unaudited)	
<u>Consolidated Condensed Balance Sheets June 30, 2014 and December 31, 2013</u>	3 - 4
<u>Consolidated Condensed Statements of Operations Three and Six months ended June 30, 2014 and 2013</u>	5
<u>Consolidated Condensed Statements of Comprehensive Income Three and Six months ended June 30, 2014 and 2013</u>	6
<u>Consolidated Condensed Statement of Stockholders Equity Six months ended June 30, 2014</u>	7
<u>Consolidated Condensed Statements of Cash Flows Six months ended June 30, 2014 and 2013</u>	8
<u>Notes to Consolidated Condensed Financial Statements</u>	9 - 35
Item 2.	
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	36 - 44
Item 3.	
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	44
Item 4.	
<u>Controls and Procedures</u>	44
<b><u>Part II. Other Information:</u></b>	
Item 1.	
<u>Legal Proceedings</u>	45
Item 1A.	
<u>Risk Factors</u>	45
Item 2.	
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	45
Item 3.	
<u>Defaults Upon Senior Securities</u>	45
Item 4.	
<u>Mine Safety Disclosures</u>	45
Item 5.	
<u>Other Information</u>	45
Item 6.	
<u>Exhibits</u>	46
<u>Signatures</u>	47



Table of Contents**Part I. Financial Information****TUTOR PERINI CORPORATION AND SUBSIDIARIES****CONSOLIDATED CONDENSED BALANCE SHEETS****JUNE 30, 2014 AND DECEMBER 31, 2013****(in thousands, except share data)**

	<b>June 30, 2014</b>		<b>December 31, 2013</b>
	<b>(unaudited)</b>		
<b><u>ASSETS</u></b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	\$ 139,858	\$	119,923
Restricted cash	42,627		42,594
Accounts receivable, including retainage	1,454,045		1,291,246
Costs and estimated earnings in excess of billings	660,952		573,248
Deferred income taxes	7,982		8,240
Other current assets	52,420		50,669
<b>Total current assets</b>	<b>2,357,884</b>		<b>2,085,920</b>
<b>LONG-TERM INVESTMENTS</b>			<b>46,283</b>
<b>PROPERTY AND EQUIPMENT</b> (net of accumulated depreciation of \$199,615 in 2014 and \$183,793 in 2013)	<b>529,545</b>		<b>498,125</b>
<b>OTHER ASSETS:</b>			
Goodwill	585,006		577,756
Intangible assets, net	106,403		113,740
Other	75,685		75,614
<b>Total assets</b>	<b>\$ 3,654,523</b>	<b>\$</b>	<b>3,397,438</b>

The accompanying notes are an integral part of these consolidated condensed financial statements.

Table of Contents**TUTOR PERINI CORPORATION AND SUBSIDIARIES****CONSOLIDATED CONDENSED BALANCE SHEETS (continued)****JUNE 30, 2014 AND DECEMBER 31, 2013****(in thousands, except share data)**

	<b>June 30, 2014</b>	<b>December 31, 2013</b>
	<b>(unaudited)</b>	
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>		
<b>CURRENT LIABILITIES:</b>		
Current maturities of long-term debt	\$ 68,232	\$ 114,658
Accounts payable, including retainage	849,628	758,225
Billings in excess of costs and estimated earnings	299,389	267,586
Accrued expenses and other current liabilities	136,774	158,017
<b>Total current liabilities</b>	<b>1,354,023</b>	<b>1,298,486</b>
 LONG-TERM DEBT, less current maturities	 761,034	 619,226
 DEFERRED INCOME TAXES	 115,536	 114,333
 OTHER LONG-TERM LIABILITIES	 122,463	 117,858
<b>Total liabilities</b>	<b>2,353,056</b>	<b>2,149,903</b>
 <b>CONTINGENCIES AND COMMITMENTS</b>		
 <b>STOCKHOLDERS' EQUITY:</b>		
Preferred stock, \$1 par value:		
Authorized 1,000,000 shares		
Issued and outstanding none		
Common stock - \$1 par value: 75,000,000 shares authorized; Shares issued and outstanding:		
48,571,741 shares and 48,421,467 shares	48,572	48,421
Additional paid-in capital	1,016,823	1,007,918
Retained earnings	269,059	224,575
Accumulated other comprehensive loss	(32,987)	(33,379)
<b>Total stockholders' equity</b>	<b>1,301,467</b>	<b>1,247,535</b>
 <b>Total liabilities and stockholders' equity</b>	 <b>\$ 3,654,523</b>	 <b>\$ 3,397,438</b>

The accompanying notes are an integral part of these consolidated condensed financial statements.

[Table of Contents](#)

**TUTOR PERINI CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS**

**(UNAUDITED)**

**(in thousands, except per share data)**

	<b>THREE MONTHS ENDED</b>		<b>SIX MONTHS ENDED</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Revenues	\$ 1,084,510	\$ 1,053,065	\$ 2,039,743	\$ 2,045,993
Cost of operations	954,979	947,110	1,804,865	1,839,681
Gross profit	129,531	105,955	234,878	206,312
General and administrative expenses	64,088	66,481	127,938	130,759
<b>INCOME FROM CONSTRUCTION OPERATIONS</b>	<b>65,443</b>	<b>39,474</b>	<b>106,940</b>	<b>75,553</b>
Other (expense) income, net	(6,974)	(3,234)	(10,347)	(4,061)
Interest expense	(10,857)	(11,083)	(21,688)	(22,419)
Income before income taxes	47,612	25,157	74,905	49,073
Provision for income taxes	(19,067)	(9,679)	(30,421)	(18,795)
<b>NET INCOME</b>	<b>\$ 28,545</b>	<b>\$ 15,478</b>	<b>\$ 44,484</b>	<b>\$ 30,278</b>
<b>BASIC EARNINGS PER COMMON SHARE</b>	<b>\$ 0.59</b>	<b>\$ 0.32</b>	<b>\$ 0.92</b>	<b>\$ 0.64</b>
<b>DILUTED EARNINGS PER COMMON SHARE</b>	<b>\$ 0.58</b>	<b>\$ 0.32</b>	<b>\$ 0.91</b>	<b>\$ 0.62</b>
<b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:</b>				
BASIC	48,543	47,684	48,492	47,622
Effect of dilutive stock options and restricted stock units	510	914	500	934
DILUTED	49,053	48,598	48,992	48,556

The accompanying notes are an integral part of these consolidated condensed financial statements.



Table of Contents**TUTOR PERINI CORPORATION AND SUBSIDIARIES****CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME****(UNAUDITED)****(in thousands)**

	<b>THREE MONTHS ENDED</b>		<b>SIX MONTHS ENDED</b>	
	<b>June 30,</b>		<b>JUNE 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>NET INCOME</b>	\$ 28,545	\$ 15,478	\$ 44,484	\$ 30,278
<b>OTHER COMPREHENSIVE INCOME (LOSS):</b>				
Foreign currency translation	590	172	100	(163)
Change in fair value of investments	99	(467)	287	(289)
Change in fair value of interest rate swap	120	477	258	757
Other comprehensive income before taxes	809	182	645	305
<b>INCOME TAX EXPENSE (BENEFIT):</b>				
Foreign currency translation	243	215	39	66
Change in fair value of investments	106	(115)	113	(38)
Change in fair value of interest rate swap	44	185	101	297
Income tax expense	393	285	253	325
<b>NET OTHER COMPREHENSIVE INCOME (LOSS)</b>	<b>416</b>	<b>(103)</b>	<b>392</b>	<b>(20)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>\$ 28,961</b>	<b>\$ 15,375</b>	<b>\$ 44,876</b>	<b>\$ 30,258</b>

The accompanying notes are an integral part of these consolidated condensed financial statements.

[Table of Contents](#)

**TUTOR PERINI CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED CONDENSED STATEMENT OF STOCKHOLDERS' EQUITY**  
**(UNAUDITED)**

**FOR THE SIX MONTHS ENDED JUNE 30, 2014**

(in thousands)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total
<b>Balance - December 31, 2013</b>	\$ 48,421	\$ 1,007,918	\$ 224,575	\$ (33,379)	\$ 1,247,535
Net income			44,484		44,484
Other comprehensive income/(loss)				392	392
Total comprehensive income					44,876
Tax effect of stock-based compensation					
Stock-based compensation expense		9,282			9,282
Issuance of common stock, net	151	(377)			(226)
<b>Balance - JUNE 30, 2014</b>	\$ 48,572	\$ 1,016,823	\$ 269,059	\$ (32,987)	\$ 1,301,467

The accompanying notes are an integral part of these consolidated condensed financial statements.

Table of Contents**TUTOR PERINI CORPORATION AND SUBSIDIARIES****CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS****(UNAUDITED)****(in thousands)**

	<b>SIX MONTHS ENDED JUNE 30,</b>	
	<b>2014</b>	<b>2013</b>
<b>Cash Flows from Operating Activities:</b>		
Net income	\$ 44,484	\$ 30,278
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	30,078	27,566
Stock-based compensation expense	9,920	4,624
Excess income tax benefit from stock-based compensation		(358)
Deferred income taxes	(64)	500
Loss on sale of investments	1,786	
(Gain) loss on sale of property and equipment	427	(180)
Other long-term liabilities	5,559	8,449
Other non-cash items	1,562	(111)
Changes in other components of working capital	(155,187)	(109,338)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(61,435)</b>	<b>(38,570)</b>
<b>Cash Flows from Investing Activities:</b>		
Acquisition of property and equipment	(26,730)	(28,127)
Proceeds from sale of property and equipment	1,906	2,359
Proceeds from sale of available-for-sale securities	44,497	
Change in restricted cash	(33)	(8,302)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>19,640</b>	<b>(34,070)</b>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from debt	717,484	421,550
Repayment of debt	(649,282)	(374,987)
Business acquisition-related payments	(1,260)	
Excess income tax benefit from stock-based compensation		358
Issuance of common stock and effect of cashless exercise	(1,531)	341
Debt issuance costs	(3,681)	
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>61,730</b>	<b>47,262</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>19,935</b>	<b>(25,378)</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>119,923</b>	<b>168,056</b>
<b>Cash and Cash Equivalents at End of Period</b>	<b>\$ 139,858</b>	<b>\$ 142,678</b>
<b>Supplemental Disclosure of Cash Paid For:</b>		
Interest	\$ 21,830	\$ 21,678
Income taxes	\$ 33,668	\$ 12,692
<b>Supplemental Disclosure of Non-cash Transactions:</b>		
Property and equipment acquired through financing arrangements	\$ 27,045	\$ 205
Grant date fair value of common stock issued for services	\$ 4,480	\$ 3,657

Edgar Filing: TUTOR PERINI Corp - Form 10-Q

The accompanying notes are an integral part of these consolidated condensed financial statements.

Table of Contents

**TUTOR PERINI CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**

**(1) Basis of Presentation**

The unaudited consolidated condensed financial statements presented herein include the accounts of Tutor Perini Corporation and its wholly owned subsidiaries ( Tutor Perini or the Company ). The Company s interests in construction joint ventures are accounted for using the proportionate consolidation method whereby the Company s proportionate share of each joint venture s assets, liabilities, revenues and cost of operations are included in the appropriate classifications in the consolidated financial statements. All intercompany transactions and balances have been eliminated in consolidation.

The unaudited consolidated condensed financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and note disclosures required by accounting principles generally accepted in the United States ( U.S. GAAP ) as codified in the Financial Accounting Standards Board s ( FASB ) *Accounting Standards Codification*. These statements should be read in conjunction with the financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2013.

In the opinion of management, the accompanying unaudited consolidated condensed financial statements include all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the Company s financial position as of June 30, 2014 and December 31, 2013, results of operations and comprehensive income for the three and six months ended June 30, 2014 and 2013, and cash flows for the six months ended June 30, 2014 and 2013. The results of operations for the three and six months ended June 30, 2014 are not indicative of the results that may be expected for the year ending December 31, 2014 because, among other reasons, such results can vary depending on the timing of progress achieved and changes in estimated profitability of projects being reported.

The Company considers events or transactions that occur after the balance sheet date but before the financial statements are issued to provide additional evidence relative to certain estimates or to identify matters that require additional disclosures.

**(2) Significant Accounting Policies**

The significant accounting policies followed by the Company and its subsidiaries in preparing its consolidated financial statements are set forth in Note 1 to such financial statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2013.

***Recently Issued Accounting Pronouncements***

## Edgar Filing: TUTOR PERINI Corp - Form 10-Q

In February 2013, the FASB issued ASU 2013-04 *Liabilities (Topic 405)*, which provides guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date. This ASU is an update to FASB ASC Topic 405, *Liabilities*. The amendments in this ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The adoption of this guidance did not have a material impact on the Company's financial statements.

In July 2013, the FASB issued ASU No. 2013-11, *Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists* (a consensus of the Emerging Issues Task Force). This ASU addresses when unrecognized tax benefits should be presented as reductions to deferred tax assets for net operating loss carryforwards in the financial statements. This ASU is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2013. The adoption of this guidance did not have a material impact on the Company's financial statements.

In April 2014, the FASB issued FASB ASU No. 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. The amendments in this update require a disposal of a component of an entity or a group of components of an entity to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results. This ASU expands disclosure requirements about discontinued operations and adds new disclosures for individually significant dispositions that do not qualify as discontinued operations. ASU 2014-08 is effective prospectively for annual periods beginning on or after December 15, 2014, and interim periods within annual periods beginning on or after December 15, 2015. Early adoption is permitted, but only for disposals that have not been reported in financial statements previously issued. The adoption of this guidance is not expected to have a material impact on the Company's financial statements.

Table of Contents

In May 2014, the FASB issued FASB ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in ASC 605, *Revenue Recognition*. This ASU addresses when an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period, using one of two retrospective application methods. Early application is not permitted. The Company is currently evaluating the effect that the adoption of this ASU will have on its financial statements.

In June 2014, the FASB issued ASU No. 2014-12, *Compensation – Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period*, clarifying the recognition timing of expense associated with certain performance based stock awards when the performance target that affects vesting could be achieved after the requisite service period. This ASU is an update to FASB ASC Topic 718 and is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015 with earlier adoption permitted. The adoption of this guidance is not expected to have a material impact on the Company's financial statements.

*Use of and Changes in Estimates*

The Company's construction business involves making significant estimates and assumptions in the normal course of business relating to its contracts and its joint venture contracts. Management focuses on evaluating the performance of contracts individually. These estimates can vary in the normal course of business as projects progress, when estimated productivity assumptions change based on experience to date and uncertainties are resolved. Change orders and claims, as well as changes in related estimates of costs to complete, are considered revisions in estimates. The Company uses the cumulative catch-up method applicable to construction contract accounting to account for revisions in estimates. The impact on operating margin in a reporting period and future periods from a change in estimate will depend on the stage of contract completion.

During the three months ended June 30, 2014, the Company's results of operations were impacted by a change in the estimated recoveries on two projects, a \$24.2 million favorable increase and a \$9.4 million unfavorable decrease. The changes in estimates were primarily driven by changes in cost recovery assumptions based on certain legal rulings issued during the period. These changes in estimates resulted in a \$14.8 million net increase in income from construction operations, an \$8.8 million increase in net income, and \$0.18 in diluted earnings per share during the three and six months ended June 30, 2014. These changes were the only changes in estimates considered material to the Company's results of operations during the periods presented herein.

**(3) Cash and Cash Equivalents and Restricted Cash**

Cash and cash equivalents include short-term, highly liquid investments with original maturities of three months or less when acquired.

Cash and cash equivalents, as reported in the accompanying Consolidated Condensed Balance Sheets, consist of amounts held by the Company that are available for general corporate purposes and the Company's proportionate share of amounts held by construction joint ventures that are available only for joint venture-related uses, including future distributions to joint venture partners. Restricted cash is primarily held to secure insurance-related contingent obligations, such as insurance claim deductibles, in lieu of letters of credit.

# Edgar Filing: TUTOR PERINI Corp - Form 10-Q

Cash and cash equivalents and restricted cash consisted of the following:

	June 30, 2014	December 31, 2013
	(in thousands)	
Corporate cash and cash equivalents (available for general corporate purposes)	\$ 21,570	\$ 36,579
Company's share of joint venture cash and cash equivalents (available only for joint venture purposes, including future distributions)	118,288	83,344
Total Cash and Cash Equivalents	\$ 139,858	\$ 119,923
Restricted Cash	\$ 42,627	\$ 42,594



Table of Contents**(4) Costs and estimated earnings in excess of billings**

Costs and estimated earnings in excess of billings related to the Company's contracts and joint venture contracts consisted of the following:

	June 30, 2014	December 31, 2013
	(in thousands)	
Unbilled costs and profits incurred to date*	\$ 283,516	\$ 204,276
Unapproved change orders	125,018	146,787
Claims	252,418	222,185
	\$ 660,952	\$ 573,248

\* Represents the excess of contract costs and profits recognized to date on the percentage of completion accounting method over the amount of contract billings to date on certain contracts.

Of the balance of Unapproved change orders and Claims included above in costs and estimated earnings in excess of billings at December 31, 2013 and June 30, 2014, approximately \$58.8 million and \$20.5 million, respectively, are the amounts subject to pending litigation or dispute resolution proceedings as described in Note 7 *Contingencies and Commitments*. These amounts are management's estimate of the probable cost recovery from the disputed claims considering such factors as evaluation of entitlement, settlements reached to date and experience with the customer. In the event that future facts and circumstances, including the resolution of disputed claims, cause a reduction in the aggregate amount of the estimated probable cost recovery from the disputed claims, the amount of such reduction will be recorded against earnings in the relevant future period.

The prerequisite for billing Unbilled costs and profits incurred to date is provided in the defined billing terms of each of the applicable contracts. The prerequisite for billing Unapproved change orders or Claims is the final resolution and agreement between the parties.

**(5) Fair Value Measurements**

The Company measures certain financial instruments, including cash and cash equivalents, such as money market funds, at fair value. The fair values were determined based on a three-tier valuation hierarchy for disclosure of significant inputs. These hierarchical tiers are defined as follows:

Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 inputs are other than quoted prices in active markets that are either directly or indirectly observable through market corroboration.

Level 3 inputs are unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions based on the best information available in the circumstances.

The carrying amount of cash and cash equivalents approximates fair value due to the short-term nature of these items. The carrying value of receivables, payables and other amounts arising out of normal contract activities, including retainage, which may be settled beyond one year, is estimated to approximate fair value. Of the Company's long-term debt, the fair values of the fixed rate senior unsecured notes as of June 30, 2014 and December 31, 2013 were \$313.6 million and \$321.0 million, respectively, compared to the carrying value of \$298.6 million and \$298.5 million, respectively. The fair value of the senior unsecured notes was estimated using Level 1 inputs based on market quotations including broker quotes or interest rates for the same or similar financial instruments at June 30, 2014 and December 31, 2013. The carrying values of the remaining balance of the Company's long-term debt of \$530.6 million and \$435.4 million at June 30, 2014 and December 31, 2013, respectively, were estimated to approximate their fair values.

# Table of Contents

The following is a summary of financial statement items carried at estimated fair values measured on a recurring basis as of the dates presented:

At June 30, 2014	Total Carrying Value	Fair Value Measurements Using			
		Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
		(in thousands)			
<b><u>Assets:</u></b>					
Cash and cash equivalents (1)	\$ 139,858	\$ 139,858	\$	\$	
Restricted cash (1)	42,627	42,627			
Short-term investments (2)	2,617		2,617		
Investments in lieu of retainage (3)	26,824	17,797	9,027		
Total	\$ 211,926	\$ 200,282	\$ 11,644	\$	
<b><u>Liabilities:</u></b>					
Interest rate swap contract (5)	\$ 835	\$	\$ 835	\$	
Contingent consideration (6)	50,328				50,328
	\$ 51,163	\$	\$ 835	\$	50,328

	Fair Value Measurements Using				
	Total	Quoted prices	Significant	Significant	
At December 31, 2013	Carrying	in active	other	unobservable	
	Value	markets	observable	inputs	inputs
		(Level 1)	(Level 2)	(Level 3)	(Level 3)
	(in thousands)				
<b>Assets:</b>					
Cash and cash equivalents (1)	\$ 119,923	\$ 119,923	\$	\$	
Restricted cash (1)	42,594	42,594			
Short-term investments (2)	2,336			2,336	
Investments in lieu of retainage (3)	21,913	12,184		9,729	
Long-term investments - auction rate securities (4)	46,283				46,283
Total	\$ 233,049	\$ 174,701	\$ 12,065	\$	46,283
<b>Liabilities:</b>					
Interest rate swap contract (5)	\$ 974	\$	\$ 974	\$	
Contingent consideration (6)	46,022				46,022
	\$ 46,996	\$	\$ 974	\$	46,022

(1) Cash, cash equivalents and restricted cash consist primarily of money market funds with original maturity dates of three months or less, for which fair value is determined through quoted market prices.

(2) Short-term investments are classified as other current assets and are comprised primarily of municipal bonds, the majority of which are rated Aa2 or better. The fair values of the municipal bonds are obtained from readily-available pricing sources for comparable instruments, and as such, the Company has classified these assets as Level 2.

(3) Investments in lieu of retainage are classified as account receivables, including retainage and are comprised of U.S. Treasury Notes and other municipal bonds, the majority of which are rated Aa3 or better. The fair values of the U.S. Treasury Notes and municipal bonds are obtained from readily-available pricing sources for comparable instruments, and as such, the Company has classified these assets as Level 2.

## Edgar Filing: TUTOR PERINI Corp - Form 10-Q

(4) On April 30, 2014, the Company sold its auction rate securities ( ARS ) for \$44.5 million. At both March 31, 2014 and December 31, 2013 the Company had \$46.3 million invested in these ARS which the Company considered as available-for-sale long-term investments. The long-term investments in ARS held by the Company at both March 31, 2014 and December 31, 2013 were in securities collateralized by student loan portfolios. At both March 31, 2014 and December 31, 2013, most of the Company s ARS were rated AA+.

# Edgar Filing: TUTOR PERINI Corp - Form 10-Q

## Table of Contents

(5) As discussed in Note 10 *Financial Commitments*, the Company entered into a swap agreement with Bank of America, N.A. to establish a long-term interest rate for its former \$200 million five-year term loan. The swap agreement became effective for the term loan principal balance outstanding at January 31, 2012. This term loan was paid off and the then current amount refinanced on June 5, 2014, providing for a \$250 million term loan maturing on June 5, 2019. The interest rate swap continues on its original basis for the initial term and amount and finalizes on June 30, 2016. The Company values the interest rate swap liability utilizing a discounted cash flow model that takes into consideration forward interest rates observable in the market and the counterparty's credit risk. This liability is classified as a component of other long-term liabilities.

(6) The liabilities listed as of June 30, 2014 and December 31, 2013 above represent the contingent consideration for the Company's acquisitions in 2011 for which the measurement periods for purchase price analyses for the acquisitions have concluded.

The Company did not have any transfers between Levels 1 and 2 of financial assets or liabilities that are fair valued on a recurring basis during the three and six months ended June 30, 2014 and 2013.

The following is a summary of changes in Level 3 assets measured at fair value on a recurring basis during the three and six months ended June 30, 2014 and 2013:

	Auction Rate Securities (in thousands)
Balance at December 31, 2013	\$ 46,283
Purchases	
Settlements	
Balance at March 31, 2014	\$ 46,283
Purchases	
Settlements	(44,497)
Realized loss included in other income (expense), net	(1,786)
Reversal of pretax impairment charges included in accumulated other comprehensive income (loss)	
Balance at June 30, 2014	\$

	Auction Rate Securities (in thousands)
Balance at December 31, 2012	\$ 46,283
Purchases	
Settlements	
Balance at March 31, 2013	\$ 46,283
Purchases	
Settlements	
Balance at June 30, 2013	\$ 46,283

At both March 31, 2014 and December 31, 2013, the Company had \$46.3 million invested in auction rate securities (ARS) classified as available-for-sale. All of the ARS were securities collateralized by student loan portfolios guaranteed by the United States government. At both March 31, 2014 and December 31, 2013, most of the Company's ARS were rated AA+. On April 30, 2014, the Company sold all of its Auction Rate Securities for approximately \$44.5 million, limiting our loss on investment to \$1.8 million which properly reflected our investment policy of maintaining adequate liquidity and maximizing returns.



Table of Contents

The Company had classified its ARS investment as long-term investments due to the uncertainty in the timing of future ARS calls and the absence of an active market for government-backed student loans. At the date of the balance sheet prior to the sale, the Company expected that it would take in excess of twelve months before the ARS could be refinanced or sold.

The following is a summary of changes in Level 3 liabilities measured at fair value on a recurring basis during the three and six months ended June 30, 2014 and 2013:

	<b>Contingent Consideration (in thousands)</b>
Balance at December 31, 2013	\$ 46,022
Fair value adjustments included in other income (expense), net	3,404
Contingent consideration settled	(1,031)
Balance at March 31, 2014	\$ 48,395
Fair value adjustments included in other income (expense), net	2,162
Contingent consideration settled	(229)
Balance at June 30, 2014	\$ 50,328

	<b>Contingent Consideration (in thousands)</b>
Balance at December 31, 2012	\$ 42,624
Fair value adjustments included in other income (expense), net	1,380
Balance at March 31, 2013	\$ 44,004
Fair value adjustments included in other income (expense), net	3,914
Balance at June 30, 2013	\$ 47,918

The liabilities listed above represent the contingent consideration for the acquisitions in 2011 for which the measurement periods for purchase price analyses have concluded.

The fair values of the contingent consideration were estimated using an income approach based on the cash flows that the acquired entity is expected to generate in the future. This approach requires management to project revenues, operating expenses, working capital investment, capital spending and cash flows for the reporting unit over a multi-year period, as well as determine the weighted-average cost of capital to be used as a discount rate (weighted-average cost of capital inputs have ranged from 14-18%).

**(6) Goodwill and Intangible Assets**

The Company tests goodwill and intangible assets with indefinite lives for impairment by applying a fair value test in the fourth quarter of each year and between annual tests if events occur or circumstances change that suggest a material adverse change to the most recently concluded valuation. Intangible assets with finite lives are also tested for impairment whenever events or circumstances indicate that the carrying value may not be recoverable. The Company did not observe any changes in facts or circumstances during the three and six months ended June 30, 2014 that would suggest a material decline in the value of goodwill and intangible assets as concluded in the fourth quarter of the year ended

## Edgar Filing: TUTOR PERINI Corp - Form 10-Q

December 31, 2013.

During the first quarter of 2014, the Company completed a reorganization which resulted in the elimination of the Management Services reporting unit and reportable segment. The Management Services reporting unit formerly consisted of the following subsidiary companies: Black Construction and Perini Management Services. The reorganization was completed due to the unit no longer meeting the criteria set forth in FASB ASC Topic 280, *Segment Reporting*. The Company reallocated goodwill between its reorganized reporting units based on a relative fair value assessment in accordance with the guidance on segment reporting.



# Edgar Filing: TUTOR PERINI Corp - Form 10-Q

## Table of Contents

The following table presents the carrying amount of goodwill, and the effect of the reorganization, allocated to the Company's reporting units as of June 30, 2014:

	Civil	Building	Specialty Contractors (in thousands)	Management Services	Total
Gross Goodwill Balance	\$ 429,893	\$ 420,267	\$ 148,943	\$ 66,638	\$ 1,065,741
Accumulated Impairment	(55,740)	(409,765)		(22,480)	(487,985)
Balance at December 31, 2013	\$ 374,153	\$ 10,502	\$ 148,943	\$ 44,158	\$ 577,756
Goodwill redistribution in connection with reorganization	41,205	2,953		(44,158)	
Goodwill recorded in connection with an acquisition			7,250		7,250
Balance at June 30, 2014	\$ 415,358	\$ 13,455	\$ 156,193	\$	\$ 585,006

During the quarter ended September 30, 2013, the Company acquired a small fire protection systems contractor. During the quarter ended June 30, 2014, an adjustment was made to goodwill for this acquisition in the amount of \$7.3 million. As this acquisition is immaterial, including adjustments, no pro forma disclosures are presented herein.

Intangible assets consist of the following:

	Cost	June 30, 2014 Accumulated Amortization (in thousands)	June 30, 2014 Accumulated Impairment Charge (in thousands)	Carrying Value	Weighted Average Amortization Period
Trade names (non-amortizable)	\$ 117,600	\$	\$ (67,190)	\$ 50,410	Indefinite
Trade names (amortizable)	74,350	(7,585)	(23,232)	43,533	20 years
Contractor license	6,000		(6,000)		Indefinite
Customer relationships	39,800	(14,957)	(16,645)	8,198	11.4 years
Construction contract backlog	73,706	(69,444)		4,262	3.6 years
Total	\$ 311,456	\$ (91,986)	\$ (113,067)	\$ 106,403	

	Cost	December 31, 2013 Accumulated Amortization (in thousands)	December 31, 2013 Accumulated Impairment Charge (in thousands)	Carrying Value	Weighted Average Amortization Period
Trade names (non-amortizable)	\$ 117,600	\$	\$ (67,190)	\$ 50,410	Indefinite
Trade names (amortizable)	74,350	(6,341)	(23,232)	44,777	20 years
Contractor license	6,000		(6,000)		Indefinite
Customer relationships	39,800	(14,315)	(16,645)	8,840	11.4 years
Construction contract backlog	73,706	(63,993)		9,713	3.6 years
Total	\$ 311,456	\$ (84,649)	\$ (113,067)	\$ 113,740	

## Edgar Filing: TUTOR PERINI Corp - Form 10-Q

Amortization expense for the three and six months ended June 30, 2014 totaled \$3.7 million and \$7.3 million, respectively. As of June 30, 2014, amortization expense is estimated to be \$6.1 million for the remainder of 2014, \$3.7 million in 2015, \$3.5 million in 2016, \$3.5 million in 2017, \$3.5 million in 2018 and \$35.5 million thereafter.

### (7) Contingencies and Commitments

The Company and certain of its subsidiaries are involved in litigation and are contingently liable for commitments and performance guarantees arising in the ordinary course of business. The Company and certain of its clients have made claims arising from the performance under their contracts. The Company recognizes certain significant claims for recovery of incurred cost when it is probable that the claim will result in additional contract revenue and when the amount of the claim can be reliably estimated. These assessments require judgments concerning matters such as litigation developments and outcomes, the anticipated outcome of negotiations, the number of future claims and the cost of both pending and future claims. In addition, because most contingencies are resolved over long periods of time, liabilities may change in the future due to various factors.

Table of Contents

Several matters are in the litigation and dispute resolution process. The following discussion provides a background and current status of these matters.

**Tutor-Saliba-Perini Joint Venture vs. Los Angeles MTA Matter**

During 1995 Tutor-Saliba-Perini ( Joint Venture ) filed a complaint in the Superior Court of the State of California for the County of Los Angeles against the Los Angeles County Metropolitan Transportation Authority ( LAMTA ), seeking to recover costs for extra work required by LAMTA in connection with the construction of certain tunnel and station projects, all of which were completed by 1996. In 1999, LAMTA countered with civil claims under the California False Claims Act against the Joint Venture, Tutor-Saliba and the Company jointly and severally (together, TSP ), and obtained a judgment that was reversed on appeal and remanded for retrial before a different judge.

Between 2005 and 2010, the court granted certain Joint Venture motions and LAMTA capitulated on others, which reduced the number of false claims LAMTA may seek and limited LAMTA's claims for damages and penalties. In September 2010, LAMTA dismissed its remaining claims and agreed to pay the entire amount of the Joint Venture's remaining claims plus interest. In the remanded proceedings, the Court subsequently entered judgment in favor of TSP and against LAMTA in the amount of \$3.0 million after deducting \$0.5 million, representing the tunnel handrail verdict plus accrued interest against TSP. The parties filed post-trial motions for costs and fees. The Court ruled that TSP's sureties could recover costs, LAMTA could recover costs for the tunnel handrail trial, and no party could recover attorneys' fees. TSP is appealing the false claims jury verdict on the tunnel handrail claim and other issues, including the denial of TSP's and its sureties' request for attorneys' fees. LAMTA subsequently filed its cross-appeal. In June 2014, the Court of Appeal issued its decision reversing judgment on the People's Unfair Competition claim and the denial of TSP's Sureties' request for attorney's fees and affirming the remainder of the judgment. The case will be remanded to the trial court in August 2014, to make further rulings consistent with the decision of the Court of Appeal. LAMTA subsequently filed a request for hearing before the California Supreme Court, challenging the Court of Appeal's decision that TSP's Sureties are entitled to attorney's fees.

The Company does not expect this matter to have any material effect on its consolidated financial statements.

**Perini/Kiewit/Cashman Joint Venture-Central Artery/Tunnel Project Matter**

Perini/Kiewit/Cashman Joint Venture ( PKC ), a joint venture in which the Company holds a 56% interest and is the managing partner, is currently pursuing a series of claims, instituted at different times since 2000, for additional contract time and/or compensation against the Massachusetts Highway Department ( MHD ) for work performed by PKC on a portion of the Central Artery/Tunnel ( CA/T ) project in Boston, Massachusetts. During construction, MHD ordered PKC to perform changes to the work and issued related direct cost changes with an estimated value, excluding time delay and inefficiency costs, in excess of \$100 million. In addition, PKC encountered a number of unforeseen conditions during construction that greatly increased PKC's cost of performance. MHD has asserted counterclaims for liquidated damages and back charges.

Certain of PKC's claims have been presented to a Disputes Review Board ( DRB ), which consists of three construction experts chosen by the parties. To date, five DRB panels issued several awards and interim decisions in favor of PKC's claims, amounting to total awards to PKC in excess of \$128 million plus interest, of which \$110 million were binding awards.

In December 2010, the Suffolk County Superior Court granted MHD's motion for summary judgment to vacate the Third DRB Panel's awards to PKC for approximately \$56.5 million on the grounds that the arbitrators do not have authority to decide whether particular claims are subject to the arbitration provision of the contract. MHD subsequently moved to vacate approximately \$13.7 million of the Fourth DRB Panel's total awards to PKC on the same arbitrability basis that the Third DRB's awards were vacated. In October 2011, the Suffolk County Superior Court followed its earlier arbitrability rulings holding that the Fourth DRB exceeded its authority in deciding arbitrability with respect to certain of the Fourth DRB Panel's awards (approximately \$8 million of the \$13.7 million discussed above). PKC appealed the Superior Court decisions and in January 2013, the Superior Court decisions were affirmed in MHD's favor. The Appeals Court remanded the case back to the lower court to determine how and by whom the claims must be decided. PKC filed an application for further appellate review by the Massachusetts Supreme Judicial Court and a motion for reconsideration in the Appeals Court. The Appeals Court rejected PKC's petition for rehearing. The Massachusetts Supreme Judicial Court denied the application in June 2013.

In February 2012, PKC received a \$22 million payment for an interest award associated with the Second DRB panel's awards to PKC. In January 2013, PKC received a \$14.8 million payment for back charges and interest associated with the Fourth DRB panel's awards to PKC that were confirmed.

Table of Contents

In June 2014, the Superior Court issued a decision granting PKC's motion in its entirety. The Court concluded that the Engineer's Decisions concerning the arbitrability of PKC's claims were based on error of law and were unsupported by substantial evidence. The Court vacated the Engineer's Decisions on the arbitrability of PKC's claims. The Court also concluded that PKC's claims are subject to arbitration. The Court reinstated the DRB's arbitration awards on those claims, and made clear that its decision pertains to the awards of DRB3 as well as awards of the DRB4. DRB5 will convene to award interest on DRB3 and DRB4 awards, and the Court will then enter judgment in PKC's favor on the total amount. As a result of the Judge's Order, PKC has increased its anticipated recovery to \$85.6 million which includes interest.

Management has made an estimate of the anticipated recovery on this project, and such estimate is included in revenue recorded to date. To the extent new facts become known or the final recovery included in the claim settlement varies from the estimate, the impact of the change will be reflected in the financial statements at that time.

**Long Island Expressway/Cross Island Parkway Matter**

The Company reconstructed the Long Island Expressway/Cross Island Parkway Interchange project for the New York State Department of Transportation (the "NYSDOT"). The \$130 million project was substantially completed in January 2004 and was accepted by the NYSDOT as finally complete in February 2006. The Company incurred significant added costs in completing its work and suffered extended schedule costs due to numerous design errors, undisclosed utility conflicts, lack of coordination with local agencies and other interferences for which the Company believes that the NYSDOT is responsible.

In March 2011, the Company filed its claim and complaint with the New York State Court of Claims and served to the New York State Attorney General's Office, seeking damages in the amount of \$53.8 million. In May 2011, the NYSDOT filed a motion to dismiss the Company's claim on the grounds that the Company had not provided required documentation for project closeout and filing of a claim. In September 2011, the Company reached agreement on final payment with the Comptroller's Office on behalf of the NYSDOT which resulted in an amount of \$0.5 million payable to the Company and formally closed out the project, which allowed the Company's claim to be re-filed. The Company re-filed its claim in the amount of \$53.8 million with the NYSDOT in February 2012 and with the Court of Claims in March 2012. In May 2012, the NYSDOT served its answer and counterclaims in the amount of \$151 million alleging fraud in the inducement and punitive damages related to disadvantaged business enterprise ("DBE") requirements for the project. The Court subsequently ruled that NYSDOT's counterclaims may only be asserted as a defense and offset to the Company's claims and not as affirmative claims. The Company does not expect the counterclaim to have any material effect on its consolidated financial statements.

Management has made an estimate of the total anticipated recovery on this project, and such estimate is included in revenue recorded to date. To the extent new facts become known or the final recovery included in the claim settlement varies from the estimate, the impact of the change will be reflected in the financial statements at that time.

**Fontainebleau Matter**

Desert Mechanical Inc. ("DMI") and Fisk Electric Company ("Fisk"), wholly owned subsidiaries of the Company, were subcontractors on the Fontainebleau Project in Las Vegas ("Fontainebleau"), a hotel/casino complex with approximately 3,800 rooms. In June 2009, Fontainebleau filed for bankruptcy protection, under Chapter 11 of the U.S. Bankruptcy Code, in the Southern District of Florida. Fontainebleau is headquartered in

Miami, Florida.

DMI and Fisk filed liens in Nevada for approximately \$44 million, representing unreimbursed costs to date and lost profits, including anticipated profits. Other unaffiliated subcontractors have also filed liens. In June 2009, DMI filed suit against Turnberry West Construction, Inc. ( Turnberry ), the general contractor, in the 8th Judicial District Court, Clark County, Nevada, and in May 2010, the court entered an order in favor of DMI for approximately \$45 million. DMI is uncertain as to Turnberry 's present financial condition.

In January 2010, the Bankruptcy Court approved the sale of the property to Icahn Nevada Gaming Acquisition, LLC, and this transaction closed in February 2010. As a result of a July 2010 ruling relating to certain priming liens, there was approximately \$125 million set aside from this sale, which is available for distribution to satisfy the creditor claims based on seniority. At that time, the total estimated sustainable lien amount was approximately \$350 million. The project lender filed suit against the mechanic 's lien claimants, including DMI and Fisk, alleging that certain mechanic 's liens are invalid and that all mechanic 's liens are subordinate to the lender 's claims against the property. The Nevada Supreme Court ruled in October 2012 in an advisory opinion at the request of the Bankruptcy Court that lien priorities would be determined in favor of the mechanic lien holders under Nevada law.

Table of Contents

In October 2013, a settlement was reached by and among the Statutory Lienholders and the other interested parties. The agreed upon settlement did not have an impact on the Company's recorded accounting position as of the period ended June 30, 2014. The execution of that settlement agreement continues under the supervision of a mediator appointed by the Bankruptcy Court. Management has made an estimate of the total anticipated recovery on this project, and such estimate is included in revenue recorded to date. To the extent new facts become known or the final recovery included in the claim settlement varies from the estimate, the impact of the change will be reflected in the financial statements at that time.

**MGM CityCenter Matter**

Tutor Perini Building Corp. ( TPBC ) (formerly Perini Building Company, Inc.), a wholly owned subsidiary of the Company, contracted with MGM MIRAGE Design Group ( MGM ) in March 2005 to construct the CityCenter project in Las Vegas, Nevada. The project, which encompasses nineteen separate contracts, is a 66-acre urban mixed use development consisting of hotels, condominiums, retail space and a casino.

The Company achieved substantial completion of the project in December 2009, and MGM opened the project to the public on the same date. In March 2010, the Company filed suit against MGM and certain other property owners in the Clark County District Court alleging several claims including breach of contract, among other items.

In a Current Report on Form 8-K filed by MGM in March 2010, and in subsequent communications issued, MGM asserted that it believes it owes substantially less than the claimed amount and that it has claims for losses in connection with the construction of the Harmon Tower and is entitled to unspecified offsets for other work on the project. According to MGM, the total of the offsets and the Harmon Tower claims exceed the amount claimed by the Company.

In May 2010, MGM filed a counterclaim and third party complaint against the Company and its subsidiary TPBC. The court granted the Company and MGM's joint motion to consolidate all subcontractor initiated actions into the main CityCenter lawsuit. In July 2012, the Court granted MGM's motion to demolish the Harmon Tower, one of the CityCenter buildings, as a business decision.

Evidence had been presented at the Harmon related hearings that the Harmon Tower could be repaired for approximately \$21 million, more than \$15 million of which is due to design defects that are MGM's responsibility. In mid-September 2012, MGM filed a request for additional destructive testing of the Harmon Tower. In October 2012, the Court ruled it would allow additional testing but with certain conditions including but not limited to the Court's withdrawing MGM's right to demolish the Harmon Tower and severing the Harmon Tower defects issue from the rest of the case. In February 2013, MGM filed third-party complaints against the project designers, which were resolved through third party settlements including \$33.0 million attributable to MGM's alleged damages on the Harmon, effective October 2013. In early April 2013, MGM started additional destructive testing of the Harmon Tower.

With respect to alleged losses at the Harmon Tower, the Company has contractual indemnities from the responsible subcontractor, as well as insurance coverage. The Company's insurance carrier initiated legal proceedings seeking declaratory relief that their insurance policies do not provide for defense or coverage for matters pertaining to the Harmon Towers. Those proceedings are stayed pending the outcome of the underlying dispute in Nevada District Court. The Company is not aware of a basis for other claims that would amount to material offsets against

## Edgar Filing: TUTOR PERINI Corp - Form 10-Q

what MGM owes to the Company. The Company does not expect this matter to have any material effect on its consolidated financial statements.

During July 2013, a settlement was reached for \$39.8 million related to outstanding receivables for various subcontractors, which included consideration for, and brought resolution to, disputes between the Company's subsidiaries Fisk and DMI and MGM. Payment was received in August 2013.

As of June 2014, MGM has reached agreements with subcontractors to settle \$348 million of amounts previously billed to MGM. The Company has reduced and will continue to reduce amounts included in revenues, cost of construction operations, accounts receivable and accounts payable for the reduction in subcontractor pass-through billings, which the Company would not expect to have an impact on recorded profit. As of June 2014, the Company had approximately \$165.7 million recorded as contract receivables for amounts due and owed to the Company. As of June 2014, the Company's mechanic's lien against the project was \$173.7 million.

In January 2014, the Parties reached a confidential settlement on most of the non-Harmon related issues, including the majority of the Company's affirmative claims. Court ordered mediation is ongoing for the remaining claims. The trial date has been set for September 23, 2014.

Management has made an estimate of the total anticipated recovery on this project, and such estimate is included in revenue recorded to date. To the extent new facts become known or the final recovery included in the claim settlement varies from the estimate, the impact of the change will be reflected in the financial statements at that time.



Table of Contents

**Honeywell Street/Queens Boulevard Bridges Matter**

In 1999, the Company was awarded a contract for reconstruction of the Honeywell Street/Queens Boulevard Bridges project for the City of New York (the "City"). In June 2003, after substantial completion of the project, the Company initiated an action to recover \$8.75 million in claims against the City on behalf of itself and its subcontractors. In March 2010, the City filed counterclaims for \$74.6 million and other relief, alleging fraud in connection with the DBE requirements for the project. In May 2010, the Company served the City with its response to the City's counterclaims and affirmative defenses. The Company's motion to dismiss the City's counterclaims was granted and is currently under appeal.

The Company does not expect this matter to have any material effect on its consolidated financial statements.

**Westgate Planet Hollywood Matter**

Tutor-Saliba Corporation ("TSC"), a wholly owned subsidiary of the Company, contracted to construct a time share development project in Las Vegas which was substantially completed in December 2009. The Company's claims against the owner, Westgate Planet Hollywood Las Vegas, LLC ("WPH"), relate to unresolved owner change orders and other claims. The Company filed a lien on the project in the amount of \$23.2 million, and filed its complaint with the District Court, Clark County, Nevada. Several subcontractors have also recorded liens, some of which have been released by bonds and some of which have been released as a result of subsequent payment. Westgate has posted a mechanic's lien release bond for \$22.3 million.

WPH filed a cross-complaint alleging non-conforming and defective work for approximately \$51 million, primarily related to alleged defects, misallocated costs, and liquidated damages. Some or all of the allegations will be defended by counsel appointed by TSC's insurance carrier. WPH has since revised the amount of their counterclaims to approximately \$45 million.

Following multiple post-trial motions, final judgment was entered in this matter on March 20, 2014. TSC was awarded total judgment in the amount of \$19,677,731 on its breach of contract claim, which includes an award of interest up through the date of judgment, plus attorney's fees and costs. Westgate has paid \$649,568 of that judgment. Westgate was awarded total judgment in the amount of \$3,099,719 on its construction defect claims, which includes interest up through the date of judgment. The awards are not offsetting. Westgate and its Sureties have filed a notice of appeal. TSC has filed a notice of appeal on the defect award.

The Company does not expect this matter to have any material effect on its consolidated financial statements. Management has made an estimate of the total anticipated recovery on this project and such estimate is included in revenue recorded to date. To the extent new facts become known or the final recovery included in the claim settlement varies from the estimate, the impact of the change will be reflected in the financial statements at that time.

**100th Street Bus Depot Matter**

## Edgar Filing: TUTOR PERINI Corp - Form 10-Q

The Company constructed the 100th Street Bus Depot for the New York City Transit Authority ( NYCTA ) in New York. Prior to receiving notice of final acceptance from the NYCTA, this project experienced a failure of the brick facade on the building due to faulty subcontractor work. The Company has not yet received notice of final acceptance of this project from the NYCTA. The Company contends defective structural installation by the Company's steel subcontractor caused or was a causal factor of the brick facade failure.

The Company tendered its claim to the NYCTA OCIP and to Chartis Claims, Inc. ( Chartis ), its insurance carrier. Coverage was denied in January 2011. The OCIP and general liability carriers filed a declaratory relief action in the United States District Court, Southern District of New York against the Company seeking court determination that no coverage is afforded under their policies. In mid-February 2012, the Company filed a third-party action against certain underwriters ( Lloyd's ). In mid-November 2012, the Court granted Chartis' and Lloyd's respective motions for summary judgment without oral argument. In 2013, parties filed appellate briefs and the matter at the time was under submission in the Court of Appeal. On May 6, 2014, the 2nd Circuit Court issued a summary order affirming the trial court's decision on the grounds of late notice. Management booked the impact of this judgment during the second quarter of 2014, resulting in a charge against the company's earnings.

### **Brightwater Matter**

In 2006, the Department of Natural Resources and Parks Wastewater Treatment Division of King County ( King County ), as Owner, and Vinci Construction Grands Projets/Parsons RCI/Frontier-Kemper, Joint Venture ( VPFK ), as Contractor, entered into a contract to construct the Brightwater Conveyance System and tunnel sections in Washington State. Frontier-Kemper, a wholly owned subsidiary of the Company, is a 20% minority partner in the joint venture.

## Table of Contents

In April 2010, King County filed a lawsuit alleging damages in the amount of \$74 million, plus costs, for VPFK's failure to complete specified components of the project in the King County Superior Court, State of Washington. Shortly thereafter, VPFK filed a counterclaim in the amount of approximately \$75 million, seeking reimbursement for additional costs incurred as a result of differing site conditions, King County's defective specifications, for damages sustained on VPFK's tunnel boring machines (TBM), and increased costs as a result of hyperbaric interventions. VPFK's claims related to differing site conditions, defective design specifications, and damages to the TBM were presented to a Dispute Resolution Board (DRB). King County amended the amount sought in its lawsuit to approximately \$132 million. In August 2011, the DRB generally found that King County was liable to VPFK for VPFK's claims for encountering differing site conditions, including damages to the TBM, but not on VPFK's alternative theory of defective specifications. From June through August 2012, each party filed several motions for summary judgment on certain claims and requests in preparation for trial, which were heard and ruled upon by the Court. The Court granted and denied various requests of each party related to evidence and damages.

In December 2012, a jury verdict was received in favor of King County in the amount of \$155.8 million and a verdict in favor of VPFK in the amount of \$26.3 million. In late April 2013, the Court ruled on post-trial motions and ordered VPFK's sureties to pay King County's attorneys fees and costs in the amount of \$14.7 million. All other motions were denied. On May 7, 2013, VPFK paid the full verdict amount and the associated fees, thus terminating any interest on the judgment. VPFK's notice of appeal was filed on May 31, 2013.

The ultimate financial impact of King County's lawsuit is not yet specifically determinable. In the fourth quarter of 2012, management developed a range of possible outcomes and has recorded a charge to income and a contingent liability of \$5.0 million in accrued expenses. In developing a range of possible outcomes, management considered the jury verdict, continued litigation and potential settlement strategies. Management determined that there was no estimate within the range of possible outcomes that was more probable than the other and recorded a liability at the low end of the range. As of December 31, 2013, there were no changes in facts or circumstances that led management to believe that there were any changes to the probability of outcomes. The amount of payments in excess of the established contingent liability is recorded in Accounts Receivable on the Company's Consolidated Condensed Balance Sheet as of June 30, 2014. Estimating and recording future outcomes of litigation proceedings require significant judgment and assumptions about the future, which are inherently subject to risks and uncertainties. If a final recovery turns out to be materially less favorable than our estimates, this may have a significant impact on the Company's financial results. To the extent new facts become known or the final recovery included in the claim settlement varies from the estimate, the impact of the change will be reflected in the financial statements at that time.

## **156 Stations Matter**

In December 2003, Five Star Electric Corporation (FSE), a wholly owned subsidiary of the Company, entered into an agreement with the Prime Contractor Transit Technologies, L.L.C (Transit), a Consortium member of Siemens Transportation Transit Technologies, L.L.C (Siemens), to assist in the installation of new public address and customer information screens system for each of the 156 stations for the New York City Transit Authority (NYCTA) as the owner. Work on the project commenced in early 2004 and was substantially completed.

In June 2007, FSE submitted a Demand for Arbitration against Transit to terminate FSE's subcontract due to: the execution of a Cure Agreement between the NYCTA, Siemens and Transit, which amended FSE's rights under the Prime Contract; Transit's failure to provide information and equipment to allow work to progress according to the approved schedule, and Transit's failure to tender payment in excess of a year. In June 2012, the arbitration panel awarded FSE a total of approximately \$11.9 million to be paid within 45 days, and Transit's claims were denied. FSE filed a motion to confirm arbitration award in District Court in July 2012. In late August 2012, Transit Technologies filed a cross petition to vacate the award. In November 2012, the Court granted FSE's petition to confirm the arbitration award and denied Transit Technologies cross-petition to vacate the award. In February 2013, the Court affirmed FSE's award and entered judgment in the amount of \$12.3 million including award, costs and interest. The deadline for Transit to file an appeal regarding the judgment passed on April 4, 2013, rendering the judgment final for all purposes. Settlement discussions have taken place with Siemens to avoid further litigation. FSE is also pursuing its bond

## Edgar Filing: TUTOR PERINI Corp - Form 10-Q

claim to recover judgment. The eventual resolution of this matter is not expected to have a material effect on the Company's consolidated financial statements.

### (8) Income Taxes

The Company's income tax provision was \$19.1 and \$30.4 million for the three and six months ended June 30, 2014 respectively, compared to income tax provision of \$9.7 and \$18.8 million for the three and six months ended June 30, 2013. The effective income tax rate was 40.0% and 40.6% for the three and six months ended June 30, 2014, respectively, as compared to 38.5% and 38.3% for the same period in 2013.

As of June 30, 2014, the total amount of unrecognized tax benefits, including related interest and penalties was \$5.6 million. If the total amount of unrecognized tax benefits was recognized, \$5.0 million of unrecognized tax benefits and \$0.6 million of interest would impact the effective tax rate.

Table of Contents

(9) **Stock-Based Compensation**

The Company is authorized to grant up to 6,900,000 stock-based compensation awards to key executives, employees and directors of the Company under the Tutor Perini Corporation Long-Term Incentive Plan (the "Plan"). The Plan allows stock-based compensation awards to be granted in a variety of forms, including stock options, stock appreciation rights, restricted stock unit awards, unrestricted stock awards, deferred stock awards and dividend equivalent rights. The terms and conditions of the awards granted are established by the Compensation Committee of the Company's Board of Directors who also administers the Plan.

The Company's intent is to settle stock awards in shares upon vesting to the extent that the Company has approved shares available under the Plan. A total of 46,680 shares of common stock remain available for future grant under the Plan at June 30, 2014. As a result, awards of 250,000 stock options that were made in March 2014 under the Plan were not deducted from the shares of common stock remaining available for future grant and these option awards, which may at the Company's election be settled in cash, were classified as liabilities, and compensation cost for these liability-classified awards will be remeasured at each balance sheet date until such time that the Plan has been amended to increase the number of shares available. Under FASB ASC Topic 718, *Stock Compensation* (ASC 718), options or similar instruments on shares are classified as liabilities when a cash settlement feature exists in the stock based award that can be exercised only upon the occurrence of an event that is outside the employee's control.

***Restricted Stock Unit Awards***

Restricted stock unit awards generally vest subject to the satisfaction of service requirements or the satisfaction of both service requirements and achievement of certain performance targets. Upon vesting, each restricted stock unit award is exchanged for one share of the Company's common stock. The grant date fair values of these awards are determined based on the closing price of the Company's stock on either the award date (if subject only to service conditions), or the date that the Compensation Committee establishes the applicable performance target (if subject to performance conditions). The related compensation expense is amortized over the applicable requisite service period. As of June 30, 2014, the Compensation Committee has approved the grant of an aggregate of 5,498,333 restricted stock unit awards under the 2004 Stock Option and Incentive Plan to eligible participants.

In March 2014, the Compensation Committee established certain performance targets for 866,500 restricted stock units awarded in 2014, 2013 and 2012. The restricted stock unit awards granted during the first quarter of 2014 had a weighted average grant date fair value of \$27.33. The grant date fair value is determined based on the closing price of the Company's common stock on the date of the grant.

15,000 restricted stock unit awards were forfeited during the six months ended June 30, 2014.

For the three and six months ended June 30, 2014, the Company recognized \$3.2 million and \$7.0 million, respectively, of compensation expense related to restricted stock unit awards, and such expense is included in general and administrative expenses in the Consolidated Statements of Operations. As of June 30, 2014 there was \$18.6 million of unrecognized compensation cost related to the unvested awards which, absent significant forfeitures in the future, is expected to be recognized over a weighted average period of approximately 2.9 years.



## Table of Contents

A summary of restricted stock unit awards activity for the six months ended June 30, 2014 is as follows:

	Number of Shares	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value (in thousands)
Granted and Unvested - January 1, 2014	361,668	\$ 17.30	\$ 9,512
Vested	(161,668)	\$ 19.30	\$ 4,619
Granted	866,500	\$ 27.33	\$ 27,503
Forfeited	(15,000)	\$ 28.59	
Total Granted and Unvested	1,051,500	\$ 25.10	\$ 33,375
Approved for grant	401,000	(a)	\$ 12,728
Total Awarded and Unvested - June 30, 2014	1,452,500	n.a.	\$ 46,102

(a) Grant date fair value cannot be determined currently because the related performance targets for future years have not yet been established by the Compensation Committee.

The outstanding unvested awards at June 30, 2014 are scheduled to vest as follows, subject where applicable to the achievement of performance targets. As described above, certain performance targets are not yet established.

Vesting Date	Number of Awards
2014	125,000
2015	342,500
2016	202,500
2017	737,500
2018	36,000
2019	9,000
	1,452,500

Approximately 150,000 of the unvested restricted stock unit awards will vest based on the satisfaction of service requirements and 1,302,500 of the unvested restricted stock unit awards will vest based on the satisfaction of both service requirements and the achievement of performance targets.

## Stock Options

Stock option awards generally vest subject to the satisfaction of service requirements or the satisfaction of both service requirements and achievement of certain performance targets. The grant date fair values of these awards are determined based on the Black-Scholes option price model on either the award date (if subject only to service conditions) or the date that the Compensation Committee establishes the applicable performance target (if subject to performance conditions). The related compensation expense is amortized over the applicable requisite service period. The exercise price of the options is equal to the closing price of the Company's common stock on the date the awards were approved by the Compensation Committee, and the awards expire ten years from the award date. As of June 30, 2014, the Compensation Committee has

## Edgar Filing: TUTOR PERINI Corp - Form 10-Q

approved the award of an aggregate of 2,785,465 stock option awards to eligible participants.

In March 2014, the Compensation Committee established certain performance targets for 714,000 stock options awarded in 2014, 2013 and 2012. The stock option awards granted during the first quarter of 2014 had a weighted average grant date fair value of \$17.69. No stock options were awarded or new performance targets were set during the second quarter of 2014.



Table of Contents

For the three and six months ended June 30, 2014, the Company recognized compensation expense of \$1.3 million and \$2.9 million, respectively, related to stock option awards, and such expenses are included in general and administrative expenses in the Consolidated Statements of Operations. As of June 30, 2014, there was \$11.2 million of unrecognized compensation expense related to the outstanding options, which, absent significant forfeitures in the future, is expected to be recognized over a weighted average period of approximately 3.1 years.

# Edgar Filing: TUTOR PERINI Corp - Form 10-Q

## Table of Contents

A summary of stock option activity for the six months ended June 30, 2014 is as follows:

	Number of Shares	Grant Date Fair Value	Weighted Average Exercise Price
Total Granted and Outstanding - January 1, 2014	1,295,000	\$ 9.94	\$ 20.20
Granted	714,000	\$ 17.69	\$ 18.40
Exercised			
Forfeited			
Total Granted and Outstanding	2,009,000	\$ 12.70	\$ 19.56
Approved for grant	336,000	(a)	\$ 11.88
Total Awarded and Outstanding - June 30, 2014	2,345,000	n.a.	\$ 18.46

(a) Grant date fair value cannot be determined currently because the related performance targets for future years have not yet been established by the Compensation Committee.

There were 1,155,000 stock options that have vested and were exercisable at June 30, 2014 at a weighted average exercise price of \$20.67 per share.

Of the remaining stock options outstanding, approximately 495,000 stock options will vest based on the satisfaction of service requirements and 1,850,000 stock options will vest based on the satisfaction of both service requirements and the achievement of performance targets.

At June 30, 2014, the outstanding stock options of 2,009,000 had an intrinsic value of \$24.5 million and a weighted average remaining contractual life of 6.4 years.

No stock option awards were granted during the second quarter of 2014. The following table details the key assumptions used in estimating the grant date fair values of stock option awards granted during the first quarter of 2014 based on the Black Scholes option pricing model using the following key assumptions:

Number of options	250,000	75,000	9,000	150,000	230,000
Risk-free interest rate	2.08%	1.72%	2.25%	1.46%	1.82%
Expected life of options (years)	6.5	5.3	7.0	4.6	5.6
Expected volatility of underlying stock	50.97%	51.72%	50.68%	47.69%	51.86%
Expected quarterly dividends (per share)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

## (10) Financial Commitments

*Amended Credit Agreement*

On June 5, 2014, the Company entered into a Sixth Amended and Restated Credit Agreement, (The Credit Facility ) restructuring its former \$300 million revolving credit facility and \$200 million Term Loan. All outstanding amounts under the Fifth Amended and Restated Credit Agreement were repaid in full using proceeds of the Sixth Amended and Restated Credit Agreement. The new agreement provides for a \$300 million revolving credit facility (the Revolving Credit Facility ) and a \$250 million term loan (the Term Loan ) with Bank of America, N.A. as Administrative Agent, Swing Line Lender and L/C Issuer and a syndicate of other lenders. The Term Loan principal is payable at 6.0% in year 1, 9.0% in year 2, 12.0% in year 3, 15.0% in year 4 and 13.5% in year 5 with a 44.5% balloon payment at maturity. Both the Revolving Credit Facility and the Term Loan mature on June 5, 2019. Borrowings under the Revolving Credit Facility will bear interest based either on Bank of America's prime lending rate or LIBOR plus an applicable margin. Borrowings under the Credit Facility will bear interest based on the London Interbank Offered Rate ( LIBOR ), plus an applicable margin. Included in the agreement is a special provision allowing an additional accordion provision, which the Company may opt to utilize at a future date to increase either the Revolving Credit Facility or establish one or more new term loan commitments, up to an aggregate amount not to exceed \$300 million. The Credit Facility provides a sublimit for the issuance of letters of credit up to the aggregate amount of \$150 million.

The Revolving Credit Facility and Term Loan include usual and customary covenants for credit facilities of this type, including covenants providing maximum allowable ranges of consolidated leverage ratios from 3.75:1.00 to 2.75:1.00 over a range of five years and maintaining a minimum consolidated fixed charge coverage ratio of 1.25:1.00. The Sixth Amended and Restated Credit Facility eliminated the other covenant requirements that were formerly held under the Fifth Amended and Restated Credit Agreement.

Table of Contents

Substantially all of the Company's subsidiaries unconditionally guarantee the obligations of the Company under the Sixth Amended and Restated Credit Facility. The obligations under the Amended Credit Agreement are secured by a lien on all personal property of the Company and its subsidiaries party thereto. Any outstanding loans under the Revolving Facility and the Term Loan mature on June 5, 2019. The Term Loan balance was \$250.0 million at June 30, 2014. The first term loan payment on the Sixth Amended and Restated Credit Agreement is due on September 30, 2014. The Company was in compliance with the modified financial covenants under the a Sixth Amended and Restated Credit Facility for the period ended June 30, 2014.

The Company had \$80.5 million of outstanding borrowings under its Revolving Facility as of June 30, 2014 and \$135.0 million of outstanding borrowings under its former Revolving Facility as of December 31, 2013. The net change in borrowings under the Revolving Facility comprises all Proceeds from debt and a significant portion of all Repayment of debt as presented in the Consolidated Condensed Statements of Cash Flows. The Company utilized the Revolving Facility for letters of credit in the amount of \$0.4 million as of June 30, 2014 and \$0.2 million under the former Revolving Facility as of December 31, 2013. Accordingly, at June 30, 2014, the Company had \$219.1 million available to borrow under the Revolving Facility.

(11) Earnings per Common Share

Basic earnings per common share were computed by dividing net income by the weighted average number of common shares outstanding. Diluted earnings per common share were similarly computed after giving consideration to the dilutive effect of stock options and restricted stock unit awards outstanding on the weighted average number of common shares outstanding.

(12) Business Segments

The Company's chief operating decision maker is the Chairman and Chief Executive Officer, who decides how to allocate resources and assess performance of the business segments. Generally, the Company evaluates performance of its operating segments on the basis of income from construction operations and cash flow.

As discussed in Note 6, during the first quarter of 2014, the Company completed a reorganization which resulted in the elimination of the Management Services reporting unit and reportable segment. The Management Services reporting unit formerly consisted of the following subsidiary companies: Black Construction and Perini Management Services. The reorganization was completed due to the unit no longer meeting the criteria set forth in FASB ASC Topic 280, *Segment Reporting*.

# Edgar Filing: TUTOR PERINI Corp - Form 10-Q

## Table of Contents

The following table sets forth certain reportable segment information relating to the Company's operation for the three and six months ended June 30, 2014 and 2013 (in thousands). In accordance with the accounting guidance on segment reporting, the Company has restated the comparative prior period information for the reorganized reportable segments:

(in thousands)	Reportable Segments			Totals		Corporate	Consolidated Total
	Civil	Building	Specialty Contractors				
<b>Three Months Ended June 30, 2014</b>							
Total revenues	\$ 398,123	\$ 390,353	\$ 321,959	\$ 1,110,435	\$	\$	1,110,435
Elimination of intersegment revenues	(7,584)	(18,341)		(25,925)			(25,925)
Revenues from external customers	\$ 390,539	\$ 372,012	\$ 321,959	\$ 1,084,510	\$	\$	1,084,510
Income from construction operations	\$ 58,002	\$ 7,674	\$ 12,633	\$ 78,309	\$ (12,866)*	\$	65,443

<b>Three Months Ended June 30, 2013</b>							
Total revenues	\$ 356,711	\$ 443,622	\$ 284,036	\$ 1,084,369	\$	\$	1,084,369
Elimination of intersegment revenues	(10,515)	(20,789)		(31,304)			(31,304)
Revenues from external customers	\$ 346,196	\$ 422,833	\$ 284,036	\$ 1,053,065	\$	\$	1,053,065
Income from construction operations	\$ 31,674	\$ 2,661	\$ 15,985	\$ 50,320	\$ (10,846)*	\$	39,474

(in thousands)	Reportable Segments			Totals		Corporate	Consolidated Total
	Civil	Building	Specialty Contractors				
<b>Six Months Ended June 30, 2014</b>							
Total revenues	\$ 774,515	\$ 701,668	\$ 614,104	\$ 2,090,287	\$	\$	2,090,287
Elimination of intersegment revenues	(18,820)	(31,724)		(50,544)			(50,544)
Revenues from external customers	\$ 755,695	\$ 669,944	\$ 614,104	\$ 2,039,743	\$	\$	2,039,743
Income from construction operations	\$ 102,347	\$ 9,497	\$ 20,450	\$ 132,294	\$ (25,354)*	\$	106,940

<b>Six Months Ended June 30, 2013</b>							
Total revenues	\$ 661,960	\$ 894,831	\$ 585,913	\$ 2,142,704		\$	2,142,704
Elimination of intersegment revenues	(61,803)	(34,898)	(10)	(96,711)			(96,711)
Revenues from external customers	\$ 600,157	\$ 859,933	\$ 585,903	\$ 2,045,993	\$	\$	2,045,993

# Edgar Filing: TUTOR PERINI Corp - Form 10-Q

Income from construction operations	\$	54,924	\$	8,008	\$	35,271	\$	98,203	\$	(22,650)	\$	75,553
-------------------------------------	----	--------	----	-------	----	--------	----	--------	----	----------	----	--------

---

\* Consists primarily of corporate general and administrative expenses.

The following table set forth certain reportable segment information relating to the Company's total assets as of June 30, 2014 and December 31, 2013 (in thousands):

	June 30, 2014	December 31, 2013
Building	702,164	663,314
Civil	1,499,197	1,384,937
Specialty Contractors	752,806	734,079
	\$ 2,954,167	\$ 2,782,330
Corporate *	700,356	615,108
Total	\$ 3,654,523	\$ 3,397,438

---

\* Consists principally of Cash and Cash Equivalents, corporate transportation equipment, and other investments available for general corporate purposes

Table of Contents**(13) Employee Pension Plans**

The Company has a defined benefit pension plan and an unfunded supplemental retirement plan. Effective September 1, 2004, all benefit accruals under the Company's pension plan were frozen; however, the current vested benefit was preserved. The pension disclosure presented below includes aggregated amounts for both of the Company's plans.

The following table sets forth the net periodic benefit cost by component for the three and six months ended June 30, 2014 and 2013:

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>(in thousands)</b>		<b>(in thousands)</b>	
Interest cost	\$ 1,030	\$ 917	\$ 2,060	\$ 1,833
Expected return on plan assets	(1,192)	(1,120)	(2,384)	(2,240)
Amortization of net loss	1,077	1,544	2,154	3,088
Net periodic benefit cost	\$ 915	\$ 1,341	\$ 1,830	\$ 2,681

The Company contributed \$1.5 million and \$0.6 million to its defined benefit pension plan during the first half of 2014 and 2013, respectively. The Company expects to contribute an additional \$3.5 million to its defined benefit pension plan during the remainder of fiscal year 2014.

**(14) Related Party Transactions**

The Company leases certain facilities from Ronald N. Tutor, the Company's Chairman and Chief Executive Officer, and an affiliate owned by Mr. Tutor under non-cancelable operating lease agreements. On April 18, 2014, the Company and Ronald N. Tutor entered into two separate lease agreements, replacing the former leases which terminated on May 31, 2014. Each of the new leases is effective June 1, 2014 with new monthly payments of an aggregate of \$0.2 million, and an increase at the rate of the greater of 3% per annum or the Consumer Price Index (CPI) for the Los Angeles metropolitan area beginning on June 1, 2015. Both new leases provide for purchase/sell options beginning on June 1, 2021 and June 1, 2025, respectively. Also under both leases, the fair market value shall be agreed upon by both parties, or shall be determined by a consensus of independent qualified appraisers. Lease expense for these new leases and the former leases until date of termination, recorded on a straight-line basis, was \$0.6 million and \$1.3 and \$1.2 million for the three and six months ended June 30, 2014 and 2013, respectively.

Raymond R. Oneglia, who is the Vice Chairman of O&G Industries, Inc. (O&G), is a director of the Company. Currently the Company has a 30% interest in a joint venture with O&G as the sponsor involving a highway construction project for the State of Connecticut, with an estimated total contract value of approximately \$364 million, scheduled for completion in 2016. Under this arrangement, O&G provides project-related equipment and services directly to the customer (on customary trade terms). In accordance with the joint venture agreement, payments to O&G for equipment and services for the three months ended June 30, 2014 and June 30, 2013 were \$1.856 and \$1.792 million, respectively. Payments to O&G for equipment and services for the six months ended June 30, 2014 and June 30, 2013 were \$3.359 and \$3.182 million, respectively. O&G's cumulative holdings of the Company's stock were 500,000 shares at June 30, 2014 and 600,000 shares at June 30, 2013, or 1.03% and 1.25%, respectively, of total common shares outstanding.

(15) **Separate Financial Information of Subsidiary Guarantors of Indebtedness**

The Company's obligation to pay principal and interest on its 7.625% senior unsecured notes due November 1, 2018, is guaranteed on a joint and several basis by substantially all of the Company's existing and future subsidiaries that guarantee obligations under the Company's Sixth Amended Credit Agreement (the "Guarantors"). The guarantees are full and unconditional and the Guarantors are 100%-owned by the Company.

The following supplemental condensed consolidating financial information reflects the summarized financial information of the Company as the issuer of the senior unsecured notes, the Guarantors and the Company's non-guarantor subsidiaries on a combined basis.



Table of Contents**CONDENSED CONSOLIDATING BALANCE SHEET - JUNE 30, 2014 (UNAUDITED)**

(in thousands)

	<b>Tutor Perini Corporation</b>	<b>Guarantor Subsidiaries</b>	<b>Non- Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Total Consolidated</b>
<b><u>ASSETS</u></b>					
Cash and Cash Equivalents	\$ 81,385	\$ 50,422	\$ 8,051	\$	\$ 139,858
Restricted Cash	3,368	8,050	31,209		42,627
Accounts Receivable	300,406	1,160,673	51,145	(58,179)	1,454,045
Costs and Estimated Earnings in Excess of Billings	90,823	640,451	152	(70,474)	660,952
Deferred Income Taxes		15,608		(7,626)	7,982
Other Current Assets	58,924	41,108	20,200	(67,812)	52,420
Total Current Assets	534,906	1,916,312	110,757	(204,091)	2,357,884
Property and Equipment, net	92,129	432,981	4,435		529,545
Intercompany Notes and Receivables		239,049		(239,049)	
Other Assets:					
Goodwill		585,006			585,006
Intangible Assets, net		106,403			106,403
Investment in Subsidiaries	2,113,166	19,519	50	(2,132,735)	
Other	71,690	9,312		(5,317)	75,685
	\$ 2,811,891	\$ 3,308,582	\$ 115,242	\$ (2,581,192)	\$ 3,654,523
<b><u>LIABILITIES AND STOCKHOLDERS</u></b>					
<b><u>EQUITY</u></b>					
Current Maturities of Long-term Debt	\$ 23,082	\$ 45,150	\$	\$	\$ 68,232
Accounts Payable	189,131	757,390	2,954	(99,847)	849,628
Billings in Excess of Costs and Estimated Earnings	119,667	179,688	34		299,389
Accrued Expenses and Other Current Liabilities	56,161	96,020	53,697	(69,104)	136,774
Total Current Liabilities	388,041	1,078,248	56,685	(168,951)	1,354,023
Long-term Debt, less current maturities	683,291	118,059		(40,316)	761,034
Deferred Income Taxes	107,622	7,914			115,536
Other Long-term Liabilities	120,346	2,117			122,463
Intercompany Notes and Advances Payable	211,124		27,823	(238,947)	
Stockholders' Equity	1,301,467	2,102,244	30,734	(2,132,978)	1,301,467
	\$ 2,811,891	\$ 3,308,582	\$ 115,242	\$ (2,581,192)	\$ 3,654,523

Table of Contents**CONDENSED CONSOLIDATING BALANCE SHEET - DECEMBER 31, 2013**

(in thousands)

	<b>Tutor Perini Corporation</b>	<b>Guarantor Subsidiaries</b>	<b>Non- Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Total Consolidated</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 88,995	\$ 18,031	\$ 12,897	\$	\$ 119,923
Restricted Cash	18,833	8,040	15,721		42,594
Accounts Receivable	208,227	1,126,012	47,958	(90,951)	1,291,246
Costs and Estimated Earnings in Excess of Billings	99,779	505,979	152	(32,662)	573,248
Deferred Income Taxes		15,866		(7,626)	8,240
Other Current Assets	37,605	26,234	24,462	(37,632)	50,669
Total Current Assets	453,439	1,700,162	101,190	(168,871)	2,085,920
Long-term Investments	46,283				46,283
Property and Equipment, net	77,562	415,993	4,570		498,125
Intercompany Notes and Receivables		428,190		(428,190)	
Other Assets:					
Goodwill		577,756			577,756
Intangible Assets, net		113,740			113,740
Investment in Subsidiaries	2,181,280	29	50	(2,181,359)	
Other	70,269	10,528		(5,183)	75,614
	\$ 2,828,833	\$ 3,246,398	\$ 105,810	\$ (2,783,603)	\$ 3,397,438
<b>LIABILITIES AND STOCKHOLDERS</b>					
<b>EQUITY</b>					
Current Maturities of Long-term Debt	\$ 50,578	\$ 64,080	\$	\$	\$ 114,658
Accounts Payable	162,292	677,997	6,039	(88,103)	758,225
Billings in Excess of Costs and Estimated Earnings	90,267	177,285	34		267,586
Accrued Expenses and Other Current Liabilities	58,232	99,257	48,369	(47,841)	158,017
Total Current Liabilities	361,369	1,018,619	54,442	(135,944)	1,298,486
Long-term Debt, less current maturities	575,356	84,053		(40,183)	619,226
Deferred Income Taxes	107,448	6,885			114,333
Other Long-term Liabilities	114,677	3,181			117,858
Intercompany Notes and Advances Payable	422,448		23,462	(445,910)	
Contingencies and Commitments					
Stockholders' Equity	1,247,535	2,133,660	27,906	(2,161,566)	1,247,535
	\$ 2,828,833	\$ 3,246,398	\$ 105,810	\$ (2,783,603)	\$ 3,397,438

Table of Contents**CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS (UNAUDITED)****THREE MONTHS ENDED JUNE 30, 2014****(in thousands)**

	<b>Tutor Perini Corporation</b>	<b>Guarantor Subsidiaries</b>	<b>Non- Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Total Consolidated</b>
Revenues	\$ 207,944	\$ 918,146		\$ (41,580)	\$ 1,084,510
Cost of Operations	177,877	827,097	(8,415)	(41,580)	954,979
Gross Profit	\$ 30,067	91,049	8,415		129,531
General and Administrative Expenses	18,985	44,625	478		64,088
INCOME FROM CONSTRUCTION OPERATIONS	11,082	46,424	7,937		65,443
Equity in Earnings of Subsidiaries	31,748			(31,748)	
Other (Expense) Income, net	(6,684)	(418)	128		(6,974)
Interest Expense	(9,809)	(1,048)			(10,857)
Income (loss) before Income Taxes	26,337	44,958	8,065	(31,748)	47,612
(Provision) for Income Taxes	2,208	(18,062)	(3,213)		(19,067)
NET INCOME (LOSS)	\$ 28,545	\$ 26,896	\$ 4,852	\$ (31,748)	\$ 28,545
Other Comprehensive Income:					
Other Comprehensive Income of Subsidiaries	340			(340)	
Foreign currency translation		347			347
Change in fair value of investments		(7)			(7)
Change in fair value of interest rate swap	76				76
Total Other Comprehensive (Loss) Income	416	340		(340)	416
Total Comprehensive Income (Loss)	\$ 28,961	\$ 27,236	\$ 4,852	\$ (32,088)	\$ 28,961

Table of Contents**CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS (UNAUDITED)****THREE MONTHS ENDED JUNE 30, 2013****(in thousands)**

	<b>Tutor Perini Corporation</b>	<b>Guarantor Subsidiaries</b>	<b>Non- Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Total Consolidated</b>
Revenues	\$ 141,795	\$ 948,071	\$	\$ (36,801)	\$ 1,053,065
Cost of Operations	122,423	865,284	(3,796)	(36,801)	947,110
Gross Profit	19,372	82,787	3,796		105,955
General and Administrative Expenses	19,328	46,677	476		66,481
(LOSS) INCOME FROM CONSTRUCTION OPERATIONS	44	36,110	3,320		39,474
Equity in Earnings of Subsidiaries	24,440			(24,440)	
Other (Expense) Income, net	(4,314)	955	125		(3,234)
Interest Expense	(10,300)	(783)			(11,083)
Income (Loss) before Income Taxes	9,870	36,282	3,445	(24,440)	25,157
Credit (Provision) for Income Taxes	5,608	(13,961)	(1,326)		(9,679)
NET INCOME (LOSS)	\$ 15,478	\$ 22,321	\$ 2,119	\$ (24,440)	\$ 15,478
Other Comprehensive Income:					
Other Comprehensive Income of Subsidiaries	(395)			395	
Tax adjustment on minimum pension liability					
Foreign currency translation		(43)			(43)
Change in fair value of investments		(352)			(352)
Change in fair value of interest rate swap	292				292
Total Other Comprehensive (Loss) Income	(103)	(395)		395	(103)
Total Comprehensive Income (Loss)	\$ 15,375	\$ 21,926	\$ 2,119	\$ (24,045)	\$ 15,375

Table of Contents**CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS (UNAUDITED)****SIX MONTHS ENDED JUNE 30, 2014****(in thousands)**

	<b>Tutor Perini Corporation</b>	<b>Guarantor Subsidiaries</b>	<b>Non- Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Total Consolidated</b>
Revenues	\$ 434,791	\$ 1,681,782		\$ (76,830)	\$ 2,039,743
Cost of Operations	371,691	1,525,005	(15,001)	(76,830)	1,804,865
Gross Profit	63,100	156,777	15,001		234,878
General and Administrative Expenses	36,780	90,245	913		127,938
INCOME FROM CONSTRUCTION OPERATIONS	26,320	66,532	14,088		106,940
Equity in Earnings of Subsidiaries	47,029			(47,029)	
Other (Expense) Income, net	(10,779)	184	248		(10,347)
Interest Expense	(19,826)	(1,862)			(21,688)
Income (loss) before Income Taxes	42,744	64,854	14,336	(47,029)	74,905
(Provision) for Income Taxes	1,740	(26,339)	(5,822)		(30,421)
NET INCOME (LOSS)	\$ 44,484	\$ 38,515	\$ 8,514	\$ (47,029)	\$ 44,484
Other Comprehensive Income:					
Other Comprehensive Income of Subsidiaries	235			(235)	
Foreign currency translation		61			61
Change in fair value of investments		174			174
Change in fair value of interest rate swap	157				157
Total Other Comprehensive (Loss) Income	392	235		(235)	392
Total Comprehensive Income (Loss)	\$ 44,876	\$ 38,750	\$ 8,514	\$ (47,264)	\$ 44,876

Table of Contents**CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS (UNAUDITED)****SIX MONTHS ENDED JUNE 30, 2013****(in thousands)**

	<b>Tutor Perini Corporation</b>	<b>Guarantor Subsidiaries</b>	<b>Non- Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Total Consolidated</b>
Revenues	\$ 281,572	\$ 1,869,484	\$	\$ (105,063)	\$ 2,045,993
Cost of Operations	247,512	1,705,104	(7,872)	(105,063)	1,839,681
Gross Profit	34,060	164,380	7,872		206,312
General and Administrative Expenses	38,105	91,708	946		130,759
(LOSS) INCOME FROM CONSTRUCTION OPERATIONS	(4,045)	72,672	6,926		75,553
Equity in Earnings of Subsidiaries	48,796			(48,796)	
Other (Expense) Income, net	(5,123)	811	251		(4,061)
Interest Expense	(20,845)	(1,574)			(22,419)
Income (Loss) before Income Taxes	18,783	71,909	7,177	(48,796)	49,073
Credit (Provision) for Income Taxes	11,495	(27,541)	(2,749)		(18,795)
NET INCOME (LOSS)	\$ 30,278	\$ 44,368	\$ 4,428	\$ (48,796)	\$ 30,278
Other Comprehensive Income:					
Other Comprehensive Income of Subsidiaries	(480)			480	
Tax adjustment on minimum pension liability					
Foreign currency translation		(229)			(229)
Change in fair value of investments		(251)			(251)
Change in fair value of interest rate swap	460				460
Total Other Comprehensive (Loss) Income	(20)	(480)		480	(20)
Total Comprehensive Income (Loss)	\$ 30,258	\$ 43,888	\$ 4,428	\$ (48,316)	\$ 30,258

Table of Contents

## CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS (UNAUDITED)

SIX MONTHS ENDED JUNE 30, 2014

(in thousands)

	Tutor Perini Corporation	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Total Consolidated
<b>Cash Flows from Operating Activities:</b>					
Net income (loss)	\$ 44,484	\$ 38,515	\$ 8,514	\$ (47,029)	\$ 44,484
Adjustments to reconcile net income to net cash from operating activities:					
Depreciation and amortization	4,866	25,077	135		30,078
Equity in earnings of subsidiaries	(47,029)			47,029	
Stock-based compensation expense	9,920				9,920
Deferred income taxes	4,672	(4,736)			(64)
(Gain) loss on sale of investments	1,786				1,786
(Gain) loss on sale of property and equipment		427			427
Other long-term liabilities	6,624	(1,065)			5,559
Other non-cash items	(3,620)	5,182			1,562
Changes in other components of working capital	(53,928)	(104,577)	3,318		(155,187)
<b>NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ (32,225)</b>	<b>\$ (41,177)</b>	<b>\$ 11,967</b>	<b>\$</b>	<b>\$ (61,435)</b>
<b>Cash Flows from Investing Activities:</b>					
Acquisition of property and equipment	(16,715)	(10,015)			(26,730)
Proceeds from sale of property and equipment		1,906			1,906
Proceeds from sale of available-for-sale securities	44,497				44,497
Change in restricted cash	15,465	(10)	(15,488)		(33)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>\$ 43,247</b>	<b>\$ (8,119)</b>	<b>\$ (15,488)</b>	<b>\$</b>	<b>\$ 19,640</b>
<b>Cash Flows from Financing Activities:</b>					
Proceeds from debt	685,079	32,405			717,484
Repayment of debt	(604,773)	(44,509)			(649,282)
Business acquisition-related payments	(1,226)	(34)			(1,260)
Issuance of common stock and effect of cashless exercise	(1,531)				(1,531)
Debt issuance costs		(3,681)			(3,681)
Increase (decrease) in intercompany advances	(96,181)	97,506	(1,325)		
<b>NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES</b>	<b>\$ (18,632)</b>	<b>\$ 81,687</b>	<b>\$ (1,325)</b>	<b>\$</b>	<b>\$ 61,730</b>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>(7,610)</b>	<b>32,391</b>	<b>(4,846)</b>		<b>19,935</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>88,995</b>	<b>18,031</b>	<b>12,897</b>		<b>119,923</b>
	<b>\$ 81,385</b>	<b>\$ 50,422</b>	<b>\$ 8,051</b>	<b>\$</b>	<b>\$ 139,858</b>

Cash and Cash Equivalents at End of  
Period

34

---



Table of Contents

## CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS (UNAUDITED)

SIX MONTHS ENDED JUNE 30, 2013

(in thousands)

	Tutor Perini Corporation	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Total Consolidated
<b>Cash Flows from Operating Activities:</b>					
Net income (loss)	\$ 30,278	\$ 44,368	\$ 4,428	\$ (48,796)	\$ 30,278
Adjustments to reconcile net income to net cash from operating activities:					
Depreciation and amortization	3,230	24,201	135		27,566
Equity in earnings of subsidiaries	(48,796)			48,796	
Stock-based compensation expense	4,624				4,624
Excess income tax benefit from stock-based compensation	(358)				(358)
Deferred income taxes	235	265			500
(Gain) loss on sale of property and equipment	(180)				(180)
Other long-term liabilities	9,204	(755)			8,449
Other non-cash items	864	(975)			(111)
Changes in other components of working capital	41,842	(111,153)	(40,027)		(109,338)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 40,943</b>	<b>\$ (44,049)</b>	<b>\$ (35,464)</b>	<b>\$</b>	<b>\$ (38,570)</b>
<b>Cash Flows from Investing Activities:</b>					
Acquisition of property and equipment	(16,299)	(11,828)			(28,127)
Proceeds from sale of property and equipment	186	2,173			2,359
Change in restricted cash	6,795	612	(15,709)		(8,302)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>\$ (9,318)</b>	<b>\$ (9,043)</b>	<b>\$ (15,709)</b>	<b>\$</b>	<b>\$ (34,070)</b>
<b>Cash Flows from Financing Activities:</b>					
Proceeds from debt	395,365	26,185			421,550
Repayment of debt	(363,252)	(11,735)			(374,987)
Excess income tax benefit from stock-based compensation	358				358
Issuance of common stock and effect of cashless exercise	341				341
Increase (decrease) in intercompany advances	(39,004)	1,023	37,981		
<b>NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES</b>	<b>\$ (6,192)</b>	<b>\$ 15,473</b>	<b>\$ 37,981</b>	<b>\$</b>	<b>\$ 47,262</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>25,433</b>	<b>(37,619)</b>	<b>(13,192)</b>		<b>(25,378)</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>64,663</b>	<b>74,385</b>	<b>29,008</b>		<b>168,056</b>
<b>Cash and Cash Equivalents at End of Period</b>	<b>\$ 90,096</b>	<b>\$ 36,766</b>	<b>\$ 15,816</b>	<b>\$</b>	<b>\$ 142,678</b>



Table of Contents

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following discusses our financial position at June 30, 2014 and the results of our operations for the three and six months ended June 30, 2014, and should be read in conjunction with: (1) the unaudited consolidated condensed financial statements and notes contained herein, and (2) the audited consolidated financial statements and accompanying notes to our Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

**Overview**

We were incorporated in 1918 as a successor to businesses that had been engaged in providing construction services since 1894. We provide diversified general contracting, construction management and design-build services to private customers and public agencies throughout the world. Our construction business is conducted through three basic segments or operations: Civil, Building, and Specialty Contractors. Our Civil segment specializes in public works construction and the repair, replacement and reconstruction of infrastructure, including highways, bridges, mass transit systems and water and wastewater treatment facilities, primarily in the western, midwestern, northeastern, and mid-Atlantic regions of the United States. Our Building segment has significant experience providing services to a number of specialized building markets, including the hospitality and gaming, transportation, healthcare, municipal and commercial offices, sports and entertainment, educational, correctional facilities, biotech, pharmaceutical and high-tech markets. Our Specialty Contractors segment specializes in plumbing, HVAC, electrical, mechanical, and pneumatically placed concrete for a full range of civil and building construction projects in the industrial, commercial, hospitality and gaming, and transportation end markets, among others.

During the first quarter of 2014, the Company completed a reorganization which resulted in the elimination of the Management Services reporting unit and reportable segment. The Management Services reporting unit formerly consisted of the following subsidiary companies: Black Construction and Perini Management Services. The reorganization was completed due to the unit no longer meeting the criteria set forth in FASB ASC Topic 280, *Segment Reporting*.

The contracting and management services that we provide consist of general contracting, pre-construction planning and comprehensive management services, including planning and scheduling the manpower, equipment, materials and subcontractors required for the timely completion of a project in accordance with the terms and specifications contained in a construction contract. We also offer self-performed construction services including site work, concrete forming and placement, steel erection, electrical and mechanical, plumbing and HVAC. We provide these services by using traditional general contracting arrangements, such as fixed price, guaranteed maximum price and cost plus fee contracts and, to a lesser extent, construction management or design-build contracting arrangements. In the ordinary course of our business, we enter into arrangements with other contractors, referred to as joint ventures, for certain construction projects. Each of the joint venture participants is usually committed to supply a predetermined percentage of capital, as required, and to share in a predetermined percentage of the income or loss of the project. Generally, each joint venture participant is fully liable for the obligations of the joint venture.

We believe our leadership position as the contractor of choice for large, complex civil and building projects will support our long-term backlog growth. We have continued to experience increased contributions from our Civil segment consistent with our strategic focus on growing our business by pursuing and obtaining higher-margin public works projects. We expect to continue to leverage our substantial self-performance and schedule control capabilities to obtain additional large-scale civil and building awards. We have capitalized on this leadership position and these synergies with various recent significant new awards and pending awards (see *Backlog Analysis* on page 38).



# Edgar Filing: TUTOR PERINI Corp - Form 10-Q

## Table of Contents

The following tables set forth our consolidated condensed statement of operations:

	Consolidated Results of Operations						
	Three months ended June 30,		% Change Favorable (Unfavorable) 2014 vs. 2013	Six months ended June 30,		% Change Favorable (Unfavorable) 2014 vs. 2013	
	2014	2013		2014	2013		
	(In thousands)			(In thousands)			
Revenues	\$ 1,084,510	\$ 1,053,065	3.0%	\$ 2,039,743	\$ 2,045,993	(0.3)%	
Cost of operations	954,979	947,110	(0.8)%	1,804,865	1,839,681	1.9%	
Gross profit	129,531	105,955	22.3%	234,878	206,312	13.8%	
General and administrative expenses	64,088	66,481	3.6%	127,938	130,759	2.2%	
Income from construction operations	65,443	39,474	65.8%	106,940	75,553	41.5%	
Other income (expense), net	(6,974)	(3,234)	(115.6)%	(10,347)	(4,061)	(154.8)%	
Interest expense	(10,857)	(11,083)	2.0%	(21,688)	(22,419)	3.3%	
Income before income taxes	47,612	25,157	89.3%	74,905	49,073	52.6%	
Provision for income taxes	(19,067)	(9,679)	(97.0)%	(30,421)	(18,795)	(61.9)%	
Net income (loss)	\$ 28,545	\$ 15,478	84.4%	\$ 44,484	\$ 30,278	46.9%	

	Consolidated Results of Operations			
	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
	(As a percentage of Revenues)			
Revenues	100.0%	100.0%	100.0%	100.0%
Cost of operations	88.1%	89.9%	88.5%	89.9%
Gross profit	11.9%	10.1%	11.5%	10.1%
General and administrative expenses	5.9%	6.4%	6.3%	6.3%
Income from construction operations	6.0%	3.7%	5.2%	3.8%
Other income (expense), net	(0.6)%	(0.2)%	(0.5)%	(0.3)%
Interest expense	(1.0)%	(1.1)%	(1.1)%	(1.1)%
Income (loss) before income taxes	4.4%	2.4%	3.6%	2.4%
(Provision) benefit for income taxes	(1.8)%	(0.9)%	(1.5)%	(0.9)%
Net income (loss)	2.6%	1.5%	2.1%	1.5%

Revenues were \$1,084.5 million and \$2,039.7 million for the three and six months ended June 30, 2014, respectively, compared to \$1,053.1 million and \$2,046.0 million for the same periods in 2013. Income from construction operations was \$65.4 million and \$106.9 million for the three and six months ended June 30, 2014, respectively, compared to \$39.5 million and \$75.6 million for the same periods in 2013. Net income for the three and six months ended June 30, 2014 was \$28.5 million and \$44.5 million, respectively, compared to net income of \$15.5 million and \$30.3 million for the same periods in 2013. Basic and diluted earnings per share were \$0.59 and \$0.58 for the three months ended June 30, 2014, respectively, compared to basic and diluted earnings per share of \$0.32 and \$0.32 for the same periods in 2013. Basic and diluted earnings per share were \$0.92 and \$0.91 for the six months ended June 30, 2014, respectively, compared to basic and diluted earnings per share of \$0.64 and \$0.62 for the same periods in 2013.

## Edgar Filing: TUTOR PERINI Corp - Form 10-Q

During the three months ended June 30, 2014, revenues increased \$31.4 million, or 3.0%, compared to the same period last year due primarily to increased activity on civil and building projects at Hudson Yards in New York and on certain electrical and mechanical projects on the East Coast. During the six months ended June 30, 2014, revenues decreased \$6.3 million, or 0.3%, compared to the same period last year due primarily to decreased activity on hospitality and gaming projects in California, Arizona, Nevada, Louisiana, and Pennsylvania and on healthcare projects in California. This decrease was partially offset by increased activity on civil and building projects at Hudson Yards, bridge projects in the Midwest and New York, various educational projects nationwide, and

## Edgar Filing: TUTOR PERINI Corp - Form 10-Q

### Table of Contents

courthouse projects in California and Florida. The increase in net income in the three and six months ended June 30, 2014 was due primarily to an overall increase in volume in our Civil segment and net favorable adjustments to anticipated recoveries associated with two legal rulings issued in the second quarter of 2014, which were partially offset by Hurricane Sandy-related projects performed in 2013.

At June 30, 2014, working capital was \$1,003.9 million, an increase of \$216.5 million from \$787.4 million at December 31, 2013.

In the first six months of 2014, we received significant new contract awards as well as additions to existing contracts and ended the second quarter with a contract backlog of approximately \$7.8 billion, an increase of \$0.8 billion from \$7.0 billion as of December 31, 2013. The strong increase in our backlog was driven primarily by two large new mass transit project awards that benefited our Civil and Specialty Contractors segments.

### Backlog Analysis

Our backlog of uncompleted construction work at June 30, 2014 was approximately \$7.8 billion compared to \$7.0 billion at December 31, 2013. During the first six months of 2014, we booked various new awards and adjustments to existing contracts into backlog across each of our business segments. Significant new awards included two mass transit projects for the New York Metropolitan Transportation Authority (MTA) collectively valued at \$844 million; a \$255 million multi-unit residential tower project in Florida; a \$120 million retail development project in California; a \$113 million hospitality and gaming development project in Mississippi; a \$113 million technology building project in California; a \$92 million highway project in Virginia; a \$74 million wastewater treatment project in New York; and a \$67 million excavation and tunnel project in British Columbia.

In addition to our existing backlog, we continue to have a significant volume of pending contract awards, including up to \$2.3 billion in various future phases of the Hudson Yards project and approximately \$1.9 billion in various other contracts. We anticipate booking many of these and other pending awards into backlog over the next several quarters, and future phases of the Hudson Yards project over the next several years, as the contracts for these various projects are executed. We continue tracking several large-scale civil and building prospects for both public and private sector customers as we further leverage our self-performance and schedule control capabilities.

The following table provides an analysis of our backlog by business segment for the six months ended June 30, 2014, restated for prior year data due to the reorganization eliminating the Management Services segment, as the unit no longer meets the criteria set forth in FASB ASC Topic 280, *Segment Reporting*.

	Backlog at December 31, 2013	New Business Awarded (1)	Revenues Recognized	Backlog at June 30, 2014
	(in millions)			
Civil	\$ 3,538.1	\$ 925.5	\$ (755.7)	\$ 3,707.9
Building	1,755.1	922.4	(669.9)	2,007.6
Specialty Contractors	1,661.1	1,001.8	(614.1)	2,048.8
Total	\$ 6,954.3	\$ 2,849.7	\$ (2,039.7)	\$ 7,764.3

---

(1) New business awarded consists of the original contract price of projects added to our backlog plus or minus subsequent changes to the estimated total contract price of existing contracts.

**Critical Accounting Policies**

Our significant accounting policies are described in Note 1 *Description of Business and Summary of Significant Accounting Policies* of the Notes to Consolidated Financial Statements in Part IV, Item 15. *Exhibits and Financial Statement Schedules*, included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013. Our critical accounting policies are also identified and discussed in Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations* of our Annual Report on Form 10-K for the fiscal year ended December 31, 2013.



Table of Contents

**Recently Issued Accounting Pronouncements**

In February 2013, the FASB issued ASU 2013-04, *Liabilities (Topic 405)*, which provides guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date. This ASU is an update to FASB ASC Topic 405, *Liabilities*. The amendments in this ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The adoption of this guidance did not have a material impact on the Company's financial statements.

In July 2013, the FASB issued ASU No. 2013-11, *Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists* (a consensus of the Emerging Issues Task Force). This ASU addresses when unrecognized tax benefits should be presented as reductions to deferred tax assets for net operating loss carryforwards in the financial statements. This ASU is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2013. The adoption of this guidance did not have a material impact on the Company's financial statements.

In April 2014, the FASB issued FASB ASU No. 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. The amendments in this update require a disposal of a component of an entity or a group of components of an entity to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results. This ASU expands disclosure requirements about discontinued operations and adds new disclosures for individually significant dispositions that do not qualify as discontinued operations. ASU 2014-08 is effective prospectively for annual periods beginning on or after December 15, 2014, and interim periods within annual periods beginning on or after December 15, 2015. Early adoption is permitted, but only for disposals that have not been reported in financial statements previously issued. The adoption of this guidance is not expected to have a material impact on the Company's financial statements.

In May 2014, the FASB issued FASB ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in ASC 605, *Revenue Recognition*. This ASU addresses when an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period, using one of two retrospective application methods. Early application is not permitted. The Company is currently evaluating the effect that the adoption of this ASU will have on its financial statements.

In June 2014, the FASB issued ASU No. 2014-12, *Compensation - Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period*, clarifying the recognition timing of expense associated with certain performance based stock awards when the performance target that affects vesting could be achieved after the requisite service period. This ASU is an update to FASB ASC Topic 718 and is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015 with earlier adoption permitted. The adoption of this guidance is not expected to have a material impact on the Company's financial statements.

***Use of and changes in estimates***

## Edgar Filing: TUTOR PERINI Corp - Form 10-Q

The Company's construction business involves making significant estimates and assumptions in the normal course of business relating to its contracts and its joint venture contracts. Management focuses on evaluating the performance of contracts individually. These estimates can vary in the normal course of business as projects progress, when estimated productivity assumptions change based on experience to date and uncertainties are resolved. Change orders and claims, as well as changes in related estimates of costs to complete, are considered revisions in estimates. The Company uses the cumulative catch-up method applicable to construction contract accounting to account for revisions in estimates. The impact on operating margin in a reporting period and future periods from a change in estimate will depend on the stage of contract completion.

During the three months ended June 30, 2014, the Company's results of operations were impacted by a change in the estimated recoveries on two projects, a \$24.2 million favorable increase and a \$9.4 million unfavorable decrease. The changes in estimates were primarily driven by changes in cost recovery assumptions based on certain legal rulings issued during the period. These changes in estimates resulted in a \$14.8 million net increase in income from construction operations, an \$8.8 million increase in net income, and \$0.18 in diluted earnings per share during the three and six months ended June 30, 2014. These changes were the only changes in estimates considered material to the Company's results of operations during the periods presented herein.

Table of ContentsResults of OperationsComparison of the Three and Six Months Ended June 30, 2014 with the Three and Six Months Ended June 30, 2013*Revenues*

The following table summarizes our revenues by business segment with the prior year restated according to the reorganization eliminating the Management Services segment due to the unit no longer meeting the criteria set forth in FASB ASC Topic 280, *Segment Reporting* :

(dollars in millions)	Revenues for the				\$ Change	% Change
	Three months ended June 30,					
	2014		2013			
Civil	\$	390.5	\$	346.2	\$ 44.3	12.8%
Building		372.0		422.8	(50.8)	(12.0)%
Specialty Contractors		322.0		284.0	38.0	13.4%
Total	\$	1,084.5	\$	1,053.0	\$ 31.5	3.0%

	Revenues for the					
	Six months ended June 30,					
(dollars in millions)	2014		2013		\$ Change	% Change
Civil	\$	755.7	\$	600.2	\$ 155.5	25.9%
Building		669.9		859.9	(190.0)	(22.1)%
Specialty Contractors		614.1		585.9	28.2	4.8%
Total	\$	2,039.7	\$	2,046.0	\$ (6.3)	(0.3)%

Civil Segment

Civil segment revenues increased \$44.3 million, or 12.8%, and \$155.5 million, or 25.9%, for the three and six months ended June 30, 2014, respectively, compared to the same periods in 2013. For the three and six months ended June 30, 2014, the increase was due primarily to increased activity on civil projects at Hudson Yards in New York and on certain bridge projects in the Midwest and New York, partially offset by decreased activity on two tunnel projects on the West Coast and certain highway projects on the East Coast.

Building Segment

Building segment revenues decreased \$50.8 million, or 12.0%, and \$190.0 million, or 22.1%, for the three and six months ended June 30, 2014, respectively, compared to the same periods in 2013. For the three months ended June 30, 2014, the decrease was due primarily to decreased activity on hospitality and gaming projects in California, Arizona, Nevada, Louisiana, and Pennsylvania, partially offset by increased activity on the Hudson Yards project in New York and on various other projects, including a multi-unit residential tower project in Pennsylvania. For the

## Edgar Filing: TUTOR PERINI Corp - Form 10-Q

six months ended June 30, 2014, the decrease was due primarily to decreased activity on hospitality and gaming projects in California, Arizona, Nevada, Louisiana, and Pennsylvania and on healthcare projects in California. This decrease was partially offset by increased activity on the Hudson Yards project in New York, various educational projects nationwide, and courthouse projects in California and Florida.

### Specialty Contractors Segment

Specialty Contractors segment revenues increased \$38.0 million, or 13.4%, and \$28.2 million, or 4.8%, for the three and six months ended June 30, 2014, respectively, compared to the same periods in 2013. For the three months ended June 30, 2014, the increase was due primarily to increased activity on two signal system modernization projects in New York and on various mechanical projects on the East Coast. For the six months ended June 30, 2014, the increase was due primarily to increased activity on two signal system modernization projects in New York and on various other electrical and mechanical projects on the Gulf and East Coasts.

Table of Contents***Income from Construction Operations***

The following table summarizes our income from construction operations by business segment with the prior year restated in accordance with the reorganization which eliminated the Management Services segment:

<b>Income from Construction Operations and Operating Margins Three months ended June 30,</b>								
	<b>2014</b>		<b>2013</b>		<b>Change in</b>			
<b>(dollars in millions)</b>	<b>Amount</b>	<b>Margin</b>	<b>Amount</b>	<b>Margin</b>	<b>\$</b>	<b>%</b>	<b>Margin</b>	<b>%</b>
Civil	\$ 58.0	14.8%	\$ 31.7	9.2%	26.3	83.0%		5.6%
Building	7.7	2.0%	2.6	0.6%	\$ 5.1	196.2%		1.4%
Specialty Contractors	12.6	3.9%	16.0	5.6%	(3.4)	(21.3)%		(1.7)%
	78.3	7.2%	50.3	4.8%	28.0	55.7%		2.4%
Corporate	(12.9)	(1.2)%	(10.8)	(1.0)%	(2.1)	19.4%		(0.2)%
Income from construction operations	\$ 65.4	6.0%	\$ 39.5	3.8%	\$ 25.9	65.6%		2.2%

<b>Income from Construction Operations and Operating Margins Six months ended June 30,</b>								
	<b>2014</b>		<b>2013</b>		<b>Change in</b>			
<b>(dollars in millions)</b>	<b>Amount</b>	<b>Margin</b>	<b>Amount</b>	<b>Margin</b>	<b>\$</b>	<b>%</b>	<b>Margin</b>	<b>%</b>
Civil	\$ 102.3	13.5%	\$ 54.9	9.1%	47.4	86.3%		4.4%
Building	9.5	1.4%	8.0	0.9%	\$ 1.5	18.8%		0.5%
Specialty Contractors	20.5	3.3%	35.3	6.0%	(14.8)	(41.9)%		(2.7)%
	132.3	6.5%	98.2	4.8%	34.1	34.7%		1.7%
Corporate	(25.4)	(1.3)%	(22.6)	(1.1)%	(2.8)	12.4%		(0.2)%
Income from construction operations	\$ 106.9	5.2%	\$ 75.6	3.7%	\$ 31.3	41.4%		1.5%

***Civil Segment***

Civil segment income from construction operations increased \$26.3 million, or 83.0%, and \$47.4 million, or 86.3%, for the three and six months ended June 30, 2014, respectively, compared to the same periods in 2013 due primarily to the volume changes discussed above under *Revenues*, as well as net favorable adjustments to anticipated recoveries associated with two legal rulings issued in the second quarter of 2014. Civil segment operating margin increased from 9.2% and 9.1% for the three and six months ended June 30, 2013 to 14.8% and 13.5% for the same periods in 2014 due primarily to the above-mentioned reasons.

***Building Segment***

Building segment income from construction operations increased \$5.1 million, or 196.2%, for the three months ended June 30, 2014 and increased \$1.5 million, or 18.8%, for the six months ended June 30, 2014, respectively, compared to the same periods in 2013 due primarily to

## Edgar Filing: TUTOR PERINI Corp - Form 10-Q

decreased general and administrative expense and a favorable adjustment related to the wind-down of an electrical project in Afghanistan, offset by the volume changes discussed above under *Revenues*. Building segment operating margin increased from 0.6% and 0.9% for the three and six months ended June 30, 2013 to 2.0% and 1.4% for the same periods in 2014 due primarily to the above-mentioned reasons.

### Specialty Contractors Segment

Specialty Contractors segment income from construction operations decreased \$3.4 million, or 21.3%, and \$14.8 million, or 41.9%, for the three and six months ended June 30, 2014, respectively, compared to the same periods in 2013 due primarily to a favorable settlement in the second quarter of 2013 related to a large hospitality and gaming electrical subcontract and unfavorable performance and cost adjustments in the first and second quarters of 2014 on certain mechanical projects in New York. The decrease was partially offset by the increased volume discussed above under *Revenues* and improved financial performance in one of our Specialty Contractors units. Specialty Contractors segment operating margin declined from 5.6% and 6.0% for the three and six months ended June 30, 2013 to 3.9% and 3.3% for the same periods in 2014 due primarily to the reasons discussed above.

## Table of Contents

### Corporate

Corporate general and administrative expenses increased \$2.1 million, or 19.4%, and \$2.8 million, or 12.4%, for the three and six months ended June 30, 2014, respectively, compared to the same periods in 2013 due primarily to increased stock compensation expense.

### *Consolidated Other Income, Interest Expense and Provision for Income Taxes*

(dollars in millions)	June 30, 2014	June 30, 2013	\$ Change	% Change
<b>Three months ended</b>				
Other income (expense), net	\$ (7.0)	\$ (3.2)	\$ (3.8)	118.8%
Interest expense	10.9	11.1	(0.2)	(1.8)%
Provision for income taxes	19.1	9.7	9.4	96.9%

(dollars in millions)	June 30, 2014	June 30, 2013	\$ Change	% Change
<b>Six months ended</b>				
Other income (expense), net	\$ (10.3)	\$ (4.1)	\$ (6.2)	151.2%
Interest expense	21.7	22.4	(0.7)	(3.1)%
Provision for income taxes	30.4	18.8	11.6	61.7%

Other expense, net increased \$3.8 million and \$6.2 million for the three and six months ended June 30, 2014, respectively, compared to the same periods in 2013, due primarily to a loss on the sale of our ARS and expenses related to the refinancing of our credit facilities in the second quarter of 2014.

Interest expense decreased \$0.2 million and \$0.7 million for the three and six months ended June 30, 2014, respectively, compared to the same periods in 2013.

Provision for income taxes was \$19.1 million and \$30.4 million for the three and six months ended June 30, 2014, respectively, as compared to income tax provision of \$9.7 million and \$18.8 million for the same periods in 2013. The effective income tax rate was 40.0% and 40.6% for the three and six months ended June 30, 2014, respectively, as compared to 38.5% and 38.3% for the same periods in 2013. The increase in the effective tax rate for the three and six months ended June 30, 2014, as compared to the same periods in 2013, was primarily due to increased valuation allowance.

### Liquidity and Capital Resources

#### *Cash and Working Capital*

## Edgar Filing: TUTOR PERINI Corp - Form 10-Q

At June 30, 2014 and December 31, 2013, cash held by us and available for general corporate purposes was \$21.6 million and \$36.6 million, respectively. Our proportionate share of cash held by joint ventures and available only for joint venture-related uses, including distributions to joint venture partners, was \$118.3 million and \$83.3 million at June 30, 2014 and December 31, 2013, respectively, and our restricted cash was \$42.6 million and \$42.6 million at June 30, 2014 and December 31, 2013, respectively. We do not believe that it is likely we will be called upon to contribute significant additional capital in the event of default by any of our partners.

We require each partner in the joint ventures in which we participate to accept joint and several responsibility for all obligations of the joint venture. Prior to forming a joint venture, we conduct a thorough analysis of the prospective partner to determine its capabilities, specifically relating to construction expertise, track record for delivering a quality product on time, reputation in the industry, as well as financial strength and available liquidity. We utilize a number of resources to verify a potential joint venture partner's financial condition, including credit rating reports and financial information contained in its audited financial statements. We specifically review a potential partner's available liquidity and bonding capacity. In the event we are concerned with the financial viability of a potential partner, we will require substantial initial cash contributions upon inception of the joint venture to mitigate the risk that we would be required to cover a disproportionate share of the joint venture's future cash needs.

The majority of our joint venture contracts are for various government agencies that typically require the joint venture and/or our partners to complete a thorough pre-qualification process. This pre-qualification process typically includes the verification of each partner's financial condition and capacity to perform the work, as well as the issuance of performance bonds by surety companies who also independently verify each partner's financial condition.



## Table of Contents

A summary of cash flows for each of the six months ended June 30, 2014 and 2013 is set forth below:

(dollars in millions)	Six Months Ended June 30,	
	2014	2013
Cash flows from:		
Operating activities	\$ (61.4)	\$ (38.6)
Investing activities	19.6	(34.0)
Financing activities	61.7	47.3
Net increase/(decrease) in cash	19.9	(25.3)
Cash at beginning of year	119.9	168.0
Cash at end of period	\$ 139.8	\$ 142.7

During the six months ended June 30, 2014, we used \$61.4 million in cash to fund operating activities, due primarily to the timing of collections in our Specialty segment. We received \$19.6 million in cash from investing activities, due primarily to the sale of available-for-sale securities of \$44.5 million partially offset by purchases of property and construction equipment of \$26.7 million. We received \$61.7 million in cash from financing activities, due primarily to our outstanding borrowings under our Sixth Amended and Restated Credit Agreement offset by cash used to repay our former Fifth Amended and Restated Credit Agreement and for scheduled debt repayments.

At June 30, 2014, we had working capital of \$1,003.9 million, a ratio of current assets to current liabilities of 1.74 to 1.00, and a ratio of debt to equity of 0.64 to 1.00 compared to working capital of \$787.4 million, a ratio of current assets to current liabilities of 1.61 to 1.00 and a ratio of debt to equity of 0.59 to 1.00 at December 31, 2013.

### Long-term Investments

At December 31, 2013 we had investments in ARS of \$46.3 million, which were reflected at fair value. Our investment policy is to manage our assets to achieve our goals of preserving principal, maintaining adequate liquidity at all times, and maximizing returns subject to our investment guidelines. Due to the overall liquidity concerns in capital markets having affected the ability to liquidate many investments in auction rate securities, we had classified our ARS as available-for-sale Long-term Investments. On April 30, 2014 we liquidated our entire investment in ARS for the amount of \$44.5 million, limiting our loss on investment to \$1.8 million which properly reflected our investment policy of maintaining adequate liquidity and maximizing returns. For further information on our accounting for our ARS, see Note 5 *Fair Value Measurements* to Consolidated Condensed Financial Statements.

### Long-term Debt

Debt was \$829.3 million at June 30, 2014, an increase of \$95.4 million from \$733.9 million at December 31, 2013, due primarily to a net increase in borrowings of \$135.0 million on our term loan offset by a decrease in the revolving line of credit of \$54.5 million. We utilized the revolving facility for outstanding letters of credit in the amount of \$0.4 million. Accordingly, at June 30, 2014, we had \$219.1 million available to borrow under our credit agreement. We believe that our financial position and credit arrangements are sufficient to support our current backlog and anticipated new work.

## Edgar Filing: TUTOR PERINI Corp - Form 10-Q

Excluding the outstanding borrowings of \$80.5 million on our revolving line of credit, the unsecured senior notes of \$298.6 million and our \$250.0 million term loan (which has a first loan payment due on September 30, 2014), the remaining balance of \$280.7 million of our outstanding debt is generally secured by the underlying assets. Our debt to equity ratio was 0.64 to 1.00 as of June 30, 2014 compared to 0.59 to 1.00 as of December 31, 2013.

On June 5, 2014, the Company entered into a Sixth Amended and Restated Credit Facility, effectively terminating its former \$300 million revolving credit facility and \$200 million Term Loan. All outstanding amounts under the Replaced Credit Facility and Term Loan were repaid in full using proceeds of the Sixth Amended and Restated Credit Facility. The new agreement provides for a \$300 million revolving credit facility (the Revolving Credit Facility) and a \$250 million term loan (the Term Loan) with Bank of America, N.A. as administrative agent and a syndicate of other lenders. The Revolving Credit Facility matures five (5) years from closing. The Term Loan principal is payable at 6.0% in year 1, 9.0% in year 2, 12.0% in year 3, 15.0% in year 4 and 13.5% in year 5 on a quarterly basis with a 44.5% balloon payment at maturity. Both the Revolving Credit Facility and the Term Loan are estimated to mature on June 5, 2019. Borrowings under the Revolving Credit Facility and Term Loan will bear interest based on the London Interbank Offered Rate (LIBOR), plus an applicable margin. The Term Loan includes a \$300 million accordion feature, which the Company may opt to utilize at a future date.

As of the filing date of this Form 10-Q, we are in compliance and expect to continue to be in compliance with the modified financial covenants under the Sixth Amendment.

Table of Contents

There were no other material changes in our contractual obligations during the three months ended June 30, 2014.

***Off-Balance Sheet Arrangements***

We do not have any financial partnerships with unconsolidated entities, such as entities often referred to as structured finance, special purpose entities or variable interest entities which are often established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. Accordingly, we are not exposed to any financing, liquidity, market or credit risk that could arise if we had such relationships.

**Forward-looking Statements**

The statements contained in this Management's Discussion and Analysis of the Consolidated Condensed Financial Statements on Form 10-Q that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including without limitation, statements regarding our management's expectations, hopes, beliefs, intentions or strategies regarding the future. These forward-looking statements are based on our current expectations and beliefs concerning future developments and their potential effects on us. There can be no assurance that future developments affecting us will be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to:

- our ability to win new contracts and convert backlog into revenue;
- our ability to successfully and timely complete construction projects;
- our ability to realize the anticipated economic and business benefits of our acquisitions and our strategy to assemble and operate a Specialty Contractors business segment;
- the potential delay, suspension, termination or reduction in scope of a construction project;
- the continuing validity of the underlying assumptions and estimates of total forecasted project revenues, costs and profits and project schedules;
- the outcomes of pending or future litigation, arbitration or other dispute resolution proceedings;
- the availability of borrowed funds on terms acceptable to us;
- the ability to retain certain members of management;
- the ability to obtain surety bonds to secure our performance under certain construction contracts;

## Edgar Filing: TUTOR PERINI Corp - Form 10-Q

- possible labor disputes or work stoppages within the construction industry;
- changes in federal and state appropriations for infrastructure projects and the impact of changing economic conditions on federal, state and local funding for infrastructure projects;
- possible changes or developments in international or domestic political, social, economic, business, industry, market and regulatory conditions or circumstances;
- actions taken or not taken by third parties including our customers, suppliers, business partners, and competitors and legislative, regulatory, judicial and other governmental authorities and officials; and
- other risks and uncertainties discussed under the heading **Risk Factors** in our Annual Report on Form 10-K for the year ended December 31, 2013 filed with the Securities and Exchange Commission on February 24, 2014.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

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

There has been no material change in our exposure to market risk from that described in Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2013, filed with the Securities and Exchange Commission on February 24, 2014.

### **Item 4. Controls and Procedures**

#### **Disclosure Controls and Procedures**

The Company's management, including our Chief Executive Officer and Chief Financial Officer, has carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as required by Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended ( **Exchange Act** ) as of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures (a) were effective to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and (b) include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Table of Contents

**Changes in Internal Controls Over Financial Reporting**

There were no changes in our internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Part II. - Other Information**

**Item 1. Legal Proceedings**

From time to time in the ordinary course of business, we are subject to claims, asserted or unasserted, or named as a party to lawsuits or investigations. Litigation can be expensive and disruptive to normal business operations. Moreover, the results of legal proceedings cannot be predicted with any certainty and, in the case of more complex legal proceedings, the results are difficult to predict at all. We disclosed information about certain of our legal proceedings in Part I, Item 3 of our Annual Report on Form 10-K for the year ended December 31, 2013. For an update to those disclosures, see Note 7 *Contingencies and Commitments* to Consolidated Condensed Financial Statements.

**Item 1A. Risk Factors**

Information regarding risk factors affecting our business is discussed in our Annual Report on Form 10-K for the year ended December 31, 2013. There have been no material changes from those risk factors during the three months ended June 30, 2014.

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

None.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

## Edgar Filing: TUTOR PERINI Corp - Form 10-Q

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 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 Regulation S-K is included in Exhibit 95.

### **Item 5. Other Information**

None.

Table of Contents

**Item 6. Exhibits**

Exhibit 3.	Articles of Incorporation and By-laws
3.1	Restated Articles of Organization (incorporated by reference to Exhibit 4 to Form S-2 (File No. 33-28401) filed on April 28, 1989).
3.2	Articles of Amendment to the Restated Articles of Organization of Tutor Perini Corporation (incorporated by reference to Exhibit 3.2 to Form S-1 (File No. 333-111338) filed on December 19, 2003).
3.3	Articles of Amendment to the Restated Articles of Organization of Tutor Perini Corporation (incorporated by reference to Exhibit 3.1 to Form 8-K filed on April 12, 2000).
3.4	Articles of Amendment to the Restated Articles of Organization of Tutor Perini Corporation (incorporated by reference to Exhibit 3.1 to Form 8-K filed on September 11, 2008).
3.5	Articles of Amendment to the Restated Articles of Organization of Tutor Perini Corporation (incorporated by reference to Exhibit 3.5 to Form 10-Q filed on August 10, 2009).
3.6	Second Amended and Restated By-laws of Tutor Perini Corporation (incorporated by reference to Exhibit 3.1 to Form 8-K filed on November 24, 2009).
Exhibit 10.1	Commercial Lease Agreement, dated April 18, 2014 by and among Tutor-Perini Corporation and Ronald N. Tutor (incorporated by reference to Exhibit 10.1 to Form 10-Q filed on May 7, 2014).
Exhibit 10.2	Industrial Lease Agreement, dated April 18, 2014 by and among Tutor-Perini Corporation and Kristra Investments, Ltd (incorporated by reference to Exhibit 10.2 to Form 10-Q filed on May 7, 2014).
Exhibit 10.3	Credit Agreement dated as of June 5, 2014, with Bank of America, N.A., in its capacity as administrative agent, Swing Line lender and L/C Issuer (incorporated by reference to Exhibit 10.1 to Form 8-K filed on June 9, 2014).
Exhibit 31.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 filed herewith.
Exhibit 31.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 filed herewith.
Exhibit 32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 filed herewith.
Exhibit 32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 filed herewith.

## Edgar Filing: TUTOR PERINI Corp - Form 10-Q

Exhibit 95	Mine Safety Disclosure filed herewith.
Exhibit 101.INS	XBRL Instance Document.
Exhibit 101.SCH	XBRL Taxonomy Extension Schema Document.
Exhibit 101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
Exhibit 101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
Exhibit 101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
Exhibit 101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.



[Table of Contents](#)

## SIGNATURES

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

*Tutor Perini Corporation*  
Registrant

Date: August 5, 2014

/s/Michael J. Kershaw  
Michael J. Kershaw,  
Executive Vice President and Chief Financial Officer  
Duly Authorized Officer and Principal Financial Officer