

TUTOR PERINI Corp
Form 10-Q
May 07, 2014
[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2014

OR

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

For the transition period from to

Commission File Number: 1-6314

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 May 2, 2014 was 48,527,960.

Table of Contents

TUTOR PERINI CORPORATION AND SUBSIDIARIES

INDEX

	Page Number
<u>Part I. Financial Information:</u>	
Item 1.	
Financial Statements (unaudited)	
<u>Consolidated Condensed Balance Sheets</u> March 31, 2014 and December 31, 2013	3 - 4
<u>Consolidated Condensed Statements of Operations</u> Three months ended March 31, 2014 and 2013	5
<u>Consolidated Condensed Statements of Comprehensive Income</u> Three months ended March 31, 2014 and 2013	6
<u>Consolidated Condensed Statement of Stockholders' Equity</u> Three months ended March 31, 2014	7
<u>Consolidated Condensed Statements of Cash Flows</u> Three months ended March 31, 2014 and 2013	8
<u>Notes to Consolidated Condensed Financial Statements</u>	9 - 31
<u>Item 2.</u>	
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	32 - 38
<u>Item 3.</u>	
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	39
<u>Item 4.</u>	
<u>Controls and Procedures</u>	39
<u>Part II. Other Information:</u>	
<u>Item 1.</u>	
<u>Legal Proceedings</u>	40
<u>Item 1A.</u>	
<u>Risk Factors</u>	40
<u>Item 2.</u>	
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	40
<u>Item 3.</u>	
<u>Defaults Upon Senior Securities</u>	40
<u>Item 4.</u>	
<u>Mine Safety Disclosures</u>	40
<u>Item 5.</u>	
<u>Other Information</u>	40
<u>Item 6.</u>	
<u>Exhibits</u>	41
<u>Signatures</u>	42

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

	March 31, 2014	December 31, 2013
	(unaudited)	
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 133,064	\$ 119,923
Restricted cash	43,269	42,594
Accounts receivable, including retainage	1,263,390	1,291,246
Costs and estimated earnings in excess of billings	698,423	573,248
Deferred income taxes	8,195	8,240
Other current assets	54,858	50,669
Total current assets	2,201,199	2,085,920
LONG-TERM INVESTMENTS	46,283	46,283
PROPERTY AND EQUIPMENT (net of accumulated depreciation of \$192,780 in 2014 and \$183,793 in 2013)	516,683	498,125
OTHER ASSETS:		
Goodwill	577,756	577,756
Intangible assets, net	110,071	113,740
Other	73,357	75,614
Total assets	\$ 3,525,349	\$ 3,397,438

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)****MARCH 31, 2014 AND DECEMBER 31, 2013****(in thousands, except share data)**

	March 31, 2014	December 31, 2013
	(unaudited)	
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
CURRENT LIABILITIES:		
Current maturities of long-term debt	\$ 122,947	\$ 114,658
Accounts payable, including retainage	791,638	758,225
Billings in excess of costs and estimated earnings	264,118	267,586
Accrued expenses and other current liabilities	148,986	158,017
Total current liabilities	1,327,689	1,298,486
LONG-TERM DEBT, less current maturities	697,823	619,226
DEFERRED INCOME TAXES	114,186	114,333
OTHER LONG-TERM LIABILITIES	118,631	117,858
Total liabilities	2,258,329	2,149,903
CONTINGENCIES AND COMMITMENTS		
STOCKHOLDERS' EQUITY:		
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: 48,527,960 shares and 48,421,467 shares	48,528	48,421
Additional paid-in capital	1,011,381	1,007,918
Retained earnings	240,514	224,575
Accumulated other comprehensive loss	(33,403)	(33,379)
Total stockholders' equity	1,267,020	1,247,535
Total liabilities and stockholders' equity	\$ 3,525,349	\$ 3,397,438

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)

	THREE MONTHS ENDED	
	MARCH 31,	
	2014	2013
Revenues	\$ 955,233	\$ 992,928
Cost of operations	849,886	892,571
Gross profit	105,347	100,357
General and administrative expenses	63,850	64,278
INCOME FROM CONSTRUCTION OPERATIONS	41,497	36,079
Other (expense) income, net	(3,373)	(827)
Interest expense	(10,831)	(11,336)
Income before income taxes	27,293	23,916
Provision for income taxes	(11,354)	(9,116)
NET INCOME	\$ 15,939	\$ 14,800
BASIC EARNINGS PER COMMON SHARE	\$ 0.33	\$ 0.31
DILUTED EARNINGS PER COMMON SHARE	\$ 0.33	\$ 0.31
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:		
BASIC	48,440	47,559
Effect of dilutive stock options and restricted stock units	490	954
DILUTED	48,930	48,513

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)**

	THREE MONTHS ENDED	
	2014	2013
	MARCH 31,	
	2014	2013
NET INCOME	\$ 15,939	\$ 14,800
OTHER COMPREHENSIVE INCOME (LOSS):		
Foreign currency translation	(490)	(335)
Change in fair value of investments	188	178
Change in fair value of interest rate swap	138	280
Other comprehensive income before taxes	(164)	123
INCOME TAX EXPENSE (BENEFIT):		
Foreign currency translation	(204)	(149)
Change in fair value of investments	7	77
Change in fair value of interest rate swap	57	112
Income tax expense	(140)	40
NET OTHER COMPREHENSIVE INCOME (LOSS)	(24)	83
TOTAL COMPREHENSIVE INCOME	\$ 15,915	\$ 14,883

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 THREE MONTHS ENDED MARCH 31, 2014

(in thousands)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total
Balance - December 31, 2013	\$ 48,421	\$ 1,007,918	\$ 224,575	\$ (33,379)	\$ 1,247,535
Net income			15,939		15,939
Other comprehensive loss				(24)	(24)
Total comprehensive income					15,915
Tax effect of stock-based compensation					
Stock-based compensation expense		5,145			5,145
Issuance of common stock, net	107	(1,682)			(1,575)
Balance - March 31, 2014	\$ 48,528	\$ 1,011,381	\$ 240,514	\$ (33,403)	\$ 1,267,020

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)**

	THREE MONTHS ENDED	
	MARCH 31,	
	2014	2013
Cash Flows from Operating Activities:		
Net income	\$ 15,939	\$ 14,800
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	14,659	13,793
Stock-based compensation expense	5,429	3,078
Deferred income taxes	45	348
(Gain) loss on sale of property and equipment	427	(76)
Other long-term liabilities	3,494	1,851
Other non-cash items	(427)	(197)
Changes in other components of working capital	(80,696)	(118,052)
NET CASH USED IN OPERATING ACTIVITIES	(41,130)	(84,455)
Cash Flows from Investing Activities:		
Acquisition of property and equipment	(8,352)	(12,179)
Proceeds from sale of property and equipment	1,417	239
Change in restricted cash	(675)	(6,514)
NET CASH USED IN INVESTING ACTIVITIES	(7,610)	(18,454)
Cash Flows from Financing Activities:		
Proceeds from debt	178,038	293,014
Repayment of debt	(113,551)	(225,684)
Business acquisition-related payments	(1,031)	
Issuance of common stock and effect of cashless exercise	(1,575)	(159)
NET CASH PROVIDED BY FINANCING ACTIVITIES	61,881	67,171
Net Increase/(Decrease) in Cash and Cash Equivalents	13,141	(35,738)
Cash and Cash Equivalents at Beginning of Year	119,923	168,056
Cash and Cash Equivalents at End of Period	\$ 133,064	\$ 132,318
Supplemental Disclosure of Cash Paid For:		
Interest	\$ 5,383	\$ 5,107
Income taxes	\$ 11,703	\$ (2,902)
Supplemental Disclosure of Non-cash Transactions:		
Property and equipment acquired through financing arrangements	\$ 22,332	\$
Grant date fair value of common stock issued for services	\$ 3,491	\$ 439

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 March 31, 2014 and December 31, 2013, results of operations and comprehensive income for the three months ended March 31, 2014 and 2013, and cash flows for the three months ended March 31, 2014 and 2013. The results of operations for the three months ended March 31, 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, 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.

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. There were no significant changes in contract estimates at completion that impacted gross profit for both the three months ended March 31, 2014 and 2013.

Table of Contents**(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.

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

	March 31 2014	December 31, 2013
	(in thousands)	
Corporate cash and cash equivalents (available for general corporate purposes)	\$ 25,520	\$ 36,579
Company's share of joint venture cash and cash equivalents (available only for joint venture purposes, including future distributions)	107,544	83,344
Total Cash and Cash Equivalents	\$ 133,064	\$ 119,923
Restricted Cash	\$ 43,269	\$ 42,594

(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:

	March 31 2014	December 31, 2013
	(in thousands)	
Unbilled costs and profits incurred to date*	\$ 291,188	\$ 204,276
Unapproved change orders	163,921	146,787
Claims	243,314	222,185
	\$ 698,423	\$ 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.

Edgar Filing: TUTOR PERINI Corp - Form 10-Q

Of the balance of Unapproved change orders and Claims included above in costs and estimated earnings in excess of billings at both March 31, 2014 and December 31, 2013, approximately \$58.8 million are 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.

Table of Contents**(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 March 31, 2014 and December 31, 2013 were \$320.0 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 March 31, 2014 and December 31, 2013. The carrying values of the remaining balance of the Company's long-term debt of \$522.2 million and \$435.4 million at March 31, 2014 and December 31, 2013, respectively, were estimated to approximate their fair values.

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

	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)				
At March 31, 2014				
Assets:				
Cash and cash equivalents (1)	\$ 133,064	\$ 133,064	\$	\$
Restricted cash (1)	43,269	43,269		
Short-term investments (2)	2,565		2,565	
Investments in lieu of retainage (3)	21,339	12,412	8,927	
Long-term investments - auction rate securities (4)	46,283			46,283
Total	\$ 246,520	\$ 188,745	\$ 11,492	\$ 46,283

Edgar Filing: TUTOR PERINI Corp - Form 10-Q

Liabilities:					
Interest rate swap contract (5)	\$	835	\$	\$	835
Contingent consideration (6)		48,395			48,395
	\$	49,230	\$	\$	835
				\$	48,395

(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.

Edgar Filing: TUTOR PERINI Corp - Form 10-Q

Table of Contents

(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.

(4) At both March 31, 2014 and December 31, 2013 the Company had \$46.3 million invested in auction rate securities (ARS) which the Company considers 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 are 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+.

(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 \$200 million five-year term loan. The swap agreement became effective for the term loan principal balance outstanding at January 31, 2012 and will remain effective through the maturity date of the term loan. 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 March 31, 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 months ended March 31, 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 months ended March 31, 2014 and 2013:

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

	Auction Rate Securities (in thousands)
Balance at December 31, 2012	\$ 46,283
Purchases	
Settlements	
Realized loss included in other income (expense), net	
Reversal of pretax impairment charges included in accumulated other comprehensive income (loss)	
Balance at March 31, 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 are securities collateralized by student loan portfolios guaranteed by the United States government. At both

Edgar Filing: TUTOR PERINI Corp - Form 10-Q

March 31, 2014 and December 31, 2013, most of the Company's ARS were rated AA+. On May 1, 2014, the Company sold all of its Auction Rate Securities for approximately \$44.5 million.

The Company has 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, the Company expected that it would take in excess of twelve months before the ARS can be refinanced or sold.

The Company performs a fair market value assessment of its ARS on a quarterly basis. To estimate fair value, the Company utilizes an income approach valuation model, with consideration given to market-based valuation inputs. The model considers, among other items, the following inputs: (i) the underlying structure of each security; (ii) the present value of future principal and interest payments discounted at rates considered to reflect current market conditions (discount rates range from 3% to 7% for investment grade securities); (iii) consideration of the probabilities of default or repurchase at par for each period (term periods range from 6 to 8 years); (iv) prices from recent comparable transactions; and (v) other third party pricing information.

Edgar Filing: TUTOR PERINI Corp - Form 10-Q

Table of Contents

The inputs and the Company's analysis consider: (i) contractual terms of the ARS instruments; (ii) government-backed guarantees, if any; (iii) credit ratings on the ARS; (iv) current interest rates on the ARS and other market interest rate data; (v) trade data available, including trade data from secondary markets, for the Company's ARS or similar ARS; (vi) recovery rates for any non-government guaranteed assets; (vii) historical transactions of the Company's ARS being called at par; (viii) refunding initiatives of ARS; and (ix) risk of downgrade and default. Current market conditions, including repayment status of student loans, credit market risk, market liquidity and macro-economic influences are reflected in these inputs.

On a quarterly basis, the Company also assesses the recoverability of the ARS balance by reviewing: (i) the regularity and timely payment of interest on the securities; (ii) the probabilities of default or repurchase at par; (iii) the risk of loss of principal from government-backed versus non-government-backed securities; and (iv) the prioritization of the Company's tranche of securities within the investment in case of default. The potential impact of any principal loss is included in the valuation model.

When the Company's analysis indicates an impairment of a security, several factors are considered to determine the proper classification of the charge including: (i) any requirement or intent to sell the security; (ii) failure of the issuer to pay interest or principal; (iii) volatility of fair value; (iv) changes to the ratings of the security; (v) adverse conditions specific to the security or market; (vi) expected defaults; and (vii) length of time and extent that fair value has been less than the cost basis. The accumulation of this data is used to conclude if a credit loss exists for the specific security, and then to determine the classification of the impairment charge as temporary or other-than-temporary.

Based on the fair value assessment performed as of March 31, 2014, the Company does not believe that any change to the carrying value of the ARS is appropriate as the carrying value is within the range of fair market values.

The following is a summary of changes in Level 3 liabilities measured at fair value on a recurring basis during the three months ended March 31, 2014 and 2013:

	Contingent Consideration (in thousands)
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

	Contingent Consideration (in thousands)
Balance at December 31, 2012	\$ 42,624
Fair value adjustments included in other income (expense), net	1,380
Contingent consideration settled	(1,031)
Balance at March 31, 2013	\$ 44,004

Edgar Filing: TUTOR PERINI Corp - Form 10-Q

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 months ended March 31, 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 December 31, 2013.

Edgar Filing: TUTOR PERINI Corp - Form 10-Q

Table of Contents

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 eliminating the Management Services segment has been 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.

The following table presents the carrying amount of goodwill, and the effect of the reorganization, allocated to the Company's reporting units as of March 31, 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)	
Balance at March 31, 2014	\$ 415,358	\$ 13,455	\$ 148,943	\$	\$ 577,756

Intangible assets consist of the following:

	March 31, 2014				Weighted Average Amortization Period
	Cost	Accumulated Amortization	Accumulated Impairment Charge	Carrying Value	
	(in thousands)				
Trade names (non-amortizable)	\$ 117,600	\$	\$ (67,190)	\$ 50,410	Indefinite
Trade names (amortizable)	74,350	(6,963)	(23,232)	44,155	20 years
Contractor license	6,000		(6,000)		Indefinite
Customer relationships	39,800	(14,636)	(16,645)	8,519	11.4 years
Construction contract backlog	73,706	(66,719)		6,987	3.6 years
Total	\$ 311,456	\$ (88,318)	\$ (113,067)	\$ 110,071	

	December 31, 2013				Weighted Average Amortization Period
	Cost	Accumulated Amortization	Accumulated Impairment Charge	Carrying Value	
	(in thousands)				
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 months ended March 31, 2014 and 2013 totaled \$3.7 million and \$3.3 million, respectively. As of March 31, 2014, amortization expense is estimated to be \$9.8 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.

Table of Contents

(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.

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. The hearing before the Court of Appeal is scheduled for the end of May, 2014.

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,

Edgar Filing: TUTOR PERINI Corp - Form 10-Q

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. PKC is now litigating the issue of arbitrability in Superior Court on review of the Engineer's Decisions. The parties participated in a Court scheduled hearing on the motion for judgment on the pleadings challenging the Engineer's Decisions in September 2013. The Court has not yet ruled and no trial dates have been set in any of the court cases.

Table of Contents

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.

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.

Edgar Filing: TUTOR PERINI Corp - Form 10-Q

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.

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 March 31, 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.

Table of Contents

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 existing insurance coverage that it expects will be available and sufficient to cover any liability that may be associated with this matter. 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 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.

Edgar Filing: TUTOR PERINI Corp - Form 10-Q

As of March 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 March 2014, the Company had approximately \$165.7 million recorded as contract receivables for amounts due and owed to the Company. As of March 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.

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 is under submission in the Court of Appeal.

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.

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 March 31, 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

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.

Table of Contents

(8) Income Taxes

The Company's income tax provision was \$11.4 million for the three months ended March 31, 2014, compared to income tax provision of \$9.1 million for the three months ended March 31, 2013. The effective income tax rate was 41.6% for the three months ended March 31, 2014, as compared to 38.1% for the same period in 2013.

As of March 31, 2014, the total amount of unrecognized tax benefits, including related interest and penalties was \$5.5 million. If the total amount of unrecognized tax benefits was recognized, \$4.9 million of unrecognized tax benefits and \$0.6 million of interest would impact the effective tax rate.

(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 75,461 shares of common stock remain available for future grant under the Plan at March 31, 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 March 31, 2014, the Compensation Committee has approved the grant of an aggregate of 5,498,333 restricted stock unit awards to eligible participants.

Edgar Filing: TUTOR PERINI Corp - Form 10-Q

In March 2014, the Compensation Committee established the 2014 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.

There were no restricted stock unit awards forfeited during the three months ended March 31, 2014.

For the three months ended March 31, 2014 and 2013, the Company recognized \$3.9 million and \$2.3 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 March 31, 2014 there was \$22.3 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 3.1 years.

Edgar Filing: TUTOR PERINI Corp - Form 10-Q

Table of Contents

A summary of restricted stock unit awards activity for the three months ended March 31, 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	\$ 24,843
Forfeited			
Total Granted and Unvested	1,066,500	\$ 25.15	\$ 30,577
Approved for grant	401,000	(a)	\$ 11,497
Total Awarded and Unvested - March 31, 2014	1,467,500	n.a.	\$ 42,073

(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 March 31, 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	752,500
2018	36,000
2019	9,000
	1,467,500

Approximately 150,000 of the unvested restricted stock unit awards will vest based on the satisfaction of service requirements and 1,317,500 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 March 31, 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 the 2014 performance target 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.

Edgar Filing: TUTOR PERINI Corp - Form 10-Q

Table of Contents

For the three months ended March 31, 2014 and 2013, the Company recognized compensation expense of \$1.5 million and \$0.8 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 March 31, 2014, there was \$12.1 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 3.3 years.

A summary of stock option activity for the three months ended March 31, 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 - March 31, 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 options that have vested and were exercisable at March 31, 2014 at a weighted average exercise price of \$20.67 per share.

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

At March 31, 2014, the outstanding options of 2,009,000 had an intrinsic value of \$18.3 million and a weighted average remaining contractual life of 6.6 years.

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

Table of Contents

(10) **Financial Commitments**

Amended Credit Agreement

On August 2, 2012, the Company entered into a First Amendment (the "First Amendment") to its Fifth Amended and Restated Credit Agreement (the "Amended Credit Agreement") with Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer (the "Lender"). The First Amendment modifies the financial covenants under the Amended Credit Agreement beginning with the period ended September 30, 2012 to allow for more favorable minimum net worth, minimum fixed charge and maximum leverage ratios for the Company and also to add new financial covenants including minimum liquidity and consolidated senior leverage ratio covenants. The First Amendment also increases the sublimit for letters of credit from \$50 million to \$150 million.

Under the First Amendment, the minimum net worth covenant is modified such that the consolidated net worth of the Company cannot be less than the sum of: (i) 85% of the consolidated net worth as of March 31, 2012 less the actual goodwill and intangible assets impairment charge taken on or before September 30, 2012, not to exceed \$450.0 million; (ii) an amount equal to 50% of net income for each fiscal quarter ending after June 30, 2012 (with no deduction for net losses); and (iii) an amount equal to 100% of the aggregate amount of all equity issuances after June 30, 2012 that increase stockholder's equity. The minimum fixed charge ratio covenant is modified such that the minimum fixed charge ratio shall not be less than 1.00 to 1.00 for the quarterly periods ending September 30, 2012 and December 31, 2012, 1.10 to 1.00 for the quarterly periods ending March 31, 2013 and June 30, 2013, and 1.25 to 1.00 for the quarterly periods ending September 30, 2013 and thereafter. The consolidated leverage ratio covenant is modified such that the consolidated leverage ratio shall not be greater than 4.25 to 1.00 for the quarterly periods ending September 30, 2012 through March 31, 2013, 3.75 to 1.00 for the quarterly periods ending June 30, 2013 through December 31, 2013, 3.25 to 1.00 for the quarterly periods ending March 31, 2014 through September 30, 2014 and 2.75 to 1.00 for the quarterly periods ending December 31, 2014 and thereafter. The First Amendment allows for an add-back to EBITDA of up to \$450.0 million for any goodwill and intangible asset impairment charges that impact the ratios for all fiscal quarters through March 31, 2013.

The Company was in compliance with the modified financial covenants under the First Amendment for the period ended March 31, 2014.

The First Amendment also modifies the applicable interest rates for amounts outstanding such that they bear interest at a rate equal to, at the Company's option, (a) the adjusted British Bankers Association LIBOR rate, as defined, plus 200 to 400 basis points (floor of 200 basis points) based on the ratio of consolidated funded indebtedness of the Company and its subsidiaries to consolidated EBITDA or (b) the higher of the Federal Funds Rate plus 50 basis points, or the prime rate announced by Bank of America, N.A., plus up to 300 basis points based on the ratio of consolidated funded indebtedness of the Company and its subsidiaries to consolidated EBITDA. In addition, the Company has agreed to pay quarterly facility fees ranging from 0.375% to 0.700% per annum of the unused portion of the credit facility.

The Amended Credit Agreement increases the sublimit for letters of credit from \$50 million to \$150 million. Substantially all of the Company's subsidiaries unconditionally guarantee the obligations of the Company under the Amended Credit Agreement. 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 mature on August 3, 2016, while the Term Loan includes quarterly installments of principal and interest payable over a five-year period. The Term Loan balance has been paid down to \$105.0 million at March 31, 2014.

Edgar Filing: TUTOR PERINI Corp - Form 10-Q

The Company had \$214.0 million of outstanding borrowings under its Revolving Facility as of March 31, 2014 and \$135.0 million of outstanding borrowings as of December 31, 2013. The net increase 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 \$0.2 million as of both March 31, 2014 and December 31, 2013. Accordingly, at March 31, 2014, the Company had \$85.8 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. The computation of diluted earnings per common share excludes 260,000 stock option shares and 942,500 stock option shares during the three months ended March 31, 2014 and 2013, respectively, because these shares would have an antidilutive effect.

Table of Contents**(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 eliminating the Management Services segment has been completed due to the unit no longer meeting the criteria set forth in FASB ASC Topic 280, *Segment Reporting*.

The following table sets forth certain reportable segment information relating to the Company's operation for the three months ended March 31, 2013 and 2014 (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			
<u>Three Months Ended March 31, 2014</u>						
Total revenues	\$ 376,392	\$ 311,315	\$ 292,145	\$ 979,852	\$	\$ 979,852
Elimination of intersegment revenues	(11,236)	(13,383)		(24,619)		(24,619)
Revenues from external customers	\$ 365,156	\$ 297,932	\$ 292,145	\$ 955,233	\$	\$ 955,233
Income from construction operations	\$ 44,345	\$ 1,823	\$ 7,817	\$ 53,985	\$ (12,488)*	\$ 41,497
<u>Three Months Ended March 31, 2013</u>						
Total revenues	\$ 305,249	\$ 451,209	\$ 301,877	\$ 1,058,335	\$	\$ 1,058,335
Elimination of intersegment revenues	(51,288)	(14,109)	(10)	(65,407)		(65,407)
Revenues from external customers	\$ 253,961	\$ 437,100	\$ 301,867	\$ 992,928	\$	\$ 992,928
Income from construction operations	\$ 23,250	\$ 5,347	\$ 19,286	\$ 47,883	\$ (11,804)*	\$ 36,079

* 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 March 31, 2014 and December 31, 2013 (in thousands):

	March 31, 2014	December 31, 2013
Building	656,775	663,314
Civil	1,456,420	1,384,937
Specialty Contractors	752,516	734,079
	\$ 2,865,711	\$ 2,782,330
Corporate *	659,638	615,108
Total	\$ 3,525,349	\$ 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 months ended March 31, 2014 and 2013:

	Three Months Ended March 31,	
	2014	2013
	(in thousands)	
Interest cost	\$ 1,030	\$ 916
Expected return on plan assets	(1,192)	(1,120)
Amortization of net loss	1,077	1,544
Net periodic benefit cost	\$ 915	\$ 1,340

The Company was not required by its pension plan administrator to make a contribution to its defined benefit pension plan during the first quarter of 2013. During the first quarter of 2014, the Company contributed \$0.6 million. The Company expects to contribute an additional \$2.8 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 with current monthly payments of \$0.2 million, which increase at 3% per annum beginning August 1, 2009 and expiring on July 31, 2016. Lease expense for these leases, recorded on a straight-line basis, was \$0.6 million for the three months ended March 31, 2014 and 2013. On April 18, 2014, the Company and Ronald N. Tutor entered into two separate lease agreements, replacing these current leases. Each of the new leases is effective June 1, 2014 with new monthly payments 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 with 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.

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 \$369 million, scheduled for completion in 2017. 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 each of the quarters ended March 31, 2014 and March 31, 2013 were \$1.5 and \$1.4 million, respectively. O&G's cumulative holdings of the Company's stock were 500,000 shares at March 31, 2014 and 600,000 shares at March 31, 2013, or 1.03% and 1.26%, 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 Amended Credit Agreement (the Guarantors). The guarantees are full and unconditional and the Guarantors are 100%-owned by the Company.

Edgar Filing: TUTOR PERINI Corp - Form 10-Q

Table of Contents

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.

CONDENSED CONSOLIDATING BALANCE SHEET - MARCH 31, 2014 (UNAUDITED)

(in thousands)

	Tutor Perini Corporation	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Total Consolidated
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 74,623	\$ 48,938	\$ 9,503	\$	\$ 133,064
Restricted Cash	3,368	8,704	31,197		43,269
Accounts Receivable	191,362	1,107,448	50,870	(86,290)	1,263,390
Costs and Estimated Earnings in Excess of Billings	156,110	572,517	152	(30,356)	698,423
Deferred Income Taxes		15,821		(7,626)	8,195
Other Current Assets	50,595	31,384	12,417	(39,538)	54,858
Total Current Assets	476,058	1,784,812	104,139	(163,810)	2,201,199
Long-term Investments	46,283				46,283
Property and Equipment, net	80,531	431,650	4,502		516,683
Intercompany Notes and Receivables		288,792		(288,792)	
Other Assets:					
Goodwill		577,756			577,756
Intangible Assets, net		110,071			110,071
Investment in Subsidiaries	2,093,607	(103,460)	50	(1,990,197)	
Other	68,141	10,465		(5,249)	73,357
	\$ 2,764,620	\$ 3,100,086	\$ 108,691	\$ (2,448,048)	\$ 3,525,349
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>					
Current Maturities of Long-term Debt	\$ 54,887	\$ 68,060	\$	\$	\$ 122,947
Accounts Payable	185,845	685,864	1,613	(81,684)	791,638
Billings in Excess of Costs and Estimated Earnings	77,208	186,876	34		264,118
Accrued Expenses and Other Current Liabilities	57,329	88,674	49,473	(46,490)	148,986
Total Current Liabilities	375,269	1,029,474	51,120	(128,174)	1,327,689
Long-term Debt, less current maturities	642,975	95,097		(40,249)	697,823
Deferred Income Taxes	107,302	6,884			114,186
Other Long-term Liabilities	115,873	2,758			118,631
Intercompany Notes and Advances Payable	256,182		33,014	(289,196)	
Stockholders' Equity	1,267,019	1,965,873	24,557	(1,990,429)	1,267,020
	\$ 2,764,620	\$ 3,100,086	\$ 108,691	\$ (2,448,048)	\$ 3,525,349

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

(in thousands)

	Tutor Perini Corporation	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Total Consolidated
<u>ASSETS</u>					
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
<u>LIABILITIES AND STOCKHOLDERS</u>					
<u>EQUITY</u>					
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 MARCH 31, 2014****(in thousands)**

	Tutor Perini Corporation	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Total Consolidated
Revenues	\$ 226,847	\$ 763,636	\$	\$ (35,250)	\$ 955,233
Cost of Operations	193,814	697,908	(6,586)	(35,250)	849,886
Gross Profit	33,033	65,728	6,586		105,347
General and Administrative Expenses	17,795	45,620	435		63,850
INCOME FROM CONSTRUCTION OPERATIONS	15,238	20,108	6,151		41,497
Equity in Earnings of Subsidiaries	15,281			(15,281)	
Other (Expense) Income, net	(4,095)	602	120		(3,373)
Interest Expense	(10,017)	(814)			(10,831)
Income (loss) before Income Taxes	16,407	19,896	6,271	(15,281)	27,293
(Provision) for Income Taxes	(468)	(8,277)	(2,609)		(11,354)
NET INCOME (LOSS)	\$ 15,939	\$ 11,619	\$ 3,662	\$ (15,281)	\$ 15,939
Other Comprehensive Income:					
Other Comprehensive Income of Subsidiaries	(105)			105	
Foreign currency translation		(286)			(286)
Change in fair value of investments		181			181
Change in fair value of interest rate swap	81				81
Total Other Comprehensive (Loss) Income	(24)	(105)		105	(24)
Total Comprehensive Income (Loss)	\$ 15,915	\$ 11,514	\$ 3,662	\$ (15,176)	\$ 15,915

Table of Contents**CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS (UNAUDITED)****THREE MONTHS ENDED MARCH 31, 2013****(in thousands)**

	Tutor Perini Corporation	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Total Consolidated
Revenues	\$ 139,777	\$ 921,413	\$	\$ (68,262)	\$ 992,928
Cost of Operations	125,089	839,820	(4,076)	(68,262)	892,571
Gross Profit	14,688	81,593	4,076		100,357
General and Administrative Expenses	18,777	45,031	470		64,278
(LOSS) INCOME FROM CONSTRUCTION OPERATIONS	(4,089)	36,562	3,606		36,079
Equity in Earnings of Subsidiaries	24,356			(24,356)	
Other (Expense) Income, net	(809)	(144)	126		(827)
Interest Expense	(10,545)	(791)			(11,336)
Income (Loss) before Income Taxes	8,913	35,627	3,732	(24,356)	23,916
Credit (Provision) for Income Taxes	5,887	(13,580)	(1,423)		(9,116)
NET INCOME (LOSS)	\$ 14,800	\$ 22,047	\$ 2,309	\$ (24,356)	\$ 14,800
Other Comprehensive Income:					
Other Comprehensive Income of Subsidiaries	(85)			85	
Tax adjustment on minimum pension liability					
Foreign currency translation		(186)			(186)
Change in fair value of investments		101			101
Change in fair value of interest rate swap	168				168
Total Other Comprehensive (Loss) Income	83	(85)		85	83
Total Comprehensive Income (Loss)	\$ 14,883	\$ 21,962	\$ 2,309	\$ (24,271)	\$ 14,883

Table of Contents

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS (UNAUDITED)

THREE MONTHS ENDED MARCH 31, 2014

(in thousands)

	Tutor Perini Corporation	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Total Consolidated
Cash Flows from Operating Activities:					
Net income (loss)	\$ 15,939	\$ 11,619	\$ 3,662	\$ (15,281)	\$ 15,939
Adjustments to reconcile net income to net cash from operating activities:					
Depreciation and amortization	1,780	12,947	(68)		14,659
Equity in earnings of subsidiaries	(15,281)			15,281	
Stock-based compensation expense	5,316	113			5,429
Excess income tax benefit from stock-based compensation					
Deferred income taxes	4,624	(4,579)			45
(Gain) loss on sale of property and equipment	427				427
Other long-term liabilities	2,886	608			3,494
Other non-cash items	855	(1,282)			(427)
Changes in other components of working capital	(48,652)	(37,991)	5,947		(80,696)
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	\$ (32,106)	\$ (18,565)	\$ 9,541	\$	\$ (41,130)
Cash Flows from Investing Activities:					
Acquisition of property and equipment	(4,041)	(4,311)			(8,352)
Proceeds from sale of property and equipment	(427)	1,844			1,417
Change in restricted cash	15,465	(664)	(15,476)		(675)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	\$ 10,997	\$ (3,131)	\$ (15,476)	\$	\$ (7,610)
Cash Flows from Financing Activities:					
Proceeds from debt	250,656	(72,618)			178,038
Repayment of debt	(179,032)	65,481			(113,551)
Business acquisition-related payments		(1,031)			(1,031)
Excess income tax benefit from stock-based compensation					
Issuance of common stock and effect of cashless exercise	(1,575)				(1,575)
Increase (decrease) in intercompany advances	(63,312)	60,771	2,541		
NET CASH PROVIDED BY FINANCING ACTIVITIES	\$ 6,737	\$ 52,603	\$ 2,541	\$	\$ 61,881
Net (Decrease) Increase in Cash and Cash Equivalents					
Cash and Cash Equivalents at Beginning of Year	88,995	18,031	12,897	\$	119,923
Cash and Cash Equivalents at End of Period	\$ 74,623	\$ 48,938	\$ 9,503	\$	\$ 133,064

Table of Contents

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS (UNAUDITED)

THREE MONTHS ENDED MARCH 31, 2013

(in thousands)

	Tutor Perini Corporation	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Total Consolidated
Cash Flows from Operating Activities:					
Net income (loss)	\$ 14,800	\$ 22,047	\$ 2,309	\$ (24,356)	\$ 14,800
Adjustments to reconcile net income to net cash from operating activities:					
Depreciation and amortization	1,549	12,176	68		13,793
Equity in earnings of subsidiaries	(24,356)			24,356	
Stock-based compensation expense	3,078				3,078
Deferred income taxes	33	315			348
Adjustment of interest rate swap to fair value					
Loss on sale of investments					
(Gain) Loss on sale of property and equipment		(76)			(76)
Other long-term liabilities	1,803	48			1,851
Other non-cash items	1,366	(1,563)			(197)
Changes in other components of working capital	24,353	(141,988)	(417)		(118,052)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 22,626	\$ (109,041)	\$ 1,960	\$	\$ (84,455)
Cash Flows from Investing Activities:					
Acquisition of property and equipment	(5,090)	(7,089)			(12,179)
Proceeds from sale of property and equipment	6	233			239
Investments in available-for-sale securities					
Proceeds from sale of available-for-sale securities					
Change in restricted cash	6,795	(4)	(13,305)		(6,514)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	\$ 1,711	\$ (6,860)	\$ (13,305)	\$	\$ (18,454)
Cash Flows from Financing Activities:					
Proceeds from debt	293,650	(636)			293,014
Repayment of debt	(220,262)	(5,422)			(225,684)
Business acquisition-related payments					
Issuance of common stock and effect of cashless exercise	(159)				(159)
Debt issuance costs					
Increase (decrease) in intercompany advances	(97,470)	96,123	1,347		
NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES	\$ (24,241)	\$ 90,065	\$ 1,347	\$	\$ 67,171
Net Increase (Decrease) in Cash and Cash Equivalents					
	96	(25,836)	(9,998)		(35,738)
Cash and Cash Equivalents at Beginning of Year	64,663	74,385	29,008		168,056
Cash and Cash Equivalents at End of Period	\$ 64,759	\$ 48,549	\$ 19,010	\$	\$ 132,318

Table of Contents

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

The following discusses our financial position at March 31, 2014, and the results of our operations for the three months ended March 31, 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 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 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 eliminating the Management Services segment has been 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 34).

Table of Contents

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

	Consolidated Results of Operations		% Change Favorable (Unfavorable) 2014 vs. 2013
	Three months ended March 31,		
	2014	2013	
	(In thousands)		
Revenues	\$ 955,233	\$ 992,928	(3.8)%
Cost of operations	849,886	892,571	4.8%
Gross profit	105,347	100,357	5.0%
General and administrative expenses	63,850	64,278	0.7%
Income from construction operations	41,497	36,079	15.0%
Other income (expense), net	(3,373)	(827)	(307.9)%
Interest expense	(10,831)	(11,336)	4.5%
Income before income taxes	27,293	23,916	14.1
Provision for income taxes	(11,354)	(9,116)	(24.6)
Net income (loss)	\$ 15,939	\$ 14,800	7.7

	Consolidated Results of Operations	
	Three months ended March 31,	
	2014	2013
	(As a percentage of Revenues)	
Revenues	100.0%	100.0%
Cost of operations	89.0%	89.9%
Gross profit	11.0%	10.1%
General and administrative expenses	6.7%	6.5%
Income from construction operations	4.3%	3.6%
Other income (expense), net	(0.4)%	(0.1)%
Interest expense	(1.1)%	(1.1)%
Income (loss) before income taxes	2.8%	2.4%
(Provision) benefit for income taxes	(1.2)	(0.9)%
Net income (loss)	1.6%	1.5%

Revenues were \$955.2 million for the three months ended March 31, 2014 compared to \$992.9 million for the same quarter of 2013. Income from construction operations was \$41.5 million for the three months ended March 31, 2014 compared to \$36.1 million for the same quarter of 2013. Net income for the three months ended March 31, 2014 was \$15.9 million compared to net income of \$14.8 million for the same quarter of 2013. Basic and diluted earnings per share were \$0.33 for the three months ended March 31, 2014 compared with basic and diluted earnings per share of \$0.31 for the same quarter of 2013.

Revenues decreased \$37.7 million or 3.8% during the three months ended March 31, 2014 compared to the same quarter last year due primarily to decreased activity on hospitality and gaming projects in California, Arizona, Nevada, and Louisiana. The decrease was partially offset by the ramp-up of civil and building projects at Hudson Yards in New York and a rail transportation project in California. The increase in net income in the first quarter was due primarily to an overall increase in volume in our Civil segment, which was partially offset by Hurricane Sandy-related projects performed in the first quarter of 2013.

At March 31, 2014, working capital was \$873.5 million, an increase of \$86.1 million from \$787.4 million at December 31, 2013.

In the first quarter of 2014, we received significant new contract awards as well as additions to existing contracts and ended the quarter with a contract backlog of \$7.7 billion, an increase of \$0.7 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.

Table of Contents**Backlog Analysis**

Our backlog of uncompleted construction work at March 31, 2014 was approximately \$7.7 billion compared to \$7.0 billion at December 31, 2013. During the first quarter 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 \$113 million technology building project in California; a \$92 million highway project in Virginia; and a \$74 million wastewater treatment project in New York.

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 \$2.0 billion in various other contracts. We anticipate booking many of our 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 three months ended March 31, 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)	(in millions)		Revenues Recognized	Backlog at March 31, 2014
Civil	\$ 3,538.1	\$ 714.2	\$	(365.2)	\$	3,887.1
Building	1,755.1	275.7		(297.9)		1,732.9
Specialty Contractors	1,661.1	663.4		(292.1)		2,032.4
Total	\$ 6,954.3	\$ 1,653.3	\$	(955.2)	\$	7,652.4

(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.

Recently Issued Accounting Pronouncements

In February 2013, the FASB issued ASU 2013-04, 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.

Table of Contents*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. There were no significant changes in contract estimates at completion that impacted gross profit for both the three months ended March 31, 2014 and 2013.

Results of Operations**Comparison of the Three Months Ended March 31, 2014 with the Three Months Ended March 31, 2013**

Revenues were \$955.2 million for the three months ended March 31, 2014 compared to \$992.9 million for the same quarter of 2013. Income from construction operations was \$41.5 million for the three months ended March 31, 2014 compared to \$36.1 million for the same quarter of 2013. Net income for the three months ended March 31, 2014 was \$15.9 million compared to a net income of \$14.8 million for the same quarter of 2013. Basic and diluted earnings per share were \$0.33 for the three months ended March 31, 2014 compared with a basic and diluted income per share of \$0.31 for the same quarter of 2013.

Revenues

The following table summarizes our revenues by business segment with 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 Three months ended March 31,				\$ Change	% Change	
	2014		2013				
Civil	\$	365.2	\$	253.9	\$	111.3	43.8%
Building		297.9		437.1		(139.2)	(31.8)%
Specialty Contractors		292.1		301.9		(9.8)	(3.2)%
Total	\$	955.2	\$	992.9	\$	(37.7)	(3.80)%

Civil Segment

Edgar Filing: TUTOR PERINI Corp - Form 10-Q

Civil segment revenues increased by \$111.3 million (or 43.8%), from \$253.9 million in the first quarter of 2013 to \$365.2 million in the first quarter of 2014, due primarily to the ramp-up of civil projects at Hudson Yards in New York and a rail transportation project in California, as well as increased activity on pipeline projects in the midwest, and a highway project in Wisconsin.

Building Segment

Building segment revenues decreased \$139.2 million (or 31.8%), from \$437.1 million in the first quarter of 2013 to \$297.9 million in the first quarter of 2014, due primarily to decreased activity on hospitality and gaming projects in California, Arizona, Nevada, and Louisiana, and on two healthcare projects in California, as well as inclement weather that impacted several projects in the northeastern U.S. These decreases were partially offset by increased activity on the Hudson Yards project in New York.

Specialty Contractors Segment

Specialty Contractors segment revenues decreased \$9.8 million (or 3.2%), from \$301.9 million in the first quarter of 2013 to \$292.1 million in the first quarter of 2014, due primarily to Hurricane Sandy-related projects performed in the first quarter of 2013. The decrease was partially offset by increased activity on various smaller electrical projects in the southern U.S.

Table of Contents***Income (Loss) from Construction Operations***

The following table summarizes our income (loss) from construction operations by business segment with 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)	Income from Construction Operations and Operating Margins							
	Three months ended March 31,				Change in			
	2014		2013		Amount	Margin		Margin
	Amount	Margin	Amount	Margin	\$	%	%	%
Civil	\$ 44.4	12.2%	\$ 23.3	9.2%	21.1	90.6%	3.0%	
Building	1.8	0.6%	5.3	1.2%	\$ (3.5)	(66.0)%	(0.6)%	
Specialty Contractors	7.8	2.7%	19.3	6.4%	(11.5)	(59.6)%	(3.7)%	
Corporate	54.0	5.7%	47.9	4.8%	6.1	12.7%	0.9%	
Income from construction operations	(12.5)	(1.3)%	(11.8)	(1.2)%	(0.7)	5.9%	(0.1)%	
	\$ 41.5	4.3%	\$ 36.1	3.6%	\$ 5.4	15.0%	0.7%	

Civil Segment

Civil segment income from construction operations increased \$21.1 million (or 90.6%), from \$23.3 million in the first quarter of 2013 to \$44.4 million in the first quarter of 2014, due primarily to an increased mix of higher-margin Civil work in certain parts of the U.S., favorable performance on a large tunnel project in California, and the increased volumes discussed above under *Revenues*. Civil segment operating margin increased from 9.2% in the first quarter of 2013 to 12.2% in the first quarter of 2014 due primarily to the above-mentioned reasons.

Building Segment

Building segment income from construction operations decreased \$3.5 million (or 66.0%), from income of \$5.3 million in the first quarter of 2013 to income of \$1.8 million in the first quarter of 2014, due primarily to the decrease in volume discussed above under *Revenues*. Building segment operating margin decreased from 1.2% in the first quarter of 2013 to 0.6% in the first quarter of 2014 due primarily to the above-mentioned reasons.

Specialty Contractors Segment

Specialty Contractors segment income from construction operations decreased by \$11.5 million (or 59.6%), from \$19.3 million in the first quarter of 2013 to \$7.8 million in the first quarter of 2014, due primarily to the volume changes discussed in *Revenues* above and unfavorable performance on certain mechanical projects in New York. The decrease was partially offset by favorable performance on various smaller electrical projects in New York and improving performance in certain smaller specialty units. Specialty Contractors segment operating margin

Edgar Filing: TUTOR PERINI Corp - Form 10-Q

declined from 6.4% in the first quarter of 2013 to 2.7% in the first quarter of 2014 due primarily to the reasons discussed above.

Corporate

Corporate general and administrative expenses increased by \$0.7 million (or 5.9%), from \$11.8 million in the first quarter of 2013 to \$12.5 million in the first quarter of 2014 due primarily to increased expenses related to the deployment of our enterprise resource planning system.

Table of Contents*Consolidated Other Income, Interest Expense and Provision for Income Taxes*

(dollars in millions)	March 31, 2014	March 31, 2013	\$ Change	% Change
Three months ended				
Other income (expense), net	\$ (3.4)	\$ (0.8)	\$ (2.6)	325.0%
Interest expense	(10.8)	(11.3)	0.5	(4.4)%
Provision for income taxes	(11.4)	(9.1)	(2.3)	25.3%

Other expense, net increased by \$2.6 million from \$0.8 million in the first quarter of 2013 to \$3.4 million in the first quarter of 2014, due primarily to a net increase in certain business acquisition related liabilities.

Interest expense decreased \$0.5 million to \$10.8 million in the first quarter of 2014 compared to \$11.3 million in the first quarter of 2013.

We recognized income tax expense of \$11.4 million in the first quarter of 2014 compared to income tax expense of \$9.1 million in the first quarter of 2013. The increase in income tax expense was due to increased income in the first quarter of 2014 along with an unfavorable discrete tax adjustment. Excluding the unfavorable discrete tax adjustment of \$0.4 million in the first quarter of 2014 and the favorable discrete tax adjustment of \$0.4 million in the first quarter of 2013, the effective tax rate was relatively flat, increasing from 39.9% in the first quarter of 2013 to 40.3% in the first quarter of 2014.

Liquidity and Capital Resources*Cash and Working Capital*

At March 31, 2014 and December 31, 2013, cash held by us and available for general corporate purposes was \$25.5 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 \$107.5 million and \$83.3 million at March 31, 2014 and December 31, 2013, respectively, and our restricted cash was \$43.3 million and \$42.6 million at March 31, 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.

Edgar Filing: TUTOR PERINI Corp - Form 10-Q

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.

A summary of cash flows for each of the three months ended March 31, 2014 and 2013 is set forth below:

(dollars in millions)	Three Months Ended March 31,	
	2014	2013
Cash flows from:		
Operating activities	\$ (41.1)	\$ (84.4)
Investing activities	(7.6)	(18.5)
Financing activities	61.9	67.2
Net increase/(decrease) in cash	13.2	(35.7)
Cash at beginning of year	119.9	168.0
Cash at end of period	\$ 133.1	\$ 132.3

Table of Contents

During the three months ended March 31, 2014, we used \$41.1 million in cash to fund operating activities, due primarily to the timing of collections in the Civil segment. We used \$7.6 million in cash from investing activities, due primarily to the purchase of construction equipment of \$8.4. We received \$61.9 million in cash from financing activities, due primarily to our outstanding borrowings under our revolving facility offset by cash used for scheduled debt repayments.

At March 31, 2014, we had working capital of \$873.5 million, a ratio of current assets to current liabilities of 1.66 to 1.00, and a ratio of debt to equity of 0.65 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 March 31, 2014, we had investments in auction rate securities (ARS) of \$46.3 million, which are 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. The current overall liquidity concerns in capital markets have affected our ability to liquidate many of our investments in auction rate securities. As such, we classified our ARS as available-for-sale Long-term Investments. Based on our ability to access our cash equivalent investments and our available revolving facility, we do not expect that the short-term lack of liquidity of our ARS investments will materially affect our overall liquidity position or our ability to execute our current business plan. For a description of our accounting for our ARS, see Note 5 *Fair Value Measurements* to Consolidated Condensed Financial Statements.

Long-term Debt

Debt was \$820.8 million at March 31, 2014, an increase of \$86.9 million from \$733.9 million at December 31, 2013, due primarily to a net increase in borrowings of \$79.0 million on our revolving line of credit. We utilized the revolving facility for outstanding letters of credit in the amount of \$0.2 million. Accordingly, at March 31, 2014, we had \$85.8 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.

Excluding the outstanding borrowings of \$214.0 million on our revolving line of credit, the unsecured senior notes of \$298.6 million and our \$200 million term loan (which had been paid down to \$105.0 million at March 31, 2014 from \$115.0 million at December 31, 2013), the remaining balance of \$203.3 million of our outstanding debt is generally secured by the underlying assets. Our debt to equity ratio was 0.65 to 1.00 as of March 31, 2014 compared to 0.59 to 1.00 as of December 31, 2013.

On August 2, 2012, we entered into a First Amendment (the First Amendment) to its Fifth Amended and Restated Credit Agreement (the Credit Agreement) entered into on August 3, 2011 as Borrower, with Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer (the Lender). The First Amendment modifies the financial covenants under the Credit Agreement to allow for more favorable minimum net worth, minimum fixed charge and maximum leverage ratios for us and also to add several new financial covenants including minimum liquidity and a consolidated senior leverage ratio. The First Amendment also increases the sublimit for letters of credit from \$50 million to \$150 million. The First Amendment also modifies the applicable interest rates for amounts outstanding under the credit facility as well as the quarterly fees per annum for the unused portion of the credit facility. 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 First Amendment.

There were no other material changes in our contractual obligations during the three months ended March 31, 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.

Table of Contents

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;
- 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.

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.

Table of Contents

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 March 31, 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

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.

Edgar Filing: TUTOR PERINI Corp - Form 10-Q

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 filed herewith.
Exhibit 10.2	Industrial Lease Agreement, dated April 18, 2014 by and among Tutor-Perini Corporation and Kristra Investments, Ltd. filed herewith.
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.
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.

Edgar Filing: TUTOR PERINI Corp - Form 10-Q

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: May 7, 2014

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