

TUTOR PERINI Corp  
Form 10-Q  
November 04, 2013  
[Table of Contents](#)

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 10-Q**

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

**For the quarterly period ended September 30, 2013**

**OR**

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

**For the transition period from            to**

**Commission File Number: 1-6314**

**Tutor Perini Corporation**

(Exact name of registrant as specified in its charter)

Edgar Filing: TUTOR PERINI Corp - Form 10-Q

MASSACHUSETTS  
(State or other jurisdiction of  
incorporation or organization)

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

15901 OLDEN STREET, SYLMAR, CALIFORNIA 91342-1093

(Address of principal executive offices)

(Zip code)

(818) 362-8391

(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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 October 31, 2013 was 48,115,399.



Table of Contents

**TUTOR PERINI CORPORATION AND SUBSIDIARIES**

**FORM 10-Q**

**SEPTEMBER 30, 2013**

**TABLE OF CONTENTS**

	<b>Page Number</b>
<b><u>Part I. Financial Information:</u></b>	
<u>Item 1.</u> <u>Financial Statements (unaudited)</u>	
<u>Consolidated Condensed Balance Sheets</u>	3 4
<u>Consolidated Condensed Statements of Operations</u>	5
<u>Consolidated Condensed Statements of Comprehensive Income (Loss)</u>	6
<u>Consolidated Condensed Statement of Stockholders' Equity</u>	7
<u>Consolidated Condensed Statements of Cash Flows</u>	8
<u>Notes to Consolidated Condensed Financial Statements</u>	9 39
<u>Item 2.</u> <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	40 53
<u>Item 3.</u> <u>Quantitative and Qualitative Disclosures About Market Risk</u>	53
<u>Item 4.</u> <u>Controls and Procedures</u>	53
<b><u>Part II. Other Information:</u></b>	
<u>Item 1.</u> <u>Legal Proceedings</u>	53
<u>Item 1A.</u> <u>Risk Factors</u>	53
<u>Item 2.</u> <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	54
<u>Item 3.</u> <u>Defaults Upon Senior Securities</u>	54
<u>Item 4.</u> <u>Mine Safety Disclosures</u>	54
<u>Item 5.</u> <u>Other Information</u>	54
<u>Item 6.</u> <u>Exhibits</u>	55

Signatures

56

2

---

Table of Contents**Part I. Financial Information**Item 1. Financial Statements**TUTOR PERINI CORPORATION AND SUBSIDIARIES****CONSOLIDATED CONDENSED BALANCE SHEETS**

(in thousands, except share data)

	September 30, 2013 (unaudited)	December 31, 2012
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 127,902	\$ 168,056
Restricted cash	47,466	38,717
Accounts receivable, including retainage	1,397,857	1,224,613
Costs and estimated earnings in excess of billings	538,421	465,002
Deferred income taxes	9,631	10,071
Other current assets	48,360	75,388
<b>Total current assets</b>	<b>2,169,637</b>	<b>1,981,847</b>
<b>LONG-TERM INVESTMENTS</b>	<b>46,283</b>	<b>46,283</b>
<b>PROPERTY AND EQUIPMENT</b> (net of accumulated depreciation of \$171,210 in 2013 and \$146,553 in 2012)	<b>493,326</b>	<b>485,095</b>
<b>OTHER ASSETS:</b>		
Goodwill	571,932	570,646
Intangible assets, net	117,010	126,821
Other	80,759	85,718
<b>Total assets</b>	<b>\$ 3,478,947</b>	<b>\$ 3,296,410</b>

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

Table of Contents

**TUTOR PERINI CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED CONDENSED BALANCE SHEETS (continued)**  
(in thousands, except share data)

	September 30, 2013 (unaudited)	December 31, 2012
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Current maturities of long-term debt	\$ 107,821	\$ 67,710
Accounts payable, including retainage	797,129	696,473
Billings in excess of costs and estimated earnings	282,261	301,761
Accrued expenses and other current liabilities	161,649	168,326
<b>Total current liabilities</b>	<b>1,348,860</b>	<b>1,234,270</b>
<b>LONG-TERM DEBT</b> , less current maturities	<b>669,710</b>	<b>669,380</b>
<b>DEFERRED INCOME TAXES</b>	<b>109,922</b>	<b>109,900</b>
<b>OTHER LONG-TERM LIABILITIES</b>	<b>146,484</b>	<b>138,996</b>
<b>Total liabilities</b>	<b>2,274,976</b>	<b>2,152,546</b>
<b>CONTINGENCIES AND COMMITMENTS</b>		
<b>STOCKHOLDERS' EQUITY:</b>		
Preferred stock, \$1 par value:		
Authorized 1,000,000 shares		
Issued and outstanding none		
Common stock - \$1 par value: 75,000,000 shares authorized; Shares issued and outstanding: 48,115,399 shares and 47,556,056 shares	48,115	47,556
Additional paid-in capital	1,008,796	1,002,603
Retained earnings	191,316	137,279
Accumulated other comprehensive loss	(44,256)	(43,574)
<b>Total stockholders' equity</b>	<b>1,203,971</b>	<b>1,143,864</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 3,478,947</b>	<b>\$ 3,296,410</b>

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

Table of Contents

**TUTOR PERINI CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**

(in thousands, except per share data)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2013	2012	2013	2012
Revenues	\$ 1,030,388	\$ 1,099,393	\$ 3,076,381	\$ 2,997,273
Cost of operations	909,531	983,930	2,749,212	2,708,590
Gross profit	120,857	115,463	327,169	288,683
General and administrative expenses	62,763	60,787	193,522	194,644
Goodwill and intangible asset impairment				376,574
<b>INCOME (LOSS) FROM CONSTRUCTION OPERATIONS</b>	<b>58,094</b>	<b>54,676</b>	<b>133,647</b>	<b>(282,535)</b>
Other (expense) income, net	(9,488)	545	(13,549)	(681)
Interest expense	(11,571)	(11,039)	(33,990)	(32,724)
Income (loss) before income taxes	37,035	44,182	86,108	(315,940)
(Provision) benefit for income taxes	(13,276)	(1,591)	(32,071)	8,905
<b>NET INCOME (LOSS)</b>	<b>\$ 23,759</b>	<b>\$ 42,591</b>	<b>\$ 54,037</b>	<b>\$ (307,035)</b>
<b>BASIC EARNINGS (LOSS) PER COMMON SHARE</b>	<b>\$ 0.50</b>	<b>\$ 0.90</b>	<b>\$ 1.13</b>	<b>\$ (6.47)</b>
<b>DILUTED EARNINGS (LOSS) PER COMMON SHARE</b>	<b>\$ 0.49</b>	<b>\$ 0.88</b>	<b>\$ 1.11</b>	<b>\$ (6.47)</b>
<b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:</b>				
BASIC	47,959	47,556	47,735	47,440
Effect of dilutive stock options and restricted stock units	666	661	802	
DILUTED	48,625	48,217	48,537	47,440

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 (LOSS)****(UNAUDITED)****(in thousands)**

	<b>THREE MONTHS ENDED SEPTEMBER 30,</b>		<b>NINE MONTHS ENDED SEPTEMBER 30,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>NET INCOME (LOSS)</b>	\$ 23,759	\$ 42,591	\$ 54,037	\$ (307,035)
<b>OTHER COMPREHENSIVE INCOME:</b>				
Foreign currency translation	(460)	610	(623)	704
Change in fair value of investments	(453)	1	(742)	366
Change in fair value of interest rate swap	14	(56)	771	(440)
Realized loss on sale of investments recorded in net income (loss)				3,224
Other comprehensive income before taxes	(899)	555	(594)	3,854
<b>INCOME TAX EXPENSE (BENEFIT):</b>				
Tax adjustment on minimum pension liability		841		841
Foreign currency translation	(67)	248	(1)	285
Change in fair value of investments	(179)		(217)	158
Change in fair value of interest rate swap	9	121	306	756
Realized loss on sale of investments recorded in net income (loss)				1,219
Income tax expense	(237)	1,210	88	3,259
<b>NET OTHER COMPREHENSIVE INCOME (LOSS)</b>	<b>(662)</b>	<b>(655)</b>	<b>(682)</b>	<b>595</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>\$ 23,097</b>	<b>\$ 41,936</b>	<b>\$ 53,355</b>	<b>\$ (306,440)</b>

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

Table of Contents**TUTOR PERINI CORPORATION AND SUBSIDIARIES****CONSOLIDATED CONDENSED STATEMENT OF STOCKHOLDERS EQUITY (UNAUDITED)**

(in thousands)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total
<b>Balance - December 31, 2012</b>	\$ 47,556	\$ 1,002,603	\$ 137,279	\$ (43,574)	\$ 1,143,864
Net income			54,037		54,037
Other comprehensive loss				(682)	(682)
Total comprehensive income					53,355
Tax effect of stock-based compensation		(469)			(469)
Stock-based compensation expense		6,597			6,597
Issuance of common stock, net	559	65			624
<b>Balance - September 30, 2013</b>	\$ 48,115	\$ 1,008,796	\$ 191,316	\$ (44,256)	\$ 1,203,971

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

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

	<b>NINE MONTHS ENDED SEPTEMBER 30,</b>	
	<b>2013</b>	<b>2012</b>
<b>Cash Flows from Operating Activities:</b>		
Net income (loss)	\$ 54,037	\$ (307,035)
Adjustments to reconcile net income (loss) to net cash from operating activities:		
Goodwill and intangible asset impairment		376,574
Depreciation and amortization	41,766	46,676
Stock-based compensation expense	6,597	7,424
Excess income tax benefit from stock-based compensation	(356)	
Deferred income taxes	(503)	(42,008)
Adjustment of interest rate swap to fair value		264
Loss on sale of investments		2,699
(Gain) loss on sale of property and equipment	(220)	509
Other long-term liabilities	17,877	(8,399)
Other non-cash items	444	(446)
Changes in other components of working capital	(130,700)	(104,135)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(11,058)</b>	<b>(27,877)</b>
<b>Cash Flows from Investing Activities:</b>		
Acquisition of property and equipment	(39,810)	(33,737)
Proceeds from sale of property and equipment	2,551	11,750
Investments in available-for-sale securities		(535)
Proceeds from sale of available-for-sale securities		16,553
Change in restricted cash	(8,749)	(3,263)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(46,008)</b>	<b>(9,232)</b>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from debt	571,285	511,579
Repayment of debt	(536,227)	(485,543)
Business acquisition-related payments	(17,716)	(10,090)
Excess income tax benefit from stock-based compensation	356	
Issuance of common stock and effect of cashless exercise	(786)	(307)
Debt issuance costs		(1,993)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>16,912</b>	<b>13,646</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(40,154)</b>	<b>(23,463)</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>168,056</b>	<b>204,240</b>
<b>Cash and Cash Equivalents at End of Period</b>	<b>\$ 127,902</b>	<b>\$ 180,777</b>
<b>Supplemental Disclosure of Cash Paid For:</b>		
Interest	\$ 26,918	\$ 24,005
Income taxes	\$ 18,449	\$ 17,647
<b>Supplemental Disclosure of Non-cash Transactions:</b>		
Property and equipment acquired through financing arrangements	\$ 458	\$ 2,050

Edgar Filing: TUTOR PERINI Corp - Form 10-Q

Grant date fair value of common stock issued for services	\$	11,393	\$	5,075
-----------------------------------------------------------	----	--------	----	-------

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 ( 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, 2012.

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 September 30, 2013 and December 31, 2012, results of operations and comprehensive income for the three and nine months ended September 30, 2013 and 2012, and cash flows for the nine months ended September 30, 2013 and 2012. The results of operations for the three and nine months ended September 30, 2013 are not indicative of the results that may be expected for the year ending December 31, 2013 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, 2012.

***Recently Issued Accounting Pronouncements***

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

In January 2013, the FASB issued ASU 2013-01, which clarifies which instruments and transactions are subject to the offsetting disclosure requirements established by ASU 2011-11, *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities*. ASU 2013-01 is effective for the fiscal years beginning on or after January 1, 2013, and interim periods within. Retrospective application is required for any period presented that begins before the entity's initial application of the new requirements. The adoption of this guidance did not have a material impact on the Company's financial statements.

In February 2013, the FASB issued ASU 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*, an amendment to FASB ASC Topic 220, *Comprehensive Income*. The update requires disclosure of amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement of operations or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required to be reclassified to net income in its entirety in the same reporting period. For amounts not reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures that provide additional detail about those amounts. This ASU is effective prospectively for the Company fiscal years, and interim periods within those years beginning after December 15, 2012. The adoption of this guidance did not have a material impact on the Company's financial statements.

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 Company is currently evaluating the impact of this guidance on its financial statements.

Table of Contents

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. Early adoption and retrospective application is permitted. The Company is evaluating the potential impact of this adoption on its consolidated 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 and assumptions can vary in the normal course of business as projects progress, when estimated productivity assumptions change based on experience to date and uncertainties are resolved. Change orders and claims, as well as changes in related estimates of costs to complete, are considered revisions in estimates. The Company uses the cumulative catch-up method applicable to construction contract accounting to account for revisions in estimates. The impact on operating margin in a reporting period and future periods from a change in estimate will depend on the stage of contract completion. During the three and nine months ended September 30, 2013, the Company's results of operations were impacted by \$9.7 million and \$11.5 million, respectively, of increases in the estimated recovery projected for a Building segment project due to changes in facts and circumstances that occurred during those periods. These changes in estimates resulted in increases of \$9.7 million and \$11.5 million in income from construction operations, \$6.2 million and \$7.2 million in net income and \$0.13 and \$0.15 in diluted earnings per common share during the three and nine months ended September 30, 2013, respectively. During both the three and nine months ended September 30, 2012, the Company's results of operations were impacted by a \$12.4 million increase in the estimated recovery projected for a large hospitality and gaming project which was primarily driven by changes in cost recovery assumptions based on evidence presented during the period. Excluding the discrete items that impacted the Company's estimated tax rate during 2012, this change in estimate resulted in increases of \$12.4 million in income from construction operations, \$7.2 million in net income, and \$0.15 in diluted earnings per common share during both the three and nine months ended September 30, 2012. These changes were the only changes in estimates considered material to the Company's results of operations during the periods presented herein.

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

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

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



Table of Contents

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

	September 30, 2013	December 31, 2012
	(in thousands)	
Corporate cash and cash equivalents (available for general corporate purposes)	\$ 35,033	\$ 70,780
Company's share of joint venture cash and cash equivalents (available only for joint venture purposes, including future distributions)	92,869	97,276
<b>Total Cash and Cash Equivalents</b>	<b>\$ 127,902</b>	<b>\$ 168,056</b>
<b>Restricted Cash</b>	<b>\$ 47,466</b>	<b>\$ 38,717</b>

**(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:

	September 30, 2013	December 31, 2012
	(in thousands)	
Unbilled costs and profits incurred to date*	\$ 196,308	\$ 157,119
Unapproved change orders	144,839	141,596
Claims	197,274	166,287
	<b>\$ 538,421</b>	<b>\$ 465,002</b>

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

Of the balance of Unapproved change orders and Claims included above in costs and estimated earnings in excess of billings at September 30, 2013 and December 31, 2012, approximately \$54.1 million and \$62.0 million, respectively, 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 September 30, 2013 and December 31, 2012 were \$315.8 million and \$309.8 million, respectively, compared to the carrying values of \$298.4 million and \$298.3 million as of September 30, 2013 and December 31, 2012, 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 September 30, 2013 and December 31, 2012. The carrying values of the remaining balance of the Company's total debt of \$479.1 million and \$438.8 million at September 30, 2013 and December 31, 2012, respectively, were estimated to approximate their fair values.

Table of Contents

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

At September 30, 2013	Total Carrying Value	Fair Value Measurements Using		
		Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		(in thousands)		
<b>Assets:</b>				
Cash and cash equivalents (1)	\$ 127,902	\$ 127,902	\$	\$
Restricted cash (1)	47,466	47,466		
Short-term investments (2)	2,151		2,151	
Investments in lieu of retainage (3)	19,711	10,808	8,903	
Long-term investments - auction rate securities (4)	46,283			46,283
<b>Total</b>	<b>\$ 243,513</b>	<b>\$ 186,176</b>	<b>\$ 11,054</b>	<b>\$ 46,283</b>
<b>Liabilities:</b>				
Interest rate swap contract (5)	\$ 1,151	\$	\$ 1,151	\$
Contingent consideration (6)	57,872			57,872
	59,023	\$	\$ 1,151	\$ 57,872

At December 31, 2012	Total Carrying Value	Fair Value Measurements Using		
		Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		(in thousands)		
<b>Assets:</b>				
Cash and cash equivalents (1)	\$ 168,056	\$ 168,056	\$	\$
Restricted cash (1)	38,717	38,717		
Short-term investments (2)	2,679		2,679	
Investments in lieu of retainage (3)	21,934	10,553	11,381	
Long-term investments - auction rate securities (4)	46,283			46,283
<b>Total</b>	<b>\$ 277,669</b>	<b>\$ 217,326</b>	<b>\$ 14,060</b>	<b>\$ 46,283</b>
<b>Liabilities:</b>				
Interest rate swap contract (5)	\$ 1,923	\$	\$ 1,923	\$
Contingent consideration (6)	42,624			42,624
	\$ 44,547	\$	\$ 1,923	\$ 42,624

Table of Contents

---

- (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 of U.S. Treasury Notes and municipal bonds, the majority of which are rated Aa2 or better. The fair values of the municipal bonds are obtained from readily-available pricing sources for comparable instruments, and as such, the Company has classified these assets as Level 2.
- (3) Investments in lieu of retainage are classified as account receivables, including retainage and are comprised of money market accounts and municipal bonds, the majority of which are rated Aa3 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.
- (4) At both September 30, 2013 and December 31, 2012, 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 September 30, 2013 and December 31, 2012 are in securities collateralized by student loan portfolios. At both September 30, 2013 and December 31, 2012, most of the Company s ARS were rated AA+.
- (5) In August 2011, 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 September 30, 2013 and December 31, 2012 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, as well as the contingent consideration in the amount of \$759,000 related to the acquisition of a small fire protection systems contractor during the third quarter of 2013.

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 nine months ended September 30, 2013 and 2012.

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

### Table of Contents

The following is a summary of changes in Level 3 assets measured at fair value on a recurring basis during the three and nine months ended September 30, 2013 and 2012:

		<b>Auction Rate Securities (in thousands)</b>
Balance at December 31, 2012	\$	46,283
Purchases		
Settlements		
Balance at March 31, 2013	\$	46,283
Purchases		
Settlements		
Balance at June 30, 2013	\$	46,283
Purchases		
Settlements		
Balance at September 30, 2013	\$	46,283
		<b>Auction Rate Securities (in thousands)</b>
Balance at December 31, 2011	\$	62,311
Purchases		
Settlements		(16,553)
Realized loss included in other income (expense), net		(2,699)
Reversal of pretax impairment charges included in accumulated other comprehensive income (loss)		3,224
Balance at March 31, 2012	\$	46,283
Purchases		
Settlements		
Balance at June 30, 2012	\$	46,283
Purchases		
Settlements		
Balance at September 30, 2012	\$	46,283

At both September 30, 2013 and December 31, 2012, 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 September 30, 2013 and December 31, 2012, most of the Company s ARS were rated AA+.

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. The Company expects that it will take in excess of twelve months before the ARS can be refinanced or sold.

During the nine months ended September 30, 2012, the Company sold one ARS at auction for its full par value and two ARS in a secondary market. The settlement of the three securities resulted in a realized loss included in other income (expense), net of \$2.7 million.

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

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 September 30, 2013, 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 and nine months ended September 30, 2013 and 2012:

	<b>Contingent Consideration (in thousands)</b>
Balance at December 31, 2012	\$ 42,624
Fair value adjustments included in other income (expense), net	1,380
Balance at March 31, 2013	\$ 44,004
Fair value adjustments included in other income (expense), net	3,914
Balance at June 30, 2013	\$ 47,918
Fair value measured prior to conclusion of purchase price analysis measurement period	759
Fair value adjustments included in other income (expense), net	9,195
Balance at September 30, 2013	\$ 57,872

	<b>Contingent Consideration (in thousands)</b>
Balance at December 31, 2011	\$ 51,555
Fair value adjustments included in other income (expense), net	142
Balance at March 31, 2012	\$ 51,697
Fair value measured at conclusion of purchase price analysis measurement period	3,344



Edgar Filing: TUTOR PERINI Corp - Form 10-Q

Fair value adjustments included in other income (expense), net		(298)
Balance at June 30, 2012	\$	54,743
Contingent consideration settled		(8,000)
Fair value adjustments included in other income (expense), net		(37)
Balance at September 30, 2012	\$	46,706

Table of Contents

The liabilities listed above represent the contingent consideration for the acquisitions in 2011 for which the measurement periods for purchase price analyses have concluded, as well as the contingent consideration in the amount of \$759,000 related to the acquisition of a small fire protection systems contractor during the third quarter of 2013.

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 September 30, 2013 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, 2012. At December 31, 2012, the fair value of the Management Services reporting unit exceeded its carrying value by 4.5%, while the fair values of the Building, Civil and Specialty Contractors reporting units exceeded their carrying values by more than 10%. The Management Services reporting unit experienced a shortfall in its performance during the first nine months of 2013 compared to previous expectations primarily due to a deteriorating security environment in Afghanistan and constraints in government funding necessary for construction to proceed. The impacts of sequestration, the temporary U.S. government shutdown, debt ceiling negotiations and the temporary resolutions reached subsequent to the period ended September 30, 2013 have led to inconsistent hesitations on the part of several agencies and programs to commit monies to full-scale, high-dollar projects despite previous commitments and legislative resolutions. Despite these political impacts, the Management Services reporting unit and its competitors have been awarded Indefinite-delivery-indefinite-quantity ( IDIQ ) contracts with significant funding ceilings, although the timing of the actual funding and subsequent release of individual task orders under those contracts continues to be sporadic. These cost cutting measures have not happened in all areas nor in any consistent manner to date. The Company will continue to assess whether the current uncertainty around government funding is short-term or long-term in nature, will consider additional opportunities not linked to U.S. government funding, and will conclude on the impacts that this may or may not have on the valuation of the Management Services reporting unit during its annual test in the fourth quarter of 2013.

The following table presents the carrying amount of goodwill allocated to the Company's reporting units as of September 30, 2013:

	Building	Civil	Specialty Contractors (in thousands)	Management Services	Total
Gross Goodwill Balance	\$ 420,267	\$ 429,893	\$ 141,833	\$ 66,638	\$ 1,058,631
Accumulated Impairment	(409,765)	(55,740)		(22,480)	(487,985)
Balance at December 31, 2012	\$ 10,502	\$ 374,153	\$ 141,833	\$ 44,158	\$ 570,646
Goodwill recorded in connection with an acquisition			1,286		1,286
Balance at September 30, 2013	\$ 10,502	\$ 374,153	\$ 143,119	\$ 44,158	\$ 571,932

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

During the quarter ended September 30, 2013, the Company acquired a small fire protection systems contractor. As this acquisition is immaterial, no proforma disclosures are presented herein.

Table of Contents

Intangible assets consist of the following:

	Cost	September 30, 2013		Carrying Value	Weighted Average Amortization Period
		Accumulated Amortization	Accumulated Impairment Charge		
(in thousands)					
Trade names (non-amortizable)	\$ 117,600	\$	\$ (67,190)	\$ 50,410	Indefinite
Trade names (amortizable)	74,350	(5,719)	(23,232)	45,399	20 years
Contractor license	6,000		(6,000)		Indefinite
Customer relationships	39,800	(13,993)	(16,645)	9,162	11.4 years
Construction contract backlog	73,706	(61,667)		12,039	3.6 years
Total	\$ 311,456	\$ (81,379)	\$ (113,067)	\$ 117,010	

	Cost	December 31, 2012		Carrying Value	Weighted Average Amortization Period
		Accumulated Amortization	Accumulated Impairment Charge		
(in thousands)					
Trade names (non-amortizable)	\$ 117,600	\$	\$ (67,190)	\$ 50,410	Indefinite
Trade names (amortizable)	74,350	(3,854)	(23,232)	47,264	20 years
Contractor license	6,000		(6,000)		Indefinite
Customer relationships	39,800	(13,029)	(16,645)	10,126	11.4 years
Construction contract backlog	73,706	(54,685)		19,021	3.6 years
Total	\$ 311,456	\$ (71,568)	\$ (113,067)	\$ 126,821	

Amortization expense for the three and nine months ended September 30, 2013 totaled \$3.3 million and \$9.8 million, respectively. Amortization expense for the three and nine months ended September 30, 2012 totaled \$3.6 million and \$15.0 million, respectively. As of September 30, 2013, amortization expense is estimated to be \$3.3 million for the remainder of 2013, \$11.9 million in 2014, \$5.3 million in 2015, \$3.5 million in 2016, \$3.5 million in 2017 and \$39.1 million thereafter.

**(7) Contingencies and Commitments**

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

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.

Table of Contents

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 notice of cross-appeal. All appellate briefing has been concluded and, in March 2012, the Court finalized the preparation of the record for the Court of Appeal; opening briefs were filed in August 2012 for the main appeal and September 2012 for the appeal of the Court's denial of attorneys' fees to TSP and its sureties. The appeal of this case is expected to take at least a year. No date for a hearing before the Court of Appeal has been set.

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

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

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

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.

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 backcharges 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.

Table of Contents

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 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.

**Gaylord Hotel and Convention Center Matter**

In 2005, Gaylord National, LLC (Gaylord), as Owner, and Perini Building Company, Inc. / Tompkins Builders, Joint Venture (PTJV), as Construction Manager, entered into a contract to construct the Gaylord National Resort and Convention Center project in Maryland. The project is complete and as part of its settlement with Gaylord reached in November 2008, PTJV agreed to pay all subcontractors and defend all claims and lien actions by them relating to the project. PTJV has closed out most subcontracts. Resolution of the issues with the remaining subcontractors may require mediation, arbitration and/or trial.

PTJV is pursuing an insurance claim for approximately \$40 million related to work performed by Banker Steel Company, Inc. (Banker Steel), a subcontractor, including \$11 million for business interruption costs incurred by Gaylord which have effectively been assigned to PTJV. In November 2009, PTJV filed suit against Factory Mutual Insurance Co. (FM) in the Maryland federal district court alleging FM breached the insurance contracts and for declaratory judgment with respect to the insurance coverage. In December 2010, PTJV filed suit against ACE American Insurance Company (ACE) in Maryland federal district court alleging ACE breached the general liability insurance contract and acted in bad faith, and PTJV requested a declaratory judgment with respect to the insurance coverage. FM and ACE each brought separate motions for summary judgment. In October, 2012, FM's motion was denied; ACE's motion was granted, and the decision is on appeal.

In June 2013, PTJV and FM reached an agreement to settle the dispute for which payment was received in August 2013. The Company has included the impact of the settlement in its balance sheet, statement of cash flows, and results of operations as of and for the nine months ended September 30, 2013.

**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



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

Miami, Florida.

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

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

Table of Contents

In April 2013, a settlement conference took place where the parties reached an agreement in principle and are continuing to work on finalizing the terms.

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

**MGM CityCenter Matter**

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

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

In a Current Report on Form 8-K filed by MGM in March 2010, and in subsequent communications issued, MGM has 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

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

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 the three months ended September 30, 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. The Company has included the impact of the settlement in its balance sheet, statement of cash flows, and results of operations as of and for the nine months ended September 30, 2013.

As of September 2013, 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 September 2013, the Company had approximately \$159 million recorded as contract receivables for amounts due and owed to the Company. As of September 2013, the Company's mechanic's lien against the project was \$166.8 million.

Table of Contents

The Parties participated in a Court ordered settlement conference in September 2013 and continue to actively engage in settlement discussions primarily around non-Harmon related issues. Trial has been scheduled for April 2014.

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

**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.

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.

Subcontractor claims settled before trial. Trial on the remaining issues began in October 2012. In late February 2013, the Court ordered judgment in favor of TSC in the amount of \$9.0 million plus interest and attorneys' fees. The Court also ordered judgment in favor of WPH in the amount of \$2.6 million plus interest for defect claims that are anticipated to be paid by the owner-controlled insurance program ("OCIP") carrier.

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

During the nine months ended September 30, 2013, Westgate provided payment to TSC for the replacement OCIP insurance policies bringing resolution to that matter. On September 25, 2013, the Court entered judgment in favor of TSC confirming the previous ruling reached in February 2013. TSC filed its motion for attorney's fees and costs.

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**

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 façade 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.

Table of Contents

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 May 2013, the Company filed its opening brief appealing those orders, with Chartis and Lloyd s opposition briefs submitted in late August 2013.

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 Projects/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.

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 September 30, 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 September 30, 2013. 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

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

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.

Table of Contents

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.

**(8) Income Taxes**

The income tax provision was \$13.3 million and \$32.1 million for the three and nine months ended September 30, 2013, respectively, compared to income tax provision of \$1.6 million and income tax benefit of \$8.9 million for the three and nine months ended September 30, 2012, respectively. The effective income tax rate was 35.8% and 37.2% for the three and nine months ended September 30, 2013, respectively, as compared to 3.6% and 2.8% for the same periods in 2012. The increase in the effective tax rate for the three and nine months ended September 30, 2013, as compared to the same periods in 2012, was primarily due to the \$376.6 million impairment charge in the second quarter of 2012 and discrete events.

The income tax provision for the three and nine months ended September 30, 2013 of \$13.3 million and \$32.1 million, respectively, include discrete items of \$(1.8) million and \$(2.1) million, related mainly to favorable federal and state audit settlements of \$(1.1) million as discussed below, and to 2012 return true-up adjustments of \$(1.2) million, compared to no discrete items for the third quarter of 2012 and \$3.6 million for the first nine months of 2012, related mainly to stock based compensation items.

As of September 30, 2013, the total amount of unrecognized tax benefits, including related interest and penalties was \$4.5 million. If the total amount of unrecognized tax benefits was recognized, \$4.2 million of unrecognized tax benefits and \$0.3 million of interest would impact the effective tax rate. The Company believes that it is reasonably possible that the amount of unrecognized tax benefits could decrease by \$1.1 million within the next twelve months due to the settlement of audits or the expiration of the statute of limitations in various jurisdictions.

The Internal Revenue Services has completed its audit of the Company's 2010 U.S. Federal tax return and a refund of approximately \$1.1 million has been received during the third quarter of 2013.



Table of Contents**(9) Stock-Based Compensation**

The Company is authorized to grant up to 6,900,000 stock-based compensation awards to key executives, employees and directors of the Company under the Tutor Perini Corporation Long-Term Incentive Plan (the Plan). The Plan allows stock-based compensation awards to be granted in a variety of forms, including restricted stock awards and stock options. 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.

***Restricted Stock Awards***

Restricted stock 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 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 period. As of September 30, 2013, the Compensation Committee has approved the grant of an aggregate of 5,033,333 restricted stock awards to eligible participants.

In March 2013, the Compensation Committee established the 2013 pre-tax income performance targets for 178,335 restricted stock units awarded in 2009 and 2010. Additionally, 66,667 restricted stock unit awards were forfeited during the nine months ended September 30, 2013.

For the three and nine months ended September 30, 2013, the Company recognized \$1.5 million and \$5.0 million, respectively, of compensation expense related to restricted stock awards, and such expense is included in general and administrative expenses in the Consolidated Condensed Statements of Operations. As of September 30, 2013 there was \$2.7 million of unrecognized compensation cost related to the unvested restricted stock awards which, absent significant forfeitures in the future, is expected to be recognized over a weighted average period of approximately 2.1 years.

A summary of restricted stock awards activity for the nine months ended September 30, 2013 is as follows:

	Number of Shares	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value (in thousands)
Granted and Unvested - January 1, 2013	1,141,666	\$ 18.12	\$ 15,641
Vested	(514,999)	\$ 20.72	\$ 9,560
Granted	196,668	\$ 19.27	\$ 4,193
Forfeited	(66,667)	\$ 14.23	
Total Granted and Unvested	756,668	\$ 16.99	\$ 16,132
Approved for grant	852,500	(a)	\$ 18,175
Total Awarded and Unvested - September 30, 2013	1,609,168	n.a.	\$ 34,307

---

(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 restricted stock awards at September 30, 2013 are scheduled to vest as follows, subject where applicable to the achievement of performance targets. As described above, certain performance targets have not yet been established.

Table of Contents

Vesting Date	Number of Awards
2013	185,000
2014	546,668
2015	187,500
2016	202,500
2017	442,500
2018	36,000
2019	9,000
Total	1,609,168

Of the unvested restricted stock awards, 160,000 will vest based on the satisfaction of service requirements and 1,449,168 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 September 30, 2013, the Compensation Committee has approved the award of an aggregate of 2,410,465 stock option awards to eligible participants.

In March 2013, the Compensation Committee established the 2013 pre-tax income performance target for 150,000 stock options awarded in 2009.

For the three and nine months ended September 30, 2013, the Company recognized compensation expense of \$0.5 million and \$1.6 million, respectively, related to stock option awards, and such expenses are included in general and administrative expenses in the Consolidated Condensed Statements of Operations. As of September 30, 2013, there was \$0.9 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 2.0 years.

A summary of stock options activity under the plan for the nine months ended September 30, 2013 is as follows:

	Number of Shares	Grant Date Fair Value	Weighted Average Exercise Price
Total Granted and Outstanding - January 1, 2013	1,315,465	\$ 9.72	\$ 18.91
Granted	150,000	\$ 6.93	\$ 20.33
Exercised	(40,465)	\$ 6.18	\$ 13.77

Edgar Filing: TUTOR PERINI Corp - Form 10-Q

Forfeited	(50,000)	\$	7.25		
Total Granted and Outstanding	1,375,000	\$	9.61	\$	19.45
Approved for grant	725,000		(a)	\$	11.61
Total Awarded and Outstanding - September 30, 2013	2,100,000		n.a.	\$	16.75

---

(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 860,000 stock options that have vested and were exercisable at September 30, 2013 at a weighted average exercise price of \$22.10 per share.

Table of Contents

Of the remaining stock options outstanding, 282,500 stock options will vest based on the satisfaction of service requirements and 957,500 stock options will vest based on the satisfaction of both service requirements and the achievement of performance targets.

At September 30, 2013, the outstanding stock options of 1,375,000 had an intrinsic value of \$3.8 million and a weighted average remaining contractual life of 5.8 years.

During 2009, the Compensation Committee approved the award of 750,000 stock options that vest in five equal annual tranches from 2010 to 2014 subject to the achievement of pre-tax income performance targets established by the Compensation Committee. In March 2013, the Compensation Committee established the 2013 pre-tax income performance target for the fifth tranche of 150,000 stock options awarded in 2009. The fair value of this tranche was determined based on the Black Scholes option pricing model using the following key assumptions:

Risk-free interest rate	0.48%
Expected life of options	3.6 years
Expected volatility of underlying stock	51.00%
Expected quarterly dividends (per share)	\$0.00

(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 September 30, 2013.

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.

Table of Contents

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 \$125.0 million at September 30, 2013.

The Company had \$177.8 million of outstanding borrowings under its Revolving Facility as of September 30, 2013 and \$120.0 million of outstanding borrowings as of December 31, 2012. The net increase in borrowings under the Revolving Facility comprises a significant portion of 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 September 30, 2013 and December 31, 2012. Accordingly, at September 30, 2013, the Company had \$122.0 million available to borrow under the Revolving Facility.

(11) **Earnings (Loss) per Common Share**

Basic earnings (loss) per common share were computed by dividing net income (loss) by the weighted average number of common shares outstanding. Diluted earnings (loss) per common share was 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 for both the three and nine months ended September 30, 2013 excludes 860,000 stock options because these shares would have an antidilutive effect. The computation of diluted loss per common share for the three months ended September 30, 2012 excludes 1,315,465 stock options, and for the nine months ended September 30, 2012 excludes 1,315,465 stock options and 1,358,332 restricted stock units, respectively.

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 operations and cash flow.

The following table sets forth certain reportable segment information relating to the Company's operations for the three and nine months ended September 30, 2013 and 2012.

(in thousands)	Reportable Segments				Totals	Corporate	Consolidated Total
	Building	Civil	Specialty Contractors	Management Services			
<b><u>Three Months Ended</u></b>							
<b><u>September 30, 2013</u></b>							
Total revenues	\$ 352,013	\$ 379,765	\$ 287,633	\$ 37,031	\$ 1,056,442	\$	\$ 1,056,442
Elimination of intersegment revenues	(21,250)	(4,270)		(534)	(26,054)		(26,054)
Revenues from external customers	\$ 330,763	\$ 375,495	\$ 287,633	\$ 36,497	\$ 1,030,388	\$	\$ 1,030,388
Income from construction operations	\$ 13,530	\$ 47,532	\$ 9,312	\$ 1,344	\$ 71,718	\$ (13,624)*	\$ 58,094
<b><u>Three Months Ended</u></b>							
<b><u>September 30, 2012</u></b>							
Total revenues	\$ 391,531	\$ 350,542	\$ 315,270	\$ 51,744	\$ 1,109,087	\$	\$ 1,109,087
Elimination of intersegment revenues	(508)	(4,202)		(4,984)	(9,694)		(9,694)
Revenues from external customers	\$ 391,023	\$ 346,340	\$ 315,270	\$ 46,760	\$ 1,099,393	\$	\$ 1,099,393
Income from construction operations	\$ 20,847	\$ 26,280	\$ 14,236	\$ 2,841	\$ 64,204	\$ (9,528)*	\$ 54,676
<b><u>Nine Months Ended</u></b>							
<b><u>September 30, 2013</u></b>							
Total revenues	\$ 1,199,493	\$ 995,963	\$ 873,546	\$ 130,144	\$ 3,199,146	\$	\$ 3,199,146
Elimination of intersegment revenues	(53,267)	(66,073)	(10)	(3,415)	(122,765)		(122,765)
Revenues from external customers	\$ 1,146,226	\$ 929,890	\$ 873,536	\$ 126,729	\$ 3,076,381	\$	\$ 3,076,381
Income from construction operations	\$ 20,791	\$ 98,285	\$ 44,583	\$ 6,262	\$ 169,921	\$ (36,274)*	\$ 133,647
<b><u>Nine Months Ended</u></b>							
<b><u>September 30, 2012</u></b>							
Total revenues	\$ 1,066,494	\$ 928,203	\$ 858,843	\$ 184,629	\$ 3,038,169	\$	\$ 3,038,169



Edgar Filing: TUTOR PERINI Corp - Form 10-Q

Elimination of intersegment revenues	(4,417)	(8,794)	(233)	(27,452)	(40,896)	(40,896)
Revenues from external customers	\$ 1,062,077	\$ 919,409	\$ 858,610	\$ 157,177	\$ 2,997,273	\$ 2,997,273
Income from construction operations						
Before Impairment Charge	\$ (2,537)	\$ 68,884	\$ 53,852	\$ 6,579	\$ 126,778	\$ (32,739)*
Impairment Charge	(282,608)	(65,503)	(11,489)	(16,974)	(376,574)	(376,574)
Total	\$ (285,145)	\$ 3,381	\$ 42,363	\$ (10,395)	\$ (249,796)	\$ (32,739)

\* Consists primarily of corporate general and administrative expenses.

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

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

The following table sets forth the net periodic benefit cost by component for the three and nine months ended September 30, 2013 and 2012:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(in thousands)		(in thousands)	
Interest cost	\$ 917	\$ 1,005	\$ 2,750	\$ 3,015
Expected return on plan assets	(1,121)	(1,186)	(3,361)	(3,558)
Amortization of net loss	1,544	1,396	4,632	4,189
Net periodic benefit cost	\$ 1,340	\$ 1,215	\$ 4,021	\$ 3,646

The Company contributed \$1.1 million and \$4.7 million to its defined benefit pension plan during the nine months ended September 30, 2013 and 2012, respectively. The Company expects to contribute an additional \$0.6 million to its defined benefit pension plan during the remainder of fiscal year 2013.

**(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 monthly payments of \$0.2 million, which increase at 3% per annum beginning August 1, 2009 and expire on July 31, 2016. Lease expense for these leases, recorded on a straight-line basis, was \$0.6 million for both the three months ended September 30, 2013 and 2012, and was \$1.8 million for both the nine months ended September 30, 2013 and 2012.

Raymond R. Oneglia, who is the Vice Chairman of O&G Industries, Inc. ( O&G ), is a director of the Company. O&G occasionally participates in joint ventures with the Company. Joint venture agreements between the Company and O&G provide the legal foundation for the partnership to perform all the requirements under the customer contract. The Company delivers services in accordance with the customer contract. All transactions are made directly with the customer through the joint venture, and not with O&G, and completed on normal trade terms. Currently the Company has a 30% interest in this joint venture with O&G as the sponsor. The project, a highway construction project for the State of Connecticut, has an estimated total contract value of approximately \$364 million and is scheduled to complete in 2017. O&G's cumulative holdings of the Company's stock were 600,000 shares, or 1.25% and 1.26%, respectively, of total common shares outstanding at September 30, 2013 and 2012.

Table of Contents

(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.

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

Table of Contents**CONDENSED CONSOLIDATING BALANCE SHEET    SEPTEMBER 30, 2013 (UNAUDITED)**

(in thousands)

	<b>Tutor Perini Corporation</b>	<b>Guarantor Subsidiaries</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Total Consolidated</b>
<b><u>ASSETS</u></b>					
Cash and Cash Equivalents	\$ 80,832	\$ 27,812	\$ 19,258	\$	\$ 127,902
Restricted Cash	23,456	8,295	15,715		47,466
Accounts Receivable	256,731	1,174,201	44,499	(77,574)	1,397,857
Costs and Estimated Earnings in Excess of Billings	78,163	487,769	152	(27,663)	538,421
Deferred Income Taxes		15,716		(6,085)	9,631
Other Current Assets	68,615	21,153	20,267	(61,675)	48,360
<b>Total Current Assets</b>	<b>507,797</b>	<b>1,734,946</b>	<b>99,891</b>	<b>(172,997)</b>	<b>2,169,637</b>
Long-term Investments	46,283				46,283
Property and Equipment, net	80,267	408,421	4,638		493,326
Intercompany Notes and Receivables		421,440		(421,440)	
Other Assets:					
Goodwill		571,932			571,932
Intangible Assets, net		117,010			117,010
Investment in Subsidiaries	2,139,063		50	(2,139,113)	
Other	75,217	10,657		(5,115)	80,759
	\$ 2,848,627	\$ 3,264,406	\$ 104,579	\$ (2,738,665)	\$ 3,478,947
<b><u>LIABILITIES AND STOCKHOLDERS</u></b>					
<b><u>EQUITY</u></b>					
Current Maturities of Long-term Debt	\$ 44,250	\$ 63,571	\$	\$	\$ 107,821
Accounts Payable	157,901	721,670	10,010	(92,452)	797,129
Billings in Excess of Costs and Estimated Earnings	112,295	169,932	34		282,261
Accrued Expenses and Other Current Liabilities	66,186	96,060	47,260	(47,857)	161,649
<b>Total Current Liabilities</b>	<b>380,632</b>	<b>1,051,233</b>	<b>57,304</b>	<b>(140,309)</b>	<b>1,348,860</b>
Long-term Debt, less current maturities	629,527	80,298		(40,115)	669,710
Deferred Income Taxes	102,139	7,783			109,922
Other Long-term Liabilities	142,449	4,035			146,484
Intercompany Notes and Advances Payable	389,909		24,084	(413,993)	
Contingencies and Commitments					
Stockholders' Equity	1,203,971	2,121,057	23,191	(2,144,248)	1,203,971
	\$ 2,848,627	\$ 3,264,406	\$ 104,579	\$ (2,738,665)	\$ 3,478,947

Table of Contents**CONDENSED CONSOLIDATING BALANCE SHEET - DECEMBER 31, 2012**

(in thousands)

	<b>Tutor Perini Corporation</b>	<b>Guarantor Subsidiaries</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Total Consolidated</b>
<b><u>ASSETS</u></b>					
Cash and Cash Equivalents	\$ 64,663	\$ 74,385	\$ 29,008	\$	\$ 168,056
Restricted Cash	30,236	8,481			38,717
Accounts Receivable	177,856	1,121,098	1,088	(75,429)	1,224,613
Costs and Estimated Earnings in Excess of Billings	111,821	377,132	152	(24,103)	465,002
Deferred Income Taxes		15,823		(5,752)	10,071
Other Current Assets	26,461	49,993	2,891	(3,957)	75,388
<b>Total Current Assets</b>	<b>411,037</b>	<b>1,646,912</b>	<b>33,139</b>	<b>(109,241)</b>	<b>1,981,847</b>
Long-term Investments	46,283				46,283
Property and Equipment, net	64,248	416,006	4,841		485,095
Intercompany Notes and Receivables		493,277		(493,277)	
Other Assets:					
Goodwill		570,646			570,646
Intangible Assets, net		126,821			126,821
Investment in Subsidiaries	2,122,116	134	50	(2,122,300)	
Other	81,198	9,058	35,375	(39,913)	85,718
	\$ 2,724,882	\$ 3,262,854	\$ 73,405	\$ (2,764,731)	\$ 3,296,410
<b><u>LIABILITIES AND STOCKHOLDERS</u></b>					
<b><u>EQUITY</u></b>					
Current Maturities of Long-term Debt	\$ 42,589	\$ 25,121	\$	\$	\$ 67,710
Accounts Payable	97,834	698,015	156	(99,532)	696,473
Billings in Excess of Costs and Estimated Earnings	95,657	206,070	34		301,761
Accrued Expenses and Other Current Liabilities	30,545	108,589	38,901	(9,709)	168,326
<b>Total Current Liabilities</b>	<b>266,625</b>	<b>1,037,795</b>	<b>39,091</b>	<b>(109,241)</b>	<b>1,234,270</b>
Long-term Debt, less current maturities	603,371	105,922		(39,913)	669,380
Deferred Income Taxes	102,138	7,762			109,900
Other Long-term Liabilities	134,874	4,122			138,996
Intercompany Notes and Advances Payable	474,010		19,267	(493,277)	
Contingencies and Commitments					
Stockholders' Equity	1,143,864	2,107,253	15,047	(2,122,300)	1,143,864
	\$ 2,724,882	\$ 3,262,854	\$ 73,405	\$ (2,764,731)	\$ 3,296,410

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

	<b>Tutor Perini Corporation</b>	<b>Guarantor Subsidiaries</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Total Consolidated</b>
Revenues	\$ 175,160	\$ 884,332	\$	\$ (29,104)	\$ 1,030,388
Cost of Operations	150,560	794,440	(6,365)	(29,104)	909,531
Gross Profit	24,600	89,892	6,365		120,857
General and Administrative Expenses	17,073	45,187	503		62,763
<b>INCOME (LOSS) FROM CONSTRUCTION OPERATIONS</b>	<b>7,527</b>	<b>44,705</b>	<b>5,862</b>		<b>58,094</b>
Equity in Earnings of Subsidiaries	32,148			(32,148)	
Other Income (Expense), net	(9,736)	115	133		(9,488)
Interest Expense	(10,655)	(916)			(11,571)
Income (loss) before Income Taxes	19,284	43,904	5,995	(32,148)	37,035
(Provision) Credit for Income Taxes	4,475	(15,594)	(2,157)		(13,276)
<b>NET (LOSS) INCOME</b>	<b>\$ 23,759</b>	<b>\$ 28,310</b>	<b>\$ 3,838</b>	<b>\$ (32,148)</b>	<b>\$ 23,759</b>
<b>Other Comprehensive Income:</b>					
Other Comprehensive Income of Subsidiaries	(667)			667	
Foreign currency translation		(393)			(393)
Change in fair value of investments		(274)			(274)
Change in fair value of interest rate swap	5				5
Total Other Comprehensive (Loss) Income	(662)	(667)		667	(662)
Total Comprehensive Income	\$ 23,097	\$ 27,643	\$ 3,838	\$ (31,481)	\$ 23,097

Table of Contents**CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS (UNAUDITED)****THREE MONTHS ENDED SEPTEMBER 30, 2012****(in thousands)**

	<b>Tutor Perini Corporation</b>	<b>Guarantor Subsidiaries</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Total Consolidated</b>
Revenues	\$ 113,068	\$ 996,809	\$	\$ (10,484)	\$ 1,099,393
Cost of Operations	97,225	900,634	(3,445)	(10,484)	983,930
Gross Profit	15,843	96,175	3,445		115,463
General and Administrative Expenses	17,840	42,417	530		60,787
INCOME (LOSS) FROM CONSTRUCTION OPERATIONS	(1,997)	53,758	2,915		54,676
Equity in Earnings of Subsidiaries	49,135			(49,135)	
Other Income (Expense), net	45	264	236		545
Interest Expense	(10,133)	(906)			(11,039)
Income (Loss) before Income Taxes	37,050	53,116	3,151	(49,135)	44,182
(Provision) Credit for Income Taxes	5,541	(5,732)	(1,400)		(1,591)
NET (LOSS) INCOME	\$ 42,591	\$ 47,384	\$ 1,751	\$ (49,135)	\$ 42,591
Other Comprehensive Income:					
Other Comprehensive Income of Subsidiaries	363			(363)	
Tax adjustment on minimum pension liability	(841)				(841)
Foreign currency translation		362			362
Change in fair value of investments		1			1
Change in fair value of interest rate swap	(177)				(177)
Total Other Comprehensive (Loss) Income	(655)	363		(363)	(655)
Total Comprehensive Income	\$ 41,936	\$ 47,747	\$ 1,751	\$ (49,498)	\$ 41,936

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

	<b>Tutor Perini Corporation</b>	<b>Guarantor Subsidiaries</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Total Consolidated</b>
Revenues	\$ 456,732	\$ 2,753,816	\$	\$ (134,167)	\$ 3,076,381
Cost of Operations	398,072	2,499,544	(14,237)	(134,167)	2,749,212
Gross Profit	58,660	254,272	14,237		327,169
General and Administrative Expenses	55,178	136,895	1,449		193,522
INCOME (LOSS) FROM CONSTRUCTION OPERATIONS	3,482	117,377	12,788		133,647
Equity in Earnings of Subsidiaries	80,944			(80,944)	
Other Income (Expense), net	(14,859)	926	384		(13,549)
Interest Expense	(31,500)	(2,490)			(33,990)
Income (loss) before Income Taxes	38,067	115,813	13,172	(80,944)	86,108
(Provision) Credit for Income Taxes	15,970	(43,135)	(4,906)		(32,071)
NET (LOSS) INCOME	\$ 54,037	\$ 72,678	\$ 8,266	\$ (80,944)	\$ 54,037
Other Comprehensive Income:					
Other Comprehensive Income of Subsidiaries	(1,147)			1,147	
Foreign currency translation		(622)			(622)
Change in fair value of investments		(525)			(525)
Change in fair value of interest rate swap	465				465
Total Other Comprehensive Loss	(682)	(1,147)		1,147	(682)
Total Comprehensive Income	\$ 53,355	\$ 71,531	\$ 8,266	\$ (79,797)	\$ 53,355



Table of Contents**CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS (UNAUDITED)****NINE MONTHS ENDED SEPTEMBER 30, 2012****(in thousands)**

	<b>Tutor Perini Corporation</b>	<b>Guarantor Subsidiaries</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Total Consolidated</b>
Revenues	\$ 276,633	\$ 2,764,764	\$	\$ (44,124)	\$ 2,997,273
Cost of Operations	242,954	2,521,009	(11,249)	(44,124)	2,708,590
Gross Profit	33,679	243,755	11,249		288,683
General and Administrative Expenses	53,579	139,465	1,600		194,644
Goodwill and Intangible Assets Impairment		376,574			376,574
INCOME (LOSS) FROM CONSTRUCTION OPERATIONS	(19,900)	(272,284)	9,649		(282,535)
Equity in Earnings of Subsidiaries	(273,177)			273,177	
Other Income (Expense), net	(1,484)	119	684		(681)
Interest Expense	(29,817)	(2,907)			(32,724)
Income (loss) before Income Taxes	(324,378)	(275,072)	10,333	273,177	(315,940)
(Provision) Credit for Income Taxes	17,343	(4,201)	(4,237)		8,905
NET (LOSS) INCOME	\$ (307,035)	\$ (279,273)	\$ 6,096	\$ 273,177	\$ (307,035)
Other Comprehensive Income:					
Other Comprehensive Income of Subsidiaries	627			(627)	
Tax adjustment on minimum pension liability	(841)				(841)
Foreign currency translation		419			419
Change in fair value of investments		208			208
Change in fair value of interest rate swap	(1,196)				(1,196)
Realized loss on sale of investments recorded in net income (loss)	2,005				2,005
Total Other Comprehensive (Loss) Income	595	627		(627)	595
Total Comprehensive Income	\$ (306,440)	\$ (278,646)	\$ 6,096	\$ 272,550	\$ (306,440)

Table of Contents

## CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS (UNAUDITED)

NINE MONTHS ENDED SEPTEMBER 30, 2013

(in thousands)

	Tutor Perini Corporation	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Total Consolidated
<b>Cash Flows from Operating Activities:</b>					
Net (loss) income	\$ 54,037	\$ 72,678	\$ 8,266	\$ (80,944)	\$ 54,037
Adjustments to reconcile net income to net cash from operating activities:					
Depreciation and amortization	5,341	36,222	203		41,766
Equity in earnings of subsidiaries	(80,944)			80,944	
Stock-based compensation expense	6,597				6,597
Excess income tax benefit from stock-based compensation	(356)				(356)
Deferred income taxes	(549)	46			(503)
(Gain) loss on sale of property and equipment	(220)				(220)
Other non-cash items	1,468	(1,024)			444
Other long-term liabilities	18,723	(846)			17,877
Changes in other components of working capital	34,877	(123,003)	(42,574)		(130,700)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	\$ 38,974	\$ (15,927)	\$ (34,105)	\$	\$ (11,058)
<b>Cash Flows from Investing Activities:</b>					
Acquisition of property and equipment	(19,189)	(20,621)			(39,810)
Proceeds from sale of property and equipment	222	2,329			2,551
Change in restricted cash	6,780	186	(15,715)		(8,749)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	\$ (12,187)	\$ (18,106)	\$ (15,715)	\$	\$ (46,008)
<b>Cash Flows from Financing Activities:</b>					
Proceeds from debt	541,544	29,741			571,285
Repayment of debt	(513,912)	(22,315)			(536,227)
Business acquisition related payments	(17,716)				(17,716)
Excess income tax benefit from stock-based compensation	356				356
Issuance of common stock and effect of cashless exercise	(786)				(786)
Increase (decrease) in intercompany advances	(20,104)	(19,966)	40,070		
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	\$ (10,618)	\$ (12,540)	\$ 40,070	\$	\$ 16,912
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	16,169	(46,573)	(9,750)		(40,154)
<b>Cash and Cash Equivalents at Beginning of Year</b>	64,663	74,385	29,008		168,056
<b>Cash and Cash Equivalents at End of Period</b>	\$ 80,832	\$ 27,812	\$ 19,258	\$	\$ 127,902



Table of Contents

## CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS (UNAUDITED)

NINE MONTHS ENDED SEPTEMBER 30, 2012

(in thousands)

	Tutor Perini Corporation	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Total Consolidated
<b>Cash Flows from Operating Activities:</b>					
Net (loss) income	\$ (307,035)	\$ (279,273)	\$ 6,096	\$ 273,177	\$ (307,035)
Adjustments to reconcile net income to net cash from operating activities:					
Goodwill and intangible assets impairment		376,574			376,574
Depreciation and amortization	3,815	42,657	204		46,676
Equity in earnings of subsidiaries	273,177			(273,177)	
Stock-based compensation expense	7,424				7,424
Deferred income taxes	(37,810)	(4,198)			(42,008)
Adjustment of interest rate swap to fair value	264				264
Loss on sale of investments	2,699				2,699
(Gain) Loss on sale of property and equipment		509			509
Other non-cash items	(524)	78			(446)
Other long-term liabilities	(5,826)	(2,573)			(8,399)
Changes in other components of working capital	62,007	(180,925)	14,783		(104,135)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	\$ (1,809)	\$ (47,151)	\$ 21,083	\$	\$ (27,877)
<b>Cash Flows from Investing Activities:</b>					
Acquisition of property and equipment	(12,332)	(21,405)			(33,737)
Proceeds from sale of property and equipment	500	11,250			11,750
Investments in available-for-sale securities		(535)			(535)
Proceeds from sale of available-for-sale securities	16,553				16,553
Change in restricted cash	(3,241)	(22)			(3,263)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	\$ 1,480	\$ (10,712)	\$	\$	\$ (9,232)
<b>Cash Flows from Financing Activities:</b>					
Proceeds from debt	531,618	(20,039)			511,579
Repayment of debt	(486,426)	883			(485,543)
Business acquisition related payments	(10,090)				(10,090)
Issuance of common stock and effect of cashless exercise	(307)				(307)
Debt issuance costs	(1,993)				(1,993)
Increase (decrease) in intercompany advances	(73,471)	74,831	(1,360)		
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	\$ (40,669)	\$ 55,675	\$ (1,360)	\$	\$ 13,646
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(40,998)	(2,188)	19,723		(23,463)

Edgar Filing: TUTOR PERINI Corp - Form 10-Q

<b>Cash and Cash Equivalents at Beginning of Year</b>	134,936	52,492	16,812	204,240
<b>Cash and Cash Equivalents at End of Period</b>	\$ 93,938	\$ 50,304	\$ 36,535	\$ 180,777

Table of Contents

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

The following discusses our financial position at September 30, 2013, and the results of our operations for the three and nine months ended September 30, 2013 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, 2012.

**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 four basic segments or operations: Civil, Building, Specialty Contractors and Management Services. 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, building and management services construction projects in the industrial, commercial, hospitality and gaming, and transportation end markets, among others. Our Management Services segment provides diversified construction and design-build services to the U.S. military and federal government agencies, as well as to surety companies and multi-national corporations in the United States and overseas.

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 non-residential building projects will support our long-term backlog growth. We have continued to experience strong contributions from our Civil segment consistent with our focus on obtaining higher-margin public works projects. We expect to continue to leverage our increased self-performance and schedule control capabilities to obtain additional large-scale Civil and Building awards. We continue to capitalize on this leadership position as evidenced by our September 30, 2013 contract backlog of \$6.9 billion, an increase of \$1.3 billion from \$5.6 billion as of December 31, 2012. We have received several recent significant new awards and continue to have a large volume of pending awards, including (i) our \$511 million share of the joint venture California High-Speed Rail design-build project; (ii) two Wisconsin highway construction contracts collectively valued at \$191 million; (iii) a \$47 million transit station electrical subcontract; (iv) two projects in Guam—a military housing renovation project and an airport retail/boutique interior finishing project—collectively valued at \$36 million; (v) a \$600 million pending award for construction of a concrete platform at Hudson Yards; and (vi) a \$41 million pending award for a landfill closure and sewer construction project in Guam.

Edgar Filing: TUTOR PERINI Corp - Form 10-Q

We continue our strategic focus on growing our business by pursuing and obtaining large complex public works projects.

Edgar Filing: TUTOR PERINI Corp - Form 10-Q

Table of Contents

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

	Consolidated Results of Operations						
	Three months ended		% Change Favorable (Unfavorable) 2013 vs. 2012	Nine months ended		% Change Favorable (Unfavorable) 2013 vs. 2012	
	September 30, 2013	2012		September 30, 2013	2012		
	(In thousands)			(In thousands)			
Revenues	\$ 1,030,388	\$ 1,099,393	(6.3)%	\$ 3,076,381	\$ 2,997,273	2.6%	
Cost of operations	909,531	983,930	7.6%	2,749,212	2,708,590	(1.5)%	
Gross profit	120,857	115,463	4.7%	327,169	288,683	13.3%	
General and administrative expenses	62,763	60,787	(3.3)%	193,522	194,644	0.6%	
Goodwill and intangible asset impairment					376,574		
Income from construction operations	58,094	54,676	6.3%	133,647	(282,535)	147.3%	
Other income (expense), net	(9,488)	545	(1,840.9)%	(13,549)	(681)	(1,889.6)%	
Interest expense	(11,571)	(11,039)	(4.8)%	(33,990)	(32,724)	(3.9)%	
Income (loss) before income taxes	37,035	44,182	(16.2)%	86,108	(315,940)	127.3%	
(Provision) benefit for income taxes	(13,276)	(1,591)	(734.4)%	(32,071)	8,905	(460.1)%	
Net income (loss)	\$ 23,759	\$ 42,591	(44.2)%	\$ 54,037	\$ (307,035)	117.6%	

	Consolidated Results of Operations			
	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
	(As a percentage of Revenues)			
Revenues	100.0%	100.0%	100.0%	100.0%
Cost of operations	88.3%	89.5%	89.4%	90.4%
Gross profit	11.7%	10.5%	10.6%	9.6%
General and administrative expenses	6.1%	5.5%	6.3%	6.5%
Goodwill and intangible asset impairment	0.0%	0.0%	0.0%	12.5%
Income from construction operations	5.6%	5.0%	4.3%	(9.4)%
Other income (expense), net	(0.9)%	0.0%	(0.4)%	0.0%
Interest expense	(1.1)%	(1.0)%	(1.1)%	(1.1)%
Income (loss) before income taxes	3.6%	4.0%	2.8%	(10.5)%
(Provision) benefit for income taxes	(1.3)%	(0.1)%	(1.0)%	0.3%
Net income (loss)	2.3%	3.9%	1.8%	(10.2)%

Revenues were \$1,030.4 million and \$3,076.4 million for the three and nine months ended September 30, 2013, respectively, as compared to \$1,099.4 million and \$2,997.3 million for the same periods in 2012. Income from construction operations was \$58.1 million and \$133.6 million for the three and nine months ended September 30, 2013, respectively, as compared to income from construction operations of \$54.7 million and loss from construction operations of \$282.5 million for the same periods in 2012. Our loss from construction operations of \$282.5 million for the nine months ended September 30, 2012 was materially impacted by a \$376.6 million goodwill and intangible asset impairment charge (\$339.2 million after-tax) due primarily to a deterioration in broader market conditions, degradation in the timing of projected cash flows used to derive the fair value, and a sustained decrease in the Company's stock price, causing its market capitalization to be substantially less than its carrying value. Net income was \$23.8 million and \$54.0 million for the three and nine months ended September 30, 2013, respectively, as compared to net income of \$42.6 million and net loss of \$307.0 million for the same periods in 2012. Basic and diluted earnings per share were \$0.50 and \$0.49, respectively, for the three months ended September 30, 2013, as compared to basic and diluted earnings per share of \$0.90 and \$0.88,



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

respectively, for the three months ended September 30, 2012. Basic and diluted earnings per share were \$1.13 and \$1.11, respectively, for the nine months ended September 30, 2013, as compared to basic and diluted loss per share of \$6.47 and \$6.47, respectively, for the nine months ended September 30, 2012. Excluding the \$339.2 million after-tax goodwill and intangible asset impairment charge in the second quarter of 2012, \$3.6 million in discrete tax expense adjustments and a \$2.7 million pre-tax loss on the sale of certain auction rate securities, both of which were recognized in the first quarter of 2012, net income and diluted earnings per share for the three and nine months ended September 30, 2012 were \$25.8 million, or \$0.54, and \$37.4 million, or \$0.78, respectively. Net income and diluted earnings per share excluding these adjustments are non-GAAP financial measures, which are discussed below and are reconciled to the most directly comparable GAAP measures.

Table of Contents

Revenues decreased by \$69.0 million, or 6.3%, and increased by \$79.1 million or 2.6%, during the three and nine months ended September 30, 2013, respectively, as compared to the same periods in 2012. The decrease in revenues for the three months ended September 30, 2013 was primarily driven by reduced activity on certain large healthcare and office facility projects in California. The increase in revenues for the nine months ended September 30, 2013 was primarily driven by increased activity in certain hospitality and gaming projects in California, Arizona and Nevada. Net income decreased by \$18.8 million, or 44.2%, and increased by \$361.1 million, or 117.6%, during the three and nine months ended September 30, 2013, respectively, as compared to the same periods in 2012. The increase in net income for the nine months ended September 30, 2013 was primarily driven by a \$376.6 million goodwill and intangible asset impairment charge (\$339.2 million after-tax) during the same period in 2012. The decrease in net income for the three months ended September 30, 2012 was primarily driven by a \$16.8 million tax benefit associated with this impairment charge. Excluding the impairment charge and other discrete items discussed above, the decrease in net income for the three months ended September 30, 2013 was primarily driven by reduced activity on certain large healthcare and office facility projects in California, and the increase in net income for the nine months ended September 30, 2013 was primarily driven by strong operating performance in the Civil segment, and Hurricane Sandy-related projects performed in the first quarter in New York.

At September 30, 2013, working capital was \$820.8 million, an increase of \$73.2 million from \$747.6 million at December 31, 2012.

Non-GAAP Measures

Our consolidated financial statements are presented based on GAAP. We sometimes use non-GAAP measures of income from operations, net income, earnings per share and other measures that we believe are appropriate to enhance an overall understanding of our historical financial performance and future prospects. We are providing these non-GAAP measures to disclose additional information to facilitate the comparison of past and present operations, and they are among the indicators management uses as a basis for evaluating the Company's financial performance as well as for forecasting future periods. For these reasons, management believes these non-GAAP measures can be useful operating performance measures to be considered by investors, prospective investors and others. These non-GAAP measures are not intended to replace the presentation of our financial results in accordance with GAAP, and they may not be comparable to other similarly titled measures of other companies.

Table of Contents

The following table is a reconciliation of reported income from construction operations, net income (loss), and diluted earnings (loss) per share under GAAP to income from operations, net income and diluted earnings per share for the three and nine months ended September 30, 2012 and 2013, excluding discrete items. Included in discrete items is the impact of the following one-time expenses (benefits): (i) the \$339.2 million after-tax impairment charge during the second quarter of 2012; (ii) the \$2.7 million realized loss on the sale of auction rate securities in the first quarter of 2012; and (iii) \$3.6 million of discrete tax expense items related to an increase in unrecognized tax benefits and an adjustment, both associated with certain stock-based compensation items identified during the first quarter of 2012.

(in thousands, except per share data)	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Reported net income (loss)	\$ 23,759	\$ 42,591	\$ 54,037	\$ (307,035)
Plus: Impairment charge				376,574
Less: Tax benefit provided on impairment charge		(16,771)		(37,424)
Plus: Realized loss on sale of investments				2,699
Less: Tax benefits provided on realized sale of investments				(1,057)
Plus: Discrete tax adjustments				3,649
Net income, excluding discrete items	\$ 23,759	\$ 25,820	\$ 54,037	\$ 37,406
Reported diluted income (loss) per common share	\$ 0.49	\$ 0.88	\$ 1.11	\$ (6.47)
Plus: Impairment charge, net of tax benefit		(0.34)		7.14
Plus: Realized loss on sale of investments				0.03
Plus: Discrete tax adjustments				0.08
Diluted earnings per common share, excluding discrete items	\$ 0.49	\$ 0.54	\$ 1.11	\$ 0.78

Table of Contents**Backlog Analysis**

Our backlog of uncompleted construction work at September 30, 2013 was approximately \$6.9 billion compared to \$5.6 billion at December 31, 2012. During the first nine months of 2013, we booked a number of pending awards into backlog across each of our business segments and had significant adjustments to existing contracts. Significant new award bookings in the third quarter of 2013 included our \$511 million share of the joint venture California High-Speed Rail design-build project, two Wisconsin highway construction contracts collectively valued at \$191 million, a \$47 million transit station electrical subcontract, and a \$24 million military housing renovation project in Guam. The increase in our overall backlog was partially offset by reduced backlog in our Building segment associated primarily with continued activity on existing healthcare, hospitality and gaming, and courthouse projects.

In addition to our existing backlog, we continue to have a significant volume of pending contract awards, including up to \$3 billion in various future phases of the Hudson Yards project and various other contracts that we anticipate booking into backlog over the next several quarters as the contracts for these 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.

Our backlog of uncompleted construction work at September 30, 2013 was approximately \$6.9 billion compared to \$5.6 billion at December 31, 2012.

The following table provides an analysis of our backlog by business segment for the nine months ended September 30, 2013.

	Backlog at December 31, 2012	New Business Awarded (1)	Revenues Recognized	Backlog at September 30, 2013
	(in millions)			
Building	\$ 1,964.9	\$ 1,030.3	\$ (1,146.3)	\$ 1,848.9
Civil	1,774.0	2,234.2	(929.9)	3,078.3
Specialty Contractors	1,507.3	1,038.0	(873.5)	1,671.8
Management Services	357.4	72.8	(126.7)	303.5
Total	\$ 5,603.6	\$ 4,375.3	\$ (3,076.4)	\$ 6,902.5

(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, 2012. Our critical accounting policies are also identified and discussed in Item 7.

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

*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, 2012.

### ***Recently Issued Accounting Pronouncements***

Table of Contents

In January 2013, the FASB issued ASU 2013-01, which clarifies which instruments and transactions are subject to the offsetting disclosure requirements established by ASU 2011-11 *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities*. ASU 2013-01 is effective for the fiscal years beginning on or after January 1, 2013, and interim periods within. Retrospective application is required for any period presented that begins before the entity's initial application of the new requirements. The adoption of this guidance did not have a material impact on our consolidated financial statements.

In February 2013, the FASB issued ASU 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*, an amendment to FASB ASC Topic 220, *Comprehensive Income*. The update requires disclosure of amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement of operations or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required to be reclassified to net income in its entirety in the same reporting period. For amounts not reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures that provide additional detail about those amounts. This ASU is effective prospectively for fiscal years, and interim periods within those years beginning after December 15, 2012. The adoption of this guidance did not have a material impact on our consolidated financial statements.

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. We are currently evaluating the impact of this guidance on our consolidated 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. Early adoption and retrospective application is permitted. We are currently evaluating the potential impact of this adoption on our consolidated financial statements.

*Use of and changes in estimates*

Our construction business involves making significant estimates and assumptions in the normal course of business relating to our contracts and our joint venture contracts. Management focuses on evaluating the performance of contracts individually. These estimates and assumptions 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. We use the cumulative catch-up method applicable to construction contract accounting to account for revisions in estimates. The impact on operating margin in a reporting period and future periods from a change in estimate will depend on the stage of contract completion. During the three and nine months ended September 30, 2013, our results of operations were impacted by \$9.7 million and \$11.5 million, respectively, of increases in the estimated recovery projected for a Building segment project due to changes in facts and circumstances that occurred during those periods. These changes in estimates resulted in increases of \$9.7 million and \$11.5 million in income from construction operations, \$6.2 million and \$7.2 million in net income and \$0.13 and \$0.15 in diluted earnings per common share during the three and nine months ended September 30, 2013, respectively. During both the three and nine months ended September 30, 2012, our results of operations were impacted by a \$12.4 million increase in the estimated recovery projected for a large hospitality and gaming project which was primarily driven by changes in cost recovery assumptions based on evidence presented during the period. Excluding the discrete items that impacted our estimated tax rate during 2012, this change in estimate resulted in increases of \$12.4 million in income from construction operations, \$7.2

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

million in net income, and \$0.15 in diluted earnings per common share during both the three and nine months ended September 30, 2012. These changes were the only changes in estimates considered material to our results of operations during the periods presented herein.

Table of Contents**Results of Operations*****Revenues***

The following table summarizes our revenues by business segment:

(dollars in millions)	Revenues for the		\$ Change	% Change
	Three months ended September 30, 2013	2012		
Building	\$ 330.8	\$ 391.0	\$ (60.2)	(15.4)%
Civil	375.5	346.3	29.2	8.4%
Specialty Contractors	287.6	315.3	(27.7)	(8.8)%
Management Services	36.5	46.8	(10.3)	(22.0)%
Total	\$ 1,030.4	\$ 1,099.4	\$ (69.0)	(6.3)%

(dollars in millions)	Revenues for the		\$ Change	% Change
	Nine months ended September 30, 2013	2012		
Building	\$ 1,146.3	\$ 1,062.1	\$ 84.2	7.9%
Civil	929.9	919.4	10.5	1.1%
Specialty Contractors	873.5	858.6	14.9	1.7%
Management Services	126.7	157.2	(30.5)	(19.4)%
Total	\$ 3,076.4	\$ 2,997.3	\$ 79.1	2.6%

**Building Segment**

Building segment revenues decreased by \$60.2 million, or 15.4% during the three months ended September 30, 2013 as compared to the same period in 2012. The decrease in revenues during the three months ended September 30, 2013 was primarily driven by reduced activity on several large healthcare and office facility projects in California as well as the substantial completion of certain hospitality and gaming projects in the southern U.S. This decrease was partially offset by increased activity on certain courthouse projects in California and Florida and on the South Tower at Hudson Yards in New York.

Building segment revenues increased by \$84.2 million, or 7.9%, during the nine months ended September 30, 2013 as compared to the same period in 2012. The increase in revenues during the nine months ended September 30, 2013 was primarily driven by increased activity on hospitality and gaming projects in California, Arizona and Nevada, and courthouse projects in California and Florida. This increase was partially offset by the substantial completion of several building projects in the southern U.S. in 2012 and reduced activity on several large healthcare facility projects in California.

**Civil Segment**



Civil segment revenues increased by \$29.2 million, or 8.4% during the three months ended September 30, 2013 as compared to the same period in 2012. The increase in revenues during the three months ended September 30, 2013 was primarily driven by the start-up of certain rail transportation projects in California and a concrete tunnel project at Hudson Yards in New York, as well as increased activity on pipeline projects in the Midwest. This increase was partially offset by the substantial completion of a bridge rehabilitation project in New York and reduced activity on a large tunnel project in California.

Civil segment revenues increased by \$10.5 million, or 1.1%, during the nine months ended September 30, 2013 as compared to the same period in 2012. The increase in revenues during the nine months ended September 30, 2013 was primarily driven by the start-up of certain rail transportation projects in California, increased activity on pipeline projects in the Midwest, a large tunnel project in Washington, and an airport runway expansion project in Florida. This increase was partially offset by the substantial completion of a bridge rehabilitation project in New York and reduced activity on a large tunnel project in California and several smaller civil and mining projects in the Midwest and East Coast.

Table of ContentsSpecialty Contractors Segment

Specialty Contractors segment revenues decreased by \$27.7 million, or 8.8%, during the three months ended September 30, 2013 as compared to the same period in 2012. The decrease in revenues during the three months ended September 30, 2013 was primarily driven by reduced activity on several electrical projects in New York.

Specialty Contractors segment revenues increased by \$14.9 million, or 1.7%, during the nine months ended September 30, 2013 as compared to the same period in 2012. The increase in revenues during the nine months ended September 30, 2013 was primarily driven by increased activity on various smaller electrical projects in the southern U.S. and work performed in connection with damage caused by Hurricane Sandy. This increase was partially offset by reduced activity on various electrical and mechanical subcontracts in New York.

Management Services Segment

Management Services segment revenues decreased by \$10.3 million, or 22.0%, and \$30.5 million, or 19.4%, during the three and nine months ended September 30, 2013, respectively, as compared to the same periods in 2012. The decreases in revenues during the three and nine months ended September 30, 2013 were primarily driven by reduced activity on a containerized housing project in Iraq, as well as reduced activity on several surety projects. These decreases were partially offset by increased activity on an aircraft parking apron project in Guam.

***Income (Loss) from Construction Operations***

The following tables summarize our income (loss) from construction operations by business segment:

**Income from Construction Operations  
and Operating Margins**

(dollars in millions)	Three months ended September 30,				Change in		
	2013		2012		Amount	%	Margin
	Amount	Margin	Amount	Margin	\$		%
Building	\$ 13.6	4.1%	\$ 20.9	5.3%	\$ (7.3)	(34.9)%	(1.2)%
Civil	47.5	12.6%	26.3	7.6%	21.2	80.6%	5.0%
Specialty Contractors	9.3	3.2%	14.2	4.5%	(4.9)	(34.5)%	(1.3)%
Management Services	1.3	3.6%	2.8	6.0%	(1.5)	(53.6)%	(2.4)%
	71.7	7.0%	64.2	5.8%	7.5	11.7%	1.2%
Corporate	(13.6)	(1.4)%	(9.5)	(0.8)%	(4.1)	(43.2)%	(0.6)%
Income from construction operations	\$ 58.1	5.6%	\$ 54.7	5.0%	\$ 3.4	6.2%	0.6%



Table of Contents

**Income (Loss) from Construction Operations**  
**and Operating Margins before**  
**Impairment Charges**

(dollars in millions)	Nine months ended September 30,				Change in		
	2013		2012		Amount	%	Margin
	Amount	Margin	Amount	Margin	\$		%
Building	\$ 20.8	1.8%	\$ (2.5)	(0.2)%	\$ 23.3	932.0%	2.0%
Civil	98.3	10.6%	68.9	7.5%	29.4	42.7%	3.1%
Specialty Contractors	44.6	5.1%	53.8	6.3%	(9.2)	(17.1)%	(1.2)%
Management Services	6.3	5.0%	6.6	4.2%	(0.3)	(4.5)%	0.8%
	170.0	5.5%	126.8	4.2%	43.2	34.1%	1.3%
Corporate	(36.4)	(1.2)%	(32.7)	(1.1)%	(3.7)	(11.3)%	(0.1)%
Income from construction operations before impairment charges	\$ 133.6	4.3%	\$ 94.1	3.1%	\$ 39.5	42.0%	1.2%
<b>Goodwill and intangible asset impairment:</b>							
Building			282.6				
Civil			65.5				
Specialty Contractors			11.5				
Management Services			17.0				
			376.6				
Income (loss) from construction operations	\$ 133.6		\$ (282.5)				

The following discussion of income (loss) from construction operations by business segment for the three and nine months ended September 30, 2013 and 2012 has been prepared on a pre-impairment charge basis in order to better compare normal operating results of each segment between the two periods. Since the impairment charge impacts 2012 only and does not affect revenues, cost of operations or general and administrative expenses we incur to conduct our day-to-day construction operations, management believes the following discussion, analysis and comparison of 2013 and 2012 operating results is more meaningful.

Building Segment

Building segment income from construction operations decreased by \$7.3 million, or 34.9%, during the three months ended September 30, 2013, as compared to the same period in 2012. The decrease in income from construction operations during the three months ended September 30, 2013 was primarily driven by the decrease in volume discussed in *Revenues* above, as well as increases in estimated recoveries on certain large healthcare and condominium projects in 2012 based on changes in facts and circumstances surrounding those projects that occurred during that period.

Building segment income from construction operations increased by \$23.3 million, or 932.0%, during the nine months ended September 30, 2013, as compared to the same period in 2012. The increase in income from construction operations during the nine months ended September 30, 2013 was primarily driven by the increase in volume discussed in *Revenues* above, first-quarter contributions from Hurricane

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

Sandy-related projects, certain unrecoverable costs incurred in the second quarter of 2012 related to an educational facility in Alabama, and a decrease in general and administrative expenses for the nine months ended September 30, 2013 due primarily to staffing reductions and increased staff utilization.

Building segment operating margin decreased from 5.3% to 4.1% during the three months ended September 30, 2013, and increased from (0.2)% to 1.8% during the nine months ended September 30, 2012, respectively, due primarily to the above-mentioned reasons.

Table of Contents

Civil Segment

Civil segment income from construction operations increased by \$21.2 million, or 80.6%, and \$29.4 million, or 42.7%, during the three and nine months ended September 30, 2013, respectively, as compared to the same periods in 2012. The increases were primarily driven by the increased volume discussed in *Revenues* above.

Civil segment operating margins increased from 7.6% and 7.5% during the three and nine months ended September 30, 2012, respectively, to 12.6% and 10.6% for the same periods in 2013 due primarily to the above-mentioned reasons.

Specialty Contractors Segment

Specialty Contractors segment income from construction operations decreased by \$4.9 million, or 34.5%, and by \$9.2 million, or 17.1%, during the three and nine months ended September 30, 2013, respectively, as compared to the same periods in 2012. The decreases were primarily driven by favorable productivity in 2012 on several electrical and mechanical projects in New York, as well as changes to certain project cost estimates associated with execution issues on various smaller concrete placement projects. For the nine months ended September 30, 2013, this decrease was partially offset by work performed in connection with damage caused by Hurricane Sandy and a favorable settlement in the second quarter of 2013 related to a large hospitality and gaming electrical subcontract.

Specialty Contractors segment operating margin decreased from 4.5% and 6.3% during the three and nine months ended September 30, 2012, respectively, to 3.2% and 5.1% for the same periods in 2013 due primarily to the above-mentioned reasons.

Management Services Segment

Management Services segment income from construction operations decreased by \$1.5 million, or 53.6%, and \$0.3 million, or 4.5%, during the three and nine months ended September 30, 2013, respectively, as compared to the same periods in 2012. The decreases were primarily driven by the reduction in volume discussed above in *Revenues* above, partially offset by favorable productivity on an aircraft parking apron project in Guam and related favorable adjustments to certain project cost estimates.

Management Services segment operating margin decreased from 6.0% to 3.6%, and increased from 4.2% to 5.0% during the three and nine months ended September 30, 2013, respectively, as compared to the same periods in 2012. The decrease in operating margin during the three months ended September 30, 2013 was primarily driven by favorable productivity in 2012 on a containerized housing project in Iraq and on an airport runway project in Kosrae. The increase in operating margin during the nine months ended September 30, 2013 was primarily driven by favorable productivity on an aircraft parking apron project in Guam.

Corporate

Corporate general and administrative expenses increased by \$4.1 million, or 43.2%, and by \$3.7 million, or 11.3% during the three and nine months ended September 30, 2013, respectively, as compared to the same periods in 2012. The increases in corporate general and administrative expenses during the three and nine months ended September 30, 2013 were primarily driven by increased performance-based incentive compensation expense and expenses associated with the implementation of a new enterprise resource planning (ERP) system.

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

(dollars in millions)	September 30, 2013	September 30, 2012	\$ Change	% Change
<b>Three months ended</b>				
Other income (expense), net	\$ (9.5)	\$ 0.5	\$ (10.0)	(2,000.0)%
Interest expense	11.6	11.0	0.6	5.5%
Provision (benefit) for income taxes	13.3	1.6	11.7	731.3%

(dollars in millions)	September 30, 2013	September 30, 2012	\$ Change	% Change
<b>Nine months ended</b>				
Other income (expense), net	\$ (13.5)	\$ (0.7)	\$ (12.8)	(1,828.6)%
Interest expense	34.0	32.7	1.3	4.0%
Provision (benefit) for income taxes	32.1	(8.9)	41.0	460.7%

Other income decreased by \$10.0 million and \$12.8 million during the three and nine months ended September 30, 2013, respectively, as compared to the same periods in 2012, due primarily to a net increase in certain business acquisition-related liabilities in 2013, partially offset by a loss of \$2.7 million on the sale of a portion of our auction rate securities in the first quarter of 2012.

Interest expense remained flat at \$11.6 million and \$34.0 million for the three and nine months ended September 30, 2013, respectively, as compared to \$11.0 million and \$32.7 million for the same periods in 2012.

Provision for income taxes was \$13.3 million and \$32.1 million for the three and nine months ended September 30, 2013, respectively, as compared to income tax provision of \$1.6 million and benefit of \$8.9 million for the three and nine months ended September 30, 2012. The effective income tax rate was 35.8% and 37.2% for the three and nine months ended September 30, 2013, respectively, as compared to 3.6% and 2.8% for the same periods in 2012. The increase in the effective tax rate for the three and nine months ended September 30, 2013, as compared to the same periods in 2012, was primarily due to the \$376.6 million impairment charge in the second quarter of 2012 and discrete items. The income tax expense for the three and nine months ended September 30, 2013 of \$13.3 million and \$32.1 million, respectively, include discrete items of \$(1.1) million related mainly to favorable federal and state audit settlements, and \$(1.2) million related to 2012 return true-up adjustments, compared to no discrete items for the third quarter of 2012 and \$3.6 million for the first nine months of 2012, related mainly to stock-based compensation items.

Liquidity and Capital Resources*Cash and Working Capital*

At September 30, 2013 and December 31, 2012, cash held by us and available for general corporate purposes was \$35.0 million and \$70.8 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 \$92.9 million and \$97.3 million at September 30, 2013 and December 31, 2012, respectively, and our



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

restricted cash was \$47.5 million and \$38.7 million at September 30, 2013 and December 31, 2012, 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.

Table of Contents

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 nine months ended September 30, 2013 and 2012 is set forth below:

(dollars in millions)	Nine Months Ended September 30,	
	2013	2012
Cash flows from:		
Operating activities	\$ (11.0)	\$ (27.9)
Investing activities	(46.0)	(9.2)
Financing activities	16.9	13.7
Net decrease in cash	(40.1)	(23.4)
Cash at beginning of year	168.0	204.2
Cash at end of period	\$ 127.9	\$ 180.8

During the nine months ended September 30, 2013, we used \$11.0 million in cash to fund operating activities, due primarily to cash paid for interest and taxes and payments made related to the Brightwater matter, offset by payments received related to the CityCenter matter. We used \$46.0 million in cash from investing activities, due primarily to the purchase of construction equipment of \$39.8 million and an increase of \$8.7 million in restricted cash. We received \$16.9 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 September 30, 2013, we had working capital of \$820.8 million, a ratio of current assets to current liabilities of 1.61 to 1.00, and a ratio of debt to equity of 0.65 to 1.00 compared to working capital of \$747.6 million, a ratio of current assets to current liabilities of 1.61 to 1.00 and a ratio of debt to equity of 0.64 to 1.00 at December 31, 2012.

***Long-term Investments***

At September 30, 2013, 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***

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

Debt was \$777.5 million at September 30, 2013, an increase of \$40.4 million from \$737.1 million at December 31, 2012, due primarily to a net increase in borrowings of \$57.8 million on our revolving line of credit partially offset by net principal payments of \$17.4 million on other long-term debt. We utilized the revolving facility for outstanding letters of credit in the amount of \$0.2 million. Accordingly, at September 30, 2013, we had \$122.0 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.

Table of Contents

Excluding the outstanding borrowings of \$177.8 million on our revolving line of credit, the unsecured senior notes of \$298.4 million and our \$200 million term loan (which had been paid down to \$125.0 million at September 30, 2013 from \$152.5 million at December 31, 2012), the remaining balance of \$176.3 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 September 30, 2013 compared to 0.64 to 1.00 as of December 31, 2012.

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 nine months ended September 30, 2013.

***Off-Balance Sheet Arrangements***

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

**Forward-looking Statements**

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

- our ability to win new contracts and convert backlog into revenue;
- our ability to successfully and timely complete construction projects;

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

- 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, 2012 filed with the Securities and Exchange Commission on February 25, 2013.

Table of Contents

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, 2012, filed with the Securities and Exchange Commission on February 25, 2013.

**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.

**Part II. - Other Information**

**Item 1. Legal Proceedings**

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

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, 2012. 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, 2012. There have been no material changes from those risk factors during the nine months ended September 30, 2013.

Table of Contents

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

There were no repurchases by the Company of its equity securities during the nine months ended September 30, 2013. The Company acquired 59,813 shares from seven employees in connection with the settlement of income tax and related benefit withholding obligations arising from vesting in restricted stock units.

**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.

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 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.
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: November 4, 2013

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