

TUTOR PERINI Corp
Form 10-K
February 24, 2014
[Table of Contents](#)

FORM 10-K

United States Securities and Exchange Commission

Washington, DC 20549

(Mark One)

- Annual Report Pursuant to Section 13 or 15(d) of the Securities Act of 1934.

For the fiscal year ended December 31, 2013.

- Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the transition period from -to- .

Commission File No. 1-6314

Tutor Perini Corporation

(Exact name of registrant as specified in its charter)

Massachusetts
(State of Incorporation)

04-1717070
(IRS Employer Identification No.)

Edgar Filing: TUTOR PERINI Corp - Form 10-K

15901 Olden Street, Sylmar, California
(Address of principal executive offices)

91342
(Zip Code)

(818) 362-8391
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of each exchange on which registered
Common Stock, \$1.00 par value	The New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 definition of "accelerated filer", "large 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
(Do not check if a smaller reporting company)

Edgar Filing: TUTOR PERINI Corp - Form 10-K

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

The aggregate market value of voting Common Stock held by non-affiliates of the registrant was \$685,752,880 as of June 28, 2013, the last business day of the registrant's most recently completed second fiscal quarter.

The number of shares of Common Stock, \$1.00 par value per share, outstanding at February 19, 2014 was 48,421,467.

Documents Incorporated by Reference

Portions of the definitive proxy statement relating to the registrant's annual meeting of stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

Table of Contents

TUTOR PERINI CORPORATION

2013 ANNUAL REPORT ON FORM 10-K

TABLE OF CONTENTS

	PAGE
<u>PART I</u>	
<u>Item 1</u>	<u>Business</u> 3 16
<u>Item 1A</u>	<u>Risk Factors</u> 17 26
<u>Item 1B</u>	<u>Unresolved Staff Comments</u> 27
<u>Item 2</u>	<u>Properties</u> 27
<u>Item 3</u>	<u>Legal Proceedings</u> 28
<u>Item 4</u>	<u>Mine Safety Disclosures</u> 28
<u>PART II</u>	
<u>Item 5</u>	<u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u> 29
<u>Item 6</u>	<u>Selected Financial Data</u> 30 31
<u>Item 7</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> 32 54
<u>Item 7A</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u> 55
<u>Item 8</u>	<u>Financial Statements and Supplementary Data</u> 55
<u>Item 9</u>	<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u> 55
<u>Item 9A</u>	<u>Controls and Procedures</u> 55 57
<u>Item 9B</u>	<u>Other Information</u> 58
<u>PART III</u>	
<u>Item 10</u>	<u>Directors, Executive Officers and Corporate Governance</u> 58
<u>Item 11</u>	<u>Executive Compensation</u> 58
<u>Item 12</u>	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u> 58
<u>Item 13</u>	<u>Certain Relationships and Related Transactions, and Director Independence</u> 58

Edgar Filing: TUTOR PERINI Corp - Form 10-K

<u>Item 14</u>	<u>Principal Accountant Fees and Services</u>	58
<u>PART IV</u>		
<u>Item 15</u>	<u>Exhibits and Financial Statement Schedules</u>	59
<u>Signatures</u>		60

Table of Contents

PART I

Forward-looking Statements

The statements contained in this Annual Report on Form 10-K 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 and statements regarding future guidance or estimates and non-historical performance. These forward-looking statements are based on our current expectations and beliefs concerning future developments and their potential effects on us. Our expectations, beliefs and projections are expressed in good faith and we believe there is a reasonable basis for them. 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 are listed and discussed in Item 1A. *Risk Factors*, below. We undertake no obligation to 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 1. BUSINESS

General

Tutor Perini Corporation, formerly known as Perini Corporation, was incorporated in 1918 as a successor to businesses which had been engaged in providing construction services since 1894. Tutor Perini Corporation and its consolidated subsidiaries (Tutor Perini, Company, we, us, and our, unless the context indicates otherwise) is a leading construction company, based on revenues, as ranked by *Engineering News-Record* (*ENR*), offering diversified general contracting, construction management and design-build services to private customers and public agencies throughout the world.

We and our predecessors have provided construction services since 1894 and have established a strong reputation within our markets by executing large, complex projects on time and within budget while adhering to strict quality control measures. We offer general contracting, pre-construction planning and comprehensive project management services, including the planning and scheduling of the manpower, equipment, materials and subcontractors required for a project. We also offer self-performed construction services including site work, concrete forming and placement, steel erection, electrical and mechanical, plumbing, and heating, ventilation and air conditioning (HVAC).

During 2013, we performed work on more than 1,500 construction projects. Our corporate headquarters are in Sylmar, California, and we have various other principal office locations throughout the United States and certain U.S. territories (see Item 2. *Properties* for a listing of our major facilities). Our common stock is listed on the New York Stock Exchange under the symbol TPC. We are incorporated under the laws of the Commonwealth of Massachusetts.

Edgar Filing: TUTOR PERINI Corp - Form 10-K

Our business is conducted through four basic segments: Civil, Building, Specialty Contractors, and Management Services, as described below in the Business Segment Overview .

Historically, we have been recognized as one of the leading building contractors in the United States as evidenced by our performance on several of the largest hospitality and gaming projects, including Project CityCenter and the Cosmopolitan Casino and Resort, and large transportation projects such as the McCarran International Airport Terminal 3 in Las Vegas, Nevada. In 2008, we embarked upon a strategy to better align our business to pursue markets with higher profitability margins and with the best long-term growth potential, while maintaining our presence as a leading contractor in the general building market. In September 2008, we completed a merger with Tutor-Saliba Corporation (Tutor-Saliba) to provide us with enhanced opportunities for growth not available to us on a stand-alone basis through increased size, scale, and management capabilities, complementary assets and expertise, particularly Tutor-Saliba s expertise in civil projects, immediate access to multiple geographic regions, and increased ability to compete for a large number of projects, particularly in the civil construction segment due to an increased bonding capacity. The success of the Tutor-Saliba merger and the

Table of Contents

execution of the Company's strategy to focus on acquiring higher-margin building and civil public work are best illustrated by the dramatic growth we have experienced in our Civil segment. Despite the economic challenges associated with state and local funding over the past several years, our Civil segment's backlog, revenue, and income from construction operations have more than quadrupled since 2008.

In late 2010, we saw opportunities to continue to build our Company vertically and geographically through strategic acquisitions of companies which have demonstrated success in their respective markets. By the third quarter of 2011, we had completed the acquisition of seven companies with a combined backlog of \$2.6 billion at their respective acquisition dates. To fund the acquisitions, we issued \$300 million of senior unsecured notes in October 2010 and a \$200 million five-year term loan in August 2011. These acquisitions strengthened our geographic presence in our Building and Civil segments and also significantly increased our specialty contracting capabilities. In the third quarter of 2011, we completed an internal reorganization of our reporting segments with the creation of the Specialty Contractors segment, which we describe below. We believe that the successful completion of our acquisition strategy has enabled us to realize cross-selling opportunities across an expanded geographic footprint, while continuing to focus on vertical integration through increased self-performed work capabilities, thus further improving profitability, and providing greater stability during economic cycles.

Business Segment Overview

Civil Segment

Our Civil segment specializes in public works construction and the repair, replacement and reconstruction of infrastructure across most of the major geographic regions of the United States. Our civil contracting services include construction and rehabilitation of highways, bridges, mass transit systems, and wastewater treatment facilities. Our customers primarily award contracts through one of two methods: the traditional public competitive bid method, in which price is the major determining factor, or through a request for proposals where contracts are awarded based on a combination of technical capability and price.

Traditionally, our Civil segment customers require each contractor to pre-qualify for construction business by meeting criteria that include technical capabilities and financial strength. Our financial strength and outstanding record of performance on challenging civil works projects often enables us to pre-qualify for projects in situations where smaller, less diversified contractors are unable to meet the qualification requirements. We believe this is a competitive advantage that makes us an attractive partner on the largest infrastructure projects and prestigious design-build, or DBOM (design-build-operate-maintain) contracts, which combine the nation's top contractors with engineering firms, equipment manufacturers and project development consultants in a competitive bid selection process to execute highly sophisticated public works projects. In its 2013 rankings, *ENR* ranked us as the nation's second largest contractor in the airports market, third largest in the bridge market, sixth largest domestic contractor in heavy construction, seventh largest in wastewater treatment plants, eighth largest in the transportation market, ninth largest in sewerage and solid waste, and tenth largest in mass transit.

We believe the Civil segment provides significant opportunities for growth due to the age and condition of existing infrastructure coupled with large government funding sources aimed at the replacement and repair of aging U.S. infrastructure and popular, often bipartisan, support from voters for infrastructure improvement programs. Funding for major civil infrastructure projects is typically provided through a combination of local, regional, state, and/or federal loans, grants, and other direct allocations sourced through tax revenues and bonds. The Federal Highway Trust Fund provides funding for certain transportation projects. Some large civil projects also benefit from funding provided through alternative sources, such as public-private partnerships.

Edgar Filing: TUTOR PERINI Corp - Form 10-K

We have been active in civil construction since 1894 and believe we have a particular expertise in large, complex civil construction projects. We have completed or are currently working on some of the most significant civil construction projects in the United States. For example, we are currently working on the first segment of the California High-Speed Rail project; the Alaskan Way Viaduct Replacement (SR-99 bored tunnel) project in Seattle, Washington; the Third Street Light Rail Central Subway project in San Francisco, California; the Caldecott Tunnel Fourth Bore project near Oakland, California; the Queens Plaza substation project in Queens, New York; the rehabilitation of the Verrazano-Narrows Bridge in New York; the I-5 Antlers

Table of Contents

Bridge replacement in Shasta County, California; the New Irvington Tunnel in Fremont, California; the Harold Structures mass transit project in Queens, New York; and the construction of express toll lanes along I-95 in Maryland. We have also completed work on the John F. Kennedy International Airport runway widening project in Queens, New York; the runway paving project at Andrews AFB in Maryland; and various segments of the Greenwich Street corridor project in New York City.

In recent years, we have significantly expanded our Civil segment through a number of acquisitions. In June 2011, we acquired Frontier-Kemper, a heavy civil contractor which builds tunnels for highways, railroads, subways, rapid transit systems as well as shafts and other facilities for water supply and wastewater transport. It also develops and equips mines with innovative hoisting, elevator and vertical conveyance systems for the mining industry. In July 2011, we acquired Lunda, a heavy civil contractor engaged in the construction, rehabilitation and maintenance of bridges, railroads, and other civil structures in the Midwest and throughout the United States. In August 2011, we acquired Becho, a contractor specializing in drilling, foundation, and excavation support for shoring, bridges, piers, roads and highway projects primarily in the southwestern United States. We believe that the Company has benefitted through these acquisitions by allowing us to expand our geographic presence, enhance our civil construction capabilities and add experienced management with a proven, successful track record.

Building Segment

Our Building segment has significant experience providing services to a number of specialized building markets for private and public works customers, including the hospitality and gaming, transportation, healthcare, municipal offices, sports and entertainment, education, correctional facilities, biotech, pharmaceutical, industrial and high-tech markets. We believe our success within the Building segment results from our proven ability to manage and perform large, complex projects with aggressive fast-track schedules, elaborate designs and advanced mechanical, electrical and life safety systems, while providing accurate budgeting and strict quality control. Although price is a key competitive factor, we believe our strong reputation, long-standing customer relationships and significant level of repeat and referral business have enabled us to achieve our leading position.

In its 2013 rankings, *ENR* ranked us as the tenth largest general building contractor in the United States. Within the general building category, we were ranked as the largest builder in the entertainment facilities market, seventh largest in the sports market, and eighth largest in commercial offices. We are a recognized leader in the hospitality and gaming market, specializing in the construction of high-end destination resorts and casinos and Native American developments. We work with hotel operators, Native American tribal councils, developers and architectural firms to provide diversified construction services to meet the challenges of new construction and renovation of hotel and resort properties. We believe that our reputation for completing projects on time is a significant competitive advantage in this market, as any delay in project completion could result in significant loss of revenues for the customer.

We have been awarded and have recently completed, or are currently working on, large public works and private building projects across a wide array of building end markets including transportation, healthcare and entertainment, among others, including the South Tower (Tower C) at Hudson Yards and the George Washington Bridge Bus Station redevelopment, both in New York City; the Graton Rancheria Resort and Casino in Rohnert Park, California; a new academic building at the State University of New York in Brooklyn; the McCarran International Airport Terminal 3 in Las Vegas, Nevada; the Pennsylvania Convention Center in Philadelphia, Pennsylvania; Kaiser Hospital Buildings in San Leandro and Redwood City, California, and courthouses in San Bernardino, California and Broward County, Florida. As a result of our reputation and track record, we were awarded and have completed contracts for several marquee projects in the hospitality and gaming market, including the Resorts World New York Casino at Aqueduct Racetrack in Jamaica, New York, and Project CityCenter, The Cosmopolitan Resort and Casino, the Wynn Encore Hotel and the Planet Hollywood Tower, all in Las Vegas, Nevada. These projects span a wide array of building end markets, and they illustrate our Building segment's resume of performance on large-scale public and private projects.

Edgar Filing: TUTOR PERINI Corp - Form 10-K

Over the past several years, we have supported our Building segment's book of business through strategic acquisitions. In January 2009, we acquired Keating Building Company (Keating), a construction management and design-build company with expertise in both private and public works building projects. The acquisition of Keating enabled us to expand our building construction market presence in the eastern half of the United States, including the northeast and mid-Atlantic regions. In April 2011, we acquired Anderson

Table of Contents

Companies (now named Roy Anderson Corp.), which provides general contracting, design-build, preconstruction, and construction management services to its public and private customers throughout the southeastern United States and has expertise in hospitality and gaming, commercial, government, healthcare, industrial and educational facilities. We believe that the Company has benefitted through these acquisitions by strengthening our positions in the eastern and southeastern United States, and we believe that our national resources and strong resume of notable projects will enable future growth potential for these companies on large, complex building projects going forward.

Specialty Contractors Segment

During the third quarter of 2011, we completed an internal reorganization in which we formed a Specialty Contractors segment by grouping together a number of businesses that formerly had operated as part of our Building and Civil segments. The reorganization allowed us to achieve greater vertical integration through increased self-performed work capability, while maintaining a specialty contracting business with third parties that allows us to sell services as a subcontractor. This reorganization strengthened the Company's position as a full-service contractor with greater control over scheduled work, project delivery and risk management.

Our Specialty Contractors segment specializes in plumbing, HVAC, electrical, mechanical, and fire protection systems and pneumatically placed concrete for a full range of civil, building and management services construction projects in the industrial, commercial, hospitality and gaming, and mass transit end markets, among others. We were ranked in 2013 by *ENR* as the largest specialty contractor in the New York region and the seventh largest specialty contractor nationwide.

Our Specialty Contractors segment has been awarded, has recently completed work on, or is currently working on the World Trade Center for the Port Authority of New York and New Jersey in New York City; two signal system modernization projects in New York City; and the new hospital at the University of Texas Southwestern Medical Center. This segment has also supported several large public works projects in our Building and Civil segments, including the Alaskan Way Viaduct Replacement (SR-99 bored tunnel) project in Seattle, Washington; the McCarran International Airport Terminal 3 in Las Vegas, Nevada; the Resorts World New York Casino at Aqueduct Racetrack in Jamaica, New York; various segments of the Greenwich Street Corridor project in New York City; the Caldecott Tunnel Fourth Bore project near Oakland, California; the New Irvington Tunnel in Fremont, California and several marquee projects in the hospitality and gaming market, including Project CityCenter, The Cosmopolitan Resort and Casino, and the Planet Hollywood Tower, all in Las Vegas, Nevada.

Prior to the establishment of the Specialty Contractors segment, we significantly increased our specialty contracting capabilities with several acquisitions in 2010 and 2011. We acquired Superior Gunitite (Superior) in November 2010, Fisk Electric Company (Fisk) in January 2011, and Five Star Electric Corporation (FSE), WDF, Inc. (WDF), and Nagelbush Mechanical, Inc. (Nagelbush) in July 2011, because we determined that they could enhance our opportunities for both increased vertical integration and continued (and expanded) stand-alone specialty contracting activities.

- FSE, WDF and Nagelbush serve a range of customers in a wide variety of markets including transportation, infrastructure, commercial, schools and universities, residential, and specialty construction, with a large presence in the northeastern United States markets.
- Fisk covers many of the major commercial, transportation and industrial electrical construction markets in southwestern and southeastern United States locations with the ability to cover other attractive markets nationwide. Fisk's expertise is in the design and

Edgar Filing: TUTOR PERINI Corp - Form 10-K

development of electrical and technology systems for major projects spanning a broad variety of project types, including: commercial office buildings, sports arenas, hospitals, research laboratories, hospitality and casinos, convention centers, and industrial facilities.

- Superior specializes in pneumatically placed structural concrete utilized in infrastructure projects such as bridges, dams, tunnels and retaining walls.

Table of Contents*Management Services Segment*

Our Management Services segment provides diversified construction and design-build services to the U.S. military and government agencies, as well as to surety companies and multi-national corporations in the United States and overseas. Our ability to plan and execute rapid-response assignments and multi-year contracts through our diversified construction and design-build capabilities provides us with a competitive edge. Based on superior past performance, we have been selected for and are currently participating in eleven multi-year indefinite delivery/indefinite quantity (ID/IQ) construction programs for the U.S. Departments of Defense, State, Interior, and Homeland Security. We have been chosen by the federal government for significant projects related to defense and international development reconstruction projects in Iraq, Afghanistan, Haiti, and Guam. For example, we have completed in excess of two million square feet of overhead coverage protection projects throughout Iraq and a housing complex and helicopter maintenance facility for the U.S. Government. In addition, we completed work on the design and construction of four military bases in Afghanistan for the Afghan National Army, and we are working on electrical infrastructure improvements in Afghanistan and recently completed electrical infrastructure improvements in Haiti.

We believe we are well-positioned to capture additional management services projects that involve long-term contracts and provide a recurring source of revenues as the U.S government continues significant expenditures for defense and homeland security given the sustained global threat of terrorism, as well as for international development programs that improve livelihoods, promote governance and democratic states, and bolster diplomatic relations. Black Construction, one of our subsidiaries and the largest contractor on the island of Guam, is expected to generate a portion of its future revenues from the construction of facilities associated with the planned expansion of the United States military's presence in Guam.

Markets and Customers

Our construction services are targeted toward end markets that are diversified across project types, customer characteristics and geographic locations.

Revenues by business segment for fiscal years 2013, 2012 and 2011 are set forth below:

	Revenues by Business Segment		
	Year Ended December 31,		
	2013	2012	2011
	(in thousands)		
Civil	\$ 1,345,818	\$ 1,248,281	\$ 885,245
Building	1,470,219	1,467,910	1,825,468
Specialty			
Contractors	1,182,277	1,183,037	802,460
Management			
Services	177,358	212,243	203,144
Total	\$ 4,175,672	\$ 4,111,471	\$ 3,716,317

Revenues by end market for the Civil segment for fiscal years 2013, 2012 and 2011 are set forth below:

**Civil Segment Revenues by End Market
Year Ended December 31,**

	2013	2012	2011
	(in thousands)		
Bridges	\$ 501,867	\$ 548,641	\$ 303,114
Mass Transit	364,148	217,292	263,018
Highways	211,316	228,652	150,684
Other	268,487	253,696	168,429
Total	\$ 1,345,818	\$ 1,248,281	\$ 885,245

Edgar Filing: TUTOR PERINI Corp - Form 10-K

Table of Contents

Revenues by end market for the Building segment for fiscal years 2013, 2012 and 2011 are set forth below:

	Building Segment Revenues by End Market		
	Year Ended December 31,		
	2013	2012	2011
	(in thousands)		
Hospitality and Gaming	\$ 376,620	\$ 238,915	\$ 604,420
Healthcare Facilities	296,294	346,379	282,026
Education Facilities	280,684	190,968	223,253
Municipal and Government	253,246	137,628	123,159
Industrial Buildings	34,802	286,677	142,502
Mass Transit	10,754	10,909	201,507
Other	217,819	256,434	248,601
Total	\$ 1,470,219	\$ 1,467,910	\$ 1,825,468

Revenues by end market for the Specialty Contractors segment for fiscal years 2013, 2012 and 2011 are set forth below:

	Specialty Contractors Segment		
	Revenues by End Market		
	Year Ended December 31,		
	2013	2012	2011
	(in thousands)		
Industrial Buildings	\$ 212,438	\$ 201,987	\$ 104,350
Mass Transit	174,778	203,242	76,459
Office Buildings	137,189	189,447	138,777
Condominiums	133,916	91,151	2,288
Education Facilities	123,910	94,463	46,737
Hospitality and Gaming	69,327	22,104	121,301
Municipal and Government	39,621	103,193	44,607
Other	291,098	277,450	267,941
Total	\$ 1,182,277	\$ 1,183,037	\$ 802,460

Revenues by end market for the Management Services segment for fiscal years 2013, 2012 and 2011 are set forth below:

	Management Services Segment		
	Revenues by End Market		
	Year Ended December 31,		
	2013	2012	2011
	(in thousands)		
U.S. Government Services	\$ 135,656	\$ 146,991	\$ 155,012
Surety and Other	41,702	65,252	48,132
Total	\$ 177,358	\$ 212,243	\$ 203,144

Table of Contents

We provide our services to a broad range of private and public customers. The allocation of our revenues by customer source for fiscal years 2013, 2012 and 2011 is set forth below:

	Revenues by Customer Source		
	Year Ended December 31,		
	2013	2012	2011
State and Local Governments	60%	53%	40%
Private Owners	35%	41%	50%
Federal Government Agencies	5%	6%	10%
	100%	100%	100%

State and Local Governments. We derived approximately 60% of our revenues from state and local government customers during 2013. Our state and local government customers include state transportation departments, metropolitan authorities, cities, municipal agencies, school districts and public universities. We provide services to our state and local customers primarily pursuant to contracts awarded through competitive bidding processes. Our building construction services for state and local government customers have included correctional facilities, schools and dormitories, healthcare facilities, convention centers, parking structures and municipal buildings. Our civil contracting and building construction services are in locations throughout the country.

Private Owners. We derived approximately 35% of our revenues from private customers during 2013. Our private customers include major hospitality and gaming resort owners, Native American sovereign nations, public corporations, private developers, healthcare companies and private universities. We provide services to our private customers through negotiated contract arrangements as well as through competitive bids.

Federal Government Agencies. We derived approximately 5% of our revenues from federal government agencies during 2013. These agencies have included the U.S. State Department, the U.S. Navy, the U.S. Army Corps of Engineers, and the U.S. Air Force. We provide services to federal agencies primarily pursuant to contracts for specific or multi-year assignments that involve new construction or infrastructure improvements. A substantial portion of our revenues from federal agencies is derived from projects in overseas locations. We expect this to continue for the foreseeable future as a result of our expanding base of experience and relationships with federal agencies, together with anticipated stable expenditure trend for defense and security-related reconstruction work primarily due to the ongoing threats of terrorism.

Most federal, state, and local government contracts contain provisions which permit the termination of contracts, in whole or in part, for the convenience of the government, among other reasons.

For additional information on customers, markets, measures of profit or loss, and total assets, both U.S and foreign, see Note 13 *Business Segments* of Notes to Consolidated Financial Statements in Item 15. *Exhibits and Financial Statement Schedules*.

Table of Contents**Backlog**

We include a construction project in our backlog at such time as a contract is awarded, or a letter of commitment is obtained and adequate construction funding is in place. As a result, we believe the backlog figures are firm, subject only to the cancellation provisions contained in the various contracts. Historically, these provisions have not had a material effect on us.

Backlog is summarized below by business segment as of December 31, 2013 and 2012:

	Backlog by Business Segment					
	2013		December 31,		2012	
	(dollars in thousands)					
Civil	\$	3,437,600	49%	\$	1,774,063	32%
Building		1,654,438	24%		1,964,902	35%
Specialty Contractors		1,661,144	24%		1,507,251	27%
Management Services		201,105	3%		357,408	6%
Total	\$	6,954,287	100%	\$	5,603,624	100%

We estimate that approximately \$3.4 billion, or 49.5%, of our backlog at December 31, 2013 will be recognized as revenue in 2014.

Backlog by end market for the Civil segment as of December 31, 2013 and 2012 is set forth below:

	Civil Segment Backlog by End Market					
	2013		December 31,		2012	
	(dollars in thousands)					
Mass Transit	\$	1,623,729	48%	\$	362,713	20%
Bridges		1,041,856	30%		811,886	46%
Mixed Use		425,717	12%			0%
Highways		252,918	7%		438,095	25%
Other		93,380	3%		161,369	9%
Total	\$	3,437,600	100%	\$	1,774,063	100%

Table of Contents

Backlog by end market for the Building segment as of December 31, 2013 and 2012 is set forth below:

Building Segment Backlog by End Market					
December 31,					
2013		(dollars in thousands)		2012	
Municipal and Government	\$ 610,212	37%	\$ 860,099	44%	
Education Facilities	444,110	27%	356,405	18%	
Mixed Use	238,756	15%		0%	
Mass Transit	127,390	8%	53,838	3%	
Healthcare Facilities	74,890	5%	269,976	14%	
Hospitality and Gaming	40,621	2%	319,327	16%	
Other	118,459	6%	105,257	5%	
Total	\$ 1,654,438	100%	\$ 1,964,902	100%	

Backlog by end market for the Specialty Contractors segment as of December 31, 2013 and 2012 is set forth below:

Specialty Contractors Segment Backlog by End Market					
December 31,					
2013		(dollars in thousands)		2012	
Mass Transit	\$ 469,099	28%	\$ 553,510	36%	
Education Facilities	290,517	17%	174,785	11%	
Industrial Buildings	204,126	12%	159,880	11%	
Condominiums	110,823	7%	72,217	5%	
Office Buildings	101,799	6%	147,604	10%	
Wastewater Treatment	65,475	4%	134,185	9%	
Healthcare Facilities	49,008	3%	103,400	7%	
Hospitality and Gaming	34,829	2%	73,301	5%	
Other	335,468	21%	88,369	6%	
Total	\$ 1,661,144	100%	\$ 1,507,251	100%	

Backlog by end market for the Management Services segment as of December 31, 2013 and 2012 is set forth below:

Management Services Segment Backlog by End Market					
December 31,					
2013		(dollars in thousands)		2012	
U.S. Government Services	\$ 127,442	63%	\$ 339,625	95%	
Surety and Other	73,663	37%	17,783	5%	
Total	\$ 201,105	100%	\$ 357,408	100%	

We continue to see a significant shift in the mix of our customers from private to state and local government agencies along with an increased share of Civil segment's contributions to revenues and operating profits over the past three years. We intend to continue focusing on increasing our share of higher margin public works projects and vertically integrating our specialty contracting capabilities to further enhance our consolidated operating margins, as well as continuing to capture our share of large private building work on an opportunistic basis.

Table of Contents

Competition

The construction industry is highly competitive and the markets in which we compete include numerous competitors. In the small to mid-size work that we have targeted, we have continued to experience strong pricing competition from our competitors. However, the majority of the work that we target is for larger, more complex projects where the number of active market participants is smaller because of the capabilities required to perform the work. As a result, on these larger projects we face fewer competitors, as smaller contractors are unable to effectively compete or are unable to secure bonding to support large projects.

In our Civil segment, we compete principally with large civil construction firms including Alberici Corp., American Infrastructure, Inc., Dragados USA, Flatiron Construction Corp., Fluor Corp., Granite Construction, Kiewit Corp., Skanska USA, SNC-Lavalin Group, Inc., Sterling Construction Co., Traylor Bros., Inc., and The Walsh Group. In certain end markets of the Building segment, such as hospitality and gaming and healthcare, we are one of the largest providers of construction services in the United States. In our Building segment, we compete with a variety of national and regional contractors. Our primary competitors are Balfour Beatty Construction, Clark Construction Group, DPR Construction, Gilbane, Inc., Hensel Phelps Construction Co., Hunt Construction Group, McCarthy Building Companies, Inc., Skanska USA, Tishman Construction, Turner Construction Co., The Walsh Group and The Whiting-Turner Contracting Co. In our Specialty Contractors segment, we compete principally with Bergelectric Corp., Comfort Systems USA, E-J Electric Installation Co., EMCOR Group, KSW Mechanical Services, Inc., MC Dean, Inc., Primoris Services Corp., Rosendin Electric, Inc., and Zwicker Electric Co., Inc. In our Management Services segment, we compete principally with national engineering and construction firms such as CH2M Hill, Inc., Fluor Corp., Hensel Phelps Construction Co., KBR, Shaw Group (now part of Chicago Bridge & Iron Co.), and URS Corp. We believe price, experience, reputation, responsiveness, customer relationships, project completion track record, schedule control and delivery, risk management and quality of work are key factors in customers awarding contracts across our end markets.

Types of Contracts and The Contract Process

Types of Contracts

The general contracting and management services we provide consist of planning and scheduling the manpower, equipment, materials and subcontractors required for the timely completion of a project in accordance with the terms, plans and specifications contained in a construction contract. We provide these services by entering into traditional general contracting arrangements, such as fixed price, guaranteed maximum price, and cost plus fee contracts. These contract types and the risks generally inherent therein are discussed below:

- Fixed price (FP) contracts, which include fixed unit price contracts, are generally used in competitively bid public civil, building, and specialty construction projects and generally commit the contractor to provide all of the resources required to complete a project for a fixed sum or at fixed unit prices. Usually FP contracts transfer more risk to the contractor but offer the opportunity, under favorable circumstances, for greater profits. FP contracts represent a significant portion of our publicly bid civil construction projects. We also perform publicly bid building and specialty construction projects and certain task order contracts for U.S. government agencies in our Management Services segment under FP contracts.

Edgar Filing: TUTOR PERINI Corp - Form 10-K

- Guaranteed maximum price (GMP) contracts provide for a cost plus fee arrangement up to a maximum agreed upon price. These contracts place risks on the contractor for amounts in excess of the GMP, but may permit an opportunity for greater profits than under Cost Plus contracts through sharing agreements with the owner on any cost savings that may be realized. Services provided by our Building segment to various private customers often are performed under GMP contracts.

- Cost plus fee (Cost Plus) contracts provide for reimbursement of the costs required to complete a project plus a stipulated fee arrangement. Cost Plus contracts include cost plus fixed fee (CPFF) contracts and cost plus award fee (CPAF) contracts. CPFF contracts provide for reimbursement of the costs required to complete a project plus a fixed fee. CPAF contracts provide for reimbursement of the costs required to complete a project plus a base fee as well as an incentive fee based on cost and/or schedule performance. Cost Plus contracts serve to minimize the contractor's financial risk, but may also limit profits.

Table of Contents

Historically, a high percentage of our contracts have been of the GMP and FP type. As a result of increasing opportunities in public works civil and building markets, combined with our increased resume of notable projects and expertise and the execution of our acquisition strategy, FP contracts have accounted for an increasing portion of our revenues since 2008 and are expected to continue to represent a sizeable percentage of both total revenues and backlog. The composition of revenues and backlog by type of contract for fiscal years 2013, 2012 and 2011 is as follows:

	Revenues for the Year Ended December 31,		
	2013	2012	2011
Cost Plus, GMP	37%	39%	49%
FP	63%	61%	51%
	100%	100%	100%

	Backlog as of December 31,	
	2013	2012
Cost Plus, GMP	24%	28%
FP	76%	72%
	100%	100%

The Contract Process

We identify potential projects from a variety of sources, including from advertisements by federal, state and local government agencies, through the efforts of our business development personnel and through meetings with other participants in the construction industry, such as architects and engineers. After determining which projects are available, we make a decision on which projects to pursue based on factors such as project size, duration, availability of personnel, current backlog, competitive advantages and disadvantages, prior experience, contracting agency or owner, source of project funding, geographic location and type of contract.

After deciding which contracts to pursue, we generally have to complete a prequalification process with the applicable agency or customer. The prequalification process generally limits bidders to those companies that the agencies or customer concludes have the operational experience and financial capability to effectively complete the particular project(s) in accordance with the plans, specifications and construction schedule.

Our estimating process typically involves three phases. Initially, we perform a detailed review of the plans and specifications, summarize the various types of work involved and related estimated quantities, determine the project duration or schedule, and highlight the unique aspects of and risks associated with the project. After the initial review, we decide whether to continue to pursue the project. If we elect to pursue the project, we perform the second phase of the estimating process, which consists of estimating the cost and availability of labor, material, equipment, subcontractors and the project team required to complete the project on time and in accordance with the plans and specifications. The final phase consists of a detailed review of the estimate by management including, among other things, assumptions regarding cost, approach, means and methods, productivity and risk. After the final review of the cost estimate, management adds an amount for profit to arrive at the total bid amount.

Edgar Filing: TUTOR PERINI Corp - Form 10-K

Public bids to various government agencies are generally awarded to the lowest bidder. Requests for proposals or negotiated contracts with public or private customers are generally awarded based on a combination of technical capability and price, taking into consideration factors such as project schedule and prior experience.

During the construction phase of a project, we monitor our progress by comparing actual costs incurred and quantities completed to date with budgeted amounts and the project schedule and periodically, at a minimum on a quarterly basis, prepare an updated estimate of total forecasted revenue, cost and profit for the project.

Table of Contents

During the ordinary course of most projects, the customer, and sometimes the contractor, initiate modifications or changes to the original contract to reflect, among other things, changes in specifications or design, construction method or manner of performance, facilities, equipment, materials, site conditions and period for completion of the work. Generally, the scope and price of these modifications are documented in a change order to the original contract and are reviewed, approved and paid in accordance with the normal change order provisions of the contract.

Often a contract requires us to perform extra, or change order, work as directed by the customer even if the customer has not agreed in advance on the scope or price of the work to be performed. This process may result in disputes over whether the work performed is beyond the scope of the work included in the original project plans and specifications or, if the customer agrees that the work performed qualifies as extra work, the price the customer is willing to pay for the extra work. Even when the customer agrees to pay for the extra work, we may be required to fund the cost of such work for a lengthy period of time until the change order is approved and funded by the customer. Also, unapproved change orders, contract disputes or claims result in costs being incurred by us that cannot be billed currently and, therefore, are reflected as costs and estimated earnings in excess of billings in our Consolidated Balance Sheets. See Note 1 *Description of Business and Summary of Significant Accounting Policies*, under the section entitled *Method of Accounting for Contracts*, of Notes to Consolidated Financial Statements in Item 15. *Exhibits and Financial Statement Schedules*. In addition, any delay caused by the extra work may adversely impact the timely scheduling of other project work and our ability to meet specified contract milestone dates.

The process for resolving claims varies from one contract to another, but, in general, we attempt to resolve claims at the project supervisory level through the normal change order process or with higher levels of management within our organization and the customer's organization. Depending upon the terms of the contract, claim resolution may involve a variety of other resolution methods, including mediation, binding or non-binding arbitration or litigation. Regardless of the process, when a potential claim arises on a project, we typically have the contractual obligation to perform the work and incur the related costs. It is not uncommon for the claim resolution process to last months or years, especially if it involves litigation.

There are a number of factors that can create variability in contract performance and results as compared to a project's original bid. These include costs associated with added scope changes, extended overhead due to owner, weather, and other delays, subcontractor performance issues, changes in site conditions that differ from those assumed in the original bid, the availability and skill level of workers in the geographic location of the project, and a change in the availability and proximity of equipment or materials. In addition, certain efficiencies and cost savings may at times be realized during the course of a project compared to the originally anticipated costs and levels of productivity. Furthermore, our original bids for most contracts are based on the client's estimates of quantities needed to complete the contract. All of these factors can cause changes in estimates to a project's at-completion costs, resulting in favorable or unfavorable impacts to profitability in current and future periods. Because of the rigor of our estimating process, we have often encountered opportunities to improve project performance cost estimates through realized project execution efficiencies and cost savings.

Our civil, building and management services contracts generally involve work durations in excess of one year. Revenue from our contracts in process is generally recorded under the percentage of completion contract accounting method. For a more detailed discussion of our policy in these areas, see Note 1 *Description of Business and Summary of Significant Accounting Policies*, under the section entitled *Method of Accounting for Contracts*, of Notes to Consolidated Financial Statements in Item 15. *Exhibits and Financial Statement Schedules*.

Construction Costs

While our business may experience some adverse consequences if shortages develop or if prices for materials, labor or equipment increase excessively, provisions in certain types of contracts often shift all or a major portion of any adverse impact to the customer. On our fixed price

Edgar Filing: TUTOR PERINI Corp - Form 10-K

contracts, we attempt to insulate ourselves from the unfavorable effects of inflation by incorporating escalating wage and price assumptions, where appropriate, into our construction cost estimates and by obtaining firm fixed price quotes from major subcontractors and material suppliers at the time of the bid period, and when possible, by purchasing required materials early in the project schedule. Construction and other materials used in our construction activities are generally available locally from multiple sources and have been in adequate supply during recent years. Construction work in selected overseas areas primarily employs expatriate and local labor which can usually be obtained as required.

Table of Contents

Environmental Matters

Our properties and operations are subject to federal, state and municipal laws and regulations relating to the protection of the environment, including requirements for water discharges, air emissions, the use, management and disposal of solid or hazardous materials or wastes and the cleanup of contamination. For example, we must apply water or chemicals to reduce dust on road construction projects and to contain contaminants in stormwater runoff at construction sites. In certain circumstances, we may also be required to hire subcontractors to dispose of hazardous materials encountered on a project in accordance with a plan approved in advance by the owner. We believe that we are in substantial compliance with all applicable laws and regulations and we continually evaluate whether we must take additional steps to ensure compliance with environmental laws; however, future requirements or amendments to current laws or regulations imposing more stringent requirements could require us to incur additional costs to maintain or achieve compliance.

In addition, some environmental laws, such as the U.S. federal Superfund law and similar state statutes, can impose liability for the entire cost of cleanup of contaminated sites upon any of the current or former owners or operators or upon parties who generated waste at, or sent waste to, these sites, regardless of who owned the site at the time of the release or the lawfulness of the original disposal activity. Contaminants have been detected at some of the sites that we own, or where we worked as a contractor in the past, and we have incurred costs for investigation or remediation of hazardous substances. We believe that our liability for these sites will not be material, either individually or in the aggregate, and we have pollution liability insurance available for such matters. We believe that we have minimal exposure to environmental liability because we generally carry insurance or receive indemnification from customers to cover the risks associated with the remediation business.

We own real estate in several states and in Guam (see Item 2. *Properties* for a description of our major properties) and, as an owner, are subject to laws governing environmental responsibility and liability based on ownership. We are not aware of any significant environmental liability associated with our ownership of real estate.

Insurance and Bonding

All of our properties and equipment, both directly owned and owned through joint ventures with others, are covered by insurance and we believe that the amount and scope of such insurance is adequate for the risks we face. In addition, we maintain general liability, excess liability and workers' compensation insurance in amounts that we believe are consistent with our risk of loss and industry practice.

As a normal part of the construction business, we are often required to provide various types of surety bonds as an additional level of security of our performance. We have surety arrangements with several sureties. We also require many of our higher-risk subcontractors to provide surety bonds as security for their performance. Historically, we also have purchased contract default insurance on certain construction projects to insure against the risk of subcontractor default as opposed to having subcontractors provide traditional payment and performance bonds. In 2008, we formed PCR Insurance Company, a wholly owned subsidiary, to consolidate the risk under our various insurance policies utilizing deductible reimbursement policies issued by PCR Insurance Company, for each of our subsidiaries' contractor default insurance, auto liability, general liability and workers' compensation insurance exposure. PCR Insurance Company provides high deductible insurance coverage and reinsurance to other business units. The formation of PCR Insurance Company has allowed us to take advantage of favorable tax opportunities, and to centralize our claims and risk management functions, thus reducing claims and insurance-related costs.

Employees

The total number of personnel employed by us is subject to seasonal fluctuations, the volume of construction in progress and the relative amount of work performed by subcontractors. Our average number of full-time equivalent employees during 2013 was 9,679, and our total number of employees at December 31, 2013 was 10,206. The decrease in the average from 10,085 in 2012 to 9,679 in 2013 is primarily due to normal fluctuation in job timing.

We are signatory to numerous local and regional collective bargaining agreements, both directly and through trade associations, as a union contractor. These agreements cover all necessary union crafts and are subject to various renewal dates. Estimated amounts for wage escalation related to the expiration of union contracts are included in our bids on various projects and, as a result, the expiration of any union contract in the next fiscal year is not expected to have any material impact on us. As of December 31, 2013, approximately 7,450 of our total of 10,206 employees were union employees. During the past several years, we have not experienced any significant work stoppages caused by our union employees.

Table of Contents

Available Information

Our website address is <http://www.tutorperini.com>. The information contained on our website is not included as a part of, or incorporated by reference into, this Annual Report on Form 10-K. We make available, free of charge on our website, our annual reports on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K and amendments to such reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act") as soon as reasonably practicable after we have electronically filed such materials with, or furnished them to, the United States Securities and Exchange Commission (the "SEC"). You may read and copy any document we file at the SEC Headquarters, Public Reference Room, 100 F Street, NE, Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800- SEC-0330. In addition, the SEC maintains a website at <http://www.sec.gov> that contains reports, proxy, information statements and other information regarding issuers, such as the Company, that file electronically with the SEC. Also available on our website are our Code of Business Conduct and Ethics, Corporate Governance Guidelines, the charters of the Committees of our Board of Directors and reports under Section 16 of the Exchange Act of transactions in our stock by our directors and executive officers.

Table of Contents

ITEM 1A. RISK FACTORS

We are subject to a number of known and unknown risks and uncertainties that could materially adversely affect our operations. Set forth below and elsewhere in this report and in other documents we file with the SEC are descriptions of the risks and uncertainties that could cause our actual results to differ materially from the results contemplated by the forward-looking statements contained in this report. Additional risks we do not yet know of or that we currently think are immaterial may also affect our business operations. These risks could have a material adverse effect on our financial condition, results of operations and cash flows.

We may not fully realize the revenue value reported in our backlog.

As of December 31, 2013, our backlog of uncompleted construction work was approximately \$7.0 billion. We include a construction project in our backlog at such time as a contract is awarded, or a letter of commitment is obtained and adequate construction funding is in place. The revenue projected in our backlog may not be realized or, if realized, may not result in profits. For example, if a project reflected in our backlog is terminated, suspended or reduced in scope, it would result in a reduction to our backlog which could reduce, potentially to a material extent, the revenues and profits realized. If a customer cancels a project, we may be reimbursed for certain costs and profit thereon but typically have no contractual right to the total revenues reflected in our backlog. Significant cancellations or delays of projects in our backlog could have a material effect on future revenues, profits, and cash flows.

Current economic conditions could adversely affect our operations.

The deterioration of economic and financial market conditions in the United States and overseas throughout 2009-2012, including severe disruptions in the credit markets, could continue to adversely affect our results of operations in future periods. Although economic conditions in the United States have generally improved in 2013, continued demand uncertainty in various parts of the country, particularly for new commercial building developments or renovations to existing infrastructure, combined with continued tightness in the financial and credit markets, has made it difficult for some customers, including certain private owners and state and local governments, to obtain adequate financing to fund new construction projects on satisfactory terms or at all. These financing difficulties may significantly increase the rate at which our customers defer, delay, or cancel proposed new construction projects. Such deferrals, delays or cancellations could have an adverse impact on our future operating results.

Any ongoing instability or worsening conditions in the financial and credit markets could also impact a customer's ability to pay us on a timely basis, or at all, for work on projects already under construction in accordance with the contract terms. Customer financing may be subject to periodic renewals and extensions of credit by the lender. As credit markets remain tight and challenging economic conditions persist, lenders may be unwilling to continue renewing or extending credit to a customer. Such deferral, delay or cancellation of credit by the lender could impact the customer's ability to pay us, which could have an adverse impact on our future operating results. A significant portion of our operations are concentrated in California and New York. As a result, we are more susceptible to fluctuations caused by adverse economic or other conditions in these regions compared to others.

Reductions in the level of consumer spending within the non-residential building industry and the level of federal, state and local government spending for infrastructure and other public projects could adversely affect the number of projects available to us in the

future.

With regard to the non-residential building industry, consumer spending is discretionary and may decline during economic downturns when consumers have less disposable income. Even an uncertain economic outlook may adversely affect consumer and private industry spending in various business operations, as consumers may spend less in anticipation of a potential economic downturn. Decreased spending in the non-residential building markets could deter new projects within the industry and the expansion or renovation of existing facilities.

With regard to infrastructure and other public works spending, civil construction markets are dependent on the amount of infrastructure work funded by various government agencies which, in turn, depends on the condition of the existing infrastructure, the need for new or expanded infrastructure, and federal, state or local government spending levels. A slowdown in economic activity in any of the markets that we serve may result in less spending on public works projects. In addition, a decrease or delay in government funding of infrastructure projects or delays in the sale of voter-approved bonds could decrease the number of civil construction projects available and limit our ability to obtain new contracts, which could reduce revenues within our Civil segment. In addition, budget shortfalls and

Table of Contents

credit rating downgrades in states in which the Company is involved in significant infrastructure projects and any long-term impairment in the ability of state and local governments to finance construction projects by raising capital in the municipal bond market could curtail or delay the funding of future projects. Our Building segment is also involved in significant public works construction projects including healthcare facilities, educational facilities, and municipal and government facilities primarily in California and the southeastern United States. These projects also are dependent upon funding by various federal, state and local government agencies. A decrease in government funding of public healthcare and education facilities, particularly in those regions, could decrease the number and/or size of construction projects available and limit our ability to obtain new contracts in these markets, which could reduce our revenues and earnings.

Economic, political and other risks and the level of U.S. Government funding associated with our international operations could adversely affect our revenues and earnings.

We derived approximately 4% or \$175.3 million of revenues and approximately \$12.3 million of income from construction operations for the year ended December 31, 2013 from our work on projects located outside of the United States, including projects in Iraq, Afghanistan, Haiti, and Guam. Our international operations expose us to risks inherent in doing business in certain hostile regions outside the United States, including: political risks, risks of loss due to civil disturbances, guerilla activities and insurrection; acts of terrorism and acts of war; unstable economic, financial and market conditions; potential incompatibility with foreign subcontractors and vendors; foreign currency controls and fluctuations; trade restrictions; variations in taxes; and changes in labor conditions, labor strikes and difficulties in staffing and managing international operations. Failure to successfully manage risks associated with our international operations could result in higher operating costs than anticipated or could delay or limit our ability to generate revenues and income from construction operations in key international markets.

With regard to the U.S. Government's funding of construction projects in Iraq, Afghanistan, Haiti, and Guam, the United States federal government has approved various spending bills for the reconstruction and defense of Iraq and Afghanistan and has allocated significant funds to the defense of United States interests around the world from the threat of terrorism. The United States federal government has also approved funds for development in conjunction with the relocation of military personnel into Guam. A decrease in government funding of these projects, whether due to the continued reduction of troops, support personnel, and outside contractors from Afghanistan or as a result of other factors, would decrease the number of projects available to us and limit our ability to obtain new contracts in this area.

Competition for new project awards is intense and our failure to compete effectively could reduce our market share and profits.

New project awards are often determined through either a competitive bid basis or on a negotiated basis. Bid or negotiated contracts with public or private owners are generally awarded based upon price, but oftentimes take into account other factors, such as technical approach and/or qualifications, shorter project schedules, or our record of past performance on similar projects completed. Within our industry, we compete with many national, regional and local construction firms. Some of these competitors have achieved greater market penetration than we have in the markets in which we compete, and some have greater financial and other resources than we do. As a result, we may need to accept lower contract margins or more fixed price or unit price contracts in order for us to compete against competitors that have the ability to accept awards at lower prices or have a pre-existing relationship with the customer. If we are unable to compete successfully in such markets, our relative market share and profits could be reduced.

The construction services industry is highly schedule driven, and our failure to meet schedule requirements of our contracts could adversely affect our reputation and/or expose us to financial liability.

Edgar Filing: TUTOR PERINI Corp - Form 10-K

Many of our contracts are subject to specific completion schedule requirements and subject us to liquidated damages in the event the construction schedules are not achieved. Our failure to meet schedule requirements could subject us not only to liquidated damages, but could further subject us to liability for our customer's actual cost arising out of our delay and cause us to suffer damage to our reputation within our industry and customer base.

Table of Contents

We will require substantial personnel, including construction and project managers and specialty subcontractor resources to execute and perform on our contracts in backlog. The successful execution of our business strategies is also dependent upon our ability to attract and retain key officers.

Our ability to execute and perform on our contracts in backlog depends in large part upon our ability to hire and retain highly skilled personnel, including project and construction management. In addition, our construction projects require significant trade labor resources, such as carpenters, masons and other skilled workers, as well as certain specialty subcontractor skills. In the event we are unable to attract, hire and retain the requisite personnel and subcontractors necessary to execute and perform on our contract backlog, we may experience delays in completing projects in accordance with project schedules, which may have a material effect on our financial results and harm our reputation. Further, the increased demand for personnel and specialty subcontractors may result in higher than expected costs, which could cause us to exceed the budget on a project. This, in turn, may have a material effect on our results of operations and harm our relationships with our customers. In addition, if we lack the personnel and specialty subcontractors necessary to perform on our current contract backlog, we may find it necessary to curtail our pursuit of new projects. Although this risk has been somewhat mitigated through the specialty contracting capabilities which we acquired in 2011, we still rely significantly on external specialty subcontractors to perform our projects.

The execution of our business strategies also substantially depends on our ability to retain the continued service of several key members of our management. Losing the services of these key officers could adversely affect our business until a suitable replacement can be found. The majority of these key officers are not bound by employment agreements with us nor do we maintain key person life insurance policies for them.

Weather can significantly affect our revenues and profitability.

Our ability to perform work is significantly affected by weather conditions such as precipitation and temperature. Changes in weather conditions can cause delays and otherwise significantly affect our project costs. The impact of weather conditions can result in variability in our revenues and profitability.

An inability to obtain bonding could limit the number of projects we are able to pursue.

As is customary in the construction business, we often are required to provide surety bonds to secure our performance under construction contracts. Our ability to obtain surety bonds primarily depends upon our capitalization, working capital, past performance, management expertise and certain external factors, including the overall capacity of the surety market. Surety companies consider such factors in relation to the amount of our backlog and their underwriting standards, which may change from time to time. The surety industry has undergone significant changes with several companies withdrawing completely from the industry or significantly reducing their bonding commitment. In addition, certain reinsurers of surety risk have limited their participation in this market. Therefore, we could be unable to obtain surety bonds, when required, which could adversely affect our future results of operations and revenues.

Failure to maintain safe work sites could result in significant losses.

Edgar Filing: TUTOR PERINI Corp - Form 10-K

Construction and maintenance sites are potentially dangerous workplaces and often put our employees and others in close proximity with mechanized equipment, moving vehicles, chemical and manufacturing processes, and highly regulated materials. On many sites, we are responsible for safety and, accordingly, must implement safety procedures. If we fail to implement these procedures or if the procedures we implement are ineffective, we may suffer the loss of or injury to, our employees, as well as expose ourselves to possible litigation. Despite having invested significant resources in safety programs, a serious accident may nonetheless occur on one of our worksites. As a result, our failure to maintain adequate safety standards could result in reduced profitability or the loss of projects or customers, and could have a material adverse impact on our financial position, results of operations, cash flows and liquidity.

Our participation in construction joint ventures exposes us to liability and/or harm to our reputation for failures by our partners.

As part of our business, we enter into joint venture arrangements typically to jointly bid on and execute particular projects, thereby reducing our financial or operational risk with respect to such projects. Success on these joint projects depends in large part on whether our joint venture partners satisfy their contractual obligations. We and our joint venture partners are generally jointly and severally liable for all liabilities and obligations of our joint ventures. If

Table of Contents

a joint venture partner fails to perform or is financially unable to bear its portion of required capital contributions or other obligations, including liabilities stemming from lawsuits, we could be required to make additional investments, provide additional services or pay more than our proportionate share of a liability to make up for our partner's shortfall. Further, if we are unable to adequately address our partner's performance issues, the customer may terminate the project, which could result in legal liability to us, harm our reputation, reduce our profit on a project or, in some cases, result in a loss.

We are subject to significant legal proceedings which, if determined adversely to us, could harm our reputation, preclude us from bidding on future projects and/or have a material effect on us. We also may invest significant working capital on projects while legal proceedings are being settled.

We are involved in various lawsuits, including the legal proceedings described under Item 3. *Legal Proceedings*. Litigation is inherently uncertain and it is not possible to accurately predict what the final outcome will be of any legal proceeding. We must make certain assumptions and rely on estimates regarding potential outcomes of legal proceedings in order to determine an appropriate charge to income and contingent liabilities. Estimating and recording future outcomes of litigation proceedings requires us to make significant judgments and assumptions about the future, which are inherently subject to risks and uncertainties. If the final recovery turns out to be materially less favorable than our estimates, we would have to record the related liability, which may include losses from money owed pursuant to an unfavorable judgment as well as losses based on the failure to receive an anticipated judgment for sums in our favor, and fund the payment of the judgment and, if such adverse judgment is significant, it could have a material adverse effect on us. Legal proceedings resulting in judgments or findings against us may harm our reputation and prospects for future contract awards. We occasionally bring claims against project owners for additional cost exceeding the contract price or for amounts not included in the original contract price. When these types of events occur and unresolved claims are pending, we may invest significant working capital in projects to cover cost overruns pending the resolution of the relevant claims. A failure to promptly recover on these types of claims could have a material effect on our liquidity and financial results.

Our contracts require us to perform extra, or change order, work, which can result in disputes and adversely affect our working capital, profits and cash flows.

Our contracts generally require us to perform extra, or change order, work as directed by the customer even if the customer has not agreed in advance on the scope or price of the work to be performed. This process can result in disputes over whether the work performed is beyond the scope of the work included in the original project plans and specifications or, if the customer agrees that the work performed qualifies as extra work, over the price the customer is willing to pay for the extra work. Even when the customer agrees to pay for the extra work, we may be required to fund the cost of such work for a lengthy period of time until the change order is approved and funded by the customer.

Also, unapproved change orders, contract disputes or claims cause us to incur costs that cannot be billed currently and therefore may be reflected as costs and estimated earnings in excess of billings in our balance sheet. See Note 1 *Description of Business and Summary of Significant Accounting Policies*, under the section entitled *Method of Accounting for Contracts* of Notes to Consolidated Financial Statements in Item 15. *Exhibits and Financial Statement Schedules*. To the extent our actual recoveries with respect to unapproved change orders, contract disputes or claims are lower than our estimates, the amount of any shortfall will reduce our revenues and the amount of costs and estimated earnings in excess of billings recorded on our balance sheet, and could have a material effect on our working capital, results of operations and cash flows. Additionally, as we include unapproved change orders in our estimates of revenues and costs to complete a project, our profitability may be diluted via the percentage-of-completion method of accounting for contract revenues. Any delay caused by the extra work may also adversely impact the timely scheduling of other project work and our ability to meet specified contract milestone dates.

Increased regulation of the hospitality and gaming industry could reduce the number of future hospitality and gaming projects available, which, in turn, could adversely affect our future earnings.

The hospitality and gaming industry is regulated extensively by federal and state regulatory bodies, including state gaming commissions, the National Indian Gaming Commission and federal and state taxing and law enforcement agencies. From time to time, legislation is proposed in the legislatures of some of these jurisdictions that, if enacted, could adversely affect the tax, regulatory, operational or other aspects of the hospitality and gaming industry.

Table of Contents

Legislation of this type may be enacted in the future. New legislation or hospitality and gaming regulations could deter future hospitality and gaming construction projects in jurisdictions in which we derive significant revenues. As a result, the enactment of any such new legislation or regulations could adversely affect our future earnings.

Completing the integration of recent acquisitions into our Company may result in unforeseen operating difficulties and may require significant financial, operational and managerial resources that would otherwise be available for the operation, development and expansion of our existing business.

During 2011 we completed an acquisition strategy, in which we acquired Superior Gunite, Fisk, Anderson, Frontier- Kemper, Lunda, WDF, FSE, Nagelbush and Becho over a period of 10 months. To the extent that we experience unforeseen difficulties in completing the integration of these acquisitions, we may also have difficulty achieving our operating, strategic and financial objectives.

The percentage-of-completion method of accounting for contract revenues involved significant estimates which may result in material adjustments, which could result in a charge against our earnings.

We recognize contract revenues using the percentage-of-completion method. Under this method, estimated contract revenues are recognized by applying the percentage of completion of the project for the period to the total estimated revenues for the contract. Estimated contract losses are recognized in full when determined. Total contract revenues and cost estimates are reviewed and revised at a minimum on a quarterly basis as the work progresses and as change orders are approved. Adjustments based upon the percentage of completion are reflected in contract revenues in the period when these estimates are revised. To the extent that these adjustments result in an increase or a reduction in or an elimination of previously reported contract profit, we recognize a credit or a charge against current earnings, as applicable. Such credits or charges could be material and could cause our results to fluctuate materially from period to period.

Accounting for our contract related revenues and costs, as well as other expenses, require management to make a variety of significant estimates and assumptions. Although we believe we have the experience and processes to enable us to formulate appropriate assumptions and produce reasonably dependable estimates, these assumptions and estimates may change significantly in the future and could result in the reversal of previously recognized revenue and profit. Such changes could have a material adverse effect on our financial position and results of operations.

If we are unable to accurately estimate the overall risks, revenues or costs on a contract, we may achieve a lower than anticipated profit or incur a loss on that contract.

We generally enter into three principal types of contracts with our customers: fixed price contracts, guaranteed maximum price contracts and cost plus fee contracts. We derive a significant portion of our Civil, Specialty Contractors and Management Services segment revenues and backlog from fixed price contracts.

- Fixed price contracts require us to perform the contract for a fixed price irrespective of our actual costs. As a result, we realize a profit on these contracts only if we successfully control our costs to avoid cost overruns and successfully negotiate change orders for out of

scope work.

- Guaranteed maximum price contracts provide for a cost plus fee arrangement up to a maximum agreed- upon price. These contracts also place the risk on us for cost overruns that exceed the guaranteed maximum price.
- Cost plus fee contracts provide for reimbursement of the costs required to complete a project, but generally have a lower base fee and an incentive fee based on cost and/or schedule performance. If our costs exceed the revenues available under such a contract or are not allowable under the provisions of the contract, we may not receive reimbursement for these costs.

Cost overruns, whether due to inefficiency, faulty estimates or other factors, result in lower profit or even a loss on a project. If our estimates of the overall risks, revenues or costs prove inaccurate or circumstances change, we may incur a lower profit or a loss on that contract.

Table of Contents

We are subject to a number of risks as a U.S. government contractor, which could harm our reputation, result in fines or penalties against us and/or adversely impact our financial condition.

We are a provider of services to U.S. government agencies and therefore are exposed to risks associated with government contracting. We must observe laws and regulations relating to the formation, administration and performance of government contracts which affect how we do business with our U.S. government customers and may impose added costs on our business. For example, the Federal Acquisition Regulations allow our U.S. government customers to terminate our contracts for the failure to comply with regulatory requirements not directly related to performance and in certain cases, require us to disclose and certify cost and pricing data in connection with contract negotiations.

Our failure to comply with these or other laws and regulations could result in contract terminations, suspension or debarment from contracting with the U.S. government, civil fines and damages and criminal prosecution and penalties, any of which could cause our actual results to differ materially from those anticipated.

U.S. government agencies generally can terminate or modify their contracts with us at their convenience and some government contracts must be renewed annually at the U.S. government's sole discretion. If a government agency terminates or fails to renew a contract, our backlog may be reduced. If a government agency terminates a contract due to our unsatisfactory performance, it could result in liability to us and harm our ability to compete for future contracts.

U.S. government agencies, including the Defense Contract Audit Agency, or DCAA, routinely audit our U.S. government contracts and contractors' administration processes and systems. These agencies review our performance on contracts, pricing practices, cost structure and compliance with applicable laws, regulations and standards. They also review the adequacy of our internal control systems and policies, including our purchasing, property, estimating, and information systems. Only costs allowable under federal regulations may be properly charged to our government contracts and any costs found to be improperly allocated to a specific contract will not be reimbursed, and any such costs already reimbursed must be refunded or otherwise properly credited to the U.S. government in subsequent invoices. Moreover, if any of the administrative processes or systems is found not to comply with requirements, we may be subjected to increased government oversight and approval that could delay or otherwise adversely affect our ability to compete for or perform contracts. Therefore, an unfavorable outcome to an audit by the DCAA or another agency could cause our results to differ materially from those anticipated. If an investigation uncovers improper or illegal activities, we may be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, forfeitures of profits, suspension of payments, fines and suspension or debarment from doing business with the U.S. government. In addition, we would suffer serious harm to our reputation if allegations of impropriety were made against us. Each of these results could cause actual results to differ materially from those anticipated.

Our pension plan is underfunded and we may be required to make significant future contributions to the plan.

Our defined benefit pension plan and our supplemental retirement plan are non-contributory pension plans covering many of our employees. Benefits under these plans were frozen as of June 1, 2004. As of December 31, 2013, these plans were underfunded by approximately \$22.6 million. We are required to make cash contributions to our pension and supplemental retirement plans to the extent necessary to comply with minimum funding requirements imposed by employee benefit and tax laws. The amount of any such required contributions is determined based on an annual actuarial valuation of the plan as performed by the plans' actuaries. During 2013, we contributed \$3.5 million in cash to our defined benefit pension plan and supplemental retirement plan. The amount of our future contributions will depend upon asset returns, then-current discount rates and a number of other factors, and, as a result, the amount we may elect or be required to contribute to these plans in the future may vary significantly. See Item 7. - *Management's Discussion and Analysis of Financial Condition and Results of Operations*- in the section

entitled *Critical Accounting Policies*.

Table of Contents

In connection with mergers and acquisitions, we have recorded goodwill and other intangible assets that could become impaired and adversely affect our operating results. Assessing whether impairment has occurred requires us to make significant judgments and assumptions about the future, which are inherently subject to risks and uncertainties, and if actual events turn out to be materially less favorable than the judgments we make and the assumptions we use, we may be required to record additional impairments in the future.

We had approximately \$691.5 million of goodwill and intangible assets recorded on our Consolidated Balance Sheet at December 31, 2013. Goodwill represents the excess of cost over the fair value of net assets acquired in business combinations reduced by any impairments recorded subsequent to the date of acquisition. We test goodwill and intangible assets for impairment by applying a fair value test in the fourth quarter of each year and between annual tests if events or circumstances change which suggest that the goodwill or intangible assets should be evaluated. For example, if our market capitalization drops significantly below the amount of net equity recorded on our balance sheet, it might indicate a decline in the fair value of our goodwill and intangible assets and would require us to further evaluate whether impairment has occurred. If we determine that there has been an impairment (meaning that carrying value exceeds fair value), we would be required to write down the carrying value by the amount of the excess (which would represent the impaired portion of these assets).

Impairment assessment inherently involves management judgments as to the assumptions used to project amounts included in the valuation process and as to anticipated future market conditions and their potential effect on future performance. Changes in assumptions or estimates can materially affect the determination of fair value. If we determine, based on our assumptions, judgments, estimates and projections, that no impairment exists as of a specific date, and if future events turn out to be materially less favorable than what we assumed or estimated in assessing fair value when we tested for impairment, we may be required at a future date (either as part of a subsequent annual evaluation or on an interim basis) to re-evaluate fair value and to recognize an impairment at that time and write down the carrying value of our goodwill and/or intangible assets. If we were required to write down all or a significant part of our goodwill and intangible assets in future periods, our net earnings and equity could be materially and adversely affected.

The forecasts utilized in the discounted cash flow analysis as part of our impairment test assume future revenue and profitability growth in each of our segments. If our operating segments cannot obtain, or we determine at a later date that we no longer expect them to obtain, the projected levels of profitability, future goodwill impairment tests may also result in an impairment charge. There can be no assurances that our operating segments will be able to achieve our estimated levels of profitability. A number of factors, many of which we have no ability to control, could affect our financial condition, operating results and business prospects and could cause our actual results to differ from the estimates and assumptions we employed in our goodwill impairment testing. These factors include, but are not limited to, (i) renewed deterioration in the overall economy; (ii) a significant decline in our stock price and resulting market capitalization; (iii) changes in the discount rate; (iv) successful efforts by our competitors to gain market share in our markets; (v) adverse changes as a result of regulatory actions; (vi) a significant adverse change in legal factors or in the overall business climate; (vii) recognition of a goodwill impairment loss in the financial statements of a subsidiary that is a component of our reporting units; and (viii) the resolution of legal proceedings resulting in judgments less favorable than our estimates. Given these and other factors, we cannot be certain that goodwill impairment will not be required during future periods.

Based on our annual review of our goodwill and intangible assets, which we performed in the fourth quarter of 2013, we concluded that no impairment had occurred. To the extent that the value of the goodwill or other intangible assets becomes impaired in the future, we will be required to incur non-cash charges relating to the impairment and recognized them in our Consolidated Statement of Operations.

Conflicts of interest may arise involving certain of our directors.

Edgar Filing: TUTOR PERINI Corp - Form 10-K

We have engaged in joint ventures, primarily in civil construction, with O&G Industries, Inc., a Connecticut corporation, whose Vice Chairman is Raymond R. Oneglia, one of our directors. In accordance with the Company's policy, the terms of this joint venture and any of our joint ventures with any affiliate have been and will continue to be subject to review and approval by our Audit Committee. As in any joint venture, we could have disagreements with our joint venture partner over the operation of a joint venture, or a joint venture could be involved in disputes with third parties, where we may or may not have a conflict of interest with our joint venture partner. These relationships also may create conflicts of interest with respect to new business and other corporate opportunities.

Table of Contents

Ronald N. Tutor's ownership interest in the Company, along with his management position and his right to designate nominees to serve as members of our Board of Directors, provides him with significant influence over corporate matters and may make a third party's acquisition of the Company (or its stock or assets) more difficult.

As of December 31, 2013, Mr. Tutor and two trusts controlled by Mr. Tutor (the Tutor Group) owned approximately 17.2% of the outstanding shares of our common stock. In addition, Mr. Tutor is the chairman and chief executive officer of the Company and has the right to designate one nominee for election as a member of the Company's Board of Directors so long as the Tutor Group owns at least 11.25% of the outstanding shares of the Company's common stock. As of the date of this Form 10-K, there are ten current directors, one of whom was appointed by Mr. Tutor in November 2013. Mr. Tutor will be able to exert significant influence over the outcome of a range of corporate matters, including significant corporate transactions requiring a shareholder vote, such as a merger or a sale of the Company or its assets. This concentration of ownership and influence in management and Board decision-making also could harm the price of our common stock by, among other things, discouraging a potential acquirer from seeking to acquire shares of our common stock (whether by making a tender offer or otherwise) or otherwise attempting to obtain control of the Company.

Our business, financial position, results of operations and cash flows could be adversely affected by work stoppages and other labor problems.

We are a signatory to numerous local and regional collective bargaining agreements, both directly and through trade associations. If we or our trade associations are unable to negotiate with any of our unions, we might experience strikes, work stoppages or increased operating costs as a result of higher than anticipated wages or benefits. If our unionized workers engage in a strike or other work stoppage, or our non-unionized employees become unionized, we could experience a disruption of our operations and higher ongoing labor costs, which could adversely affect our business, financial position, results of operations and cash flows.

We have a substantial amount of indebtedness which could adversely affect our financial position and prevent us from fulfilling our obligations under our debt agreements, in particular under our \$300 million senior unsecured notes and our \$200 million term loan under our revolving credit facility.

We currently have and expect to continue to have a substantial amount of indebtedness. As of December 31, 2013, we had a total debt of \$733.9 million, consisting of \$298.5 million of senior unsecured notes (net of unamortized debt discount of \$1.5 million) (the Senior Notes), \$135.0 million of outstanding borrowings on a revolving credit basis (the Revolving Facility), a \$200 million term loan (the Term Loan) which has been paid down to \$115.0 million at December 31, 2013, and \$185.4 million of other debt. We may also incur significant additional indebtedness in the future. Our substantial indebtedness may:

- make it difficult for us to satisfy our financial obligations, including making scheduled principal and interest payments on the Senior Notes, Term Loan and our other indebtedness;
- limit our ability to borrow additional funds for working capital, capital expenditures, acquisitions or other general business purposes;

Edgar Filing: TUTOR PERINI Corp - Form 10-K

- limit our ability to use our cash flow or obtain additional financing for future working capital, capital expenditures, acquisitions or other general business purposes;
- require us to use a substantial portion of our cash flow from operations to make debt service payments;
- limit our flexibility to plan for, or react to, changes in our business and industry;
- place us at a competitive disadvantage compared to our less leveraged competitors; and
- increase our vulnerability to the impact of adverse economic and industry conditions.

Table of Contents

We are subject to restrictive covenants under our revolving credit facility and the indenture for our \$300 million senior unsecured notes that could limit our flexibility in managing the business.

Our revolving credit facility imposes operating and financial restrictions on us. These restrictions include, among other things, limitations on our ability to:

- create liens or other encumbrances;

- enter into certain types of transactions with our affiliates;

- make certain capital expenditures;

- make investments, loans or other guarantees;

- sell or otherwise dispose of a portion of our assets; or

- merge or consolidate with another entity.

In addition, our revolving credit facility limits our ability to incur indebtedness from other sources without the consent of our lenders. Our revolving credit facility contains financial covenants that require us to maintain minimum net worth, minimum liquidity, minimum fixed charge coverage and maximum leverage ratios. Our ability to borrow funds for any purpose is dependent upon satisfying these tests.

Our Senior Notes also impose operating and financial restrictions on us including, among other things, the following limitations on our ability to:

- incur additional indebtedness or issue certain preferred stock;

- pay dividends on, or make distributions in respect of, our capital stock or repurchase our capital stock;

- make certain investments or other restricted payments;
- sell certain assets;
- create liens or use assets as security in other transactions;
- merge, consolidate or transfer or dispose of substantially all of their assets; or
- engage in certain transactions with affiliates.

If we are unable to meet the terms of the financial covenants or fail to comply with any of the other restrictions contained in these agreements, an event of default could occur. An event of default, if not waived by our lenders, could result in an acceleration of any outstanding indebtedness, causing such debt to become immediately due and payable. If such acceleration occurs, we may not be able to repay such indebtedness on a timely basis. Since indebtedness under our revolving credit facility and Senior Notes is secured by substantially all of our assets, acceleration of this debt could result in foreclosure of those assets. In the event of a foreclosure, we would be unable to conduct our business and may be forced to discontinue ongoing operations.

Funds associated with auction rate securities may not be liquid or readily available.

As discussed in Note 3 *Fair Value Measurements* of Notes to Consolidated Financial Statements in Item 15. *Exhibits and Financial Statement Schedules*, our investment securities primarily consist of auction rate securities which are not currently liquid or readily available to convert to cash. As of both December 31, 2013 and 2012, we held \$46.3 million in auction rate securities. In conjunction with our estimates of fair value at December 31, 2011, we deemed our investment in auction rate securities to be impaired by \$4.8 million in 2011. These impairment charges were deemed to be other-than-temporary, thereby resulting in charges to income. In 2013 and 2012, we did not deem any of our auction rate securities to be impaired. However, the settlement of three securities in 2012 resulted in a realized loss of \$2.7 million. If the auction rate securities market continues to remain relatively illiquid, it is possible that we will be required to further adjust the fair value of our auction rate securities. If we determine that the decline in the fair value of our auction rate securities is other-than-temporary, it would result in additional impairment charges being recognized in our Consolidated Statements of Operations, which could be material and which could adversely affect our financial results. In addition, the lack of liquidity associated with these investments may require us to access our revolving credit facility until some or all of our auction rate securities are liquidated.

Table of Contents

We retain a certain level risk for workers compensation, general liability, automobile liability and subcontractor default insurance. Therefore, large losses, associated with several insurable events, could adversely affect our operating results.

We are responsible for a portion of our claims exposure resulting from workers compensation, general liability, automobile liability and certain events of subcontractor default. We maintain insurance coverage with licensed insurance carriers which limits our aggregate exposure to excessive loss experience in a given policy year. We accrue currently for estimated incurred losses and expenses, and periodically evaluate and adjust our claims accrued liability to reflect our experience. However, if excessive loss experience should occur in a policy year or years, ultimate results may differ materially from our estimates, which could adversely affect our operating results and cash flow. Although we believe the level of our insurance coverage should be sufficient to cover reasonably expected claims, it is possible that one or more claims could exceed our aggregate coverage limits. Also, there are some types of losses such as from hurricanes, terrorism, wars, or earthquakes where insurance is limited and/or not economically justifiable. If an uninsured loss occurs, it could adversely affect our operating results and cash flow.

Changes to our information systems as well as any loss, breach of security, disruption, unexpected data or our inability to implement new systems, could have a material adverse effect on our business.

We rely on proven third-party software from Oracle, Microsoft and Meridian to run critical accounting, project management and financial information systems. These software solutions are well established in the marketplace and have strong internal and certified partner support networks. However, if software vendors decide to discontinue further development, integration or long-term software maintenance support for our information systems, or there is any system interruption, delay, breach of security, loss of data or loss of a vendor, we may need to migrate some or all of our accounting, project management and financial information to other systems. These disruptions could increase our operational expense as well as impact the management of our business operations, which could have a material adverse effect on our financial position, results of operations, cash flows and liquidity.

Table of Contents**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

ITEM 2. PROPERTIES

Properties used in our construction operations primarily consist of office space within general, commercial office buildings in major cities as well as storage yards for our construction equipment. We believe our properties are well maintained, in good condition, adequate and suitable for our purposes.

Our major facilities are in the following locations:

Principal Offices	Business Segment(s)	Owned or Leased by Tutor Perini	Approximate Acres	Approximate Square Feet of Office Space
Framingham, MA	Management Services	Owned	9	104,000
Henderson, NV	Building	Owned	4	58,000
Ozone Park, NY	Specialty Contractors	Leased	1	50,000
Sylmar, CA	Corporate	Leased		46,000
Jessup, MD	Civil	Owned	9	46,000
Redwood City, CA	Building	Leased		45,000
Philadelphia, PA	Building	Leased		34,000
Bronx, NY	Specialty Contractors	Leased		29,000
Gulfport, MS	Building	Owned		28,000
Houston, TX	Specialty Contractors	Owned		28,000
Mount Vernon, NY	Specialty Contractors	Leased		27,000
Barrigada, Guam	Management Services	Owned	4	27,000
Sylmar, CA	Specialty Contractors	Owned		24,000
Las Vegas, NV	Specialty Contractors	Leased		24,000
New Rochelle, NY	Civil	Owned	1	22,000
Peekskill, NY	Civil	Owned	5	21,000
Ft. Lauderdale, FL	Building	Leased		18,000
Evansville, IN	Civil	Owned		11,000
Lakeview Terrace, CA	Specialty Contractors	Leased	2	11,000
Black River Falls, WI	Civil	Owned	2	8,000
Bronx, NY	Specialty Contractors	Leased		8,000
Ft. Lauderdale, FL	Specialty Contractors	Leased		7,000
			37	676,000

Principal Permanent**Storage Yards**

Fontana, CA	Building and Civil	Leased	33
Jackson County, WI	Civil	Owned	26
Evansville, IN	Civil	Owned	15

Edgar Filing: TUTOR PERINI Corp - Form 10-K

Barrigada, Guam	Management Services	Owned	13
Jessup, MD	Civil	Owned	7
Stockton, CA	Building	Owned	7
Houston, TX	Specialty Contractors	Leased	7
New Windsor, NY	Civil	Leased	1
Framingham, MA	Management Services	Owned	1
Folcroft, PA	Building	Leased	1
Mount Vernon, NY	Specialty Contractors	Leased	1
			112

Table of Contents

ITEM 3. LEGAL PROCEEDINGS

Legal Proceedings are set forth in our financial statement schedules in Part IV, Item 15 of this Annual Report and are incorporated herein by reference. See Note 9 *Contingencies and Commitments* of Notes to Consolidated Financial Statements of Part IV, Item 15. *Exhibits and Financial Statement Schedules*.

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. However, we may be treated as acting as a mining operator as defined under the Mine Act because we are 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. For 2013, revenues from mine construction services were less than \$100 million.

Table of Contents**PART II.****ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES****Market Information**

Our common stock is traded on the New York Stock Exchange under the symbol TPC. In 2009, we changed our name to Tutor Perini Corporation from Perini Corporation and accordingly changed our symbol from PCR to TPC. The quarterly market high and low sales prices for our common stock in 2013 and 2012 are summarized below:

	2013		2012	
	High	Low	High	Low
<u>Market Price Range per Common Share:</u>				
Quarter Ended				
March 31	\$ 19.38	\$ 13.70	\$ 17.49	\$ 12.50
June 30	\$ 19.28	\$ 15.47	\$ 16.04	\$ 10.64
September 30	\$ 21.53	\$ 18.02	\$ 13.34	\$ 9.21
December 31	\$ 26.44	\$ 20.08	\$ 14.81	\$ 9.88

Holdings

At February 19, 2014, there were 601 holders of record of our common stock, including holders of record on behalf of an indeterminate number of beneficial owners, based on the stockholders list maintained by our transfer agent.

Dividends

On October 25, 2010 our Board of Directors declared a special cash dividend of \$1.00 per share of common stock. The dividend was paid on November 12, 2010 to stockholders of record on November 4, 2010. Prior to the special cash dividend paid in 2010, we had not paid any cash dividends on our common stock since 1990, and we currently have no future plans to pay cash dividends. Our revolving facility and senior unsecured notes also restrict us from making dividend payments. See Note 5 *Financial Commitments* of Notes to Consolidated Financial Statements in Part IV, Item 15. *Exhibits and Financial Statements Schedules*.

Securities Authorized for Issuance Under Equity Compensation Plans

For a description of our equity compensation plan, see Note 11 *Stock-Based Compensation* of Notes to Consolidated Financial Statements in Part IV, Item 15. *Exhibits and Financial Statement Schedules*.

Issuer Purchases of Equity Securities

There were no repurchases by the Company of its equity securities during the three months ended December 31, 2013.

Issuance of Unregistered Securities

None.

Performance Graph

The performance graph required by this Item 5 is hereby incorporated by reference from our definitive proxy statement to be filed within 120 days after the end of the fiscal year 2013.

Table of Contents**ITEM 6. SELECTED FINANCIAL DATA****Selected Consolidated Financial Information**

The following selected financial data has been derived from our audited consolidated financial statements and should be read in conjunction with the consolidated financial statements, the related notes thereto and the independent auditors' report thereon, and Management's Discussion and Analysis of Financial Condition and Results of Operations, which are included elsewhere in this Form 10-K and in previously filed annual reports on Form 10-K of Tutor Perini Corporation. Backlog and new business awarded are not measures defined in accounting principles generally accepted in the United States (U.S. GAAP) and have not been derived from audited consolidated financial statements. In conjunction with our 2011 reorganization, we have restated comparative prior period information for the reorganized reportable segments in each of the revenue and backlog tabular disclosures below. We have also restated comparative prior period results to allocate intersegment eliminations of revenues into the applicable Civil, Building or Management Services segments to which the Specialty Contractors segment has provided services.

	Year Ended December 31,				
	2013	2012	2011 (1)	2010 (2)	2009 (3)
	(In thousands, except per share data)				
<u>OPERATING SUMMARY</u>					
Revenues:					
Civil	\$ 1,345,818	\$ 1,248,281	\$ 885,245	\$ 667,129	\$ 361,507
Building	1,470,219	1,467,910	1,825,468	2,223,515	4,284,020
Specialty Contractors	1,182,277	1,183,037	802,460	112,860	201,087
Management Services	177,358	212,243	203,144	195,706	305,352
Total	4,175,672	4,111,471	3,716,317	3,199,210	5,151,966
Cost of Operations	3,708,768	3,696,339	3,320,976	2,861,362	4,763,919
Gross Profit	466,904	415,132	395,341	337,848	388,047
General and Administrative Expenses	263,082	260,369	226,965	165,536	176,504
Goodwill and Intangible Asset Impairment (4)		376,574			
Income (Loss) From Construction Operations	203,822	(221,811)	168,376	172,312	211,543
Other (Expense) Income, Net	(18,575)	(1,857)	4,421	(2,280)	1,098
Interest Expense	(45,632)	(44,174)	(35,750)	(10,564)	(7,501)
Income (Loss) Before Income Taxes	139,615	(267,842)	137,047	159,468	205,140
(Provision) Benefit for Income Taxes	(52,319)	2,442	(50,899)	(55,968)	(68,079)
Net Income (Loss)	\$ 87,296	\$ (265,400)	\$ 86,148	\$ 103,500	\$ 137,061
Income (Loss) Available to Common Stockholders	\$ 87,296	\$ (265,400)	\$ 86,148	\$ 103,500	\$ 137,061
Earnings (Loss) Per Share of Common Stock:					
Basic	\$ 1.82	\$ (5.59)	\$ 1.82	\$ 2.15	\$ 2.82
Diluted	\$ 1.80	\$ (5.59)	\$ 1.80	\$ 2.13	\$ 2.79
Cash Dividend Paid Per Common Share	\$	\$	\$	\$ 1.00	\$
Book Value Per Common Share	\$ 25.76	\$ 24.05	\$ 29.58	\$ 27.88	\$ 26.54

Edgar Filing: TUTOR PERINI Corp - Form 10-K

Weighted Average Common Shares

Outstanding:

Basic	47,851	47,470	47,226	48,111	48,525
Diluted	48,589	47,470	47,890	48,649	49,084

Edgar Filing: TUTOR PERINI Corp - Form 10-K

Table of Contents

	2013	2012	Year Ended December 31, 2011 (1)	2010 (2)	2009 (3)
	(In thousands, except ratios)				
<u>FINANCIAL POSITION SUMMARY</u>					
Working Capital	\$ 787,434	\$ 747,577	\$ 556,800	\$ 592,928	\$ 303,118
Current Ratio	1.61x	1.61x	1.40x	1.61x	1.23x
Debt	733,884	737,090	672,507	395,684	116,105
Stockholders' Equity	1,247,535	1,143,864	1,399,827	1,312,994	1,288,426
Ratio of Debt to Equity	.59x	.64x	.48x	.30x	.09x
Total Assets	\$ 3,397,438	\$ 3,296,410	\$ 3,613,127	\$ 2,779,220	\$ 2,820,654
<u>OTHER DATA</u>					
Backlog at Year End (5)	\$ 6,954,287	\$ 5,603,624	\$ 6,108,277	\$ 4,284,290	\$ 4,310,191
New Business Awarded (6)	\$ 5,526,335	\$ 3,606,818	\$ 5,540,304	\$ 3,173,309	\$ 2,786,256

(1) Includes the results of Fisk, Anderson, Frontier-Kemper, Lunda, WDF, FSE, Nagelbush and Becho as each was acquired during 2011. See Note 2 *Mergers and Acquisitions* of Notes to Consolidated Financial Statements in Part IV, Item 15. *Exhibits and Financial Statement Schedules*.

(2) Includes the results of Superior Gunite, acquired November 1, 2010.

(3) Includes the results of Keating, acquired January 15, 2009.

(4) Represents goodwill and intangible assets impairment charge of \$376.6 million in 2012. See Note 4 *Goodwill and other Intangible Assets* of Notes to Consolidated Financial Statements in Part IV, Item 15. *Exhibits and Financial Statement Schedules*.

(5) A construction project is included in our backlog at such time as a contract is awarded, or a letter of commitment is obtained and adequate construction funding is in place. Backlog is not a measure defined in U.S. GAAP, and our backlog may not be comparable to the backlog of other companies. Management uses backlog to assist in forecasting future results.

(6) New business awarded consists of the original contract price of projects added to our backlog in accordance with Note (5) above plus or minus subsequent changes to the estimated total contract price of existing contracts. For 2011 and 2010, this category also includes approximately \$2.6 billion of backlog obtained through acquisitions. Management uses new business awarded to assist in forecasting future

results.

Table of Contents

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 fire protection systems 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. In our ordinary course of business, we enter into arrangements with other contractors, referred to as joint ventures, for certain construction projects. Each of the joint venture participants is usually committed to supply a predetermined percentage of capital, as required, and to share in a predetermined percentage of the income or loss of the project. Generally, each joint venture participant is fully liable for the obligations of the joint venture.

We believe our leadership position as the contractor of choice for large, complex civil and building projects will support our long-term backlog growth. We have continued to experience increased contributions from our Civil segment consistent with our 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. Our strong self-performance capabilities represent a unique competitive advantage. By self-performing certain specialized components of our projects when possible, we are able to capture profits that would otherwise be recognized by other contractors. We continue to capitalize on our leadership position as evidenced by our December 31, 2013 contract backlog of \$7.0 billion, an increase of \$1.4 billion from \$5.6 billion as of December 31, 2012. In 2013, we received several significant new awards (discussed below, under *Backlog Analysis for 2013*) and we continue to have a large volume of pending awards, including (i) several additional phases of the Hudson Yards development project in New York; (ii) several mass transit and transportation projects in New York and on the east coast; and (iii) several condominium, mixed-use, hospitality and gaming, and retail building development projects primarily on the east coast.

As we entered into 2013, we experienced a high level of bidding activity, which subsequently translated into several large Civil contracts, including two major rail projects in California awarded around the middle of 2013. In addition, our work on the Hudson Yards project ramped up notably in 2013, including increased activity on construction of the South Tower (Tower C), as well as the award and start-up of two large Civil projects at the site. Future phases of the Hudson Yards project are expected to be awarded over the next one to three years. Our recently awarded large Civil projects have contract durations of approximately four to five years. Accordingly, we expect to realize the benefits of these projects over the next several years. Typically, in later stages of our projects, productivity increases are realized and claims and unapproved

change orders, if any, are resolved. When projects are in later stages of completion, these changes may result in more significant impacts to profitability.

Table of Contents

The following table sets forth our consolidated results of operations:

	Consolidated Results of Operations			% Change Favorable (Unfavorable)	
	Year ended December 31,			2013 vs.	2012 vs.
	2013	2012	2011	2012	2011
	(In thousands)				
Revenues	\$ 4,175,672	\$ 4,111,471	\$ 3,716,317	1.6%	10.6%
Cost of operations	3,708,768	3,696,339	3,320,976	(0.3)%	(11.3)%
Gross profit	466,904	415,132	395,341	12.5%	5.0%
General and administrative expenses	263,082	260,369	226,965	(1.0)%	(14.7)%
Goodwill and intangible asset impairment		376,574			
Income (loss) from construction operations	203,822	(221,811)	168,376	191.9%	(231.7)%
Other (expense) income, net	(18,575)	(1,857)	4,421	(900.3)%	(142.0)%
Interest expense	(45,632)	(44,174)	(35,750)	(3.3)%	(23.6)%
Income (loss) before income taxes	139,615	(267,842)	137,047	152.1%	(295.4)%
(Provision) benefit for income taxes	(52,319)	2,442	(50,899)	(2,242.5)%	104.8%
Net income (loss)	\$ 87,296	\$ (265,400)	\$ 86,148	132.9%	(408.1)%

	Consolidated Results of Operations		
	Year ended December 31,		
	2013	2012	2011
	(As a percentage of Revenues)		
Revenues	100.0%	100.0%	100.0%
Cost of operations	88.8%	89.9%	89.4%
Gross profit	11.2%	10.1%	10.6%
General and administrative expenses	6.3%	6.3%	6.1%
Goodwill and intangible asset impairment	0.0%	9.2%	0.0%
Income (loss) from construction operations	4.9%	(5.4)%	4.5%
Other (expense) income, net	(0.4)%	0.0%	0.1%
Interest expense	(1.1)%	(1.1)%	(0.9)%
Income (loss) before income taxes	3.4%	(6.5)%	3.7%
(Provision) benefit for income taxes	(1.3)%	0.0%	(1.4)%
Net income (loss)	2.1%	(6.5)%	2.3%

Revenues were \$4,175.7 million in 2013, as compared to \$4,111.5 million in 2012 and \$3,716.3 million in 2011. Income from construction operations was \$203.8 million in 2013, as compared to loss from construction operations of \$221.8 million in 2012 and income from construction operations of \$168.4 million in 2011. In 2012, our loss from construction operations of \$221.8 million was materially impacted by a \$376.6 million goodwill and intangible asset impairment charge (\$326.4 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. See additional discussion under *Critical Accounting Policies* below. Net income was \$87.3 million in 2013, as compared to a net loss of \$265.4 million in 2012 and net income of \$86.1 million in 2011. Basic and diluted earnings per share were \$1.82 and \$1.80, respectively, in 2013, as compared to basic and diluted loss per share of \$5.59 and \$5.59, respectively, in 2012, and basic and diluted earnings per share of \$1.82 and \$1.80, respectively, in 2011. Excluding the \$326.4 million after-tax goodwill and intangible asset impairment charge, the \$3.0 million after-tax litigation provision relating to an adverse court decision, \$3.6 million in discrete tax expense adjustments and a \$2.7 million pre-tax loss on the sale of certain auction rate securities, net income and diluted earnings per share for 2012 were \$70.3 million, and \$1.46, respectively. Net income and diluted earnings per share excluding these adjustments are non-U.S. GAAP financial measures, which are discussed below and are reconciled to the most directly comparable U.S. GAAP measures.

Table of Contents

Revenues increased by \$64.2 million, or 1.6% during 2013. This increase was primarily driven by increased activity in certain hospitality and gaming projects in California, Arizona and Nevada as well as increased activity and the start-up of projects at Hudson Yards in New York. These increases were offset by reduced activity on large healthcare facility projects in northern California.

Income from construction operations increased by \$425.6 million during 2013. This increase was primarily driven by the \$376.6 million goodwill and intangible asset impairment charge discussed above. Excluding the impairment charge, income from construction operations increased by \$49.1 million, or 31.7% during 2013. This increase was primarily driven by strong operating performance in our Civil group.

Other expense (income), net, was an expense of \$18.6 million in 2013, an increase of \$16.7 million compared to an expense of \$1.9 million in 2012. This increase was primarily driven by increases to certain business acquisition related liabilities.

Interest expense increased by \$1.5 million during 2013. This increase was primarily driven by increased draws on our revolving facilities.

The provision for income taxes increased by \$54.8 million during 2013. The income tax benefit in 2012 includes the impact of a \$50.2 million reduction in our provision for income taxes recorded due to the impairment charge discussed above.

At December 31, 2013, we had working capital of \$787.4 million, a ratio of current assets to current liabilities of 1.61 to 1.00, and a ratio of debt to equity of 0.59 to 1.00 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. Our stockholders' equity increased to \$1.2 billion as of December 31, 2013 from \$1.1 billion as of December 31, 2012.

Non-U.S. GAAP Measures

Our consolidated financial statements are presented based on U.S. GAAP. We sometimes use non-U.S. 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-U.S. 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-U.S. GAAP measures can be useful operating performance measures to be considered by investors, prospective investors and others. These non-U.S. GAAP measures are not intended to replace the presentation of our financial results in accordance with U.S. 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 (loss) from construction operations, net income (loss), and diluted earnings (loss) per share under U.S. GAAP to income from operations, net income and diluted earnings per share for the years ended December 31, 2013 and 2012, excluding discrete items. For the year ended December 31, 2012, included in discrete items is the impact of one-time expenses (benefits): (i) the \$326.4 million after-tax impairment charge, (ii) the \$3.0 million after-tax litigation provision relating to an adverse court decision, (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, and (iv) the \$2.7 million realized loss on the sale of auction rate securities in the first quarter of 2012.

(in thousands, except per share data)	Year ended Dec 31	
	2013	2012
Reported net income (loss)	\$ 87,296	\$ (265,400)
Plus: Impairment charge		376,574
Less: Tax benefit provided on impairment charge		(50,158)
Plus: Litigation provision less tax benefit		2,980
Plus: Realized loss on sale of investments		2,699
Plus: Discrete tax adjustments		3,649
Net income, excluding discrete items	\$ 87,296	\$ 70,344
Reported diluted income (loss) per common share	\$ 1.80	\$ (5.59)
Plus: Impairment charge, net of tax benefit		6.85
Plus: Litigation provision less tax benefit		0.06
Plus: Realized loss on sale of investments		0.06
Plus: Discrete tax adjustments		0.08
Diluted earnings per common share, excluding discrete items	\$ 1.80	\$ 1.46

Backlog Analysis for 2013

Our backlog of uncompleted construction work at December 31, 2013 was approximately \$7.0 billion compared to \$5.6 billion at December 31, 2012. During 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 during 2013 included the \$840 million San Francisco Central Subway project, our \$511 million share of the joint venture California High-Speed Rail design-build project, the \$510 million Hudson Yards platform project, our approximately \$200 million share of a joint venture bridge superstructure project between Minnesota and Wisconsin, two Wisconsin highway construction contracts collectively valued at \$191 million, a \$143 million concrete package for the South Tower at Hudson Yards, the \$133 million Amtrak Tunnel project at Hudson Yards, a \$102 million bridge project in New York, and a \$100 million bus station redevelopment project in New York. The strong 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. We estimate that approximately \$3.4 billion, or 49.5% of our backlog at December 31, 2013 will be recognized as revenue in 2014.

In addition to our existing backlog, we continue to have a significant volume of pending contract awards, including up to \$3.7 billion in various future phases of the Hudson Yards project and various other contracts. We anticipate booking many of our pending awards into backlog over the next several quarters, and future phases of the Hudson Yards project over the next several years, as the contracts for these various projects are executed. We continue tracking several large-scale civil and building prospects for both public and private sector customers as we further leverage our self-performance and schedule control capabilities.

The following table provides an analysis of our backlog by business segment for the year ended December 31, 2013.

Edgar Filing: TUTOR PERINI Corp - Form 10-K

	Backlog at December 31, 2012	New Business Awarded (1)	(in millions)	Revenues Recognized in 2013	Backlog at December 31, 2013
Civil	\$ 1,774.0	\$ 3,009.4		\$ (1,345.8)	\$ 3,437.6
Building	1,964.9	1,159.7		(1,470.2)	1,654.4
Specialty Contractors	1,507.3	1,336.1		(1,182.3)	1,661.1
Management Services	357.4	21.1		(177.4)	201.1
Total	\$ 5,603.6	\$ 5,526.3		\$ (4,175.7)	\$ 6,954.2

(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.

Table of Contents

Critical Accounting Policies

Our accounting and financial reporting policies are in conformity with U.S. GAAP. The preparation of our consolidated financial statements in conformity with U.S. GAAP requires us to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, and the reported amounts of revenues and expenses during the reporting period.

Although 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*, the following discussion is intended to describe those accounting policies most critical to the preparation of our consolidated financial statements.

Use of and Changes in Estimates - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Our construction business involves making significant estimates and assumptions in the normal course of business relating to our contracts and our joint venture contracts due to, among other things, the one-of-a-kind nature of most of our projects, the long-term duration of our contract cycle and the type of contract utilized. Therefore, management believes that the Method of Accounting for Contracts is the most important and critical accounting policy. The most significant estimates with regard to these financial statements relate to the estimating of total forecasted construction contract revenues, costs and profits in accordance with accounting for long-term contracts (see Note 1 *Description of Business and Summary of Significant Accounting Policies*, under the section entitled (d) *Use of and Changes in Estimates* of the Notes to Consolidated Financial Statements in Part IV, Item 15. *Exhibits and Financial Statement Schedules*) and estimating potential liabilities in conjunction with certain contingencies, including the outcome of pending or future litigation, arbitration or other dispute resolution proceedings relating to contract claims (see Note 9 *Contingencies and Commitments* of the Notes to Consolidated Financial Statements in Part IV, Item 15. *Exhibits and Financial Statement Schedules*). Actual results could differ from these estimates and such differences could be material.

Our estimates of contract revenue and cost are highly detailed. We believe that, based on our experience, our current systems of management and accounting controls allow us to produce materially reliable estimates of total contract revenue and cost during any accounting period. However, many factors can and do change during a contract performance period which can result in a change to contract profitability from one financial reporting period to another. Some of the factors that can change the estimate of total contract revenue and cost include differing site conditions (to the extent that contract remedies are unavailable), the availability of skilled contract labor, the performance of major material suppliers to deliver on time, the performance of major subcontractors, unusual weather conditions and the accuracy of the original bid estimate. Because we have many contracts in process at any given time, these changes in estimates can offset each other minimizing the impact on overall profitability. However, large changes in cost estimates on larger, more complex construction projects can have a material impact on our financial statements and are reflected in our results of operations when they become known.

Management focuses on evaluating the performance of contracts individually. In the ordinary course of business, and at a minimum on a quarterly basis, we update projected total contract revenue, cost and profit or loss for each of our contracts based on changes in facts, such as an approved scope change, and changes in estimates. Normal, recurring changes in estimates include, but are not limited to: (i) changes in estimated scope as a result of unapproved or unpriced customer change orders; (ii) changes in estimated productivity assumptions based on experience to date; (iii) changes in estimated materials costs based on experience to date; (iv) changes in estimated subcontractor costs based on subcontractor buyout experience; (v) changes in the timing of scheduled work that may impact future costs; (vi) achievement of incentive income; and (vii) changes in estimated recoveries through the settlement of litigation.

During the year ended December 31, 2013, our results of operations were impacted by a \$13.8 million increase in the estimated recovery projected for a Building segment project due to changes in facts and circumstances that occurred during 2013. This change in estimate resulted

Edgar Filing: TUTOR PERINI Corp - Form 10-K

in an increase of \$13.8 million in income from construction operations, \$8.6 million in net income and \$0.18 in diluted earnings per common share during 2013.

During the year ended December 31, 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. Excluding the discrete items that impacted the Company's effective tax rate, this change in estimate resulted in a \$12.4 million increase in income from construction operations, a \$7.5 million increase in net income and a \$0.16 increase in diluted earnings per common share during 2012.

Table of Contents

Contracts vary in lengths and larger contracts can span over two to six years. At various stages of a contract's life cycle, different types of changes in estimates are more typical. Generally during the early ramp up stage, cost estimates relating to purchases of materials and subcontractors are frequently subject to revisions. As a contract moves into the most productive phase of execution, change orders, project cost estimate revisions and claims are frequently the sources for changes in estimates. During the contract's final phase, remaining estimated costs to complete or provisions for claims will be closed out and adjusted based on actual costs incurred. 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. Generally, if the contract is at an early stage of completion, the current period impact is smaller than if the same change in estimate is made to the contract at a later stage of completion. Likewise, if the company's overall project portfolio was to be at a later stage of completion during the reporting period, the overall gross margin could be subject to greater variability from changes in estimates.

When recording revenue on contracts relating to unapproved change orders and claims, we include in revenue an amount less than or equal to the amount of costs incurred by us to date for contract price adjustments that we seek to collect from customers for delays, errors in specifications or designs, change orders in dispute or unapproved as to scope or price, or other unanticipated additional costs, in each case when recovery of the costs is considered probable. The amount of unapproved change orders and claim revenues is included in our Consolidated Balance Sheets as part of costs and estimated earnings in excess of billings. When determining the likelihood of eventual recovery, we consider such factors as evaluation of entitlement, settlements reached to date and our experience with the customer. The settlement of these issues may take years depending upon whether the item can be resolved directly with the customer or involves litigation or arbitration. When new facts become known, an adjustment to the estimated recovery is made and reflected in the current period results.

Method of Accounting for Contracts Revenues and profits from our contracts and construction joint venture contracts are recognized by applying percentages of completion for the period to the total estimated revenues for the respective contracts. Percentage of completion is determined by relating the actual cost of the work performed to date to the current estimated total cost of the respective contracts. When the estimate on a contract indicates a loss, the entire loss is recorded during the accounting period in which it is estimated. In the ordinary course of business, at a minimum on a quarterly basis, we prepare updated estimates of the total forecasted revenue, cost and profit or loss for each contract. The cumulative effect of revisions in estimates of the total forecasted revenue and costs, including unapproved change orders and claims, during the course of the work is reflected in the accounting period in which the facts that caused the revision become known. The financial impact of these revisions to any one contract is a function of both the amount of the revision and the percentage of completion of the contract. An amount up to the costs incurred that are attributable to unapproved change orders and claims is included in the total estimated revenue when realization is probable. For a further discussion of unapproved change orders and claims, see Item 1. *Business* under the section entitled *Types of Contracts and The Contract Process* and Item 1A. *Risk Factors*. Profit from unapproved change orders and claims is recorded in the accounting period in which such amounts are resolved.

Billings in excess of costs and estimated earnings represents the excess of contract billings to date over the amount of contract costs and profits (or contract revenue) recognized to date on the percentage of completion accounting method. Costs and estimated earnings in excess of billings represents the excess of contract costs and profits (or contract revenue) recognized to date on the percentage of completion accounting method over contract billings to date. Costs and estimated earnings in excess of billings results when (1) the appropriate contract revenue amount has been recognized in accordance with the percentage of completion accounting method, but a portion of the revenue recorded cannot be billed currently due to the billing terms defined in the contract and/or (2) costs, recorded at estimated realizable value, related to unapproved change orders or claims are incurred. For unapproved change orders or claims that cannot be resolved in accordance with the normal change order process as defined in the contract, we may employ other dispute resolution methods, including mediation, binding and non-binding arbitration, or litigation. See Item 3. *Legal Proceedings* and Note 9 - *Contingencies and Commitments* of the Notes to Consolidated Financial Statements in Part IV, Item 15. *Exhibits and Financial Statement Schedules*. The prerequisite for billing unapproved change orders and claims is the final resolution and agreement between the parties. Costs and estimated earnings in excess of billings related to our contracts and joint venture contracts at December 31, 2013 is discussed above under *Use of and Changes in Estimates* and in Note 1 *Description of Business and Summary of Significant Accounting Policies* of Notes to Consolidated Financial Statements in Part IV, Item 15. *Exhibits and Financial Statement Schedules*.

Table of Contents

Impairment of Goodwill and Other Intangible Assets - Intangible assets with finite lives are amortized over their useful lives. Construction contract backlog is amortized on a weighted average basis over the corresponding contract period. Customer relationships and certain trade names are amortized on a straight-line basis over their estimated useful lives. Goodwill and intangible assets with indefinite lives are not amortized. We evaluate intangible assets that are not being amortized at the end of each reporting period to determine whether events and circumstances continue to support an indefinite useful life.

We test 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 which suggest that the goodwill or intangible assets should be evaluated. Intangible assets with finite lives are tested for impairment whenever events or circumstances indicate that the carrying value may not be recoverable. The first step in the two-step process of the impairment analysis is to determine the fair value of the Company and each of its reporting units and compare the fair value of each reporting unit to its carrying value. If the carrying value of the reporting unit exceeds its fair value, a second step must be followed to calculate the goodwill impairment. The second step involves determining the fair value of the individual assets and liabilities of the reporting unit that failed the first step and calculating the implied fair value of goodwill. To determine the fair value of the Company and each of its reporting units, we utilize both an income-based valuation approach as well as a market-based valuation approach. The income-based valuation approach is based on the cash flows that the reporting unit expects to generate in the future and it requires us to project revenues, operating expenses, working capital investment, capital spending and cash flows for the reporting unit in a discrete period, as well as determine the weighted-average cost of capital to be used as a discount rate and a terminal value growth rate for the non-discrete period. The market-based valuation approach to estimate the fair value of our reporting units utilizes industry multiples of revenues and operating earnings. We conclude on the fair value of the reporting units by assuming a 67% weighting on the income-based approach and a 33% weighing on the market-based valuation approach.

As part of the valuation process, the aggregate fair value of the Company is compared to its market capitalization at the valuation date in order to determine an implied control premium. In evaluating whether our implied control premium is reasonable, we consider a number of factors including the following factors of greatest significance.

- *Market control premium:* We compare our implied control premium to the average control premium paid in transactions of companies in the construction industry during the year of evaluation.
- *Sensitivity analysis:* We perform a sensitivity analysis to determine the minimum control premium required to recover the book value of the Company at the testing date. The minimum control premium required is then compared to the average control premium paid in transactions of companies in the construction industry during the year of evaluation.
- *Impact of low public float and limited trading activity:* A significant portion of our common stock is owned by our Chairman and CEO. As a result, the public float of our common stock, calculated as the percentage of shares of common stock freely traded by public investors divided by our total shares outstanding, is significantly lower than that of its publicly traded peers. This circumstance does not impact the fair value of the Company, however based on its evaluation of third party market data, we believe it does lead to an inherent marketability discount impacting its stock price.

Impairment assessment inherently involves management judgments as to the assumptions used for projections and to evaluate the impact of market conditions on those assumptions. The key assumptions that we use to estimate the fair value of our reporting units under the income-based approach are as follows:

- Weighted average cost of capital used to discount the projected cash flows;
- Cash flows generated from existing and new work awards; and
- Projected operating margins.

Table of Contents

Weighted average cost of capital rates used to discount the projected cash flows are developed via the capital asset pricing model which is primarily based upon market inputs. We use discount rates that management feels are an accurate reflection of the risks associated with the forecasted cash flows of our respective reporting units.

To develop the cash flows generated from new work awards and future operating margins, we primarily track prospective work for each of our reporting units on a project-by-project basis as well as the estimated timing of when the work would be bid or prequalified, started and completed. We also give consideration to our relationships with the prospective owners, the pool of competitors that are capable of performing large, complex work, changes in business strategy and the Company's history of success in winning new work in each reporting unit. With regard to operating margins, we give consideration to our historical reporting unit operating margins in the end markets that the prospective work opportunities are most significant, current market trends in recent new work procurement, and changes in business strategy.

We also estimate the fair value of our reporting units under a market-based approach by applying industry-comparable multiples of revenues and operating earnings to our reporting units' projected performance. The conditions and prospects of companies in the construction industry depend on common factors such as overall demand for services.

Changes in our assumptions or estimates could materially affect the determination of the fair value of a reporting unit. Such changes in assumptions could be caused by:

- Terminations, suspensions, reductions in scope or delays in the start-up of the revenues and cash flows from backlog as well as the prospective work we track;

- Reductions in available government, state and local agencies and non-residential private industry funding and spending;

- Our ability to effectively compete for new work and maintain and grow market penetration in the regions that the Company operates in;

- Our ability to successfully control costs, work schedule, and project delivery; or

- Broader market conditions, including stock market volatility in the construction industry and its impact on the weighted average cost of capital assumption.

On a quarterly basis we consider whether events or changes in circumstances indicate that assets, including goodwill and intangible assets not subject to amortization might be impaired. In conjunction with this analysis, we evaluate whether our current market capitalization is less than

Edgar Filing: TUTOR PERINI Corp - Form 10-K

our stockholders' equity and specifically consider (1) changes in macroeconomic conditions, (2) changes in general economic conditions in the construction industry including any declines in market-dependent multiples, (3) cost factors such as increases in raw materials, labor, or other costs that have a negative effect on earnings and cash flows analyses, (4) a reconciliation of the implied control premium to a current market control premium, (5) target price assessments by third party analysts and (6) the impact of current market conditions on its forecast of future cash flows including consideration of specific projects in backlog, pending awards, or large prospect opportunities. We also evaluate our most recent assessment of the fair value for each of our reporting units, considering whether our current forecast of future cash flows is in line with those used in our annual impairment assessment and whether there are any significant changes in trends or any other material assumptions used.

As of December 31, 2013, we have concluded that we do not have an impairment of our goodwill or our indefinite-lived intangible assets and that the estimated fair value of each reporting unit exceeds its carrying value. See Note 4 *Goodwill and Other Intangible Assets* of the Notes to Consolidated Financial Statements in Part IV, Item 15. *Exhibits and Financial Statement Schedule* for additional goodwill disclosure.

Fair Value Measurements Our investment in auction rate securities (ARS) is measured at fair value utilizing unobservable (Level 3) inputs. We have determined the estimated fair values of these securities utilizing an income approach valuation model, with consideration given to market-based valuation inputs such as current market conditions, including repayment status of student loans, credit market risk, market liquidity and macro-economic influences. In addition, we obtained an independent valuation of some of our auction rate security instruments and

Table of Contents

considered these valuations in determining the estimated fair values of the auction rate securities in our portfolio. Our analyses considered, among other items, the collateralization underlying the security investments, the expected future cash flows, including the final maturity, associated with the securities, and estimates of the next time the security is expected to have a successful auction or return to full par value. See Note 1 *Description of Business and Summary of Significant Accounting Policies* of Notes to Consolidated Financial Statements in Part IV, Item 15. *Exhibits and Financial Statement Schedules* for a detailed discussion of the fair market value assessment of our investment in ARS.

At December 31, 2013 and 2012, the carrying value of our investment in auction rate securities approximated fair value.

The contingent consideration involved in the purchases of several of our recently acquired entities is also measured at fair value utilizing unobservable (Level 3) inputs. We estimate these fair values utilizing an income approach which is 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. See Note 3 *Fair Value Measurements* of Notes to Consolidated Financial Statements in Part IV, Item 15. *Exhibits and Financial Statement Schedules* for more information on our investment in ARS and contingent consideration.

Share-based Compensation - We have granted restricted stock units and stock options to certain employees and non-employee directors. We recognize share-based compensation expense net of an estimated forfeiture rate and only recognize compensation expense for those shares expected to vest on a straight-line basis over the requisite service period of the award (which corresponds to the vesting period). Determining the appropriate fair value model and calculating the fair value of stock option awards requires the input of highly subjective assumptions, including the expected life of the stock option awards and the expected volatility of our stock price over the life of the awards. We used the Black-Scholes-Merton option pricing model to value our stock option awards, and utilized the historical volatility of our common stock as a reasonable estimate of the future volatility of our common stock over the expected life of the awards. The assumptions used in calculating the fair value of share-based payment awards represent our best estimates, but these estimates involve inherent uncertainties and the application of management's judgment. As a result, if factors change which require the use of different assumptions, share-based compensation expense could be materially different in the future. In addition, if the actual forfeiture rate is materially different from our estimate, share-based compensation expense could be significantly different from what has been recorded through December 31, 2013.

Insurance Liabilities - We assume the risk for the amount of the deductible portion of the losses and liabilities primarily associated with workers compensation, general liability and automobile liability coverage. Losses are accrued based upon our estimates of the aggregate liability for claims incurred using historical experience and certain actuarial assumptions followed in the insurance industry. The estimate of our insurance liability within our deductible limits includes an estimate of incurred but not reported claims based on data compiled from historical experience. Actual experience could differ significantly from these estimates and could materially impact our consolidated financial position and results of operations. We purchase varying levels of insurance from third parties, including excess liability insurance, to cover losses in excess of our deductible limits. Currently, our deductible limit for workers' compensation, general liability and automobile coverage is generally \$1.0 million per occurrence, subject to a policy aggregate loss limitation based upon policy exposures. In addition, on certain projects, we assume the risk for the amount of the deductible portion of losses and a co-payment amount that arise from any subcontractor defaults. Our deductible limit for subcontractor default on projects covered under our program ranges from \$0.5 million to \$2.0 million per occurrence, with a co-payment of 20% of the next \$5.0 million, subject to an annual aggregate ranging from \$3.5 million to \$4.0 million.

Accounting for Income Taxes - Information relating to our provision for income taxes and the status of our deferred tax assets and liabilities is presented in Note 6 - *Income Taxes* of the Notes to Consolidated Financial Statements in Part IV, Item 15. *Exhibits and Financial Statement Schedules*. A key assumption in the determination of our book tax provision is the amount of the valuation allowance, if any, required to reduce the related deferred tax assets. The net deferred tax assets reflect management's estimate of the amount which will, more likely than not, reduce future taxable income.

Table of Contents

Our accounting policy requires us to identify and review potential tax uncertainties for tax positions taken or expected to be taken in a tax return and determine whether the exposure to those uncertainties have a material impact on our results of operations or financial condition as of December 31, 2013.

Defined Benefit Retirement Plan The status of our defined benefit pension plan obligations, related plan assets and cost is presented in Note 8 - *Employee Benefit Plans* of the Notes to Consolidated Financial Statements in Part IV, Item 15. *Exhibits and Financial Statement Schedules*. Plan obligations and annual pension expense are determined by actuaries using a number of key assumptions which include, among other things, the discount rate and the estimated future return on plan assets. The discount rate of 3.58% used for purposes of computing the 2013 annual pension expense was determined at the beginning of the calendar year based upon an analysis performed by our actuaries which matches the cash flows of our plan's projected liabilities to bond investments of similar amounts and durations. We plan to change the discount rate used for computing the 2014 annual pension expense to 4.47% based upon a similar analysis by our actuaries.

The estimated return on plan assets is primarily based on historical long-term returns of equity and fixed income markets according to our targeted allocation of plan assets 90% equity, 5% fixed income and 5% cash. We plan to use a return on asset rate of 6.75% in 2014 based on projected equity performance compared to long-term historical averages.

The plans' benefit obligations exceeded the fair value of plan assets on December 31, 2013 and 2012 by \$22.6 million and \$39.2 million, respectively. Accordingly, we recorded adjustments to our pension liability with an offset to accumulated other comprehensive income (loss), a component of stockholders' equity.

Effective June 1, 2004, all benefit accruals under our pension plan were frozen; however, the vested benefit was preserved. We anticipate that pension expense will decrease from \$5.5 million in 2013 to \$3.7 million in 2014. Cash contributions to our defined benefit pension plan are anticipated to be approximately \$2.8 million in 2014. Cash contributions may vary significantly in the future depending upon asset performance and the interest rate environment.

Table of Contents**Results of Operations -****2013 Compared to 2012***Revenues*

The following table summarizes our revenues by business segment.

(dollars in millions)	Revenues for the Year Ended December 31,		\$ Change	%
	2013	2012		
Civil	\$ 1,345.8	\$ 1,248.3	\$ 97.5	7.8%
Building	1,470.2	1,467.9	2.3	0.2%
Specialty Contractors	1,182.3	1,183.0	(0.7)	(0.1)%
Management Services	177.4	212.3	(34.9)	(16.4)%
Total Revenues	\$ 4,175.7	\$ 4,111.5	\$ 64.2	1.6%

Civil Segment

Civil segment revenues were \$1,345.8 million in 2013, an increase of \$97.5 million, or 7.8%, compared to \$1,248.3 million in 2012. The increase in revenues was primarily driven by the start-up of civil projects at Hudson Yards in New York and certain rail transportation projects in California, as well as increased activity on pipeline projects in the midwest, a large tunnel project in Washington, and an airport runway expansion project in Florida. These increases were 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 on the east coast.

Building Segment

Building segment revenues were \$1,470.2 million in 2013, consistent with \$1,467.9 million in 2012. The Building segment experienced increased activity on hospitality and gaming projects in California, Arizona and Nevada, courthouse projects in California and Florida, and increased activity on the Hudson Yards project in New York. These increases were offset by reduced activity on several building projects in the southern U.S. in 2013 and reduced activity on several large healthcare facility projects in California.

Specialty Contractors Segment

Specialty Contractors segment revenues were \$1,182.3 million in 2013, consistent with \$1,183.0 million in 2012. The Specialty Contractors segment experienced increased activity on various electrical projects on the west coast and in the southern U.S., and on work performed in New

Edgar Filing: TUTOR PERINI Corp - Form 10-K

York in connection with damage caused by Hurricane Sandy. These increases were offset by reduced activity on electrical and mechanical subcontract work on several electrical and mechanical projects in New York and on various smaller concrete placement projects on the east and west coasts.

Management Services Segment

Management Services segment revenues were \$177.4 million in 2013, a decrease of \$34.9 million, or 16.4%, as compared to \$212.3 million in 2012. The decrease in revenues was primarily driven by reduced activity on a containerized housing project in Iraq, as well as reduced activity on several surety projects. This decrease was partially offset by increased activity on an aircraft parking apron project in Guam.

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

The following table summarizes our income (loss) from construction operations by business segment:

(dollars in millions)	Income (Loss) from Construction Operations and Operating Margins before Impairment Charges				Change in		
	2013		2012		Amount	Margin	Margin
	Year ended December 31,		Year ended December 31,		\$	%	%
	Amount	Margin	Amount	Margin			
Civil	\$ 167.9	12.5%	\$ 112.6	9.0%	\$ 55.3	49.1%	3.5%
Building	23.8	1.6%	(4.1)	(0.3)%	27.9	680.5%	1.9%
Specialty Contractors	49.0	4.1%	79.1	6.7%	(30.1)	(38.1)%	(2.6)%
Management Services	10.5	5.9%	12.3	5.8%	(1.8)	(14.6)%	0.1%
	251.2	6.0%	199.9	4.9%	51.3	25.7%	1.1%
Corporate	(47.4)	(1.1)%	(45.1)	(1.1)%	(2.3)	(5.1)%	0.0%
Income from construction operations before impairment charges	203.8	4.9%	154.8	3.8%	49.0	31.6%	1.1%
Goodwill and intangible asset impairment:							
Civil			65.5				
Building			282.6				
Specialty Contractors			11.5				
Management Services			17.0				
			376.6				
Income (loss) from construction operations	\$ 203.8		\$ (221.8)				

The following discussion of income (loss) from construction operations for the years ended December 31, 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 fiscal years. Since the impairment charge impacts 2012 only and does not affect revenues, cost of revenues 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.

Civil Segment

Civil segment income from construction operations was \$167.9 million in 2013, an increase of \$55.3 million, or 49.1%, as compared to \$112.6 million in 2012. The increase in income from construction operations during 2013 was primarily driven by the increase in volume discussed in *Revenues* above.

Civil segment operating margin increased from 9.0% in 2012 to 12.5% in 2013 due primarily to an increased mix of higher margin Civil work in certain parts of the U.S.

Building Segment

Building segment income from construction operations was \$23.8 million in 2013, an increase of \$27.9 million, or 680.5%, as compared to a loss of \$4.1 million in 2012. The increase in income from construction operations during 2013 was primarily driven by the changes in *Revenues* discussed above, an increase in estimated recoveries on a certain large hospitality and gaming project in Nevada, certain unrecoverable costs incurred in 2012 related to an educational facility in Alabama, and a decrease in general and administrative expenses in 2013 due primarily to staffing reductions and increased staff utilization. Building segment operating margin increased from (0.3)% in 2012 to 1.6% in 2013 due primarily to the above-mentioned reasons.

Table of ContentsSpecialty Contractors Segment

Specialty Contractors segment income from construction operations was \$49.0 million in 2013, a decrease of \$30.1 million, or 38.1%, as compared to \$79.1 million in 2012. The decrease in income from construction operations during 2013 was primarily driven by the changes in *Revenues* discussed above, favorable productivity in 2012 on several electrical and mechanical projects in New York, as well as changes to certain project cost estimates associated with unfavorable execution issues on various smaller concrete placement projects. The decrease was partially offset by work performed in New York in connection with damage caused by Hurricane Sandy and a favorable settlement related to a large hospitality and gaming electrical subcontract.

Specialty Contractors segment operating margin decreased from 6.7% in 2012 to 4.1% in 2013 due primarily to the above-mentioned reasons.

Management Services Segment

Management services segment income from construction operations was \$10.5 million in 2013, a decrease of \$1.8 million, or 14.6%, compared to \$12.3 million in 2012. The decrease in income from construction operations during 2013 was primarily driven by the reduction in volume discussed in *Revenues* above, partially offset by favorable productivity on an aircraft parking apron project in Guam.

Management Services segment operating margin increased from 5.8% in 2012 to 5.9% in 2013 due primarily to favorable productivity on an aircraft parking apron project in Guam.

Corporate

Corporate general and administrative expenses were \$47.4 million in 2013, an increase of \$2.3 million, or 5.1%, compared to \$45.1 million in 2012. The increase was due primarily to increased performance-based incentive compensation expense.

Other Income (Expense), Interest Expense and Provision (Benefit) for Income Taxes

(dollars in millions)	Year Ended December 31,		\$ Change	% Change
	2013	2012		
Other (Expense) Income, net	\$ (18.6)	\$ (1.9)	\$ (16.7)	(878.9)%
Interest Expense	45.6	44.2	1.4	3.2%
Provision (Benefit) for Income Taxes	52.3	(2.4)	54.7	2,279.2

Edgar Filing: TUTOR PERINI Corp - Form 10-K

Other income (expense), net, decreased by \$16.7 million, or 878.9% during 2013 as compared to 2012 due primarily to a net increase in certain business acquisition-related liabilities in 2013.

Interest expense increased by \$1.4 million, or 3.2% during 2013 as compared to 2012 primarily due to additional borrowings on our revolving line of credit.

The provision for income taxes was \$52.3 million during 2013 as compared to benefit of \$2.4 million during 2012. The effective income rate increased from 0.9% in 2012 to 37.5% in 2013 primarily due to the \$376.6 million impairment charge in the second quarter of 2012 and discrete items. The income tax expense for 2013 include discrete items of \$(1.1) million related mainly to favorable federal and state audit settlements, and \$0.9 million related to 2012 return true-up adjustments, compared to \$3.6 million for 2012 related mainly to stock-based compensation items.

Table of Contents**Results of Operations -****2012 Compared to 2011***Revenues*

The following table summarizes our revenues by segment.

(dollars in millions)	Revenues for the Year Ended December 31,		\$ Change	%
	2012	2011		
Building	\$ 1,467.9	\$ 1,825.5	\$ (357.6)	(19.6)%
Civil	1,248.3	885.2	363.1	41.0%
Specialty Contractors	1,183.0	802.5	380.5	47.4%
Management Services	212.3	203.1	9.2	4.5%
Total Revenues	\$ 4,111.5	\$ 3,716.3	\$ 395.2	10.6%

Building Segment

Building segment revenues decreased by \$357.6 million (or 19.6%) from \$1,825.5 million in 2011 to \$1,467.9 million in 2012, primarily due to the substantial completion of a large public works project and a large hospitality and gaming project in 2011. These decreases were partially offset by increased activity in certain healthcare facility, office facility, and courthouse projects.

Civil Segment

Civil segment revenues increased by \$363.1 million (or 41.0%), from \$885.2 million in 2011 to \$1,248.3 million in 2012, primarily due to the acquisitions of Frontier-Kemper, Lunda and Becho in mid-2011 which contributed approximately \$601.9 million to 2012 revenues in the aggregate, an increase of \$259.6 million, or 75.8%, from their partial-year contributions of \$342.3 million to 2011 revenues. Civil segment revenues also increased due to increased activity in certain tunnel projects on the West Coast and several highway projects on the East Coast that were awarded in 2011.

Specialty Contractors Segment

Specialty Contractors segment revenues increased by \$380.5 million (or 47.4%), from \$802.5 million in 2011 to \$1,183.0 million in 2012, primarily due to the acquisition of FSE, WDF and Nagelbush in mid-2011 which contributed approximately \$827.9 million to 2012 revenues in the aggregate, an increase of approximately \$367.9 million, or 80.0%, from their partial-year contributions of \$460.0 million to 2011 revenues.

Management Services Segment

Management Services segment revenues increased by \$9.2 million (or 4.5%), from \$203.1 million in 2011 to \$212.3 million in 2012, primarily due to increased activity on several smaller awards in 2012.

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

The following table summarizes our income (loss) from construction operations by business segment:

(dollars in millions)	Income (Loss) from Construction Operations and Operating Margins before Impairment Charges							
	Year ended December 31,				Change in			
	2012		2011		Amount	%	Margin	%
	Amount	Margin	Amount	Margin	\$			
Building	\$ (4.1)	(0.3)%	\$ 46.3	2.5%	(50.4)	(108.9)%	(2.8)%	
Civil	112.6	9.0%	78.6	8.9%	34.0	43.3%	0.1%	
Specialty Contractors	79.1	6.7%	65.6	8.2%	13.5	20.6%	(1.5)%	
Management Services	12.3	5.8%	22.3	11.0%	(10.0)	(44.8)%	(5.2)%	
	199.9	4.9%	212.8	5.7%	(12.9)	(6.1)%	(0.8)%	
Corporate	(45.1)	(1.1)%	(44.4)	(1.2)%	(0.7)	(1.6)%	0.1%	
Income from construction operations before impairment charges	154.8	3.8%	168.4	4.5%	(13.6)	(8.1)%	(0.7)%	
Goodwill and intangible asset impairment:								
Building	282.6							
Civil	65.5							
Specialty Contractors	11.5							
Management Services	17.0							
	376.6							
Income (loss) from construction operations	\$ (221.8)		\$ 168.4					

The following discussion of income (loss) from construction operations for the years ended December 31, 2012 and 2011 has been prepared on a pre-impairment charge basis in order to better compare normal operating results of each segment between the two fiscal years. Since the impairment charge impacts 2012 only and does not affect revenues, cost of revenues or general and administrative expenses we incur to conduct our day-to-day construction operations, management believes the following discussion, analysis and comparison of 2012 and 2011 operating results is more meaningful.

Building Segment

Building segment income from construction operations on a pre-impairment charge basis decreased by \$50.4 million (or 108.9%), from operating income of \$46.3 million in 2011 to an operating loss of \$4.1 million in 2012, primarily due to the decline in volume discussed above under *Revenues*, and certain additional costs incurred on an educational facility in 2012.

Building segment operating margin declined from 2.5% in 2011 to (0.3)% in 2012 primarily due to the higher margin contribution of a large public works completed in 2011, several favorable cost estimate adjustments realized in the close out stage of certain large hospitality and

Edgar Filing: TUTOR PERINI Corp - Form 10-K

gaming projects in 2011, sustained general and administrative expenses as we awaited the start-up of several large pending projects, and an unfavorable change in new work margin mix as we have experienced an underlying change in the mix of our backlog from public to the private market.

Table of Contents

Civil Segment

Civil segment income from construction operations on a pre-impairment charge basis increased by \$34.0 million (or 43.3%), from \$78.6 million in 2011 to \$112.6 million in 2012, primarily due to the contributions from our 2011 acquisitions of approximately \$60.0 million, an increase of \$30.2 million, or 102.0%, from their partial year contributions of \$29.7 million in 2011 as well as the increased volume discussed above under *Revenues*. This increase was partially offset by the substantial completion and favorable close out of certain large public works projects on the East Coast in 2011.

Civil segment operating margin increased from 8.9% in 2011 to 9.0% in 2012 primarily due to better than expected winter weather conditions and equipment mobilization savings on several highway and bridge projects in the mid-West, increased contributions and activity on a higher margin public works tunnel project on the West Coast offset by a \$5.0 million litigation provision relating to an adverse court decision.

Specialty Contractors Segment

Specialty Contractors segment income from construction operations on a pre-impairment charge basis increased by \$13.5 million or 20.6%, from \$65.6 million in 2011 to \$79.1 million in 2012, primarily due to the acquisitions discussed above, which contributed approximately \$71.6 million in income from construction operations in the aggregate, an increase of \$13.9 million, or 24.1% from their partial year contributions of \$57.7 million in 2011.

Specialty Contractor segment operating margin declined from 8.2% in 2011 to 6.7% in 2012 primarily due to the substantial completion of a large hospitality and gaming project with a high margin contribution in 2011 as well as increased cost estimates related to several smaller electrical projects in 2012.

Management Services Segment

Management Services segment income from construction operations on a pre-impairment charge basis decreased by \$10.0 million or 44.8%, from \$22.3 million in 2011 to \$12.3 million in 2012, primarily due to an increased competitive environment in 2012 and the substantial completion and favorable close out of certain projects in Iraq in 2011.

Management Services segment operating margin declined from 11.0% in 2011 to 5.8% in 2012 primarily due to the above mentioned reasons as well as to an unfavorable change in new work margins.

Corporate

Edgar Filing: TUTOR PERINI Corp - Form 10-K

Corporate general and administrative expenses were relatively flat at \$45.1 million in 2012 compared to \$44.4 million in 2011.

Other Income (Expense), Interest Expense and Provision (Benefit) for Income Taxes

(dollars in millions)	Year Ended December 31,		\$ Change	% Change
	2012	2011		
Other (Expense) Income, net	\$ (1.9)	\$ 4.4	\$ (6.3)	(143.2)%
Interest Expense	44.2	35.8	8.4	23.5%
(Benefit) Provision for Income Taxes	(2.4)	50.9	(53.3)	(104.7)%

Other income (expense), net, decreased by \$6.3 million, from income of \$4.4 million in 2011 to expense of \$1.9 million in 2012, primarily due to a net increase of \$0.3 million in certain business acquisition related liabilities in 2012, compared to a net reduction of \$7.3 million in certain business acquisition related liabilities in 2011.

Interest expense increased by \$8.4 million from \$35.8 million in 2011 to \$44.2 million in 2012, primarily due to additional borrowings to fund operations and to complete the 2011 acquisitions.

Table of Contents

We recognized an income tax benefit of \$2.4 million in 2012 as compared to an income tax expense of \$50.9 million in 2011 primarily due to the goodwill and intangible impairment charge discussed above. The effective tax rate decreased from 37.1% in 2011 to 0.9% in 2012 primarily due to the impact of the impairment charge.

Liquidity and Capital Resources

Cash and Working Capital

Cash and cash equivalents consist of amounts held by us as well as our proportionate share of amounts held by construction joint ventures. Cash held by us is available for general corporate purposes, while cash held by construction joint ventures is available only for joint venture-related uses. Joint venture cash and cash equivalents are not restricted to specific uses within those entities; however, the terms of the joint venture agreements limit our ability to distribute those funds and use them for corporate purposes. Cash held by construction joint ventures is distributed from time to time to us and to the other joint venture participants in accordance with our respective percentage interest after the joint venture partners determine that a cash distribution is prudent. Cash distributions received by us from our construction joint ventures are then available for general corporate purposes.

At December 31, 2013 and 2012, cash held by us and available for general corporate purposes was \$36.6 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 \$83.3 million and \$97.3 million, at December 31, 2013 and 2012, respectively, and our restricted cash was \$42.6 million and \$38.7 million, at December 31, 2013 and 2012, respectively.

We do not believe that it is likely that we will be called upon to contribute significant additional capital in the event of default by any of our joint venture 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 cash contributions upon inception of the joint venture to mitigate the risk that we would be required to cover a disproportionate share of the joint venture's future cash needs.

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

Billing procedures in the construction industry are based on the specific billing terms of a contract. For example, billings may be based on various measures of performance, such as cubic yards excavated, architect's estimates of completion, costs incurred on cost-plus type contracts or weighted progress from a cost loaded construction time schedule. Billings are generally on a monthly basis and are reviewed and approved by

Edgar Filing: TUTOR PERINI Corp - Form 10-K

the customer prior to submission. Therefore, once a bill is submitted, we are generally able to collect amounts owed to us in accordance with the payment terms of the contract. In addition, receivables of a contractor usually include retentions, or amounts that are held back until contracts are completed or until specified contract conditions or guarantees are met. Retentions are governed by contract provisions and are typically a fixed percentage (for example, 5% or 10%) of each billing. We generally follow the policy of paying our vendors and subcontractors after we receive payment from our customer.

Edgar Filing: TUTOR PERINI Corp - Form 10-K

Table of Contents

A summary of cash flows for each of fiscal years 2013, 2012, and 2011 is set forth below:

	2013	Year Ended December 31, 2012		2011
		(In millions)		
Cash flows provided (used) by:				
Operating activities	\$ 50.7	\$ (67.9)		\$ (31.6)
Investing activities	(43.6)	(16.8)		(375.3)
Financing activities	(55.2)	48.5		139.7
Net (decrease) increase in cash	(48.1)	(36.2)		(267.2)
Cash at beginning of year	168.0	204.2		471.4
Cash at end of year	\$ 119.9	\$ 168.0		\$ 204.2

During 2013, we generated \$50.7 million in cash from operating activities, primarily due to net income earned and payments received related to the CityCenter matter, offset by cash paid for interest and taxes and payments related to the Brightwater matter. See Note 9 *Contingencies and Commitments* of Notes to Consolidated Financial Statements in Part IV, Item 15. *Exhibits and Financial Statement Schedules* for more information on Brightwater and CityCenter. We used \$43.6 million in cash from investing activities, due primarily to the purchase of construction equipment of \$42.4 million. We used \$55.2 million in cash from financing activities, due primarily to net debt repayments of \$23.5 million and business acquisition related payments of \$31.0 million.

During 2012, we used \$67.9 million in cash to fund operating activities, primarily due to the timing of collections in the Building segment and cash payments for interest on our outstanding debt and income taxes. We used \$16.8 million in cash from investing activities, primarily due to purchase construction equipment, offset by the proceeds from the sales of several of our auction rate securities and construction equipment. We received \$48.5 million in cash from financing activities, primarily due to borrowings under our revolving facility offset by cash used for scheduled debt repayments and business acquisition related payments.

During 2011, we used \$31.6 million in cash flow from operating activities. The operating cash used was primarily due to cash payments made for income taxes and interest, offset by collections on several large projects in our Building, Civil and Management Services segments during 2011. We used \$375.3 million in cash to fund investing activities, primarily for the acquisitions discussed above as well as cash used to purchase construction equipment. We received \$139.7 million in cash from financing activities, primarily due to our \$200 million term loan. Our cash balance decreased by \$267.2 million primarily due to the use of cash to fund our acquisition strategy during 2011.

At December 31, 2013, we had working capital of \$787.4 million, a ratio of current assets to current liabilities of 1.61 to 1.00, and a ratio of debt to equity of 0.59 to 1.00 as 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. Our stockholders' equity increased to \$1.2 billion as of December 31, 2013, compared to \$1.1 billion as of December 31, 2012. At December 31, 2013, we were in compliance with the covenants under our credit agreement.

Long-term Investments

At December 31, 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

Edgar Filing: TUTOR PERINI Corp - Form 10-K

subject to our investment guidelines. The current overall liquidity concerns in capital markets have affected our ability to liquidate many of our investments in ARS. 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 credit facility, we do not expect the short-term lack of liquidity of our ARS investments to materially affect our overall liquidity position or our ability to execute our current business plan. For a description of our accounting for ARS, see 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*.

Table of Contents

We hold a variety of interest bearing ARS, the majority of which were rated AA+ at December 31, 2013, that generally represent interests in pools of interest bearing student loans. These ARS provide liquidity via an auction process that resets the applicable interest rate at predetermined intervals, typically every 7 or 28 days. In the event that such auctions are unsuccessful, the holder of the securities is not able to access these funds until a future auction of these investments is successful. An unsuccessful auction results in a lack of liquidity in the securities but does not signify a default by the issuer. Upon an unsuccessful auction, the interest rates do not reset at a market rate but instead reset based upon a formula contained in the security, which rate is generally higher than the current market rate. During the first quarter of 2008, we made substantial additional investments in ARS. Since mid-February 2008, regularly scheduled auctions for these securities started to fail throughout the market at a significant rate. Since that time, we have been successful in liquidating a significant portion of our investment in ARS at par value. During 2011, we determined that the carrying value of our investment in ARS was in excess of its fair value and we recorded an impairment charge of \$4.8 million which were deemed to be other-than-temporary, thereby resulting in a charge to income. We did not record any additional impairment charge in 2013 and 2012 since the carrying value of our ARS as of December 31, 2013 and 2012 approximated fair value.

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.

Debt

Debt was \$733.9 million at December 31, 2013, a decrease of \$3.2 million from \$737.1 million at December 31, 2012, primarily due to the pay down of our \$200 million term loan by \$37.5 million, partially offset by a net increase of \$15.0 million in borrowings on our revolving line of credit. We utilized the revolving facility for outstanding letters of credit in the amount of \$0.2 million. Accordingly, at December 31, 2013, we had \$164.8 million available to borrow under our credit agreement.

Excluding the outstanding borrowings of \$135.0 million on our revolving line of credit, unsecured senior notes of \$298.5 million and our \$200 million term loan (which had been paid down to \$115.0 million as of December 31, 2013 from \$152.5 million at December 31, 2012), the remaining balance of \$185.4 million of our outstanding debt is generally secured by the underlying assets. Our debt to equity ratio was 0.59 to 1.00 as of December 31, 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 our 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 First Amendment modified 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 modified 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. See Amended Credit Agreement below for a detailed discussion of this amendment. There were no other material changes in our contractual debt obligations as of December 31, 2013. As of the filing date of this Form 10-K, we are in compliance and expect to continue to be in compliance with the modified financial covenants under the First Amendment.

7.625% Senior Notes due 2018

On October 20, 2010, we completed a private placement offering of \$300 million in aggregate principal amount of our 7.625% senior unsecured notes due November 1, 2018 (the *Senior Notes*). The Senior Notes were priced at 99.258%, resulting in a yield to maturity of 7.75%. The Senior Notes were made available in a private offering that is exempt from the registration requirements of the Securities Act of 1933, as amended (the *Securities Act*). The private placement of the Senior Notes resulted in proceeds to us of approximately \$293.2 million after a debt discount of \$2.2 million and initial debt issuance costs of \$4.6 million. The Senior Notes were issued pursuant to an indenture (the *Indenture*), dated as of October 20, 2010 by and among us, our subsidiary guarantors and Wilmington Trust FSB, as trustee (the *Trustee*).

Table of Contents

The Senior Notes mature on November 1, 2018, and bear interest at a rate of 7.625% per annum, payable semi-annually in cash in arrears on May 1 and November 1 of each year, beginning on May 1, 2011. The Senior Notes are our senior unsecured obligations and are guaranteed by substantially all of our existing and future subsidiaries that guarantee obligations under our Amended Credit Agreement.

The terms of the Indenture, among other things, limit our ability and our restricted subsidiaries to (i) incur additional indebtedness or issue certain preferred stock; (ii) pay dividends on, or make distributions in respect of, our capital stock or repurchase our capital stock; (iii) make certain investments or other restricted payments; (iv) sell certain assets; (v) create liens or use assets as security in other transactions; (vi) merge, consolidate or transfer or dispose of substantially all of our assets; and (vii) engage in certain transactions with affiliates.

The Senior Notes are redeemable, in whole or in part, at any time on or after November 1, 2014, at the redemption prices specified in the Indenture, together with accrued and unpaid interest, if any, to the redemption date. At any time prior to November 1, 2013, we may redeem up to 35% of the aggregate principal amount of the Senior Notes with the net cash proceeds from certain equity offerings at a redemption price equal to 107.625% of the principal amount thereof, together with accrued and unpaid interest, if any, to the redemption date. In addition, at any time prior to November 1, 2014, we may redeem the Senior Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Senior Notes so redeemed, plus a make whole premium, together with accrued and unpaid interest, if any, to the redemption date.

Upon the occurrence of a change of control triggering event specified in the Indenture, we must offer to purchase the Senior Notes at a redemption price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of purchase.

The Indenture provides for customary events of default (subject in certain cases to customary grace and cure periods), which include nonpayment, breach of covenants in the Indenture, payment defaults or acceleration of other indebtedness, a failure to pay certain judgments and certain events of bankruptcy and insolvency. If an event of default occurs and is continuing, the Trustee or holders of at least 25% in principal amount of the outstanding Senior Notes may declare the principal, accrued and unpaid interest, if any, on all the Senior Notes to be due and payable.

In April 2011, we filed an amended registration statement with the Securities and Exchange Commission with respect to an offer to exchange the Senior Notes for a new issue of debt securities registered under the Securities Act (the Exchange Offer), with terms substantially identical to those of the Senior Notes, (except for provisions relating to the transfer restrictions and payment of additional interest), and to keep the Exchange Offer open for at least 30 business days (the Registration Statement). The Exchange Offer was consummated in June 2011.

Amended Credit Agreement

On August 3, 2011 we entered into a Fifth Amended and Restated Credit Agreement (the Credit Agreement) with Bank of America, N.A., which has been amended by a Joinder Agreement dated October 21, 2011 executed by Becho, Inc. On August 2, 2012, we entered into a First Amendment (the First Amendment) to our 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 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

Edgar Filing: TUTOR PERINI Corp - Form 10-K

letters of credit from \$50 million to \$150 million. The obligations under the First Amendment are secured by a lien on all personal property of the Company and its subsidiaries party thereto.

Under the First Amendment, the minimum net worth covenant is modified such that the consolidated net worth 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

Edgar Filing: TUTOR PERINI Corp - Form 10-K

Table of Contents

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 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-K, we are in compliance and expect to continue to be in compliance with the modified financial covenants under the First Amendment.

The Amended Credit Agreement allows us to borrow up to \$300 million on a revolving credit basis (the *Revolving Facility*), with a \$150 million sublimit for letters of credit, and an additional \$200 million term loan (the *Term Loan*). Subject to certain conditions, we have the option to increase the base facility by up to an additional \$50 million. Substantially all of our 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 our personal property and our 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 \$115.0 million at December 31, 2013.

We had \$135.0 million and \$120.0 million of outstanding borrowings under the Revolving Facility as of December 31, 2013 and 2012, respectively. The Company utilized the Revolving Facility for letters of credit in the amount of \$0.2 million as of December 31, 2013 and December 31, 2012. Accordingly, at December 31, 2013, the Company had \$164.8 million available to borrow under our credit agreement. We believe that our financial position and credit arrangements are sufficient to support our current backlog and anticipated new work.

The Company was in compliance with the modified financial covenants of the Amended Credit Agreement for the period ended December 31, 2013.

On August 26, 2011, we entered into a swap agreement (*Swap Agreement*) with Bank of America, N.A. to establish a long-term interest rate for the Term Loan discussed above. The Swap Agreement pertains to the Term Loan principal balance outstanding at January 31, 2012 and will remain effective through the maturity date of the Term Loan. Amounts outstanding under the Swap Agreement will bear interest at a rate equal to, the Applicable Rate, as defined in the Amended Credit Agreement (based upon our consolidated leverage ratio) plus 97.5 basis points. The Swap Agreement includes quarterly installments of principal and monthly installments of interest payable through the maturity date of the Term Loan.

Debt Agreements from Recent Acquisitions

In connection with the acquisition of Frontier-Kemper and GreenStar, we assumed certain debt, all of which was paid off in 2011.

In connection with the acquisition of Lunda, we issued to the former Lunda shareholders promissory notes in an aggregate amount of approximately \$21.7 million (the Lunda Seller Notes). Interest under the Lunda Seller Notes accrues at the rate of 5% per annum with all accrued but unpaid interest payable annually. The Lunda Seller Notes mature on July 1, 2016. We may prepay all or any portion of the Lunda Seller Notes at any time without premium or penalty. To the extent that the Company prepays all or any portion of its outstanding Senior Notes, it is also required to repay a pro rata portion (based upon the amount being prepaid under the Senior Notes and the total amount outstanding under the Senior Notes) of the Lunda Seller Notes. The Lunda Seller Notes are guaranteed by Lunda, which, as a result of the acquisition, is a wholly owned subsidiary of the Company.

Table of Contents*Collateralized Loans*

During 2013 and 2011, we entered into several equipment financing arrangements for our existing and our recently acquired equipment fleets as discussed in more detail below. We attempted to take advantage of the opportunity to fix low interest rates for these fleets which has provided us with additional cash flows available for general corporate purposes.

During 2013, we obtained equipment financing totaling \$25.8 million at fixed rates ranging from 2.28% to 3.09%, payable in equal monthly installments for sixty months. We obtained a mortgage loan of \$9.6 million collateralized by land and improvements located in Houston, Texas, with equal monthly installments over a 30-year period at LIBOR plus 3.00% with a balloon payment of \$6.7 million due in 2023.

In January of 2012, we obtained a mortgage loan of \$2.1 million collateralized by land at a rate of 0.20% with 24 equal monthly installments of principal and interest and a balloon payment of \$1.5 million that was paid in November of 2013.

In September 2011, we entered into two new equipment financing agreements. We obtained two loans for \$12.5 million each, which are collateralized by construction equipment owned by us. The terms of each of the loans include equal monthly installments inclusive of principal and interest at an interest rate of 2.21% payable over a five-year period. In August 2011, we entered into a new equipment financing agreement. We obtained a loan totaling \$25.0 million, which is collateralized by construction equipment owned by us. The terms of the loan include equal monthly installments inclusive of principal and interest at an interest rate of 2.53% payable over a five-year period. In March 2011, we paid off and subsequently refinanced several of our equipment financing agreements at lower interest rates and also entered into several new equipment financing agreements. The refinancing resulted in payments totaling \$27.4 million which paid off the previous agreements in place. We obtained loans totaling \$59.7 million, which are collateralized by construction equipment owned by us. The terms of the loans include equal monthly installments inclusive of principal and interest at an interest rate of 3.98% payable over a five-year period, with balloon payments totaling \$8.8 million in 2016.

Contractual Obligations

Our outstanding contractual obligations as of December 31, 2013 are summarized in the following table:

	Payments Due by Period				
	(In thousands)				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Total debt, excluding interest	\$ 733,884	\$ 114,658	\$ 163,273	\$ 312,146	\$ 143,807
Interest payments on debt	161,924	40,207	64,979	45,397	11,341
Operating leases, net	58,656	17,786	25,914	9,139	5,817
Purchase obligations (a)	25,152	20,704	1,214	879	2,355
Acquisition-related liabilities	51,102	34,532	11,489	5,081	
Unfunded pension liability	22,562	2,256	6,769	6,769	6,768
Insurance claim payable (b)	34,774	6,955	6,955	6,955	13,909
Other	9,420	286	6,144	2,161	829

Edgar Filing: TUTOR PERINI Corp - Form 10-K

Total contractual obligations	\$	1,097,474	\$	237,384	\$	286,737	\$	388,527	\$	184,826
-------------------------------	----	-----------	----	---------	----	---------	----	---------	----	---------

- (a) Purchase obligations consists primarily of software licensing and maintenance contracts and major equipment purchase commitments.
- (b) The insurance claim payable represents expected insurance loss amounts to be received from the insurance carriers and to be paid in claims respectively.

Table of Contents

Stockholders' Equity

Our book value per common share was \$25.76 at December 31, 2013, compared to \$24.05 at December 31, 2012, and \$29.58 at December 31, 2011. The major factors impacting stockholders' equity during the three year period were the net income (loss) recorded in all three years; the annual amortization of stock compensation expense; common stock options exercised; and the excess income tax benefit attributable to stock-based compensation. Also, we were required to adjust our accrued pension liability by a decrease of \$18.7 million in 2013, an increase of \$1.7 million in 2012, an increase of \$14.8 million in 2011, and a cumulative increase of \$44.5 million in prior years, with the offset to accumulated other comprehensive income (loss) which resulted in an aggregate \$42.3 million pretax accumulated other comprehensive loss reduction in stockholders' equity at December 31, 2013 (see Note 8 *Employee Benefit Plans* of the Notes to Consolidated Financial Statements in Part IV, Item 15. *Exhibits and Financial Statement Schedules*). Adjustments to the amount of this accrued pension liability will be recorded in future years based upon periodic re-evaluation of the funded status of our pension plans.

Related Party Transactions

We are subject to certain related party transactions with our Chairman and Chief Executive Officer, Ronald N. Tutor, and Raymond R. Oneglia, the Vice Chairman of O&G Industries, Inc., one of our directors. A more detailed description of these transactions will be set forth in the sections entitled *Certain Relationships and Related Party Transactions* in the definitive proxy statement in connection with our 2014 Annual Meeting of Stockholders (the *Proxy Statement*), which section is incorporated herein by reference.

New Accounting Pronouncements

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

Edgar Filing: TUTOR PERINI Corp - Form 10-K

the reporting date. This ASU is an update to FASB ASC Topic 405, Liabilities. The amendments in this ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The adoption of this guidance is not expected to have a material impact on the Company's financial statements.

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

Table of Contents

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our exposure to market risk for changes in interest rates primarily relates to borrowings under our Amended Credit Agreement, our Term Loan, and our short-term and long-term investment portfolios. Our Revolving Facility is available for us to borrow, when needed, for general corporate purposes, including working capital requirements and capital expenditures. Borrowings under our Revolving Facility and outstanding principal on our Term Loan bear interest at the applicable LIBOR or base rate, as defined, and therefore we are subject to fluctuations in interest rates. We borrowed from our Revolving Facility during a brief period in 2011; however, these borrowings were paid off as of December 31, 2011. We borrowed on the revolving line of credit in 2013 and 2012.

In August 2011, we entered into the Swap Agreement with Bank of America, N.A. to establish a long-term interest rate for the Term Loan. The Swap Agreement will become effective for the Term Loan principal balance outstanding at January 31, 2012 and will remain effective through the maturity date of the Term Loan. Amounts outstanding under the Swap Agreement will bear interest at a rate equal to, the Applicable Rate, as defined in the Amended Credit Agreement (based upon the Company's consolidated leverage ratio) plus 97.5 basis points. Of our remaining outstanding debt at December 31, 2013 (excluding the Term Loan balance of \$115.0 million, the revolving line of credit of \$135.0 million and the Senior Notes balance of \$298.5 million), totaling \$185.4 million, approximately \$152.0 million carries interest at a fixed rate. Accordingly, we do not believe our liquidity or our operations are subject to significant market risk for changes in interest rates.

We hold a variety of interest bearing auction rate securities, the majority of which were rated AA+ at December 31, 2013, that generally represent interests in pools of interest bearing student loans. These auction rate securities provide liquidity via an auction process that resets the applicable interest rate at predetermined intervals, typically every 7 or 28 days. In the event that such auctions are unsuccessful, the holder of the securities is not able to access these funds until a future auction of these investments is successful. An unsuccessful auction results in a lack of liquidity in the securities but does not signify a default by the issuer. Upon an unsuccessful auction, the interest rates do not reset at a market rate but instead reset based upon a formula contained in the security, which rate is generally higher than the current market rate. Since mid-February 2008, regularly scheduled auctions for these securities started to fail throughout the market at a significant rate. Since that time, we have been successful in liquidating at par value a significant portion of our investment in auction rate securities. At December 31, 2013, we had investments in auction rate securities of \$46.3 million which are reflected at fair value after cumulative net fair value adjustments of \$1.0 million. These investments are considered to be available-for-sale and are classified as long-term investments. 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. Based on our ability to access our cash equivalent investments, and our available Revolving Facility, we do not expect the short-term lack of liquidity to affect our overall liquidity position or our ability to execute our current business plan.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Report of Independent Registered Public Accounting Firm, Consolidated Financial Statements, and Supplementary Schedules are set forth in Item 15 in this Annual Report on Form 10-K and are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures As required by Rule 13a-15(b) under the Securities Exchange Act of 1934, the Company, with the participation of 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 of December 31, 2013. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2013, our disclosure controls and procedures were effective, in that they provide

Table of Contents

reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act were recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Our disclosure controls and procedures are designed to ensure that information we are required to disclose in such reports is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Management's Report On Internal Control over Financial Reporting - Our management, under the supervision of our Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining an adequate system of internal control over financial reporting as such term is defined in Exchange Act Rules 13a-15(f). In designing and evaluating our system of internal control over financial reporting, we recognize that inherent limitations exist in any control system no matter how well designed and operated, and we can only provide reasonable, not absolute, assurance of achieving the desired control objectives. In making this assessment, management utilized the criteria issued in *Internal Control - Integrated Framework* by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission (1992 framework). Based on this assessment, management concluded that, as of December 31, 2013, our internal control over financial reporting was effective based on those criteria.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of the effectiveness to future periods are subject to the risk that controls may become inadequate due to changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

Deloitte & Touche LLP, the independent registered public accounting firm that audited our consolidated financial statements included in this Annual Report on Form 10-K, has issued an attestation report on the Company's internal control over financial reporting as of December 31, 2013.

Changes in Internal Control over Financial Reporting - There were no changes in our internal control over financial reporting for the fiscal quarter ended December 31, 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Tutor Perini Corporation

Sylmar, California

We have audited the internal control over financial reporting of Tutor Perini Corporation and subsidiaries (the Company) as of December 31, 2013, based on criteria established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the criteria established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Edgar Filing: TUTOR PERINI Corp - Form 10-K

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2013 of the Company and our report dated February 24, 2014 expressed an unqualified opinion on those financial statements.

/s/ Deloitte & Touche LLP

Los Angeles, California

February 24, 2014

Table of Contents

ITEM 9B. OTHER INFORMATION

None.

PART III.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item 10 is hereby incorporated by reference from our definitive proxy statement to be filed within 120 days after the end of the fiscal year 2013.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item 11 is hereby incorporated by reference from our definitive proxy statement to be filed within 120 days after the end of the fiscal year 2013.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item 12 is hereby incorporated by reference from our definitive proxy statement to be filed within 120 days after the end of the fiscal year 2013.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item 13 is hereby incorporated by reference from our definitive proxy statement to be filed within 120 days after the end of the fiscal year 2013.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item 14 is hereby incorporated by reference from our definitive proxy statement to be filed within 120 days after the end of the fiscal year 2013.

Table of Contents

PART IV.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

TUTOR PERINI CORPORATION AND SUBSIDIARIES

(a)1. The following consolidated financial statements and supplementary financial information are filed as part of this Annual Report:

	Pages
Consolidated Financial Statements of the Registrant	
<u>Consolidated Balance Sheets as of December 31, 2013 and 2012</u>	61 62
<u>Consolidated Statements of Operations for the years ended December 31, 2013, 2012, and 2011</u>	63
<u>Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2013, 2012, and 2011</u>	64
<u>Consolidated Statements of Stockholders' Equity for the years ended December 31, 2013, 2012, and 2011</u>	65
<u>Consolidated Statements of Cash Flows for the years ended December 31, 2013, 2012, and 2011</u>	66 67
<u>Notes to Consolidated Financial Statements</u>	68 129
<u>Report of Independent Registered Public Accounting Firm</u>	130

(a)2. All consolidated financial statement schedules are omitted because of the absence of the conditions under which they are required or because the required information is included in the Consolidated Financial Statements or in the Notes thereto.

(a)3. Exhibits

The exhibits which are filed with this Annual Report on Form 10-K or which are incorporated herein by reference are set forth in the Exhibit Index which appears on pages 131 through 133.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Tutor Perini Corporation
(Registrant)

Dated: February 24, 2014

By: */s/Robert Band*
Robert Band
President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated.

Signature	Title	Date
<ul style="list-style-type: none"> • Principal Executive Officer Ronald N. Tutor	Chairman and Chief Executive Officer	February 24, 2014

By: */s/Ronald N. Tutor*
Ronald N. Tutor

<ul style="list-style-type: none"> • Principal Financial Officer Michael J. Kershaw	Executive Vice President and Chief Financial Officer	February 24, 2014
--	--	-------------------

By: */s/Michael J. Kershaw*
Michael J. Kershaw

<ul style="list-style-type: none"> • Principal Accounting Officer Ronald P. Marano II	Vice President and Chief Accounting Officer	February 24, 2014
--	---	-------------------

By: */s/Ronald P. Marano II*
Ronald P. Marano II

• Directors

Ronald N. Tutor)	
Marilyn A. Alexander)	
Peter Arkley)	
Robert Band)	
Sidney J. Feltenstein)	<i>/s/Robert Band</i>
Michael R. Klein)	Robert Band
Martin R. Melone)	Attorney in Fact
Raymond R. Oneglia)	
Donald D. Snyder)	
Dickran M. Tevrizian, Jr.)	Dated: February 24, 2014

Table of Contents**TUTOR PERINI CORPORATION AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(in thousands, except share data)

	At December 31,	
	2013	2012
ASSETS		
CURRENT ASSETS:		
Cash, including cash equivalents of \$6,437 and \$23,140	\$ 119,923	\$ 168,056
Restricted cash	42,594	38,717
Accounts receivable, including retainage of \$364,239 and \$354,269	1,291,246	1,224,613
Costs and estimated earnings in excess of billings	573,248	465,002
Deferred income taxes	8,240	10,071
Other current assets	50,669	75,388
Total current assets	2,085,920	1,981,847
LONG-TERM INVESTMENTS	46,283	46,283
PROPERTY AND EQUIPMENT, at cost:		
Land	41,307	41,307
Buildings and improvements	118,312	115,504
Construction equipment	370,452	346,326
Other equipment	151,847	128,511
	681,918	631,648
Less Accumulated depreciation	183,793	146,553
Total property and equipment, net	498,125	485,095
GOODWILL	577,756	570,646
INTANGIBLE ASSETS, NET	113,740	126,821
OTHER ASSETS	75,614	85,718
Total assets	\$ 3,397,438	\$ 3,296,410

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

Table of Contents**TUTOR PERINI CORPORATION AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS (continued)**

(in thousands, except share data)

	At December 31,	
	2013	2012
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	\$ 114,658	\$ 67,710
Accounts payable, including retainage of \$137,944 and \$137,662	758,225	696,473
Billings in excess of costs and estimated earnings	267,586	301,761
Accrued expenses and other current liabilities	158,017	168,326
Total current liabilities	1,298,486	1,234,270
LONG-TERM DEBT, less current maturities	619,226	669,380
DEFERRED INCOME TAXES	114,333	109,900
OTHER LONG-TERM LIABILITIES	117,858	138,996
Total liabilities	2,149,903	2,152,546
CONTINGENCIES AND COMMITMENTS (Note 9)		
STOCKHOLDERS EQUITY:		
Preferred stock, \$1 par value:		
Authorized 1,000,000 shares		
Issued and outstanding none		
Common stock, \$1 par value:		
Authorized 75,000,000 shares		
Issued and outstanding 48,421,467 shares and 47,556,056 shares	48,421	47,556
Additional paid-in capital	1,007,918	1,002,603
Retained earnings	224,575	137,279
Accumulated other comprehensive loss	(33,379)	(43,574)
Total stockholders equity	1,247,535	1,143,864
Total liabilities and stockholders equity	\$ 3,397,438	\$ 3,296,410

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

Table of Contents**TUTOR PERINI CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS**

(in thousands, except per share data)

	2013	Year ended December 31,		2011
		2012		
Revenues	\$ 4,175,672	\$ 4,111,471	\$ 3,716,317	
Cost of operations	3,708,768	3,696,339	3,320,976	
Gross profit	466,904	415,132	395,341	
General and administrative expenses	263,082	260,369	226,965	
Goodwill and intangible asset impairment		376,574		
INCOME (LOSS) FROM CONSTRUCTION OPERATIONS	203,822	(221,811)	168,376	
Other (expense) income, net	(18,575)	(1,857)	4,421	
Interest expense	(45,632)	(44,174)	(35,750)	
Income (Loss) before income taxes	139,615	(267,842)	137,047	
(Provision) benefit for income taxes	(52,319)	2,442	(50,899)	
NET INCOME (LOSS)	\$ 87,296	\$ (265,400)	\$ 86,148	
BASIC EARNINGS (LOSS) PER COMMON SHARE	\$ 1.82	\$ (5.59)	\$ 1.82	
DILUTED EARNINGS (LOSS) PER COMMON SHARE	\$ 1.80	\$ (5.59)	\$ 1.80	
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:				
BASIC	47,851	47,470	47,226	
Effect of dilutive stock options and restricted stock units	738		664	
DILUTED	48,589	47,470	47,890	

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

Table of Contents**TUTOR PERINI CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

(in thousands)

	2013	Year ended December 31, 2012	2011
NET INCOME (LOSS)	\$ 87,296	\$ (265,400)	\$ 86,148
OTHER COMPREHENSIVE INCOME (LOSS):			
Change in pension benefit plans assets/liabilities	18,675	(1,697)	718
Foreign currency translation	(1,212)	608	(733)
Change in fair value of investments	(744)	396	352
Change in fair value of interest rate swap	948	(1,659)	
Realized loss on sale of investments recorded in net income (loss)		3,224	
Other comprehensive income before taxes	17,667	872	337
INCOME TAX EXPENSE (BENEFIT):			
Tax adjustment on minimum pension liability	7,765	(87)	7,759
Foreign currency translation	(474)	226	
Change in fair value of investments	(189)	158	153
Change in fair value of interest rate swap	370	(685)	
Realized loss on sale of investments recorded in net income (loss)		1,219	
Income tax expense	7,472	831	7,912
NET OTHER COMPREHENSIVE INCOME (LOSS)	10,195	41	(7,575)
TOTAL COMPREHENSIVE INCOME (LOSS)	\$ 97,491	\$ (265,359)	\$ 78,573

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

Table of Contents

TUTOR PERINI CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

(in thousands)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance - December 31, 2010	\$ 47,090	\$ 985,413	\$ 316,531	\$ (36,040)	\$ 1,312,994
Net income			86,148		86,148
Other comprehensive loss				(7,575)	(7,575)
Total comprehensive income					78,573
Tax effect of stock-based compensation		(367)			(367)
Stock-based compensation expense		8,818			8,818
Issuance of common stock, net	239	(430)			(191)
Balance - December 31, 2011	\$ 47,329	\$ 993,434	\$ 402,679	\$ (43,615)	\$ 1,399,827
Net loss			(265,400)		(265,400)
Other comprehensive income				41	41
Total comprehensive income					(265,359)
Tax effect of stock-based compensation		(195)			(195)
Stock-based compensation expense		9,470			9,470
Issuance of common stock, net	227	(106)			121
Balance - December 31, 2012	\$ 47,556	\$ 1,002,603	\$ 137,279	\$ (43,574)	\$ 1,143,864
Net income			87,296		87,296
Other comprehensive income				10,195	10,195
Total comprehensive income					97,491
Tax effect of stock-based compensation		(7)			(7)
Stock-based compensation expense		6,623			6,623
Issuance of common stock, net	865	(1,301)			(436)
Balance - December 31, 2013	\$ 48,421	\$ 1,007,918	\$ 224,575	\$ (33,379)	\$ 1,247,535

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

Table of Contents**TUTOR PERINI CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands)

	2013	Year ended December 31, 2012	2011
Cash Flows from Operating Activities:			
Net income (loss)	\$ 87,296	\$ (265,400)	\$ 86,148
Adjustments to reconcile net (loss) income to net cash from operating activities:			
Goodwill and intangible asset impairment		376,574	
Depreciation	43,383	40,583	32,193
Amortization of intangible assets and debt issuance costs	16,027	20,874	15,438
Stock-based compensation expense	6,623	9,470	8,818
Excess income tax benefit from stock-based compensation	(1,148)		(18)
Deferred income taxes	9,009	(25,606)	10,854
Adjustment interest rate swap to fair value		264	
Adjustment of investments to fair value			4,750
Loss on sale of investments		2,699	10
Loss (gain) on sale of property and equipment	49	316	(726)
Gain on bargain purchase			(47)
Other long-term liabilities	23,107	(5,104)	(13,819)
Other non-cash items	(3,719)	148	(601)
Cash from changes in other components of working capital:			
(Increase) decrease in:			
Accounts receivable	(62,991)	50,655	6,657
Costs and estimated earnings in excess of billings	(107,983)	(106,604)	(80,670)
Other current assets	25,250	2,237	6,631
Increase (decrease) in:			
Accounts payable	59,169	(89,252)	(45,278)
Billings in excess of costs and estimated earnings	(36,835)	(82,521)	(25,310)
Accrued expenses	(6,509)	2,804	(36,650)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	50,728	(67,863)	(31,620)
Cash Flows from Investing Activities:			
Acquisitions, net of cash balance acquired			(341,898)
Acquisition of property and equipment	(42,360)	(41,352)	(66,747)
Proceeds from sale of property and equipment	2,663	11,759	10,049
Investment in available-for-sale securities		(535)	
Proceeds from sale of available-for-sale securities		16,553	30,191
Change in restricted cash	(3,877)	(3,280)	(6,816)
NET CASH USED BY INVESTING ACTIVITIES	(43,574)	(16,855)	(375,221)

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

Table of Contents**TUTOR PERINI CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)**

(in thousands)

	2013	Year ended December 31,		2011
		2012		
Cash Flows from Financing Activities:				
Proceeds from debt	653,280	688,425		701,753
Repayment of debt	(676,795)	(626,122)		(554,969)
Business acquisition related payments	(31,038)	(11,462)		(1,904)
Excess income tax benefit from stock-based compensation	1,148			18
Issuance of Common stock and effect of cashless exercise	(1,882)	(308)		(191)
Debt issuance costs		(1,999)		(5,004)
NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES	(55,287)	48,534		139,703
Net Decrease in Cash and Cash Equivalents	(48,133)	(36,184)		(267,138)
Cash and Cash Equivalents at Beginning of Year	168,056	204,240		471,378
Cash and Cash Equivalents at End of Year	\$ 119,923	\$ 168,056	\$	204,240
Supplemental Disclosure of Cash Paid For:				
Interest	\$ 41,207	\$ 40,183	\$	31,379
Income taxes	\$ 28,898	\$ 16,309	\$	53,055
Supplemental Disclosure of Non-Cash Transactions:				
Grant date fair value of common stock issued for services	\$ 18,290	\$ 5,075	\$	5,608
Property and equipment acquired through financing arrangements	\$ 16,689	\$ 2,050	\$	1,604

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

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2013, 2012 and 2011

[1] Description of Business and Summary of Significant Accounting Policies

(a) Nature of Business

Tutor Perini Corporation, formerly known as Perini Corporation, was incorporated in 1918 as a successor to businesses which had been engaged in providing construction services since 1894. Tutor Perini Corporation and its wholly owned subsidiaries (the Company) provide diversified general contracting, construction management and design-build services to private customers and public agencies throughout the world. The Company's construction business is conducted through four basic segments or operations: Civil, Building, Specialty Contractors and Management Services. The 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. The 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. The 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. The Management Services segment provides diversified construction and design-build services to the U.S. military and federal government agencies, as well as surety companies and multi-national corporations in the United States and overseas.

The Company offers general contracting, pre-construction planning and comprehensive project management services, including planning and scheduling of 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. The Company also offers self-performed construction services, including site work, concrete forming and placement, steel erection, electrical and mechanical, plumbing and HVAC. The Company provides these services by using traditional general contracting arrangements, such as fixed price, guaranteed maximum price and cost plus fee contracts.

In an effort to leverage the Company's expertise and limit its financial and/or operational risk on certain large or complex projects, the Company participates in construction joint ventures, often as the sponsor or manager of the project, for the purpose of bidding and, if awarded, providing the agreed upon construction services. Each participant usually agrees in advance to provide a predetermined percentage of capital, as required, and to share in the same percentage of profit or loss of the project.

(b) Basis of Presentation

The accompanying consolidated financial statements have been prepared in compliance with accounting principles accepted in the United States (U.S. GAAP) as codified in the Financial Accounting Standards Board's (FASB) Accounting Standards Codification.

Edgar Filing: TUTOR PERINI Corp - Form 10-K

Prior to 2012, the Company had presented payments related to the deferred purchase price obligation of previous acquisitions within cash flows used by investing activities in the Consolidated Statement of Cash Flows. The Company corrected this presentation to appropriately reflect the cash paid to settle the liability recognized at fair value at the conclusion of the measurement period within cash flows used by financing activities, and the remaining cash paid (e.g. changes in fair value of the liability after the conclusion of the measurement period), was reclassified within cash flows used by operating activities. For the year ended December 31, 2011 this correction resulted in a decrease in cash flows provided by operating activities of \$1.1 million, an increase in cash flows provided by investing activities of \$3.0 million, and a decrease in cash flows provided by financing activities of \$1.9 million in the Consolidated Statements of Cash Flows. There was no impact on the Company's Consolidated Statements of Operations or Balance Sheets.

(c) Principles of Consolidation

The consolidated financial statements include the accounts of Tutor Perini Corporation and its wholly owned subsidiaries. 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.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2013, 2012 and 2011

[1] Description of Business and Summary of Significant Accounting Policies (continued)

(d) Use of and Changes in Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. 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 due to, among other things, the one-of-a-kind nature of most of its projects, the long-term duration of its contract cycle and the type of contract utilized. The most significant estimates with regard to these financial statements relate to the estimating of total forecasted construction contract revenues, costs and profits in accordance with accounting for long-term contracts and estimating potential liabilities in conjunction with certain contingencies, including the outcome of pending or future litigation, arbitration or other dispute resolution proceedings relating to contract claims. Actual results could differ from these estimates and such differences could be material.

The Company's estimates of contract revenue and cost are highly detailed. The Company believes that, based on its experience, its current systems of management and accounting controls allow it to produce materially reliable estimates of total contract revenue and cost during any accounting period. However, many factors can and do change during a contract performance period which can result in a change to contract profitability from one financial reporting period to another. Some of the factors that can change the estimate of total contract revenue and cost include differing site conditions (to the extent that contract remedies are unavailable), the availability of skilled contract labor, the performance of major material suppliers to deliver on time, the performance of major subcontractors, unusual weather conditions and the accuracy of the original bid estimate. Because the Company has many contracts in process at any given time, these changes in estimates can offset each other minimizing the impact on overall profitability. However, large changes in cost estimates on larger, more complex construction projects can have a material impact on the Company's financial statements and are reflected in results of operations when they become known.

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. In the ordinary course of business, and at a minimum on a quarterly basis, the Company updates projected total contract revenue, cost and profit or loss for each of its contracts based on changes in facts, such as an approved scope change, and changes in estimates. Normal, recurring changes in estimates include, but are not limited to: (i) changes in estimated scope as a result of unapproved or unpriced customer change orders; (ii) changes in estimated productivity assumptions based on experience to date; (iii) changes in estimated materials costs based on experience to date; (iv) changes in estimated subcontractor costs based on subcontractor buyout experience; (v) changes in the timing of scheduled work that may impact future costs; (vi) achievement of incentive income; and (vii) changes in estimated recoveries through the settlement of litigation.

During the year ended December 31, 2013, the Company's results of operations were impacted by a \$13.8 million increase in the estimated recovery projected for a Building segment project due to changes in facts and circumstances that occurred during 2013. This change in estimate resulted in an increase of \$13.8 million in income from construction operations, \$8.6 million in net income and \$0.18 in diluted earnings per

Edgar Filing: TUTOR PERINI Corp - Form 10-K

common share during 2013. During the year ended December 31, 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. Excluding the discrete items that impacted the Company's effective tax rate, this change in estimate resulted in a \$12.4 million increase in income from construction operations, a \$7.5 million increase in net income and a \$0.16 increase in diluted earnings per common share during 2012.

Contracts vary in lengths and larger contracts can span over two to six years. At various stages of a contract's lifecycle, different types of changes in estimates are more typical. Generally during the early ramp up stage, cost estimates relating to purchases of materials and subcontractors are frequently subject to revisions. As a contract

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2013, 2012 and 2011

[1] Description of Business and Summary of Significant Accounting Policies (continued)

moves into the most productive phase of execution, change orders, project cost estimate revisions and claims are frequently the sources for changes in estimates. During the contract's final phase, remaining estimated costs to complete or provisions for claims will be closed out and adjusted based on actual costs incurred. 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. Generally, if the contract is at an early stage of completion, the current period impact is smaller than if the same change in estimate is made to the contract at a later stage of completion. Likewise, if the company's overall project portfolio was to be at a later stage of completion during the reporting period, the overall gross margin could be subject to greater variability from changes in estimates.

When recording revenue on contracts relating to unapproved change orders and claims, the Company includes in revenue an amount less than or equal to the amount of costs incurred by it to date for contract price adjustments that it seeks to collect from customers for delays, errors in specifications or designs, change orders in dispute or unapproved as to scope or price, or other unanticipated additional costs, in each case when recovery of the costs is considered probable. The amount of unapproved change orders and claim revenues is included in Consolidated Balance Sheets as part of costs and estimated earnings in excess of billings. When determining the likelihood of eventual recovery, the Company considers such factors as evaluation of entitlement, settlements reached to date and our experience with the customer. The settlement of these issues may take years depending upon whether the item can be resolved directly with the customer or involves litigation or arbitration. When new facts become known, an adjustment to the estimated recovery is made and reflected in the current period results.

(e) Method of Accounting for Contracts

Revenues and profits from the Company's contracts and construction joint venture contracts are recognized by applying percentages of completion for the period to the total estimated revenues for the respective contracts. Percentage of completion is determined by relating the actual cost of the work performed to date to the current estimated total cost of the respective contracts. However, on contracts under which we provide construction management services, profit is generally recognized in accordance with the contract terms, usually on the as-billed method, which is generally consistent with the level of effort incurred over the contract period. When the estimate on a contract indicates a loss, the Company's policy is to record the entire loss during the accounting period in which it is estimable. In the ordinary course of business, at a minimum on a quarterly basis, the Company updates estimates projected total contract revenue, cost and profit or loss for each contract based on changes in facts, such as an approved scope change, and changes in estimates. The cumulative effect of revisions in estimates of the total forecasted revenue and costs, including unapproved change orders and claims, during the course of the work is reflected in the accounting period in which the facts that caused the revision become known. The financial impact of these revisions to any one contract is a function of both the amount of the revision and the percentage of completion of the contract. Amounts up to the costs incurred which are attributable to unapproved change orders and claims are included in the total estimated revenue when realization is probable. Profit from unapproved change orders and claims is recorded in the period such amounts are resolved.

In accordance with normal practice in the construction industry, the Company includes in current assets and current liabilities amounts related to construction contracts realizable and payable over a period in excess of one year. Billings in excess of costs and estimated earnings represents the excess of contract billings to date over the amount of contract costs and profits (or contract revenue) recognized to date on the percentage of

Edgar Filing: TUTOR PERINI Corp - Form 10-K

completion accounting method on certain contracts. Costs and estimated earnings in excess of billings represents the excess of contract costs and profits (or contract revenue) recognized to date on the percentage of completion accounting method over the amount of contract billings to date on the remaining contracts. Costs and estimated earnings in excess of billings results when (1) the appropriate contract revenue amount has been recognized in accordance with the percentage of completion accounting method, but a portion of the revenue recorded cannot be billed currently due to the billing terms defined in the contract and/or (2) costs, recorded at estimated realizable value, related to unapproved change orders or claims are incurred.

For unapproved change orders or claims that cannot be resolved in accordance with the normal change order process as defined in the contract, the Company employs other dispute resolution methods, including mediation, binding and non-binding arbitration, or litigation.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the Years Ended December 31, 2013, 2012 and 2011

[1] Description of Business and Summary of Significant Accounting Policies (continued)

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

	At December 31,		
	2013		2012
	(in thousands)		
Unbilled costs and profits incurred to date*	\$ 204,276	\$	157,119
Unapproved change orders	146,787		141,596
Claims	222,185		166,287
	\$ 573,248	\$	465,002

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

Of the balance of Unapproved change orders and Claims included above in costs and estimated earnings in excess of billings at December 31, 2013 and December 31, 2012, approximately \$58.8 million and \$62.0 million, respectively, are amounts subject to pending litigation or dispute resolution proceedings as described in Note 9 *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. The amount of costs and estimated earnings in excess of billings at December 31, 2013 estimated by management to be collected beyond one year is approximately \$235.6 million.

(f) Property and Equipment

Land, buildings and improvements, construction and computer-related equipment and other equipment are recorded at cost. Major renewals and betterments are capitalized and maintenance and repairs are charged to operations as incurred. Depreciation is primarily calculated using the straight-line method for all classifications of depreciable property. Construction equipment is depreciated over estimated useful lives ranging from five to twenty years after an allowance for salvage. The remaining depreciable property is depreciated over estimated useful lives ranging

from three to forty years after an allowance for salvage.

(g) Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability is evaluated by comparing the carrying value of the assets to the undiscounted associated cash flows. When this comparison indicates that the carrying value of the asset is greater than the undiscounted cash flows, a loss is recognized for the difference between the carrying value and estimated fair value. Fair value is determined based either on market quotes or appropriate valuation techniques.

(h) Goodwill and Intangible Assets

Intangible assets with finite lives are amortized over their useful lives. Construction contract backlog is amortized on a weighted average basis over the corresponding contract period. Customer relationships and certain trade names are amortized on a straight-line basis over their estimated useful lives. Goodwill and intangible assets with indefinite lives are not amortized. The Company evaluates intangible assets that are not being amortized at the end of each reporting period to determine whether events and circumstances continue to support an indefinite useful life.

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 which suggest that the goodwill or intangible assets should be evaluated. Intangible assets with finite lives are tested for impairment

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2013, 2012 and 2011

[1] Description of Business and Summary of Significant Accounting Policies (continued)

whenever events or circumstances indicate that the carrying value may not be recoverable. The first step in the two-step process of the impairment analysis is to determine the fair value of the Company and each of its reporting units and compare the fair value of each reporting unit to its carrying value. If the carrying value of the reporting unit exceeds its fair value, a second step must be followed to calculate the goodwill impairment. The second step involves determining the fair value of the individual assets and liabilities of the reporting unit that failed the first step and calculating the implied fair value of goodwill. To determine the fair value of the Company and each of its reporting units, the Company utilizes both an income-based valuation approach as well as a market-based valuation approach. The income-based valuation approach is based on the cash flows that the reporting unit expects to generate in the future and it requires the Company to project revenues, operating expenses, working capital investment, capital spending and cash flows for the reporting unit in a discrete period, as well as determine the weighted-average cost of capital to be used as a discount rate and a terminal value growth rate for the non-discrete period. The market-based valuation approach to estimate the fair value of the Company's reporting units utilizes industry multiples of revenues and operating earnings. The Company concludes on the fair value of the reporting units by assuming a 67% weighting on the income-based approach and a 33% weighing on the market-based valuation approach.

As part of the valuation process, the aggregate fair value of the Company is compared to its market capitalization at the valuation date in order to determine an implied control premium. In evaluating whether the Company's implied control premium is reasonable, the Company considers a number of factors including the following factors of greatest significance.

- *Market control premium:* The Company compares its implied control premium to the average control premium paid in transactions of companies in the construction industry during the year of evaluation.
- *Sensitivity analysis:* The Company performs a sensitivity analysis to determine the minimum control premium required to recover the book value of the Company at the testing date. The minimum control premium required is then compared to the average control premium paid in transactions of companies in the construction industry during the year of evaluation.
- *Impact of low public float and limited trading activity:* A significant portion of the Company's common stock is owned by the Company's Chairman and CEO. As a result, the public float of the Company's common stock, calculated as the percentage of shares of common stock freely traded by public investors divided by the Company's total shares outstanding, is significantly lower than that of its publicly traded peers. This circumstance does not impact the fair value of the Company, however based on its evaluation of third party market data, the Company believes it does lead to an inherent marketability discount impacting its stock price.

Impairment assessment inherently involves management judgments as to the assumptions used for projections and to evaluate the impact of market conditions on those assumptions. The key assumptions that the Company uses to estimate the fair value of its reporting units under the

income-based approach are as follows:

- Weighted average cost of capital used to discount the projected cash flows;
- Cash flows generated from existing and new work awards; and
- Projected operating margins.

Weighted average cost of capital rates used to discount the projected cash flows are developed via the capital asset pricing model which is primarily based upon market inputs. The Company uses discount rates that management feels are an accurate reflection of the risks associated with the forecasted cash flows of its respective reporting units.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2013, 2012 and 2011

[1] Description of Business and Summary of Significant Accounting Policies (continued)

To develop the cash flows generated from new work awards and future operating margins, the Company primarily tracks prospective work for each of its reporting units on a project-by-project basis as well as the estimated timing of when the work would be bid or prequalified, started and completed. The Company also gives consideration to its relationships with the prospective owners, the pool of competitors that are capable of performing large, complex work, changes in business strategy and the Company's history of success in winning new work in each reporting unit. With regard to operating margins, the Company gives consideration to its historical reporting unit operating margins in the end markets that the prospective work opportunities are most significant, current market trends in recent new work procurement, and changes in business strategy.

The Company also estimates the fair value of its reporting units under a market-based approach by applying industry-comparable multiples of revenues and operating earnings to its reporting units' projected performance. The conditions and prospects of companies in the construction industry depend on common factors such as overall demand for services.

Changes in the Company's assumptions or estimates could materially affect the determination of the fair value of a reporting unit. Such changes in assumptions could be caused by:

- Terminations, suspensions, reductions in scope or delays in the start-up of the revenues and cash flows from backlog as well as the prospective work the Company tracks;

- Reductions in available government, state and local agencies and non-residential private industry funding and spending;

- The Company's ability to effectively compete for new work and maintain and grow market penetration in the regions that the Company operates in;

- The Company's ability to successfully control costs, work schedule, and project delivery; or

- Broader market conditions, including stock market volatility in the construction industry and its impact on the weighted average cost of capital assumption.

On a quarterly basis the Company considers whether events or changes in circumstances indicate that assets, including goodwill and intangible assets not subject to amortization might be impaired. In conjunction with this analysis, the Company evaluates whether its current market capitalization is less than its stockholders' equity and specifically considers (1) changes in macroeconomic conditions, (2) changes in general economic conditions in the construction industry including any declines in market-dependent multiples, (3) cost factors such as increases in raw materials, labor, or other costs that have a negative effect on earnings and cash flows analyses, (4) a reconciliation of the implied control premium to a current market control premium, (5) target price assessments by third party analysts and (6) the impact of current market conditions on its forecast of future cash flows including consideration of specific projects in backlog, pending awards, or large prospect opportunities. The Company also evaluates its most recent assessment of the fair value for each of its reporting units, considering whether its current forecast of future cash flows is in line with those used in its annual impairment assessment and whether there are any significant changes in trends or any other material assumptions used.

As of December 31, 2013 the Company has concluded that it does not have an impairment of its goodwill or its indefinite-lived intangible assets and that the estimated fair value of each reporting unit exceeds its carrying value. See Note 4 Goodwill and Other Intangible Assets for additional goodwill disclosure.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2013, 2012 and 2011

[1] Description of Business and Summary of Significant Accounting Policies (continued)

(i) Income Taxes

Deferred income tax assets and liabilities are recognized for the effects of temporary differences between the financial statement carrying amounts and the income tax basis of assets and liabilities using tax rates expected to be in effect when such differences reverse. In addition, future tax benefits, such as non-deductible accrued expenses, are recognized to the extent such benefits are more likely than not to be realized as an economic benefit in the form of a reduction of income taxes in future years. The Company recognizes interest and penalties related to uncertain tax positions as a component of the income tax provision.

(j) 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 were similarly computed after giving consideration to the dilutive effect of stock options and restricted stock unit awards outstanding on the weighted average number of common shares outstanding.

The computation of diluted earnings (loss) per common share excludes 860,000 stock option shares during 2013, 1,315,465 stock option shares and 1,291,665 restricted stock units during 2012, and 880,000 stock option shares during 2011 because these shares would have an antidilutive effect.

(k) Cash and Cash Equivalents and Restricted Cash

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

Edgar Filing: TUTOR PERINI Corp - Form 10-K

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

	At December 31,	
	2013	2012
	(in thousands)	
Corporate cash and cash equivalents (available for general corporate purposes)	\$ 36,579	\$ 70,780
Company's share of joint venture cash and cash equivalents (available only for joint venture purposes, including future distributions)	83,344	97,276
Total Cash and Cash Equivalents	\$ 119,923	\$ 168,056
Restricted Cash	\$ 42,594	\$ 38,717

(l) Long-term Investments

The Company's investment in auction rate securities (ARS) is classified as available-for-sale securities based on the Company's intentions. ARS are recorded at cost with unrealized gains and temporary unrealized losses recorded in accumulated other comprehensive income (loss), net of applicable taxes. Upon realization, those amounts are reclassified from accumulated other comprehensive income (loss) to other income, net. Unrealized losses that are other than temporary and due to a decline in expected cash flows are charged against income.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2013, 2012 and 2011

[1] Description of Business and Summary of Significant Accounting Policies (continued)

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.

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.

(m) Stock-Based Compensation

The Company's long-term incentive plan allows it to grant stock-based compensation awards in a variety of forms including restricted stock units and stock options. The terms and conditions of the awards granted are established by the Compensation Committee of the Company's Board of Directors.

Edgar Filing: TUTOR PERINI Corp - Form 10-K

Restricted stock unit awards and 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. For restricted stock unit awards that vest subject to the satisfaction of service requirements, compensation expense is measured based on the fair value of the award on the date of grant and is recognized as expense on a straight-line basis (net of estimated forfeitures) over the requisite service period. For restricted stock unit awards which have a performance component, compensation cost is measured based on the fair value on the grant date (the date performance targets are established) and is recognized on a straight-line basis (net of estimated forfeitures) over the applicable requisite service period as achievement of the performance objective becomes probable.

(n) Insurance Liabilities

The Company typically utilizes third party insurance coverage subject to varying deductible levels with aggregate caps on losses retained. The Company assumes the risk for the amount of the deductible portion of the losses and liabilities primarily associated with workers' compensation and general liability coverage. In addition, on certain projects, the Company assumes the risk for the amount of the deductible portion of losses that arise from any subcontractor defaults. Losses are accrued based upon the Company's estimates of the aggregate liability for claims incurred using historical experience and certain actuarial assumptions followed in the insurance industry. The estimate of insurance liability within the deductible limits includes an estimate of incurred but not reported claims based on data compiled from historical experience.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2013, 2012 and 2011

[1] Description of Business and Summary of Significant Accounting Policies (continued)

(o) Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents approximates fair value due to the short-term nature of these items. The carrying values of receivables, payables and other amounts arising out of normal contract activities, including retentions, which may be settled beyond one year, are estimated to approximate fair values. The fair value of receivables subject to pending litigation or dispute resolution proceedings is determined based upon the length of time that these matters take to be resolved and, as a result, the fair value can be greater than or less than the recorded book value depending on the facts and circumstances of each matter. See Note 3 *Fair Value Measurements* for disclosure of the fair value of investments, long-term debt and contingent consideration associated with our acquisitions in 2011.

(p) Foreign Currency Translation

The functional currency for the Company's foreign subsidiaries is the local currency. Accordingly, the assets and liabilities of those operations are translated into U.S. dollars using current exchange rates at the balance sheet date and operating statement items are translated at average exchange rates prevailing during the period. The resulting cumulative translation adjustment is recorded in the foreign currency translation adjustment account as part of accumulated other comprehensive income (loss) in stockholders' equity. Foreign currency transaction gains and losses, if any, are included in operations as they occur.

(q) New Accounting Pronouncements

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

Edgar Filing: TUTOR PERINI Corp - Form 10-K

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 adoption of this guidance is not expected to have a material impact on the Company's financial statements.

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

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the Years Ended December 31, 2013, 2012 and 2011

[2] Mergers and Acquisitions*(a) Information regarding acquisitions that are material in the aggregate*

On January 3, 2011, the Company completed the acquisition of Fisk Electric Company (Fisk) to expand the Company's nationwide electrical construction capabilities. On April 1, 2011, the Company completed the acquisition of Anderson Companies (Anderson) to strengthen the Company's position in the southeastern United States. On June 1, 2011, the Company completed the acquisition of Frontier-Kemper Constructors, Inc. (Frontier-Kemper) to bolster the Company's tunneling business in the United States and expand the Company's geographic reach into Canada. On August 18, 2011, the Company completed the acquisition of Becho, Inc. (Becho) to bolster the Company's drilling capabilities in the southwestern United States.

The transactions were accounted for using the acquisition method of accounting. During the twelve months ended December 31, 2013 and December 31, 2012, the Company did not materially revise any of the assumptions, estimates or amounts used to complete its purchase price accounting as of December 31, 2011.

The following unaudited pro forma summary financial information presents the operating results of the combined Company for the twelve months ended December 31, 2011 assuming that the acquisitions occurred on January 1, 2010. This unaudited pro forma summary financial information is presented for informational purposes only and is not indicative either of the operating results that actually would have occurred had the acquisitions been completed on January 1, 2010, or of future results.

Pro Forma (unaudited) (in thousands, except per share data)	Year ended December 31, 2011	
Revenues	\$	3,894,867
Income from Construction Operations	\$	178,631
Net Income	\$	88,123
Basic earnings per common share	\$	1.87
Diluted earnings per common share	\$	1.84

The pro forma results have been prepared for comparative purposes only and include certain adjustments such as (i) interest expense on acquisition debt; (ii) adjustments to depreciation expense resulting from the adjustment of fixed asset bases to fair value at acquisition; (iii) additional amortization expense related to identifiable intangible assets arising from the acquisitions; (iv) elimination of acquisition related expenses incurred; and (v) to reflect a statutory income tax rate on the pretax income of Fisk, Anderson, Frontier-Kemper and Becho, as well as on the applicable pro forma adjustments made. The pro forma results are not necessarily indicative either of the results of operations that actually would have resulted had the acquisitions been in effect on January 1, 2010 or of future results.

(b) Merger with GreenStar Services Corporation

On July 1, 2011, the Company acquired GreenStar Services Corporation (GreenStar) via a merger of GreenStar into a wholly owned subsidiary of the Company to expand the Company's presence in the northeastern markets. GreenStar, one of the nation's largest specialty contractors, is primarily comprised of the following operating entities: Five Star Electric Corporation and WDF, Inc., which are located in New York, and Nagelbush Mechanical, Inc., which is located in Florida.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the Years Ended December 31, 2013, 2012 and 2011

[2] Mergers and Acquisitions (continued)

The transaction was accounted for using the acquisition method of accounting. During the twelve months ended December 31, 2013 and December 31, 2012, the Company did not materially revise any of the assumptions, estimates or amounts used to complete its purchase price accounting as of December 31, 2011.

The following unaudited pro forma summary financial information presents the operating results of the combined Company for the twelve months ended December 31, 2011 assuming that the merger occurred on January 1, 2010. This unaudited pro forma summary financial information is presented for informational purposes only and is not indicative either of the operating results that actually would have occurred had the merger been completed on January 1, 2010, or of future results.

Pro Forma (unaudited) (in thousands, except per share data)	Year ended December 31, 2011	
Revenues	\$	4,068,804
Income from Construction Operations	\$	207,579
Net Income	\$	108,712
Basic earnings per common share	\$	2.30
Diluted earnings per common share	\$	2.27

The pro forma results have been prepared for comparative purposes only and include certain adjustments such as (i) interest expense on merger debt; (ii) adjustments to depreciation expense resulting from the adjustment of fixed asset bases to fair value at the merger date; (iii) additional amortization expense related to identifiable intangible assets arising from the merger; (iv) elimination of merger related expenses incurred; and (v) to reflect a statutory income tax rate on the pretax income of GreenStar, as well as on the applicable pro forma adjustments made. The pro forma results are not necessarily indicative either of the results of operations that actually would have resulted had the merger been in effect on January 1, 2010 or of future results.

(c) Acquisition of Lunda Construction Company

On July 1, 2011, the Company completed the acquisition of Lunda Construction Company (Lunda) to expand the Company's civil business into the Midwestern United States. Lunda is a heavy civil contractor engaged in the construction, rehabilitation and maintenance of bridges, railroads, and other civil structures in the Midwest and throughout the United States.

Edgar Filing: TUTOR PERINI Corp - Form 10-K

The transaction was accounted for using the acquisition method of accounting. During the twelve months ended December 31, 2013 and December 31, 2012, the Company did not materially revise any of the assumptions, estimates or amounts used to complete its purchase price accounting as of December 31, 2011.

The following unaudited pro forma summary financial information presents the operating results of the combined Company for the twelve months ended December 31, 2011 assuming that the acquisition occurred on January 1, 2010. This unaudited pro forma summary financial information is presented for informational purposes only and is not indicative either of the operating results that actually would have occurred had the acquisitions been completed on January 1, 2010, or of future results.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the Years Ended December 31, 2013, 2012 and 2011

[2] Mergers and Acquisitions (continued)

Pro Forma (unaudited) (in thousands, except per share data)	Year ended December 31, 2011	
Revenues	\$	3,872,694
Income from Construction Operations	\$	191,565
Net Income	\$	98,270
Basic earnings per common share	\$	2.08
Diluted earnings per common share	\$	2.05

The pro forma results have been prepared for comparative purposes only and include certain adjustments such as (i) interest expense on acquisition debt; (ii) adjustments to depreciation expense resulting from the adjustment of fixed asset bases to fair value at acquisition; (iii) additional amortization expense related to identifiable intangible assets arising from the acquisitions; (iv) elimination of acquisition related expenses incurred; and (v) to reflect a statutory income tax rate on the pretax income of Lunda, as well as on the applicable pro forma adjustments made. The pro forma results are not necessarily indicative either of the results of operations that actually would have resulted had the acquisitions been in effect on January 1, 2010, or of future results.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2013, 2012 and 2011

[3] Fair Value Measurements

The Company measures certain financial instruments, including cash and cash equivalents, such as money market funds, at their fair values. 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 values of receivables, payables, other amounts arising out of normal contract activities, including retainage, which may be settled beyond one year, are estimated to approximate fair value. The fair value of receivables subject to pending litigation or dispute resolution proceedings is determined based upon the length of time that these matters take to be resolved and, as a result, the fair value can be greater than or less than the recorded book value depending on the facts and circumstances of each matter. Of the Company's long-term debt, the fair values of the fixed rate senior unsecured notes as of December 31, 2013 and 2012 were \$321.0 million and \$309.8 million, respectively, compared to the carrying values of \$298.5 million and \$298.3 million, respectively. The fair value of the senior unsecured notes was estimated using Level 1 inputs based on market quotations including broker quotes or interest rates for the same or similar financial instruments at December 31, 2013 and 2012. For other fixed rate debt, fair value is determined using Level 3 inputs based on discounted cash flows for the debt at the Company's current incremental borrowing rate for similar types of debt. The estimated fair values of other fixed rate debt at December 31, 2013 and 2012 were \$150.0 million and \$145.4 million, respectively, compared to the carrying amounts of \$151.4 million and \$140.7 million, respectively. The fair value of variable rate debt, which includes the Term Loan, approximated its carrying value of \$283.9 million and \$298.1 million at December 31, 2013 and 2012, respectively. See Note 5 *Financial Commitments* for a discussion of the Term Loan.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the Years Ended December 31, 2013, 2012 and 2011

[3] Fair Value Measurements (continued)

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

At December 31, 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)		
<u>Assets:</u>				
Cash and cash equivalents (1)	\$ 119,923	\$ 119,923	\$	\$
Restricted cash (1)	42,594	42,594		
Short-term investments (2)	2,336		2,336	
Investments in lieu of retainage (3)	21,913	12,184	9,729	
Long-term investments - auction rate securities (4)	46,283			46,283
Total	\$ 233,049	\$ 174,701	\$ 12,065	\$ 46,283
<u>Liabilities:</u>				
Interest rate swap contract (5)	\$ 974	\$	\$ 974	\$
Contingent consideration (6)	46,022			46,022
Total	\$ 46,996	\$	\$ 974	\$ 46,022

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)		
<u>Assets:</u>				
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
Total	\$ 277,669	\$ 217,326	\$ 14,060	\$ 46,283
<u>Liabilities:</u>				
Interest rate swap contract (5)	\$ 1,923	\$	\$ 1,923	\$
Contingent consideration (6)	42,624			42,624
Total	\$ 44,547	\$	\$ 1,923	\$ 42,624

- (1) Cash, cash equivalents and restricted cash primarily consist 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 the municipal bonds 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 accounts receivable, including retainage and are comprised of money market funds, U.S. Treasury Notes and other municipal bonds, the majority of which are rated Aa3 or better. The fair values of the U.S. Treasury Notes and municipal bonds are obtained from readily-available pricing sources for comparable instruments, and as such, the Company has classified these assets as Level 2.
- (4) At December 31, 2013 and 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 ARS held by the Company at December 31, 2013 and 2012 are in securities collateralized by student loan portfolios. At December 31, 2013 and 2012, most of the Company s ARS were rated AA+ and AA+, respectively. The Company estimated the fair value of its ARS utilizing an income approach valuation model which considered, 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%); (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 without adjustment.
- (5) As discussed in Note 5 *Financial Commitments*, the Company entered into a swap agreement with Bank of America, N.A. to establish a long-term interest rate for its \$200 million five-year term loan. The swap agreement became effective for the term loan principal balance outstanding at January 31, 2012 and will remain effective through the maturity date of the term loan. The Company values the interest rate swap liability utilizing a discounted cash flow model that takes into consideration forward interest rates observable in the market and the counterparty s credit risk. This liability is classified as a component of other long-term liabilities.
- (6) The liabilities listed as of December 31, 2013 and 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.

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 years ended December 31, 2013 and 2012.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the Years Ended December 31, 2013, 2012 and 2011

[3] Fair Value Measurements (continued)

The following is a summary of changes in Level 3 assets measured at fair value on a recurring basis during 2013 and 2012:

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

		Auction Rate Securities (in thousands)
Balance at December 31, 2011	\$	62,311
Purchases		
Settlements		(16,553)
Realized loss included in other income (expense), net		(2,699)
Reversal of pre-tax impairment charges included in accumulated other comprehensive income (loss)		3,224
Balance at December 31, 2012	\$	46,283

At both December 31, 2013 and 2012, the Company had \$46.3 million invested in ARS classified as available-for-sale. All of the ARS are securities collateralized by student loan portfolios guaranteed by the United States government. At December 31, 2013 and 2012, most of the Company's ARS were rated AA+ and AA+, respectively.

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 twelve months ended December 31, 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.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the Years Ended December 31, 2013, 2012 and 2011

[3] Fair Value Measurements (continued)

The following is a summary of changes in Level 3 liabilities measured at fair value on a recurring basis during 2013 and 2012:

	Contingent Consideration (in thousands)
Balance at December 31, 2012	\$ 42,624
Fair value adjustments included in other income (expense), net	26,374
Contingent consideration settled	(22,976)
Balance at December 31, 2013	\$ 46,022

	Contingent Consideration (in thousands)
Balance at December 31, 2011	\$ 51,555
Fair value measured at conclusion of purchase price analysis measurement period	3,344
Fair value adjustments included in other income (expense), net	654
Contingent consideration settled	(12,929)
Balance at December 31, 2012	\$ 42,624

The liabilities listed above represent the contingent consideration for the acquisitions discussed in Note 2 *Mergers and Acquisitions* for which the measurement periods for purchase price analyses for all the acquisitions have concluded.

The fair values of the contingent consideration were estimated based on an income approach which is 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%).

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the Years Ended December 31, 2013, 2012 and 2011

[4] Goodwill and Other Intangible Assets

The following table presents the changes in the carrying amount of goodwill allocated to the Company's reporting units for the periods presented:

	Civil	Building	Specialty Contractors (in thousands)	Management Services	Total
Gross Goodwill Balance	319,254	402,926		66,638	788,818
Accumulated Impairment		(146,847)		(20,051)	(166,898)
Goodwill recorded in connection with the acquisition of Fisk, Anderson, Lunda, GreenStar and Becho	129,775	140,907			270,682
Reallocation based on relative fair value (1)	(18,267)	(123,566)	141,833		
Balance at December 31, 2011	430,762	273,420	141,833	46,587	892,602
Acquisition related adjustments	(869)				(869)
Impairment charge	(55,740)	(262,918)		(2,429)	(321,087)
Balance at December 31, 2012	\$ 374,153	\$ 10,502	\$ 141,833	\$ 44,158	\$ 570,646
Goodwill recorded in connection with an acquisition (2)			7,110		7,110
Balance at December 31, 2013	\$ 374,153	\$ 10,502	\$ 148,943	\$ 44,158	\$ 577,756

(1) During the third quarter of 2011, the Company completed a reorganization which resulted in the formation of the Specialty Contractors reporting unit and reportable segment. The Specialty Contractors reporting unit consists of the following subsidiary companies: WDF, FSE, Nagelbush, Fisk, Desert Mechanical, Inc. (DMI) (all previously included in the Building reporting unit), and Superior Gunite (previously included in the Civil reporting unit). The reorganization enabled the Company to focus on vertical integration through increased self-performed work capabilities, while maintaining the specialty contractors business with third parties, and strengthened the Company's position as a full-service contractor with greater control over scheduled delivery and risk management. The Company reallocated goodwill between its reorganized reporting units based on a relative fair value assessment in accordance with the guidance on segment reporting.

(2) During the third quarter of 2013, the Company acquired a small fire protection systems contractor. As this acquisition is immaterial, no proforma disclosures are presented.

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 twelve months ended December 31,

Edgar Filing: TUTOR PERINI Corp - Form 10-K

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, 2013, the fair value of the Management Services reporting unit increased from the concluded value as of December 31, 2012, and now exceeds its carrying value by greater than 10%. The Company concluded that the short- and long-term impacts of the debt ceiling and budget resolutions reached during and subsequent to the period ended December 31, 2013, were positive indicators of increased government spending and more definitive project timeframes; however, the Company acknowledges that future political determinations could have a material impact on the valuation of the reporting unit.

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.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2013, 2012 and 2011

[4] Goodwill and Other Intangible Assets (continued)

The net change in the carrying amount of goodwill for the year ended December 31, 2012 was primarily due to a goodwill impairment charge of \$321.1 million recorded in the second quarter of 2012. See *Goodwill Impairment* below.

Goodwill Impairment

The Company performs its annual impairment test of goodwill and other indefinite-lived intangible assets in the fourth quarter of each year. The first step in the two step process is to compare the fair value of the reporting unit to its carrying value. If the carrying value of the reporting unit exceeds its fair value, a second step must be followed to calculate the goodwill impairment. The second step involves determining the fair value of the individual assets and liabilities of the reporting unit and calculating the implied fair value of goodwill. To determine the fair value of its reporting units, the Company uses the income approach, which is based on the cash flows that the reporting unit expects to generate in the future. This income valuation method 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. The Company also uses the market valuation method to estimate the fair value of its reporting units by utilizing industry multiples of operating earnings. Impairment assessment inherently involves management judgments as to assumptions used to project these amounts and the impact of market conditions on those assumptions.

As part of the valuation process, the aggregate fair value of the Company was compared to its market capitalization at the valuation date in order to determine the implied control premium. The implied control premium was then compared to the control premiums paid in recent transactions within the industry. The Company's implied market control premium of 35.6% and 64.5%, as of the fourth quarter of 2013 and fourth quarter of 2012 valuation, respectively, were determined to be in an acceptable range of market transactions observed in the construction and engineering industry in the past several years.

As part of the review process for the reporting unit valuations, the Company created multiple income-based and market-based valuation models to understand the sensitivity of the variables used in determining the fair value. These models were reviewed with the Company's external fair value specialists who assisted in the process by providing insight into acceptable ranges on various valuation assumptions as well as preferred valuation techniques.

Weighted average cost of capital rates used to discount the projected cash flows were developed via the capital asset pricing model which is primarily based upon market inputs. The Company used discount rates that management felt were an accurate reflection of the risks associated with the forecasted cash flows of its respective reporting units. Weighted average cost of capital inputs ranged from 13.5% - 15.5% for the Company's reporting units. Since the Company's 2012 annual impairment analysis, the weighted average cost of capital rates were positively impacted by broader market conditions including the recent rise in comparable companies within the construction industry.

Similar to previous valuations, the Company noted that small changes to valuation assumptions could have a significant impact on the concluded value; however, the Company gained comfort over the assumptions selected for valuation through comparison to historical transaction benchmarks, third party industry expectations, and the Company's previous models.

During the second quarter of 2012, the Company experienced a sustained decrease in its stock price, causing its market capitalization to be substantially less than its carrying value and its implied control premium to increase beyond the implied control premium that was reconciled in its 2011 annual impairment analysis, and beyond the observable market comparable level. Additionally, deterioration in broader market conditions including stock market volatility, particularly in the construction industry, impacted the weighted average cost of capital rate assumptions used in deriving the fair values of the Company's reporting units, which are primarily based on market inputs. Finally, several of the Company's reporting units experienced degradation in the timing of projected cash flows used in deriving the fair values of those reporting units in its 2011 annual impairment analysis caused by delays in the timing of awards and start of new work that the Company anticipated would enter into backlog in the first half of 2012, and a general decrease in profit margins on new work awards that were factored into the Company's forecast assumptions.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2013, 2012 and 2011

[4] Goodwill and Other Intangible Assets (continued)

With regard to the Company's reporting units, the carrying values of the Company's Civil, Building, and Management Services reporting units were greater than their fair values, and as such, the Company performed the second step of the goodwill impairment test for these reporting units which resulted in goodwill impairments as discussed above. In this second step, the Company determined the fair value of the individual assets and liabilities of the reporting units that failed Step 1 and calculated the implied fair value of goodwill for those reporting units. The Company included in this calculation the valuation of assets and liabilities that would occur in a theoretical purchase price allocation of the reporting unit in accordance with the Financial Accounting Standards Board's (the FASB) Accounting Standards Codification (ASC) 805 *Business Combinations*, as well as the value of backlog, trade name, and customer relationships and the impact of deferred tax liabilities and assets arising from the fair valuation of these assets and liabilities.

The fair value of the Specialty Contractors reporting unit substantially exceeded its carrying value, and as such, it was not necessary to perform the second step of the goodwill impairment test for this reporting unit.

In conducting the initial step of its goodwill evaluation, the Company also evaluated its finite lived tangible and intangible assets due to the degradation in the timing of projected cash flows since the Company's 2011 impairment analysis and changes in the planned use of certain intangible assets. The Company compared the fair value of the finite lived tangible and intangible assets to their carrying value and determined that the carrying value of a portion of these assets exceeded their fair value as determined by the income-based valuation approach and by benchmarking against observable market prices. This income-based valuation approach involved key assumptions similar to those used in the goodwill impairment analysis for the Company's reporting units as discussed above, (e.g. projections of future cash flows associated with the Company's trade name, contractor license, customer relationship and contract backlog intangible assets that were recorded in previous acquisitions).

Based on these circumstances and events, the Company performed an interim goodwill and indefinite lived intangible asset impairment test as of June 30, 2012 and, as a result, the Company recorded a goodwill impairment charge of \$321.1 million and an indefinite lived intangible assets impairment charge of \$16.4 million in the second quarter of 2012. The Company also evaluated its finite lived tangible and intangible assets due to the degradation in the timing of projected cash flows since the Company's 2011 impairment analysis and changes in the planned use of certain intangible assets, and this analysis resulted in a \$39.1 million impairment charge on the Company's finite lived intangible assets in the second quarter of 2012.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the Years Ended December 31, 2013, 2012 and 2011

[4] Goodwill and Other Intangible Assets (continued)

Intangible assets consist of the following:

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

	December 31, 2012				
	Cost	Accumulated Amortization	Accumulated Impairment Charge	Carrying Value	Weighted Average Amortization Period
	(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 years ended December 31, 2013, 2012, and 2011 totaled \$13.1 million, \$18.3 million and \$13.1 million, respectively. At December 31, 2013, amortization expense is estimated to be \$11.9 million in 2014, \$5.3 million in 2015, \$3.5 million in 2016, \$3.5 million in 2017, \$3.5 million in 2018 and \$35.5 million thereafter.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the Years Ended December 31, 2013, 2012 and 2011

[5] Financial Commitments*Long-term Debt*

Long-term debt consists of the following:

	2013	December 31, (in thousands)	2012
Senior unsecured notes due November 1, 2018 with interest rate of 7.625% payable in equal semi-annual installments beginning May 1, 2011 through November 1, 2018	\$ 300,000	\$	300,000
Less unamortized debt discount based on imputed interest rate of 7.75%		(1,493)	(1,742)
Total amount, net of unamortized discount	298,507		298,258
\$300.0 million revolving line of credit at lender's prime rate (3.25%) or Euro rate, plus applicable spread rates, maturing in 2016		135,000	120,000
\$200.0 million term loan including quarterly installments of principal and interest payable over a five-year period at rates as defined in the Amended Credit Agreement and the Swap Agreement		115,000	152,500
Equipment financing at rates ranging from 2.21% to 3.98% payable in equal monthly installments over a five-year period, with balloon payments totaling \$8.8 million in 2016		78,055	80,297
Loan on transportation equipment with interest rate of 6.44% payable in equal monthly installments over a five-year period, with a balloon payment of \$29.2 million in 2014		29,582	30,905
Lunda seller notes payable at a rate of 5% with interest payable annually and principal payable in 2016		21,750	21,750
Loan on transportation equipment at a variable LIBOR-based rate plus 2.4% payable in equal monthly installments over a seven-year period, with a balloon payment of \$12.1 million in 2015		13,363	14,087
Mortgage on land and improvements at a variable LIBOR-based interest rate plus 3.00% payable in equal monthly installments over a 30-year period, with a balloon payment of \$6.7 million in 2023.		9,404	
Mortgages on land and office building, both at a variable LIBOR-based interest rate plus 2.0% with principal on both payable in equal monthly installments over seven years. The seven-year mortgages include balloon payments in 2016 of \$3.0 million and \$2.6 million, respectively		6,952	7,599

Edgar Filing: TUTOR PERINI Corp - Form 10-K

Mortgage on office building at a variable rate of lender's prime rate (3.25%) less 1.0% payable in equal monthly installments over a ten-year period, with a balloon payment of \$2.6 million in 2018	3,671	3,915
Mortgage on land at a fixed interest rate of 0.20% with combined principal and interest paid in twenty-four equal monthly installments plus one fixed balloon payment of \$1.5 million that was paid in 2013		1,750
Mortgage on office building at a rate of 5.62% payable in equal monthly installments over a five-year period, with a balloon payment of \$1.1 million that was paid in 2013		1,111
Other indebtedness	22,600	4,918
Total	733,884	737,090
Less current maturities	(114,658)	(67,710)
Long-term debt, net	\$ 619,226	\$ 669,380

Principal payments required under these obligations amount to approximately \$114.6 million in 2014, 87.4 million in 2015, \$75.9 million in 2016, \$5.5 million in 2017, \$306.6 million in 2018 and \$143.8 million in 2019 and beyond.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2013, 2012 and 2011

[5] Financial Commitments (continued)

7.625% Senior Notes due 2018

On October 20, 2010, the Company completed a private placement offering of \$300 million in aggregate principal amount of its 7.625% senior unsecured notes due November 1, 2018 (the Senior Notes). The Senior Notes were priced at 99.258%, resulting in a yield to maturity of 7.75%. The Senior Notes were made available in a private offering that is exempt from the registration requirements of the Securities Act of 1933, as amended (the Securities Act). The private placement of the Senior Notes resulted in proceeds to the Company of approximately \$293.2 million after a debt discount of \$2.2 million and initial debt issuance costs of \$4.6 million. The Senior Notes were issued pursuant to an indenture (the Indenture), dated as of October 20, 2010 by and among the Company, its subsidiary guarantors and Wilmington Trust FSB, as trustee (the Trustee).

The Senior Notes mature on November 1, 2018, and bear interest at a rate of 7.625% per annum, payable semi-annually in cash in arrears on May 1 and November 1 of each year, beginning on May 1, 2011. The Senior Notes are senior unsecured obligations of the Company and are guaranteed by substantially all of the Company's existing and future subsidiaries that guarantee obligations under the Company's Amended Credit Agreement.

The terms of the Indenture, among other things, limit the ability of the Company and its restricted subsidiaries to (i) incur additional indebtedness or issue certain preferred stock; (ii) pay dividends on, or make distributions in respect of, the Company's capital stock or repurchase the Company's capital stock; (iii) make certain investments or other restricted payments; (iv) sell certain assets; (v) create liens or use assets as security in other transactions; (vi) merge, consolidate or transfer or dispose of substantially all of the Company's assets; and (vii) engage in certain transactions with affiliates.

The Senior Notes are redeemable, in whole or in part, at any time on or after November 1, 2014, at the redemption prices specified in the Indenture, together with accrued and unpaid interest, if any, to the redemption date. At any time prior to November 1, 2013, the Company could have redeemed up to 35% of the aggregate principal amount of the Senior Notes with the net cash proceeds from certain equity offerings at a redemption price equal to 107.625% of the principal amount thereof, together with accrued and unpaid interest, if any, to the redemption date. In addition, at any time prior to November 1, 2014, the Company may redeem the Senior Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Senior Notes so redeemed, plus a make whole premium, together with accrued and unpaid interest, if any, to the redemption date.

Upon the occurrence of a change of control triggering event specified in the Indenture, the Company must offer to purchase the Senior Notes at a redemption price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of purchase.

Edgar Filing: TUTOR PERINI Corp - Form 10-K

The Indenture provides for customary events of default (subject in certain cases to customary grace and cure periods), which include nonpayment, breach of covenants in the Indenture, payment defaults or acceleration of other indebtedness, a failure to pay certain judgments and certain events of bankruptcy and insolvency. If an event of default occurs and is continuing, the Trustee or holders of at least 25% in principal amount of the outstanding Senior Notes may declare the principal, accrued and unpaid interest, if any, on all the Senior Notes to be due and payable.

In April 2011, the Company filed an amended registration statement with the Securities and Exchange Commission with respect to an offer to exchange the Senior Notes for a new issue of debt securities registered under the Securities Act (the Exchange Offer), with terms substantially identical to those of the Senior Notes, (except for provisions relating to the transfer restrictions and payment of additional interest), and to keep the Exchange Offer open for at least 30 business days (the Registration Statement). The Exchange Offer was consummated in June 2011.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2013, 2012 and 2011

[5] Financial Commitments (continued)

Amended Credit Agreement

On August 3, 2011 the Company entered into a Fifth Amended and Restated Credit Agreement (the *Credit Agreement*) with Bank of America, N.A., which has been amended by a Joinder Agreement dated October 21, 2011 executed by Becho, Inc. The Credit Agreement allows the Company to borrow up to \$300 million on a revolving credit basis (the *Revolving Facility*), with a \$50 million sublimit for letters of credit, and an additional \$200 million term loan (the *Term Loan*).

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 of the Amended Credit Agreement for the period ended December 31, 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

Edgar Filing: TUTOR PERINI Corp - Form 10-K

Federal Funds Rate plus 50 basis points, or the prime rate announced by Bank of America, N.A., plus up to 300 basis points based on the ratio of consolidated funded indebtedness of the Company and its subsidiaries to consolidated EBITDA. In addition, the Company has agreed to pay quarterly facility fees ranging from 0.375% to 0.700% per annum of the unused portion of the credit facility.

The Amended Credit Agreement increases the sublimit for letters of credit from \$50 million to \$150 million. Substantially all of the Company's subsidiaries unconditionally guarantee the obligations of the Company under the Amended Credit Agreement. The obligations under the Amended Credit Agreement are secured by a lien on all personal property of the Company and its subsidiaries party thereto. Any outstanding loans under the Revolving Facility mature on August 3, 2016, while the Term Loan includes quarterly installments of principal and interest payable over a five-year period. The Term Loan balance has been paid down to \$115.0 million at December 31, 2013.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2013, 2012 and 2011

[5] Financial Commitments (continued)

The Amended Credit Agreement also includes certain customary provisions for this type of facility, including operational covenants restricting liens, investments, indebtedness, fundamental changes in corporate organization, and dispositions of property, and events of default, certain of which include corresponding grace periods and notice requirements.

The Amended Credit Agreement provides for customary events of default with corresponding grace periods, including (i) failure to pay any principal or interest when due, (ii) failure to comply with covenants, (iii) any material representation or warranty made by the Company proving to be incorrect in any material respect, (iv) defaults relating to or acceleration of other material indebtedness, (v) certain insolvency or receivership events affecting the Company, (vi) a change in control of the Company, or (vii) the Company becoming subject to certain material judgments.

In the event of a default, the Administrative Agent, at the request of the requisite number of lenders, must terminate the lenders' commitments to make loans under the Amended Credit Agreement and declare all obligations under the Amended Credit Agreement immediately due and payable. For certain events of default related to insolvency and receivership, the commitments of the lenders will be automatically terminated and all outstanding obligations of the Company under the Amended Credit Agreement will become immediately due and payable.

The Company had \$135.0 million of outstanding borrowings under the Revolving Facility as of December 31, 2013 and \$120.0 million of outstanding borrowings as of December 31, 2012. The Company utilized the Revolving Facility for letters of credit in the amount of \$0.2 million as of both December 31, 2013 and 2012. Accordingly, at December 31, 2013, the Company had \$164.9 million available to borrow under the Amended Credit Agreement.

On August 26, 2011, the Company entered into a swap agreement (Swap Agreement) with Bank of America, N.A. to establish a long-term interest rate for the Term Loan discussed above. The Swap Agreement pertains to the Term Loan principal balance outstanding at January 31, 2012 and will remain effective through the maturity date of the Term Loan. Amounts outstanding under the Swap Agreement will bear interest at a rate equal to the Applicable Rate, as defined in the Amended Credit Agreement (based upon the Company's consolidated leverage ratio) plus 97.5 basis points. The Swap Agreement includes quarterly installments of principal and monthly installments of interest payable through the maturity date of the Term Loan.

Debt Agreements from Recent Acquisitions

In connection with the acquisition of Frontier-Kemper and GreenStar, we assumed certain debt, all of which was paid off in 2011.

In connection with the acquisition of Lunda, the Company issued to the former Lunda shareholders promissory notes in an aggregate amount of approximately \$21.7 million (the "Lunda Seller Notes"). Interest under the Lunda Seller Notes accrues at the rate of 5% per annum with all accrued but unpaid interest payable annually. The Lunda Seller Notes mature on July 1, 2016. The Company may prepay all or any portion of the Lunda Seller Notes at any time without premium or penalty. To the extent that the Company prepays all or any portion of its outstanding Senior Notes, it is also required to repay a pro rata portion (based upon the amount being prepaid under the Senior Notes and the total amount outstanding under the Senior Notes) of the Lunda Seller Notes. The Lunda Seller Notes are guaranteed by Lunda, which, as a result of the acquisition, is a wholly owned subsidiary of the Company.

Collateralized Loans

During 2013 and 2011, the Company entered into several equipment financing arrangements for its existing and its recently acquired equipment fleets as discussed in more detail below. The Company attempted to take advantage of the opportunity to fix low interest rates for these fleets which has provided additional cash flows available for general corporate purposes.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2013, 2012 and 2011

[5] Financial Commitments (continued)

During 2013, we obtained equipment financing totaling \$25.8 million at fixed rates ranging from 2.28% to 3.09%, payable in equal monthly installments for sixty months. We obtained a mortgage loan of \$9.6 million collateralized by land and improvements located in Houston, Texas, with equal monthly installments over a 30-year period at LIBOR plus 3.00% with a balloon payment of \$6.7 million due in 2023.

In January of 2012, the Company obtained a mortgage loan of \$2.1 million collateralized by land at a rate of 0.20% with 24 equal monthly installments of principal and interest and a balloon payment of \$1.5 million that was paid in November of 2013.

In September 2011, the Company entered into two new equipment financing agreements. The Company obtained two loans for \$12.5 million each, which are collateralized by construction equipment owned by the Company. The terms of each of the loans include equal monthly installments inclusive of principal and interest at an interest rate of 2.21% payable over a five-year period. In August 2011, the Company entered into a new equipment financing agreement. The Company obtained a loan totaling \$25.0 million, which is collateralized by construction equipment owned by the Company. The terms of the loan include equal monthly installments inclusive of principal and interest at an interest rate of 2.53% payable over a five-year period. In March 2011, the Company paid off and subsequently refinanced several of its equipment financing agreements at lower interest rates and also entered into several new equipment financing agreements. The refinancing resulted in payments totaling \$27.4 million which paid off the previous agreements in place. The Company obtained loans totaling \$59.7 million, which are collateralized by construction equipment owned by the Company. The terms of the loans include equal monthly installments inclusive of principal and interest at an interest rate of 3.98% payable over a five-year period, with balloon payments totaling \$8.8 million in 2016.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2013, 2012 and 2011

[5] Financial Commitments (continued)

Leases

The Company leases certain construction equipment, vehicles and office space under non-cancelable operating leases. Future minimum rent payments under non-cancelable operating leases as of December 31, 2013 are as follows:

	Amount (in thousands)
2014	\$ 17,886
2015	15,427
2016	10,694
2017	6,493
2018	2,864
Thereafter	6,046
Subtotal	\$ 59,410
Less - Sublease rental agreements	(755)
	\$ 58,655

Rental expense under operating leases of construction equipment, vehicles and office space was \$18,524 in 2013, \$17,730 in 2012 and \$15,866 in 2011.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the Years Ended December 31, 2013, 2012 and 2011

[6] Income Taxes

Income (Loss) before taxes is summarized as follows:

Year ended December 31,	U.S. Operations	Foreign Operations (in thousands)	Total
2013	\$ 127,682	\$ 11,933	\$ 139,615
2012	\$ (271,683)	\$ 3,841	\$ (267,842)
2011	\$ 133,501	\$ 3,546	\$ 137,047

The (benefit) provision for income taxes is as follows:

	2013	Year ended December 31, 2012 (in thousands)	2011
Current expense:			
Federal	\$ 29,034	\$ 19,573	\$ 30,848
State	9,018	3,508	6,303
Foreign	4,256	1,542	1,325
Total current	42,308	24,623	38,476
Deferred (benefit) expense:			
Federal	9,547	(28,157)	16,351
State	577	1,104	(3,718)
Foreign	(113)	(12)	(210)
Total deferred	10,011	(27,065)	12,423
Total (benefit) provision	\$ 52,319	\$ (2,442)	\$ 50,899

The following table is a reconciliation of the Company's provision (benefit) for income taxes at the statutory rates to the provision (benefit) for income taxes at the Company's effective rate.

	2013		2012		2011	
	Amount	Rate	Amount	Rate	Amount	Rate
Federal income expense						
(benefit) at statutory tax rate	\$ 48,865	35.0%	\$ (93,745)	35.0%	\$ 47,963	35.0%
	6,236	4.5	3,214	(1.2)	2,529	1.8

Edgar Filing: TUTOR PERINI Corp - Form 10-K

State income taxes, net of federal tax benefit

Officers compensation	1,732	1.2	1,473	(0.6)	224	0.2
Domestic Production Activities Deduction	(3,641)	(2.6)	(2,246)	(2.4)	(2,321)	(4.8)
Goodwill Impairment			89,191	(33.3)		
Other	(873)	(0.6)	(329)	3.4	2,504	4.9
(Benefit) provision for income taxes	\$ 52,319	37.5%	\$ (2,442)	0.9%	\$ 50,899	37.1%

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the Years Ended December 31, 2013, 2012 and 2011

[6] Income Taxes (continued)

The Company's provision for income taxes and effective tax rate for the year ended December 31, 2012 were significantly impacted by the goodwill and intangible asset impairment charge discussed in Note 4 *Goodwill and Other Intangible Assets* above. Of the total goodwill and intangible asset impairment charge of \$376.6 million, approximately \$255.0 million pertained to goodwill that had no corresponding tax basis. The tax effect of the impairment charge resulted in a reduction in the Company's provision for income taxes of approximately \$50.2 million in 2012.

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

The following is a summary of the significant components of the deferred tax assets and liabilities:

	2013	December 31, (in thousands)	2012
Deferred Tax Assets			
Timing of expense recognition	\$	24,170	\$ 28,448
Net operating losses		4,123	5,517
Other, net		5,641	8,763
Deferred tax assets		33,934	42,728
Valuation Allowance		(2,817)	(2,817)
Net deferred tax assets		31,117	39,911
Deferred Tax Liabilities			
Intangible assets, due primarily to purchase accounting		(18,260)	(26,768)
Fixed assets, due primarily to purchase accounting		(79,243)	(76,095)
Construction contract accounting		(6,432)	(5,613)
Joint ventures - construction		(5,229)	(7,038)
Contested Legal Settlement		(12,012)	
Other		(3,408)	(390)
Deferred tax liabilities		(124,584)	(115,904)
Net deferred tax liability	\$	(93,467)	\$ (75,993)

The net deferred tax liability is classified in the Consolidated Balance Sheets based on when the future benefit (expense) is expected to be realized as follows:

Edgar Filing: TUTOR PERINI Corp - Form 10-K

	December 31,		
	2013	(in thousands)	2012
Current deferred tax asset	\$	8,240	\$ 10,071
Long-term deferred tax asset		22,877	29,840
Current deferred tax liability		(10,251)	(6,004)
Long-term deferred tax liability		(114,333)	(109,900)
Net deferred tax liability	\$	(93,467)	\$ (75,993)

At December 31, 2012 and December 31, 2013, the Company had a valuation allowance of \$2.8 million for federal and state capital loss carry-forwards as the ultimate utilization of this item was less than more likely than not. The valuation allowance increased in 2012 by \$2.8 million due to the capital losses realized on the sale of auction rate securities.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the Years Ended December 31, 2013, 2012 and 2011

[6] Income Taxes (continued)

In general, it is the practice and intention of the Company to reinvest the earnings of its non-U.S. subsidiaries in those operations. Generally, such amounts become subject to U.S. taxation upon the remittance of dividends and under certain other circumstances. As of the years ended December 31, 2013 and December 31, 2012, unremitted earnings of foreign subsidiaries, which have been or are intended to be permanently invested, aggregated approximately \$4.3 million and \$14.3 million, respectively. It is not practicable to estimate the amount of deferred tax liability related to investments in these foreign subsidiaries.

The Company adopted the provisions of FASB ASC 740-10, Income Taxes, Accounting for Uncertainty in Income Taxes, in the first quarter of 2007. It is the Company's policy to record any accrued interest and penalties as part of the income tax provision. During 2012, the Company recognized a net increase of \$2.0 million in liabilities. The amount of gross unrecognized tax benefits as of December 31, 2012 is \$4.0 million. Included in this liability is \$0.3 million of related interest. During 2013, the Company recognized a net increase of \$1.4 million in liabilities. The amount of gross unrecognized tax benefits as of December 31, 2013 is \$5.5 million. Included in this liability is \$0.5 million of related interest. The Company does not expect any significant release of unrecognized tax benefits within the next twelve months.

A reconciliation of the beginning and ending amount of the gross unrecognized tax benefit is as follows (in thousands):

Gross unrecognized tax benefit balance at January 1, 2011:	\$	1,150
Add:		
Additions based on tax positions related to current year		875
Additions/reductions for tax positions of prior years		47
Less:		
Reductions for tax positions of prior years (expiration of statute of limitations)		(29)
Gross unrecognized tax benefit balance at December 31, 2011:	\$	2,043
Gross unrecognized tax benefit balance at January 1, 2012:	\$	2,043
Add:		
Additions based on tax positions related to current year		1,281
Additions/reductions for tax positions of prior years		1,857
Less:		
Reductions for tax positions of prior years (expiration of statute of limitations)		(1,158)
Gross unrecognized tax benefit balance at December 31, 2012:	\$	4,023
Gross unrecognized tax benefit balance at January 1, 2013:	\$	4,023
Add:		
Additions based on tax positions related to current year		1,254
Additions/reductions for tax positions of prior years		182
Less:		
Reductions for tax positions of prior years (expiration of statute of limitations)		
Gross unrecognized tax benefit balance at December 31, 2013:	\$	5,459

The company records interest and penalties related to an unrecognized tax benefit in income tax expenses. Interest expense of \$0.2 million was recorded during 2013.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the Years Ended December 31, 2013, 2012 and 2011

[7] Other Assets, Other Long-term Liabilities and Other Income (Expense), Net

Other Assets, Other Long-term Liabilities and Other Income (Expense), Net consist of the following:

	2013	December 31, (in thousands)	2012
<i>Other Assets</i>			
Insurance claim receivable (1)	\$	34,839	\$ 39,309
Deferred income taxes		22,877	29,840
Deferred costs		7,711	11,150
Mineral reserves		3,199	3,199
Deposits		677	997
Other long-term assets		6,311	1,223
	\$	75,614	\$ 85,718
<i>Other Long-term Liabilities</i>			
Acquisition related liabilities	\$	51,102	\$ 50,624
Insurance claim payable (1)		34,774	39,309
Pension liability		19,831	35,472
Employee benefit related liabilities		2,536	3,524
Mineral royalties payable		1,727	1,859
Deferred lease incentive		1,143	1,241
Subcontractor insurance program			962
Other		6,745	6,005
	\$	117,858	\$ 138,996

	2013	Year ended December 31, 2012	2011
	(in thousands)		
<i>Other Income (Expense), Net</i>			
Interest income	\$ 8,745	\$ 2,842	\$ 2,764
Gain on sale of property used in operations		456	726
Adjustment of investments to fair value			(4,750)
Adjustment of acquisition related liabilities	(26,374)	(256)	7,296
Amortization of deferred costs	(1,844)	(1,585)	(1,399)
Bank fees	(1,559)	(2,090)	(1,549)
Realized loss on sale of investments, net	72	(2,699)	(10)
Miscellaneous income (expense), net	2,385	1,475	1,343
	\$ (18,575)	\$ (1,857)	\$ 4,421

(1) Insurance claims receivable and the corresponding insurance claims payable represent expected insurable loss amounts to be received from the insurance carriers and to be paid in claims respectively.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the Years Ended December 31, 2013, 2012 and 2011

[8] Employee Benefit Plans*Defined Benefit Pension Plan*

The Company has a defined benefit pension plan that covers certain of its executive, professional, administrative and clerical employees, subject to certain specified service requirements. The plan is noncontributory and benefits are based on an employee's years of service and final average earnings, as defined. The plan provides reduced benefits for early retirement and takes into account offsets for social security benefits. The Company also has an unfunded supplemental retirement plan (Benefit Equalization Plan) for certain employees whose benefits under the defined benefit pension plan were reduced because of compensation limitations under federal tax laws. Effective June 1, 2004, all benefits accruals under the Company's pension plan and Benefit Equalization Plan were frozen; however, the current vested benefit was preserved. Pension disclosure as presented below includes aggregated amounts for both of the Company's plans, except where otherwise indicated.

The Company historically has used the date of its fiscal year-end as its measurement date to determine the funded status of the plan.

A summary of net periodic benefit cost is as follows:

	2013	Year ended December 31,		2011
		2012		
		(dollars in thousands)		
Interest cost on projected benefit obligation	\$ 3,710	\$ 4,011	\$ 4,526	
Return on plan assets	(4,509)	(4,783)	(5,046)	
Recognized net actuarial losses	6,330	5,487	4,050	
Net periodic benefit cost	\$ 5,531	\$ 4,715	\$ 3,530	
Actuarial assumptions used to determine net cost:				
Discount rate	3.58%	4.10%	5.18%	
Expected return on assets	6.75%	7.00%	7.50%	
Rate of increase in compensation	n.a.	n.a.	n.a.	

The target asset allocation for the Company's pension plan by asset category for 2014 and the actual asset allocation at December 31, 2013 and 2012 by asset category are as follows:

Percentage of Plan Assets at December 31,
Target

Edgar Filing: TUTOR PERINI Corp - Form 10-K

Asset Category	Allocation		
	2014	2013	2012
Cash	5.0%	5.2%	6.6%
Equity securities:			
Domestic	65.0%	63.4%	67.5%
International	25.0%	25.9%	20.8%
Fixed income securities	5.0%	5.5%	5.1%
Total	100.0%	100.0%	100.0%

The Company's target allocation for 2014 will include 65.0% domestic equity securities, 25.0% international equity securities, and 5.0% fixed income securities.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2013, 2012 and 2011

[8] Employee Benefit Plans (continued)

As of December 31, 2013 and 2012, plan assets included approximately \$44.7 million and \$44.3 million, respectively, of investments in hedge funds which do not have readily determinable fair values. The underlying holdings of the funds are comprised of a combination of assets for which the estimate of fair value is determined using information provided by fund managers.

The Company expects to contribute approximately \$2.8 million to its defined benefit pension plan in 2014. Future benefit payments under the plans are estimated as follows:

Year ended December 31,	(in thousands)
2014	\$ 6,046
2015	6,158
2016	6,174
2017	6,178
2018	6,293
Thereafter	31,554
	\$ 62,403

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the Years Ended December 31, 2013, 2012 and 2011

[8] Employee Benefit Plans (continued)

The following tables provide a reconciliation of the changes in the fair value of plan assets and plan benefit obligations during 2013 and 2012, and a summary of the funded status as of December 31, 2013 and 2012:

	Year ended December 31,	
	2013	2012
	(in thousands)	
Change in Fair Value of Plan Assets		
Balance at beginning of year	\$ 66,137	\$ 62,105
Actual return on plan assets	8,545	3,621
Company contribution	3,478	5,780
Benefit payments	(5,543)	(5,369)
Balance at end of year	\$ 72,617	\$ 66,137

	Year ended December 31,	
	2013	2012
	(in thousands)	
Change in Benefit Obligations		
Balance at beginning of year	\$ 105,320	\$ 100,656
Interest cost	3,710	4,011
Assumption change loss	(9,627)	6,031
Actuarial (gain) loss	1,318	(9)
Benefit payments	(5,543)	(5,369)
Balance at end of year	\$ 95,178	\$ 105,320

	At December 31,	
	2013	2012
	(in thousands)	
Funded Status		
Funded status at December 31,	\$ (22,561)	\$ (39,183)
Amounts recognized in Consolidated Balance Sheets consist of:		
Current liabilities	\$ (194)	\$ (187)
Long-term liabilities	(22,367)	(38,996)
Net amount recognized in Consolidated Balance Sheets	\$ (22,561)	\$ (39,183)

	Year ended December 31,	
	2013	2012
	(in thousands)	

Edgar Filing: TUTOR PERINI Corp - Form 10-K

Amounts not yet reflected in net periodic benefit cost and included in accumulated other comprehensive loss:

Net actuarial loss	\$	(42,261)	\$	(60,935)
Accumulated other comprehensive loss		(42,261)		(60,935)
Cumulative Company contributions in excess of net periodic benefit cost		19,700		21,752
Net amount recognized in Consolidated Balance Sheets	\$	(22,561)	\$	(39,183)

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the Years Ended December 31, 2013, 2012 and 2011

[8] Employee Benefit Plans (continued)

The net actuarial gain arising during the period, netted against the amortization of the previously existing actuarial loss resulted in a net other comprehensive gain of \$18.7 million in 2013, and a net comprehensive loss of \$1.7 million in 2012 and \$14.8 million in 2011. Other comprehensive loss attributable to a change in the unfunded projected benefit obligation amounted to a net increase of \$44.5 million recognized in prior years. The cumulative net amount of \$42.3 million represents the excess of the projected benefit obligations of the Company's pension plans over the fair value of the plans' assets as of December 31, 2013, compared to \$19.7 million of contributions in excess of the net periodic benefit cost previously recognized. The net amount of \$22.6 million is reflected as a liability as of December 31, 2013 with the offset being a reduction in stockholders' equity. Adjustments to the amount of this pension liability will be recorded in future years, as required, based upon periodic re-evaluation of the funded status of the Company's pension plans.

The estimated amount of the net accumulated loss that will be amortized from accumulated other comprehensive loss into net period benefit cost in 2014 is \$4.3 million.

	Year ended December 31,	
	2013	2012
Actuarial assumptions used to determine benefit obligation:		
Discount rate	4.47%	3.58%
Rate of increase in compensation	n.a.	n.a.
Measurement date	December 31	December 31

The expected long-term rate of return on assets assumption remained at 6.75% for 2013 and 2014. The expected long-term rate of return on assets assumption was developed considering forward looking capital market assumptions and historical return expectations for each asset class assuming the Company's target asset allocation and full availability of invested assets.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the Years Ended December 31, 2013, 2012 and 2011

[8] Employee Benefit Plans (continued)

The following table sets forth the plan assets at fair value in accordance with the fair value hierarchy described in Note 3 *Fair Value Measurements*:

At December 31, 2013	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Value
(in thousands)				
Cash and cash equivalents	\$ 3,762	\$	\$	\$ 3,762
Fixed Income	4,000			4,000
Mutual Funds	13,234			13,234
Equity Partnerships		6,876		6,876
Hedge Fund Investments:				
Cash	527			527
Long-Short Equity Fund		14,566	11,655	26,221
Event Driven Fund		5,928	8,752	14,680
Distressed Credit			1,429	1,429
Multi-Strategy Fund			1,888	1,888
Total	\$ 21,523	\$ 27,370	\$ 23,724	\$ 72,617

At December 31, 2012	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Value
(in thousands)				
Cash and cash equivalents	\$ 4,386	\$	\$	\$ 4,386
Fixed Income	3,368			3,368
Mutual Funds	8,230			8,230
Equity Partnerships		5,823		5,823
Hedge Fund Investments:				
Cash	2,591			2,591
Long-Short Equity Fund		9,826	9,992	19,818
Event Driven Fund		6,542	7,152	13,694
Distressed Credit		2,829	2,559	5,388
Multi-Strategy Fund		889	1,950	2,839
Total	\$ 18,575	\$ 25,909	\$ 21,653	\$ 66,137

Edgar Filing: TUTOR PERINI Corp - Form 10-K

Fund strategies seek to capitalize on inefficiencies identified across different asset classes or markets. Hedge fund strategy types include long-short, event driven, multi-strategy and distressed credit. Generally the redemption of the Company's hedge fund investments is subject to certain notice-period requirements and as such the Company has classified these assets as Level 3 assets.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the Years Ended December 31, 2013, 2012 and 2011

[8] Employee Benefit Plans (continued)

The table below sets forth a summary of changes in the fair value of the Level 3 assets:

	Changes in Fair Value of Level 3 Assets					Total
	Long-Short Equity Fund	Event Driven Fund	Distressed Credit (in thousands)	Multi-Strategy Fund		
Balance, December 31, 2012	\$ 9,992	\$ 7,152	\$ 2,559	\$ 1,950	\$ 21,653	
Realized gains			(7)	(5)	(12)	
Unrealized gains	2,971	1,252	158	223	4,604	
Purchases	1,343	459	6	9	1,817	
Sales			(517)	(378)	(895)	
Transfer to Level 2 (1)	(3,443)				(3,443)	
Balance, December 31, 2013	\$ 10,863	\$ 8,863	\$ 2,199	\$ 1,799	\$ 23,724	

(1) The transfer of \$3.4 million from Level 3 to Level 2 was comprised of certain hedge funds that became redeemable within 90 days from December 31, 2013.

	Changes in Fair Value of Level 3 Assets					Total
	Long-Short Equity Fund	Event Driven Fund	Distressed Credit (in thousands)	Multi-Strategy Fund		
Balance, December 31, 2011	\$ 12,821	\$ 7,126	\$ 6,252	\$ 3,530	\$ 29,729	
Realized gains			5	2	7	
Unrealized gains	1,624	522	365	173	2,684	
Purchases	5,555	3,798	20	19	9,392	
Sales			(894)	(773)	(1,667)	
Transfer to Level 2 (2)	(10,008)	(4,294)	(3,189)	(1,001)	(18,492)	
Balance, December 31, 2012	\$ 9,992	\$ 7,152	\$ 2,559	\$ 1,950	\$ 21,653	

(2) The transfer of \$18.5 million from Level 3 to Level 2 was comprised of certain hedge funds that became redeemable within 90 days from December 31, 2012.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the Years Ended December 31, 2013, 2012 and 2011

[8] Employee Benefit Plans (continued)

The Company's plans have benefit obligations in excess of the fair value of the plans' assets. The following table provides information relating to each of the plans' benefit obligations compared to the fair value of its assets:

	At December 31, 2013			At December 31, 2012			Total
	Pension Plan	Benefit Equalization Plan	Total	Pension Plan	Benefit Equalization Plan	Total	
			(in thousands)				
Projected benefit obligation	\$ 91,946	\$ 3,232	\$ 95,178	\$ 101,796	\$ 3,524	\$ 105,320	
Accumulated benefit obligation	\$ 91,946	\$ 3,232	\$ 95,178	\$ 101,796	\$ 3,524	\$ 105,320	
Fair value of plan assets	\$ 72,617	\$	\$ 72,617	\$ 66,137	\$	\$ 66,137	
Projected benefit obligation greater than fair value of plan assets	\$ 19,329	\$ 3,232	\$ 22,561	\$ 35,659	\$ 3,524	\$ 39,183	
Accumulated benefit obligation greater than fair value of plan assets	\$ 19,329	\$ 3,232	\$ 22,561	\$ 35,659	\$ 3,524	\$ 39,183	

Section 401(k) Plans

The Company has several contributory Section 401(k) plans which cover its executive, professional, administrative and clerical employees, subject to certain specified service requirements. The 401(k) expense provision approximated \$3.8 million in 2013, \$3.8 million in 2012 and \$4.2 million in 2011. The Company's contribution is based on a non-discretionary match of employees' contributions, as defined.

Cash-Based Compensation Plans

The Company has multiple cash-based compensation plans and a stock-based incentive compensation plan for key employees which are generally based on the Company's achievement of a certain level of profit. For information on the Company's stock-based incentive compensation plan, see Note 11 *Stock-Based Compensation*.

Multiemployer Plans

The Company also contributes to various multi-employer union retirement plans under collective bargaining agreements which provide retirement benefits for substantially all of its union employees. The Company's participation in the plans that it considers to be significant for the years ended December 31, 2013 and 2012, is outlined in the tables below. The EIN/Pension Plan Number column provides the Employer Identification Number (EIN) and the three-digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act zone status available in 2013 and 2012 is for the plan's year-end at December 31, 2012, and December 31, 2011, respectively. The zone status is based on information that the Company received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded. The FIP/RP Status Pending/Implemented column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration date(s) of the collective-bargaining agreement(s) to which the plans are subject. Finally, the acquisitions of Fisk, Anderson, Frontier-Kemper, WDF, FSE, Nagelbush, Lunda, and Becho during 2011 have increased the number of employees covered by the Company's multiemployer plans and contributions made. Aside from these acquisitions, there were no other significant changes that affect the comparability of 2011 through 2013 contributions. Under the Employee Retirement Income Security Act, a contributor to a multi-employer plan is liable, only upon termination or withdrawal from a plan, for its proportionate share of a plan's unfunded vested liability. The Company currently has no intention of withdrawing from any of the multiemployer pension plans in which it participates.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the Years Ended December 31, 2013, 2012 and 2011

[8] Employee Benefit Plans (continued)

Pension Fund	EIN/Pension Plan Number	Pension Protections Act Zone Status		FIP/RP Status	Company Contributions (amounts in millions)			Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
		2013	2012	Pending Or Implemented	2013	2012	2011		
Pension, Hospitalization and Benefit Plan of the Electrical Industry - Pension Trust Account	13-6123601/001	Green	Green	No	13.4(b)	12.9(b)	6.3(a)	No	5/8/2016
Steamfitters Industry Pension Fund	13-6149680/001	Yellow	Yellow	Implemented	4.3(b)	3.5(b)	3.5(a)	No	6/30/2014
Excavators Union Local 731 Pension Fund	13-1809825/002	Green	Green	No	3.2	3.3	2.9	No	6/30/2016
Carpenters Pension Trust Fund for Northern California	94-6050970/001	Red	Red	Implemented	2.1	2.3	1.4	No	6/30/2015

(a) Amounts pertaining to plans from one of the Company's newly acquired entities during 2011.

(b) These amounts exceeded 5% of the respective total plan contributions.

In addition to the individually significant plans described above, the Company also contributed approximately \$31.6 million in 2013, \$29.9 million in 2012 and \$29.8 million in 2011 to other multiemployer pension plans.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2013, 2012 and 2011

[9] Contingencies and Commitments

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

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

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

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

Between 2005 and 2010, the court granted certain Joint Venture motions and LAMTA capitulated on others, which reduced the number of false claims LAMTA may seek and limited LAMTA's claims for damages and penalties. In September 2010, LAMTA dismissed its remaining claims and agreed to pay the entire amount of the Joint Venture's remaining claims plus interest. In the remanded proceedings, the Court subsequently entered judgment in favor of TSP and against LAMTA in the amount of \$3.0 million after deducting \$0.5 million, representing the tunnel handrail verdict plus accrued interest against TSP. The parties filed post-trial motions for costs and fees. The Court ruled that TSP's sureties could recover costs, LAMTA could recover costs for the tunnel handrail trial, and no party could recover attorneys' fees. TSP is appealing the false claims jury verdict on the tunnel handrail claim and other issues, including the denial of TSP's and its sureties' request for attorneys' fees. LAMTA subsequently filed its 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. It is anticipated the hearing before the Court of Appeal will take place in 2014.

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

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

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

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

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2013, 2012 and 2011

[9] Contingencies and Commitments (continued)

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 back charges and interest associated with the Fourth DRB panel's awards to PKC that were confirmed.

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

Long Island Expressway/Cross Island Parkway Matter

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

In March 2011, the Company filed its claim and complaint with the New York State Court of Claims and served to the New York State Attorney General's Office, seeking damages in the amount of \$53.8 million. In May 2011, the NYSDOT filed a motion to dismiss the Company's claim on the grounds that the Company had not provided required documentation for project closeout and filing of a claim. In September 2011, the Company reached agreement on final payment with the Comptroller's Office on behalf of the NYSDOT which resulted in an amount of \$0.5

Edgar Filing: TUTOR PERINI Corp - Form 10-K

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. Discovery is ongoing. 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

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2013, 2012 and 2011

[9] Contingencies and Commitments (continued)

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.

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 twelve months ended December 31, 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 Miami, Florida.

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

In January 2010, the Bankruptcy Court approved the sale of the property to Icahn Nevada Gaming Acquisition, LLC, and this transaction closed in February 2010. As a result of a July 2010 ruling relating to certain priming liens, there was approximately \$125 million set aside from this sale, which is available for distribution to satisfy the creditor claims based on seniority. At that time, the total estimated sustainable lien amount was approximately \$350 million. The project lender filed suit against the mechanic s lien claimants, including DMI and Fisk, alleging that certain

Edgar Filing: TUTOR PERINI Corp - Form 10-K

mechanic's liens are invalid and that all mechanic's liens are subordinate to the lender's claims against the property. The Nevada Supreme Court ruled in October 2012 in an advisory opinion at the request of the Bankruptcy Court that lien priorities would be determined in favor of the mechanic lien holders under Nevada law.

In October 2013, a settlement was reached by and among the Statutory Lienholders and the other interested parties. The agreed upon settlement did not have an impact on the Company's recorded accounting position as of the period ended December 31, 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.

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.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2013, 2012 and 2011

[9] Contingencies and Commitments (continued)

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 Company's insurance carrier initiated legal proceedings seeking declaratory relief that their insurance policies do not provide for defense or coverage for matters pertaining to the Harmon Towers. Those proceedings are stayed pending the outcome of the underlying dispute in Nevada District Court. The Company is not aware of a basis for other claims that would amount to material offsets against what MGM owes to the Company. The Company does not expect this matter to have any material effect on its consolidated financial statements.

During July 2013, a settlement was reached for \$39.8 million related to outstanding receivables for various subcontractors, which included consideration for, and brought resolution to, disputes between the Company's subsidiaries Fisk and DMI and MGM. Payment was received in August 2013. 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 twelve months ended December 31, 2013.

As of December 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 December 2013, the Company had approximately \$165.7 million recorded as contract receivables for amounts due and owed to the Company. As of December 2013, the Company's mechanic's lien against the project was \$166.8 million.

The Parties participated in a Court ordered settlement conference in December 2013 and reached a confidential settlement in January 2014, primarily around non-Harmon related issues.

The April 2014 trial date has been vacated and will be reset after the Court rules on other matters.

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

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2013, 2012 and 2011

[9] Contingencies and Commitments (continued)

Honeywell Street/Queens Boulevard Bridges Matter

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

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

Westgate Planet Hollywood Matter

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

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

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-K

During the twelve months ended December 31, 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. During a hearing in January 2014, the Court granted TSC's motion for approximately \$5.8 million of legal fees, while the Court's award on pre-judgment interest is still pending.

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 facade on the building due to faulty subcontractor work. The Company has not yet received notice of final acceptance of this project from the NYCTA. The Company contends defective structural installation by the Company's steel subcontractor caused or was a causal factor of the brick facade failure.

The Company tendered its claim to the NYCTA OCIP and to Chartis Claims, Inc. (Chartis), its insurance carrier. Coverage was denied in January 2011. The OCIP and general liability carriers filed a declaratory relief action in the United States District Court, Southern District of New York against the Company seeking court determination that

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2013, 2012 and 2011

[9] Contingencies and Commitments (continued)

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.

Edgar Filing: TUTOR PERINI Corp - Form 10-K

The ultimate financial impact of King County's lawsuit is not yet specifically determinable. In the fourth quarter of 2012, management developed a range of possible outcomes and has recorded a charge to income and a contingent liability of \$5.0 million in accrued expenses. In developing a range of possible outcomes, management considered the jury verdict, continued litigation and potential settlement strategies. Management determined that there was no estimate within the range of possible outcomes that was more probable than the other and recorded a liability at the low end of the range. As of December 31, 2013, there were no changes in facts or circumstances that led management to believe that there were any changes to the probability of outcomes. The amount of payments in excess of the established contingent liability is recorded in Accounts Receivable on the Company's Consolidated Balance Sheet as of December 31, 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 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.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2013, 2012 and 2011

[9] Contingencies and Commitments (continued)

156 Stations Matter

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

In June 2007, FSE submitted a Demand for Arbitration against Transit to terminate FSE 's subcontract due to: the execution of a Cure Agreement between the NYCTA, Siemens and Transit, which amended FSE 's rights under the Prime Contract; Transit 's failure to provide information and equipment to allow work to progress according to the approved schedule, and Transit 's failure to tender payment in excess of a year. In June 2012, the arbitration panel awarded FSE a total of approximately \$11.9 million to be paid within 45 days, and Transit 's claims were denied. FSE filed a motion to confirm arbitration award in District Court in July 2012. In late August 2012, Transit Technologies filed a cross petition to vacate the award. In November 2012, the Court granted FSE 's petition to confirm the arbitration award and denied Transit Technologies cross-petition to vacate the award. In February 2013, the Court affirmed FSE 's award and entered judgment in the amount of \$12.3 million including award, costs and interest. The deadline for Transit to file an appeal regarding the judgment passed on April 4, 2013, rendering the judgment final for all purposes. Settlement discussions have taken place with Siemens to avoid further litigation. FSE is also pursuing its bond claim to recover judgment. The eventual resolution of this matter is not expected to have a material effect on the Company 's consolidated financial statements.

[10] Capital Stock

(a) Common Stock

On September 8, 2008, the Company 's shareholders approved an increase in the number of authorized shares of common stock from 40 million shares to 75 million shares. On the same day, the Company acquired all of the outstanding shares of Tutor-Saliba in exchange for 22,987,293 shares of the Company 's common stock. These shares are subject to certain liquidation restrictions contained in a shareholders agreement between Mr. Tutor, the Company and other former Tutor-Saliba shareholders. As of December 31, 2013, Mr. Tutor had beneficial ownership of approximately 8,306,375 shares of the Company 's common stock.

(b) Common Stock Repurchase Program

On March 19, 2010, the Company's Board of Directors extended the common stock repurchase program put into place on November 13, 2008. The program allowed the Company to repurchase up to \$100 million of its common stock through March 31, 2011, at which time the program expired.

There were no repurchases made during 2011. During 2010, the Company repurchased and cancelled 2,164,840 shares under the program for an aggregate purchase price of \$39.4 million. On a cumulative basis during 2008 through 2010, the Company repurchased and cancelled 4,168,238 shares under the program for an aggregate purchase price of \$71.2 million, or an average purchase price per share of \$17.08.

(c) Preferred Stock

The Company is authorized to issue 1,000,000 shares of preferred stock. At December 31, 2013 and 2012, there were no preferred shares issued and outstanding.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2013, 2012 and 2011

[11] Stock-Based Compensation

Tutor Perini Corporation Long-Term Incentive Plan

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

A total of 330,286 shares of common stock are available for future grant under the Plan at December 31, 2013.

Restricted Stock Unit Awards

Restricted stock unit awards generally vest subject to the satisfaction of service requirements or the satisfaction of both service requirements and achievement of certain performance targets. Upon vesting, each 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 common stock on either the award date (if subject only to service conditions), or the date that the Compensation Committee establishes the applicable performance target (if subject to performance conditions). The related compensation expense is amortized over the applicable requisite service period. As of December 31, 2013, the Compensation Committee has approved the grant of an aggregate of 5,188,333 restricted stock unit awards to eligible participants.

The restricted stock unit awards granted in 2013, 2012 and 2011 had weighted-average grant date fair values of \$19.87, \$14.39 and \$19.03, respectively. The grant date fair value is determined based on the closing price of the Company's common stock on the date of grant.

The following table presents the compensation expense recognized related to the restricted stock unit awards which is included in general and administrative expenses in the Consolidated Statements of Operations:

	Year ended December 31,	
2013	2012	2011
	(in millions)	

Edgar Filing: TUTOR PERINI Corp - Form 10-K

Restricted Stock Compensation Expense	\$	4.9	\$	7.1	\$	5.7
Related Income Tax Benefit	\$	1.9	\$	1.5	\$	2.5

As of December 31, 2013, there was \$2.4 million of unrecognized compensation expense related to the unvested restricted stock unit awards which, absent significant forfeitures in the future, is expected to be recognized over a weighted-average period of approximately 2.0 years.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the Years Ended December 31, 2013, 2012 and 2011

[11] Stock-Based Compensation (continued)

During 2013, the Compensation Committee established the 2013 performance targets for 181,668 restricted stock units awarded in 2009 and 2010, and for 65,000 restricted stock units awarded in 2013. During 2013, the Compensation Committee approved the award of 312,500 new restricted stock units.

A summary of restricted stock unit awards activity during the year ended December 31, 2013 is as follows:

	Number of Shares	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value (in thousands)
Total Granted and Unvested - January 1, 2013	1,141,666	\$ 18.12	\$ 15,641
Vested	(849,999)	\$ 19.91	\$ 17,505
Granted	246,668	\$ 19.87	\$ 6,487
Forfeited	(176,667)	\$ 13.66	
Total Granted and Unvested	361,668	\$ 17.30	\$ 9,512
Approved for grant	957,500	(a)	\$ 25,182
Total Awarded and Unvested December 31, 2013	1,319,168	n.a.	\$ 34,694

(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 unit awards at December 31, 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.

Vesting Date	Number of Awards
2014	286,668
2015	342,500
2016	202,500
2017	442,500
2018	36,000
2019	9,000
Total	1,319,168

Edgar Filing: TUTOR PERINI Corp - Form 10-K

Approximately 150,000 of the unvested restricted stock unit awards will vest based on the satisfaction of service requirements and 1,169,168 will vest based on the satisfaction of both service requirements and the achievement of pre-tax income 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

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the Years Ended December 31, 2013, 2012 and 2011

[11] Stock-Based Compensation (continued)

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 December 31, 2013, the Compensation Committee has approved an aggregate of 2,535,465 stock option awards to eligible participants.

The stock option awards granted in 2013, 2012 and 2011 had weighted-average grant date fair values of \$7.90, \$5.65 and \$9.31, respectively. The grant date fair value is determined based on the Black-Scholes option pricing model as discussed below.

The following table presents the compensation expense recognized related to stock option grants which is included in general and administrative expenses in the Consolidated Statements of Operations:

	2013	Year ended December 31, 2012 (in millions)		2011
Stock Option Compensation Expense	\$ 1.7	\$ 2.4	\$ 3.1	
Related Income Tax Benefit	\$ 0.7	\$ 1.0	\$ 1.3	

As of December 31, 2013, there was \$979,000 of unrecognized compensation expense related to the outstanding stock option grants which, absent significant forfeitures in the future, is expected to be recognized over a weighted-average period of approximately 2.0 years.

During 2013, the Compensation Committee established the 2013 performance targets for 150,000 stock options awarded in 2009 and 50,000 stock options awarded in 2013. During 2013, the Compensation Committee approved the award of 170,000 new stock options.

A summary of stock option activity during the year ended December 31, 2013 is as follows:

	Number of Shares	Grant Date Value	Weighted Average Exercise Price	
Total Granted and Outstanding - January 1, 2013	1,315,465	\$ 9.72	\$ 18.91	
Granted	200,000	\$ 7.90	\$ 20.80	
Exercised	(80,465)	\$ 6.71	\$ 13.16	

Edgar Filing: TUTOR PERINI Corp - Form 10-K

Forfeited	(140,000)	\$	6.76	
Total Granted and Outstanding	1,295,000	\$	9.94	\$ 20.20
Approved for grant	800,000		(a)	\$ 12.61
Total Awarded and Outstanding December 31, 2013	2,095,000		n.a.	\$ 17.30

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

There were 1,045,000 options that have vested and were exercisable at December 31, 2013 at a weighted average exercise price of \$20.41 per share.

Of the remaining options outstanding, approximately 50,000 will vest based on the satisfaction of service requirements and 1,000,000 will vest based on the satisfaction of both service requirements and the achievement of performance targets.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the Years Ended December 31, 2013, 2012 and 2011

[11] Stock-Based Compensation (continued)

At December 31, 2013, the outstanding options of 1,295,000 had an intrinsic value of \$7.9 million and a weighted- average remaining contractual life of 5.6 years.

The following table details the key assumptions used in estimating the grant date fair values of stock option awards granted during 2013, 2012 and 2011 based on the Black-Scholes option pricing model:

Awarded during	2013		Grant dates established during 2012			2011		
	2013	2009 (1)	2012	2009 (1)	2011	2011	2011	2009 (1)
Number of options	50,000	150,000	15,000	150,000	140,000	30,000	40,465	150,000
Risk-free interest rate	1.64%	0.48%	1.12%	0.88%	1.13%	1.25%	0.89%	2.74%
Expected life of options (years)	5.7	3.6	7.3	4.4	6.0	6.5	5.0	6.5
Expected volatility of underlying stock	51.81%	51.00%	50.59%	53.89%	49.86%	48.70%	51.62%	46.94%
Expected quarterly dividends (per share)								

(1) During 2009, the Compensation Committee approved the award of 750,000 stock options that vest in five equal annual installments from 2010 to 2014 subject to the achievement of pre-tax income performance targets established by the Compensation Committee for fiscal years 2009 to 2013. The Compensation Committee has established the performance targets for fiscal years 2011, 2012 and 2013, and these tranches were deemed granted for accounting purposes.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the Years Ended December 31, 2013, 2012 and 2011

[12] Unaudited Quarterly Financial Data

The following table presents selected unaudited quarterly financial data for each full quarterly period of 2013 and 2012:

(in thousands, except per share amounts)

Year ended December 31, 2013	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	\$ 992,928	\$ 1,053,065	\$ 1,030,388	\$ 1,099,291
Gross profit	\$ 100,357	\$ 105,955	\$ 120,857	\$ 139,735
Income (loss) from construction operations	\$ 36,079	\$ 39,474	\$ 58,094	\$ 70,175
Income (loss) before income taxes	\$ 23,916	\$ 25,157	\$ 37,035	\$ 53,507
Net (loss) income	\$ 14,800	\$ 15,478	\$ 23,759	\$ 33,259
(Loss) earnings per share:				
Basic	\$ 0.31	\$ 0.32	\$ 0.50	\$ 0.69
Diluted	\$ 0.31	\$ 0.32	\$ 0.49	\$ 0.68

Year ended December 31, 2012	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	\$ 912,534	\$ 985,346	\$ 1,099,393	\$ 1,114,198
Gross profit	\$ 86,159	\$ 87,061	\$ 115,463	\$ 126,449
Income from construction operations	\$ 16,963	\$ (354,174)(a)	\$ 54,676	\$ 60,724
Income before income taxes	\$ 3,573	\$ (363,695)	\$ 44,182	\$ 48,098
Net income	\$ (1,203)	\$ (348,423)	\$ 42,591	\$ 41,635
Earnings per share:				
Basic	\$ (0.03)	\$ (7.35)	\$ 0.90	\$ 0.88
Diluted	\$ (0.03)	\$ (7.35)	\$ 0.88	\$ 0.86

(a) includes pre-tax goodwill and intangible asset impairment of \$376.6 million.

[13] Business Segments

Edgar Filing: TUTOR PERINI Corp - Form 10-K

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.

As discussed in Note 4 *Goodwill and Other Intangible Assets*, the Company completed a reorganization in 2011 which resulted in the formation of the Specialty Contractors reporting segment. The Specialty Contractors reporting segment consists of the following subsidiary companies: WDF, FSE, Nagelbush, Fisk, DMI (all previously included in the Building reporting segment), and Superior Gunitite (previously included in the Civil reporting segment). The reorganization enabled the Company to focus on vertical integration through increased self-performed work capabilities while maintaining the specialty contractors business with third parties, and strengthened the Company's position as a full-service contractor with greater control over scheduled delivery and risk management.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the Years Ended December 31, 2013, 2012 and 2011

[13] Business Segments (continued)

The following tables set forth certain reportable segment information relating to the Company's operations for the years ended December 31, 2013, 2012 and 2011. In accordance with the accounting guidance on segment reporting, the Company has restated comparative prior period information for the reorganized reportable segments in the tables below.

(in thousands)	Reportable Segments				Totals	Corporate	Consolidated Total
	Civil	Building	Specialty Contractors	Management Services			
2013							
Total Revenues	\$ 1,423,772	\$ 1,537,227	\$ 1,182,844	\$ 181,076	\$ 4,324,919	\$	\$ 4,324,919
Elimination of intersegment revenues	(77,954)	(67,008)	(567)	(3,718)	(149,247)		(149,247)
Revenues from external customers	\$ 1,345,818	\$ 1,470,219	\$ 1,182,277	\$ 177,358	\$ 4,175,672	\$	\$ 4,175,672
Income from construction operations	\$ 167,868	\$ 23,799	\$ 49,008	\$ 10,579	\$ 251,254	\$ (47,432)	\$ 203,822
Assets	\$ 1,295,713	\$ 610,431	\$ 727,303	\$ 187,864	\$ 2,821,311	\$ 576,127(b)	\$ 3,397,438
Capital Expenditures	\$ 29,497	\$ 1,555	\$ 4,137	\$ 3,103	\$ 38,292	\$ 6,999	\$ 45,291
2012							
Total Revenues	\$ 1,290,610	\$ 1,478,508	\$ 1,183,518	\$ 241,483	\$ 4,194,119	\$	\$ 4,194,119
Elimination of intersegment revenues	(42,329)	(10,598)	(481)	(29,240)	(82,648)		(82,648)
Revenues from external customers	\$ 1,248,281	\$ 1,467,910	\$ 1,183,037	\$ 212,243	\$ 4,111,471	\$	\$ 4,111,471
(Loss) Income from construction operations:							
Before impairment charge	\$ 112,584	\$ (4,098)	\$ 79,080	\$ 12,291	\$ 199,857	\$ (45,094)(a)	\$ 154,763
Impairment charge	(65,503)	(282,608)	(11,489)	(16,974)	(376,574)		(376,574)
Total	\$ 47,081	\$ (286,706)	\$ 67,591	\$ (4,683)	\$ (176,717)	\$ (45,094)	\$ (221,811)
Assets	\$ 1,046,712	\$ 669,780	\$ 672,074	\$ 180,145	\$ 2,568,711	\$ 727,699(b)	\$ 3,296,410
Capital Expenditures	\$ 27,037	\$ 1,682	\$ 10,201	\$ 1,791	\$ 40,711	\$ 2,691	\$ 43,402
2011							
Total Revenues	\$ 896,896	\$ 1,952,030	\$ 802,535	\$ 275,975	\$ 3,927,436	\$	\$ 3,927,436
Elimination of intersegment	(11,651)	(126,562)	(75)	(72,831)	(211,119)		(211,119)

Edgar Filing: TUTOR PERINI Corp - Form 10-K

revenues

Revenues from external customers	\$	885,245	\$	1,825,468	\$	802,460	\$	203,144	\$	3,716,317	\$	3,716,317		
Income from construction operations	\$	78,546	\$	46,262	\$	65,582	\$	22,322	\$	212,712	\$	(44,336)(a)	\$	168,376
Assets	\$	1,102,471	\$	1,125,632	\$	597,986	\$	182,583	\$	3,008,672	\$	604,455(b)	\$	3,613,127
Capital Expenditures	\$	49,892	\$	1,293	\$	4,727	\$	8,020	\$	63,932	\$	4,419	\$	68,351

(a) Primarily consist of corporate general and administrative expenses.

(b) Principally consist of cash and cash equivalents, corporate transportation equipment, construction equipment, and other investments available for general corporate purposes.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the Years Ended December 31, 2013, 2012 and 2011

[13] Business Segments (continued)

Information concerning principal geographic areas is as follows:

	2013	Year ended December 31, 2012 (in thousands)	2011
Revenues			
United States	\$ 4,000,380	\$ 3,925,733	\$ 3,508,349
Foreign and U.S. Territories	175,292	185,738	207,968
Total	\$ 4,175,672	\$ 4,111,471	\$ 3,716,317
Income (loss) from construction operations			
United States	\$ 238,989	\$ (195,457)	\$ 184,268
Foreign and U.S. Territories	12,265	18,740	28,444
Corporate	(47,432)	(45,094)	(44,336)
Total	\$ 203,822	\$ (221,811)	\$ 168,376
Assets			
United States	\$ 3,182,706	\$ 3,107,808	\$ 3,460,470
Foreign and U.S. Territories	214,732	188,602	152,657
Total	\$ 3,397,438	\$ 3,296,410	\$ 3,613,127

Income from construction operations has been allocated geographically based on the location of the job site.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2013, 2012 and 2011

[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 \$2.5 million for the year ended December 31, 2013 and \$2.3 million for the years ended December 31, 2012 and 2011.

Raymond R. Oneglia, who is the Vice Chairman of O&G Industries, Inc. (O&G), is a director of the Company. Currently the Company has a 30% interest in a joint venture with O&G as the sponsor involving a highway construction project for the State of Connecticut, with an estimated total contract value of approximately \$368 million, scheduled for completion in 2017. Under this arrangement, O&G provides project-related equipment and services directly to the customer (on customary trade terms). In accordance with the joint venture agreement, payments to O&G for equipment and services for each of the years ended December 31, 2013, December 31, 2012 and December 31, 2011 were \$6.9, \$6.3 and \$2.9 million, respectively. O&G's cumulative holdings of the Company's stock as of December 31, 2013 and 2012 were 600,000 shares, or 1.24% and 1.26%, respectively, of total common shares outstanding at December 31, 2013 and 2012.

The Company had periodically utilized flight services from JF Aviation, LLC. James A. Frost is the Owner of JF Aviation, LLC and serves as Executive Vice President and Chief Executive Officer of the Company's Civil segment. During the year ended December 31, 2012, the transaction amounted to approximately \$0.4 million. The Company did not utilize the services of JF Aviation in 2013.

Table of Contents

CONDENSED CONSOLIDATING BALANCE SHEET - DECEMBER 31, 2013

(in thousands)

[15] Separate Financial Information of Subsidiary Guarantors of Indebtedness

As discussed in Note 5 *Financial Commitments*, 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 - DECEMBER 31, 2013**

(in thousands)

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

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

(in thousands)

	Tutor Perini Corporation	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Total Consolidated
<u>ASSETS</u>					
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
Total current assets	411,037	1,646,912	33,139	(109,241)	1,981,847
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
Total assets	\$ 2,724,882	\$ 3,262,854	\$ 73,405	\$ (2,764,731)	\$ 3,296,410
<u>LIABILITIES AND STOCKHOLDERS</u>					
<u>EQUITY</u>					
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
Total current liabilities	266,625	1,037,795	39,091	(109,241)	1,234,270
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****YEAR ENDED DECEMBER 31, 2013****(in thousands)**

	Tutor Perini Corporation	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Total Consolidated
Revenues	\$ 680,440	\$ 3,315,608	\$	\$ 179,624	\$ 4,175,672
Cost of operations	590,675	2,960,569	(22,100)	179,624	3,708,768
Gross profit	89,765	355,039	22,100		466,904
General and administrative expenses	77,507	183,723	1,852		263,082
INCOME FROM CONSTRUCTION OPERATIONS	12,258	171,316	20,248		203,822
Equity in earnings of subsidiaries	122,875			(122,875)	
Other income (expense), net	(27,162)	8,075	512		(18,575)
Interest expense	(41,987)	(3,645)			(45,632)
Income before income taxes	65,984	175,746	20,760	(122,875)	139,615
Provision for Income Taxes	21,312	(65,852)	(7,779)		(52,319)
NET INCOME (LOSS)	\$ 87,296	\$ 109,894	\$ 12,981	\$ (122,875)	\$ 87,296
Other Comprehensive Income:					
Other Comprehensive Income of Subsidiaries	(1,293)			1,293	
Change in pension benefit plans assets/liabilities	10,910				10,910
Foreign currency translation		(738)			(738)
Change in fair value of investments		(555)			(555)
Change in fair value of interest rate swap	578				578
Total other comprehensive income (loss)	10,195	(1,293)		1,293	10,195
Total Comprehensive Income (Loss)	\$ 97,491	\$ 108,601	\$ 12,981	\$ (121,582)	\$ 97,491

Table of Contents**CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS****YEAR ENDED DECEMBER 31, 2012****(in thousands)**

	Tutor Perini Corporation	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Total Consolidated
Revenues	\$ 429,926	\$ 3,769,814	\$	\$ (88,269)	\$ 4,111,471
Cost of operations	375,914	3,421,877	(13,183)	(88,269)	3,696,339
Gross profit	54,012	347,937	13,183		415,132
General and administrative expenses	71,983	186,831	1,555		260,369
Goodwill and intangible assets impairment		376,574			376,574
INCOME FROM CONSTRUCTION OPERATIONS	(17,971)	(215,468)	11,628		(221,811)
Equity in earnings of subsidiaries	(225,100)			225,100	
Other income (expense), net	(2,603)	382	364		(1,857)
Interest expense	(40,067)	(4,107)			(44,174)
Income before income taxes	(285,741)	(219,193)	11,992	225,100	(267,842)
Provision for Income Taxes	20,341	(13,155)	(4,744)		2,442
NET INCOME (LOSS)	\$ (265,400)	\$ (232,348)	\$ 7,248	\$ 225,100	\$ (265,400)
Other Comprehensive Income:					
Other comprehensive income of subsidiaries	620			(620)	
Tax adjustment on minimum pension liability	(1,610)				(1,610)
Foreign currency translation		382			382
Change in fair value of investments		238			238
Change in fair value of interest rate swap	(974)				(974)
Realized loss on sale of investments recorded in net income (loss)	2,005				2,005
Total other comprehensive income (loss)	41	620		(620)	41
Total Comprehensive Income (Loss)	\$ (265,359)	\$ (231,728)	\$ 7,248	\$ 224,480	\$ (265,359)

Table of Contents**CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS****YEAR ENDED DECEMBER 31, 2011****(in thousands)**

	Tutor Perini Corporation	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Total Consolidated
Revenues	\$ 300,791	\$ 3,630,262	\$	\$ (214,736)	\$ 3,716,317
Cost of operations	260,251	3,288,739	(13,278)	(214,736)	3,320,976
Gross profit	40,540	341,523	13,278		395,341
General and administrative expenses	64,472	160,926	1,567		226,965
INCOME FROM CONSTRUCTION OPERATIONS	(23,932)	180,597	11,711		168,376
Equity in earnings of subsidiaries	118,521			(118,521)	
Other income (expense), net	5,292	(919)	48		4,421
Interest expense	(32,741)	(3,009)			(35,750)
Income before income taxes	67,140	176,669	11,759	(118,521)	137,047
Provision for Income Taxes	19,008	(65,544)	(4,363)		(50,899)
NET INCOME (LOSS)	\$ 86,148	\$ 111,125	\$ 7,396	\$ (118,521)	\$ 86,148
Other Comprehensive Income:					
Other comprehensive income of subsidiaries	(534)			534	
Tax adjustment on minimum pension liability	(7,041)				(7,041)
Foreign currency translation		(733)			(733)
Change in fair value of investments		199			199
Total other comprehensive income (loss)	(7,575)	(534)		534	(7,575)
Total Comprehensive Income (Loss)	\$ 78,573	\$ 110,591	\$ 7,396	\$ (117,987)	\$ 78,573

Table of Contents

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2013

(in thousands)

	Tutor Perini Corporation	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Total Consolidated
Cash Flows from Operating Activities:					
Net (loss) income	\$ 87,296	\$ 109,894	\$ 12,981	\$ (122,875)	\$ 87,296
Adjustments to reconcile net (loss) income to net cash from operating activities:					
Depreciation and amortization	10,893	48,246	271		59,410
Equity in earnings of subsidiaries	(122,875)			122,875	
Stock-based compensation expense	6,623				6,623
Excess income tax benefit from stock-based compensation	(1,148)				(1,148)
Deferred income taxes	921	8,088			9,009
(Gain) loss on sale of property and equipment		49			49
Other non-cash items	(4,341)	622			(3,719)
Other long-term liabilities	24,359	(1,252)			23,107
Changes in other components of working capital	72,359	(184,543)	(17,715)		(129,899)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	74,087	(18,896)	(4,463)		50,728
Cash Flows from Investing Activities:					
Acquisition of property and equipment	(21,267)	(21,093)			(42,360)
Proceeds from sale of property and equipment	6	2,657			2,663
Change in restricted cash	11,403	441	(15,721)		(3,877)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(9,858)	(17,995)	(15,721)		(43,574)
Cash Flows from Financing Activities:					
Proceeds from debt	627,520	25,760			653,280
Repayment of debt	(647,795)	(29,000)			(676,795)
Business acquisition related payments	(31,038)				(31,038)
Excess income tax benefit from stock-based compensation	1,148				1,148
Issuance of common stock and effect of cashless exercise	(1,882)				(1,882)
Increase (decrease) in intercompany advances	12,150	(16,223)	4,073		
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(39,897)	(19,463)	4,073		(55,287)
Net Increase (Decrease) in Cash and Cash Equivalents	24,332	(56,354)	(16,111)		(48,133)
Cash and Cash Equivalents at Beginning of Year	64,663	74,385	29,008		168,056
	\$ 88,995	\$ 18,031	\$ 12,897	\$	\$ 119,923

Cash and Cash Equivalents at End of Year

Table of Contents**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS****YEAR ENDED DECEMBER 31, 2012****(in thousands)**

	Tutor Perini Corporation	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Total Consolidated
Cash Flows from Operating Activities:					
Net (loss) income	\$ (265,400)	\$ (232,348)	\$ 7,248	\$ 225,100	\$ (265,400)
Adjustments to reconcile net (loss) income to net cash from operating activities:					
Goodwill and intangible assets impairment		376,574			376,574
Depreciation and amortization	5,373	55,812	272		61,457
Equity in earnings of subsidiaries	225,100			(225,100)	
Stock-based compensation expense	9,470				9,470
Adjustment of interest rate swap to fair value	264				264
Deferred income taxes	(20,220)	(5,386)			(25,606)
Loss on sale of investments	2,699				2,699
Loss on sale of property and equipment		316			316
Other non-cash items	(228)	376			148
Other long-term liabilities	(2,518)	(2,586)			(5,104)
Changes in other components of working capital	25,251	(268,525)	20,593		(222,681)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(20,209)	(75,767)	28,113		(67,863)
Cash Flows from Investing Activities:					
Acquisition of property and equipment	(15,041)	(26,311)			(41,352)
Proceeds from sale of property and equipment	364	11,395			11,759
Investment in available-for-sale securities		(535)			(535)
Proceeds from sale of available-for-sale securities	16,553				16,553
Change in restricted cash	(3,251)	(29)			(3,280)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(1,375)	(15,480)			(16,855)
Cash Flows from Financing Activities:					
Proceeds from debt	688,425				688,425
Repayment of debt	(601,282)	(24,840)			(626,122)
Business acquisition related payments	(11,462)				(11,462)
Issuance of common stock and effect of cashless exercise	(308)				(308)
Debt issuance costs	(1,999)				(1,999)
Increase (decrease) in intercompany advances	(122,063)	137,980	(15,917)		
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(48,689)	113,140	(15,917)		48,534
Net Increase (Decrease) in Cash and Cash Equivalents					
	(70,273)	21,893	12,196		(36,184)
	134,936	52,492	16,812		204,240

Edgar Filing: TUTOR PERINI Corp - Form 10-K

Cash and Cash Equivalents at Beginning of Year									
Cash and Cash Equivalents at End of Year	\$	64,663	\$	74,385	\$	29,008	\$		168,056

Table of Contents**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS****YEAR ENDED DECEMBER 31, 2011****(in thousands)**

	Tutor Perini Corporation	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Total Consolidated
Cash Flows from Operating Activities:					
Net income	\$ 86,148	\$ 111,125	\$ 7,396	\$ (118,521)	\$ 86,148
Adjustments to reconcile net income to net cash from operating activities:					
Depreciation and amortization	6,143	41,194	294		47,631
Equity in earnings of subsidiaries	(118,521)			118,521	
Stock-based compensation expense	8,818				8,818
Adjustment of investments to fair value	4,750				4,750
Excess income tax benefit from stock-based compensation	(18)				(18)
Deferred income taxes	8,054	2,800			10,854
Loss on sale of investments	10				10
(Gain) loss on sale of property and equipment	(142)	(584)			(726)
Gain on bargain purchase	(47)				(47)
Other non-cash items	(659)	58			(601)
Other long-term liabilities	(9,964)	(3,855)			(13,819)
Changes in other components of working capital	(18,898)	(164,460)	8,738		(174,620)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(34,326)	(13,722)	16,428		(31,620)
Cash Flows from Investing Activities:					
Acquisition, net of cash balance acquired	(341,898)				(341,898)
Acquisition of property and equipment	(24,549)	(42,198)			(66,747)
Proceeds from sale of property and equipment	20	10,029			10,049
Proceeds from sale of available-for-sale securities	21,200	8,991			30,191
Change in restricted cash	(3,435)	(3,381)			(6,816)
NET CASH USED BY INVESTING ACTIVITIES	(348,662)	(26,559)			(375,221)
Cash Flows from Financing Activities:					
Proceeds from debt	599,832	101,921			701,753
Repayment of debt	(488,592)	(66,377)			(554,969)
Business acquisition related payments	(1,904)				(1,904)
Excess income tax benefit from stock-based compensation	18				18
Issuance of common stock and effect of cashless exercise	(191)				(191)
Debt issuance costs	(5,004)				(5,004)
Increase (decrease) in intercompany advances	191,609	(162,857)	(28,752)		139,703
	295,768	(127,313)	(28,752)		139,703

**NET CASH PROVIDED (USED) BY
FINANCING ACTIVITIES**

Net Decrease in Cash and Cash Equivalents	(87,220)	(167,594)	(12,324)	(267,138)
Cash and Cash Equivalents at Beginning of Year	222,156	220,086	29,136	471,378
Cash and Cash Equivalents at End of Year	\$ 134,936	\$ 52,492	\$ 16,812	\$ 204,240

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Tutor Perini Corporation

Sylmar, California

We have audited the accompanying consolidated balance sheets of Tutor Perini Corporation and subsidiaries (the Company) as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Tutor Perini Corporation and subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2013, based on the criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 24, 2014 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP

Los Angeles, California

February 24, 2014

Edgar Filing: TUTOR PERINI Corp - Form 10-K

Table of Contents

Exhibit Index

The following designated exhibits are, as indicated below, either filed herewith or have heretofore been filed with the Securities and Exchange Commission under the Securities Act of 1933 or the Securities Act of 1934 and are referred to and incorporated herein by reference to such filings.

Exhibit 2. Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession

2.1 Agreement and Plan of Merger, dated as of April 2, 2008, by and among Tutor Perini Corporation, Trifecta Acquisition LLC, Tutor-Saliba Corporation, Ronald N. Tutor and shareholders of Tutor-Saliba Corporation signatory thereto (incorporated by reference to Exhibit 2.1 to Form 8-K filed on April 7, 2008).

2.2 Amendment No. 1 to the Agreement and Plan of Merger, dated as of May 28, 2008, by and among Tutor Perini Corporation, Trifecta Acquisition LLC, Tutor-Saliba Corporation, Ronald N. Tutor and shareholders of Tutor-Saliba Corporation signatory thereto (incorporated by reference to Exhibit 2.2 to Form 10-Q filed on August 8, 2008).

2.3 Stock Purchase Agreement dated July 1, 2011 by and among Tutor Perini Corporation, Lunda Construction Company, and each of the Shareholders of Lunda Construction Company (incorporated by reference to Exhibit 2.1 to Form 8-K filed on July 6, 2011). Exhibits, schedules (or similar attachments) to the Stock Purchase Agreement are not filed. The Company will furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.

2.4 Agreement and Plan of Merger dated July 1, 2011 by and among Tutor Perini Corporation, GreenStar Services Corporation, Galaxy Merger, Inc., and GreenStar IH Rep LLC (incorporated by reference to Exhibit 2.2 to Form 8-K filed on July 6, 2011). Exhibits, schedules (or similar attachments) to the Agreement and Plan of Merger are not filed. The Company will furnish supplementally a copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.

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).

Edgar Filing: TUTOR PERINI Corp - Form 10-K

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).

Edgar Filing: TUTOR PERINI Corp - Form 10-K

Table of Contents

Exhibit 4. Instruments Defining the Rights of Security Holders, Including Indentures

4.1 Shareholders Agreement, dated April 2, 2008, by and among Tutor Perini Corporation, Ronald N. Tutor and the shareholders of Tutor-Saliba Corporation signatory thereto (incorporated by reference to Exhibit 4.1 to Form 8-K filed on April 7, 2008).

4.2 Amendment No. 1 to the Shareholders Agreement, dated as of September 17, 2010, by and between Tutor Perini Corporation and Ronald N. Tutor, as shareholder representative (incorporated by reference to Exhibit 4.1 to Form 8-K filed on September 20, 2010).

4.3 Amendment No. 2 to the Shareholders Agreement, dated as of June 2, 2011, by and between Tutor Perini Corporation and Ronald N. Tutor, as shareholder representative (incorporated by reference to Exhibit 4.1 to Form 8-K filed on June 6, 2011).

4.4 Amendment No. 3 to the Shareholders Agreement, dated as of September 13, 2011, by and between Tutor Perini Corporation and Ronald N. Tutor, as shareholder representative (incorporated by reference to Exhibit 4.1 to Form 8-K filed on September 16, 2011).

4.5 Indenture, dated October 20, 2010, by and among Tutor Perini Corporation, certain subsidiary guarantors named therein and Wilmington Trust FSB, as trustee (incorporated by reference to Exhibit 4.1 to Form 8-K filed on October 21, 2010).

4.6 Registration Rights Agreement dated October 20, 2010, by and among Tutor Perini Corporation, certain subsidiary guarantors named therein and the initial purchasers named therein (incorporated by reference to Exhibit 4.2 to Form 8-K filed on October 21, 2010).

Exhibit 10. Material Contracts

10.1* Amendment No. 1 dated March 20, 2009 to the Amended and Restated Employment Agreement dated December 23, 2008, by and between Perini Corporation and Ronald N. Tutor (incorporated by reference to Exhibit 10.1 to Form 10-Q filed on May 8, 2009).

10.2* Tutor Perini Corporation Amended and Restated (2004) Construction Business Unit Incentive Compensation Plan (incorporated by reference to Exhibit 10.2 to Amendment No. 2 to Form S-1 (File No. 333-111338) filed on March 8, 2004).

Edgar Filing: TUTOR PERINI Corp - Form 10-K

10.3* Tutor Perini Corporation 2004 Stock Option and Incentive Plan (incorporated by reference to Annex A to the Company's Definitive Proxy Statement on Form DEF 14A filed on April 17, 2009).

10.4* Form of Director and Officer Indemnification Agreement (incorporated by reference to Exhibit 10.19 to Amendment No. 1 to Form S-1 (File No. 333-111338) filed on February 10, 2004).

10.5* Form of Restricted Stock Unit Award Agreement under the Tutor Perini Corporation 2004 Stock Option and Incentive Plan (incorporated by reference to Exhibit 10.24 to Tutor Perini Corporation's Annual Report on Form 10-K for the year ended December 31, 2004 filed on March 4, 2005).

10.6 Fifth Amended and Restated Credit Agreement, dated as of August 3, 2011, among Tutor Perini Corporation, the subsidiaries of Tutor Perini named therein, and Bank of America, N.A., and the other lenders that are parties thereto (incorporated by reference to Exhibit 10.3 to Form 10-Q filed on August 4, 2011).

10.7 First Amendment to Fifth Amended and Restated Credit Agreement dated as of August 2, 2012, among Tutor Perini Corporation, the subsidiaries of Tutor Perini named therein, and Bank of America, N.A., and the other lenders that are parties thereto (incorporated by reference to Exhibit 10.3 to Form 10-Q filed on August 7, 2012).

Edgar Filing: TUTOR PERINI Corp - Form 10-K

Table of Contents

- 10.8 Promissory Note, dated July 1, 2011, issued by Tutor Perini Corporation to GreenStar IH Rep LLC, in its capacity as the Interest Holder Representative on behalf of certain equity holders of GreenStar (incorporated by reference to Exhibit 10.1 to Form 8-K filed on July 6, 2011).
- 10.9* Employment Agreement dated as of March 21, 2011, by and between Tutor Perini Corporation and James A. Frost (incorporated by reference to Exhibit 10.1 to Form 8-K filed on March 24, 2011).
- 10.10 Employment Agreement dated as of June 1, 2012, by and between Tutor Perini Corporation and Ronald N. Tutor (incorporated by reference to Exhibit 10.1 to Form 8-K filed on June 1, 2012).
- 10.11* 2009 General Incentive Compensation Plan (incorporated by reference to Annex B to the Company's Definitive Proxy Statement on Form DEF 14A filed on April 17, 2009).
- Exhibit 21 Subsidiaries of Tutor Perini Corporation - filed herewith.
- Exhibit 23 Consent of Independent Registered Public Accounting Firm - filed herewith.
- Exhibit 24 Power of Attorney - filed herewith.
- Exhibit 31.1 Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 filed herewith.
- Exhibit 31.2 Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 filed herewith.
- Exhibit 32.1 Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 filed herewith.
- Exhibit 32.2 Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 filed herewith.

Edgar Filing: TUTOR PERINI Corp - Form 10-K

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.

* Management contract or compensatory arrangement required to be filed as an exhibit pursuant to Item 15(a)(3) of Form 10-K.