TUTOR PERINI Corp
Form 10-Q
August 10, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

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

For the quarterly period ended June 30, 2009

OR

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

For the transition period from _________ to _________

Commission File Number: 1-6314

Tutor Perini Corporation
(Exact name of registrant as specified in its charter)

MASSACHUSETTS	04-1717070
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

15901 OLDEN STREET, SYLMAR, CALIFORNIA 91342-1093
(Address of principal executive offices)
(Zip code)

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

PERINI CORPORATION
73 MT. WAYTE AVENUE, FRAMINGHAM, MASSACHUSETTS 01701-9160
(Former name, former address and former fiscal year,
if changed since last report)

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

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

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

Large accelerated filer X Accelerated filer ___ Non-Accelerated filer ____ Smaller reporting company ____

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

The number of shares of Common Stock, $1.00 par value per share, of the registrant outstanding at August 3, 2009 was 48,531,482.

TUTOR PERINI CORPORATION AND SUBSIDIARIES

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Part I. – Financial Information

Item 1. Financial Statements (Unaudited)

TUTOR PERINI CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS

JUNE 30, 2009 (UNAUDITED) AND DECEMBER 31, 2008
(In Thousands)

	JUNE 30, 2009	DEC. 31, 2008
ASSETS		
Cash and Cash Equivalents	$ 450,921	$ 386,172
Accounts Receivable, including retainage	1,366,614	1,378,040
Costs and Estimated Earnings in Excess of Billings	122,500	115,706
Deferred Income Taxes	7,606	11,589
Other Current Assets	16,112	18,793
Total Current Assets	1,963,753	1,910,300
Long-term Investments	101,201	104,779
Property and Equipment, less Accumulated Depreciation of $57,454 in 2009 and $47,116 in 2008	337,987	328,480
Other Assets:		
Goodwill	602,471	588,112
Intangible Assets, net	140,887	125,026
Other	17,071	16,381
	$ 3,163,370	$ 3,073,078
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Maturities of Long-term Debt	$ 22,215	$ 18,674
Accounts Payable, including retainage	1,257,425	1,352,041
Billings in Excess of Costs and Estimated Earnings	210,489	192,442
Accrued Expenses	115,547	122,094
Total Current Liabilities	1,605,676	1,685,251
Long-term Debt, less current maturities included above	186,436	61,580
Deferred Income Taxes	90,304	98,862
Other Long-term Liabilities	61,316	89,159
Contingencies and Commitments		
Stockholders' Equity:		
Common Stock	48,531	48,319
Additional Paid-in Capital	1,004,763	1,001,392
Retained Earnings	200,938	123,060
Accumulated Other Comprehensive Loss	(34,594)	(34,545)

Total Stockholders' Equity	1,219,638	1,138,226
	$ 3,163,370	$ 3,073,078

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

TUTOR PERINI CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF INCOME (UNAUDITED)
(In Thousands, Except Per Share Data)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2009	**2008**	**2009**	**2008**
Revenues	$ 1,382,748	$ 1,388,387	$ 2,901,030	$ 2,644,723
Cost of Operations	1,274,535	1,317,389	2,685,907	2,507,163
Gross Profit	108,213	70,998	215,123	137,560
General and Administrative Expenses	44,453	28,398	88,729	55,997
INCOME FROM CONSTRUCTION OPERATIONS	**63,760**	**42,600**	**126,394**	**81,563**
Other Income, net	619	2,535	1,885	4,040
Interest Expense	(2,864)	(394)	(4,094)	(749)
Income before Income Taxes	61,515	44,741	124,185	84,854
Provision for Income Taxes	(22,618)	(16,184)	(46,307)	(31,144)
NET INCOME	**$ 38,897**	**$ 28,557**	**$ 77,878**	**$ 53,710**
BASIC EARNINGS PER COMMON SHARE	$ 0.80	$ 1.05	$ 1.61	$ 1.98
DILUTED EARNINGS PER COMMON SHARE	$ 0.79	$ 1.03	$ 1.59	$ 1.94
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:				
BASIC	48,521	27,171	48,518	27,158
Effect of Dilutive Stock Options and Restricted Stock Units Outstanding	476	596	490	552
DILUTED	48,997	27,767	49,008	27,710

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

TUTOR PERINI CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENT OF STOCKHOLDERS' EQUITY (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2009
(In Thousands)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance - December 31, 2008	$ 48,319	$ 1,001,392	$ 123,060	$ (34,545)	$ 1,138,226
Net income	-	-	77,878	-	77,878
Other comprehensive loss:					
Foreign currency translation	-	-	-	(49)	(49)
Total comprehensive income					77,829
Tax effect of stock-based compensation	-	(851)	-	-	(851)
Stock-based compensation expense	-	4,295	-	-	4,295
Issuance of common stock, net	212	(73)	-	-	139
Balance - June 30, 2009	$ 48,531	$ 1,004,763	$ 200,938	$ (34,594)	$ 1,219,638

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

TUTOR PERINI CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008
(In Thousands)

	SIX MONTHS ENDED JUNE 30, 2009	SIX MONTHS ENDED JUNE 30, 2008
Cash Flows from Operating Activities:		
Net income	$ 77,878	$ 53,710
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	20,632	5,174
Stock-based compensation expense	4,295	5,920
Adjustment of investments to fair value	(22)	2,667
Excess income tax benefit from stock-based compensation	-	(533)
Deferred income taxes	(4,685)	997
Loss (gain) on sale of equipment	318	(425)
Loss on land held for sale	169	211
Other long-term liabilities	(34,025)	3,601
Cash from changes in other components of working capital	(105,118)	1,542
NET CASH (USED BY) PROVIDED FROM OPERATING ACTIVITIES	$ (40,558)	$ 72,864
Cash Flows from Investing Activities:		
Acquisition of Keating Building Corporation, net of cash balance acquired	$ (6,900)	$ -
Acquisition of property and equipment	(19,408)	(14,297)
Proceeds from sale of property and equipment	992	3,670
Investment in land held for sale	(699)	(211)
Deferred merger-related costs	-	(4,805)
Investment in available-for-sale securities, net	3,600	(104,750)
Investment in other activities	520	(985)
NET CASH USED BY INVESTING ACTIVITIES	$ (21,895)	$ (121,378)
Cash Flows from Financing Activities:		
Proceeds from long-term debt	$ 138,182	$ 9,238
Repayment of long-term debt	(10,602)	(3,303)
Excess income tax benefit from stock-based compensation	-	533
Issuance of common stock and effect of cashless exercise	139	(450)
Deferred debt costs	(517)	(38)
NET CASH PROVIDED FROM FINANCING ACTIVITIES	$ 127,202	$ 5,980
Net Increase (Decrease) in Cash and Cash Equivalents	64,749	(42,534)
Cash and Cash Equivalents at Beginning of Year	386,172	459,188
Cash and Cash Equivalents at End of Period	$ 450,921	$ 416,654

Supplemental Disclosure of Cash Paid During the Period For:				
Interest	$	4,136	$	630
Income taxes	$	44,335	$	38,201
Supplemental Disclosure of Non-cash Transactions:				
Grant date fair value of common stock issued for services	$	7,411	$	12,485
Property and equipment acquired through financing arrangements	$	257	$	-

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

TUTOR PERINI CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(1) Basis of Presentation

The unaudited consolidated condensed financial statements presented herein include the accounts of Tutor Perini Corporation (formerly known as Perini Corporation) and its wholly owned subsidiaries ("Tutor Perini" or the "Company"). The Company's interests in construction joint ventures are accounted for using the proportionate consolidation method. These unaudited consolidated condensed financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and note disclosures required by accounting principles generally accepted in the United States of America. These statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2008. In the opinion of management, the accompanying unaudited consolidated condensed financial statements include all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the Company's financial position as of June 30, 2009 and December 31, 2008, results of operations for the three month and six month periods ended June 30, 2009 and 2008, and cash flows for the six month periods ended June 30, 2009 and 2008. The results of operations for the six months ended June 30, 2009 may not be indicative of the results that may be expected for the year ending December 31, 2009 because, among other reasons, such results can vary depending on the timing of progress achieved and changes in estimated profitability of projects being reported.

The Company considers events or transactions that occur after the balance sheet date but before the financial statements are issued to provide additional evidence relative to certain estimates or to identify matters that require additional disclosures. Subsequent events have been evaluated through the date of issuance of these financial statements.

(2) Significant Accounting Policies

The significant accounting policies followed by the Company and its subsidiaries in preparing its consolidated financial statements are set forth in Note 1 to such financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2008. The Company has made no significant changes to these policies during 2009, except as noted below.

In December 2007, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 141(R), "Business Combinations," ("SFAS No. 141(R)"). SFAS No. 141(R) establishes principles and requirements for how an acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. SFAS No. 141(R) also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141(R) is effective for the Company beginning January 1, 2009 and the Company applied the provisions of SFAS No. 141(R) to an acquisition completed in January 2009 (see Note 3(a)).

In February 2008, the FASB issued FASB Staff Position ("FSP") No. FAS 157-2, "Effective Date of FASB Statement No. 157," which amends SFAS No. 157 by delaying its effective date by one year for non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. Therefore, the application of SFAS No. 157 relating to non-financial assets and non-financial liabilities of the Company was adopted on January 1, 2009. The adoption of SFAS No. 157 did not have a material impact on the Company's financial statements.

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TUTOR PERINI CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(continued)

(2) Significant Accounting Policies (continued)

In December 2008, the FASB issued FSP FAS 132(R)-1, “Employers’ Disclosures about Postretirement Benefit Plan Assets” (“FSP 132(R)-1”), which requires employers to disclose information about fair value measurements of plan assets that are similar to the disclosures about fair value measurements required by SFAS No. 157, “Fair Value Measurements.” FSP 132(R)-1 will become effective for the Company’s 2009 annual financial statements. Since FSP 132(R)-1 only requires enhanced disclosures, the adoption of FSP 132(R)-1 will not have an impact on the Company’s financial statements.

In April 2009, the FASB issued FSP FAS 157-4, “Determining Fair Value when the Volume and Level of Activity for the Asset or Liability have Significantly Decreased and Identifying Transactions that are not Orderly” (“FSP 157-4”), which is effective for the Company for the quarterly period beginning April 1, 2009. FSP 157-4 affirms that the objective of fair value when the market for an asset is not active is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. FSP 157-4 provides guidance for estimating fair value when the volume and level of market activity for an asset or liability have significantly decreased and determining whether a transaction was orderly. FSP 157-4 applies to all fair value measurements when appropriate. The Company adopted the provisions of FSP 157-4 as of April 1, 2009. The adoption of FSP 157-4 did not have a material impact on the Company’s financial statements.

In April 2009, the FASB issued FSP FAS 115-2 and FAS 124-2, “Recognition and Presentation of Other-Than-Temporary Impairments” (“FSP 115-2”), which is effective for the Company for the quarterly period beginning April 1, 2009. FSP 115-2 amends existing guidance for determining whether an other-than-temporary impairment of debt securities has occurred. Among other changes, the FASB replaced the existing requirement that an entity’s management assert it has both the intent and ability to hold an impaired security until recovery with a requirement that management assert (a) it does not have the intent to sell the security, and (b) it is more likely than not it will not have to sell the security before recovery of its cost basis. The Company adopted the provisions of FSP 115-2 beginning April 1, 2009. The adoption of FSP 115-2 did not have a material impact on the Company’s financial statements.

In April 2009, the FASB issued FSP FAS 107-1 and APB 28-1, “Interim Disclosures about Fair Value of Financial Instruments” (“FSP 107-1”), which is effective for the Company for the quarterly period beginning April 1, 2009. FSP 107-1 requires an entity to provide the annual disclosures required by SFAS No. 107, “Disclosures about Fair Value of Financial Instruments,” in its interim financial statements. The Company adopted the provisions of FSP 107-1 beginning April 1, 2009. Other than the required disclosures, the adoption of FSP 107-1 did not have a material impact on the Company’s financial statements. See Note 5 for disclosure of fair value measurements.

(3) Merger and Acquisition

(a) Acquisition of Keating Building Corporation

On January 15, 2009, the Company completed its acquisition of all of the outstanding capital stock of Daniel J. Keating Construction Company, d/b/a Keating Building Corporation ("Keating"), a privately held construction, construction management and design/build company based in Philadelphia, PA. Under the terms of the transaction, the Company acquired 100% of Keating's stock for total consideration of $51.1 million, which includes amounts paid at or subsequent to

TUTOR PERINI CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(continued)

(3) Merger and Acquisition (continued)

(a) Acquistion of Keating Building Corporation **(continued)**

closing and additional consideration that may become payable under the terms of the agreement. Goodwill of $14.3 million was recorded in conjunction with this acquisition. The Company has not yet completed the final allocation of the purchase price to the tangible and intangible assets of Keating. Pending the outcome of further analysis, the preliminary purchase price allocation could change.

Keating provides building construction general contracting services primarily in the northeast and mid-Atlantic regions of the United States and has a history of successfully completed projects in the corporate campus, gaming, hospitality, education, pharmaceutical and institutional building construction markets. Keating was acquired because the Company believes Keating is a strong strategic fit enabling the Company to expand its building construction market presence in the eastern half of the United States, including the important northeast and mid-Atlantic regions, and to realize significant synergies from the acquisition by deploying Keating's resources in the regional private non-residential and public works building markets in the eastern United States.

The acquisition was effective as of January 1, 2009 for accounting purposes and, accordingly, Keating's financial results are included in the Company's consolidated results of operations and financial position beginning January 1, 2009. The acquisition of Keating did not have a material effect on the Company's results of operations, financial condition or cash flows.

(b) ***Merger With Tutor-Saliba Corporation***

On September 8, 2008, the Company acquired all of the outstanding shares of Tutor-Saliba Corporation ("Tutor-Saliba"). Tutor-Saliba was acquired because the Company believes it is a strong strategic fit, providing the Company with enhanced opportunities for growth not available to the Company 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 larger numbers of projects particularly in the civil construction segment due to an increased bonding capacity.

The transaction was accounted for using the purchase method of accounting in accordance with SFAS No. 141, "Business Combinations." The Company has not yet completed the process of finalizing the allocation of the purchase price to the tangible and intangible assets of Tutor-Saliba. However, during the six months ended June 30, 2009, the Company did not revise any of the assumptions, estimates or amounts used to complete its preliminary purchase price accounting as of December 31, 2008. Pending the outcome of further analysis, the preliminary purchase price allocation could change.

The following unaudited pro forma summary financial information presents the operating results of the combined company assuming that the merger occurred on January 1, 2007. 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, 2007, or of future results.

TUTOR PERINI CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(continued)

(3) Merger and Acquisition (continued)

(b) *Merger With Tutor-Saliba Corporation* (continued)

	Three Months Ended June 30, 2008		Six Months Ended June 30, 2008	
	Actual	Pro forma	Actual	Pro forma
	(in thousands, except per share amounts)			
Revenues	$1,388,387	$1,802,391	$2,644,723	$3,442,577
Income from construction operations	42,600	66,414	81,563	127,051
Net income	28,557	42,481	53,710	81,007
Earnings per share:				
Basic	$ 1.05	$ 0.85	$ 1.98	$ 1.62
Diluted	$ 1.03	$ 0.84	$ 1.94	$ 1.60
Weighted average shares outstanding:				
Basic	27,171	50,158	27,158	50,145
Diluted	27,767	50,754	27,710	50,697

(c) *Goodwill and Other Intangible Assets*

Changes in the carrying amount of goodwill during the six months ended June 30, 2009 are as follows (in thousands):

	Building	Civil	Management Services	Total
Gross goodwill – December 31, 2008	$ 605,314	$ 83,163	$ 66,533	$755,010
Accumulated impairment	(146,847)	-	(20,051)	(166,898)
Balance - December 31, 2008	458,467	83,163	46,482	588,112
Goodwill recorded in connection with the acquisition of Keating	14,359	-	-	14,359
Balance - June 30, 2009	$472,826	$ 83,163	$ 46,482	$602,471

Other intangible assets consist of the following (in thousands):

As of December 31, 2008		
Gross Carrying	Accumulated	Net Carrying

	Amount	Amortization	Value
Trade names	$ 83,450	$ -	$ 83,450
Contractor license	5,320	-	5,320
Customer relationships	26,700	(1,373)	25,327
Construction contract backlog	25,040	(14,951)	10,089
Non-compete agreements	2,400	(1,560)	840
Total	$ 142,910	$ (17,884)	$125,026

	As of June 30, 2009		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Trade names	$ 96,150	$ -	$ 96,150
Contractor license	5,320	-	5,320
Customer relationships	31,700	(2,807)	28,893
Construction contract backlog	33,340	(23,416)	9,924
Non-compete agreements	2,400	(1,800)	600
Total	$ 168,910	$ (28,023)	$140,887

TUTOR PERINI CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(continued)

(3) Merger and Acquisition (continued)

(c) *Goodwill and Other Intangible Assets* (continued)

Amortization expense for the three months and six months ended June 30, 2009 was $4.9 million and $10.1 million, respectively. Amortization expense for the three months and six months ended June 30, 2008 was $0.2 million and $0.4 million, respectively. As of June 30, 2009, amortization expense is estimated to be $6.6 million for the remainder of 2009, $7.8 million in 2010, $3.3 million in 2011, $2.9 million in 2012, $2.9 million in 2013 and $15.9 million thereafter.

(4) Cash and Cash Equivalents

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

Cash and cash equivalents as reported in the accompanying Consolidated Condensed Balance Sheets consist of amounts held by the Company that are available for general corporate purposes and the Company's proportionate share of amounts held by construction joint ventures that are available only for joint venture-related uses. Joint venture cash and cash equivalents are not restricted to specific uses within those entities; however, the terms of the joint venture agreements limit the Company's ability to distribute those funds and use them for corporate purposes. Cash held by construction joint ventures is distributed from time to time to the Company and to the other joint venture participants in accordance with their percentage interest after the joint venture partners determine that a cash distribution is prudent. Cash distributions received by the Company from its construction joint ventures are then available for general corporate purposes. At June 30, 2009 and December 31, 2008, cash and cash equivalents consisted of the following:

	June 30, 2009	**Dec. 31, 2008**
	(in thousands)	
Corporate cash and cash equivalents (available for general corporate purposes)	$ 434,992	$ 342,246
Company's share of joint venture cash and cash equivalents (available only for joint venture purposes, including future distributions)	15,929	43,926
	$ 450,921	$ 386,172

TUTOR PERINI CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(continued)

(5) Fair Value Measurements

SFAS No. 157, "Fair Value Measurements," establishes a three-tier valuation hierarchy for disclosure of the inputs to valuation used to measure fair value. This hierarchy prioritizes the inputs used in measuring fair value. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. 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 following table provides the assets and liabilities carried at fair value measured on a recurring basis as of June 30, 2009:

		Fair Value Measurements at June 30, 2009 Using		
	Total Carrying Value at June 30, 2009	**Quoted prices in active markets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
		(in thousands)		
Cash and cash equivalents (1)	$ 450,921	$ 450,921	$ -	$ -
Short-term investments (2)	100	100	-	-
Auction rate securities (3) Long-term	101,201	-	-	101,201
TOTAL	$ 552,222	$ 451,021	$ -	$ 101,201

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) are as follows:

	Auction Rate Securities
	(in thousands)
Balance at December 31, 2008	$ 104,779

Settlements		(3,600)
Reversal of impairment charge included in other income, net		22
Balance at June 30, 2009	$	101,201

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

TUTOR PERINI CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(continued)

(5) Fair Value Measurements (continued)

(2) Short-term investments consist of an S&P 500 index mutual fund for which fair value is determined through quoted market prices.

(3) At June 30, 2009, the Company had $101.2 million invested in auction rate securities ("ARS") which the Company considers as available-for-sale. The majority of the ARS held by the Company at June 30, 2009, totaling $75.3 million, are in securities collateralized by student loan portfolios, which are guaranteed by the United States government. Additional amounts totaling $17.9 million, are invested in securities collateralized by student loan portfolios, which are privately insured. The remainder of the securities, totaling $8.0 million, are invested in tax-exempt bonds. Most of the Company's ARS are rated AAA or A aa. 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; and (iii) consideration of the probabilities of default or repurchase at par for each period.

Due to the Company's belief that the market for both government-backed and privately insured student loans, as well as for tax exempt municipal bonds, may take in excess of twelve months to fully recover, the Company has classified its $101.2 million investment in these securities as non-current and this amount is included in Long-term Investments in the Consolidated Condensed Balance Sheets at June 30, 2009.

The carrying amount of cash and cash equivalents approximates fair value due to the short-term nature of these items. The carrying value of receivables, payables, long term-debt and other amounts arising out of normal contract activities, including retentions, which may be settled beyond one year, is estimated to approximate fair value.

(6) Contingencies and Commitments

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

Several months ago, the court heard an argument presented by the Tutor-Saliba-Perini joint venture ("TSP") that the Los Angeles County Metropolitan Transportation Authority's ("LAMTA") Disadvantaged Business Enterprise ("DBE") program was/is unconstitutional thus making LAMTA's DBE claims unenforceable. In March 2009, the court ruled that LAMTA could not proceed with its breach of contract claims unless it could prove the contracts are constitutional under a "strict scrutiny" standard. Thereafter, LAMTA informed the court it will drop the breach of contract claims. The court also ruled that LAMTA may proceed with a trial on its DBE false claims.

The court has set the remainder of the case to be tried beginning on January 11, 2010, with six (6) weeks allotted to complete the trial. TSP intends to file dispositive motions to limit MTA's claims and damages and the court has agreed to hear those motions early. Also, the court reiterated its desire that the parties mediate the case once more before any trial.

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

To date, the current Disputes Review Board panel (the “Third DRB”) has made three awards. The first is an award to the Perini/Kiewit/Cashman joint venture (“PKC”) in the amount of $50.7 million for delays, impacts and inefficiencies. Of that total award, $41.1 million was issued as a binding arbitration award, and the remaining $9.6 million was issued as a non-binding recommendation. The second award is in the amount of $5.8 million for delay damages. Of that amount, $3.3 million was issued as a binding arbitration award, and $2.5 million was issued as a non-binding recommendation. Massachusetts Highway Department (“MHD”) has appealed both of these

(6) <u>Contingencies and Commitments</u> (continued)

(b) Perini/Kiewit/Cashman Joint Venture-Central Artery/Tunnel Project Matter **(continued)**

awards. The Third DRB panel issued its third award as a binding arbitration award, denying PKC's claim for further compensable delays. The time for appealing this award has not yet run.

It is PKC's position that the remaining claims to be decided by the DRB on a binding basis have an anticipated value of approximately $26 million. MHD disputes that the remaining claims before the DRB may be decided on a binding basis. Hearings before the DRB are scheduled to occur throughout 2009 and into 2010.

(c) Long Island Expressway/Cross Island Parkway Matter

On April 20, 2009, the Company made a presentation of its position to the New York State Department of Transportation ("NYSDOT") regarding the additional relief it seeks from the NYSDOT. Settlement negotiations between the parties are continuing.

(d) Gaylord Hotel and Convention Center

The Perini/Tompkins Joint Venture has closed out most subcontracts. Resolution of the issues remaining with other subcontractors may require mediation and/or arbitration or trial. In March 2009, PTJV settled with two major subcontractors, Pierce Associates, Inc. and Banker Steel Company, LLC. A mediation with another major subcontractor, MTR Electrical Construction, LLC, held in July 2009, did not result in a settlement.

(e) UCLA Westwood Replacement Hospital Matter

Tutor-Saliba-Perini Joint Venture ("TSP") has filed a lawsuit against The University of California at Los Angeles ("Owner") on behalf of TSP and its subcontractors. TSP is seeking $36 million on behalf of itself and $171 million on behalf of its subcontractors. The Owner has filed a cross complaint against TSP, the Company, Tutor Saliba Corporation, Helix Electric Inc., and others (together "Tutor Perini Defendants") alleging contract breach and violation of the California False Claims Act. Helix Electric, Inc. ("Helix") was a subcontractor to TSP. The Owner is seeking $62.2 million for contract breach from the Tutor Perini Defendants; $4.3 million, trebled, for false claims from the Tutor Perini Defendants and Helix; and other relief. The subcontractors have filed lawsuits against TSP seeking the aforementioned $171 million in what are essentially pass-through claims to the Owner.

The global negotiations, originally scheduled for May 2009, did not take place. The parties will complete necessary discovery in advance of any mediation, which has yet to be scheduled, in order to maximize their opportunity to achieve an acceptable resolution.

All cases have been deemed related. A judge has been assigned. It is anticipated that all cases will be consolidated in August 2009. The court ordered limited informal discovery under "Mediation Privilege"; ordered the Owner to produce its records; granted TSP's motion to lift the discovery stay with respect to third parties (e.g., Owner's architect, construction manager and inspectors); and will allow limited depositions prior to mediation. The court indicated it intends to personally manage the case and wants to steer it to settlement.

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

(6) <u>Contingencies and Commitments</u> (continued)

(f) Shareholder Litigation

(1) Isham and Rollman Securities Litigation Matters

On February 9, 2009, the lead plaintiffs filed their consolidated amended complaint. The consolidated amended complaint repeats the allegations and counts from the initial complaints, and includes additional factual allegations regarding financial difficulties with the Cosmopolitan Resort & Casino project in Las Vegas. Defendants filed motions to dismiss on April 17, 2009. Plaintiff's opposition and Defendants' reply brief have been filed. Parties are awaiting a hearing on these motions, which is expected to occur in late August or September.

(2) *Adams Matter*

On January 28, 2009, an individual named Kathy Adams, who is allegedly a holder of the Company's common stock, sent the Company's board of directors a letter demanding that the board commence an investigation of potential claims against certain current or former officers and directors of the Company for alleged breaches of their fiduciary duties owed to the Company, resulting from alleged failures to disclose purported problems with the Company's Las Vegas construction projects. The Company's board of directors has voted to form a Special Litigation Committee ("SLC") to investigate Adams' allegations. That action was communicated to Adams' counsel on April 27, 2009. The SLC has retained an Independent Counsel ("IC") to conduct the investigation. The IC's investigation is underway.

Management does not anticipate any material adverse financial impact to result from these shareholder litigation matters.

(7) <u>Stock-Based Compensation</u>

(a) 2004 Stock Option and Incentive Plan

The Company is authorized to grant up to 5,500,000 stock-based compensation awards to key executives, employees and directors of the Company under the 2004 Stock Option and 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 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 (the "Compensation Committee"), who also administers the Plan.

During the second quarter of 2009, the Compensation Committee approved the award of both 750,000 restricted stock units and 750,000 stock options. Each of the awards will vest in five equal annual installments (or tranches) from 2010 through 2014, subject to the achievement of pre-tax income performance targets established by the Compensation Committee. The Compensation Committee has established the pre-tax performance targets for the second half of fiscal year 2009, but has not yet established pre-tax performance targets for the fiscal years 2010 through 2013. Therefore, the grant dates for the last four tranches of the awards, totaling an aggregate of 1,200,000 shares, have not been established for accounting purposes and, accordingly, the grant date fair values of these tranches cannot be determined currently. The grant dates for the last four tranches of the awards will be established in the future when the Compensation Committee establishes the respective pre-tax performance targets for each tranche. The grant date fair values of each tranche will be determined at that time and the related

TUTOR PERINI CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(continued)

(7) <u>Stock-Based Compensation</u> (continued)

***(a) 2004 Stock Option and Incentive Plan* (continued)**

compensation expense for each tranche will be amortized over the separate requisite service period for each tranche.

For the three month and six month periods ended June 30, 2009, the Company recognized total compensation expense of $1.6 million and $4.3 million, respectively, related to stock-based compensation awards which are included in "General and Administrative Expenses" in the Consolidated Condensed Statements of Income.

A total of 504,278 shares of common stock are available for future grant under the Plan at June 30, 2009.

Restricted Stock Awards

Restricted stock awards generally vest subject to the satisfaction of service requirements or the satisfaction of both service requirements and achievement of certain pre-established pre-tax income performance targets. Upon vesting, each award is exchanged for one share of the Company's common stock. As of June 30, 2009, the Compensation Committee has approved the grant of an aggregate of 3,592,500 restricted stock awards to eligible participants. There were 825,000 restricted stock awards granted in 2009, including 600,000 restricted stock awards for which 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 grant date fair value is determined based on the closing price of the Company's common stock on the date of grant.

For the three month and six month periods ended June 30, 2009, the Company recognized compensation expense of $1.2 million and $3.4 million, respectively, related to the restricted stock awards, which are included in "General and Administrative Expenses" in the Consolidated Condensed Statements of Income. As of June 30, 2009, there was $24.6 million of unrecognized compensation cost related to the unvested awards which, absent significant forfeitures in the future, is expected to be recognized over a weighted average period of approximately 3.6 years. A summary of restricted stock awards activity under the Plan for the six months ended June 30, 2009 is as follows:

	Number of Shares	**Weighted Average Grant Date Fair Value**	**Aggregate Intrinsic Value**
Unvested - January 1, 2009	1,797,501	$26.26	$ 42,025,573
Vested	(250,000)	$34.00	$ 8,500,000
Granted	225,000	$20.85	$ 3,906,000
Forfeited	(80,000)	$28.87	$ -
Subtotal	1,692,501	$24.27	$ 29,381,817
Approved for grant	600,000	(a)	$ 10,416,000

Unvested - June 30, 2009	2,292,501	n.a.	$ 39,797,817

(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.

TUTOR PERINI CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(continued)

(7) Stock-Based Compensation (continued)

***(a) 2004 Stock Option and Incentive Plan* (continued)**

The outstanding unvested awards at June 30, 2009 are scheduled to vest as follows:

Vesting Date	Number of Awards
2009	40,000
2010	620,001
2011	175,000
2012	150,000
2013	1,157,500
2014	150,000
Total	2,292,501

Approximately 476,667 of the unvested awards will vest based on the satisfaction of service requirements and 1,815,834 will vest based on the satisfaction of both service requirements and the achievement of pre-tax income performance targets.

Stock Options

There were 750,000 stock options granted in 2009, including 600,000 options for which 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 exercise price of the options are equal to the closing price of the Company's common stock on the date the awards were made by the Compensation Committee. The options vest in equal annual installments from 2010 through 2013 upon the achievement of pre-tax income performance targets as established by the Compensation Committee. The options expire on May 28, 2019.

For the three and six month periods ended June 30, 2009, the Company recognized compensation expense of $0.4 million and $0.9 million, respectively, related to stock options grants, which are included in "General and Administrative Expenses" in the Consolidated Condensed Statements of Income. As of June 30, 2009, there was $9.3 million of unrecognized compensation expense related to the outstanding options which, absent significant forfeitures in the future, is expected to be recognized over a weighted average period of approximately 3.9 years.