

TUTOR PERINI CORP

FORM 10-Q (Quarterly Report)

Filed 05/07/14 for the Period Ending 03/31/14

Address	15901 OLDEN STREET SYLMAR, CA 91342
Telephone	818-362-8391
CIK	0000077543
Symbol	TPC
SIC Code	1540 - General Building Contractors-nonresidential
Industry	Construction Services
Sector	Capital Goods
Fiscal Year	12/31

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

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

For the quarterly period ended March 31, 2014

OR

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

For the transition period from to

Commission File Number: 1-6314

Tutor Perini Corporation

(Exact name of registrant as specified in its charter)

MASSACHUSETTS
(State or other jurisdiction of
incorporation or organization)

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

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

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

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

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

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

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

Large accelerated filer ☐

Accelerated filer ☒

Non-Accelerated filer ☐

Smaller reporting company ☐

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

The number of shares of common stock, \$1.00 par value per share, of the registrant outstanding at May 2, 2014 was 48,527,960.

TUTOR PERINI CORPORATION AND SUBSIDIARIES

INDEX

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

Part I.— Financial Information

TUTOR PERINI CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
MARCH 31, 2014 AND DECEMBER 31, 2013
(in thousands, except share data)

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

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

TUTOR PERINI CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS (continued)
MARCH 31, 2014 AND DECEMBER 31, 2013
(in thousands, except share data)

	March 31, 2014 (unaudited)	December 31, 2013
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
CURRENT LIABILITIES:		
Current maturities of long-term debt	\$ 122,947	\$ 114,658
Accounts payable, including retainage	791,638	758,225
Billings in excess of costs and estimated earnings	264,118	267,586
Accrued expenses and other current liabilities	148,986	158,017
Total current liabilities	1,327,689	1,298,486
 LONG-TERM DEBT, less current maturities	 697,823	 619,226
 DEFERRED INCOME TAXES	 114,186	 114,333
 OTHER LONG-TERM LIABILITIES	 118,631	 117,858
Total liabilities	2,258,329	2,149,903
 CONTINGENCIES AND COMMITMENTS		
 STOCKHOLDERS' EQUITY:		
Preferred stock, \$1 par value:		
Authorized — 1,000,000 shares		
Issued and outstanding — none	—	—
Common stock - \$1 par value: 75,000,000 shares authorized;		
Shares issued and outstanding: 48,527,960 shares and 48,421,467 shares	48,528	48,421
Additional paid-in capital	1,011,381	1,007,918
Retained earnings	240,514	224,575
Accumulated other comprehensive loss	(33,403)	(33,379)
Total stockholders' equity	1,267,020	1,247,535
 Total liabilities and stockholders' equity	 \$ 3,525,349	 \$ 3,397,438

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

TUTOR PERINI CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(UNAUDITED)
(in thousands, except per share data)

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

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

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

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

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

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

FOR THE THREE MONTHS ENDED MARCH 31, 2014
(in thousands)

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

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)
(in thousands)

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

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

TUTOR PERINI CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(1) Basis of Presentation

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

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

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

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

(2) Significant Accounting Policies

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

Recently Issued Accounting Pronouncements

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

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

Use of and Changes in Estimates

The Company’s construction business involves making significant estimates and assumptions in the normal course of business relating to its contracts and its joint venture contracts. Management focuses on evaluating the performance of contracts individually. These estimates can vary in the normal course of business as projects progress, when estimated productivity assumptions change based on experience to date and uncertainties are resolved. Change orders and claims, as well as changes in related estimates of costs to complete, are considered revisions in estimates. The Company uses the cumulative catch-up method applicable to construction contract accounting to account for revisions in estimates. The impact on operating margin in a reporting period and future periods from a change in estimate will depend on the stage of contract completion. There were no significant changes in contract estimates at completion that impacted gross profit for both the three months ended March 31, 2014 and 2013.

(3) Cash and Cash Equivalents and Restricted Cash

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

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

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

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

(4) Costs and estimated earnings in excess of billings

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

	March 31 2014	December 31, 2013
	(in thousands)	
Unbilled costs and profits incurred to date*	\$ 291,188	\$ 204,276
Unapproved change orders	163,921	146,787
Claims	243,314	222,185
	\$ 698,423	\$ 573,248

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

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

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

(5) Fair Value Measurements

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

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

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

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

The carrying amount of cash and cash equivalents approximates fair value due to the short-term nature of these items. The carrying value of receivables, payables and other amounts arising out of normal contract activities, including retainage, which may be settled beyond one year, is estimated to approximate fair value. Of the Company's long-term debt, the fair values of the fixed rate senior unsecured notes as of March 31, 2014 and December 31, 2013 were \$320.0 million and \$321.0 million, respectively, compared to the carrying value of \$298.6 million and \$298.5 million, respectively. The fair value of the senior unsecured notes was estimated using Level 1 inputs based on market quotations including broker quotes or interest rates for the same or similar financial instruments at March 31, 2014 and December 31, 2013. The carrying values of the remaining balance of the Company's long-term debt of \$522.2 million and \$435.4 million at March 31, 2014 and December 31, 2013, respectively, were estimated to approximate their fair values.

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

At March 31, 2014	Total Carrying Value	Fair Value Measurements Using		
		Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		(in thousands)		
Assets:				
Cash and cash equivalents (1)	\$ 133,064	\$ 133,064	\$ —	\$ —
Restricted cash (1)	43,269	43,269	—	—
Short-term investments (2)	2,565	—	2,565	—
Investments in lieu of retainage (3)	21,339	12,412	8,927	—
Long-term investments - auction rate securities (4)	46,283	—	—	46,283
Total	<u>\$ 246,520</u>	<u>\$ 188,745</u>	<u>\$ 11,492</u>	<u>\$ 46,283</u>
Liabilities:				
Interest rate swap contract (5)	\$ 835	\$ —	\$ 835	\$ —
Contingent consideration (6)	48,395	—	—	48,395
	<u>\$ 49,230</u>	<u>\$ —</u>	<u>\$ 835</u>	<u>\$ 48,395</u>

- (1) Cash, cash equivalents and restricted cash consist primarily of money market funds with original maturity dates of three months or less, for which fair value is determined through quoted market prices.
- (2) Short-term investments are classified as other current assets and are comprised primarily of municipal bonds, the majority of which are rated Aa2 or better. The fair values of the municipal bonds are obtained from readily-available pricing sources for comparable instruments, and as such, the Company has classified these assets as Level 2.

- (3) Investments in lieu of retainage are classified as account receivables, including retainage and are comprised of U.S. Treasury Notes and other municipal bonds, the majority of which are rated Aa3 or better. The fair values of the U.S. Treasury Notes and municipal bonds are obtained from readily-available pricing sources for comparable instruments, and as such, the Company has classified these assets as Level 2.
- (4) At both March 31, 2014 and December 31, 2013 the Company had \$46.3 million invested in auction rate securities (“ARS”) which the Company considers as available-for-sale long-term investments. The long-term investments in ARS held by the Company at both March 31, 2014 and December 31, 2013 are in securities collateralized by student loan portfolios. At both March 31, 2014 and December 31, 2013, most of the Company’s ARS were rated AA+.
- (5) As discussed in Note 10 — *Financial Commitments*, the Company entered into a swap agreement with Bank of America, N.A. to establish a long-term interest rate for its \$200 million five-year term loan. The swap agreement became effective for the term loan principal balance outstanding at January 31, 2012 and will remain effective through the maturity date of the term loan. The Company values the interest rate swap liability utilizing a discounted cash flow model that takes into consideration forward interest rates observable in the market and the counterparty’s credit risk. This liability is classified as a component of other long-term liabilities.
- (6) The liabilities listed as of March 31, 2014 and December 31, 2013 above represent the contingent consideration for the Company’s acquisitions in 2011 for which the measurement periods for purchase price analyses for the acquisitions have concluded.

The Company did not have any transfers between Levels 1 and 2 of financial assets or liabilities that are fair valued on a recurring basis during the three months ended March 31, 2014 and 2013.

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

	<u>Auction Rate Securities</u> (in thousands)
Balance at December 31, 2013	\$ 46,283
Purchases	—
Settlements	—
Realized loss included in other income (expense), net	—
Reversal of pretax impairment charges included in accumulated other comprehensive income (loss)	—
Balance at March 31, 2014	<u>\$ 46,283</u>
	<u>Auction Rate Securities</u> (in thousands)
Balance at December 31, 2012	\$ 46,283
Purchases	—
Settlements	—
Realized loss included in other income (expense), net	—
Reversal of pretax impairment charges included in accumulated other comprehensive income (loss)	—
Balance at March 31, 2013	<u>\$ 46,283</u>

At both March 31, 2014 and December 31, 2013, the Company had \$46.3 million invested in auction rate securities (“ARS”) classified as available-for-sale. All of the ARS are securities collateralized by student loan portfolios guaranteed by the United States government. At both March 31, 2014 and December 31, 2013, most of the Company’s ARS were rated AA+. On May 1, 2014, the Company sold all of its Auction Rate Securities for approximately \$44.5 million.

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

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

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

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

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

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

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

	Contingent Consideration (in thousands)
Balance at December 31, 2013	\$ 46,022
Fair value adjustments included in other income (expense), net	3,404
Contingent consideration settled	(1,031)
Balance at March 31, 2014	<u>\$ 48,395</u>
	Contingent Consideration (in thousands)
Balance at December 31, 2012	\$ 42,624
Fair value adjustments included in other income (expense), net	1,380
Contingent consideration settled	—
Balance at March 31, 2013	<u>\$ 44,004</u>

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

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

(6) Goodwill and Intangible Assets

The Company tests goodwill and intangible assets with indefinite lives for impairment by applying a fair value test in the fourth quarter of each year and between annual tests if events occur or circumstances change that suggest a material adverse change to the most recently concluded valuation. Intangible assets with finite lives are also tested for impairment whenever events or circumstances indicate that the carrying value may not be recoverable. The Company did not observe any changes in facts or circumstances during the three months ended March 31, 2014 that would suggest a material decline in the value of goodwill and intangible assets as concluded in the fourth quarter of the year ended December 31, 2013.

Table of Contents

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

The following table presents the carrying amount of goodwill, and the effect of the reorganization, allocated to the Company’s reporting units as of March 31, 2014:

	Civil	Building	Specialty Contractors (in thousands)	Management Services	Total
Gross Goodwill Balance	\$ 429,893	\$ 420,267	\$ 148,943	\$ 66,638	\$ 1,065,741
Accumulated Impairment	(55,740)	(409,765)	—	(22,480)	(487,985)
Balance at December 31, 2013	\$ 374,153	\$ 10,502	\$ 148,943	\$ 44,158	\$ 577,756
Goodwill redistribution in connection with reorganization	41,205	2,953		(44,158)	—
Balance at March 31, 2014	<u>\$ 415,358</u>	<u>\$ 13,455</u>	<u>\$ 148,943</u>	<u>\$ —</u>	<u>\$ 577,756</u>

Intangible assets consist of the following:

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

December 31, 2013					Weighted Average Amortization Period
Cost	Accumulated Amortization (in thousands)	Accumulated Impairment Charge	Carrying Value		
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	<u>\$ 311,456</u>	<u>\$ (84,649)</u>	<u>\$ (113,067)</u>	<u>\$ 113,740</u>	

Amortization expense for the three months ended March 31, 2014 and 2013 totaled \$3.7 million and \$3.3 million, respectively. As of March 31, 2014, amortization expense is estimated to be \$9.8 million for the remainder of 2014, \$3.7 million in 2015, \$3.5 million in 2016, \$3.5 million in 2017, \$3.5 million in 2018 and \$35.5 million thereafter.

(7) Contingencies and Commitments

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

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

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

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

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

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

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

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

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

In December 2010, the Suffolk County Superior Court granted MHD’s motion for summary judgment to vacate the Third DRB Panel’s awards to PKC for approximately \$56.5 million on the grounds that the arbitrators do not have authority to decide whether particular claims are subject to the arbitration provision of the contract. MHD subsequently moved to vacate approximately \$13.7 million of the Fourth DRB Panel’s total awards to PKC on the same arbitrability basis that the Third DRB’s awards were vacated. In October 2011, the Suffolk County Superior Court followed its earlier arbitrability rulings holding that the Fourth DRB exceeded its authority in deciding arbitrability with respect to certain of the Fourth DRB Panel’s awards (approximately \$8 million of the \$13.7 million discussed above). PKC appealed the Superior Court decisions and in January 2013, the Superior Court decisions were affirmed in MHD’s favor. The Appeals Court remanded the case back to the lower court to determine how and by whom the claims must be decided. PKC filed an application for further appellate review by the Massachusetts Supreme Judicial Court and a motion for reconsideration in the Appeals Court. The Appeals Court rejected PKC’s petition for rehearing. The Massachusetts Supreme Judicial Court denied the application in June 2013. PKC is now litigating the issue of arbitrability in Superior Court on review of the Engineer’s Decisions. The parties participated in a Court scheduled hearing on the motion for judgment on the pleadings challenging the Engineer’s Decisions in September 2013. The Court has not yet ruled and no trial dates have been set in any of the court cases.

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

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

Long Island Expressway/Cross Island Parkway Matter

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

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

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

Fontainebleau Matter

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

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

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

In October 2013, a settlement was reached by and among the Statutory Lienholders and the other interested parties. The agreed upon settlement did not have an impact on the Company's recorded accounting position as of the period ended March 31, 2014. The execution of that settlement agreement continues under the supervision of a mediator appointed by the Bankruptcy Court. Management has made an estimate of the total anticipated recovery on this project, and such estimate is included in revenue recorded to date. To the extent new facts become known or the final recovery included in the claim settlement varies from the estimate, the impact of the change will be reflected in the financial statements at that time.

MGM CityCenter Matter

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

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

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

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

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

With respect to alleged losses at the Harmon Tower, the Company has contractual indemnities from the responsible subcontractor, as well as existing insurance coverage that it expects will be available and sufficient to cover any liability that may be associated with this matter. The Company’s insurance carrier initiated legal proceedings seeking declaratory relief that their insurance policies do not provide for defense or coverage for matters pertaining to the Harmon Towers. Those proceedings are stayed pending the outcome of the underlying dispute in Nevada District Court. The Company is not aware of a basis for other claims that would amount to material offsets against what MGM owes to the Company. The Company does not expect this matter to have any material effect on its consolidated financial statements.

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

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

In January 2014, the Parties reached a confidential settlement on most of the non-Harmon related issues, including the majority of the Company’s affirmative claims. Court ordered mediation is ongoing for the remaining claims.

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

Honeywell Street/Queens Boulevard Bridges Matter

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

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

Westgate Planet Hollywood Matter

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

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

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

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

100th Street Bus Depot Matter

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

The Company tendered its claim to the NYCTA OCIP and to Chartis Claims, Inc. (“Chartis”), its insurance carrier. Coverage was denied in January 2011. The OCIP and general liability carriers filed a declaratory relief action in the United States District Court, Southern District of New York against the Company seeking court determination that no coverage is afforded under their policies. In mid-February 2012, the Company filed a third-party action against certain underwriters (“Lloyd’s”). In mid-November 2012, the Court granted Chartis’ and Lloyd’s respective motions for summary judgment without oral argument. In 2013, parties filed appellate briefs and the matter is under submission in the Court of Appeal.

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

Brightwater Matter

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

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

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

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

156 Stations Matter

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

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

(8) Income Taxes

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

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

(9) Stock-Based Compensation

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

The Company's intent is to settle stock awards in shares upon vesting to the extent that the Company has approved shares available under the Plan. A total of 75,461 shares of common stock remain available for future grant under the Plan at March 31, 2014. As a result, awards of 250,000 stock options that were made in March 2014 under the Plan were not deducted from the shares of common stock remaining available for future grant and these option awards, which may at the Company's election be settled in cash, were classified as liabilities, and compensation cost for these liability-classified awards will be remeasured at each balance sheet date until such time that the Plan has been amended to increase the number of shares available. Under FASB ASC Topic 718, "*Stock Compensation*" (ASC 718), options or similar instruments on shares are classified as liabilities when a cash settlement feature exists in the stock based award that can be exercised only upon the occurrence of an event that is outside the employee's control.

Restricted Stock Unit Awards

Restricted stock unit awards generally vest subject to the satisfaction of service requirements or the satisfaction of both service requirements and achievement of certain performance targets. Upon vesting, each restricted stock unit award is exchanged for one share of the Company's common stock. The grant date fair values of these awards are determined based on the closing price of the Company's stock on either the award date (if subject only to service conditions), or the date that the Compensation Committee establishes the applicable performance target (if subject to performance conditions). The related compensation expense is amortized over the applicable requisite service period. As of March 31, 2014, the Compensation Committee has approved the grant of an aggregate of 5,498,333 restricted stock unit awards to eligible participants.

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

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

For the three months ended March 31, 2014 and 2013, the Company recognized \$3.9 million and \$2.3 million, respectively, of compensation expense related to restricted stock unit awards, and such expense is included in general and administrative expenses in the Consolidated Statements of Operations. As of March 31, 2014 there was \$22.3 million of unrecognized compensation cost related to the unvested awards which, absent significant forfeitures in the future, is expected to be recognized over a weighted average period of approximately 3.1 years.

A summary of restricted stock unit awards activity for the three months ended March 31, 2014 is as follows:

	Number of Shares	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value (in thousands)
Granted and Unvested - January 1, 2014	361,668	\$ 17.30	\$ 9,512
Vested	(161,668)	\$ 19.30	\$ 4,619
Granted	866,500	\$ 27.33	\$ 24,843
Forfeited	—	—	—
Total Granted and Unvested	1,066,500	\$ 25.15	\$ 30,577
Approved for grant	401,000	(a)	\$ 11,497
Total Awarded and Unvested - March 31, 2014	1,467,500	n.a.	\$ 42,073

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

The outstanding unvested awards at March 31, 2014 are scheduled to vest as follows, subject where applicable to the achievement of performance targets. As described above, certain performance targets are not yet established.

Vesting Date	Number of Awards
2014	125,000
2015	342,500
2016	202,500
2017	752,500
2018	36,000
2019	9,000
	1,467,500

Approximately 150,000 of the unvested restricted stock unit awards will vest based on the satisfaction of service requirements and 1,317,500 of the unvested restricted stock unit awards will vest based on the satisfaction of both service requirements and the achievement of performance targets.

Stock Options

Stock option awards generally vest subject to the satisfaction of service requirements or the satisfaction of both service requirements and achievement of certain performance targets. The grant date fair values of these awards are determined based on the Black-Scholes option price model on either the award date (if subject only to service conditions) or the date that the Compensation Committee establishes the applicable performance target (if subject to performance conditions). The related compensation expense is amortized over the applicable requisite service period. The exercise price of the options is equal to the closing price of the Company's common stock on the date the awards were approved by the Compensation Committee, and the awards expire ten years from the award date. As of March 31, 2014, the Compensation Committee has approved the award of an aggregate of 2,785,465 stock option awards to eligible participants.

In March 2014, the Compensation Committee established the 2014 performance target for 714,000 stock options awarded in 2014, 2013 and 2012. The stock option awards granted during the first quarter of 2014 had a weighted average grant date fair value of \$17.69.

Table of Contents

For the three months ended March 31, 2014 and 2013, the Company recognized compensation expense of \$1.5 million and \$0.8 million, respectively, related to stock option awards, and such expenses are included in general and administrative expenses in the Consolidated Statements of Operations. As of March 31, 2014, there was \$12.1 million of unrecognized compensation expense related to the outstanding options, which, absent significant forfeitures in the future, is expected to be recognized over a weighted average period of approximately 3.3 years.

A summary of stock option activity for the three months ended March 31, 2014 is as follows:

	Number of Shares	Weighted Average	
		Grant Date Fair Value	Exercise Price
Total Granted and Outstanding - January 1, 2014	1,295,000	\$ 9.94	\$ 20.20
Granted	714,000	\$ 17.69	\$ 18.40
Exercised	—	—	—
Forfeited	—	—	—
Total Granted and Outstanding	2,009,000	\$ 12.70	\$ 19.56
Approved for grant	336,000	(a)\$	11.88
Total Awarded and Outstanding - March 31, 2014	2,345,000	n.a.	\$ 18.46

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

There were 1,155,000 options that have vested and were exercisable at March 31, 2014 at a weighted average exercise price of \$20.67 per share.

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

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

The following table details the key assumptions used in estimating the grant date fair values of stock option awards granted during the first quarter of 2014 based on the Black Scholes option pricing model using the following key assumptions:

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

(10) Financial Commitments

Amended Credit Agreement

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

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

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

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

The Amended Credit Agreement increases the sublimit for letters of credit from \$50 million to \$150 million. Substantially all of the Company’s subsidiaries unconditionally guarantee the obligations of the Company under the Amended Credit Agreement. The obligations under the Amended Credit Agreement are secured by a lien on all personal property of the Company and its subsidiaries party thereto. Any outstanding loans under the Revolving Facility mature on August 3, 2016, while the Term Loan includes quarterly installments of principal and interest payable over a five-year period. The Term Loan balance has been paid down to \$105.0 million at March 31, 2014.

The Company had \$214.0 million of outstanding borrowings under its Revolving Facility as of March 31, 2014 and \$135.0 million of outstanding borrowings as of December 31, 2013. The net increase in borrowings under the Revolving Facility comprises all “Proceeds from debt” and a significant portion of all “Repayment of debt” as presented in the Consolidated Condensed Statements of Cash Flows. The Company utilized the Revolving Facility for letters of credit in the amount of \$0.2 million as of both March 31, 2014 and December 31, 2013. Accordingly, at March 31, 2014, the Company had \$85.8 million available to borrow under the Revolving Facility.

(11) Earnings per Common Share

Basic earnings per common share were computed by dividing net income by the weighted average number of common shares outstanding. Diluted earnings per common share were similarly computed after giving consideration to the dilutive effect of stock options and restricted stock unit awards outstanding on the weighted average number of common shares outstanding. The computation of diluted earnings per common share excludes 260,000 stock option shares and 942,500 stock option shares during the three months ended March 31, 2014 and 2013, respectively, because these shares would have an antidilutive effect.

(12) Business Segments

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

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

The following table sets forth certain reportable segment information relating to the Company's operation for the three months ended March 31, 2013 and 2014 (in thousands). In accordance with the accounting guidance on segment reporting, the Company has restated the comparative prior period information for the reorganized reportable segments:

	Reportable Segments						Consolidated Total
(in thousands)	Civil	Building	Specialty Contractors	Totals	Corporate		
<u>Three Months Ended</u>							
<u>March 31 2014</u>							
Total revenues	\$ 376,392	\$ 311,315	\$ 292,145	\$ 979,852	\$ —		\$ 979,852
Elimination of intersegment revenues	(11,236)	(13,383)	—	(24,619)	—		(24,619)
Revenues from external customers	\$ 365,156	\$ 297,932	\$ 292,145	\$ 955,233	\$ —		\$ 955,233
Income from construction operations	\$ 44,345	\$ 1,823	\$ 7,817	\$ 53,985	\$ (12,488)*		\$ 41,497
<u>Three Months Ended</u>							
<u>March 31, 2013</u>							
Total revenues	\$ 305,249	\$ 451,209	\$ 301,877	\$ 1,058,335	\$ —		\$ 1,058,335
Elimination of intersegment revenues	(51,288)	(14,109)	(10)	(65,407)	—		(65,407)
Revenues from external customers	\$ 253,961	\$ 437,100	\$ 301,867	\$ 992,928	\$ —		\$ 992,928
Income from construction operations	\$ 23,250	\$ 5,347	\$ 19,286	\$ 47,883	\$ (11,804)*		\$ 36,079

* Consists primarily of corporate general and administrative expenses.

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

	<u>March 31, 2014</u>	<u>December 31, 2013</u>
Building	656,775	663,314
Civil	1,456,420	1,384,937
Specialty Contractors	752,516	734,079
	\$ 2,865,711	\$ 2,782,330
Corporate *	659,638	615,108
Total	<u>\$ 3,525,349</u>	<u>\$ 3,397,438</u>

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

(13) Employee Pension Plans

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

The following table sets forth the net periodic benefit cost by component for the three months ended March 31, 2014 and 2013:

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

The Company was not required by its pension plan administrator to make a contribution to its defined benefit pension plan during the first quarter of 2013. During the first quarter of 2014, the Company contributed \$0.6 million. The Company expects to contribute an additional \$2.8 million to its defined benefit pension plan during the remainder of fiscal year 2014.

(14) Related Party Transactions

The Company leases certain facilities from Ronald N. Tutor, the Company’s Chairman and Chief Executive Officer, and an affiliate owned by Mr. Tutor under non-cancelable operating lease agreements with current monthly payments of \$0.2 million, which increase at 3% per annum beginning August 1, 2009 and expiring on July 31, 2016. Lease expense for these leases, recorded on a straight-line basis, was \$0.6 million for the three months ended March 31, 2014 and 2013. On April 18, 2014, the Company and Ronald N. Tutor entered into two separate lease agreements, replacing these current leases. Each of the new leases is effective June 1, 2014 with new monthly payments of \$0.2 million, and an increase at the rate of the greater of 3% per annum or the Consumer Price Index (“CPI”) for the Los Angeles metropolitan area beginning with June 1, 2015. Both new leases provide for purchase/sell options beginning on June 1, 2021 and June 1, 2025, respectively. Also under both leases, the fair market value shall be agreed upon by both parties, or shall be determined by a consensus of independent qualified appraisers.

Raymond R. Oneglia, who is the Vice Chairman of O&G Industries, Inc. (“O&G”), is a director of the Company. Currently the Company has a 30% interest in a joint venture with O&G as the sponsor involving a highway construction project for the State of Connecticut, with an estimated total contract value of approximately \$369 million, scheduled for completion in 2017. Under this arrangement, O&G provides project-related equipment and services directly to the customer (on customary trade terms). In accordance with the joint venture agreement, payments to O&G for equipment and services for each of the quarters ended March 31, 2014 and March 31, 2013 were \$1.5 and \$1.4 million, respectively. O&G’s cumulative holdings of the Company’s stock were 500,000 shares at March 31, 2014 and 600,000 shares at March 31, 2013, or 1.03% and 1.26%, respectively, of total common shares outstanding.

(15) Separate Financial Information of Subsidiary Guarantors of Indebtedness

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

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

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

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

CONDENSED CONSOLIDATING BALANCE SHEET - DECEMBER 31, 2013
(in thousands)

	Tutor Perini Corporation	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Total Consolidated
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 88,995	\$ 18,031	\$ 12,897	\$ —	\$ 119,923
Restricted Cash	18,833	8,040	15,721	—	42,594
Accounts Receivable	208,227	1,126,012	47,958	(90,951)	1,291,246
Costs and Estimated Earnings in Excess of Billings	99,779	505,979	152	(32,662)	573,248
Deferred Income Taxes	—	15,866	—	(7,626)	8,240
Other Current Assets	37,605	26,234	24,462	(37,632)	50,669
Total Current Assets	<u>453,439</u>	<u>1,700,162</u>	<u>101,190</u>	<u>(168,871)</u>	<u>2,085,920</u>
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
	<u>\$ 2,828,833</u>	<u>\$ 3,246,398</u>	<u>\$ 105,810</u>	<u>\$ (2,783,603)</u>	<u>\$ 3,397,438</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>					
Current Maturities of Long-term Debt	\$ 50,578	\$ 64,080	\$ —	\$ —	\$ 114,658
Accounts Payable	162,292	677,997	6,039	(88,103)	758,225
Billings in Excess of Costs and Estimated Earnings	90,267	177,285	34	—	267,586
Accrued Expenses and Other Current Liabilities	58,232	99,257	48,369	(47,841)	158,017
Total Current Liabilities	<u>361,369</u>	<u>1,018,619</u>	<u>54,442</u>	<u>(135,944)</u>	<u>1,298,486</u>
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
	<u>\$ 2,828,833</u>	<u>\$ 3,246,398</u>	<u>\$ 105,810</u>	<u>\$ (2,783,603)</u>	<u>\$ 3,397,438</u>

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS (UNAUDITED)
THREE MONTHS ENDED MARCH 31, 2014
(in thousands)

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

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

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

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS (UNAUDITED)
THREE MONTHS ENDED MARCH 31, 2014
(in thousands)

	<u>Tutor Perini Corporation</u>	<u>Guarantor Subsidiaries</u>	<u>Non- Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Total Consolidated</u>
Cash Flows from Operating Activities:					
Net income (loss)	\$ 15,939	\$ 11,619	\$ 3,662	\$ (15,281)	\$ 15,939
Adjustments to reconcile net income to net cash from operating activities:					
Depreciation and amortization	1,780	12,947	(68)	—	14,659
Equity in earnings of subsidiaries	(15,281)	—	—	15,281	—
Stock-based compensation expense	5,316	113	—	—	5,429
Excess income tax benefit from stock-based compensation	—	—	—	—	—
Deferred income taxes	4,624	(4,579)	—	—	45
(Gain) loss on sale of property and equipment	427	—	—	—	427
Other long-term liabilities	2,886	608	—	—	3,494
Other non-cash items	855	(1,282)	—	—	(427)
Changes in other components of working capital	(48,652)	(37,991)	5,947	—	(80,696)
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>\$ (32,106)</u>	<u>\$ (18,565)</u>	<u>\$ 9,541</u>	<u>\$ —</u>	<u>\$ (41,130)</u>
Cash Flows from Investing Activities:					
Acquisition of property and equipment	(4,041)	(4,311)	—	—	(8,352)
Proceeds from sale of property and equipment	(427)	1,844	—	—	1,417
Change in restricted cash	15,465	(664)	(15,476)	—	(675)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>\$ 10,997</u>	<u>\$ (3,131)</u>	<u>\$ (15,476)</u>	<u>\$ —</u>	<u>\$ (7,610)</u>
Cash Flows from Financing Activities:					
Proceeds from debt	250,656	(72,618)	—	—	178,038
Repayment of debt	(179,032)	65,481	—	—	(113,551)
Business acquisition-related payments	—	(1,031)	—	—	(1,031)
Excess income tax benefit from stock-based compensation	—	—	—	—	—
Issuance of common stock and effect of cashless exercise	(1,575)	—	—	—	(1,575)
Increase (decrease) in intercompany advances	(63,312)	60,771	2,541	—	—
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>\$ 6,737</u>	<u>\$ 52,603</u>	<u>\$ 2,541</u>	<u>\$ —</u>	<u>\$ 61,881</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(14,372)	30,907	(3,394)	—	13,141
Cash and Cash Equivalents at Beginning of Year	88,995	18,031	12,897	—	119,923
Cash and Cash Equivalents at End of Period	<u>\$ 74,623</u>	<u>\$ 48,938</u>	<u>\$ 9,503</u>	<u>\$ —</u>	<u>\$ 133,064</u>

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS (UNAUDITED)
THREE MONTHS ENDED MARCH 31, 2013
(in thousands)

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

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

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

Overview

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

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

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

We believe our leadership position as the contractor of choice for large, complex civil and building projects will support our long-term backlog growth. We have continued to experience increased contributions from our Civil segment consistent with our strategic focus on growing our business by pursuing and obtaining higher-margin public works projects. We expect to continue to leverage our substantial self-performance and schedule control capabilities to obtain additional large-scale civil and building awards. We have capitalized on this leadership position and these synergies with various recent significant new awards and pending awards (see *Backlog Analysis* on page 34).

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

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

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

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

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

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

In the first quarter of 2014, we received significant new contract awards as well as additions to existing contracts and ended the quarter with a contract backlog of \$7.7 billion, an increase of \$0.7 billion from \$7.0 billion as of December 31, 2013. The strong increase in our backlog was driven primarily by two large new mass transit project awards that benefited our Civil and Specialty Contractors segments.

Backlog Analysis

Our backlog of uncompleted construction work at March 31, 2014 was approximately \$7.7 billion compared to \$7.0 billion at December 31, 2013. During the first quarter of 2014, we booked various new awards and adjustments to existing contracts into backlog across each of our business segments. Significant new awards included two mass transit projects for the New York Metropolitan Transportation Authority (MTA) collectively valued at \$844 million; a \$113 million technology building project in California; a \$92 million highway project in Virginia; and a \$74 million wastewater treatment project in New York.

In addition to our existing backlog, we continue to have a significant volume of pending contract awards, including up to \$2.3 billion in various future phases of the Hudson Yards project and approximately \$2.0 billion in various other contracts. We anticipate booking many of our pending awards into backlog over the next several quarters, and future phases of the Hudson Yards project over the next several years, as the contracts for these various projects are executed. We continue tracking several large-scale civil and building prospects for both public and private sector customers as we further leverage our self-performance and schedule control capabilities.

The following table provides an analysis of our backlog by business segment for the three months ended March 31, 2014, restated for prior year data due to the reorganization eliminating the Management Services segment, as the unit no longer meets the criteria set forth in FASB ASC Topic 280, “*Segment Reporting*”.

	Backlog at December 31, 2013	New Business Awarded (1)	Revenues Recognized	Backlog at March 31, 2014
	(in millions)			
Civil	\$ 3,538.1	\$ 714.2	\$ (365.2)	\$ 3,887.1
Building	1,755.1	275.7	(297.9)	1,732.9
Specialty Contractors	1,661.1	663.4	(292.1)	2,032.4
Total	<u>\$ 6,954.3</u>	<u>\$ 1,653.3</u>	<u>\$ (955.2)</u>	<u>\$ 7,652.4</u>

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

Critical Accounting Policies

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

Recently Issued Accounting Pronouncements

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

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

Use of and changes in estimates

The Company's construction business involves making significant estimates and assumptions in the normal course of business relating to its contracts and its joint venture contracts. Management focuses on evaluating the performance of contracts individually. These estimates can vary in the normal course of business as projects progress, when estimated productivity assumptions change based on experience to date and uncertainties are resolved. Change orders and claims, as well as changes in related estimates of costs to complete, are considered revisions in estimates. The Company uses the cumulative catch-up method applicable to construction contract accounting to account for revisions in estimates. The impact on operating margin in a reporting period and future periods from a change in estimate will depend on the stage of contract completion. There were no significant changes in contract estimates at completion that impacted gross profit for both the three months ended March 31, 2014 and 2013.

Results of Operations

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

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

Revenues

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

(dollars in millions)	Revenues for the Three months ended March 31,		\$ Change	% Change
	2014	2013		
Civil	\$ 365.2	\$ 253.9	\$ 111.3	43.8%
Building	297.9	437.1	(139.2)	(31.8)%
Specialty Contractors	292.1	301.9	(9.8)	(3.2)%
Total	<u>\$ 955.2</u>	<u>\$ 992.9</u>	\$ (37.7)	(3.80)%

Civil Segment

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

Building Segment

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

Specialty Contractors Segment

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

Income (Loss) from Construction Operations

The following table summarizes our income (loss) from construction operations by business segment with prior year restated according to the reorganization eliminating the Management Services segment due to the unit no longer meeting the criteria set forth in FASB ASC Topic 280, “Segment Reporting” :

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

Civil Segment

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

Building Segment

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

Specialty Contractors Segment

Specialty Contractors segment income from construction operations decreased by \$11.5 million (or 59.6%), from \$19.3 million in the first quarter of 2013 to \$7.8 million in the first quarter of 2014, due primarily to the volume changes discussed in *Revenues* above and unfavorable performance on certain mechanical projects in New York. The decrease was partially offset by favorable performance on various smaller electrical projects in New York and improving performance in certain smaller specialty units. Specialty Contractors segment operating margin declined from 6.4% in the first quarter of 2013 to 2.7% in the first quarter of 2014 due primarily to the reasons discussed above.

Corporate

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

Consolidated Other Income, Interest Expense and Provision for Income Taxes

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

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

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

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

Liquidity and Capital Resources

Cash and Working Capital

At March 31, 2014 and December 31, 2013, cash held by us and available for general corporate purposes was \$25.5 million and \$36.6 million, respectively. Our proportionate share of cash held by joint ventures and available only for joint venture-related uses, including distributions to joint venture partners, was \$107.5 million and \$83.3 million at March 31, 2014 and December 31, 2013, respectively, and our restricted cash was \$43.3 million and \$42.6 million at March 31, 2014 and December 31, 2013, respectively. We do not believe that it is likely we will be called upon to contribute significant additional capital in the event of default by any of our partners.

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

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

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

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

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

At March 31, 2014, we had working capital of \$873.5 million, a ratio of current assets to current liabilities of 1.66 to 1.00, and a ratio of debt to equity of 0.65 to 1.00 compared to working capital of \$787.4 million, a ratio of current assets to current liabilities of 1.61 to 1.00 and a ratio of debt to equity of 0.59 to 1.00 at December 31, 2013.

Long-term Investments

At March 31, 2014, we had investments in auction rate securities (“ARS”) of \$46.3 million, which are reflected at fair value. Our investment policy is to manage our assets to achieve our goals of preserving principal, maintaining adequate liquidity at all times, and maximizing returns subject to our investment guidelines. The current overall liquidity concerns in capital markets have affected our ability to liquidate many of our investments in auction rate securities. As such, we classified our ARS as “available-for-sale” Long-term Investments. Based on our ability to access our cash equivalent investments and our available revolving facility, we do not expect that the short-term lack of liquidity of our ARS investments will materially affect our overall liquidity position or our ability to execute our current business plan. For a description of our accounting for our ARS, see Note 5 — *Fair Value Measurements* to Consolidated Condensed Financial Statements.

Long-term Debt

Debt was \$820.8 million at March 31, 2014, an increase of \$86.9 million from \$733.9 million at December 31, 2013, due primarily to a net increase in borrowings of \$79.0 million on our revolving line of credit. We utilized the revolving facility for outstanding letters of credit in the amount of \$0.2 million. Accordingly, at March 31, 2014, we had \$85.8 million available to borrow under our credit agreement. We believe that our financial position and credit arrangements are sufficient to support our current backlog and anticipated new work.

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

On August 2, 2012, we entered into a First Amendment (the “First Amendment”) to its Fifth Amended and Restated Credit Agreement (the “Credit Agreement”) entered into on August 3, 2011 as Borrower, with Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer (the “Lender”). The First Amendment modifies the financial covenants under the Credit Agreement to allow for more favorable minimum net worth, minimum fixed charge and maximum leverage ratios for us and also to add several new financial covenants including minimum liquidity and a consolidated senior leverage ratio. The First Amendment also increases the sublimit for letters of credit from \$50 million to \$150 million. The First Amendment also modifies the applicable interest rates for amounts outstanding under the credit facility as well as the quarterly fees per annum for the unused portion of the credit facility. As of the filing date of this Form 10-Q, we are in compliance and expect to continue to be in compliance with the modified financial covenants under the First Amendment.

There were no other material changes in our contractual obligations during the three months ended March 31, 2014.

Off-Balance Sheet Arrangements

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

Forward-looking Statements

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

- our ability to win new contracts and convert backlog into revenue;
- our ability to successfully and timely complete construction projects;
- our ability to realize the anticipated economic and business benefits of our acquisitions and our strategy to assemble and operate a Specialty Contractors business segment;
- the potential delay, suspension, termination or reduction in scope of a construction project;
- the continuing validity of the underlying assumptions and estimates of total forecasted project revenues, costs and profits and project schedules;
- the outcomes of pending or future litigation, arbitration or other dispute resolution proceedings;
- the availability of borrowed funds on terms acceptable to us;
- the ability to retain certain members of management;
- the ability to obtain surety bonds to secure our performance under certain construction contracts;
- possible labor disputes or work stoppages within the construction industry;
- changes in federal and state appropriations for infrastructure projects and the impact of changing economic conditions on federal, state and local funding for infrastructure projects;
- possible changes or developments in international or domestic political, social, economic, business, industry, market and regulatory conditions or circumstances;
- actions taken or not taken by third parties including our customers, suppliers, business partners, and competitors and legislative, regulatory, judicial and other governmental authorities and officials; and
- other risks and uncertainties discussed under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2013 filed with the Securities and Exchange Commission on February 24, 2014.

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Item 4. Controls and Procedures

Disclosure Controls and Procedures

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

Changes in Internal Controls Over Financial Reporting

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

Part II. - Other Information

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

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

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Section 1503 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) requires domestic mine operators to disclose violations and orders issued under the Federal Mine Safety and Health Act of 1977 (the “Mine Act”) by the federal Mine Safety and Health Administration. We do not act as the owner of any mines but we may act as a mining operator as defined under the Mine Act where we may be an independent contractor performing services or construction of such mine.

Information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Act and Item 104 Regulation S-K is included in Exhibit 95.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit 3.	Articles of Incorporation and By-laws
3.1	Restated Articles of Organization (incorporated by reference to Exhibit 4 to Form S-2 (File No. 33-28401) filed on April 28, 1989).
3.2	Articles of Amendment to the Restated Articles of Organization of Tutor Perini Corporation (incorporated by reference to Exhibit 3.2 to Form S-1 (File No. 333-111338) filed on December 19, 2003).
3.3	Articles of Amendment to the Restated Articles of Organization of Tutor Perini Corporation (incorporated by reference to Exhibit 3.1 to Form 8-K filed on April 12, 2000.)
3.4	Articles of Amendment to the Restated Articles of Organization of Tutor Perini Corporation (incorporated by reference to Exhibit 3.1 to Form 8-K filed on September 11, 2008.)
3.5	Articles of Amendment to the Restated Articles of Organization of Tutor Perini Corporation (incorporated by reference to Exhibit 3.5 to Form 10-Q filed on August 10, 2009).
3.6	Second Amended and Restated By-laws of Tutor Perini Corporation (incorporated by reference to Exhibit 3.1 to Form 8-K filed on November 24, 2009).
Exhibit 10.1	Commercial Lease Agreement, dated April 18, 2014 by and among Tutor-Perini Corporation and Ronald N. Tutor—filed herewith.
Exhibit 10.2	Industrial Lease Agreement, dated April 18, 2014 by and among Tutor-Perini Corporation and Kristra Investments, Ltd.—filed herewith.
Exhibit 31.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 — filed herewith.
Exhibit 31.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 — filed herewith.
Exhibit 32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 — filed herewith.
Exhibit 32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 — filed herewith.
Exhibit 95	Mine Safety Disclosure — filed herewith.
Exhibit 101.INS	XBRL Instance Document.
Exhibit 101.SCH	XBRL Taxonomy Extension Schema Document.
Exhibit 101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
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.

SIGNATURES

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

Tutor Perini Corporation

Registrant

Date: May 7, 2014

/s/Michael J. Kershaw

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

15901 OLDEN STREET, SYLMAR AND 11171 CHERRY AVENUE, FONTANA PROPERTIES LEASE

This Lease ("Lease") is made and effective, June 1, 2014, by and between Ronald N. Tutor, ("Lessor") and Tutor Perini Corporation ("Lessee"), (collectively the "Parties," or individually a "Party").

Lessor is the owner of land and improvements commonly known and numbered as Assessor's parcel number 2604-002-019, located at 15901 Olden Street, Sylmar California 91342 ("Property A"), and Assessor's parcel number 0236-191-25-0-000, located at 11171 Cherry Avenue, Fontana, California 92337 ("Property B"), (collectively the "Premises").

Lessor is currently leasing the Premises to Lessee under a lease dated June 10, 1987 as last amended August 1, 2008 ("Prior Lease").

Lessor desires to terminate the Prior Lease and lease the Premises to Lessee, and Lessee desires to terminate the Prior Lease and lease the Premises from the Lessor for the term. At the rental and upon the covenants, conditions and provisions herein set forth.

THEREFORE, in consideration of the mutual promises herein contained and other good and valuable consideration, it is agreed:

1. **Prior Lease**. The Prior Lease is hereby terminated effective May 31, 2014.
 2. **Term**. Term. The term of this Lease shall commence on June 1, 2014 and end on July 31, 2026, unless sooner terminated pursuant to any provision hereof.
 3. **Rent**. Lessee shall pay to Lessor the monthly lease rate of One Hundred Thousand Three Hundred Ninety-One Dollars (\$100,391) for Property A and Forty-Three Thousand Twenty-Five Dollars (\$43,025) for Property B for the period June 1, 2014 through May 31, 2015 and shall increase annually thereafter at the rate of the greater of 3% or the Consumer Price Index ("CPI") for the Los Angeles metropolitan area. Each installment payment shall be due in advance on the first day of each calendar month during the lease term to Lessor at 15901 Olden Street, Sylmar, California 91342 or at such other place designated by written notice from Lessor to Lessee. Rent for any period during the term hereof which is for less than one month shall be a pro rata portion of the monthly installment.
 4. **Security Deposit**. Lessor acknowledges deposit by Lessee of \$96,250 as security for Lessee's faithful performance of Lessee's obligations hereunder. If Lessee fails to pay rent or other charges due hereunder, or otherwise defaults with respect to any provision of this lease, Lessor may use, apply or retain all or any portion of said deposit for the payment of any rent or other charge in default or for the payment of any other sum to which Lessor may become obligated by reason of Lessee's default, or to compensate Lessor for any loss or damage which Lessor may suffer thereby. If Lessor so uses or applies all or any portion of said deposit, Lessee shall within ten (10) days after written demand therefor deposit cash with Lessor in an amount sufficient to restore said deposit to the full amount herein above stated and Lessee's failure to do so shall be a material breach of this Lease. If the monthly rent shall, from time to time, increase during the term of this Lease, Lessee shall thereupon deposit with Lessor additional security deposit so that the amount of security deposit held by Lessor shall at all times bear the same proportion to current rent as the original security deposit bears to the original monthly rent set forth in paragraph 4 hereof. Lessor shall not be required to keep said deposit separate from its general accounts. If Lessee performs all of Lessee's obligations hereunder, said deposit, or so much thereof as has not theretofore been applied by Lessor, shall be returned, without payment of interest or other increment for its use, to Lessee (or, at Lessor's option, to the last assignee, if any, or Lessee's interest hereunder) at the expiration of the term hereof, and after Lessee has vacated the Premises. No trust relationship is created herein between Lessor and Lessee with respect to said Security Deposit.
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5. **Use.** The Premises shall be used and occupied only for offices and equipment storage or any other use which is reasonably comparable and for no other purpose.

6. **Compliance with Law.**

(a) Lessor warrants to Lessee that the Premises, in its state existing on the date that the lease term commences, but without regard to the use for which Lessee will use the Premises, does not violate any covenants or restrictions of record, or any applicable building code, regulation or ordinance in effect on such Lease term commencement date. In the event it is determined that this warranty has been violated, then it shall be the obligation of the Lessor after written notice from Lessee, to promptly, at Lessor's sole cost and expense, rectify any such violation. In the event Lessee does not give to Lessor written notice of the violation of this warranty within six months from the date that the Lease term commences, the correction of same shall be the obligation of the Lessee at Lessee's sole cost. The warranty contained in this paragraph 6(a) shall be of no force or effect if prior to the date of this Lease, Lessee was the owner or occupant of the Premises, and, in such event, Lessee shall correct any such violation at Lessee's sole cost.

(b) Except as provided in paragraph (a), Lessee shall, at Lessee's expense, comply promptly with all applicable statutes, ordinances, rules regulations, orders, covenants and restrictions of record, and requirements in effect during the term or any part of the term hereof, regulating the use by Lessee of the Premises. Lessee shall not use or permit the use of the Premises in any manner that will tend to create waste or a nuisance or, if there shall be more than one tenant in the building containing the Premises, shall tend to disturb such other tenants.

7. **Maintenance, Repairs, Utility Installations, Trade Fixtures and Alterations .**

(a) Lessee's Obligations. Lessee shall keep in good order, condition and repair the Premises and every part thereof, structural and nonstructural, (whether or not such portion of the Premises requiring repair, or the means of repairing the same are reasonable readily accessible to Lessee, and whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements or the age of such portion of the Premises) including, without limiting the generality of the foregoing, all plumbing, heating, air conditioning, (Lessee shall procure and maintain, at Lessee's expense, an air conditioning system maintenance contract) ventilating, electrical, lighting facilities and equipment within the Premises, fixtures, walls (interior and exterior), foundations, ceilings, roofs (interior and exterior), floors, windows, doors, plate glass and skylights located within the Premises, and all landscaping, driveways, parking lots, fences and signs located on the Premises and sidewalks and parkways adjacent to the Premises.

(b) Surrender. On the last day of the term hereof, or on any sooner termination, Lessee shall surrender the Premises to Lessor in the same condition as when received, ordinary wear and tear excepted, clean and free of debris. Lessee shall repair any damage to the Premises occasioned by the installation or removal of Lessee's fixtures, furnishings and equipment. Notwithstanding anything to the contrary otherwise stated in this Lease, Lessee shall leave the air-lines, power panels, electrical distribution systems, lighting fixtures, space heaters, air conditioning, plumbing and fencing on the premises in good operating condition.

(c) Lessor's Rights. If Lessee fails to perform Lessee's obligations under this paragraph 7, or under any other paragraph of this Lease, Lessor may at its option (but shall not be required to) enter upon the Premises after ten (10) days' prior written notice to Lessee (except in the case of an emergency, in which case no notice shall be required), perform such obligations on Lessee's behalf and put the same in good order, condition and repair, and the cost thereof together with interest thereon at the maximum rate then allowable by law shall become due and payable as additional rental to Lessor together with Lessee's next rental installment.

(d) Lessor's Obligations. Except for the obligations of Lessor under paragraph 6(b) and 6(c) (relating to Lessor's warranty), paragraph 9 (relating to destruction of the Premises) and under paragraph 14 (relating to condemnation of the Premises), it is intended by the parties hereto that Lessor have no obligation, in any manner whatsoever, to repair and maintain the Premises nor the building located thereon nor the equipment therein, whether structural or non-structural, all of which obligations are intended to be that of the Lessee under paragraph 9 (a) hereof. Lessee expressly waives the benefit of any statute now or hereinafter in effect which would otherwise afford Lessee the right to make repairs at Lessor's expense or to terminate this Lease because of Lessor's failure to keep the premises in good order, condition and repair.

(e) Alterations and Additions.

(i) Lessee shall not, without Lessor's prior written consent make any alterations, improvements, additions, or Utility Installations in, on or about the Premises, except for nonstructural alterations not exceeding \$100,000 in cumulative costs during the term of this Lease. In any event, whether or not in excess of \$100,000 in cumulative cost, Lessee shall make no change or alteration to the exterior of the Premises or to the exterior of the building(s) on the Premises without Lessor's prior written consent, which shall not be unreasonably withheld. As used in this paragraph 7(e)(i) the term "Utility Installation" shall mean carpeting, window coverings, air lines, power panels, electrical distribution systems, lighting fixtures, space heaters, air conditioning, plumbing, and fencing. Lessor may require that Lessee remove any or all of said alterations, improvements, additions or Utility Installations at the expiration of the term, and restore the Premises to their prior condition. Lessor may require Lessee to provide Lessor, at Lessee's sole cost and expense, a lien and completion bond in an amount equal to one and one-half times the estimated cost of such improvements, to insure Lessor against any liability for mechanic's and materialmen's liens and to insure completion of the work. Should Lessee make any alterations, improvements, additions, or Utility Installations without the prior approval of Lessor, Lessor may require that the Lessee remove any or all of the same.

(ii) Any alterations, improvements, additions or Utility Installations in, or about the Premises that Lessee shall desire to make and which requires the consent of the Lessor shall be presented to Lessor in written form, with proposed detailed plans. If Lessor shall give its consent, the consent shall be deemed conditioned upon Lessee acquiring a permit to do so from appropriate governmental agencies, the furnishing of a copy thereof to Lessor prior to the commencement of the work and the compliance by Lessee of all conditions of said permit in a prompt and expeditious manner.

(iii) Lessee shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use in the Premises, which claims are or may be secured by any mechanics' or materialmen's lien against the Premises or any interest therein. Lessee shall give Lessor not less than ten (10) days' notice prior to the commencement of any work in the Premises, and Lessor shall have the right to post notices of non-responsibility in or on the Premises as provided by law. If Lessee shall, in good faith, contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense defend itself and Lessor against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof against the Lessor or the Premises, upon the condition that if Lessor shall require, Lessee shall furnish to Lessor a surety bond satisfactory to Lessor in an amount equal to such contested lien claim or demand indemnifying Lessor against liability for the same and holding the Premises free from the effect of such lien or claim. In addition, Lessor may require Lessee to pay Lessor's attorney's fees and costs in participating in such action if Lessor shall decide it is to its best interest to do so.

(iv) Unless Lessor requires their removal, as set forth in paragraph 7(e), all alterations, improvements, additions and Utility Installations (whether or not such Utility Installations constitutes trade fixtures of Lessee), which may be made on the Premises, shall become the property of Lessor and remain upon and be surrendered with the Premises at the expiration of the term. Notwithstanding the provisions of this paragraph 7(e)(i), Lessee's machinery and equipment, other than that which is affixed to the Premises so that it cannot be removed without material damage to the Premises, shall remain the property of Lessee and may be removed by Lessee subject to the provisions of paragraph 7.2.

8. Insurance Indemnity.

(a) Insuring Party. As used in this paragraph 8, the term "Insuring party" shall mean the party who has the obligation to obtain the Property Insurance required hereunder. The insuring party shall be designated in paragraph 46 hereof.

(b) Liability Insurance. Lessee shall, at Lessee's expense obtain and keep in force during the term of this Lease a policy of Combined Single Limit, Bodily Injury and Property Damage insurance insuring Lessor and Lessee against any liability arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be combined single limit policy in an amount not less than \$10,000,000 per occurrence. The policy shall insure performance by Lessee of the indemnity provisions of this paragraph 8. The limits of said insurance shall not, however, limit the liability of Lessee hereunder.

(c) Property Insurance.

(i) The insuring party shall obtain and keep in force during the term of this Lease a policy or policies of insurance covering loss or damage to the Premises, in the amount of the full replacement value thereof, as the same may exist from time to time, which replacement value is now \$15,000,000, against all perils included within the classification of fire, extended coverage, vandalism, malicious mischief, flood, and special extended perils ("all risk" as such term is used in the insurance industry). Said insurance shall provide for payment of loss thereunder to Lessor or to the holders of mortgages or deeds of trust on the Premises. The insuring party shall, in addition, obtain and keep in force during the term of this Lease a policy of rental value insurance covering a period of one year, with loss payable to Lessor, which insurance shall also cover all real estate taxes and insurance costs for said period. A stipulated value or agreed amount endorsement deleting the coinsurance provision of the policy shall be procured with said insurance as well as an automatic increase in insurance endorsement causing the increase in annual property insurance coverage by 2% per quarter. If the insuring party shall fail to procure and maintain said insurance the other party may, but shall not be required to, procure and maintain the same, but at the expense of Lessee. If such insurance coverage has a deductible clause, the deductible amount shall not exceed \$10,000 per occurrence, and Lessee shall be liable for such deductible amount.

(ii) If the Premises are part of a larger building, or if the Premises are part of a group of buildings owned by Lessor which are adjacent to the Premises, then Lessee shall pay for any increase in the property insurance of such other building or buildings if said increase is caused by Lessee's acts, omissions, use or occupancy of the Premises.

(iii) If the Lessor is the insuring party the Lessor will not insure Lessee's fixtures, equipment or tenant improvements unless the tenant improvements have become a part of the Premises under paragraph 7, hereof. But if Lessee is the insuring party the Lessee shall insure its fixtures, equipment and tenant improvements.

(d) Insurance Policies. Insurance required hereunder shall be in companies duly licensed to transact business in the state where the Premises are located, and maintaining during the policy term a "General Policyholders Rating" of at least B plus, or such other rating as may be required by a lender having a lien on the Premises, as set forth in the most current issue of "Best's Insurance Guide". The insuring party shall deliver to the other party copies of policies or such insurance or certificates evidencing the existence and amounts of such insurance with loss payable clauses as required by this paragraph 8. No such policy shall be cancellable or subject to reduction of coverage or other modification except after thirty (30) days' prior written notice to Lessor. If Lessee is the insuring party Lessee shall, at least thirty (30) days prior to the expiration of such

policies, furnish Lessor with renewals or “binders” thereof, or Lessor may order such insurance and charge the cost thereof to Lessee, which amount shall be payable by Lessee upon demand. Lessee shall not do or permit to be done anything which shall invalidate the insurance policies referred to in paragraph 8(c). If Lessee does or permits to be done anything which shall increase the cost of the insurance policies referred to in paragraph 8(c), then Lessee shall forthwith upon Lessor’s demand reimburse Lessor for any additional premiums attributable to any act or omission or operation of Lessee causing such increase in the cost of the insurance. If Lessor is the insuring party, and if the insurance policies maintained hereunder cover other improvements in addition the Premises, Lessor shall deliver to Lessee a written statement setting forth the amount of any such insurance cost increase and showing in reasonable detail the manner in which it has been computed.

(e) Waiver of Subrogation. Lessee and Lessor each hereby release and relieve the other, and waive their entire right to recovery against other for loss or damage arising out of or incident to the perils insured against under paragraph 8(c), which perils occur in, on or about the Premises, whether due to negligence of Lessor Lessee or their agents, employees, contractors and/or invitees. Lessee and Lessor shall, upon obtaining the policies of insurance required hereunder, give notice to the insurance carrier or carriers that the foregoing mutual waiver of subrogation is contained in this Lease.

(f) Indemnity. Lessee shall indemnify and hold harmless Lessor from and against any and all claims arising from Lessee’s use of the Premises, or from the conduct of Lessee’ business or from any activity, work or things done, permitted or suffered by Lessee in or about the Premises or elsewhere and shall further indemnify and hold harmless Lessor from and against any and all claims arising from any breach or default in the performance of any obligation on Lessee’s part to be performed under the terms of this Lease, or arising from any negligence of the Lessee, or any of Lessee’s agents, contractors, or employees, and from and against all costs, attorney’s fees, expenses and liabilities incurred in the defense of such claim or any action or proceeding brought thereon; and in any case any action or proceeding be brought against Lessor by reason of any such claim. Lessee upon notice from Lessor shall defend the same at Lessee’s expense by counsel satisfactory to Lessor. Lessee, as a material party of the consideration to Lessor, hereby assumes all risk of damage to property or injury to persons, in, upon or about the Premises arising from any cause and Lessee hereby waives all claims in respect thereof against Lessor.

(g) Exemption of Lessor from Liability. Lessee hereby agrees that Lessor shall not be liable for injury to Lessee’s business or any loss of income therefrom or for damage to the goods, wares, merchandise or other property of Lessee, Lessee’s employees, invitees, customers, or any other person in or about the Premises, nor shall Lessor be liable for injury to the person of Lessee, Lessee’s employees, agents, or contractors whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other sources or places and regardless of whether the cause of such damage or injury or the means of repairing the same is inaccessibility and Lessor shall not be liable for any damages arising from any act or neglect of any other tenant, if any, of the building in which the Premises are located.

9. **Damage or Destruction.**

(a) Definitions.

(i) “Premises Partial Damage” shall herein mean damage or destruction the Premises to the extent that the cost of repair is less than 50% of the then replacement cost of the Premises. “Premises Building Partial Damage” shall herein mean damage or destruction the building of which the Premises are a part to the extent that the cost of repair is less than 50% of the then replacement cost of such building as a whole.

(ii) “Premises Total Destruction” shall herein mean damage or destruction to the Premises to the extent that the cost of repair is 50% or more of the then replacement cost of the Premises. “Premises Building Total Destruction” shall herein mean damage or destruction to the building of which the Premises are a part to the extent that the cost of repair is 50% or more of the then replacement cost of such building as a whole.

(iii) “Insured Loss” shall herein mean damage or destruction which was caused by an event required to be covered by the insurance described in paragraph 8.

(b) Partial Damage — Insured Loss. Subject to the provisions of paragraphs 9(d), 9(e) and 9(f), if at any time during the term of this Lease there is damage which is an Insured Loss and which falls into the classification of Premises Partial Damage or Premises Building Partial Damage, then Lessor shall, at Lessor’s expense, repair such damage, but not Lessee’s fixtures, equipment or tenant improvements unless the same have become a part of the Premises pursuant to paragraph 7(e) thereof as soon as reasonable possible and this Lease shall continue in full force and effect. Notwithstanding the above, if the Lessee is the insuring party, and if the insurance proceeds received by Lessor are not sufficient to effect such repair, Lessor shall give notice to Lessee of the amount required in addition to the insurance proceeds to effect such repair. Lessee shall contribute the required amount to Lessor within ten days after Lessee has received notice from Lessor of the shortage in the insurance. When Lessee shall contribute such amount to Lessor, Lessor shall make such repairs as soon as reasonably possible and this Lease shall continue in full force and effect. Lessee shall in no event have any right to reimbursement for any such amounts so contributed.

(c) Partial Damage — Uninsured Loss. Subject to the provisions of paragraphs 9(d), 9(e) and 9(f), if at any time during the term of this Lease there is damage which is not an insured Loss and which falls within the classification of Premises Partial Damage or Premises Building Partial Damage, unless caused by negligent or willful act of Lessee (in which event Lessee shall make the repairs at Lessee’s expense), Lessor may at Lessor’s option either (i) repair such damage as soon as reasonably possible at Lessor’s expense, in which event this Lease shall continue in full force and effect, or (ii) give written notice to Lessee within thirty (30) days after the date of the occurrence of such damage of Lessor’s intention to cancel and terminate this Lease, as of the date of the occurrence of such damage. In the event Lessor elects to give such notice of Lessor’s intention to cancel and terminate this Lease, Lessee shall have the right within ten (10) days after the receipt of such notice to give written notice to Lessor of Lessee’s intention to repair such damage at Lessee’s expense, without reimbursement from Lessor, in which event this Lease shall continue in full force and effect, and Lessee shall proceed to make such repairs as soon as reasonably possible. If Lessee does not give such notice within such 10-day period this Lease shall be cancelled and terminated as of the date of the occurrence of such damage.

(d) Total Destruction. If at any time during the term of this Lease there is damage, whether or not an Insured Loss, (including destruction require by an authorized public authority), which falls in to the classification of Premises Total Destruction of Premises Building Total Destruction, this Lease shall automatically terminate as of the date of such total destruction.

(e) Damage near end of Term.

(i) If at any time during the last six months of the term of this Lease there is damage, whether or not an Insured Loss, which falls within the classification of Premises Partial Damage, Lessor may at Lessor's option cancel and terminate this Lease as of the date of occurrence of such damage by giving written notice to Lessee of Lessor's election to do so within 30 days after the date of occurrence of such damage.

(ii) Notwithstanding paragraph 9(e)(i), in the event that Lessee has an option to extend or renew this Lease, and the time within which said option may be exercised has not yet expired, Lessee shall exercise such option, if it is to be exercised at all, not later than 20 days after the occurrence of an Insured Loss falling within the classification of Premises Partial Damage during the last six months of the term of this Lease. If Lessee duly exercises such option during said 20 day period, Lessor shall, at Lessor's expense, repair such damage as soon as reasonably possible and this Lease shall continue in full force and effect. If Lessee fails to exercise such option during said 20 day period, then Lessor may at Lessor's option terminate and cancel this Lease as of the expiration of said 20 day period by giving written notice to Lessee of Lessor's election to do so within 10 days after the expiration of said 20 day period, notwithstanding any term or provision in the grant of option to the contrary.

(f) Abatement of Rent; Lessee's remedies.

(i) In the event of damage described in paragraphs 9(b) or 9(c), and Lessor or Lessee repairs or restores the Premises pursuant to the provisions of this paragraph 7, the rent payable hereunder for the period during which such damage, repair or restoration continues shall be abated in proportion to the degree to which Lessee's use of the Premises is impaired. Except for abatement of rent, if any, Lessee shall have no claim against Lessor for any damage suffered by reason of any such damage, destruction, repair or restoration.

(ii) If Lessor shall be obligated to repair or restore the Premises under the provisions of this paragraph 9 and shall not commence such repair or restoration within 90 days after such obligations shall occur, Lessee may at Lessee's option cancel and terminate this Lease by giving Lessor written notice of Lessee's election to do so at any time prior to the commencement of such repair or restoration. In such event this Lease shall terminate as of the date of such notice.

(g) Termination — Advance Payments. Upon termination of this Lease pursuant to this paragraph 9, an equitable adjustment shall be made concerning advance rent and any advance payments made by Lessee to Lessor. Lessor shall, in addition, return to Lessee so much of Lessee's security deposit as has not theretofore been applied by Lessor.

(h) Waiver. Lessor and Lessee waive the provisions of any statutes which relate to termination of leases when leased property is destroyed and agree that such event shall be governed by the terms of this Lease.

10. Real Property Taxes.

(a) Payment of Taxes. Lessee shall pay the real property tax, as defined in paragraph 10(b), applicable to the Premises during the term of this Lease. All such payments shall be made at least ten (10) days prior to the delinquency date of such payment. Lessee shall promptly furnish Lessor with satisfactory evidence that such taxes have been paid. If any such taxes paid by Lessee shall cover any period of time prior to or after the expiration of the term hereof, Lessee's share of such taxes shall be equitably prorated to cover only the period of time within the tax fiscal year during which this Lease shall be in effect, and Lessor shall reimburse Lessee to the extent required. If Lessee shall fail to pay any such taxes, Lessor shall have the right to pay the same, in which case Lessee shall repay such amount to Lessor with Lessee's next rent installment together with interest at the maximum rate then allowable by law.

(b) Definition of "Real Property Tax". As used herein, the term "real property tax" shall include any form of real estate tax or assessment, general, special, ordinary or extraordinary, and any license fee, commercial rental tax, improvement bond or bonds, levy or tax, (other than inheritance, personal income or estate taxes) imposed on the Premises by any authority having the direct or indirect power to tax, including any city, state or federal government, or any school, agricultural, sanitary, fire, street, drainage or other improvement district thereof, as against any legal or equitable interest of Lessor in the Premises or in the real property of which the Premises are a part, as against Lessor's right to rent or other income therefrom, and as against Lessor's business of leasing the Premises. The term "real property tax" shall also include any tax, fee, levy, assessment or charge (i) in substitution of, partially or totally, any tax, fee, levy assessment or charge hereinabove included within the definition of "real property tax," or (ii) the nature of which was hereinbefore included within the definitions of "real property tax," or (iii) which is imposed for a service or right not charged prior to June 1, 1978, or, if previously charged, has been increased since June 1, 1978, or (iv) which is imposed as a result of a transfer, either partial or total, of Lessor's interest in the Premises or which is added to a tax or charge hereinbefore included within the definitions of real property tax by reason of such transfer, or (v) which is imposed by reason of this transaction, any modifications or changes hereto, or any transfer hereof.

(c) Joint Assessment. If the premises are not separately assessed, Lessee's liability shall be an equitable proportion of the real property taxes for all of the land and improvements included within the tax parcel assessed, such proportion to be determined by Lessor from the respective valuations assigned in the assessor's work sheets or such other information as may be reasonable available. Lessor's reasonable determination thereof, in good faith, shall be conclusive.

(d) Personal Property Taxes.

(i) Lessee shall pay prior to delinquency all taxes assessed against and levied upon trade fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Lessor.

(ii) If any of Lessee's said personal properties shall be assessed with Lessor's real property, Lessee shall pay Lessor the taxes attributable to Lessee within 10 days after receipt of a written statement setting forth the taxes applicable to Lessee's property.

11. Utilities. Lessee shall pay for all water, gas, heat, light, power, telephone and other utilities and services supplied to the Premises, together with any taxes thereon. If any such services are not separately metered to Lessee, Lessee shall pay a reasonable proportion to be determined by Lessor of all charges jointly metered with other premises.

12. Assignment and Subletting.

(a) Lessor's Consent Required. Lessee shall not voluntarily or by operation of law assign, transfer, mortgage, sublet, or otherwise transfer or encumber all or any part of Lessee's interest in the Lease or in the Premises, without Lessor's prior written consent, which Lessor shall not unreasonably withhold. Lessor shall respond to Lessee's request for consent hereunder in a timely manner and any attempted assignment, transfer, mortgage, encumbrance or subletting without such consent shall be void, and shall constitute a breach of this Lease.

(b) Lessee Affiliate. Notwithstanding the provisions of paragraph 12(c) hereof, Lessee may assign or sublet the Premises, or any portion thereof, without Lessor's consent, to any corporation which controls, is controlled by or is under common control with Lessee, or to any corporation resulting from the merger or consolidation with Lessee, or to any person or entity which acquires all the assets of Lessee as a going concern of the business that is being conducted on the Premises, provided that said assignee assumes, in full, the obligations of Lessee under this Lease. Any such assignment shall not, in any way, affect or limit the liability of Lessee under the terms of this Lease even if after such assignment or subletting the terms of this Lease are materially changed or altered without the consent of Lessee, the consent of whom shall not be necessary.

(c) No Release of Lessee. Regardless of Lessor's consent, no subletting or assignment shall release Lessee of Lessee's obligation or alter the primary liability of Lessee to pay the rent and to perform all other obligations to be performed by Lessee hereunder. The acceptance of rent by Lessor from any other person shall not be deemed to be a waiver by Lessor of any provision hereof. Consent to one assignment or subletting shall not be deemed consent to any subsequent assignment or subletting. In the event of default by any assignee of Lessee or any successor of Lessee, in the performance of any of the terms hereof, Lessor may proceed directly against Lessee without the necessity of

exhausting remedies against said assignee. Lessor may consent to subsequent assignments or subletting of this Lease or amendments or modifications to this Lease with assignees of Lessee, without notifying Lessee, or any predecessor of Lessee, and without obtaining Lessee's consent thereto and such action shall not relieve Lessee of liability under this Lease.

(d) **Attorney's Fees.** In the event Lessee shall assign or sublet the Premises or request the consent of Lessor to any assignment or subletting or if Lessee shall request the consent of Lessor for any act Lessee proposes to do then Lessee shall pay Lessor's reasonable attorney's fees incurred in connection therewith, such attorney's fees not to exceed \$350.00 for each such request.

13. Defaults; Remedies .

(a) **Defaults.** The occurrence of any of or more of the following events shall constitute a material default and breach of this Lease by Lessee:

(i) The vacating or abandonment of the Premises by Lessee.

(ii) The failure by Lessee to make any payment of rent or any other payment required to be made by Lessee hereunder, as and when due, where such failure shall continue for a period of three days after written notice thereof from Lessor to Lessee. In the event that Lessor serves Lessee with a Notice to Pay Rent or Quit pursuant to applicable Unlawful Detainer statutes such Notice to Pay Rent or Quit shall also constitute the notice required by the subparagraph.

(iii) The failure by Lessee to observe or perform any of the covenants, conditions or provisions of this Lease to be observed or performed by Lessee, other than described in paragraph (ii) above, where such failure shall continue for a period of 30 days are reasonably required for its cure, then Lessee shall not be deemed to be in default if Lessee commenced such cure within said 30-day period and thereafter diligently prosecutes such cure to completion.

(iv) (1) The making by Lessee of any general arrangement or assignment for the benefit of creditors; (2) Lessee becomes a "debtor" as defined in 11 U.S.C. SS101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within 60 days); (3) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within 30 days; or (4) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within 30 days. Provided, however, in the event that any provision of this paragraph 13(d)(iv) is contrary to any applicable law, such provision shall be of no force or effect.

(v) The discovery by Lessor that any financial statement given to Lessor by Lessee, any assignee of Lessee, any subtenant of Lessee, any successor in interest of Lessee or any guarantor of Lessee's obligation hereunder, and any of them, was materially false.

(b) **Remedies.** In the event of any such material default or breach by Lessee, Lessor may at any time thereafter, with or without notice or demand and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such default or breach:

(i) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Lessee shall immediately surrender possession of the Premises to Lessor. In such event Lessor shall be entitled to recover from Lessee all damages incurred by Lessor by reason of Lessee's default including, but not limited to, the cost of recovering possession of the Premises; expenses of re-letting, including necessary renovation and alteration of the Premises, reasonable attorney's fees, and any real estate commission actually paid; the worth at the time exceeds the amount of such rental loss for the same period that Lessee proves could be reasonably avoided; that portion of the leasing commission paid by Lessor pursuant to paragraph 15 applicable to the unexpired term of this Lease.

(ii) Maintain Lessee's right to possession in which case this Lease shall continue in effect whether or not Lessee shall have abandoned the Premises. In such event Lessor shall be entitled to enforce all of Lessor's rights and remedies under this Lease, including the right to recover the rent as it becomes due hereunder.

(iii) Pursue any other remedy now or hereafter available to Lessor under the laws or judicial decisions of the state wherein the Premises are located. Unpaid installments of rent and other unpaid monetary obligations of Lessee under the terms of this Lease shall bear interest from the date due at the maximum rate then allowable by law.

(c) Default by Lessor. Lessor shall not be in default unless Lessor fails to perform obligations required of Lessor within a reasonable time, but in no event later than thirty (30) days after written notice by Lessee to Lessor and to the holder of any first mortgage or deed of trust covering the Premises whose name and address shall have theretofore been furnished to Lessee in writing, specifying wherein Lessor has failed to perform such obligation; provided, however, that if the nature of Lessor's obligation is such that more than thirty (30) days are required for performance then Lessor shall not be in default if Lessor commences performance within such 30-day period and thereafter diligently prosecutes the same to completion.

(d) Late Charges. Lessee hereby acknowledges that late payment by Lessee to Lessor of rent and other sums due hereunder will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges and late charges which may be imposed on Lessor by the terms of any mortgage or trust deed covering the Premises. Accordingly, if any installment of rent or any other sum due from Lessee shall not be received by Lessor or Lessor's designee within ten (10) days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall pay to Lessor a late charge equal to 6% of such overdue amount. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of late payment by Lessee. Acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's default with respect to such overdue amount, nor prevent Lessor from exercising any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, or three (3) consecutive installments of rent, then rent shall automatically become due and payable quarterly in advance, rather than monthly, notwithstanding paragraph 3 or any other provision of this Lease to the contrary.

(e) Impounds. In the event that a late charge is payable hereunder, whether or not collected, for three (3) installments of rent or any other monetary obligation of Lessee under the terms of this Lease, Lessee shall pay to Lessor, if Lessor shall so request. In addition to any other payments required under this Lease, a monthly advance installment, payable at the same time as the monthly rent, as estimated by Lessor, for real property tax and insurance expenses on the Premises which are payable by Lessee under the terms of this Lease. Such fund shall be established to insure payment when due, before delinquency, of any or all such real property taxes and insurance premiums. If the amounts paid to Lessor by Lessee under the provisions of this paragraph are insufficient to discharge the obligations of Lessee to pay such real property taxes and insurance premiums as the same become due, Lessee shall pay to Lessor, upon Lessor's demand, such additional sums necessary to pay such obligations. All moneys paid to Lessor under this paragraph may be intermingled with other moneys of Lessor and shall not bear interest. In the event of a default in the obligations of Lessee to perform under this Lease, then any balance remaining from funds paid to Lessor under the provisions of this paragraph may, at the option of Lessor, be applied to the payment of any monetary default of Lessee in lieu of being applied to the payment of real property tax and insurance premiums.

14. **Condemnation**. If the Premises or any portion thereof are taken under the power of eminent domain, or sold under the threat of the exercise of said power (all of which are herein called "condemnation"), this Lease shall terminate as to the part so taken as of the date the condemning authority takes title or possession, whichever first occurs. If more than 10% of the floor area of the building on the Premises, or more than 25% of the land area of the Premises which is not occupied by any building, is taken by condemnation, Lessee may, at Lessee's option, to be exercised in writing only within ten (10) days after Lessor shall have given Lessee written notice of such taking (or in the absence of such notice, within ten (10) days after the condemning authority shall have taken possession) terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the rent shall be reduced in the proportion that the floor area of the building taken bears to the total floor area of the building situated on the Premises. No reduction of rent shall occur if the only area taken is that which does not have a building located thereon. Any award for the taking of all or any part of the Premises under the power of eminent domain or any payment made under threat of the exercise of such power shall be the property of Lessor, whether such and shall be made as compensation for diminution in value of the leasehold or for the taking of the fee, or as severance damages; provided, however, that Lessee shall be entitled to any award for loss of or damage to Lessee's trade fixtures and removable personal property. In the event that this Lease is not terminated by reason of such condemnation, Lessor shall to the extent of severance damages received by Lessor in connection with such condemnation, repair any damage to the Premises cause by such condemnation except to the extent that Lessee has been reimbursed therefor by the condemning authority, Lessee shall pay any amount in excess of such severance damages required to complete such repair.
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15. **Broker's Fee**. Tenant represents that Tenant was not shown the Premises by any real estate broker or agent and that Tenant has not otherwise engaged in any activity which could form the basis for a claim for real estate commission, brokerage fee, finder's fee or other similar charge, in collection with this lease.
16. **Estoppel Certificate**.
- (a) Lessee shall at any time upon not less than ten (10) day's prior written notice from Lessor execute, acknowledge and deliver to Lessor a statement in writing (i) certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease, as so modified, is in full force and effect) and the date to which the rent and other charges are paid in advance, if any, and (ii) acknowledging that there are not, to Lessee's knowledge, any uncured defaults on the part of Lessor hereunder, or specifying such defaults if any are claimed. Any such statement may be conclusively relied upon by any prospective purchaser or encumbrancer of the Premises.
- (b) At Lessor's option Lessee's failure to deliver such statement within such time shall be a material breach of this Lease or shall be conclusive upon Lessee (i) that this Lease is in full force and effect, without modification except as may be represent by Lessor, (ii) that there are no uncured defaults in Lessor's performance, and (iii) that not more than one month's rent has been paid in advance or such failure may be considered by Lessor as a default by Lessee under this Lease.
- (c) If Lessor desires to finance, refinance, or sell the Premises, or any part thereof, Lessee hereby agrees to deliver to any lender or purchaser designated by Lessor such financial statements of Lessee as may be reasonably required by such lender or purchaser. Such statements shall include the past three years' financial statements of Lessee. All such financial statements shall be received by Lessor and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.
17. **Lessor's Liability**. The term "Lessor" as used herein shall mean only the owner or owners at the time in question of the fee title or a lessee's Interest in a ground lease of the Premises, and except as expressly provided in paragraph 15, in the event of any transfer of such title or Interest, lessor herein named (and In case of any subsequent transfers then the grantor) shall be relieved from and after the date of such transfer of all liability as respects Lessor's obligations thereafter to be performed, provided that any funds in the hands of Lessor or the then grantor at the lime of such transfer, in which Lessee has an interest, shall be delivered to the grantee. The obligations contained in this Lease to be performed by Lessor shall, subject as aforesaid, be binding on Lessor's successors and assigns, only during their respective periods of ownership.
18. **Severability**. The invalidity of any provision of this Lease as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.
19. **Interest on Past-due Obligations**. Except as expressly herein provided, any amount due to Lessor not paid when due shall bear interest at the maximum rate then allowable by law from the date due. Payment of such interest shall not excuse or cure any default by Lessee under this Lease, provided, however, that interest shall not be payable on late charges incurred by Lessee nor on any amounts upon which late charges are paid by Lessee.
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20. **Time of Essence**. Time is of the essence.
21. **Additional Rent**. Any monetary obligations of Lessee to Lessor under the terms of this Lease shall be deemed to be rent.
22. **Incorporation of Prior Agreements; Amendments**. This Lease contains all agreements of the parties with respect to any matter mentioned herein. No prior agreement or understanding pertaining to any such matter shall be effective. This Lease may be modified in writing only signed by the parties in interest at the time of the modification. Except as otherwise stated in this Lease, Lessee hereby acknowledges that the Lessor or any employees or agents of Lessor has made no oral or written warranties or representations to Lessee relative to the condition or use by Lessee or said Premises and Lessee acknowledges that Lessee assumes all responsibility regarding the Occupational Safety Health Act, the legal use and adaptability of the Premises and the compliance hereof with all applicable laws and regulations in effect during the term of this Lease except as otherwise specifically stated in this Lease.
23. **Notices**. Any notice required or permitted to be given hereunder shall be in writing and may be given or personal delivery or by certified mail, and if given personally or by mail, shall be deemed sufficiently given if addressed to Lessee or to Lessor at the address noted below the signature of the respective parties, as the case may be. Either party may by notice to the other specify a different address for notice purposes except that upon Lessee's taking possession of the Premises, the Premises shall constitute Lessee's address for notice purposes. A copy of all notices required or permitted to be given to Lessor hereunder shall be concurrently transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate by notice to Lessee.
24. **Waivers**. No waiver by Lessor or any provision hereof shall be deemed a waiver of any other provision hereof or of any subsequent breach by Lessee of the same or any other provision. Lessor's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to or approval of any subsequent act by Lessee. The acceptance of rent hereunder by Lessor shall not be a waiver of any preceding breach by Lessee of any provision hereof, other than the failure of Lessee to pay the particular rent so accepted, regardless of Lessor's knowledge of such preceding breach at the time of acceptance of such rent.
25. **Recording**. Either Lessor or Lessee shall, upon request of the other, execute, acknowledge and deliver to the other a "short form" memorandum of this Lease for recording purposes.
26. **Holding Over**. If Lessee, with Lessor's consent, remains in possession of the Premises or any part thereof after the expiration of the term hereof, such occupancy shall be a tenancy from month to month upon all the provisions of this Lease pertaining to the obligations of lessee, but all options and rights of first refusal, if any, granted under the terms of this Lease shall be deemed terminated and be of no further effect during said month to month tenancy.
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27. **Cumulative Remedies**. No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.
28. **Covenants and Conditions**. Each provision of this Lease performable by Lessee shall be deemed both a covenant and a condition.
29. **Binding Effect; Choice of Law**. Subject to any provisions hereof restricting assignment or subletting by Lessee and subject to the provisions of paragraph 17, this Lease shall bind the parties, their personal representatives, successors and assigns. This Lease shall be governed by the laws of the State wherein the Premises are located.
30. **Subordination**.
- (a) This Lease, at lessor's option, shall be subordinate to any ground lease, mortgage, deed of trust, or any other hypothecation or security now or hereafter placed upon the real property of which the Premises are a part and to any and all advances made on the security thereof and to all renewals, modifications, consolidations, replacements and extensions thereof. Notwithstanding such subordination, Lessee's right to quiet possession of the Premises shall not be disturbed if Lessee is not in default and so long as Lessee shall pay the rent and observe and perform all of the provisions of this Lease, unless this Lease is otherwise terminated pursuant to its terms. If any mortgagee, trustee or ground lessor shall elect to have this Lease prior to the lien of its mortgage, deed of trust or ground lease, and shall give written notice thereof to Lessee, this Lease shall be deemed prior to such mortgage, deed of trust, or ground lease, whether this Lease is dated prior or subsequent to the date of said mortgage, deed of trust or ground lease or the date of recording thereof.
- (b) Lessee agrees to execute any documents required to effectuate an attornment, a subordination, or to make this Lease prior to the lien of any mortgage, deed of trust or ground lease, as the case may be. Lessee's failure to execute such documents within 10 days after written demand shall constitute a material default by Lessee hereunder, or at Lessor's option, Lessor shall execute such documents on behalf of Lessee as Lessee's attorney-in-fact. Lessee does hereby make, constitute and irrevocably appoint Lessor as Lessee's attorney-in-fact and in Lessee's name, place and stead, to execute such documents in accordance with this paragraph 30(b).
31. **Attorney's Fees**. If either party brings an action to enforce the terms hereof or declare rights hereunder, the prevailing party in any such action, on trial or appeal, shall be entitled to his reasonable attorney's fees to be paid by the losing party as fixed by the court.
32. **Lessor's Access**. Lessor and Lessor's agents shall have the right to enter the Premises at reasonable times for the purpose of inspecting the same, showing the same to prospective purchasers, lenders, or lessees, and making such alterations, repairs, improvements or additions to the Premises or to the building of which they are a part as Lessor may deem necessary or desirable. Lessor may at any time place on or about the Premises any ordinary "For Sale" signs and Lessor may at any time during the last 120 days of the term hereof place on or about the Premises any ordinary "For Lease" signs, all without rebate of rent or liability to Lessee.
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33. **Auctions**. Lessee shall not conduct, nor permit to be conducted, either voluntarily or involuntarily, any auction upon the Premises without first having obtained Lessor's prior written consent. Notwithstanding anything to the contrary in this lease, Lessor shall not be obligated to exercise any standard of reasonableness in determining whether to grant such consent.
34. **Signs**. Lessee shall not place any sign upon the Premises without Lessor's prior written consent except that Lessee shall have the right, without the prior permission of Lessor to place ordinary and usual for rent or sublet signs thereon.
35. **Merger**. The voluntary or other surrender of this Lease by Lessee, or a mutual cancellation thereof, or a termination by Lessor, shall not work a merger, and shall, at the option of Lessor, terminate all or any existing sub-tenancies or may, at the option of lessor operate as an assignment to Lessor of any or all of such sub-tenancies.
36. **Consents**. Except for paragraph 33 hereof, wherever in this Lease the consent of one party is required to an act of the other party such consent shall not be unreasonably withheld.
37. **Guarantor**. In the event that there is a guarantor of this lease, said guarantor shall have the same obligations as Lessee under this Lease.
38. **Quiet Possession**. Upon Lessee paying the rent for the Premises and observing and performing all of the covenants, conditions and provisions on Lessee's part to be observed and performed hereunder, Lessee shall have quiet possession of the Premises for the entire term hereof subject to all of the provisions of this Lease. The individuals executing this Lease on behalf of Lessor represent and warrant to Lessee that they are fully authorized and legally capable of executing this Lease on behalf of Lessor and that such execution is binding upon all parties holding an ownership Interest in the Premises.
39. **Options**.

(a) Landlord's Option to Require Tenant to Purchase Property A. On June 1, 2021, and on any date after July 1, 2025 but prior to the end of the Initial Term, the Landlord shall have the right to require the Tenant to acquire Property A at a price determined to be fair market value. In the event that Landlord and Tenant cannot mutually agree upon the fair market value of Property A, fair market value shall be determined by a consensus of independent qualified appraisers, one appointed by Landlord, one appointed by Tenant, and a third appointed by the appraisers appointed by Landlord and Tenant. The exercise of this option shall be in writing, and terms of the acquisition shall include payment all in cash and a closing no later than 90 days after the date the option was exercised.

(b) Landlord's Option to Require Tenant to Purchase Property B. On June 1, 2021, and on any date after July 1, 2025 but prior to the end of the Initial Term, the Landlord shall have the right to require the Tenant to acquire Property B at a price determined to be fair market value. In the event that Landlord and Tenant cannot mutually agree upon the fair market value of Property B, fair market value shall be determined by a consensus of independent qualified appraisers, one appointed by Landlord, one appointed by Tenant, and a third appointed by the appraisers appointed by Landlord and Tenant. The exercise of this option shall be in writing, and terms of the acquisition shall include payment all in cash and a closing no later than 90 days after the date the option was exercised.

(c) Tenant's Option to Require Landlord to Sell Property A to Tenant. On any date after July 1, 2025, but prior to the end of the Initial Term, the Tenant shall have the option to require the Landlord to sell Property A to the Tenant at a price to be determined to be fair market value. In the event that Landlord and Tenant cannot mutually agree upon the fair market value, the fair market value shall be determined by a consensus of independent qualified appraisers, one appointed by Tenant, one appointed by Landlord, and a third appointed by the appraisers appointed by Tenant and Landlord. The exercise of this option shall be in writing, and the terms of the acquisition shall include payment all in cash and a closing no later than 90 days after the date the option was exercised.

(d) Tenant's Option to Require Landlord to Sell Property B to Tenant. On any date after July 1, 2025, but prior to the end of the Initial Term, the Tenant shall have the option to require the Landlord to sell Property B to the Tenant at a price to be determined to be fair market value. In the event that Landlord and Tenant cannot mutually agree upon the fair market value, the fair market value shall be determined by a consensus of independent qualified appraisers, one appointed by Tenant, one appointed by Landlord, and a third appointed by the appraisers appointed by Tenant and Landlord. The exercise of this option shall be in writing, and the terms of the acquisition shall include payment all in cash and a closing no later than 90 days after the date the option was exercised.

40. **Multiple Tenant Building**. In the event that the Premises are part of a larger building or group of buildings then Lessee agrees that it will abide by, keep and observe all reasonable rules and regulations which Lessor may make from time to time for the management, safety, care, and cleanliness of the building and grounds, the parking of vehicles and the preservation of good order therein as well as for the convenience of other occupants and tenants of the building. The violations of any such rules and regulations shall be deemed a material breach of this Lease by Lessee.
41. **Security Measures**. Lessee hereby acknowledges that the rental payable to Lessor hereunder does not include the cost of guard service or other security measures, and that Lessor shall have no obligation whatsoever to provide same. Lessee assumes all responsibility for the protection of Lessee, its agents and invitees from acts of third parties.
42. **Easements**. Lessor reserves to itself the right, from time to time to grant such easements, rights and dedications that Lessor deems necessary or desirable, and to cause the recordation of Parcel Maps and restrictions, so long as such easements, rights, dedications, Maps and restrictions do not unreasonably interfere with the use of the Premises by Lessee. Lessee shall sign any of the aforementioned documents upon request of Lessor and failure to do so shall constitute a material breach of this Lease.
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43. **Performance Under Protest**. If at any time a dispute shall arise as to any amount or sum of money to be paid by one party to the other under the provisions hereof, the party against whom the obligation to pay the money is asserted shall have the right to make payment "under protest" and such payment shall not be regarded as a voluntary payment, and there shall survive the right on the part of said party to institute suit for recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said party to pay such sum or any part thereof, said party shall be entitled to recover such sum or so much thereof as it was not legally required to pay under the provisions of this Lease.
44. **Authority**. If Lessee is a corporation, trust, or general or limited partnership, each individual executing this Lease on behalf of such entity represents and warrants that he or she is duly authorized to execute and deliver this Lease on behalf of said entity. If Lessee is a corporation, trust or partnership, Lessee shall, within thirty (30) days after execution of this Lease, deliver to Lessor evidence of such authority satisfactory to Lessor.
45. **Conflict**. Any conflict between the printed provisions of this Lease and the typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions.
46. **Insuring Party**. The Insuring party under this lease shall be the Lessee.

LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN AND, BY EXECUTION OF THIS LEASE, SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

IF THIS LEASE HAS BEEN FILLED IN IT HAS BEEN PREPARED FOR SUBMISSION TO YOUR ATTORNEY FOR HIS APPROVAL. NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION OR BY THE REAL ESTATE BROKER OR ITS AGENTS OR EMPLOYEES AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION RELATING THERETO; THE PARTIES SHALL RELY SOLELY UPON THE ADVICE OF THEIR OWN LEGAL COUNSEL AS TO THE LEGAL AND TAX CONSEQUENCES OF THIS LEASE.

The parties hereto have executed this Lease at the place on the dates specified immediately adjacent to their respective signatures.

Executed at: 15901 Olden Street
Sylmar, CA 91342

"LESSOR"
Ronald N. Tutor

on April 18, 2014

/s/Ronald N. Tutor

Address: 37 Beverly Park Circle Beverly
Hills, CA 90210

By: Ronald N. Tutor

Executed at: 15901 Olden Street
Sylmar, CA 91342

"LESSEE" (Corporate seal)
Tutor Perini Corporation

on April 18, 2014

/s/Michael J. Kershaw

Address: 15901 Olden Street
Sylmar, CA 91342

By: Michael J. Kershaw
Executive Vice President & CFO

FONTANA PROPERTY LEASE

This Commercial Lease Agreement ("Lease") is made and effective June 1, 2014, by and between Kristra Investments, Ltd. ("Landlord") and Tutor Perini Corporation ("Tenant").

Landlord is the owner of land and improvements commonly known and numbered as Assessor's parcel number 0236-191-25-0-00, located on the northeast corner of Jurupa Avenue and Cherry Avenue in Fontana, California ("Premises").

Landlord is currently leasing the Premises to Tenant under a lease dated November 1, 2005, as amended August 1, 2008 ("Prior Lease").

Landlord desires to terminate the Prior Lease and lease the Leased Premises to Tenant, and Tenant desires to terminate the Prior Lease and lease the Leased Premises from Landlord for the term, at the rental and upon the covenants, conditions and provisions herein set forth.

THEREFORE, in consideration of the mutual promises herein, contained and other good and valuable consideration, it is agreed:

1. Prior Lease.

The Prior Lease is hereby terminated effective May 31, 2014.

2. Term.

A. Landlord hereby leases the Leased Premises to Tenant, and Tenant hereby leases the same from Landlord, for an "Initial Term" beginning June 1, 2014 and ending July 31, 2026.

B. The Term shall automatically be extended at the rental set forth below and otherwise upon the same covenants, conditions and provisions as provided in this Lease unless otherwise agreed upon in writing by the parties to the Lease. After the Initial Term, either party may terminate the lease by providing 90 day notice in writing to the other party of such intent to terminate.

3. Rental.

A. Base Rent. Tenant shall pay to Landlord the monthly lease rate effective June 1, 2014 of Eighty Thousand Two Hundred and Twenty-Six Dollars (\$80,226) (the "Base Rent") for the period June 1, 2014 through May 31, 2015, and shall increase at the rate of the greater of 3% or the Consumer Price Index ("CPI") for the Los Angeles metropolitan area. Each installment payment shall be due in advance on the first day of each calendar month during the lease term to Landlord at 15901 Olden Street, Sylmar, California 91342 or at such other place designated by written notice from Landlord or Tenant. The rental payment amount for any partial calendar months included in the lease term shall be prorated on a daily basis.

B. Additional Rent. As used in this Lease, the term “rent” shall mean the Base Rent and additional rent, and the term “additional rent” shall mean Real Property Taxes, insurance premiums, and all other amounts payable by Tenant to Landlord pursuant to this Lease other than Base Rent. Where no other time is stated herein for payment, payment for any amount due from Tenant to Landlord hereunder shall be made within ten (10) days after Tenant’s receipt of Landlord’s invoice or statement therefor.

4. **Landlord’s Option to Require Tenant to Purchase the Leased Premises .**

On June 1, 2021, and on any date after June 1, 2025 but prior to the end of the Initial Term, the Landlord shall have the right to require the Tenant to acquire the Leased Premises at a price determined to be fair market value. In the event that Landlord and Tenant cannot mutually agree upon the fair market value of the Premises, the fair market value shall be determined by a consensus of independent qualified appraisers, one appointed by Landlord, one appointed by Tenant, and a third appointed by the appraisers appointed by Landlord and Tenant. The exercise of this option shall be in writing, and terms of the acquisition shall include payment all in cash and a closing no later than 90 days after the date the option was exercised.

5. **Tenant’s Option to Require Landlord to Sell the Leased Premises to Tenant .**

On any date after June 1, 2025, but prior to the end of the Initial Term, the Tenant shall have the option to require the Landlord to sell the Leased Premises to the Tenant at a price to be determined to be fair market value. In the even that Landlord and Tenant cannot mutually agree upon the fair market value of the Premises, the fair market value shall be determined by a consensus of independent qualified appraisers, one appointed by Tenant, one appointed by Landlord, and a third appointed by the appraisers appointed by Tenant and Landlord. The exercise of this option shall be in writing, and the terms of the acquisition shall include payment all in cash and a closing no later than 90 days after the date the option was exercised.

6. **Use .**

For equipment storage and vehicular parking in connection with Tenant’s operations and related use in connection therewith. Notwithstanding the forgoing, Tenant shall not use the Leased Premises for the purposes of storing, manufacturing or selling any explosives, flammables or other inherently dangerous substance, chemical, thing or device.

7. **Sublease and Assignment .**

Tenant shall have the right without Landlord’s consent, to assign this Lease to a corporation with which Tenant may merge or consolidate, to any subsidiary of Tenant, to any corporation under common control with Tenant, or to a purchaser of substantially all of Tenant’s assets. Except as set forth above, Tenant shall not sublease all or any part of the Leased Premises, or assign this Lease in whole or in part without Landlord’s consent, such consent not to be unreasonably withheld or delayed.

8. **Repairs .**

During the Lease term, Tenant shall make, at Tenant’s expense, all necessary repairs to the Leased Premises.

9. Alterations and Improvements.

Tenant, at Tenant's expense, shall have the right following Landlord's consent to make additions, and improvements and replacements of and to all or any part of the Leased Premises from time to time as Tenant may deem desirable, provided the same are made in a workmanlike manner and utilizing good quality materials. Tenant shall have the right to place and install personal property, trade fixtures, equipment and other temporary installations in and upon the Leased Premises, and fasten the same to the premises. All personal property, equipment, machinery, trade fixtures and temporary installations, whether acquired by Tenant at the commencement of the Lease term or placed or installed on the Leased Premises by Tenant thereafter, shall remain Tenant's property free and clear of any claim by Landlord. Tenant shall have the right to remove the same at any time during the term of this Lease provided that all damage to the Leased Premises caused by such removal shall be repaired by Tenant at Tenant's expense.

10. Insurance.

A. If the Leased Premises is damaged by fire or other casualty resulting from any act or negligence of Tenant or any of Tenant's agents, employees or invitees, rent shall not be diminished or abated while such damages are under repair, and Tenant shall be responsible for the costs of repair not covered by insurance.

B. Tenant shall maintain extended coverage insurance on the Leased Premises in such amounts as Landlord shall deem appropriate. Tenant shall be responsible, at its expense, for fire and extended coverage insurance on all of its personal property, including removable trade fixtures, located in the Leased Premises.

C. Tenant shall, at its own expense, maintain a policy or policies of comprehensive general liability insurance with respect to the activities on the Leased Premises with the premiums thereon fully paid on or before due date, issued by and binding upon some insurance company approved by Landlord, such insurance to afford minimum protection of not less than \$10,000,000 combined single limit coverage of bodily injury, property damage or combination thereof. Landlord shall be listed as an additional insured on Tenant's policy or policies of comprehensive general liability insurance, and Tenant shall provide Landlord with current Certificates of Insurance evidencing Tenant's compliance with this Paragraph. Tenant shall obtain the agreement of Tenant's insurers to notify Landlord that a policy is due to expire at least (10) days prior to such expiration. Landlord shall not be required to maintain insurance against thefts within the Leased Premises.

D. Tenant shall obtain and keep in force during the term of this Lease a policy or policies of insurance covering loss or damage to the Leased Premises, in the amount of the full replacement value thereof, as the same may exist from time to time, which replacement value is now \$2,000,000, against all perils included within the classification of fire, extended coverage, vandalism, malicious mischief, flood, and special extended perils ("all risk" as such term is used in the insurance industry). Said insurance shall provide for payment of loss thereunder to Landlord or to the holders of mortgages or deeds of trust on the Leased Premises. The insuring party shall, in addition, obtain and keep in force during the term of this Lease a policy of rental value insurance covering a period of one year, with loss payable to Landlord, which insurance shall also cover all real estate taxes and insurance costs for said period. A stipulated value or agreed amount endorsement deleting the coinsurance provision of the policy shall be procured with said insurance as well as an automatic increase in insurance endorsement causing the increase in annual property insurance coverage by 2% per quarter. If the insuring party shall fail to procure and maintain said insurance the other party may, but shall not be required to, procure and maintain the same, but at the expense of Tenant. If such insurance coverage has a deductible clause, the deductible amount shall not exceed \$10,000 per occurrence, and Tenant shall be liable for such deductible amount.

E. Insurance Policies. Insurance required hereunder shall be in companies duly licensed to transact business in the state where the Leased Premises are located, and maintaining during the policy term a "General Policyholders Rating" of at least B plus, or such other rating as may be required by a lender having a lien on the Leased Premises, as set forth in the most current issue of "Best's Insurance Guide". The insuring party shall deliver to the other party copies of policies or such insurance or certificates evidencing the existence and amounts of such insurance with loss payable clauses as required by this paragraph 8. No such policy shall be cancellable or subject to reduction of coverage or other modification except after thirty (30) days' prior written notice to Landlord. If Tenant is the insuring party Tenant shall, at least thirty (30) days prior to the expiration of such policies, furnish Landlord with renewals or "binders" thereof, or Landlord may order such insurance and charge the cost thereof to Tenant, which amount shall be payable by Tenant upon demand. Tenant shall not do or permit to be done anything which shall invalidate the insurance policies referred to in paragraph 8(c). If Tenant does or permits to be done anything which shall increase the cost of the insurance policies referred to in paragraph 8(c), then Tenant shall forthwith upon Landlord's demand reimburse Landlord for any additional premiums attributable to any act or omission or operation of Tenant causing such increase in the cost of the insurance. If Landlord is the insuring party, and if the insurance policies maintained hereunder cover other improvements in addition the Leased Premises, Landlord shall deliver to Tenant a written statement setting forth the amount of any such insurance cost increase and showing in reasonable detail the manner in which it has been computed.

F. Waiver of Subrogation. Tenant and Landlord each hereby release and relieve the other, and waive their entire right to recovery against other for loss or damage arising out of or incident to the perils insured against under paragraph 8(c), which perils occur in, on or about the Leased Premises, whether due to negligence of Landlord Tenant or their agents, employees, contractors and/or invitees. Tenant and Landlord shall, upon obtaining the policies of insurance required hereunder, give notice to the insurance carrier or carriers that the foregoing mutual waiver of subrogation is contained in this Lease.

G. Indemnity. Tenant shall indemnify and hold harmless Landlord from and against any and all claims arising from Tenant's use of the Leased Premises, or from the conduct of Tenant' business or from any activity, work or things done, permitted or suffered by Tenant in or about the Leased Premises or elsewhere and shall further indemnify and hold harmless Landlord from and against any and all claims arising from any breach or default in the performance of any obligation on Tenant's part to be performed under the terms of this Lease, or arising from any negligence of the Tenant, or any of Tenant's agents, contractors, or employees, and from and against all costs, attorney's fees, expenses and liabilities incurred in the defense of such claim or any action or proceeding brought thereon; and in any case any action or proceeding be brought against Landlord by reason of any such claim. Tenant upon notice from Landlord shall defend the same at Tenant's expense by counsel satisfactory to Landlord. Tenant, as a material party of the consideration to Landlord, hereby assumes all risk of damage to property or injury to persons, in, upon or about the Leased Premises arising from any cause and Tenant hereby waives all claims in respect thereof against Landlord.

H. Exemption of Landlord from Liability. Tenant hereby agrees that Landlord shall not be liable for injury to Tenant's business or any loss of income therefrom or for damage to the goods, wares, merchandise or other property of Tenant, Tenant's employees, invitees, customers, or any other person in or about the Leased Premises, nor shall Landlord be liable for injury to the person of Tenant, Tenant's employees, agents, or contractors whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other sources or places and regardless of whether the cause of such damage or injury or the means of repairing the same is inaccessibility and Landlord shall not be liable for any damages arising from any act or neglect of any other tenant, if any, of the building in which the Leased Premises are located.

11. Utilities.

Tenant shall pay all charges for water, sewer, gas, electricity, telephone and other services and utilities used by Tenant on the Leased Premises during the term of this Lease unless otherwise expressly agreed in writing by Landlord. In the event that any utility or service provided to the Leased Premises is not separately metered, Landlord shall pay the amount due and separately invoice Tenant for Tenant's pro rata share of the charges. Tenant shall pay such amounts within fifteen (15) days of invoice.

12. Signs.

Following Landlord's consent, Tenant shall have the right to place on the Leased Premises, at locations selected by Tenant, any signs which are permitted by applicable zoning ordinances and private restrictions. Landlord may refuse consent to any proposed signage that is in Landlord's opinion too large, deceptive, unattractive or otherwise inconsistent with or inappropriate to the Leased Premises. Landlord shall assist and cooperate with Tenant in obtaining any necessary permission from governmental authorities or adjoining owners and occupants for Tenant to place or construct the foregoing signs. Tenant shall repair all damage to the Leased Premises resulting from the removal of signs installed by Tenant.

13. Entry.

Landlord shall have the right to enter upon the Leased Premises at reasonable hours to inspect the same, provided Landlord shall not thereby unreasonably interfere with Tenant's business on the Leased Premises.

14. Damage and Destruction.

Subject to Section 8 A. above, if the Leased Premises or any part thereof or any appurtenance thereto is so damaged by fire, casualty or structural defects that the same cannot be used for Tenant's purposes, then Tenant shall have the right within ninety (90) days following damage to elect by notice to Landlord to terminate this Lease as of the date of such damage. In the event of minor damage to any part of the Leased Premises, and if such damage does not render the Leased Premises unusable for Tenant's purposes, Landlord shall promptly repair such damage at the cost of the Landlord. In making the repairs called for in this paragraph, Landlord shall not be liable for any delays resulting from strikes, governmental restrictions, inability to obtain necessary materials or labor or other matters which are beyond the reasonable control of Landlord. Tenant shall be relieved from paying rent and other charges during any portion of the Lease term that the Leased Premises are inoperable or unfit for occupancy, or use, in whole or in part, for Tenant's purposes. Rentals and other charges paid in advance for any such periods shall be credited on the next ensuing payments, if any, but if no further payments are to be made, any such advance payments shall be refunded to Tenant. The provisions of this paragraph extend not only to the matters aforesaid, but also to any occurrence which is beyond Tenant's reasonable control and which renders the Leased Premises, or any appurtenance thereto, inoperable or unfit for occupancy or use, in whole or in part, for Tenant's purposes.

15. Default.

If default shall at any time be made by Tenant in the payment of rent when due to Landlord as herein provided, and if said default shall continue for fifteen (15) days after written notice thereof shall have been given to Tenant by Landlord, or if default shall be made in any of the other covenants or conditions to be kept, observed and performed by Tenant, and such default shall continue for thirty (30) days after notice thereof in writing to Tenant by Landlord without correction thereof then having been commenced and thereafter diligently prosecuted, Landlord may declare the term of this Lease ended and terminated by giving Tenant written notice of such intention, and if possession of the Leased Premises is not surrendered, Landlord may reenter said premises. Landlord shall have, in addition to the remedy above provided, any other right or remedy available to Landlord on account of any Tenant default, either in law or equity. Landlord shall use reasonable efforts to mitigate its damages.

16. Quiet Possession.

Landlord covenants and warrants that upon performance by Tenant of its obligations hereunder, Landlord will keep and maintain Tenant in exclusive, quiet, peaceable and undisturbed and uninterrupted possession of the Leased Premises during the term of this Lease.

17. Condemnation.

If any legally, constituted authority condemn the Leased Premises or such part thereof which shall make the Leased Premises unsuitable for leasing, this Lease shall cease when the public authority takes possession, and Landlord and Tenant shall account for rental as of that date. Such termination shall be without prejudice to the lights of either party to recover compensation from the condemning authority for any loss or damage caused by the condemnation. Neither party shall have any rights in or to any award made to the other by the condemning authority.

18. Subordination.

Tenant accepts this Lease subject and subordinate to any mortgage, deed of trust or other lien presently existing or hereafter arising upon the Leased Premises, and to any renewals, refinancing and extensions thereof, but Tenant agrees that any such mortgagee shall have the right at any time to subordinate such mortgage, deed of trust or other lien to this Lease on such terms and subject to such conditions as such mortgagee may deem appropriate in its discretion. Landlord is hereby irrevocably vested with full power and authority to subordinate this Lease to any mortgage, deed of trust or other lien now existing or hereafter placed upon the Leased Premises, and Tenant agrees upon demand to execute such further instruments subordinating this Lease or attorning to the holder of any such liens as Landlord may request. In the event that Tenant should fail to execute any instrument of subordination herein required to be executed by Tenant promptly as requested, Tenant hereby irrevocably constitutes Landlord as its attorney-in-fact to execute such instrument in Tenant's name, place and stead, it being agreed that such power is one coupled with an interest. Tenant agrees that it will from time to time upon request by Landlord execute and deliver to such persons as Landlord shall request a statement in recordable form certifying that this Lease is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as so modified), stating the dates to which rent and other charges payable under this Lease have been paid, stating that Landlord is not in default hereunder (or if Tenant alleges a default stating the nature of such alleged default) and further stating such other matters as Landlord shall reasonably require.

19. Security Deposit.

None.

20. Notice.

Any notice required or permitted under this Lease shall be deemed sufficiently given or served if sent by United States certified mail, return receipt requested, addressed as follows:

If to Landlord to:
Kristra Investments, Ltd.
c/o Ronald N. Tutor
37 Beverly Park Circle
Beverly Hills, California 90210

If to Tenant to:
Tutor Perini Corporation
15901 Olden Street
Sylmar, California 91342

Landlord and Tenant shall each have the right from time to time to change the place notice is to be given under this paragraph by written notice thereof to the other party.

21. Brokers.

Tenant represents that Tenant was not shown the Premises by any real estate broker or agent and that Tenant has not otherwise engaged in, any activity which could form the basis for a claim for real estate commission, brokerage fee, finder's fee or other similar charge, in connection with this Lease.

22. Waiver.

No waiver of any default of Landlord or Tenant hereunder shall be implied from any omission to take any action on account of such default if such default persists or is repeated, and no express waiver shall affect any default other than the default specified in the express waiver and that only for the time and to the extent therein stated. One or more waivers by Landlord or Tenant shall not be construed as a waiver of a subsequent breach of the same covenant, term or condition.

23. Memorandum of Lease.

The parties hereto contemplate that this Lease should not and shall not be filed for record, but in lieu thereof, at the request of either party, Landlord and Tenant shall execute a Memorandum of Lease to be recorded for the purpose of giving record notice of the appropriate provisions of this Lease.

24. Headings.

The headings used in this Lease are for convenience of the parties only and shall not be considered in interpreting the meaning of any provision of this Lease.

25. Successors.

The provisions of this Lease shall extend to and be binding upon Landlord and Tenant and their respective legal representatives, successors and assigns.

26. Consent.

Landlord shall not unreasonably withhold or delay its consent with respect to any matter for which Landlord's consent is required or desirable under this Lease.

27. Performance.

If there is a default with respect to any of Landlord's covenants, warranties or representations under this Lease, and if the default continues more than fifteen (15) days after notice in writing from Tenant to Landlord specifying the default, Tenant may, at its option and without affecting any other remedy hereunder, cure such default and deduct the cost thereof from the next accruing installment or installments of rent payable hereunder until Tenant shall have been fully reimbursed for such expenditures, together with interest thereon at a rate equal to the lessor of twelve percent (12%) per annum or the then highest lawful rate. If this Lease terminates prior to Tenant's receiving full reimbursement, Landlord shall pay the unreimbursed balance plus accrued interest to Tenant on demand.

28. Compliance with Law.

Tenant shall comply with all laws, orders, ordinances and other public requirements now or hereafter pertaining to Tenant's use of the Leased Premises. Landlord shall comply with all laws, orders, ordinances and other public requirements now or hereafter affecting the Leased Premises.

1.

29. Final Agreement.

This Agreement terminates and supersedes all prior understandings or agreements on the subject matter hereof. This Agreement may be modified only by a further writing that is duly executed by both parties.

LANDLORD AND TENANT HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN AND, BY EXECUTION OF THIS LEASE, SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LANDLORD AND TENANT WITH RESPECT TO THE PREMISES.

IF THIS LEASE HAS BEEN FILLED IN IT HAS BEEN PREPARED FOR SUBMISSION TO YOUR ATTORNEY FOR HIS APPROVAL. NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION OR BY THE REAL ESTATE BROKER OR ITS AGENTS OR EMPLOYEES AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION RELATING THERETO; THE PARTIES SHALL RELY SOLELY UPON THE ADVICE OF THEIR OWN LEGAL COUNSEL AS TO THE LEGAL AND TAX CONSEQUENCES OF THIS LEASE.

The parties hereto have executed this Lease at the place on the dates specified immediately adjacent to their respective signatures.

Executed at: 15901 Olden Street
Sylmar, CA 91342

"LANDLORD"
Kristra Investments, Ltd.

on April 18, 2014

Address: 37 Beverly Park Circle Beverly
Hills, CA 90210

/s/Ronald N. Tutor
By: Ronald N. Tutor
President, Kristra Investments, Inc.
Its: General Partner

Executed at: 15901 Olden Street
Sylmar, CA 91342

"TENANT" (Corporate seal)
Tutor Perini Corporation

on April 18, 2014

Address: 15901 Olden Street
Sylmar, CA 91342

/s/Michael J. Kershaw
By: Michael J. Kershaw
Executive Vice President & CFO

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Ronald N. Tutor, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Tutor Perini Corporation (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 7, 2014

/s/Ronald N. Tutor

Ronald N. Tutor

Chairman and Chief Executive Officer

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael J. Kershaw, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Tutor Perini Corporation (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 7, 2014

/s/Michael J. Kershaw

Michael J. Kershaw

Executive Vice President and Chief Financial Officer

**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**

In connection with the quarterly report of Tutor Perini Corporation (the "Company") on Form 10-Q for the period ending March 31, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ronald N. Tutor, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 7, 2014

/s/Ronald N. Tutor

Ronald N. Tutor

Chairman and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Tutor Perini Corporation and will be retained by Tutor Perini Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

**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**

In connection with the quarterly report of Tutor Perini Corporation (the "Company") on Form 10-Q for the period ending March 31, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael J. Kershaw, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 7, 2014

/s/Michael J. Kershaw

Michael J. Kershaw

Executive Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Tutor Perini Corporation and will be retained by Tutor Perini Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

MINE SAFETY DISCLOSURE

Section 1503 of the Dodd-Frank Wall Street Reform and Consumer Protection 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 (“MSHA”). We do not act as the owner of any mines but we may act as a mining operator as defined under the Mine Act where we may be an independent contractor performing services or construction of such mine. Due to timing and other factors, the data may not agree with the mine data retrieval system maintained by MSHA.

The following table provides information for the 1st Quarter ending March 31, 2014.

Mine (1)	Mine Act §104 Violations (2)	Mine Act §104 (b) Orders (3)	Mine Act §104 (d) Citations and Orders (4)	Mine Act §110 (b)(2) Violations (5)	Mine Act §107 (a) Orders (6)	Proposed Assessments from MSHA (In dollars (\$))	Mining Related Fatalities	Mine Act §104(e) Notice (yes/no) (7)	Pending Legal Action before Federal Mine Safety and Health Review Commission (yes/no)
1st Quarter Ending March 31, 2014									
Barrick Cortez Inc.	0	0	0	0	0	\$ —	0	No	No
Gibson South	1	0	0	0	0	\$ 634	0	No	No
Riveredge Mine	0	0	0	0	0	\$ —	0	No	No
White Oak Mine No. 1	0	0	0	0	0	\$ —	0	No	No
Riverview	0	0	0	0	0	\$ —	0	No	No
Sugar Camp 1	0	0	0	0	0	\$ —	0	No	No
Buchanan Mine #1	3	0	0	0	0	\$ Pending	0	No	No
Wilson County Holdings	0	0	0	0	0	\$ Pending	0	No	No

(1) United States mines.

(2) The total number of violations received from MSHA under §104 of the Mine Act, which includes citations for health or safety standards that could significantly and substantially contribute to a serious injury if left unabated.

(3) The total number of orders issued by MSHA under §104(b) of the Mine Act, which represents a failure to abate a citation under §104(a) within the period of time prescribed by MSHA.

(4) The total number of citations and orders issued by MSHA under §104(d) of the Mine Act for unwarrantable failure to comply with mandatory health or safety standards.

(5) The total number of flagrant violations issued by MSHA under §110(b)(2) of the Mine Act.

(6) The total number of orders issued by MSHA under §107(a) of the Mine Act for situations in which MSHA determined an imminent danger existed.

(7) A written notice from the MSHA regarding a pattern of violations, or a potential to have such pattern under §104(e) of the Mine Act.